



The City of Roanoke, Virginia

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017



Photo courtesy of the Virginia Museum of Transportation

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year July 1, 2016 to June 30, 2017



DEPARTMENT OF FINANCE

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INTRODUCTORY SECTION

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January 29, 2018

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

We are pleased to present the City of Roanoke, Virginia (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017 in accordance with Section 25.1(f) of the Roanoke City Charter. The Charter requires the City to issue an annual report on its financial position and activity and that the financial statements included in the report be audited by an independent firm of certified public accountants. This report was prepared by the Department of Finance in conformity with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and the financial statements included in the report were audited by Cherry Bekaert LLP.

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

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

The CAFR is presented in the following three sections:

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

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

Profile of the Government

Roanoke, the largest city in the Commonwealth of Virginia (Commonwealth) west of Richmond, is located 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 1884, Roanoke encompasses a land area of forty-three square miles and operates under a council-manager form of government. The City's 2017 estimated population is 99,644 and accounts for 32% of the population in its Metropolitan Statistical Area (MSA), which includes the neighboring City of Salem, Town of Vinton, and the Counties of Roanoke, Botetourt, Craig, and Franklin.

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

Annually, the City adopts a budget which provides the basis for financial planning and control, the purpose of which is to ensure compliance with the legal provisions established by the City Council approved, appropriated budget. The budget process begins with a strategic planning session with City Council in October of each year. Based on the planning session strategy, the City develops its annual budget using Budgeting for Outcomes, a process that supports established priorities whereby departments submit requests for appropriations in support of these priorities to priority teams. The priority teams review, rate and recommend funding of departmental requests for inclusion in the annual budget to the Budget Committee. The Budget Committee, which includes the City Manager, considers funding recommendations and ultimately balances the budget. The City Manager then presents the

balanced budget as a recommendation to City Council in April for review and deliberation. It is the recommended budget that is presented at the public hearing. Pursuant to the public hearing, the Budget Committee incorporates Council and Public comments and requests as appropriate for further deliberation in May. Changes and amendments are incorporated into the final budget ordinance for adoption no later than May 15th of each year.

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

The City's reporting entity includes two discretely presented component units. A component unit is a legally separate entity for which the City is accountable. The City's discretely presented component units are presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from that of the primary government.

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

Economic Condition and Outlook

Local Economy

The average unemployment in the Roanoke Metropolitan Statistical Area (MSA) for fiscal year 2017 was 4.0%, according to the Bureau of Labor Statistics, down from an average of 4.1% in the prior fiscal year. Comparatively, average unemployment in fiscal year 2017 was 3.9% for the Commonwealth and 5.5% at the national level. Roanoke's economy is strengthened by the diversity of employment opportunities, with representation from every major type of business as defined by the U.S. Census Bureau.

Economic Development

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

In 2017, the City's Economic Development Department continued to modify its marketing materials to better publicize and create awareness of Roanoke's increasing assets and amenities. The BizRoanoke.com website was updated with the latest available sites and properties for development and included updates to our monthly

newsletter, BizNews, the monthly TV show, BizRoanoke, and two new videos to showcase our incredible amenities and community events. The Economic Development Facebook page continues to attract “friends” with weekly posts and our staff remains dedicated to serving every business in our growing business community. As a result of ongoing efforts, fiscal year 2016-2017 yielded multiple announcements from businesses in the industrial, healthcare, insurance, residential housing, hospitality and the food and beverage sectors totaling over \$120 million in new investment and the creation of more than 200 new jobs.

Significant projects that have taken place in the following sectors during fiscal year 2016 – 2017 include:

- Hospitality
- Manufacturing
- Health Care
- Retail and Development

Hospitality

Hampton Inn & Suites by Hilton Roanoke-Downtown opened its 127-room hotel managed by Hospitality America in September 2016, investing \$17 million. The new hotel is situated in the heart of downtown Roanoke. Fifty-one [51] of the 127 rooms feature balconies overlooking the heart of the City

Home2 Suites by Hilton Roanoke opened in May 2017 and is located across the street from Valley View Mall within minutes of the culture, natural beauty and fun of historical downtown Roanoke. The \$11 million property offers spectacular views with several popular restaurants in close proximity including the new Rodeo Grande, a \$1.25 million investment from the owners of the local El Rodeo group. With 9,000 square feet and a seating capacity of more than 600, the two-story restaurant features a bar with outdoor patios on both levels.

Amtrak has a new home in Roanoke. Construction began in February 2017 on the \$10.9 million Amtrak boarding platform in downtown Roanoke. The 10-month construction includes a new section of track with an adjacent canopy-topped and raised waiting and boarding platform. Pedestrian access ramps were also constructed to lead from ground level to the platform’s top, which sits level with the floor of the train. The servicing facility that houses and services the Amtrak train, which arrives nightly, has been completed at a cost of \$15 million. Passenger train service to Lynchburg and points beyond, including Washington, D.C., began on October 31, 2017. Amtrak provides for a single train to depart Roanoke each morning and return at night.

Manufacturing

Wholesome Harvest Bakery announced in May 2017 that it had invested \$22.1 million in the Roanoke facility located in the Roanoke Centre for Industry and Technology. The company upgraded equipment and added a production line for artisan breads. Over 324 existing employees are being retrained to operate the new machinery for this task. The company is a subsidiary of Grupo Bimbo, one of the world's largest bakery companies. The Virginia Economic Development Partnership will support Wholesome Harvest’s job retraining through its Virginia Jobs Investment Program (VJIP). VJIP is a state-funded program, which provides consultative services and funding to companies creating new jobs or experiencing technological change to support employee training activities.

Indiana-based Steel Dynamics, which acquired Roanoke Electric Steel in 2006, announced plans in February 2017

to invest \$28 million at its Roanoke Bar Division to install new equipment and make other changes designed to increase production and expand product offerings. After the upgrades and retraining of about 307 existing production employees, the Roanoke Bar Division anticipates roughly doubling its production of steel reinforcing bar, or rebar, to more than 200,000 tons per year at the plant off Peters Creek Road near Shenandoah Avenue.

Health Care

In March 2016, the Virginia Tech Carilion Research Institute announced that it would receive a bond package from the Commonwealth in the amount of \$45 million to double its size; a major expansion that local lawmakers hailed as one of the biggest economic development strides the region has seen in years. The expansion will help usher in new jobs at the research institute and will help lead to the development of new technologies which could spur new businesses to form in the Roanoke Region. Construction began in the fall of 2017. Current plans call for a 105,000-square-foot addition that will allow the Roanoke-based campus to grow from 25 to 50 research teams. Current teams already employ about 250 researchers and students engaged in cutting-edge research in neuroscience, cancer biology and other biomedical fields. The addition would also support programs for hundreds of Virginia Tech students studying health, science and technology.

Carilion Clinic and Virginia Tech also collaboratively announced the new Clinical Neuroscience in Practice course in Roanoke where undergraduate students at Virginia Tech receive the opportunity to learn from Roanoke-based neurosurgeons and neurosurgery residents inside the operating room. A course such as this is a rare experience and is not often offered at any other medical facility. Currently, eight neurosurgeons and six neurosurgery residents from Carilion are adjunct faculty at Virginia Tech's School of Neuroscience as part of the program. Fall 2016 was the first semester for the course and currently 18 students are enrolled in Roanoke.

The Virginia Tech Carilion School of Medicine welcomed 40 new doctors during its fourth commencement ceremony on Saturday, May 6, 2017. This summer the new doctors will begin residency programs representing 13 specialties in 16 states. The most represented specialties among the class include internal medicine, pediatrics, and general surgery. The school continues to gain international popularity as evidenced by recent applications. There were 4,000 applications submitted for 42 places for the entering class of 2021.

Roanoke RAMP, or Regional Acceleration and Mentorship Program, announced in February, 2017 the opening of their offices in the newly renovated Gill Memorial building located at 709 Jefferson Street in downtown Roanoke. RAMP is collaborative effort amongst the City of Roanoke, Virginia Western Community College, and the Roanoke-Blacksburg Technology Council. The program helps start-up businesses grow by giving them free office space, mentors, business education, and access to capital. RAMP businesses will specifically be focused on technology, bio-health and life sciences. RAMP is a \$1.3 million investment in downtown Roanoke and is the stimulus for the future Innovation Corridor linking downtown to the Virginia Tech Carilion Riverside facilities.

Retail & Development

Richmond-based developer Bill Chapman purchased the four-story property at 403 Salem Avenue, west of downtown Roanoke, for \$1.9 million and began demolition in July on the former Habitat for Humanity offices and second-hand store. Chapman is a familiar name in downtown Roanoke as he also completed renovation of Parkway 301, Fulton Motor Lofts and the Lofts at West Station, which neighbor the former Habitat building. Because of its location, he has developed new apartments, also named the Lofts at West Station, which have the same look as the residences next door. This second phase of construction includes 72 one- and two-bedroom apartments. The project

was completed in June 2017 with approximately 50 percent of the apartments are already leased. Chapman also completed 416 Micro Farms on Salem Avenue in November 2016 with seven apartments featuring small outdoor spaces for farming and Tuco's Taqueria Garaje offering Latin food and a Tequila bar. Tuco's was once an electrical supply store and is now part of a westward expansion of Roanoke's downtown core. The investment in these two assets total \$670,000.

Construction at The Bridges, Phase II began in March, 2016 and is quickly coming to a close. The new living space, South16 will have 127 units, including primarily one- and two-bedroom units and a few three-bedroom apartments. Rents will range from \$850 to \$1,650 per month. The new addition features outdoor recreation areas, a swimming pool and a fourth-floor viewing deck. The developers will have invested approximately \$14 million in this new building and \$40 million in The Bridges site at the completion of this new project. Also taking place at this location is the recent announcement by Starr Hill Brewery, based out of Crozet, Virginia, of a new tasting room to be located between Starbucks and Moe's Southwest Grill. The tasting room opened in the fall of 2017 and features the company's new- to-market brews.

Hawk Advisers is a new commercial tenant to the City of Roanoke. The insurance firm leased approximately 5,000 square-foot within Grammercy Row, bringing 17 new full-time positions to Roanoke City. This was a \$1,000,000 investment in the City of Roanoke.

In January, 2017 saw the announcement of the first Earth Fare in Virginia, coming to Roanoke's Ivy Market development along the Franklin Road corridor. The organic and natural foods grocery store opened in November 2017 and was adjacent to the new Mellow Mushroom pizza restaurant near the Carilion Institute for Orthopaedics and Neurosciences.

Mellow Mushroom opened in October 2016, also at the Ivy Market development. The restaurant seats 250, and has a family dining area and indoor and outdoor sports bars. A patio features a fire pit offering about 50 seats with a garage door that can be closed in cold weather. There are 30 beer taps at both bars, featuring local brews.

In April 2017 Deschutes Brewery announced the opening of a downtown Roanoke tasting room. The new pub opened in August 2017 and includes more than 15 taps of Deschutes beer favorites, along with pints, growlers and brewery merchandise for sale to patrons. Deschutes leased the 4,700-square-foot space at 315 Market Street at the corner of Market Street and Church Avenue across from the new Hampton Inn and Suites. This is a \$750,000 investment in downtown Roanoke.

Jimmy Johns, the national retail deli shop, also opened in downtown Roanoke in November 2016 bringing 50 part-time and full-time new jobs to the City of Roanoke.

Freedom First Credit Union proudly announced the opening of a new 3,400 square foot branch on the corner of 1st Street and Campbell Avenue in downtown Roanoke in December 2016. This full service branch will be home to Freedom First's Business Banking and Commercial Lending division and employs twelve full-time team members. The new branch, located in the historic State and City Building and formerly occupied by Frank L. Moose Jewelers, is a \$1.5 investment and is the first financial institution to occupy the landmark commercial space since the 1930s when it was the State and City Bank. Great care was taken in designing the space to include historic elements as well as modern style and technology. The eclectic décor is accentuated by a meeting table, custom-made by Black Dog Salvage, and historic images contributed by the History Museum of Western Virginia and the Roanoke Public Library. Additionally, Freedom First invested \$650,000 in their commercial lending operations offices.

At Towers Shopping Center, Zoes Kitchen, the fast casual Mediterranean chain, signed a lease and opened for business in the summer of 2017. Additionally, \$50,000 was invested in Which Wich?, adding 15 full-time and 10 part-time positions. Which Wich? serves custom-crafted sandwiches and salads with over 60 toppings to create “a masterpiece” sandwich. Red Wing Shoes, a nationally known retailer offering high-quality work footwear, accessories, care products and services opened in September 2017 investing \$100,000 into the Roanoke market bringing two full-time and three part-time positions.

Tourism

Roanoke, as “Star City of the South”, is recognized as the recreational, cultural and business hub of Virginia’s Blue Ridge Mountains and the entire western half of the Commonwealth. Roanoke and the surrounding cities and counties that comprise the Roanoke Valley host more festivals and cultural events than any place west of Richmond. Multiple travel articles have publicized Roanoke, enticing readers to Virginia’s Blue Ridge. In the last year, Visit Virginia’s Blue Ridge hosted 50 travel journalists, generating 125 travel articles publicizing the City of Roanoke. As a result of the public relations efforts, the region experienced a record-breaking year receiving national publicity in advertising.

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 leadership’s conviction that Roanoke’s sustainability is measured not only by the health of its economy but also by its quality of life. Economic prosperity can continue and be enhanced by supporting the City’s cultural and entertainment amenities, education, and other services. Protecting the natural environment, supporting a wide range of amenities, maintaining a first-class educational system, and providing ongoing educational opportunities will be the building blocks for attracting new residents and businesses. This planned and visionary approach has served the City well and will continue to be the basis for additional growth.

Budgeting for Outcomes

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

Long Term Financial Planning

The City incorporates long-term financial planning during the development of each fiscal year operating budget. The planning process facilitates City Council and City management’s efforts towards a long-term strategy ensuring

economic growth and stability and meeting the needs of the City's citizen and business partners.

Capital Improvement Program (CIP)

In conjunction with the preparation of an annual operating budget, the City prepares a five-year Capital Improvement Program Update. This serves as a planning tool for efficient, effective and equitable distribution of public improvement resources throughout the City. The CIP focuses on maintaining capital assets, infrastructure investment for livability and economic development, and targeted livability investments. The CIP represents a balance between finite funding and competing community priorities. The CIP specifies the capital improvement and construction projects over the upcoming five-year period in order to maintain or enhance the City's \$629 million in capital assets. Detailed project descriptions, cost estimates, and funding sources are included in the CIP. The City's Capital Improvement Program for FY 2018 through FY 2022 represents \$200 million of public improvements to the City's schools, infrastructure, parks, public buildings, arts and cultural capital contributions, and Roanoke's civic center (the Berglund Center). The CIP includes important public safety improvements such as the Fire-EMS Master Plan for the renovation and/or relocation of three Fire/EMS stations as well as a joint E-911/VA-811 call center for improved emergency response and system and communication redundancy.

An important part of the City's CIP, the Berglund Center, is in the process of extensive renovations to better serve the over 400,000 guests entertained on an annual basis. Current and recent capital improvements include seat replacement in the Coliseum, replacement of an ice rink/arena floor and refrigeration system and a new scoreboard for the return of minor league hockey to the City.

Relevant Financial Policies

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

Major Initiatives and Accomplishments

Education

Roanoke City Council places education as the top priority of the government and its citizens, providing more funding toward education than any other area of the government. Roanoke Schools have demonstrated significant performance improvements in recent years. On-time graduation rates continue to rise; in 2016-17, 90% of students graduated on time. The number of schools that are fully accredited by the Commonwealth of Virginia is also increasing. Based on 2016-17 student achievement, 23 out of 24 schools are fully accredited for 2016-17. This is up from 18 fully accredited schools in the prior year. Roanoke is committed to providing students with safe and effective learning environments. To that end, Roanoke City Public Schools updates its Capital Improvement Plan annually. A multi-year project to expand and renovate Round Hill Elementary was completed in 2016-17. Current significant projects underway include Crystal Springs HVAC project, Fallon Park new construction, Hurt Park

gymnasium and other selected school site maintenance upgrades. More information regarding the important achievements of Roanoke City Public Schools is available in the separately published School CAFR.

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

Public Safety

Public safety is one of the top priorities of the City 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. Each agency is committed to public safety and continuously evaluates services, community interaction, technology and initiatives in an effort to provide the most effective utilization of resources.

The Roanoke Police Department has been accredited by the Commission on Accreditation for Law Enforcement Agencies (CALEA) since July 1994, and is the only law enforcement agency in the Commonwealth of Virginia to attain accreditation in two CALEA programs – Law Enforcement and Training Academies. Roanoke Police successfully launched the Roanoke Valley HOPE Initiative in August 2016. The program is designed to connect drug users with police and the right health resources. The program has helped over 100 people find detox and treatment for substance use disorder.

Roanoke Fire-EMS has been an accredited agency with the Commission on Fire Accreditation International Inc. (CFAI) since 2002, meeting the criteria established through the CFAI's voluntary self-assessment and accreditation program. The fire protection services of the City of Roanoke, as rated by an insurance industry advisory company, improved to a Class 1 ISO rating from a Class 2. The classification by the Insurance Service Office (ISO), known as the Public Protection Classification program, assesses the fire-protection efforts in a particular community. The City of Roanoke is one of 5 ISO rated cities in the Commonwealth of Virginia and 1 of 132 nationwide. Roanoke Fire EMS is 1 of only 2 Internationally Accredited agencies in Virginia that hold an ISO rating of 1. The Fire-EMS Department is also partnered with Roanoke County, the Town of Vinton, and the City of Salem in a Regional Fire-EMS Training Center, a regional hiring process, and has automatic and enhanced mutual aid response agreements in place to ensure the closest and most efficient response of Fire-EMS resources. The regional hiring process has enabled Roanoke Fire-EMS to increase its emphasis on recruiting a diverse workforce, including the launch of a new website. As a strategy to provide a more diverse and inclusive workforce, the City's Fire-EMS Department lowered its hiring age to 18.

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

Human Services

Roanoke, as the largest city west of the state capitol, supports a high demand for human services from the community. Human Services unites public and private institutions to encourage and support caring communities

by assisting individuals and families to achieve self-sufficiency and healthy lives with a variety of financial and employment programs. A partnership was developed with Roanoke City Public Schools and the City of Roanoke Central Intake program to provide assistance to 141 students preventing them from entering into homelessness or quickly rehousing them to a stable home environment.

Neighborhoods

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

The City also provides opportunities for civic groups to enhance their neighborhoods by making financial resources available to undertake self-help projects through the Office of Neighborhood Services Neighborhood Development Grant Program.

The City leverages federal, local and in-kind contributions from public and private sources with the utilization of Community Development Block Grant (CDBG) funding and city funding to support the program. Neighborhood projects include wide ranging elements such as infrastructure, housing, community gardening and recording of oral histories. The City's HUD-funded Lead Safe program removed lead hazards in 36 low-and-moderate income homes during FY17 and will have completed 90 homes when the grant expires on January 4, 2018. Fortunately, the City recently received an additional grant from HUD effective January 2018 to continue the program for an additional 3 years. The City continues to encourage individuals and neighborhood organizations to enhance their neighborhood's quality of life.

Recreational and Outdoor Opportunities

The City is branded by its unique combination of urban amenities surrounded by significant natural beauty and outdoor and recreational activities. The City of Roanoke's Parks and Recreation Department offers more than 1,600 recreation programs and supports more than 100 cultural events on an annual basis and serving more than 40,000 individuals.

The GO Outside Festival (GO Fest) has become an autumn staple with over 125 outdoor activities and events. This year the GO Fest served more than 30,000 people over the course of three days. This annual event encourages healthy and active outdoor recreation by combining the things outdoor enthusiasts love, such as camping, music, gear, races, and demonstrations, all in a beautiful outdoor setting.

The Appalachian Trail and Blue Ridge Parkway surround the city. The City's greenway system continues to grow and develop, gaining favor with visitors as well as residents of the Roanoke Valley. More than 19 miles

of paved trails currently exist. The Lick Run, Tinker Creek, Murray Run, Mill Mountain, and Roanoke River greenways serve thousands of patrons annually. The City continues to enhance accessibility to roadways and trailways for cycling enthusiasts and is a “Bicycle Friendly Community.”

Libraries

The City of Roanoke supports and promotes lifelong learning for all citizens. The Library Master Plan includes projects to enhance the delivery of programs and services throughout the community at the seven library locations. The Roanoke Public Libraries provide many resources to citizens including free computer training, free internet and free wireless access at all locations, as well as a range of free events for children and adults throughout the year. One of the largest programs offered by the Roanoke Public Libraries is the Summer Reading Program, which continues to grow. In 2017, 16,602 participants attended the Summer Reading program compared to 14,985 in 2016.

The Libraries have been undergoing an extensive system-wide renovation process, which began in 2014 with the City’s Main Library. The City completed renovations to the Raleigh Court library in 2016. Raleigh Court library reopened in March 2016 and includes a community room that can be used for meetings outside of opening hours, a separate teen area, a recording studio, and a courtyard. Since reopening, circulation at the Raleigh Court branch has more than tripled. Expansion and renovation for The Williamson Road branch has been completed and reopened in November of 2017. The Melrose branch is the next library for expansion/renovation and construction will begin in fiscal year 2017-2018. There are plans to continue expanding and renovating several other library branches.

Libraries support the public education programs of Roanoke City Public Schools through a variety of partnerships and initiatives, including the All-America City Award-winning Star City Reads initiative. Star City reads is a citywide coalition of over 24 community partners, spearheaded by the Libraries, working to improve the grade-level reading outcomes of Roanoke children. Its programs include the Summer Reading Program, which is coordinated with the RCPS+ summer enrichment program; Books on Buses, a collaboration with Valley Metro that creates mobile libraries; Feed and Read, a partnership with the YMCA that provides free USDA-approved meals and literacy activities for children throughout the summer; and distribution of the Roanoke Baby Board Book to every child born at Carilion with the support of Turn the Page volunteers. Since 2014, Turn the Page volunteers have given away the Roanoke Baby Board Book to more than 5,000 children born at Carilion Clinic. In addition, Libraries coordinates all book distribution for Star City Reads. The Libraries continue to promote education for all of the Roanoke Valley with relevant programs for children, teens, and adults.

Transportation and Parking

Economic activity is directly associated with the City’s position as the major trade and transportation center in Western Virginia. The City is located at the intersection of major rail and highway routes. Current developments relate to construction by the Virginia Department of Transportation for improvements at two interchanges along Interstate 581.

The City has worked diligently to address the transportation and parking needs of citizens and visitors in the downtown area. Valley Metro provides transit services to address the needs of the community. Youth ages 10

and younger ride free when accompanied by a paying adult passenger.

The City-owned transit company, Valley Metro, implemented transportation initiatives which included regional connections. 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. Reservations for the Smart Way Connector can be made using the Amtrak reservation system.

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

Environmental Leadership

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

The City's Stormwater Utility Division is actively working on projects to reduce flooding and improve water quality. Stormwater management activities are necessary to protect the general health, safety, and welfare of the residents of the City. This year the Stormwater Division created the Roanoke Riverkeepers Citizen Stream Monitoring program to address water quality. The division worked closely with trained volunteers and provided them monitoring equipment to evaluate water samples at strategic and accessible sites selected around the City of Roanoke. The Stormwater fee will provide a dedicated source of revenue needed to address water quality, a backlog of drainage improvement projects, and increased maintenance of drainage infrastructure.

Regional Cooperation

The City of Roanoke works closely with regional partners on economic development and service delivery. The Western Virginia Water Authority, of which Roanoke is a founding member, expanded membership to Franklin County. The Roanoke Valley Resource Authority, which provides regional landfill services, expanded membership to include the City of Salem. The recently created Roanoke Valley Broadband Authority installed 50 miles of open access high speed fiber network in the cities of Roanoke and Salem and expanded the network by an additional 25 miles in Roanoke County in 2017. Regional local governments also partnered to create the Western Virginia Regional Industrial Facilities Authority. Through this authority, the cities of Roanoke and Salem and Roanoke County worked with a private foundation to assemble 104 acres of land near the intersection of Interstates 81 and 581 for future industrial development. The City also works closely with Roanoke Regional Airport Commission, Regional Center for Animal Care and Protection, and Roanoke Valley Detention Commission.

Future Challenges

Roanoke has weathered the Great Recession well and in many ways is stronger and more resilient than it was in

2009. Reserves are up, the bond rating is higher, crime rate is down, school graduation rates are up, population is increasing, the unemployment rate is decreasing, and the economy has grown. Changing national demographics bode well for Roanoke as younger generations choose to live in urban areas with access to the outdoors. Roanoke is well positioned to attract these individuals.

Despite the growing economy, favorable demographic preferences, and Roanoke's financial strength, the future still poses several challenges. Continued modest growth in revenues has not kept pace with increases in costs of infrastructure and core services. Volatility in investment markets presents a conundrum in regards to funding pension plans while increases in medical cost threaten affordable health care for employees, both critical benefits in attracting and maintaining a highly skilled work force. The Commonwealth of Virginia is adjusting their biennial budget to account for revenue shortfalls in FY 2016 and lower revenue estimates for FY 2017 and FY 2018. There is uncertainty regarding the impact of these adjustments on the City and localities within the region. The challenge for local governments is how to maintain, and in some cases increase, service levels with reduced available funding. The City regularly assesses the influence of economic factors to minimize the impact to key services and ensure that the City continues to remain financially sound.

Awards and Acknowledgements

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roanoke, Virginia, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a government unit must publish an informational and efficiently organized CAFR, whose content conforms to program standards. The CAFR must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory section of the CAFR. A Certificate of Achievement is valid for a period of one year. The City of Roanoke has received a Certificate of Achievement for 44 years. This report was prepared in conformity with the Certificate of Achievement program requirements and standards, and it will be submitted to the GFOA to determine eligibility for another certificate.

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2017. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communication device. The City has been a recipient of the Distinguished Budget Presentation Award for the last 32 consecutive years.

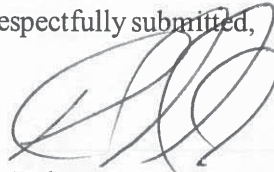
Other Awards and Recognitions include:

- Campaign for Grade-Level Reading's 2016 All-Around Pacesetter Award for Roanoke's Star City Reads Program
- Commonwealth Award for bringing George Takei to Roanoke Virginia Public Relations Society
- American Public Works Association (APWA) Mid-Atlantic Chapter Project of the Year for Raleigh Court Library Renovation

- Center for Digital Government's Digital City Survey first place in the 75,000-124,999 population range, making this the 16th consecutive year that Roanoke was ranked a Top Digital City in the top 10 of all cities in its population range.
- City-County Communications and Marketing Association Award of Excellence for Roanoke's website and social media model

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

Respectfully submitted,



Robert S. Cowell
City Manager



Amelia C. Merchant
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Roanoke
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive, flowing style.

Executive Director/CEO

***CITY OF ROANOKE
DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2017***

Members of City Council

Sherman P. Lea
Anita J. Price
William D. Bestpitch
Raphael “Ray” E. Ferris
Sherman P. Lea
Anita J. Price
David B. Trinkle

Mayor
Vice-Mayor

Constitutional Officers

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

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

City Council Appointed Officials

R. Brian Townsend
Daniel J. Callaghan
Stephanie M. Moon-Reynolds
Troy A. Harmon, CPA

Acting City Manager
City Attorney
City Clerk
Municipal Auditor

Other City Officials

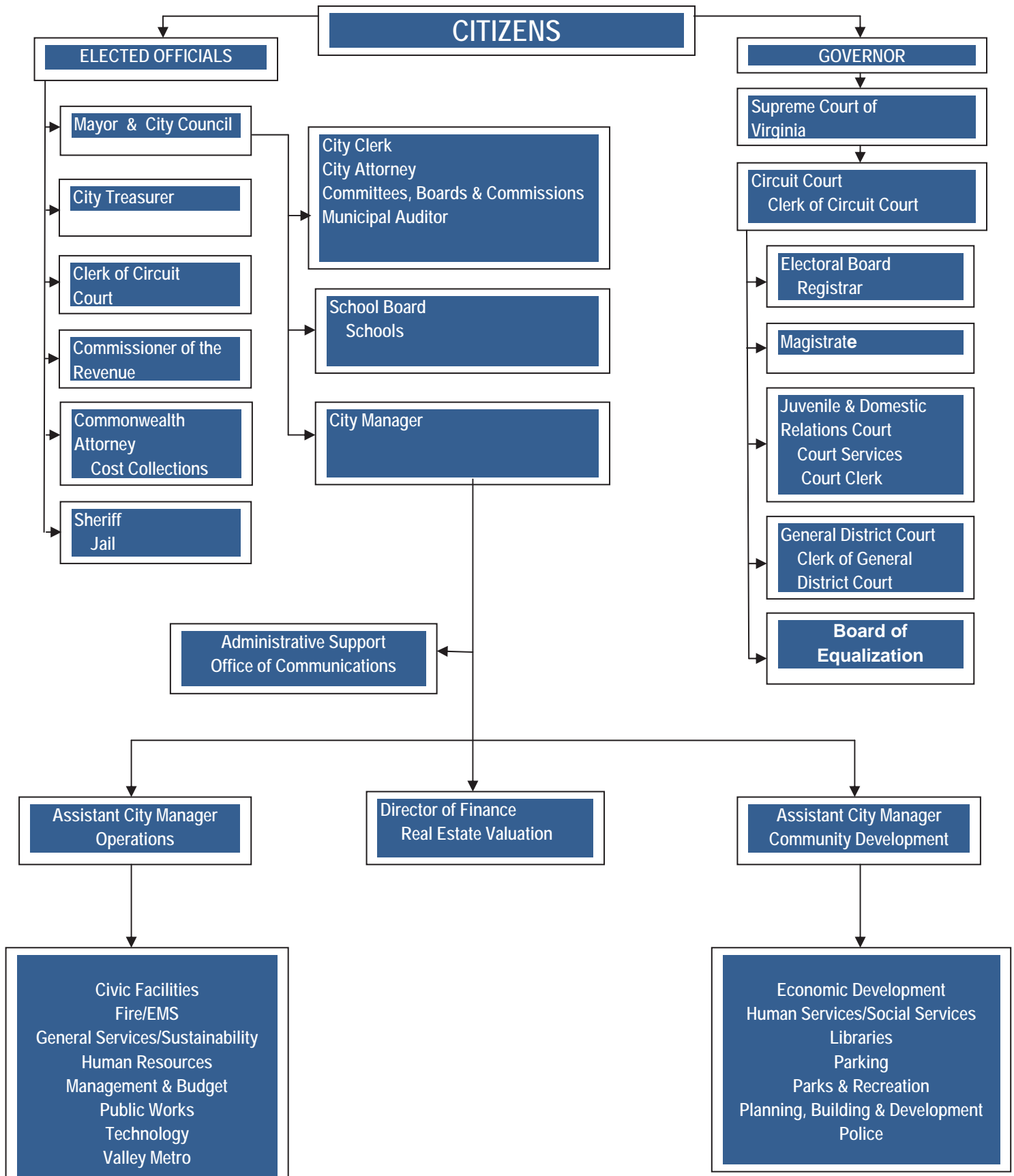
Sherman M. Stovall
Barbara A. Dameorn

Assistant City Manager
Director of Finance

CITY OF ROANOKE, VIRGINIA

Organizational Chart

FY2016 – 2017



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FINANCIAL SECTION

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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia (the “City”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the School Board of the City of Roanoke, Virginia (the “School Board”), a discretely presented component unit of the City, which represents 77.59%, 94.88%, and 112.00%, respectively, of the total assets, revenues, and net position of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 1(Q) to the basic financial statements, the net position of the City's governmental activities, business-type activities, and the Stormwater Fund as of June 30, 2016 has been restated from the previously issued financial statements to reflect the correction of an error. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, on our consideration of the City of Roanoke, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Roanoke, Virginia's internal control over financial reporting and compliance.

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

Roanoke, Virginia
January 29, 2018

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**CITY OF ROANOKE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

This section of the City of Roanoke, Virginia's (City) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2017. The MD&A should be read in conjunction with the preceding transmittal letter and the City's financial statements.

FINANCIAL HIGHLIGHTS

- At the end of the fiscal year, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$339.2 million. This amount represents an increase of \$13.6 million, or 4.2%, over the prior year's ending balance of \$325.6 million. Net position was comprised of \$432.6 million, attributable to the City's net investment in capital assets, \$539,000 restricted for debt service, offset by a negative unrestricted amount of (\$93.9) million.
- Net position for governmental activities increased \$9.2 million. For the fiscal year, \$313.9 million, generated by taxes and other revenues for governmental programs, exceeded expenses by \$11.5 million (before transfers), a deterioration over the prior year of \$3.9 million.
- In the City's business-type activities, net position increased by \$4.4 million compared to the prior year. Total change in net position for business-type activities experienced an improvement of \$3.4 million over the prior year.
- The City's governmental funds reported a combined ending fund balance of \$58.8 million, a 24.1% increase compared to prior year. Of the total fund balance, 30.0% was restricted, 29.0% was committed (mainly for projects in the capital improvement program) and 50.0% remained available for spending at the City's discretion as unassigned.
- The City has maintained its bond rating of AA+ from Standard & Poor's and Fitch Ratings.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The City's enterprise funds, 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 Stormwater Utility, Civic Facilities and Parking.

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 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 financial statements.

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

FINANCIAL ANALYSIS OF THE PRIMARY GOVERNMENT

A comparative analysis of government-wide information follows:

**Summary of Net Position
as of June 30, 2017 and 2016***
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016*	2017	2016*	2017	2016*
Current and other assets	\$ 109.8	\$ 106.0	\$ 9.2	\$ 9.6	\$ 119.0	\$ 115.6
Capital assets, net*	576.8	570.3	73.7	69.5	650.5	639.8
Total assets	686.6	676.3	82.9	79.1	769.5	755.4
Deferred outflows of resources	43.4	23.6	2.6	1.6	46.0	25.2
Other liabilities	19.5	22.5	2.8	2.6	22.3	25.1
Long-term liabilities*	403.1	374.7	36.6	36.3	439.7	411.0
Total liabilities	422.6	397.2	39.4	38.9	462.0	436.1
Deferred inflows of resources	14.1	18.6	0.2	0.2	14.3	18.8
Net Position:						
Net investment in capital assets*	391.3	383.1	41.3	39.3	432.6	422.4
Restricted	0.5	1.1	-	-	0.5	1.1
Unrestricted (deficit)	(98.6)	(100.2)	4.7	2.3	(93.9)	(97.9)
Total net position	\$ 293.2	\$ 284.0	\$ 46.0	\$ 41.6	\$ 339.2	\$ 325.6

* As restated, for additional discussion see Footnote 1, Section Q

Net Position:

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$339.2 million at the close of the fiscal year. The City's combined net position, (the City's bottom line) increased by \$13.6 million from prior year's ending balance of \$325.6 million, as restated. Net position from governmental activities increased by \$9.2 million. Business-type activities resulted in an increase in net position of \$4.4 million.

The largest component of the City's net position was the investment in capital assets (\$432.6 million) (e.g., land, buildings, infrastructure improvements, machinery, and equipment, net of accumulated depreciation) less any related outstanding debt used to acquire those assets. The increase in the City's net position was a result of increases in capital asset investment and a reduction in the deficit balance in unrestricted net position, partially offset by a reduction of restricted debt funding. Net position is reported as restricted when constraints on its use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation. Restricted net position related to governmental activities totaled \$539,265 and was restricted for debt service. The City's unrestricted net position, which is used to finance the day-to-day operations of the City, totaled

negative \$93.9 million, a decrease of \$4.0 million from fiscal year 2016 unrestricted net position.

Summary of Changes in Net Position:

The following table summarizes the changes in net position:

Summary of Changes in Net Position
For the Years Ended June 30, 2017 and 2016
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 15.5	\$ 14.2	\$ 5.6	\$ 5.3	\$ 21.1	\$ 19.5
Operating grants and contributions	70.7	66.2	2.1	-	72.8	66.2
Capital grants and contributions	7.1	13.7	1.1	1.1	8.2	14.8
General Revenues:						
Property taxes	114.2	109.2	-	-	114.2	109.2
Local portion of state sales tax	19.7	20.6	-	-	19.7	20.6
Business and professional occupational license taxes	12.9	12.4	-	-	12.9	12.4
Utility taxes	9.7	9.8	-	-	9.7	9.8
Prepared food and beverage taxes	16.0	15.7	-	-	16.0	15.7
Commonwealth share-personal property taxes	8.1	8.1	-	-	8.1	8.1
Cigarette taxes	2.3	2.4	-	-	2.3	2.4
Transient room taxes	4.3	4.3	-	-	4.3	4.3
Telecommunications taxes	6.6	6.7	-	-	6.6	6.7
Motor vehicle license tax	2.8	2.6	-	-	2.8	2.6
Other tax	3.5	-	-	-	3.5	-
Stormwater Fee	-	-	6.0	4.0	6.0	4.0
Other	5.9	10.0	-	0.6	5.9	10.6
Payment from Component Unit	14.3	15.1	-	-	14.3	15.1
Interest and investment income	0.3	0.8	0.3	-	0.6	0.8
Total Revenues	\$ 313.9	\$ 311.8	\$ 15.1	\$ 11.0	\$ 329.0	\$ 322.8

(Continued)

**Summary of Changes in Net Position
For the Years Ended June 30, 2017 and 2016
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Expenses						
General Government	\$ 17.5	\$ 16.8	\$ -	\$ -	\$ 17.5	\$ 16.8
Judicial Administration	9.5	9.4	-	-	9.5	9.4
Public Safety	76.2	72.5	-	-	76.2	72.5
Public Works	28.6	36.1	-	-	28.6	36.1
Health and Welfare	44.9	40.4	-	-	44.9	40.4
Parks, Recreation and Cultural	12.7	12.2	-	-	12.7	12.2
Community Development	13.0	12.8	-	-	13.0	12.8
Education	83.9	84.4	-	-	83.9	84.4
Economic Development	5.0	0.9	-	-	5.0	0.9
Interest and Fiscal Charges	9.1	10.9	-	-	9.1	10.9
Civic Facilities	-	-	5.4	4.8	5.4	4.8
Parking	-	-	3.3	3.4	3.3	3.4
Stormwater Utility	-	-	4.1	2.9	4.1	2.9
Other	2.0	-	0.2	-	2.2	-
Total Expenses	302.4	296.4	13.0	11.1	315.4	307.5
Increase (Decrease) in Net Position						
before Transfers	11.5	15.4	2.1	(0.1)	13.6	15.3
Transfers	(2.3)	(1.1)	2.3	1.1	-	-
Increase in Net Position	9.2	14.3	4.4	1.0	13.6	15.3
Total Net Position, Beginning*	284.0	276.4	41.6	33.9	325.6	310.3
Total Net Position, Ending	\$ 293.2	\$ 290.7	\$ 46.0	\$ 34.9	\$ 339.2	\$ 325.6

* as restated, for additional information see Footnote 1, Section Q

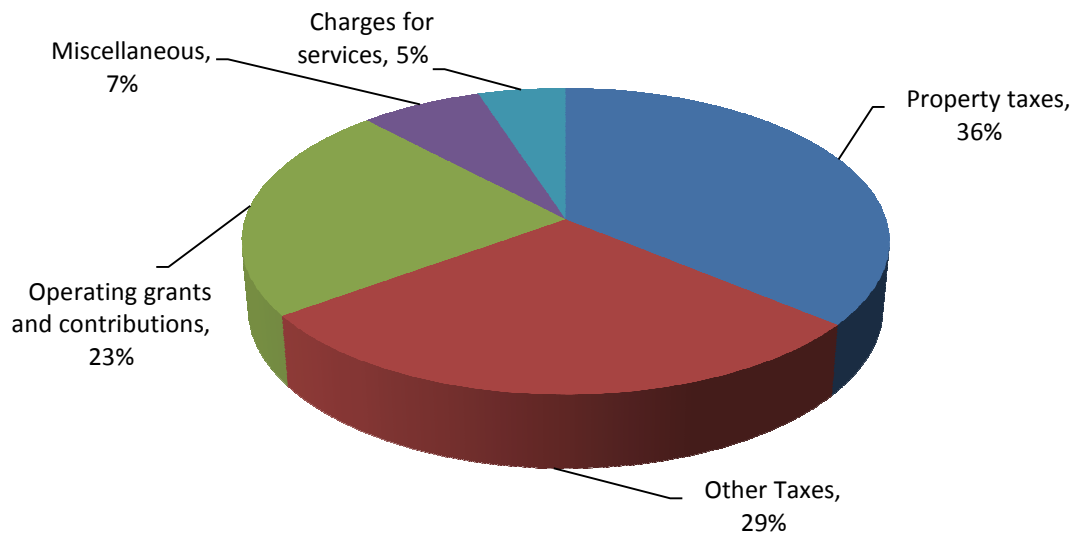
Governmental Activities

The net position of governmental activities increased \$9.2 million as compared to the \$14.3 million increase in prior year. Significant current year activities affecting net position include:

- Governmental Activities revenues increased 0.7% and were mainly due to increased revenue in property taxes, business license, prepared food and beverage, and motor vehicle license revenues.
- The City continued to maintain and implement financial controls to ensure that the expenses of general government programs were contained within budget. Staffing was at the appropriate levels based on ongoing program activities and departments maintained fiscal restraint.
- The City funded the OPEB Trust (including Line of Duty) at an amount above the minimum required contribution and thus recognized an asset in the governmental Statement of Net Position of \$0.5 million.

Revenues generated for governmental activities are presented below by category:

Revenue by Source – Primary Government for the year ended June 30, 2017



The property tax classification was approximately 36% of the total revenue generated by governmental activities and included real estate tax, the local portion of personal property tax, and public service corporation taxes. Real estate tax revenue, the largest source of revenue for the City, totaled \$83.0 million. The assessed value of real property in the City increased 0.88% for the 2017 calendar year mainly due to new construction.

Personal property tax revenue, including the Commonwealth share and public service tax, totaled \$36.6 million. The revenue received locally from citizens totaled \$28.5 million. Funding from the Commonwealth under its amended Personal Property Tax Relief Act (PPTRA) program provided revenue totaling \$8.1 million. Revenue from the Commonwealth provided relief of 48.4% on the first \$20,000 in vehicle value for the current fiscal year and is included in the other taxes category.

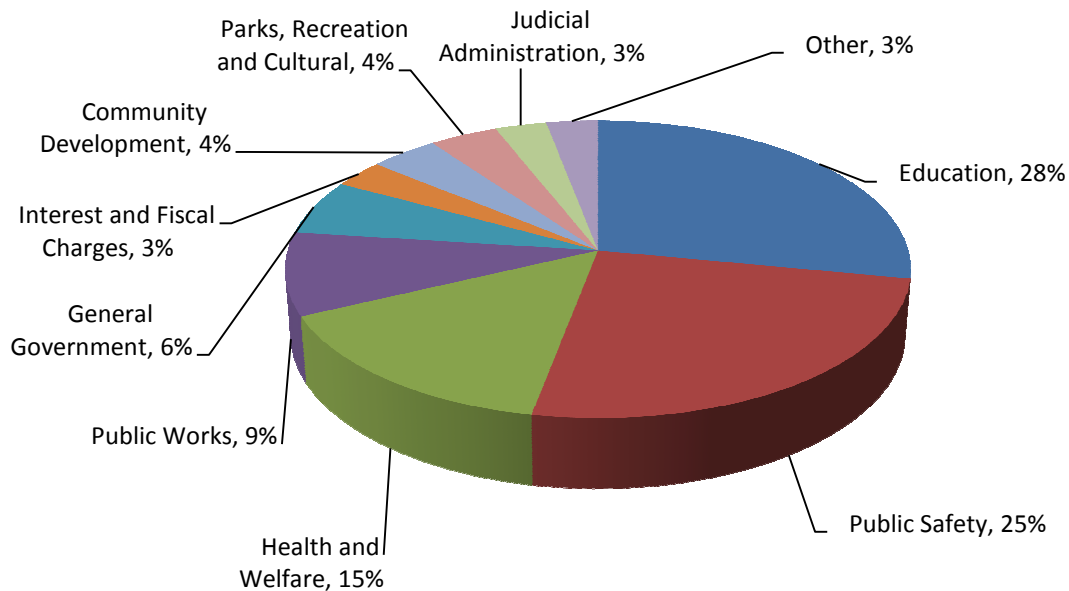
Sales, prepared food and beverage, business and professional occupational license, utility, telecommunication, transient room and cigarette taxes as well as funding from the Commonwealth under PPTRA comprised the majority of other local taxes collected by the City. Other taxes equated to approximately 29% of total revenues generated for governmental activities.

Operating grants and contributions was approximately 23% of governmental activities revenues. Social service programs, street maintenance funds, reimbursement for shared expenses of constitutional officers, reimbursement for funding received under House Bill 599 for law enforcement, and jail per diems are some of the major sources of revenue included in this category.

Charges for services included items such as fines, court fees, inspection fees, reimbursements for housing prisoners, solid waste collection fees, and recreation and other program-based fees.

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

Expenses – Primary Government for the year ended June 30, 2017



Education comprised 28% of governmental activities. Funding of \$78.4 million was provided to the Roanoke City School Board to support operations and debt service.

Public Safety expenses comprised approximately 25% of expenses of the governmental activities. Operations of the City Jail, Police and Fire Departments were included in this category, along with expenses of Emergency Medical Services, Communications (E911 Call Center), and the cost of juvenile justice programs.

Public Works and Health and Welfare expenses comprised approximately 9% and 15%, respectively, of governmental activities expenses. Expenses for Solid Waste Management, Building Maintenance, Street Paving, and Street Maintenance were included in the Public Works category. The Children's Services Act and social services programs were the majority of expenses reported in the Health and Welfare category.

Business-type Activities

The net position of business-type activities increased the City's net position \$4.4 million, primarily related to Stormwater fee revenue.

Expenses for the City's business-type activities totaled \$13.0 million. The increase compared to the prior fiscal year was mainly related to the City's stormwater utility operation, which was established in fiscal year 2014.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds - For the fiscal year ended June 30, 2017, the governmental funds reported a combined ending fund balance of \$58.8 million, an increase of \$11.5 million from the prior year. Approximately 49.9% of this total (\$29.4 million) constitutes unassigned fund balance and consists of the Unassigned General Fund Reserve (\$29.8 million) and Special Revenue Fund unassigned fund balance intended for future grant purchases (-.4 million). The Reserve provides the City with sufficient working capital and a margin of financial safety to address unforeseen, one-time expenditure emergencies or declines in revenues for which there is no other budgetary resource or other designations of fund balance available to satisfy the funding need. Committed fund balance of approximately \$17.1 million consisted of funding for outstanding purchase commitments and future years' capital project expenditures. The remaining fund balance of approximately \$12.3 million is restricted and consists of funds, provided by bonded debt, for future capital project expenditures and funds restricted to debt service.

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

The General Fund is the primary operating fund of the City. The total fund balance increased by \$1.8 million (revenue of \$278.9 million less expenditures of \$259.8 million and other financing uses of \$17.3 million net transfers) and the unassigned fund balance increased by \$1.0 million to \$29.8 million.

Local taxes decreased by 0.1% compared to last year. Taxes related to real estate, prepared foods and beverages, motor vehicle licenses, and business and occupational licenses all increased for the fiscal year 2017. Personal property, communications, and State sales taxes all decreased for the fiscal year 2017. Real Estate taxes, the City's largest single source of revenue, increased 0.9% as a result of an increase in property value.

Intergovernmental revenue is the second largest source of General Fund revenues accounting for \$72.6 million in fiscal year 2017. The Commonwealth is the primary source of Intergovernmental revenue by providing revenues for social services programs, street maintenance funds, and law enforcement funding received under House Bill 599.

In fiscal year 2017, the total increase in funding from the Commonwealth compared to fiscal year 2016 was approximately \$4.5 million or 6.6%.

The Capital Projects Fund balance increased \$10.5 million primarily related to unspent bond proceeds for future infrastructure capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Actual General Fund revenues were \$1.8 million or 0.6% lower than the original adopted fiscal year 2017 revenues estimates and were lower than the final revenue estimates by \$5.0 million or 1.6%. The General Fund revenue decrease was driven by local tax revenue performance, primarily real estate, personal property, sales tax and business and occupational license taxes.

In the local tax area, cigarette taxes, penalties, and interest exceeded the original adopted budget. Real estate, personal property, sales tax, business and occupational license, and utility consumer taxes were under budget. The fiscal year 2017 indicated an overestimate of the recovery of the local economy and the budget projected moderate growth in real estate and other local tax revenue estimates in fiscal year 2017 while actual growth was modest.

Intergovernmental revenue is the second largest source of General Fund revenue accounting for \$72.6 million in fiscal year 2017. The Commonwealth is the primary source of Intergovernmental revenue by providing revenues for social services programs, street maintenance funds, and law enforcement funding received under House Bill 599. Intergovernmental revenues exceeded the original adopted budget by \$1.8 million due to funding from the Commonwealth.

In fiscal year 2017, the total increase in funding from the Commonwealth in fiscal year 2017 compared to fiscal year 2016 was approximately \$4.4 million or 6.6%. This increment was primarily attributable to the fiscal year 2017 State mandated social services programs which increased Intergovernmental revenue by \$3.9 million compared to the prior year.

General Fund expenditures and transfers were lower than the original budget by \$0.1 million or 0.04% due to a requisite mid-year spending slowdown. Commitments at the departmental level were closely monitored during the fiscal year as modest tax growth was anticipated. LEAN methodology continues to be a focus for the City to continually improve efficiencies and reduce costs for the benefit of Roanoke citizens.

During fiscal year 2017, 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, 2016, 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, 2016 totaled \$2.6 million.
- To appropriate excess local revenues over expenditures and funding from the Commonwealth to capital projects.
- To appropriate additional Commonwealth funding for State mandated programs to the Comprehensive Services Act program

CAPITAL ASSETS

As of June 30, 2017, the City's capital assets for its governmental and business-type activities amounted to \$650.5 million net of accumulated depreciation. This investment includes land, historical treasures, construction in progress, land improvements, buildings and structures, equipment and infrastructure. The City's capital assets increased year over year by \$10.7 million or 1.7% related to the increase of assets in the infrastructure category, when compared to fiscal year ended 2016.

The following table shows summarized balances of major categories of capital assets as of June 30, 2017 and 2016.

**Summary of Capital Assets
Net of Depreciation
as of June 30, 2017 and 2016
(In Millions)**

	Governmental Activities		Business-type Activities		Total	
	2017	2016*	2017	2016*	2017	2016*
Land and Improvements	\$ 49.5	\$ 49.4	\$ 5.1	\$ 5.1	\$ 54.6	\$ 54.5
Buildings and Improvements	269.8	270.7	54.5	54.0	324.3	324.7
Equipment	27.3	28.3	1.8	0.9	29.1	29.2
Infrastructure	210.5	197.5	10.3	-	220.8	197.5
Construction in Progress*	19.0	23.8	2.0	9.5	21.0	33.3
Historical Treasures	0.7	0.6	-	-	0.7	0.6
Total	<u>\$ 576.8</u>	<u>\$ 570.3</u>	<u>\$ 73.7</u>	<u>\$ 69.5</u>	<u>\$ 650.5</u>	<u>\$ 639.8</u>

*As restated, for additional information, see Footnote 1, Section Q

The City uses the Modified Approach for certain infrastructure assets deemed 'inexhaustible' as defined by GAAP, and is required to conduct a semi-annual (January and July) assessment of the condition level of 100% of the Flood Reduction infrastructure asset. The assessment is based on the United States Army Corps of Engineers (USACE) 'Inspection, Maintenance and Operational Report'. City and USACE policy require the condition level to be maintained at or above a Fair (2) rating. As of June 30, 2017, the infrastructure had an average assessment rating of 2.85, which is above the required minimum rating of 2. The fiscal year 2017 Budget (estimated) of \$75,000 was significantly higher than the prior year to insure adequate funding for maintenance if the maintenance was performed by procured contractors. Actual costs were lower because the City assumed the maintenance of some assets instead of procuring the services and because the City was unable to access several of the bench cuts during the year.

Comparison of Estimated to Actual Maintenance Costs

	2015	2016	2017
Estimated	\$116,000	\$54,500	\$75,000
Actual	\$49,384	\$36,414	\$27,204

Detailed information regarding capital assets is disclosed in Note 5 of the Notes to the Basic Financial Statements and Required Supplementary Information, Section 2.

LONG-TERM DEBT

At June 30, 2017, the City's long-term liabilities, excluding net pension liability, compensated absences and claims payable, totaled \$252.8 million, comprised of \$219.1 million related to governmental activities and \$33.7 million related to business-type activities. Total debt decreased by \$0.4 million during the fiscal year. Interest and fiscal charges for 2017 were \$8.0 million, or 2.5% of total governmental funds' expenditures. Changes in long-term debt during fiscal year 2017 resulted from the issuance of General Obligation Public Improvement Bonds Series 2017.

The Series 2017 General Obligation Public Improvement bonds were issued for the purpose of providing funds towards the current school capital projects, parks and recreation improvements, bridge renovation projects, stormwater management projects, curbs, gutter and sidewalk improvement projects, streetscape improvements and 911 center improvement projects. There were no refunding opportunities with this bond issuance.

The City's most recent ratings obtained in March 2016 were AA+ from both Fitch Ratings and Standard & Poor's (S&P) Ratings Services. The City's strong bond ratings will translate into reduced borrowing costs related to its capital improvement projects.

The *Charter of the City* and *Code of Virginia* limit the City's net debt to 10% of the assessed valuation of real estate within the City limits. The limit applies to tax supported debt paid by the governmental funds. Long-term liabilities of business-type funds will be met by revenues generated by those funds. The City considers long-term debt of its Stormwater Utility and Parking Enterprise Funds to be self-supporting. Additionally, in accordance with its contractual agreement with the Western Virginia Water Authority, the City will receive funding from the Authority toward \$8.2 million of general obligation debt. The City's tax-supported debt of \$219.7 million less the Debt Service Fund Balance of \$0.5 million designated for the repayment of debt service is well below the legal debt limit of \$678.3 million.

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

Detailed information concerning the City's long-term liabilities is presented in Notes 8, 9, 11 and 12 of the Notes to Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's unemployment rate, not seasonally adjusted, was 4.5% as of June 30, 2017. This represents a decrease of 0.4% from the prior year. The City's unemployment rate was above the state unemployment rate of 3.9%, but consistent with the national unemployment rate of 4.5%. Employment in Roanoke is diverse with representation within the area of all census-defined industries. The industries providing the largest number of jobs in the region are health care and social assistance.

Roanoke's income levels trail the state and national averages; however, they compare quite well when adjusted for the cost of living. Fiscal year 2017 financial performance was indicative of an improving local economy. However, the City anticipates lingering effects of economic uncertainties as weak economic conditions abroad, incomplete fixes to the financial system and disappointing national employment reports remain challenges.

The City's General Fund tax revenues remained flat in 2017 primarily due to real estate and meals tax. Sales tax decreased. With strategic expenditure controls, the City was able to fund additional capital projects in the public safety and public works areas as well as increase funding to Roanoke City Public Schools. In addition, the General Fund unassigned fund balance was increased by \$1.0 million maintaining the unassigned balance above the requisite funding level according to the City's reserve policy.

Important economic indicators for the City during the past year included a slight increase in unemployment, an increase in value of taxable property, and a decrease in consumer spending. City management exhibits caution concerning the local economy regarding improvements during the next fiscal year with somewhat sporadic consumer spending trends.

Housing values increased 0.8%. The average assessed value of single-family housing units increased from \$124,482 in fiscal year 2016 to \$125,495 in fiscal year 2017. The volume of commercial construction permits was consistent with the prior year although the value of permits issued in 2017 decreased by 24.6% compared to 2016. The volume of residential construction permits decreased by 2.1% and the value of permits issued in 2017 decreased by 26.7% over 2016.

Fiscally responsible budgeting for 2017 provided for continued programming levels for services in response to modest increases in property tax revenues. Programming levels remained stable.

General Fund fiscal year 2017 estimated revenues increased 3.5% compared to the fiscal year 2017 adopted budget. The increase was attributable to economic growth in real estate, personal property and several local taxes. General property taxes increased \$0.2 million, a positive economic indicator. The General Fund fiscal year 2018 adopted budget decreased 9.5% compared to the budget adopted in the prior fiscal year to reflect the conservative efforts of management to ensure that estimates more accurately reflect the expected performance of the local economy. Local taxes comprise 68.6% of all budgeted fiscal year 2018 General Fund revenues.

For fiscal year 2018, total local tax revenues are estimated to grow modestly. Funding from the Commonwealth is projected remain unchanged in fiscal year 2018. Funding to Schools is projected at \$79.6 million, an increase of 1.6% compared to amounts transferred during fiscal year 2017.

The City's Pension Plan investment performance improved for year ended June 30, 2017, exceeding the actuarial expected rate of return by a significant margin. Strong domestic and international equity investment performance, which is reflective of a robust market, low energy prices, and domestic and global economic growth, contributed to the positive investment performance. The Plan's fiduciary net position as a percentage of the total pension liability improved from 68.7% to 74.0% as a result of the positive investment performance experienced in fiscal 2017. Despite geopolitical tension, political uncertainty, and concerns over the economic impacts of the devastating hurricanes, our outlook remains optimistic, buoyed by positive returns in equity with record setting levels since June 30, 2017.

As the City looks ahead toward fiscal 2019, budgetary pressures continue, but are anticipated to be less impactful than in previous years due to local economic growth. Strategic focus areas include providing capital investment to maintain City assets and core operations, a strategic focus on priority services and funding of employee health care and compensation costs. The priorities are challenging given competition for finite resources.

The real estate market in the City has started to grow at a slow pace. The City is monitoring the situation carefully and expects information prior to the beginning of the budgeting process for fiscal year 2019. The real estate assessment process aligns well with the budgeting process in that real estate assessments are established in January of each year with an effective date of July 1st of the same year. This allows the City to plan and revise programs as needed to maintain a balanced budget as real estate tax revenues are known and defined.

The Roanoke economy appears to be recovering slowly from the recession. Local taxes indicate increased economic activity. Management believes that the conservative current fiscal 2018 revenue estimates will be met. Challenges exist in predicting the timing and rate of improvement moving forward. It continues to be difficult to anticipate the level of funding from the Commonwealth and federal governments in upcoming years. There will continue to be significant pressure on local governments to fund programs previously funded by these government entities in areas such as public education and social services. The City's focus will be on a deliberate prioritization of services and programs that are responsive to the needs of those who are being served.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional information should be directed to the Director of Finance, 215 Church Avenue, SW, Room 465, Roanoke, Virginia 24011, telephone (540) 853-2821 or email finance@roanokeva.gov. The City's website address is www.roanokeva.gov.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	GRTC
Assets					
Cash and Cash Equivalents	\$ 69,474,688	\$ 8,584,078	\$ 78,058,766	\$ 29,981,035	\$ 1,228,460
Due from Primary Government	-	-	-	6,904	-
Due from Component Unit	688,253	-	688,253	-	-
Due from Other Governments	20,578,901	277,564	20,856,465	7,344,618	402,696
Internal Balances	191,848	(191,848)	-	-	-
Taxes and Accounts Receivable, Net	17,908,860	334,859	18,243,719	128,387	96,384
Inventory	39,598	-	39,598	-	471,186
Prepays and Other Assets	372,650	205,284	577,934	315,088	51,413
Net Pension Asset	-	-	-	919,615	-
OPEB/LODA Prepayment	498,467	7,133	505,600	616,197	-
Capital Assets:					
Land, Construction in Progress, Right-of-Way, and Historical Treasures	132,010,923	10,806,763	142,817,686	-	720,724
Other Capital Assets, Net	444,767,260	62,893,433	507,660,693	2,913,761	9,226,341
Capital Assets, Net	576,778,183	73,700,196	650,478,379	2,913,761	9,947,065
Total Assets	\$ 686,531,448	\$ 82,917,266	\$ 769,448,714	\$ 42,225,605	\$ 12,197,204
Deferred Outflows of Resources					
Deferred Charges on Refunding of Debt	\$ 5,584,574	\$ 1,173,934	\$ 6,758,508	\$ -	\$ -
Deferred Outflows related to Pensions	37,799,174	1,421,561	39,220,735	24,111,626	-
Total Deferred Outflows of Resources	\$ 43,383,748	\$ 2,595,495	\$ 45,979,243	\$ 24,111,626	\$ -
Liabilities					
Accounts Payable and Accrued Expenses	\$ 14,499,469	\$ 1,658,951	\$ 16,158,420	\$ 4,761,094	\$ 725,849
Accrued Interest Payable	2,506,772	320,548	2,827,320	-	-
Due to Component Unit	6,904	-	6,904	-	-
Due to Primary Government	-	-	-	688,253	-
Due to Fiduciary Funds	379,856	8,361	388,217	-	-
Due to Other Governments	392,335	76,493	468,828	-	-
Unearned Revenue	1,729,238	659,314	2,388,552	2,167,129	-
Other Liabilities	-	-	-	4,842,081	496,787
Net Pension Liability	156,742,240	2,797,437	159,539,677	146,308,640	-
Long-term Liabilities Due Within One Year	31,824,412	2,613,193	34,437,605	829,718	-
Long-term Liabilities Due in More Than One Year, Net	214,527,687	31,156,144	245,683,831	3,987,069	-
Total Liabilities	\$ 422,608,913	\$ 39,290,441	\$ 461,899,354	\$ 163,583,984	\$ 1,222,636
Deferred Inflows of Resources					
Uncollected Service Charges	\$ 471,081	\$ -	\$ 471,081	\$ -	\$ -
Deferred Inflows related to Pensions	13,624,909	241,011	13,865,920	5,187,180	-
Total Deferred Inflows of Resources	\$ 14,095,990	\$ 241,011	\$ 14,337,001	\$ 5,187,180	\$ -
Net Position					
Net Investment in Capital Assets	\$ 391,326,816	\$ 41,274,658	\$ 432,601,474	\$ 2,913,761	\$ 9,947,065
Restricted for:					
Debt Service	539,265	-	539,265	-	-
Unrestricted (deficit)	(98,655,788)	4,706,651	(93,949,137)	(105,347,694)	1,027,503
Total Net (Deficit) Position	\$ 293,210,293	\$ 45,981,309	\$ 339,191,602	\$ (102,433,933)	\$ 10,974,568

See Notes to Basic Financial Statements

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 17,492,500	\$ 2,287,076	\$ 599,108	\$ -
Judicial Administration	9,547,223	1,984,517	8,787,060	-
Public Safety	76,212,279	8,180,496	8,006,712	-
Public Works	28,640,405	309,576	14,691,569	6,336,950
Health and Welfare	44,873,765	1,514,952	32,501,813	-
Parks, Recreation and Cultural	12,675,738	778,101	296,380	168,106
Community Development	12,966,412	511,681	2,894,019	-
Education	83,842,601	-	-	-
Economic Development	4,998,061	-	3,004,760	600,000
Other	2,013,693	-	-	-
Interest and Fiscal Charges	9,108,045	-	1,493	-
Total Governmental Activities	302,370,722	15,566,399	70,782,914	7,105,056
Business-type Activities:				
Civic Facilities	5,683,284	2,358,795	-	650,158
Parking	3,283,745	3,240,441	-	460,384
Stormwater Utility	4,076,625	-	2,128,772	-
Total Business-type Activities	13,043,654	5,599,236	2,128,772	1,110,542
Total Primary Government	\$ 315,414,376	\$ 21,165,635	\$ 72,911,686	\$ 8,215,598
Component Units:				
School Board of the City of Roanoke	\$ 201,463,652	\$ 7,433,461	\$ 49,701,684	\$ -
Greater Roanoke Transit Company	10,773,008	1,928,696	-	972,048

General Revenues:

Taxes:

General Property - Real Estate and Personal Property
 Local Portion of State Sales
 Business and Professional Occupational License
 Utility
 Prepared Food and Beverage
 Commonwealth Share - Personal Property
 Cigarette
 Transient Room
 Telecommunication
 Motor Vehicle License
 Other
 Stormwater Fee
 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
 Transfers

Total General Revenues and Transfers

Change in Net Position

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

*For additional information, see Footnote 1, Section Q

See Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	GRTC
\$ (14,606,316)	\$ -	\$ (14,606,316)	\$ -	\$ -
1,224,354	-	1,224,354	-	-
(60,025,071)	-	(60,025,071)	-	-
(7,302,310)	-	(7,302,310)	-	-
(10,857,000)	-	(10,857,000)	-	-
(11,433,151)	-	(11,433,151)	-	-
(9,560,712)	-	(9,560,712)	-	-
(83,842,601)	-	(83,842,601)	-	-
(1,393,301)	-	(1,393,301)	-	-
(2,013,693)	-	(2,013,693)	-	-
(9,106,552)	-	(9,106,552)	-	-
(208,916,353)	-	(208,916,353)	-	-
-	(2,674,331)	(2,674,331)	-	-
-	417,080	417,080	-	-
-	(1,947,853)	(1,947,853)	-	-
-	(4,205,104)	(4,205,104)	-	-
\$ (208,916,353)	\$ (4,205,104)	\$ (213,121,457)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (144,328,507)	\$ -
-	-	-	-	(7,872,264)
\$ 114,172,203	\$ -	\$ 114,172,203	\$ -	\$ -
19,696,458	-	19,696,458	-	-
12,932,282	-	12,932,282	-	-
9,726,709	-	9,726,709	-	-
15,996,897	-	15,996,897	-	-
8,075,992	-	8,075,992	-	-
2,267,939	-	2,267,939	-	-
4,317,618	-	4,317,618	-	-
6,562,456	-	6,562,456	-	-
2,765,343	-	2,765,343	-	-
3,514,679	-	3,514,679	-	310,517
-	6,041,973	6,041,973	-	-
249,813	-	249,813	-	-
-	-	-	-	-
2,027,389	-	2,027,389	61,765,617	-
-	-	-	78,359,591	-
14,261,464	-	14,261,464	-	-
2,057,050	-	2,057,050	-	7,482,401
260,051	215,141	475,192	120,075	-
1,551,073	-	1,551,073	649,982	-
-	44,000	44,000	-	-
(2,328,398)	2,328,398	-	-	-
\$ 218,107,018	\$ 8,629,512	\$ 226,736,530	\$ 140,895,265	\$ 7,792,918
9,190,665	4,424,408	13,615,073	(3,433,242)	(79,346)
284,019,628	41,556,901	325,576,529	(99,000,691)	11,053,914
\$ 293,210,293	\$ 45,981,309	\$ 339,191,602	\$ (102,433,933)	\$ 10,974,568

CITY OF ROANOKE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 24,257,325	\$ 885,956	\$ 2,636	\$ 27,382,443	\$ 52,528,360
Due from Other Funds	93,652	85,265	-	114,905	293,822
Due from Component Unit	2,281,946	-	-	-	2,281,946
Due from Other Governments	9,772,557	-	1,458,568	1,125,252	12,356,377
Taxes Receivable, net of Allowance	17,132,006	-	-	-	17,132,006
Accounts Receivable	1,832,365	-	37,489	-	1,869,854
Allowance for Uncollectible Receivables	(1,432,840)	-	-	-	(1,432,840)
Prepays and Other	42,650	-	-	-	42,650
Total Assets	\$ 53,979,661	\$ 971,221	\$ 1,498,693	\$ 28,622,600	\$ 85,072,175
LIABILITIES					
Accounts Payable and Accrued Expenditures	\$ 11,109,404	\$ -	\$ 594,833	\$ 1,862,825	\$ 13,567,062
Due to Other Governments	-	392,335	-	-	392,335
Due to Other Funds	3,032,327	39,621	25,572	12,550	3,110,070
Due to Component Unit	-	-	-	1,360,254	1,360,254
Unearned Revenues	450,668	-	1,278,570	-	1,729,238
Total Liabilities	\$ 14,592,399	\$ 431,956	\$ 1,898,975	\$ 3,235,629	\$ 20,158,959
DEFERRED INFLOWS OF RESOURCES					
Uncollected Taxes and Charges	\$ 6,106,199	\$ -	\$ -	\$ -	\$ 6,106,199
Total Deferred Inflows of Resources	\$ 6,106,199	\$ -	\$ -	\$ -	\$ 6,106,199
FUND BALANCES					
Restricted	\$ -	\$ 539,265	\$ -	\$ 11,770,642	\$ 12,309,907
Committed	3,523,769	-	-	13,616,329	17,140,098
Unassigned	29,757,294	-	(400,282)	-	29,357,012
Total Fund Balances	\$ 33,281,063	\$ 539,265	\$ (400,282)	\$ 25,386,971	\$ 58,807,017
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 53,979,661	\$ 971,221	\$ 1,498,693	\$ 28,622,600	\$ 85,072,175

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balance - Governmental Funds \$ 58,807,017

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

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

Governmental capital assets, at cost	841,503,174	
Less: accumulated depreciation	<u>(286,238,656)</u>	555,264,518

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

Deferred charge on refunding of debt	17,010,758	
Less: accumulated amortization	(11,460,968)	
OPEB and Line of Duty prepayment	484,796	
Receivable from Western Virginia Water Authority	<u>8,213,900</u>	14,248,486

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.		5,635,118
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Long-term liabilities, including bonds payable with related accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Governmental bonds and loans payable	(196,117,277)	
Capital lease obligation	(4,517,035)	
Bond premium	(24,641,783)	
Accumulated amortization of bond premium	12,020,155	
Compensated absences	(7,147,179)	
Accrued interest payable	<u>(2,506,772)</u>	(222,909,891)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources for employer contributions	11,174,401	
Deferred outflows of resources due to changes in proportion, difference between employer contributions and proportionate share of contributions and the difference between projected and actual investment earnings	25,335,290	
Deferred inflows of resources for net difference between projected and actual investment earnings	(12,982,167)	
Deferred outflows of resources due to current amortization, net difference between projected and actual experience and proportionate share changes	(550,239)	
Net pension liability	<u>(149,281,885)</u>	(126,304,600)

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

8,469,645

Total Net Position of Governmental Activities		<u><u>\$ 293,210,293</u></u>
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See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Local Taxes	\$ 191,055,771	\$ -	\$ -	\$ -	\$ 191,055,771
Permits, Fees and Licenses	1,014,623	-	-	-	1,014,623
Fines and Forfeitures	1,211,208	-	-	-	1,211,208
Rental Income	208,127	-	-	-	208,127
Investment Income	37,359	-	1,017	129,340	167,716
Intergovernmental	72,624,700	15,917,879	7,698,053	10,005,311	106,245,943
Charges for Services	11,970,192	-	-	-	11,970,192
Miscellaneous	802,548	338,987	66,025	242,810	1,450,370
Total Revenues	\$ 278,924,528	\$ 16,256,866	\$ 7,765,095	\$ 10,377,461	\$ 313,323,950
EXPENDITURES					
Current Operating:					
General Government	\$ 15,771,646	\$ -	\$ 180,121	\$ -	\$ 15,951,767
Judicial Administration	8,516,501	-	389,279	-	8,905,780
Public Safety	69,204,827	-	1,206,388	-	70,411,215
Public Works	25,242,120	-	164,757	-	25,406,877
Health and Welfare	40,795,322	-	3,055,438	-	43,850,760
Parks, Recreation and Cultural	10,490,173	-	38,916	-	10,529,089
Community Development	9,441,750	-	3,260,245	-	12,701,995
Greater Roanoke Transit Company	1,899,605	-	-	-	1,899,605
Education	78,354,290	-	75,330	-	78,429,620
Other	114,088	-	-	-	114,088
Debt Service:					
Principal Retirement	-	20,004,268	-	-	20,004,268
Interest and Other Charges	-	7,632,823	-	-	7,632,823
Bond Issuance Cost	-	348,146	-	-	348,146
Capital Outlays	-	-	-	24,214,097	24,214,097
Total Expenditures	\$ 259,830,322	\$ 27,985,237	\$ 8,370,474	\$ 24,214,097	\$ 320,400,130
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 19,094,206	\$ (11,728,371)	\$ (605,379)	\$ (13,836,636)	\$ (7,076,180)
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	\$ -	\$ -	\$ -	\$ 20,980,000	\$ 20,980,000
Premium on Sale of Bonds	-	181,508	-	1,070,000	1,251,508
Transfers In	374,512	11,467,432	265,097	2,640,846	14,747,887
Transfers Out	(17,625,398)	(392,335)	(60,000)	(310,258)	(18,387,991)
Total Other Financing Sources (Uses), Net	\$ (17,250,886)	\$ 11,256,605	\$ 205,097	\$ 24,380,588	\$ 18,591,404
Net Change in Fund Balances	\$ 1,843,320	\$ (471,766)	\$ (400,282)	\$ 10,543,952	\$ 11,515,224
Fund Balances at Beginning of Year	31,437,743	1,011,031	-	14,843,019	47,291,793
Fund Balances at End of Year	\$ 33,281,063	\$ 539,265	\$ (400,282)	\$ 25,386,971	\$ 58,807,017

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net Change in Fund Balance - Governmental Funds \$ 11,515,224

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	25,472,445	
Donation of capital assets	60,329	
Less current year depreciation expense	<u>(18,061,289)</u>	7,471,485

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	896,813	
Net principal reimbursed by Western Virginia Water Authority	<u>(1,191,900)</u>	(295,087)

Bond and other long-term debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position.

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

Bond and other long-term debt proceeds	(20,980,000)	
Bond premium	(1,251,508)	
Amortization of current year bond premium	1,283,511	
Amortization of current year bond costs and deferred amounts	(937,313)	
Principal payments	<u>20,004,268</u>	(1,881,042)

Governmental funds report employer pension contributions as expenditures.

However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense

Pension contribution	10,624,162	
Pension expense	<u>(16,007,344)</u>	(5,383,182)

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	(427,968)	
Change in accrued interest payable	43,445	
OPEB and Line of Duty assets	<u>(19,204)</u>	(403,727)

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

(1,833,006)

Change in Net Position - Governmental Activities \$ 9,190,665

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds				Total
	Stormwater	Civic Facilities	Parking	Total	Internal Service Funds
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 5,159,204	\$ 1,087,243	\$ 2,337,631	\$ 8,584,078	\$ 16,946,328
Due from Other Funds	-	-	1,673	1,673	2,651,016
Due from Component Unit	-	-	-	-	4,052
Due from Other Governments	277,564	-	-	277,564	8,624
Accounts Receivable, Net	180,415	154,444	-	334,859	95,445
Inventory	-	-	-	-	39,598
Other Assets	7,133	205,284	-	212,417	343,671
Total Current Assets	\$ 5,624,316	\$ 1,446,971	\$ 2,339,304	\$ 9,410,591	\$ 20,088,734
Capital Assets:					
Land, Land Improvements and Infrastructure	\$ 10,933,402	\$ 1,215,005	\$ 3,431,514	\$ 15,579,921	\$ -
Buildings and Structures	149,929	42,860,950	48,792,734	91,803,613	-
Equipment and Other Capital Assets	1,683,525	1,743,917	286,699	3,714,141	70,130,142
Construction in Progress	1,922,732	44,108	-	1,966,840	434,873
Less Accumulated Depreciation	(300,753)	(19,289,501)	(19,774,065)	(39,364,319)	(49,051,350)
Capital Assets, Net	\$ 14,388,835	\$ 26,574,479	\$ 32,736,882	\$ 73,700,196	\$ 21,513,665
Total Assets	\$ 20,013,151	\$ 28,021,450	\$ 35,076,186	\$ 83,110,787	\$ 41,602,399
Deferred Outflows of Resources					
Deferred Outflows for Pension Contributions	\$ 186,948	\$ -	\$ 9,341	\$ 196,289	\$ 523,473
Deferred Outflows for Proportional Share on NPL	754,683	-	3,496	758,179	-
Deferred Outflows for Pension Changes	444,865	-	22,228	467,093	1,245,667
Deferred Outflows for Other Proportional Changes	-	-	-	-	70,581
Deferred Charges on Refunding of Debt	-	300,997	872,937	1,173,934	34,784
Total Deferred Outflows of Resources	\$ 1,386,496	\$ 300,997	\$ 908,002	\$ 2,595,495	\$ 1,874,505
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 1,031,301	\$ 409,650	\$ 218,000	\$ 1,658,951	\$ 919,856
Accrued Interest Payable	15,340	185,196	120,012	320,548	-
Due to Other Governments	-	76,493	-	76,493	-
Due to Other Funds	192,119	9,000	763	201,882	22,776
Unearned Revenue	-	659,314	-	659,314	-
Long-Term Liabilities Due Within One Year	394,717	949,434	1,269,042	2,613,193	4,214,260
Total Current Liabilities	\$ 1,633,477	\$ 2,289,087	\$ 1,607,817	\$ 5,530,381	\$ 5,156,892
Long-Term Liabilities:					
Compensated Absences Payable	\$ 67,800	\$ -	\$ 14,448	\$ 82,248	\$ 293,378
Claims Payable	-	-	-	-	19,819,708
General Obligation Bonds Payable, Net	7,434,982	14,713,523	11,526,834	33,675,339	5,672,717
Capital Lease Obligations	5,053	5,920	777	11,750	175,727
Net Pension Liability	2,664,313	-	133,124	2,797,437	7,460,355
Less Current Maturities	(394,717)	(949,434)	(1,269,042)	(2,613,193)	(4,214,260)
Total Long-Term Liabilities	\$ 9,777,431	\$ 13,770,009	\$ 10,406,141	\$ 33,953,581	\$ 29,207,625
Total Liabilities	\$ 11,410,908	\$ 16,059,096	\$ 12,013,958	\$ 39,483,962	\$ 34,364,517
Deferred Inflows of Resources					
Deferred Inflows for Pension Changes	\$ 229,542	\$ -	\$ 11,469	\$ 241,011	\$ 642,742
Total Deferred Inflows of Resources	\$ 229,542	\$ -	\$ 11,469	\$ 241,011	\$ 642,742
Net Position					
Net Investment in Capital Assets	\$ 6,949,273	\$ 12,243,177	\$ 22,082,208	\$ 41,274,658	\$ 15,700,005
Unrestricted (Deficit)	2,809,924	20,174	1,876,553	4,706,651	(7,230,360)
Total Net Position	\$ 9,759,197	\$ 12,263,351	\$ 23,958,761	\$ 45,981,309	\$ 8,469,645

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds				Total Internal Service Funds
	Stormwater	Civic Facilities	Parking	Total	
<u>Operating Revenues</u>					
Charges for Services	\$ -	\$ 2,358,795	\$ 3,240,441	\$ 5,599,236	\$ 31,732,263
Stormwater Fees	6,041,973	-	-	6,041,973	-
Other Revenue	-	650,158	460,384	1,110,542	1,271,307
Total Operating Revenues	\$ 6,041,973	\$ 3,008,953	\$ 3,700,825	\$ 12,751,751	\$ 33,003,570
<u>Operating Expenses</u>					
Personal Services	\$ 1,786,983	\$ 1,211,037	\$ 79,257	\$ 3,077,277	\$ 4,415,538
Other Services and Charges	1,389,766	2,403,379	1,224,787	5,017,932	21,847,284
Materials and Supplies	430,694	4,316	479,003	914,013	3,384,163
Depreciation	248,202	1,204,674	1,002,117	2,454,993	5,948,499
Total Operating Expenses	\$ 3,855,645	\$ 4,823,406	\$ 2,785,164	\$ 11,464,215	\$ 35,595,484
Operating Income (Loss)	\$ 2,186,328	\$ (1,814,453)	\$ 915,661	\$ 1,287,536	\$ (2,591,914)
<u>Nonoperating Revenues (Expenses)</u>					
Loss on Disposal of Assets	\$ -	\$ (246,445)	\$ -	\$ (246,445)	\$ (20,607)
Operating Grants	2,128,772	-	-	2,128,772	-
Investment Income	30,593	103,276	81,272	215,141	93,352
Interest Expense	(220,980)	(613,433)	(498,581)	(1,332,994)	(233,208)
Net Nonoperating Revenues (Expenses)	\$ 1,938,385	\$ (756,602)	\$ (417,309)	\$ 764,474	\$ (160,463)
Income (Loss) Before Transfers	\$ 4,124,713	\$ (2,571,055)	\$ 498,352	\$ 2,052,010	\$ (2,752,377)
<u>Transfers</u>					
Capital Contributions	\$ -	\$ 44,000	\$ -	\$ 44,000	\$ -
Transfers In	131,540	2,294,067	-	2,425,607	1,314,121
Transfers Out	(94,245)	-	(2,964)	(97,209)	(394,750)
Net Transfers	\$ 37,295	\$ 2,338,067	\$ (2,964)	\$ 2,372,398	\$ 919,371
Change in Net Position	\$ 4,162,008	\$ (232,988)	\$ 495,388	\$ 4,424,408	\$ (1,833,006)
Total Net Position at Beginning of Year, as Restated *	\$ 5,597,189	\$ 12,496,339	\$ 23,463,373	\$ 41,556,901	\$ 10,302,651
Total Net Position at End of Year	\$ 9,759,197	\$ 12,263,351	\$ 23,958,761	\$ 45,981,309	\$ 8,469,645

*For additional information, see Footnote 1, Section Q

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds				Total Internal Service Funds
	Stormwater	Civic Facilities	Parking	Total	
Cash Flow From Operating Activities					
Cash Received from Customers	\$ -	\$ 1,972,195	\$ 3,181,787	\$ 5,153,982	\$ 30,440,423
Cash Received from Customers Outside Parties	5,687,501	-	-	5,687,501	262,320
Cash Payments to Suppliers for Goods and Services	(94,709)	(2,404,029)	(1,631,923)	(4,130,661)	(6,750,286)
Cash Payments to Other Funds for Interfund Services	(369,498)	(44,093)	(80,862)	(494,453)	(154,991)
Cash Payments from (to) Other Funds for Interfund Services	32,738	3,625	-	36,363	(659,874)
Cash Payments to Employees	(1,734,046)	(1,218,620)	(79,303)	(3,031,969)	(4,294,791)
Cash Payments for Claims	-	-	-	-	(19,347,826)
Cash Received from Other Operating Revenues	-	650,158	460,384	1,110,542	1,265,760
Net Cash Provided by (Used in) Operating Activities	\$ 3,521,986	\$ (1,040,764)	\$ 1,850,083	\$ 4,331,305	\$ 760,735
Cash Flow From Noncapital Financing Activities:					
Transfers In	\$ 131,540	\$ 2,294,067	\$ -	\$ 2,425,607	\$ 1,314,121
Transfers Out	(94,245)	-	(2,964)	(97,209)	(394,750)
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 37,295	\$ 2,294,067	\$ (2,964)	\$ 2,328,398	\$ 919,371
Cash Flow From Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	\$ (5,554,438)	\$ (1,620,260)	\$ (247,383)	\$ (7,422,081)	\$ (5,251,565)
VDOT Match for Stormwater Improvements	2,128,772	-	-	2,128,772	-
Proceeds from Issuance of Bonds	1,540,000	-	-	1,540,000	-
Premium on the Issuance of Bonds	93,662	-	-	93,662	-
Principal Paid on Bonds and Capital Lease Obligations	(311,400)	(1,125,160)	(853,807)	(2,290,367)	(439,395)
Interest Paid on Bonds and Capital Lease Obligations	(285,761)	(842,733)	(494,195)	(1,622,689)	(261,405)
Net Cash Used in Capital and Related Financing Activities	\$ (2,389,165)	\$ (3,588,153)	\$ (1,595,385)	\$ (7,572,703)	\$ (5,952,365)
Cash Flow From Investing Activities:					
Interest Received	\$ 31,359	\$ 101,574	\$ 82,619	\$ 215,552	\$ 120,190
Net Cash Provided by Investing Activities	\$ 31,359	\$ 101,574	\$ 82,619	\$ 215,552	\$ 120,190
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,201,475	\$ (2,233,276)	\$ 334,353	\$ (697,448)	\$ (4,152,069)
Cash and Cash Equivalents at July 1	\$ 3,957,729	\$ 3,320,519	\$ 2,003,278	\$ 9,281,526	\$ 21,098,397
Cash and Cash Equivalents at June 30	\$ 5,159,204	\$ 1,087,243	\$ 2,337,631	\$ 8,584,078	\$ 16,946,328

See Notes to Basic Financial Statements

(Continued)

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds				Total Internal Service Funds
	Stormwater	Civic Facilities	Parking	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$ 2,186,328	\$ (1,814,453)	\$ 915,661	\$ 1,287,536	\$ (2,591,914)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	248,202	1,204,674	1,002,117	2,454,993	5,948,499
Changes in Assets and Liabilities:					
(Increase) Decrease in Due From Other Governments	(277,564)	3,625	-	(273,939)	(2,454)
(Increase) Decrease in Due From Other Funds	32,738	-	-	32,738	(995,516)
(Increase) Decrease in Accounts Receivable	(76,908)	(2,951)	2,932	(76,927)	(31,550)
Decrease in Inventory	-	-	-	-	13,713
Increase in Other Assets	(1,270,620)	-	(21,411)	(1,292,031)	(1,073,771)
Increase (Decrease) in Accounts Payable and Accrued Expenses	1,292,528	(44,601)	(7,648)	1,240,279	38,193
Decrease in Due to Other Governments	-	(7,583)	-	(7,583)	-
Increase (Decrease) in Due to Other Funds	169,863	4,174	(2,368)	171,669	(641,004)
Increase (Decrease) in Other Liabilities	1,203,624	-	(39,774)	1,163,850	1,090,974
Increase (Decrease) in Compensated Absences Payable	13,795	-	574	14,369	(44,423)
Decrease in Unearned Revenue	-	(383,649)	-	(383,649)	-
Decrease in Claims Payable	-	-	-	-	(950,012)
Total Adjustments	\$ 1,335,658	\$ 773,689	\$ 934,422	\$ 3,043,769	\$ 3,352,649
Net Cash Provided by (Used in) Operating Activities	\$ 3,521,986	\$ (1,040,764)	\$ 1,850,083	\$ 4,331,305	\$ 760,735

Noncash Capital and Financing Activities:

Civic Facilities Fund noncash activities in fiscal year 2017 consisted of capital asset acquisitions of \$44,000 recorded as accounts payable at June 30, 2017.

Parking Fund noncash activities in fiscal year 2017 consisted of capital asset acquisitions of \$71,920 recorded as accounts payable at June 30, 2017.

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Pension Trust Fund	OPEB Trust Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	\$ 214,102	\$ -	\$ 4,887,068
Receivables:			
Employer Contributions (Includes Due From Other Funds of \$388,217)	470,623	-	-
Employee Contributions	126,914	-	-
Investment Income	667,979	-	-
Receivable for Security Transactions	206,389	-	-
Due from Other Governments	-	-	392,335
Total Receivables	<u>\$ 1,471,905</u>	<u>\$ -</u>	<u>\$ 392,335</u>
Investments Held by Trustee, at Fair Value:			
Cash Equivalents	\$ 3,817,587	\$ -	\$ -
U.S. Government Securities	19,971,719	-	-
Municipal and Agency Bonds	14,774,045	-	-
Corporate Bonds	21,010,318	-	-
Convertible Bond Mutual Funds	16,146,767	-	-
Common Stocks	66,637,212	-	-
Domestic Mutual Funds	143,321,660	-	-
International Mutual Funds	96,618,176	-	-
Real Estate Mutual Funds	13,203,628	-	-
Infrastructure Funds	12,278,041	-	-
Investment in Pooled Funds	-	5,828,991	-
Total Investments	<u>\$ 407,779,153</u>	<u>\$ 5,828,991</u>	<u>\$ -</u>
Total Assets	<u>\$ 409,465,160</u>	<u>\$ 5,828,991</u>	<u>\$ 5,279,403</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 276,261	\$ -	\$ -
Payable for Security Transactions	1,149,245	-	-
Due to Other Governments	-	-	5,279,403
Total Liabilities	<u>\$ 1,425,506</u>	<u>\$ -</u>	<u>\$ 5,279,403</u>
NET POSITION RESTRICTED FOR BENEFITS	<u><u>\$ 408,039,654</u></u>	<u><u>\$ 5,828,991</u></u>	<u><u>\$ -</u></u>

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Pension Trust Fund	OPEB Trust Fund
	<hr/>	<hr/>
<u>Additions/(Reductions)</u>		
Contributions from Employer	\$ 11,804,691	\$ 1,275,000
Contributions from Employee	3,712,216	-
Investment Income		
Net Appreciation in Fair Value of Investments	48,533,998	614,019
Interest and Dividends	8,917,575	-
Other	10,692	-
Total Investment Gain	<hr/> \$ 57,462,265	<hr/> \$ 614,019
Less Investment Expenses	(1,402,634)	(6,546)
Net Investment Gain	<hr/> \$ 56,059,631	<hr/> \$ 607,473
Total Additions	<hr/> \$ 71,576,538	<hr/> \$ 1,882,473
<u>Deductions</u>		
Benefit Payments	\$ 35,309,390	\$ 797,700
Administrative Expenses	505,266	-
Total Deductions	<hr/> \$ 35,814,656	<hr/> \$ 797,700
Change in Net Position	\$ 35,761,882	\$ 1,084,773
Fiduciary Net Position at Beginning of Year	372,277,772	4,744,218
Fiduciary Net Position at End of Year	<hr/> \$ 408,039,654 <hr/>	<hr/> \$ 5,828,991 <hr/>

See Notes to Basic Financial Statements.

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CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(1) Summary of Significant Accounting Policies

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

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

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

B. Financial Statement Presentation

The City's financial statements have been prepared in accordance with GAAP and include these elements:

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 City's activities. These statements include all assets, liabilities, revenues and expenses of the primary government and its component units, excluding fiduciary activities.

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

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

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

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

broad fund categories as follows:

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

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

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

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

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

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

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

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

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

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

Internal Service Funds – Account for the financing of goods or services provided by one department primarily or solely to other departments within the

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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 provide 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.

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

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

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

Agency Fund – Accounts for assets held for, and due to the Hotel Roanoke Conference Center Commission (HRCCC). 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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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 position as reported on the Statement of Net Position (Exhibit A) to total governmental fund balance as reported on the Balance Sheet - Governmental Funds (Exhibit C). Exhibit F presents a reconciliation of the total change in net position as reported on the Statement of Activities (Exhibit B) and the total net change in fund balances as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit E).

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as Committed Fund Balance since they do not constitute current year expenditures or liabilities and as such, are approved by Council for inclusion in the next fiscal year budget. Encumbrances are reported as expenditures using the budgetary basis of accounting. Unspent appropriations lapse at year-end. These encumbrances are subject to re-appropriation by City Council in the succeeding fiscal year. For fiscal year ended June 30, 2017 significant encumbrances in the General Fund totaled \$3.5 million related to employee health services, social services, prisoner sustenance and street and other maintenance contracts. In the Capital Projects fund, \$16.0 million was related to various capital improvement construction contracts. In Proprietary funds, \$5.2 million was encumbered related to capital projects, equipment, and contractual services and supplies.

E. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash from all funds is consolidated in one City account. Short-term investments may consist of certificates of deposit, repurchase agreements, commercial paper, investments in the Local Government Investment Pool (LGIP), and the Commonwealth Cash Reserve Fund. Cash balances, other than 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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Applicable investments are measured at fair value and are categorized within the fair value hierarchy using valuation techniques as promulgated by GAAP. The hierarchy is based on the valuation of inputs used to measure the fair value of an asset and categorizes these inputs into one of three levels. See Footnote 2 for additional information regarding the categorical fair value measurement of investments. Investments of the Capital Projects Fund consist of government securities. Investments of the Pension Trust Fund consist of investments in bank common trust funds, government securities, corporate bonds, stocks, and mutual funds. The fair value of underlying assets held in the Pension Trust Fund's real estate fund is based upon independent appraisal conducted periodically throughout the year, but not less than annually.

F. Interfund Receivables and Payables

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

G. Allowance for Uncollectible Taxes and Accounts Receivable

The City calculates its allowance for uncollectible receivables based on historical collection data and specific account analyses. At June 30, 2017, the allowance for General Fund uncollectible taxes receivable was \$2,501,864 or 12.7% of the outstanding balance of taxes receivable. At June 30, 2017, the allowance for General Fund uncollectible accounts receivable was \$1,432,840 or 78.2% of the outstanding balance of accounts receivable.

H. Property Taxes

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

Personal property tax is due on or before May 31 during the year of assessment. The personal property tax rate was \$3.45 per \$100 of assessed value for the year. The Commonwealth funds localities for a portion of the personal property taxes billed to property tax owners. The Personal Property Tax Relief Act as amended provides a flat amount of reimbursement to localities, such as the City of Roanoke, thereby altering the percent of tax relief provided. The Commonwealth's share of the tax was 48.4% for tax year 2017. A penalty of 10% of unpaid real estate and personal property tax is due for late payment. Interest on unpaid taxes is 10% in the first year. Thereafter, the interest is calculated using the Internal Revenue Service (IRS) rate, which 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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

that it results in current receivables within the modified - accrual period.

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 measured at fair value using valuation techniques categorized under the hierarchy as set forth in GAAP. See Footnote 2 for additional information regarding the categorical fair value measurement of investments. Security transactions are recognized on the trade date which is the date the order to buy or sell is originated. Securities lending fees are included as a component of investment expenses

K. Other Postemployment Benefits Trust Fund

The City's policy is to fully fund actuarially determined 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 and line of duty benefits other than pension costs.

L. Capital Assets

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

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The City has adopted the modified approach under GAAP for certain assets determined 'inexhaustible'. Assets in this category are characterized as those whose economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. Assets of this nature are not depreciated, but are required to be maintained at a certain condition level. See note 5 for additional information regarding the City's application of the modified approach.

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

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 \$7,440,557 are recorded for governmental activities in the government-wide statements and represent a reconciling item between the government-wide and governmental fund presentations.

N. Net Position

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

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

Restricted Restricted net position consists of assets where limitations are heir use through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or the laws and regulations of other governments.

Unrestricted Unrestricted net position is net position not reported as net invested in capital assets or restricted.

Fund Balances – Governmental Funds

Per GAAP, the City's 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:

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

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

Assigned Amounts 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 Section 34 and the City’s adoption of the annual budget at the second meeting in May of each year. Further, in accordance with the laws of the Commonwealth, the chief financial officer of the City is required to file a detailed annual statement of the fund balance with the Auditor of Public Accounts. See *Code of Virginia* Section 15.2.2510.

Unassigned 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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

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

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

- 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.
- A Risk Management Reserve serves to cover the risk exposure the City has relating to its self-insurance program. The minimum funding level for the Risk Management Reserve is 25% of the three-year average of self-insured claims costs, plus 10% of the three-year average of fully insured premiums, plus a \$1 million catastrophic reserve.
- Once the Unassigned and Risk Management Reserves are fully funded, an Economic Downturn Reserve will be created to smooth the City's financial operations in the event of an economic downturn. The Economic Downturn Reserve will be maintained in an amount up to 5% of the General Fund Expenditure budget. As of June 30, 2017, this reserve had not been created as the Risk Management Reserve has not yet been fully funded which triggers the establishment of this 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.
- The fund balance reserves may only be used upon appropriation by City Council and the reserve policies contain stipulations regarding reserve usage and replenishment.

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

P. Deferred Inflows/Outflows of Resources

Deferred inflows and outflows of resources represent the acquisition and consumption, respectively, of net position that applies to a future period. At June 30, 2017, the Primary Government had \$6.8 million in deferred outflows of resources representing deferred charges on refunding of debt and \$39.2 million in deferred charges related to pension contributions and proportionate share changes. The Primary Government also had \$13.9 million in deferred inflows of resources related to pension activity and \$471,081 related to uncollected service charges.

Q. Prior Period Restatement

In 2017, management determined that the costs associated with a significant capital project to improve stormwater infrastructure should have been accounted for in the Stormwater Fund upon its creation. Debt funding for these improvements also properly belonged in the Stormwater Fund. Effective July 1, 2016, the City transferred all debt and related assets to the Stormwater Fund. This resulted in a prior period adjustment of the beginning balance of Stormwater debt on the Statement of Net Position by \$3,086,925, as well as an adjustment of the beginning capital asset balance of \$6,631,332. On the government-wide Statement of Net Position, this resulted in a decrease in beginning net position of governmental activities and an increase in beginning net position of business-type activities, as follows:

Governmental Activities (Exhibit A)

	Original Balance June 30, 2016	Restatement	Restated Balance June 30, 2016
Cash and Cash Equivalents	\$ 63,641,025	\$ -	\$ 63,641,025
Capital Assets	576,920,070	(6,631,332)	570,288,738
Other Assets	65,926,509	-	65,926,509
Long-term Debt	249,536,307	(3,086,925)	246,449,382
Other Liabilities	169,387,262	-	169,387,262
Total	\$ 287,564,035	\$ (3,544,407)	\$ 284,019,628
 Net Investment in Capital Assets	 \$ 386,671,621	 \$ (3,544,407)	 \$ 383,127,214
Restricted for:			
Debt Service	1,011,031	-	1,011,031
Prepaid Expenses	48,411	-	48,411
Unrestricted (deficit)	(100,167,028)	-	(100,167,028)
Total Net Position	\$ 287,564,035	\$ (3,544,407)	\$ 284,019,628

CITY OF ROANOKE, VIRGINIA
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Business-type Activities (Exhibit A)

	Original Balance June 30, 2016	Restatement	Restated Balance June 30, 2016
Cash and Cash Equivalents	\$ 9,281,526	\$ -	\$ 9,281,526
Capital Assets	62,832,551	6,631,332	69,463,883
Other Assets	1,864,919	-	1,864,919
Long-term Debt	31,508,530	3,086,925	34,595,455
Other Liabilities	4,457,972	-	4,457,972
Total	<u>\$ 38,012,494</u>	<u>\$ 3,544,407</u>	<u>\$ 41,556,901</u>
Net Investment in Capital Assets	\$ 35,765,948	\$ 3,544,407	\$ 39,310,355
Unrestricted	2,246,546	-	2,246,546
Total Net Position	<u>\$ 38,012,494</u>	<u>\$ 3,544,407</u>	<u>\$ 41,556,901</u>

Business-type Activities (Exhibit G)

	Original Balance Net Position June 30, 2016	Restatement	Restated Balance Net Position June 30, 2016
Stormwater	\$ 2,052,782	\$ 3,544,407	\$ 5,597,189
Civic Center	12,496,339	-	12,496,339
Parking	23,463,373	-	23,463,373
Total	<u>\$ 38,012,494</u>	<u>\$ 3,544,407</u>	<u>\$ 41,556,901</u>

Changes in Capital Assets (Footnote 5)

	Original Balance June 30, 2016	Restatement	Restated Balance June 30, 2016
Governmental Activities:			
Construction in Progress	\$ 30,452,474	\$ (6,631,332)	\$ 23,821,142
Other Governmental Assets	546,467,596	-	546,467,596
Total Governmental Assets	<u>\$ 576,920,070</u>	<u>\$ (6,631,332)</u>	<u>\$ 570,288,738</u>
Business-type Activities			
Construction in Progress	\$ 2,808,041	\$ 6,631,332	\$ 9,439,373
Other Business-type Assets	60,024,510	-	60,024,510
Total Business-type Assets	<u>\$ 62,832,551</u>	<u>\$ 6,631,332</u>	<u>\$ 69,463,883</u>

CITY OF ROANOKE, VIRGINIA
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Long-Term Liabilities (Footnote 8)

	Original Balance		Restated Balance
	June 30, 2016	Restatement	June 30, 2016
Governmental Activities:			
General Obligation Serial Bonds	\$ 186,109,191	\$ (3,086,925)	\$ 183,022,266
Other Governmental Liabilities	191,665,389	-	191,665,389
Total Governmental Activities	\$ 377,774,580	\$ (3,086,925)	\$ 374,687,655
Business-type Activities			
General Obligation Serial Bonds	\$ 31,421,239	\$ 3,086,925	\$ 34,508,164
Other Business-type Liabilities	1,740,444	-	1,740,444
Total Business-type Activities	\$ 33,161,683	\$ 3,086,925	\$ 36,248,608
Total Primary Government Long-Term Liabilities	\$ 410,936,263	\$ -	\$ 410,936,263

R. New GASB Pronouncements

GASB pronouncements are reviewed upon issuance to determine applicability and adoption. The following pronouncements have been analyzed by the City and were adopted in the fiscal year ending June 30, 2017:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plan Other than Pension Plans*, was issued to replace Statement No. 43 and previously amended by No. 57. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.
- GASB Statement No. 77, *Tax Abatement Disclosures* was issued to improve the usefulness of information included in the general purpose external financial reports of state and local governments for assessing the impact of tax abatements on an entity's financial position and operating results.
- GASB No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to

CITY OF ROANOKE, VIRGINIA
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state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, were issued to address accounting and financial reporting for certain external investment pools and pool participants.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units*, was issued to improve financial reporting by clarifying the financial reporting presentation requirements for certain component units.
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

S. New GASB Pronouncements

The City will adopt the following pronouncements in fiscal year ending June 30, 2018:

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, was issued to address practice issues that have been identified during implementation and application of certain GASB statements and addresses a variety of topics including issues related to blending

CITY OF ROANOKE, VIRGINIA
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component units, goodwill, fair value measurement and application, and postemployment benefits.

- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt.

CITY OF ROANOKE, VIRGINIA
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(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 with a combined balance as of June 30, 2017 of \$30,896,272, which includes \$915,237 held on behalf of a fiduciary fund. The GRTC component unit maintains separate cash and investment accounts consisting of cash and overnight repurchase agreements collateralized by government securities. Investments for GRTC and the School Board are presented in conjunction with City investments. The City Civic Center Facilities are managed by Spectra Venue Management, which holds a portion of cash in the amount of \$558,042 on the City's behalf. The City acts as one of the fiscal agents for the HRCCC and holds total cash and investments of \$4,887,068 on HRCCC's behalf. Investments and related disclosures for the City of Roanoke Pension Plan and the OPEB Trust Fund, which are fiduciary funds, are presented separately.

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

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

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

Corporate and Municipal Bonds: High quality corporate notes with a rating of at least AA by Moody's and Standard & Poor's Inc.

Bankers' Acceptances: Must have a short-term debt rating of no less than A-1 or its equivalent by at least two of the Nationally Recognized Statistical Rating Organizations.

Savings Accounts, Certificates 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: Those unconditionally guaranteed as to payment by the United States.

Repurchase Agreements: Collateralized by United States Treasury agency securities, with a maximum maturity of five years, having a market value at all times of at least 102% of the value of the overnight repurchase agreements.

Money Market Funds: One or more open-end investment funds, provided that the funds are registered under the Federal Investment Company Act of 1940 and provided that the fund is rated at least AAAM or the equivalent by a Nationally Recognized Statistical Rating Organization.

Local Government Investment Pool (LGIP): Administered by the Treasury Board of the

CITY OF ROANOKE, VIRGINIA
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Commonwealth of Virginia and is rated AAAm by Standard & Poor's, Inc.

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

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

Investments as of June 30, 2017 consisted of the following:

	Total Primary Government	School Board Component Unit	Agency Funds
Investment in pooled funds, including Virginia LGIP & VIP	\$ 35,707,981	\$ 28,146,900	\$ 4,715,943
Money Market Accounts	23,049,080	2,726,572	-
Mutual Funds	19,854,543	-	-
Total	<u>\$ 78,611,604</u>	<u>\$ 30,873,472</u>	<u>\$ 4,715,943</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 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, 2017, investment holdings as a percentage of total investments, excluding OPEB Trust Fund investments, were as follows:

Investment Type	Primary Government	School Board Component Unit	Agency Fund	Credit Rating
Repurchase Agreements	0.0%	0.0%	0.0%	NR
Mutual Funds	35.7%	8.8%	0.0%	AAAm
Virginia Investment Pool	27.4%	0.0%	0.0%	AAAm
Virginia LGIP	36.9%	91.2%	100.0%	AAAm
Total Investment Percentage	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

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

CITY OF ROANOKE, VIRGINIA
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June 30, 2017 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, 2017, 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 \$24,678,875, including Fiduciary HRCCC Funds of \$171,126. The City's bank balance of deposits was \$25,227,412. The City's investment policy requires all deposits to be federally secured or held in accordance with the Virginia Security for Public Deposits Act (Act). In agreement with the policy, the entire balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

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

As of June 30, 2017, 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 LGIP, were as follows:

Issuer	Percent of Portfolio Primary Government
State Non-Arbitrage Program	35.7%

As of June 30, 2017, of the School Board's investment portfolio was invested in the LGIP \$28,146,900 and a Valley Bank Public Funds money market account, totaling \$2,726,572.

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.

CITY OF ROANOKE, VIRGINIA
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As of June 30, 2017, the Primary Government had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Mutual Funds	\$ 19,854,543	\$ 19,854,543
LGIP & VIP	35,707,981	35,707,981
TOTAL	<u>\$ 55,562,524</u>	<u>\$ 55,562,524</u>

As of June 30, 2017, the School Board Component Unit had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
LGIP	\$ 28,146,900	\$ 28,146,900
TOTAL	<u>\$ 28,146,900</u>	<u>\$ 28,146,900</u>

As of June 30, 2017, the Hotel Roanoke Conference Center Commission, a fiduciary fund, had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
LGIP & VIP	\$ 4,715,943	\$ 4,715,943
TOTAL	<u>\$ 4,715,943</u>	<u>\$ 4,715,943</u>

Separately Presented Fiduciary Funds

Pension Trust Fund

Investment Policy. The Board appoints members of the Pension Investment Committee (Committee). The Committee consists of four members of the Board and retirement plan staff. The Committee, working in conjunction with the Plan's investment consultant, develops the Plan's Statement of Investment Policy, which is approved by the Board, who maintains authority to establish and amend the Statement of Investment Policy.

The Board has adopted a Statement of Investment Policy Guidelines and Objectives (Policy), which articulates the Plan's investment objectives and risk tolerance and serves as a guide for asset allocation development, investment manager and fund selection, investment performance monitoring and evaluation. The Policy addresses credit risk, concentration risk, and foreign currency risk as outlined in the following paragraphs.

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Plan investments as of June 30, 2017 consisted of the following:

	<u>2017</u>
Cash Equivalents	\$ 344,100
Investment in pooled funds	3,473,487
U.S. Government Securities	19,971,719
Municipal and Agency Bonds	14,774,045
Corporate Bonds	21,010,318
Convertible Bond Mutual Funds	16,146,767
Common Stocks	66,637,212
Domestic Mutual Funds	143,321,660
International Mutual Funds	96,618,176
Real Estate Funds	13,203,628
Infrastructure Funds	12,278,041
Total Investments	<u><u>\$ 407,779,153</u></u>

Fair Value of Investments

		Fair Value Measures Using		
		Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
	Fair Asset Value as of June 30, 2017			
Investments by Fair Value Level:				
Fixed Income				
U.S. Government Securities	\$ 19,971,719	\$ -	\$ 19,971,719	\$ -
Municipal and Agency Bonds	14,774,045	-	14,774,045	-
Corporate Bonds	21,010,318	-	21,010,318	-
Total Fixed Income	<u>\$ 55,756,082</u>	<u>\$ -</u>	<u>\$ 55,756,082</u>	<u>\$ -</u>
Domestic Equity:				
Financial and Utility Common Stock	\$ 22,282,197	\$ 22,282,197	\$ -	\$ -
Basic Industrial and Materials Common Stock	9,888,482	9,888,482	-	-
Consumer and Service Common Stock	22,668,077	22,668,077	-	-
Technology and Telecommunications Common Stock	11,798,456	11,798,456	-	-
Domestic Equity Mutual Fund	64,673,655	64,673,655	-	-
Total Domestic Equity	<u>\$ 131,310,867</u>	<u>\$ 131,310,867</u>	<u>\$ -</u>	<u>\$ -</u>
Convertible Securities:				
Convertible Bond Mutual Funds	\$ 16,146,767	\$ 16,146,767	\$ -	\$ -
Total Convertible Securities	<u>\$ 16,146,767</u>	<u>\$ 16,146,767</u>	<u>\$ -</u>	<u>\$ -</u>
International Equity:				
International Equity Mutual Fund	\$ 69,605,391	\$ 69,605,391	\$ -	\$ -
Total International Equity	<u>\$ 69,605,391</u>	<u>\$ 69,605,391</u>	<u>\$ -</u>	<u>\$ -</u>
Short-Term Investments:				
Cash and Cash Equivalents	\$ 3,817,587	\$ 3,817,587	\$ -	\$ -
Total Short-Term Investments	<u>\$ 3,817,587</u>	<u>\$ 3,817,587</u>	<u>\$ -</u>	<u>\$ -</u>
Total Investments by Fair Value Level	<u>\$ 276,636,694</u>	<u>\$ 220,880,612</u>	<u>\$ 55,756,082</u>	<u>\$ -</u>

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	Net Asset Value as of June 30, 2017	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income Investments				
Co-mingled domestic fixed income	\$ 21,948,535	\$ -	Daily	0-3 Days
Total Fixed Income Investments	\$ 21,948,535	\$ -		
Equity Investments				
Co-mingled domestic equity	\$ 56,699,470	\$ -	Daily	0-3 Days
Co-mingled internation equity	27,012,785	-	Daily,Bi- Monthly,Monthly	3-30 Days
Total Equity Investments	\$ 83,712,255	\$ -		
Real Estate Investments				
Real Estate	\$ 13,203,628	\$ -	Quarterly	45-90 Days
Total Real Estate Investments	\$ 13,203,628	\$ -		
Alternative Assets				
Infrastructure Fund	\$ 12,278,041	\$ -	Not eligible	N/A
Total Alt. Assets Investments	\$ 12,278,041	\$ -		
Total Investments Measured at the NAV	\$ 131,142,459	\$ -		

Credit Risk. Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation to the Plan. The Plan's investment policy limits investments in fixed income securities to issues which are rated at least Baa or BBB by either Moody's or Standard and Poor's. 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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
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As of June 30, 2017, the Plan's pooled and fixed income investments consisted of the following:

	<u>2017</u>	<u>S&P Rating</u>
U.S. Government Securities	\$ 19,971,719	NR
	<u>\$ 19,971,719</u>	
Municipal and Agency Bonds	\$ 11,275,311	AA
1	3,498,734	NR
	<u>\$ 14,774,045</u>	
Corporate Bonds	\$ 850,934	AAA
	1,661,469	AA
	9,342,687	A
	9,117,238	BBB
	37,990	BB
	<u>\$ 21,010,318</u>	
Domestic Bond Mutual Fund 2	\$ 4,210,735	Aa2
	17,737,800	BB
	<u>\$ 21,948,535</u>	
Investment in Pooled Funds	\$ 3,473,487	AAA
	<u>\$ 3,473,487</u>	

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

2 Moody's credit rating.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan's investment policy does not specifically address custodial credit risk. The City maintains a cash and investment pool, in which the Plan is a participant. The carrying amount of the Plan's deposits was \$4,031,689, equal to the bank balance, as of June 30, 2017. Of the bank balance, \$214,102 as of June 30, 2017 was covered by Federal depository insurance or collateralized pursuant to agreements with all participating financial institutions to pledge assets on a pooled basis to secure public deposits pursuant to the Act Regulations of the *Code of Virginia*.

Such collateralization qualifies as state depository insurance. Accordingly, the bank balance of \$214,102 as of June 30, 2017, 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 \$3,817,587 as of June 30, 2017 is uninsured and uncollateralized. The uninsured and uncollateralized deposits are held by Comerica Bank.

Custodial Credit Risk. The Plan held the following investments as of June 30, 2017: cash equivalents; investment in pooled funds, U.S. government securities; agency and municipal bonds; corporate bonds; convertible bond mutual funds; common stocks; domestic, international, real estate mutual funds, and infrastructure commingled funds. Investments in external

CITY OF ROANOKE, VIRGINIA
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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; however, the Plan's investments are not considered to be exposed to custodial credit risk.

Concentration of Credit Risk. The Plan's investment policy prohibits the investment of more than 5% of plan assets in either fixed income or equity securities of any single issuer based on cost. Securities of the U.S. government and investment company shares (mutual funds) are exempted from this limitation. The Plan did not own securities of a single organization, other than positions in mutual funds, representing five percent or more of the Plan's fiduciary net position at June 30, 2017.

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

The fair value of the Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2017:

Investment Type	Fair Value	Maturities			
		< 1	1 - 5	5 - 10	>10
U.S. Government Securities	\$ 19,971,719	\$ -	\$ 500,295	\$ 2,762,097	\$ 16,709,327
Municipal and Agency Bonds	14,774,045	3,539,721	6,930,956	3,740,834	562,534
Corporate Bonds	21,010,318	-	4,084,236	4,228,830	12,697,252
Bond Mutual Funds	21,948,535	-	-	21,948,535	-
	<u>\$ 77,704,617</u>	<u>\$ 3,539,721</u>	<u>\$ 11,515,487</u>	<u>\$ 32,680,296</u>	<u>\$ 29,969,113</u>

The City maintains a cash and investment pool in which the Plan is a participant. The fair value of the Plan's investment was zero as a result of participating in the cash and investment pool at June 30, 2017.

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, 2017.

CITY OF ROANOKE, VIRGINIA
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OPEB Trust Fund

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

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

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

Credit Risk. State law (*Code of Virginia*, Chapter 3, Title 26) limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the LGIP. As of June 30, 2017, the City's OPEB Trust Fund was exclusively invested in the OPEB Trust Fund.

Custodial Credit Risk - Investments. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent but not in the City's name. As of June 30, 2017, the OPEB Trust Fund did not hold any investments considered to be exposed to custodial credit risk.

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

As of June 30, 2017, the OPEB Trust Fund did not own securities other than the OPEB Trust Fund, which is classified as a co-mingled multi-strategy pooled investment fund. The value of these investments has been allocated among the participants using a net asset value per share.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Net Asset Value of Investments

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Multistrategy Investments				
Co-mingled multistrategy investment fund	\$ 5,828,991	\$ -	Daily	0-3 Days
Total Investments Measured at the NAV	\$ 5,828,991	\$ -		

The market value of the OPEB Trust Fund's fixed income holdings within the OPEB Trust Fund consisted of the following investments and maturities as of June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>	
		<u>< 5</u>	<u>5 - 10</u>
Bond Mutual Funds	\$ 1,102,632	\$ -	\$ 1,102,632
Short-term Investment Funds	9,199	9,199	-
	<u>\$ 1,111,831</u>	<u>\$ 9,199</u>	<u>\$ 1,102,632</u>

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(3) Receivables

Receivables as of June 30, 2017 consisted of the following:

Governmental Funds

	General	Special Revenue	Capital Projects	Internal Service	Total Governmental Activities	School Board Component Unit	GRTC Component Unit
<u>Receivables</u>							
Federal Government	\$ 9,768	\$ 1,321,531	\$ -	\$ -	\$ 1,331,299	\$ 4,284,404	\$ 225,801
State Government	9,479,235	137,037	1,125,252	-	10,741,524	3,060,214	112,124
City of Roanoke	-	-	-	-	-	6,904	-
Other Governments	283,554	-	-	8,624	292,178	-	64,771
Subtotal Governments	<u>\$ 9,772,557</u>	<u>\$ 1,458,568</u>	<u>\$ 1,125,252</u>	<u>\$ 8,624</u>	<u>\$ 12,365,001</u>	<u>\$ 7,351,522</u>	<u>\$ 402,696</u>
Taxes, net of Allowance	\$ 17,132,006	\$ -	\$ -	\$ -	\$ 17,132,006	\$ -	\$ -
Accounts	2,076,760	37,489	-	95,445	2,209,694	128,387	96,384
Less: Allowance for							
Uncollectible Accounts	(1,432,840)	-	-	-	(1,432,840)	-	-
Subtotal	<u>\$ 17,775,926</u>	<u>\$ 37,489</u>	<u>\$ -</u>	<u>\$ 95,445</u>	<u>\$ 17,908,860</u>	<u>\$ 128,387</u>	<u>\$ 96,384</u>
Governmental Fund Receivables	<u>\$ 27,548,483</u>	<u>\$ 1,496,057</u>	<u>\$ 1,125,252</u>	<u>\$ 104,069</u>	<u>\$ 30,273,861</u>	<u>\$ 7,479,909</u>	<u>\$ 499,080</u>
Due from WVWA	\$ -	\$ -	\$ -	\$ -	\$ 8,213,900	\$ -	\$ -
Net Governmental Activities							
Receivable	<u>\$ 27,548,483</u>	<u>\$ 1,496,057</u>	<u>\$ 1,125,252</u>	<u>\$ 104,069</u>	<u>\$ 38,487,761</u>	<u>\$ 7,479,909</u>	<u>\$ 499,080</u>

Enterprise Funds

	Stormwater	Civic Facilities	Total Enterprise Funds
<u>Receivables</u>			
State Government	\$ 277,564	\$ -	277,564
Accounts	180,415	154,444	334,859
Total Receivables	<u>\$ 457,979</u>	<u>\$ 154,444</u>	<u>\$ 612,423</u>

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

Net taxes and accounts receivable, as reported on the government-wide Statement of Net Position, include taxes receivable of approximately \$6.1 million that are not available to pay for current period expenditures and are accordingly recorded as a deferred inflows of resources in the governmental funds balance sheet. An \$8,213,900 receivable from the Western Virginia Water Authority (WVWA) related to long-term liabilities is reported on the Statement of Net Position. Further details are presented in Notes 9 and 16. General Fund Accounts Receivable included \$244,395 related to Roanoke City Public School miscellaneous accounts receivable accounts, which were reported by them as an accounts payable liability.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(4) Interfund Balances and Transfers

Interfund balances consisted of the following for the year ended June 30, 2017:

DUE FROM (FUND)									
DUE TO (FUND)	General	Special Revenue	Capital Projects	Debt Service	Stormwater Utility	Civic Facilities	Parking	Internal Services	Total
	General Fund	\$ -	\$ 24,715	\$ -	\$ -	\$ 59,937	\$ 9,000	\$ -	\$ 93,652
	Debt Service	72,715	-	12,550	-	-	-	-	85,265
	Capital Projects	6,239	-	-	108,666	-	-	-	114,905
	Parking	1,673	-	-	-	-	-	-	1,673
	Internal Service	2,590,907	857	-	39,621	15,506	412	3,713	2,651,016
	Pension Trust	360,793	-	-	8,010	-	351	19,063	388,217
	TOTAL	\$ 3,032,327	\$ 25,572	\$ 12,550	\$ 39,621	\$ 192,119	\$ 9,000	\$ 22,776	\$ 3,334,728

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

Interfund transfers consisted of the following for the year ended June 30, 2017:

TRANSFER FROM (FUND)									
TRANSFER TO (FUND)	General	Special Revenue	Capital Projects	Debt Service	Stormwater Utility	Parking	Internal Service	Total	
	General	\$ -	\$ -	\$ 76,600	\$ -	\$ 19,245	\$ -	\$ 278,667	\$ 374,512
	Debt Service	11,407,432	60,000	-	-	-	-	-	11,467,432
	Special Revenue	149,014	-	-	-	-	116,083	-	265,097
	Capital Projects	2,565,846	-	-	-	75,000	-	-	2,640,846
	Stormwater Utility	-	-	131,540	-	-	-	-	131,540
	Civic Facilities	2,280,067	-	14,000	-	-	-	-	2,294,067
	HRCCC*	-	-	-	392,335	-	-	-	392,335
	Internal Service	1,223,039	-	88,118	-	-	2,964	-	1,314,121
	TOTAL	\$ 17,625,398	\$ 60,000	\$ 310,258	\$ 392,335	\$ 94,245	\$ 2,964	\$ 394,750	\$ 18,879,950

* Hotel Roanoke Conference Center Commission

Transfers are used (1) to move revenues from the funds that are required by statute or budget to collect them to the funds that are required by statute or budget to spend them, (2) to move receipts restricted for debt service from the funds collecting them to the Debt Service Fund as debt service payments become due, and (3) to move unrestricted revenues collected in the General Fund, which finance various programs accounted for in other funds in accordance with budgetary authorizations. In fiscal year 2017, in addition to debt service, the City transferred funding for an annual operating subsidy for the Civic Center, Stormwater, capital projects, internal services provided as well as required/matching funding for grants in the Special Revenue fund. Pursuant to the City's agreement with HRCCC, facilities tax received in excess of debt service payments were rebated to the HRCCC agency fund.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(5) Changes in Capital Assets

Primary Government:

Changes in capital assets for the year ended June 30, 2017 consisted of the following:

	Balance June 30, 2016*	Increases	Decreases	Balance June 30, 2017
<u>Governmental Activities:</u>				
<u>Capital Assets, Not Being Depreciated:</u>				
Land	\$ 44,225,537	\$ 154,797	\$ (223,196)	\$ 44,157,138
Infrastructure - Right of Way	20,053,006	103,445	-	20,156,451
Infrastructure - Inexhaustible	47,995,346	-	-	47,995,346
Construction in Progress	23,821,142	25,734,557	(30,533,509)	19,022,190
Historical Treasures	635,298	44,500	-	679,798
Total Capital Assets, Not Being Depreciated	\$ 136,730,329	26,037,299	(30,756,705)	132,010,923
<u>Capital Assets, Being Depreciated:</u>				
Land Improvements	\$ 8,869,101	\$ 708,992	\$ -	\$ 9,578,093
Accumulated Depreciation	(3,678,756)	(614,006)	-	(4,292,762)
Net Land Improvements	\$ 5,190,345	\$ 94,986	-	\$ 5,285,331
Building and Structures	\$ 407,588,156	\$ 7,454,461	\$ (606,149)	\$ 414,436,468
Accumulated Depreciation	(136,843,097)	(8,044,785)	295,415	(144,592,467)
Net Building and Structures	\$ 270,745,059	\$ (590,324)	\$ (310,734)	\$ 269,844,001
Infrastructure	\$ 245,467,472	\$ 20,735,826	\$ -	\$ 266,203,298
Accumulated Depreciation	(116,164,472)	(7,750,015)	-	(123,914,487)
Net Infrastructure	\$ 129,303,000	\$ 12,985,811	\$ -	\$ 142,288,811
Equipment	\$ 89,802,783	\$ 6,672,434	\$ (6,635,810)	\$ 89,839,407
Accumulated Depreciation	(61,482,778)	(7,600,982)	6,593,470	(62,490,290)
Net Equipment	\$ 28,320,005	\$ (928,548)	\$ (42,340)	\$ 27,349,117
Total Capital Assets Being Depreciated	\$ 751,727,512	\$ 35,571,713	\$ (7,241,959)	\$ 780,057,266
Less: Accumulated Depreciation	(318,169,103)	(24,009,788)	6,888,885	(335,290,006)
Net Total Capital Assets Being Depreciated	\$ 433,558,409	\$ 11,561,925	\$ (353,074)	\$ 444,767,260
Governmental Activities' Capital Assets, Net	\$ 570,288,738	\$ 37,599,224	\$ (31,109,779)	\$ 576,778,183
General Capital Assets, Net				\$ 555,264,518
Internal Service Funds' Capital Assets, Net				21,513,665
Total				\$ 576,778,183

*For additional information, see Footnote 1, Section Q

Capital assets used for educational purposes totaled \$193,677,266 and are included with the Governmental Activities capital assets of the Primary Government. The depreciation on these assets was recorded as an Education expense in the current fiscal year.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The City uses the Modified Approach for certain infrastructure assets deemed 'inexhaustible' as defined by GAAP. These assets do not depreciate. A requirement of this classification is the conducting of periodic evaluations to ensure assets are being maintained at or above their current condition level. Appropriate disclosure of the condition assessment for these infrastructure assets may be found in the Required Supplementary Information (2).

Changes in capital assets for Business-type activities for the year ended June 30, 2017 consisted of the following:

	Balance June 30, 2016*	Increases	Decreases	Balance June 30, 2017
<u>Business-Type Activities:</u>				
<u>Capital Assets, Not Being Depreciated:</u>				
Land	\$ 5,122,073	\$ -	\$ -	\$ 5,122,073
Right of Way/Easements	-	90,484	-	90,484
Construction in Progress	9,439,373	5,837,211	(13,309,744)	1,966,840
Total Capital Assets, Not Being Depreciated	\$ 14,561,446	\$5,927,695	\$(13,309,744)	\$ 7,179,397
<u>Capital Assets, Being Depreciated:</u>				
Land Improvements	\$ 73,696	\$ -	\$ -	\$ 73,696
Accumulated Depreciation	(67,259)	(1,557)	-	(68,816)
Net Land Improvements	\$ 6,437	\$ (1,557)	\$ -	\$ 4,880
Building and Structures	\$ 90,634,632	\$ 2,874,241	\$ (1,705,260)	\$ 91,803,613
Accumulated Depreciation	(36,678,961)	(2,101,605)	1,458,815	(37,321,751)
Net Building and Structures	\$ 53,955,671	\$ 772,636	\$ (246,445)	\$ 54,481,862
Infrastructure	\$ -	\$ 10,293,668	\$ -	\$ 10,293,668
Accumulated Depreciation	-	(75,457)	-	(75,457)
Net Infrastructure	\$ -	\$ 10,218,211	\$ -	\$ 10,218,211
Equipment	\$ 2,883,297	\$ 1,151,891	\$ (321,047)	\$ 3,714,141
Accumulated Depreciation	(1,942,968)	(276,374)	321,047	(1,898,295)
Net Equipment	\$ 940,329	\$ 875,517	\$ -	\$ 1,815,846
Total Capital Assets Being Depreciated	\$ 93,591,625	\$ 14,319,800	\$ (2,026,307)	\$ 105,885,118
Less: Accumulated Depreciation	(38,689,188)	(2,454,993)	1,779,862	(39,364,319)
Net Total Capital Assets Being Depreciated	\$ 54,902,437	\$ 11,846,807	\$ (246,445)	\$ 66,520,799
Business-Type Activities' Capital Assets, Net	\$ 69,463,883	\$ 17,792,502	\$(13,556,189)	\$ 73,700,196
Changes in Capital Assets (Continued)				

*For additional information, see Footnote 1, Section Q

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Depreciation was charged to functions as follows:

Governmental Activities:

General Government	\$ 734,727
Judicial Administration	237,732
Public Safety	1,496,870
Public Works	8,045,940
Health and Welfare	243,948
Parks, Recreation and Cultural	1,598,493
Community Development	20,357
Economic Development	270,241
Education	5,412,981
Capital assets held by the City's Internal Service Funds are charged to the various functions based on their usage of the assets	5,948,499
Total	<u><u>\$24,009,788</u></u>

School Board Component Unit:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Equipment	\$ 8,116,525	\$ 502,980	\$(1,317,905)	\$ 7,301,600
Accumulated Depreciation	(5,021,748)	(611,886)	1,245,795	(4,387,839)
Net Equipment	<u>\$ 3,094,777</u>	<u>\$ (108,906)</u>	<u>\$ (72,110)</u>	<u>\$ 2,913,761</u>
Component Unit Capital Assets, Net	<u>\$ 3,094,777</u>	<u>\$ (108,906)</u>	<u>\$ (72,110)</u>	<u>\$ 2,913,761</u>

GRTC Component Unit:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
<u>Capital Assets, Not Being Depreciated:</u>				
Land	\$ 720,724	\$ -	\$ -	\$ 720,724
<u>Capital Assets, Being Depreciated:</u>				
Building and Structures	\$ 11,471,552	\$ 122,767	\$ -	\$ 11,594,319
Equipment	20,049,373	945,522	-	20,994,895
Less: Accumulated Depreciation	(21,685,902)	(1,676,971)	-	(23,362,873)
Net Total Capital Assets Being Depreciated	<u>\$ 9,835,023</u>	<u>\$ (608,682)</u>	<u>\$ -</u>	<u>\$ 9,226,341</u>
Component Unit Capital Assets, Net	<u>\$ 10,555,747</u>	<u>\$ (608,682)</u>	<u>\$ -</u>	<u>\$ 9,947,065</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(6) Construction in Progress and Contract Commitments

A summary of construction in progress by function and contract commitments (encumbrances) at June 30, 2017 is as follows:

Primary Government:

	Project	Expended/	Contract
<u>Governmental Activities:</u>	<u>Authorizations</u>	<u>Disbursed as of</u>	<u>Commitments</u>
<u>Function</u>		<u>June 30, 2017</u>	<u>(Encumbrances)</u>
General Government	\$ 385,105	\$ 405,330	\$ 10,690
Parks, Recreation and Cultural	15,299,849	5,593,117	403,581
Economic Development	316,980	177,268	-
Community Development	10,639,151	5,558,587	2,411,534
Public Safety	1,822,495	196,729	-
Public Works	45,395,789	17,798,866	12,100,475
Education	2,504,082	1,846,204	-
Department of Technology	16,125,636	13,187,176	1,516,654
Fleet	35,000	-	-
Subtotal	\$ 92,524,087	\$ 44,763,277	\$ 16,442,934
Non-Capitalized Projects	\$ 24,572,591	\$ 22,039,345	\$ 295,751
Total	\$ 117,096,678	\$ 66,802,622	\$ 16,738,685

Business-type Activities:

<u>Fund</u>			
Stormwater Utilities	\$ 5,207,240	\$ 1,921,588	\$ 2,571,492
Civic Facilities	2,750,045	2,704,440	24,795
Parking	688,911	395,017	69,893
Total	\$ 8,646,196	\$ 5,021,045	\$ 2,666,180

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(7) Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue for the Civic Center proprietary fund (shown as Business-type activities in the table below) is reported as such on the face of the statements (see Exhibit G). Unearned revenue as reported in the governmental and proprietary funds' financial statements at June 30, 2017 consisted of the following:

Governmental activities:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Other receivables for which revenue recognition criteria have not been met	\$ 450,668	\$ 1,278,570	\$ 1,729,238
Total	<u>\$ 450,668</u>	<u>\$ 1,278,570</u>	<u>\$ 1,729,238</u>

Business-type activities:

	<u>Civic Facilities Fund</u>	<u>Total</u>
Unearned Ticket and Other Event Revenue	\$ 659,314	\$ 659,314
Total	<u>\$ 659,314</u>	<u>\$ 659,314</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(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, 2017 of \$539,265 was restricted for future retirement of long-term debt. The City Charter limits the legal debt to 10% of the assessed valuation of real estate within the City limits. The City's legal debt margin at June 30, 2017 was \$459,173,850. 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, 2017, were comprised of the following:

Long Term Debt Summary

At June 30, 2017 the long-term indebtedness of the City consisted of the following:

Series/Description	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
General Obligation Bonds					
2006B Public Improvement Bonds (Subject to AMT)	4.00% - 5.00%	02/08/2006	02/01/2026	5,500,000	\$ 550,000
2008 Public Improvement Bonds	3.25% - 5.00%	02/05/2008	02/01/2033	43,445,000	1,775,000
2008A VRA Public Improvement Bonds	3.13% - 5.13%	12/10/2008	10/01/2018	6,910,000	700,000
2010A Refunding Bonds	2.00% - 5.00%	03/11/2010	10/01/2021	32,792,400	20,304,298
2010B Public Improvement Bonds	1.25% - 5.80%	03/11/2010	10/01/2029	2,680,000	1,820,000
2010C Public Improvement Bonds	2.00% - 4.00%	08/11/2010	07/15/2030	2,605,000	1,890,001
2010D Public Improvement Bonds (Market Bldg.)	2.00% - 4.00%	08/11/2010	07/15/2030	5,470,000	3,990,000
2010E Public Improvement Bonds	2.00% - 4.00%	08/11/2010	07/15/2030	5,665,000	5,285,000
2012A Public Improvement Bonds	2.00% - 5.00%	03/14/2012	02/01/2032	6,925,000	1,474,250
2012B Refunding Bonds	0.43% - 2.96%	03/14/2012	10/01/2023	6,880,000	3,595,000
2012C Refunding Bonds	4.00% - 5.00%	03/14/2012	02/01/2025	11,140,000	11,140,000
2013A Public Improvement Bonds	1.00% - 5.00%	02/27/2013	07/15/2033	10,906,800	8,402,968
2013A Refunding Bonds	0.37% - 2.73%	02/27/2013	07/15/2025	9,520,000	9,520,000
2013B Refunding Bonds	0.37% - 2.73%	02/27/2013	07/15/2024	15,350,000	10,890,000
2013C RCACP	2.46%	11/01/2013	09/30/2022	1,829,500	1,114,400
2014A Public Improvement Bonds	3.00% - 5.00%	03/05/2014	04/01/2034	11,471,296	8,492,112
2015 Public Improvement Bonds New Money	2.00% - 4.00%	03/25/2015	04/01/2035	17,420,000	16,173,000
2015 Public Improvement Bonds Refunding	2.00% - 4.00%	03/25/2015	04/01/2029	6,130,000	5,946,550
2016 Public Improvement Bonds New Money	2.00% - 5.00%	03/08/2016	04/01/2036	15,170,000	14,700,000
2016 Public Improvement Bonds Refunding	2.00% - 5.00%	03/08/2016	04/01/2036	16,505,000	15,754,500
2017 GOB New Money	3.00% - 5.00%	03/23/2017	04/01/2037	20,980,000	20,980,000
Qualified Zone Academy Bond (QZAB) -					
Lincoln Terrace	0.00%	11/01/2002	10/31/2016	800,000	21,499
QZAB-Fallon Park	0.00%	12/29/2004	12/29/2020	439,100	144,026
QZAB-Patrick Henry High School	0%	12/27/2006	12/27/2022	1,097,571	506,167
QZAB-Schools Capital Projects 2012	0%	10/31/2012	12/01/2034	2,014,104	1,647,900
					<u>\$ 166,816,671</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Details of Long-Term Indebtedness (continued)

Series/Description	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
<u>General Obligation Bonds (Water Fund-to be contractually repaid by the Western Virginia Water Authority):</u>					
2010A Refunding Bonds - Water (WVWA)	2.00% - 5.00%	03/04/2010	10/01/2021	3,263,800	\$ 1,953,900
2012B Refunding Bonds - Water (WVWA)	0.43% - 2.96%	03/14/2012	10/01/2023	7,105,000	6,260,000
					<u>\$ 8,213,900</u>
<u>Capital Lease Liabilities</u>					
Social Services Building Lease	11.80%	02/01/2004	01/01/2024	4,857,000	\$ 2,862,715
Xerox Lease - General, DOT, Fleet and Risk	12.00%	11/01/2013	10/31/2018	799,946	267,127
Net App Capital Solution Lease	3.72%	12/01/2014	11/30/2019	400,036	162,775
RDS Lease	3.97%	10/01/2015	09/01/2025	1,648,155	1,400,145
					<u>\$ 4,692,762</u>
<u>School Fund Bonds and Loans (1)</u>					
1997 VPSA Subsidized Woodrow Wilson	4.35% - 5.35%	11/01/1997	07/15/2017	5,000,000	\$ 248,508
1998A VPSA Subsidized Addison	3.60% - 5.10%	11/19/1998	07/15/2018	5,000,000	500,000
1998B VPSA Subsidized Huff Lane	3.60% - 5.10%	11/19/1998	07/15/2018	1,200,000	123,676
1999A VPSA Subsidized Governor's School	5.10% - 6.10%	11/18/1999	07/15/2019	3,250,000	465,000
1999B VPSA Subsidized Hurt Park	5.10% - 6.10%	11/18/1999	07/15/2019	1,250,000	181,954
2000B VPSA Subsidized Garden City	4.98% - 5.85%	11/16/2000	07/15/2020	2,750,000	538,704
2000B VPSA Subsidized Grandin Court	4.98% - 5.85%	11/16/2000	07/15/2020	1,900,000	372,195
2000B VPSA Subsidized Preston Park	4.98% - 5.85%	11/16/2000	07/15/2020	1,900,000	372,195
2001B VPSA Subsidized Fairview	3.10% - 5.35%	11/15/2001	07/15/2021	2,750,000	678,878
2001B VPSA Subsidized Fishburn Park	3.10% - 5.35%	11/15/2001	07/15/2021	2,500,000	617,161
2003C VPSA Subsidized Roanoke Academy	3.10% - 5.35%	11/06/2003	07/15/2023	5,000,000	1,692,550
2004B VPSA Subsidized Lincoln Terrace	4.10% - 5.60%	11/01/2004	07/15/2024	1,300,000	491,122
2005D VPSA Subsidized Fallon Park	4.60% - 5.10%	11/10/2005	7/15/2025	1,160,900	484,235
2005D VPSA Subsidized Westside	4.60% - 5.10%	11/10/2005	07/15/2025	3,850,000	1,605,913
2006B VPSA Subsidized Patrick Henry	4.23% - 5.10%	11/09/2006	07/15/2026	7,500,000	3,506,679
2008B VPSA Non-Subsidized William Fleming/Roofs	3.60% - 5.35%	12/11/2008	07/15/2028	7,500,000	4,005,633
2010 VPSA Qualified School Construction Bonds (QSCB) Elementary Schools	0	07/08/2010	06/01/2027	1,135,000	680,000
2014B VPSA Refunding	3.00% - 5.00%	05/15/2014	07/15/2026	1,245,000	950,000
2015A VPSA Refunding	4.10% - 5.35%	02/17/2015	07/15/2028	9,555,000	8,155,000
Literary Fund Loan-Lucy Addison Middle School	0.04	10/01/1999	10/01/2019	5,000,000	750,000
					<u>\$ 26,419,403</u>
Subtotal Government Activities					<u>\$206,142,736</u>

(1) VPSA - Virginia Public School Authority

CITY OF ROANOKE, VIRGINIA
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Series/Description	Interest Rates	Issue Date	Maturity	Issue Amount	Business-Type Activities
<u>Enterprise Fund Bonds</u>					
2010A Civic Facilities Refunding Bonds	2.00% - 5.00%	03/04/2010	10/01/2021	4,382,700	\$ 2,707,500
2012A Civic Facilities Bonds	2.00% - 5.00%	03/14/2012	02/01/2032	685,000	150,000
2012C Civic Facilities Refunding Bonds	4.00% - 5.00%	03/14/2012	02/01/2025	3,345,000	3,345,000
2013A Civic Facilities Bonds	1.00% - 5.00%	02/27/2013	07/15/2033	883,200	750,600
2013A Civic Facilities Refunding Bonds	1.00% - 5.00%	02/27/2013	07/15/2025	2,015,000	2,015,000
2014A Civic Facilities Bonds	3.00% - 5.00%	03/05/2014	04/01/2034	936,800	795,600
2015 Civic Facilities Bonds	2.00% - 4.00%	03/25/2014	04/01/2035	980,000	910,000
2015 Civic Facilities Refunding Bonds	2.00% - 4.00%	03/25/2014	04/01/2025	70,000	70,000
2016 Civic Facilities Bonds	2.00% - 5.00%	03/08/2016	04/01/2036	2,795,000	2,710,000
2016 Civic Facilities Refunding Bonds	2.00% - 5.00%	03/08/2016	04/01/2036	330,000	330,000
2008 Parking Bonds-Campbell Avenue	3.25% - 5.00%	02/05/2008	02/01/2028	2,545,000	120,000
2010A Parking Refunding Bonds-Gainsboro & Campbell Ave.	2.00% - 5.00%	03/04/2010	10/01/2021	2,861,100	1,929,300
2012C Parking Refunding Bonds-Campell Avenue	4.00% - 5.00%	03/14/2012	02/01/2025	900,000	900,000
2013A Parking Refunding Bonds	1.00% - 5.00%	02/27/2013	07/15/2025	1,255,000	1,255,000
2014B Parking Refunding Bonds	1.00% - 4.25%	03/05/2014	04/01/2032	7,110,000	6,070,000
2015 Parking Refunding Bonds	2.00% - 4.00%	03/25/2014	04/01/2025	160,000	160,000
2016 Parking Refunding Bonds	2.00% - 5.00%	03/08/2016	04/01/2028	545,000	545,000
2012A Public Improvement Bonds SW	2.00% - 5.00%	03/14/2012	02/01/2032	255,750	255,750
2013A Public Improvement Bonds SW	1.00% - 5.00%	02/27/2013	07/15/2033	866,432	866,432
2014A Public Improvement Bonds SW	3.00% - 5.00%	03/05/2014	04/01/2034	912,288	912,288
2015 Public Improvement Bonds Refunding SW	2.00% - 4.00%	03/25/2015	04/01/2029	123,450	123,450
2016 Public Improvement Bonds Refunding SW	2.00% - 5.00%	03/08/2016	04/01/1933	715,500	715,500
2015 Stormwater Utility Fund Bonds	2.00% - 4.00%	03/25/2014	04/01/2035	1,090,000	1,012,000
2016 Stormwater Utility Fund Bonds	2.00% - 5.00%	03/08/2016	04/01/2035	1,805,000	1,750,000
2017 Stormwater Utility Fund Bonds	3.00% - 5.00%	03/08/2016	04/01/2037	1,540,000	1,540,000
					<u>\$ 31,938,420</u>
<u>Capital Lease Liabilities</u>					
Xerox Lease - Stormwater Fund	12.00%	11/01/2013	10/31/2018	\$	5,053
Xerox Lease - Civic Facilities	12.00%	11/01/2013	10/31/2018		5,920
Xerox Lease - Parking Fund	12.00%	11/01/2013	10/31/2018		777
				<u>\$</u>	<u>11,750</u>
Subtotal Business-type Activities				\$	<u>31,950,170</u>

CITY OF ROANOKE, VIRGINIA
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The Annual Requirements to amortize primary government debt outstanding as of June 30, 2017 are as follows:

FISCAL YEAR	WESTERN VIRGINIA WATER							
	GENERAL OBLIGATION		AUTHORITY GENERAL		VPSA/LITERARY FUND		TOTAL	
	SERIAL BONDS		OBLIGATION SERIAL		LOANS		GOVERNMENTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017-18	\$ 15,468,718	\$ 5,983,813	\$ 1,210,700	\$ 216,643	\$ 3,596,024	\$ 1,258,395	\$ 20,275,442	\$ 7,458,851
2018-19	14,852,335	5,398,734	1,233,400	189,759	3,369,402	1,087,731	19,455,137	6,676,224
2019-20	14,734,853	4,913,913	1,263,200	156,823	3,079,258	929,986	19,077,311	6,000,722
2020-21	12,419,224	4,439,518	1,305,400	118,921	2,631,658	788,464	16,356,282	5,346,903
2021-22	12,044,463	3,966,053	1,331,200	75,727	2,328,350	670,061	15,704,013	4,711,841
2023-27	45,445,138	13,506,923	1,870,000	54,760	11,414,711	1,959,696	58,729,849	15,521,379
2028-32	34,093,650	6,523,327	-	-	-	-	34,093,650	6,523,327
2033-37	17,758,290	1,562,720	-	-	-	-	17,758,290	1,562,720
TOTAL	\$ 166,816,671	\$46,295,001	\$ 8,213,900	\$ 812,633	\$ 26,419,403	\$ 6,694,333	\$201,449,974	\$53,801,968

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, 2017 are as follows:

FISCAL YEAR	CIVIC FACILITIES FUND		PARKING FUND		STORMWATER FUND		TOTAL	
	SERIAL BONDS		SERIAL BONDS		SERIAL BONDS		BUSINESS-TYPE DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017-18	\$ 1,155,200	\$ 528,780	\$ 876,500	\$ 398,192	\$ 329,160	\$ 262,916	\$ 2,360,860	\$ 1,189,889
2018-19	1,204,700	484,933	905,100	367,103	332,680	248,347	2,442,480	1,100,383
2019-20	1,199,900	447,083	928,600	340,121	354,060	235,092	2,482,560	1,022,296
2020-21	1,276,500	398,995	965,400	305,464	357,830	220,649	2,599,730	925,108
2021-22	1,315,400	350,814	983,700	270,136	370,380	205,441	2,669,480	826,391
2023-27	4,810,000	926,491	3,900,000	860,588	1,967,850	786,448	10,677,850	2,573,526
2028-32	1,730,000	354,065	2,420,000	277,356	2,084,100	432,922	6,234,100	1,064,345
2033-37	1,092,000	78,374	-	-	1,379,360	111,311	2,471,360	189,685
TOTAL	\$ 13,783,700	\$ 3,569,535	\$ 10,979,300	\$ 2,818,960	\$ 7,175,420	\$ 2,503,126	\$ 31,938,420	\$ 8,891,623

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

CHANGES IN GENERAL LONG-TERM LIABILITIES

	Balance			Balance	Amounts
	June 30, 2016*	Increases	Decreases	June 30, 2017	Due Within One Year
<u>Primary Government - Governmental Activities:</u>					
General Obligation Serial Bonds:					
General Obligation Serial Bonds **	\$ 160,600,229	\$ 20,980,000	\$14,763,558	\$166,816,671	\$15,468,718
General Obligation Serial Bonds - WVWA	9,405,800	-	1,191,900	8,213,900	1,210,700
Add: Bond Premiums **	13,016,237	1,238,958	1,306,097	12,949,098	1,325,375
Subtotal General Obligation Serial Bonds	\$ 183,022,266	\$ 22,218,958	\$17,261,555	\$ 187,979,669	\$17,974,564
State Literary Fund Loans	1,000,000	-	250,000	750,000	250,000
VPSA School Bonds	29,243,733	-	3,574,330	25,669,403	3,346,024
Capital Lease Obligations **	5,356,637	-	663,875	4,692,762	719,556
Claims Payable **	20,769,720	17,447,802	18,397,814	19,819,708	3,526,708
Compensated Absences Payable **	7,057,026	7,616,184	7,232,653	7,440,557	6,007,560
Net Pension Liability **	128,238,273	49,608,794	21,104,827	156,742,240	-
Subtotal Governmental Activities:	\$ 374,687,655	\$ 96,891,738	\$68,485,054	\$403,094,339	\$31,824,412
<u>Primary Government - Business-type Activities:</u>					
General Obligation Serial Bonds:					
General Obligation Serial Bonds	\$ 32,681,125	\$ 1,540,000	\$ 2,282,705	\$ 31,938,420	\$ 2,360,860
Add: Bond Premiums	1,827,039	93,662	183,783	1,736,919	186,892
Subtotal General Obligation Serial Bonds	\$ 34,508,164	\$ 1,633,662	\$ 2,466,488	\$ 33,675,339	\$ 2,547,752
Capital Lease Obligations	19,412	-	7,662	11,750	8,634
Compensated Absences Payable	67,879	112,224	97,855	82,248	56,807
Net Pension Liability	1,653,153	1,639,316	495,032	2,797,437	-
Subtotal Business-type Activities:	\$ 36,248,608	\$ 3,385,202	\$ 3,067,037	\$ 36,566,774	\$ 2,613,193
Total Primary Government Long-Term Liabilities	\$ 410,936,263	\$100,276,940	\$71,552,091	\$439,661,113	\$34,437,605
<u>School Board Component Unit:</u>					
Claims Payable	\$ 6,427,493	\$ 19,441,902	\$19,294,981	\$ 6,574,414	\$ 4,842,081
Compensated Absences Payable	3,080,328	3,856,419	3,852,293	3,084,454	829,718
Net Pension Liability	130,763,739	35,226,004	19,681,103	146,308,640	-
Other Postemployment Benefit Asset	(507,031)	146,664	255,830	(616,197)	-
Total School Board Component Unit	\$ 139,764,529	\$ 58,670,989	\$43,084,207	\$ 155,351,311	\$ 5,671,799

*As restated, see Footnote 1, Section Q, for additional discussion

**Includes Internal Service Funds

CITY OF ROANOKE, VIRGINIA
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During fiscal year 2017, 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 March 7, 2017, the City issued \$22,520,000 principal amount of General Obligation Public Improvement Bonds with all of the funds consisting of the principal amount of improvement bonds. There were no refunding opportunities with this bond issuance.

The Series 2017 General Obligation Public Improvement bonds were issued for the purpose of providing funds towards the current school capital projects, parks and recreation improvements, bridge renovation projects, stormwater management projects, curbs, gutter and sidewalk improvement projects, streetscape improvements, street improvements, and the 911 Center improvement projects.

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, 2017, the City had \$8,213,900 in outstanding general obligation debt, which will contractually be repaid by the Water Authority over the remaining 10 year amortization of the bonds. Further details are presented in footnotes 4 and 16.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(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 monthly rent in the range of \$52,300 to \$ 57,400 to Blue Eagle, representing principal and interest payments with interest at 11.8%. After 2006, the rent increase is a maximum of 2% or 50% of CPI, whichever is lower. The lease term is 20 years. Ownership of the building is retained by Blue Eagle Partnership. Capital lease accounting is required due to the net present value of payments through the term of the lease.

The building lease asset and obligation are accounted for as Governmental Activities. At June 30, 2017, the original cost of the building under the capital lease totaled \$4,857,000 and accumulated depreciation on the building totaled \$3,156,164.

Xerox, Inc.

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

The Xerox lease asset and obligation are accounted for as Governmental Activities and in various proprietary funds. At June 30, 2017, the original cost of the equipment under the capital lease totaled \$851,808 and there was \$609,457 of accumulated depreciation on these assets.

NetApp Capital Solutions

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

The NetApp lease asset and obligation are accounted for as Governmental Activities. At June 30, 2017, the original cost of the equipment under the capital lease totaled \$400,036 and there was \$206,265 of accumulated depreciation on the assets.

CITY OF ROANOKE, VIRGINIA
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Recycling Disposal and Solutions (RDS) Lease

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

The Recycling Disposal and Solution lease asset and obligation are accounted for as Governmental Activities. At June 30, 2017, the original cost of the equipment under the capital lease totaled \$1,648,155 and there was \$575,274 of accumulated depreciation on the assets.

Future lease obligations for capital leases are as follows:

Future Lease Obligations For All Capital Leases

	Governmental		Total
<u>Future Minimum Lease Payments:</u>	<u>Funds</u>	<u>Enterprise Funds</u>	<u>(Memo Only)</u>
2018	\$ 1,203,438	\$ 9,580	\$ 1,213,018
2019	1,072,247	3,193	1,075,440
2020	927,975	-	927,975
2021	942,548	-	942,548
2022	957,413	-	957,413
2023-2025	1,878,813	-	1,878,813
Minimum lease payments	\$ 6,982,434	\$ 12,773	\$ 6,995,207
Less: Amounts representing interest	(2,289,672)	(1,023)	(2,290,695)
Present value of minimum lease payments	\$ 4,692,762	\$ 11,750	\$ 4,704,512
Less: Current portion	(719,556)	(8,634)	(728,190)
Long-Term Lease Obligation at June 30, 2017	<u>\$ 3,973,206</u>	<u>\$ 3,116</u>	<u>\$ 3,976,322</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(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. Reserve policies include a required review every two years to ensure adequacy and appropriateness in light of economic changes. Additional information regarding these reserve policies may be found in the City of Roanoke's Reserve and Debt Management Policies.

All fiscal year 2017 outstanding purchase commitments were re-appropriated to the 2017-18 fiscal year by City Council on May 15, 2017.

The General Fund balance of \$33,281,063 is categorized as non-spendable, committed and/or unassigned. The City had committed funds of \$3,523,769 for outstanding purchase commitments for goods and services ordered but not received by June 30, 2017. The remaining fund balance of \$29,757,294 was unassigned.

The Debt Service Fund balance of \$539,265 is restricted for future debt service payments.

The Special Revenue Fund has a negative unassigned fund balance of \$400,282 that is intended for future grant purchases.

The Capital Projects Fund balance of \$25,386,971 is comprised of \$11,770,642, related to outstanding bond proceeds, and is categorized as restricted and committed funds of 1) \$12,118,069 for outstanding purchase commitments for goods and services ordered but not received by June 30, 2017 and 2) \$1,498,260 committed for the Economic Community Development Reserve.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

Effective July 16, 2012, City Council adopted a restatement of the chapter of the City Code governing the Pension Plan. The restated Chapter 22.3, Pensions and Retirement, provides for the introduction of an Internal Revenue Code Section 401(h) health savings account, established as a component of the Pension Plan effective July 1, 2013, and established new benefit tiers effective July 1, 2014. The restated Chapter 22.3 also provides for a defined cost of living adjustment effective July 1, 2013.

Employees who are members of the ERS with 30 years of service or age 60 (normal retirement age) are entitled to an annual retirement benefit equal to 1/70 (1.429%) of their average final compensation (highest consecutive 12 months), excluding overtime, for each year of service. Employees may retire with 20 years of service and receive a reduced retirement benefit. For employees who are married at their retirement date, a joint and survivor annuity is payable

CITY OF ROANOKE, VIRGINIA
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monthly. There is no mandatory retirement age.

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

Employees hired after June 30, 2014 become members of ESRS and choose between participation as a traditional defined benefit ESRS member or as a Hybrid member. Employees hired after June 30, 2014 were required to contribute 5% of earnable compensation to the plan. Effective July 1, 2015, the required contribution of 5% of earnable compensation was extended to employees hired prior to July 1, 2015. Employees have 60 days from their date of hire to make an irrevocable election to participate as either a traditional defined benefit ESRS member or a Hybrid member. Employees electing Hybrid membership participate in ESRS and accrue a lesser defined benefit than traditional defined benefit ESRS members and also participate in a defined contribution plan established under Section 401(a) of the Internal Revenue Code. Employees who make no election participate as traditional defined benefit ESRS members.

ESRS members hired after June 30, 2014, choosing participation as a traditional defined benefit member may retire with 5 years or more of credited service and age 65 or over, general employees who have attained age 55 with age plus service equal to 85, and deputized police officers and firefighters who have attained age 50 with age plus service equal to 75, are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.0% of their final average compensation for each year of credited service up to a maximum of 63%. Final average compensation is the employee's average salary, excluding overtime, over the highest 60 consecutive months of credited service. Employees with 15 years of credited service may retire at age 55 (age 50 for deputized police officers and firefighters) and receive a reduced retirement benefit. Employees may elect to receive their retirement benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees terminate before rendering five years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age. Member contributions for traditional defined benefit participants are invested in the pension trust fund.

Employees choosing participation as Hybrid members participate in ESRS for the defined benefit component of their retirement benefit, subject to the same eligibility criteria as outlined for the traditional defined benefit participants. Hybrid members' defined benefit component is payable monthly for life in an amount equal to 1.0% of their final average compensation for each year of credited service up to a maximum of 63%. Final average compensation is the employee's average salary, excluding overtime, over the highest 60 consecutive months of credited service. Hybrid member contributions are deposited in a defined contribution plan established under Section 401(a) of the Internal Revenue Code. Hybrid members are responsible for the investment

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of funds in their defined contribution plan account.

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

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

Contributions

Effective July 1, 2015, employees contribute 5% of earnable compensation into the pension trust. Employees hired on or after July 1, 2014, electing participation as a Hybrid plan member contribute 5% of earnable compensation into a defined contribution plan member account. Employer contributions to the Pension Plan are based on a percentage of the earnable compensation of the active members. The City's contribution rate for the fiscal year ended June 30, 2017 was 15.81%, which, when combined with the required employee contribution of 5%, totaled 20.81%. For fiscal year 2017, the total contribution rate of 20.81% of earnable compensation, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$9,958,300 for fiscal year ended June 30, 2017.

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

At June 30, 2017 the City reported a liability of \$148,945,372 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial

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valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the Pension Plan relative to the projected contributions of all Pension Plan participating employers, actuarially determined. At June 30, 2016, the City's proportion was 87.81%, which was an increase of 1.08% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$10,873,511. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,648,302
Changes in assumptions	657,725	-
Net difference between projected and actual earnings on retirement plan investments	23,019,506	7,026,620
Changes in proportion and differences between City contributions and proportionate share of contributions	2,037,324	157,365
Changes in proportion and differences between City governmental activities and business-type activities	726,598	726,598
City contributions subsequent to the measurement date	9,958,300	-
	<u>\$ 36,399,453</u>	<u>\$ 13,558,885</u>

The \$9,958,300 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ (126,807)
2019	(435,943)
2020	7,690,142
2021	5,754,876
Thereafter	-
	<u>\$ 12,882,268</u>

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	3.50 percent, average, including inflation
Investment Rate of Return	7.75 percent, net of investment expenses
Cost of Living Adjustments	1.83 percent for eligible participants, based on 2/3 of assumed inflation

Mortality rates or pre-retirement and healthy annuitants were based on 125% of RP-2000 Combined Healthy Mortality for males and females with generation mortality projection using Scale AA. For Disableds, mortality rates were based on 70% of PBGC Disabled Mortality Table 5A for males and 90% of PBGC Disabled Mortality Table 6A for females.

Investment Rate of Return

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

	Allocation Target	Weighted Contribution to Rate of Return
Equity		
US Equity	48.5%	4.9%
International Equity	22.0%	2.4%
Real Estate	6.0%	0.4%
Fixed Income		
US Fixed Income	23.5%	1.2%
Total	<u>100.0%</u>	<u>8.9%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the actuarially determined rates. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% decrease	Current	1% increase
City's Proportionate share of the net pension	6.75%	7.75%	8.75%
plan liability	<u>\$ 201,209,279</u>	<u>\$ 148,945,372</u>	<u>\$ 104,803,019</u>

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

Virginia Retirement System - Plan Description

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

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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 from their website at the following address: <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

VRS Contributions

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. Prior to July 1, 2012, this 5% member contribution may be assumed by the employer. Effective July 1, 2012 employers may assume up to 4% of the required employee contribution, reducing by at least an additional 1% per year until 2016 or until the member's contribution equal 5% of creditable compensation. The City elected to implement the 5% required employee contribution effective July 1, 2012. 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, 2017 was 16.36% of annual covered payroll. Contributions to the VRS from the City were \$1,443,062 for the fiscal year ended June 30, 2017.

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

At June 30, 2016, the City reported a net pension liability of \$10,594,305 for employees covered under the VRS. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2016, the City recognized pension expense of \$1,447,930 for employees covered under the VRS. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,398	\$ 307,035
Net difference between projected and actual earnings on pension plan investments	1,321,822	-
City contributions subsequent to the measurement date	1,443,062	-
Total	<u>\$ 2,821,282</u>	<u>\$ 307,035</u>

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The \$1,443,062 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018.

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ (53,672)
2019	(53,670)
2020	688,123
2021	490,404
Thereafter	-
	<u>\$ 1,071,185</u>

VRS Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.50 - 5.35 percent
Investment Rate of Return	7.0 percent, net of investment expenses

Mortality rates of pre-retirement and service retirement members were based on the RP-2000 Mortality Table projected with Scale AA to 2020. For Disableds, mortality rates were based on RP-2000 Disabled Life Mortality Table. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012.

VRS Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a long-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Using stochastic projection results provides an expected range of real rates of return over various time horizons. The following table provides a summary of results.

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Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50	6.28	1.04
Emerging Market Equity	6.00	10.00	0.60
Fixed Income	15.00	0.09	0.01
Emerging Debt	3.00	3.51	0.11
Rate Sensitive Credit	4.50	3.51	0.16
Non-Rate Sensitive Credit	4.50	5.00	0.23
Convertibles	3.00	4.81	0.14
Public Real Estate	2.25	6.12	0.14
Private Real Estate	12.75	7.00	0.91
Private Equity	12.00	10.41	1.25
Cash	1.00	(1.50)	(0.02)
	<u>100.00 %</u>		<u>5.83 %</u>
Inflation			<u>2.50</u>
			<u>8.33 %</u>

* Expected arithmetic nominal return

VRS Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS Statutes and the Employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 59,164,936	\$ 50,828,838	\$ 8,336,098
Changes for the year:			
Service cost	1,380,941	-	1,380,941
Interest	4,042,340	-	4,042,340
Difference between expected and actual experience	(396,031)		(396,031)
Contributions - employer	-	1,499,615	(1,499,615)
Contributions - employee	-	428,612	(428,612)
Net investment income	-	872,926	(872,926)
Benefit payments, including refunds of employee contributions	(2,834,452)	(2,834,452)	-
Administrative expenses	-	(31,738)	31,738
Other changes	-	(372)	372
Net changes	<u>2,192,798</u>	<u>(65,409)</u>	<u>2,258,207</u>
Balances at June 30, 2016	<u>\$ 61,357,734</u>	<u>\$ 50,763,429</u>	<u>\$ 10,594,305</u>

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

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

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability	<u>\$ 18,610,806</u>	<u>\$ 10,594,305</u>	<u>\$ 3,917,374</u>

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School Board Component Unit

Defined Benefit Pension Plans

The School Board participates in and contributes to three pension systems. Professional and non-professional employees of the School Board participate in the VRS. Professional employees participate in a VRS statewide teacher cost-sharing pool, and non-professional employees hired after July 1, 2006 participate as a separate group in the agent multiple-employer retirement system. Operational, maintenance and food service (non-professional) employees hired prior to July 1, 2006 participate in the City of Roanoke Pension Plan (Plan). The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Disclosure concerning these three plans is as follows:

A. Plan Description

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

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

B. Actuarial Assumptions

Long-Term Expected Rate of Return

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

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

Asset Class (Strategy)	Target Allocation		Arithmetic Long-Term Expected Rate of Return		Weighted Average Long-Term Expected Rate of Return	
U.S. Equity	19.50	%	6.46	%	1.26	%
Developed Non U.S. Equity	16.50	%	6.28	%	1.04	%
Emerging Market Equity	6.00	%	10.00	%	0.60	%
Fixed Income	15.00	%	0.09	%	0.01	%
Emerging Debt	3.00	%	3.51	%	0.11	%
Rate Sensitive Credit	4.50	%	3.51	%	0.16	%
Non Rate Sensitive Credit	4.50	%	5.00	%	0.23	%
Convertibles	3.00	%	4.81	%	0.14	%
Public Real Estate	2.25	%	6.12	%	0.14	%
Private Real Estate	12.75	%	7.10	%	0.91	%
Private Equity	12.00	%	10.41	%	1.25	%
Cash	1.00	%	(1.50)	%	(0.02)	%
Total	100.00	%			5.83	%
Inflation					2.50	%
* Expected arithmetic nominal return					8.33	%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rates contributed by the school division for the plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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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 the following address:

<http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarial rate for the Teacher Retirement Plan was 19.66%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division.

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

At June 30, 2017, the School Board reported a liability of \$141,324,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the School Board's proportion was 1.00844% as compared to 1.0014% at June 30, 2015.

For the year ended June 30, 2017, the School Board recognized pension expense of \$13,035,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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At June 30, 2017, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,580,000
Net difference between projected and actual earnings on retirement plan investments	8,073,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,194,000	-
Employer contributions subsequent to the measurement date	11,471,695	-
	<u>\$ 22,738,695</u>	<u>\$ 4,580,000</u>

The \$11,471,695 is reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Increase (Reduction) to Pension Expense</u>
2018	\$ (63,000)
2019	(63,000)
2020	4,330,000
2021	2,701,000
2022	(218,000)
	<u>\$ 6,687,000</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, updated to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, net of investment expense

Mortality rates of pre-retirement and service retirement members were based on the RP-2000 Table Projected with Scale AA to 2020. For Disableds, mortality rates were based on PR-2000 Disabled Life Mortality Table. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012.

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

The following presents the School Board's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the School Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School Board's proportionate share of the VRS teacher employee retirement plan net pension liability	\$ 201,458,000	\$ 141,324,000	\$ 91,789,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 CAFR. A copy of the CAFR may be downloaded from the VRS website at [http://www.varetire.org/Pdf/Publications/2016 annual report.pdf](http://www.varetire.org/Pdf/Publications/2016%20annual%20report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

D. Virginia Retirement System – Nonprofessional Employees

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	7
Inactive members:	
Vested inactive members	6
Non-vested inactive members	119
Inactive members active elsewhere in VRS	12
Total inactive members	137
Active members	116
Total covered employees	260

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Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board's contractually required contribution rate for the year ended June 30, 2017 was 8.36% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$93,497 and \$126,073 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Asset

The School Board's net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
	(a)	(b)	(a) - (b)
Balances at June 30, 2015	\$ 1,309,756	\$ 2,309,230	\$ (999,474)
<i>Changes for the year:</i>			
Service cost	292,621	-	292,621
Interest	90,855	-	90,855
Difference between expected and actual experience	3,596	-	3,596
Contributions – employer	-	114,441	(114,441)
Contributions – employee	-	145,769	(145,769)
Net investment income	-	48,318	(48,318)
Benefit payments, including refunds of employee contributions	(23,660)	(23,660)	-
Administrative expenses	-	(1,296)	1,296
Other changes	-	(19)	19
<i>Net changes</i>	<u>363,412</u>	<u>283,553</u>	<u>79,859</u>
Balances at June 30, 2016	<u>\$ 1,673,168</u>	<u>\$ 2,592,783</u>	<u>\$ (919,615)</u>

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the School Board using the discount rate of 7.00%, as well as what the School Board's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School Board's net pension asset	<u>\$ (661,404)</u>	<u>\$ (919,615)</u>	<u>\$ (1,127,847)</u>

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

For the year ended June 30, 2017, the School Board recognized pension expense of \$53,679. At June 30, 2017, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,566	\$ 28,871
Net difference between projected and actual earnings on pension plan investments	68,512	-
Employer contributions subsequent to the measurement date	93,497	-
Total	\$ 164,575	\$ 28,871

The \$93,497 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as an addition of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2018	\$ (15,464)
2019	(1,244)
2020	34,602
2021	24,313
Thereafter	-
	\$ 42,207

E. City of Roanoke Pension Plan

Plan Description

Effective July 1, 2006, this plan was closed to new employees. As of that date, new School Board non-professional employees are members of a VRS agent multiple-employer retirement plan which is described in detail in previous sections. Details regarding the Pension Plan may be found previously in this footnote.

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.

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

The following presents the net pension liability of the Pension Plan – School Board, calculated using the discount rate of 7.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$ 6,733,717	\$ 4,984,640	\$ 3,507,362

At June 30, 2017, the Schools reported a liability of \$4,984,640 for its proportionate share of the collective Net Pension Liability of the City's Pension Plan. The collective Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the collective Net Pension Liability was determined by an actuarial valuation as of that date. The School Boards' proportion of the collective Net Pension Liability was based on the School Board's actuarially determined employer contributions to the Pension Plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions to the Pension Plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for the City's Pension Plan participating employers.

At June 30, 2016, the School Board's proportion was 2.9386% as compared to 3.4863% at June 30, 2015.

At June 30, 2017, the Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 924,667	\$ 226,885
Change in assumptions	26,420	-
Net difference between projected and actual earnings on pension plan investments	-	282,252
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	69,172
Employer contributions subsequent to the measurement date	257,269	-
Total	\$ 1,208,356	\$ 578,309

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\$257,269 is reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase Pension Expense
2016	\$ 93,195
2017	93,195
2018	93,195
2019	93,193
Thereafter	-
	<u>\$ 372,778</u>

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(12) Other Postemployment Benefit Plans

Primary Government – OPEB Employees’ Post-Retirement Health Plan

A. Plan Description

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

B. Funding Policies

The contribution requirements of the Plan members and the City are established and may be amended by City Council. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health insurance, the employees retiring prior to January 1, 2010, contribute 100% of the blended premium payment. For the fiscal year ended June 30, 2017, the retirees contributed \$696,000 to the Plan for health insurance. The City contributed \$251,000 to a qualified trust as defined by GAAP, to fund the annual required contribution of \$947,000 for fiscal year 2017. The City overfunded the Plan in fiscal year 2017 by \$1,000, which includes a net adjustment of \$1,000 for the requisite ARC actuarial adjustment and interest as per GAAP. 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 GAAP. 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 claim per covered retiree. 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 July 1, 2016 actuarial valuation, there were 1,585 active participants, 144 retired participants, and 18 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:

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Annual Required Contribution	\$ 947,000
Less interest on beginning Net OPEB asset	(24,000)
Add ARC adjustment	23,000
Annual OPEB cost	<u>946,000</u>
Contributions made	<u>(947,000)</u>
Increase in Net OPEB asset	(1,000)
Net OPEB asset at July 1, 2016	<u>(345,000)</u>
Net OPEB asset at June 30, 2017 (Overfunded)	<u><u>\$ (346,000)</u></u>

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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30, 2017	\$ 946,000	100%	\$ 346,000
June 30, 2016	1,069,000	100%	345,000
June 30, 2015	979,000	100%	343,000

D. Funded Status and Funding Progress

As of July 1, 2016, the most recent annual actuarial valuation date, the City Plan was 31.2% funded. The actuarial accrued liability for benefits was \$10,674,000 and the actuarial value of assets was \$3,334,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,340,000. The covered payroll (annual payroll of active employees covered by the City plan) was 71,512,000, and the ratio of the UAAL to the covered payroll was 10.3%.

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 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 City Plan (as understood by the employer and the 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

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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, 2016 valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7.0% 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 OPEB Trust Fund. The healthcare trend rate is based on historical claims experience and census records with cost distributed based on the current covered population using the actuaries standard age curves, which vary by age and gender. The rates are trended forward using an annual trend assumption for medical, pharmacy and re-insurance resulting in an overall increase of 5.5% per year. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2016 was 22 years.

G. OPEB Obligations – Retiree Health – GASB Statement No. 74

Additional note disclosure and related required supplementary information about the Plan's investment performance, total OPEB liability, net OPEB liability and contributions, as required under GAAP, are as follows below and in the required supplementary information section. The amounts disclosed are not reflected in the financial statements of the City.

Rate of Return: As of June 30, 2017, the annual money-weighted rate of return on cash flows on the plan investments, net of OPEB plan investment expense, was 13.04%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Data presented in this note is as of the initial look-back year ended June 30, 2016, consistent with the City's intended implementation of GASBs 74 and 75 reporting based on the measurement date ended one year prior to the current fiscal year. Data provided in the related RSI schedule, 19 for OPEB – Retiree Health, reflects the change in the net liability from the initial look-back year ended June 30, 2016 rolled-forward to the net liability for the fiscal year ended June 30, 2017.

Net OPEB Liability: The components of the net OPEB liability as of June 30, 2017 were as follows:

Total OPEB liability	\$ 12,218,000
Plan fiduciary net position	<u>3,333,588</u>
Net OPEB liability	<u>\$ 8,884,412</u>
Fiduciary net position as a percent of total OPEB liability	27.3%

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

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Valuation date	June 30, 2016
Valuation method.....	Entry Age Normal
Investment rate of return	7.0%
Long-term projected salary increase	None Assumed
Healthcare cost trend rates	A range of 8.78% in 2018 to 5.5% in 2032

Pre-retirement mortality: 125% of the RP-2000 Combined Healthy Mortality Table for males and females with generational mortality projection using Scale AA

Post-retirement mortality: 125% of the RP-2000 Combined Healthy Mortality Table for males and females with generational mortality projection using Scale

Discount Rate: The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at current contribution rates. Based on the current and historical commitment of the City to fully fund actuarially determined contribution amounts, the OPEB Plan's fiduciary net position combined with future contributions is sufficient to cover all projected future payments. The long-term expected rate of return on plan investments is 7.00% and, when applied to the periods of projected benefit payments, it is not anticipated that the plan's assets will be exhausted; therefore, the expected municipal bond rate was not applied in determining the discount rate.

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

1% Lower	Current Rate	1% Higher
6.00%	7.00%	8.00%
<hr/>		
\$10,320,000	\$ 8,884,000	\$ 7,655,000

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

1% Lower	Current	1% Higher
8.25%	Rate 9.25%	10.25%
<hr/>		
\$7,501,000	\$8,884,000	\$10,515,000

In an effort to assist local governments in funding their OPEB liabilities, the Virginia Association of Counties and the Virginia Municipal League established the VML/VACo OPEB Trust Fund. The OPEB Trust Fund is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees consisting of local officials of participants in the OPEB Trust Fund. The Board of Trustees has adopted an investment policy to achieve a compound annualized rate of return over a market cycle,

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including current income and capital appreciation, in excess of 5% after inflation, in a manner consistent with prudent risk-taking. Investment decisions of the funds' assets are made by the Board of Trustees, which establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and 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. The OPEB Trust Fund provides a diversified portfolio consisting of investments in various asset classes such as bonds, domestic equities, international equities and cash. Specific investment information for the Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

The OPEB Trust Fund categorizes its investments within the fair value hierarchy established by GAAP. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the NAV per share (or its equivalent) of the investment. Investments in the Trust are valued using the NAV per share which is determined by dividing the total value of the Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the Trust. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days written notice. The Trust currently invests in the following assets classes and strategies:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long- Term Expected Rate of Return</u>
Equity:		
Large Cap	26%	11.39%
Small Cap	10%	12.68%
International	13%	12.39%
Emerging Markets	5%	13.74%
Private Equity	5%	14.03%
Fixed Income		
Core Bonds	7%	6.40%
Core Plus	14%	6.67%
Diversified Hedge Funds	10%	9.92%
Real Assets	10%	8.86%
	<u>100%</u>	<u>10.49%</u>

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Primary Government – OPEB Line of Duty Benefits

A. Plan Description

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

B. Funding Policies

The contribution requirements of the City public safety plan members and the City are established and may be amended by the Commonwealth of Virginia. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For the fiscal year ended June 30, 2017, members of the plan did not contribute. The City contributed \$101,700 to the LODA Plan for death benefits and health insurance based on projected pay-as-you-go financing. The City also contributed \$226,300 to a qualified trust, as defined by GAAP, to fund the annual required contribution of \$328,000 for fiscal year 2017. The City overfunded the plan in fiscal year 2017 by \$600, which includes a net adjustment of \$600 for the requisite ARC actuarial adjustment and interest as per GAAP. It is the City's intent to fully fund the annual required contribution each year.

C. Annual Line of Duty Cost and Net Line of Duty Obligation

The City's annual Line of Duty cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GAAP. 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 LODA Plan contains public safety employees, their surviving spouses, and their dependent children. As of the July 1, 2017 actuarial valuation, there were 702 active participants, 5 retirees, 7 spouses and surviving spouses, and 2 lifetime dependent children in the plan.

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

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	<u>LODA Plan</u>
Annual Required Contributions	\$ 328,000
Less interest on beginning Net OPEB asset	(11,100)
Add ARC adjustment	<u>10,500</u>
Annual OPEB Cost	327,400
Contributions Made	<u>(328,000)</u>
Increase in Net Asset	(600)
Net OPEB asset at July 1, 2016	<u>(159,000)</u>
Net OPEB asset at June 30, 2017	<u><u>\$ (159,600)</u></u>

The City's annual LODA cost, the percentage of annual cost contributed to the LODA Plan, and the LODA asset for the current year was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30, 2017	\$ 327,400	100%	\$ 159,600
June 30, 2016	366,100	100%	159,000
June 30, 2015	369,700	100%	158,000

D. Funded Status and Funding Progress

As of July 1, 2016, the most recent biannual actuarial valuation date, the LODA plan was 36.8% funded. The actuarial accrued liability and unfunded actuarial accrued liability (UAAL) for benefits were \$3,836,300 and \$2,425,700, respectively, and the actuarial value of assets was \$1,410,600. The required annual contribution as a cost per active member was \$467. The UAAL as a cost per active member was \$3,455. The covered payroll (annual payroll of active employees covered by the LODA plan) was \$32,921,200, and the ratio of the UAAL to the covered payroll was 7.4%.

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 LODA Plan and the annual required contributions of the City and LODA 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 LODA Plan (as understood by the employer and the Plan members) and include the types

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of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and LODA 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, 2015 valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7.0% rate of return (net of administrative expenses). Because the City has begun funding the LODA Plan, the rate of return was based on the projected returns of the OPEB Trust Fund. The healthcare trend rate is based on historical claims experience and census records with cost distributed based on the current covered population using the actuaries standard age curves, which vary by age and gender. The rates are trended forward using an annual trend assumption for medical, pharmacy and re-insurance resulting in an overall increase of 5.5% per year. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2016 was 22 years.

G. OPEB Obligations – Line of Duty Act

Additional note disclosure and related required supplementary information about the Plan's investment performance, total OPEB liability, net OPEB liability and contributions, as required under GASB Statement No. 74, are as follows below and in the required supplementary information section. The amounts disclosed are not reflected in the financial statements of the City.

Rate of Return: As of June 30, 2017, the annual money-weighted rate of return on cash flows on the plan investments, net of OPEB plan investment expense, was 13.04%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Data presented in this note is as of the initial look-back year ended June 30, 2016, consistent with the City's intended implementation of GASBs 74 and 75 reporting based on the measurement date ended one year prior to the current fiscal year. Data provided in the related RSI schedule, 20 for OPEB – LODA, reflects the change in the net liability from the initial look-back year ended June 30, 2016 rolled-forward to the net liability for the fiscal year ended June 30, 2017.

Net OPEB Liability: The components of the net OPEB liability as of June 30, 2017 were as follows:

Total OPEB liability	\$3,702,800
Plan fiduciary net position	<u>(1,410,600)</u>
Net OPEB liability	<u><u>\$2,292,200</u></u>
 Fiduciary net position as a percent of total OPEB liability	 38.1%

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

Valuation date	June 30, 2016
Valuation method.....	Entry Age Normal
Investment rate of return	7.0%
Long-term projected salary increase.....	None Assumed
Healthcare cost trend rates	A range of 6.9% in 2018 to 5.5% in 2032

Pre-retirement mortality: 125% of the RP-2000 Combined Healthy Mortality Table for males and females with generational mortality projection using Scale AA

Post-retirement mortality: 125% of the RP-2000 Combined Healthy Mortality Table for males and females with generational mortality projection using Scale AA

Disabled mortality: 70% of the PBGC Mortality Table 5A for males and 90% of the PBGC Disabled Mortality Table 6A for females

Discount Rate: The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at current contribution rates. Based on the current and historical commitment of the City to fully fund actuarially determined contribution amounts, the LODA Plan's fiduciary net position combined with future contributions is sufficient to cover all projected future payments. The long-term expected rate of return on plan investments is 7.00% and, when applied to the periods of projected benefit payments, it is not anticipated that the plan's assets will be exhausted; therefore, the expected municipal bond rate was not applied in determining the discount rate.

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

1% Lower 6.00%	Current Rate 7.00%	1% Higher 8.00%
<u>\$ 2,930,200</u>	<u>\$ 2,292,200</u>	<u>\$ 1,788,900</u>

Sensitivity of net OPEB liability to changes in healthcare cost trend rates: The net OPEB liability is shown below as calculated on the projected healthcare cost trend rate 7.75% rate and also as calculated using rates 1 percent lower or 1 percent higher:

1% Lower 6.75%	Current Rate 7.75%	1% Higher 8.75%
<u>\$ 1,750,000</u>	<u>\$ 2,292,200</u>	<u>\$ 2,979,100</u>

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In an effort to assist local governments in funding their OPEB liabilities, the Virginia Association of Counties and the Virginia Municipal League established the VML/VACo Pooled OPEB Trust (Trust). The Trust is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees consisting of local officials of participants in the Trust. The Board of Trustees has adopted an investment policy to achieve a compound annualized rate of return over a market cycle, including current income and capital appreciation, in excess of 5% after inflation, in a manner consistent with prudent risk-taking. Investment decisions of the funds assets are made by the Board of Trustees, which establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and prevailing prudent investment practices. The Board of Trustees also monitors the investments to ensure adherence to the adopted policies and guidelines, in addition to reviewing, monitoring, and evaluating 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. The Trust provides a diversified portfolio consisting of investments in various asset classes such as bonds, domestic equities, international equities and cash. Specific investment information for the Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

The Trust categorizes its investments within the fair value hierarchy established by GAAP. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the NAV per share (or its equivalent) of the investment. Investments in the Trust are valued using the NAV per share which is determined by dividing the total value of the Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the Trust. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days written notice. The Trust currently invests in the following assets classes and strategies:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long- Term Expected Rate of Return</u>
Equity:		
Large Cap	26%	11.39%
Small Cap	10%	12.68%
International	13%	12.39%
Emerging Markets	5%	13.74%
Private Equity	5%	14.03%
Fixed Income		
Core Bonds	7%	6.40%
Core Plus	14%	6.67%
Diversified Hedge Funds	10%	9.92%
Real Assets	10%	8.86%
	<u>100%</u>	<u>10.49%</u>

CITY OF ROANOKE, VIRGINIA
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If there are any concentrations of investments in any one organization (other than US government) that represents 5% or more of the OPEB plan's fiduciary net position, which should be disclosed.

Primary Government – Health Insurance Credit Program

A. Plan Description

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

B. Funding Policies

The contribution rate of the City for the fiscal year ended June 30, 2016 was .26% of annual covered payroll.

C. Annual Health Insurance Credit Cost and Net Health Insurance Credit Obligation

The City's annual retiree health insurance credit cost is calculated based on the annual required contribution of the employer ARC, an amount actuarially determined in accordance with the parameters of GAAP.

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

<u>Fiscal Year Ended</u>	<u>Annual Health Insurance Credit Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual Credit Cost Contributed</u>	<u>Net Health Credit Obligation</u>
June 30, 2017	\$ 22,933	\$ 22,933	100%	-
June 30, 2016	14,705	14,705	100%	-
June 30, 2015	14,836	14,836	100%	-
June 30, 2014	9,845	9,845	100%	-
June 30, 2013	9,846	9,846	100%	-

D. Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the City health insurance credit plan was 22.10% funded. The actuarial accrued liability for benefits was \$376,392 and actuarial value of assets was \$83,168, resulting in an UAAL for benefits of \$293,224. The covered payroll (annual payroll of active employees covered by the City plan) was \$8,537,263, and the ratio of the UAAL to the covered payroll was 3.43%.

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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 (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 June 30, 2016 valuation, the entry age normal cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7% rate of return, which includes inflation at 2.5%. The UAAL is being amortized as a level percentage of pay over a period of 30 years for the legacy unfunded liability as of June 30, 2013. Each year a subsequent base will be added to the unfunded liability and will be amortized over a closed 20 year period. As of the June 30, 2016 valuation, the remaining amortization period of the legacy liability as of June 30, 2013, was 27 years and the amortization of the subsequently added bases were 18, 19 and 20 years.

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School Board Component Unit

A. Plan Descriptions

Roanoke City Public Schools began offering alternative coverage options to retirees in 2014-15 in response to significant health care cost increases which largely resulted from the continued inclusion of retirees in the covered pool. Retiree enrollment in the Roanoke City Public Schools Healthcare Plan (RCPSHP) was completely phased out in 2015-16. Retirees who were already enrolled were grandfathered in at their existing coverage levels. COBRA medical and dental coverage is now offered to all retirees.

B. Funding Policies

The contribution requirements of the RCPSHP members and Roanoke City Public Schools are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health and dental insurance, the School Board contributes 0% of all premium payments, and the retirees contribute 100%. Employees who retired on or before June 30, 2010 participate in the plan at a group rate which is blended with that of active employees. Employees who retired after that date and before December 31, 2014 pay an unblended rate. For the fiscal year ended June 30, 2017, Roanoke City Public Schools retirees contributed \$255,830 to the RCPSHP. The retirees' claims amounted to \$373,838 for the same period.

C. Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other postemployment benefit (OPEB) cost(expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GAAP. 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 liabilities over a period not to exceed thirty years.

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The following table shows the components of the School Board's annual OPEB cost for fiscal year end 2016, the amount actually contributed to the plan, and changes in the School Boards' net OPEB obligation to the Retiree Health Benefit Fund:

	<u>Roanoke City Public Schools Healthcare Plan</u>
Annual Required Contribution	\$ 94,533
Interest on net OPEB Obligation	(20,281)
Adjustment to annual required contribution	<u>72,412</u>
Annual OPEB Cost	146,664
Contributions made	<u>(255,830)</u>
Decrease in net OPEB asset	(109,166)
Net OPEB asset at July 1, 2016	<u>(507,031)</u>
Net OPEB asset at June 30, 2017	<u>\$ (616,197)</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB (Asset)/Obligation</u>
June 30, 2017	\$ 146,664	174.4%	\$ (616,197)
June 30, 2016	219,198	207.8%	(507,031)
June 30, 2015	234,239	228.5%	(270,656)
June 30, 2014	191,319	374.6%	30,307

D. Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the RCPSHP was zero percent funded. The actuarial accrued liability for benefits was \$636,468 and the actuarial value of assets was \$0, resulting in an UAAL of \$636,468. The covered payroll was \$0. The plan does not have separately issued financial statements.

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 RCPSHP 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

CITY OF ROANOKE, VIRGINIA
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information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial valuation of the liabilities as of June 30, 2017 is based on a closed group. Current retirees only are considered; no provision is made for future hires as they are not eligible to enter the plan. For the five-year projection, the actuarial valuation has assumed no new entrants. Therefore, the active population will decline each year as the exiting group ages out of coverage.

F. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve projections of benefits for financial reporting purposes are based on the substantive plan (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 employer and plan members to 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 June 30, 2016 valuation, the projected unit credit actuarial cost method was used. Past service liability is amortized over a level dollar, open 20 period that declines year per year. The remaining amortization period at July 1, 2017 was 10 years.

The actuarial assumptions included a 4 percent discount rate. Annual medical rates are expected to increase at an annual trend rate of 8.0% for the year ending June 30, 2017. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

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

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

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

Included in long-term liabilities at June 30, 2017 were claims payables of \$19,819,708 as a provision for unasserted claims. Other risks insured through the City's self-insurance program adequately covered any claims incurred over each of the past eight years.

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

	<u>2016-17</u>	<u>2015-16</u>
Claims liability at July 1	\$ 20,769,720	\$ 21,761,064
Claims incurred	17,447,802	17,017,991
Claims payments	<u>(18,397,814)</u>	<u>(18,009,335)</u>
Claims liability at June 30	<u>\$ 19,819,708</u>	<u>\$ 20,769,720</u>

CITY OF ROANOKE, VIRGINIA
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Surety Bond coverage is as follows:

Company:	Amount:
<u>Travelers Property Casualty Insurance Company:</u>	
Public Employee Pension/Crime/Dishonesty	\$1,000,000
<u>NGM Insurance Company:</u>	
Treasurer – Public Official Bond	1,000,000
<u>Self-insurance program through Commonwealth of Virginia Division of Risk Management</u>	
All Other Constitutional Officers' Employees Liability Insurance	1,000,000
City Treasurer's Bond	500,000
City Sheriff Bond	30,000
Commissioner of Revenue Bond	3,000
Clerk of Circuit Court Bond	3,000,000
City Sheriff's Liability Insurance	1,500,000

GAAP addresses the requirements for reporting liabilities related to cleaning up pollution and/or contamination. The City has evaluated the requirements of GAAP and determined the City had no material liability.

The City has adopted comprehensive financial policies that include a Risk Management Reserve. The purpose of the reserve is to mitigate risk exposure of the City due to its self-insurance program. The City is currently self-insured for health insurance, workers' compensation, general liability and automotive claims.

The minimum funding level for The Risk Management Reserve is:

- 25% of the three year average of self-insured claims costs
- plus 10% of the three year average of fully insured premiums
- plus a \$1 million to cover catastrophic claims

The Risk Management Reserve has a zero balance as of June 30, 2017. This is a result of a significant increase in liabilities in prior years. While the reserve has a zero balance, the City continues to add to the reserve on an annual basis.

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School Board Component Unit

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

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

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

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

	<u>2016-17</u>	<u>2015-16</u>
Claims liability at July 1	\$ 6,427,493	\$ 7,373,050
Claims incurred	19,441,902	16,383,906
Claims payments	<u>(19,294,981)</u>	<u>(17,329,463)</u>
Claims liability at June 30	<u>\$ 6,574,414</u>	<u>\$ 6,427,493</u>

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(14) Tax Abatements

As of June 30, 2017, the City provides tax abatements through four programs:

Tax Abatement Programs	Taxes Abated for FY 2017
Real Estate Rehabilitation Abatements	\$ 1,723,784
Solar Energy Equipment, Facilities, and Devices Exemption	2,313
Energy Efficient Buildings Special Rate	13,122
Economic Development Grants	407,420

The **Real Estate Rehabilitation Abatement** program is administered by the Real Estate Valuation Department in accordance with Chapter 32, Article II, Division 5 of the *Code of the City of Roanoke* (the Code). Abatements and exemptions only apply to the change in value resulting from the renovation or new construction. The amount of the abatement is deducted from the recipient's tax bill. The program is composed of four tax abatement incentives:

1. An abatement of real property taxes on residential, commercial and industrial properties to encourage rehabilitation of existing structures. To receive this abatement, the renovation must be completed within two years after the date of application. Residential properties must be no less than 40 years in age and be improved so as to increase their values no less than 40%.

Commercial and industrial properties must be no less than 25 years in age and be improved so as to increase the value of their structures no less than 60%, without increasing total square footage by more than 100%.

2. A partial real property tax exemption for commercial and industrial properties within Enterprise Zone Two to encourage rehabilitation of existing structures. To receive this exemption, the property must have been no less than 15 years in age, have been renovated so as to increase the assessed value of the structure by at least \$50,000, have not received another exemption under Division 5 of the Code, and the rehabilitation must have been completed within one year after the date of the application.

This program was closed to new applications as of December 31, 2015.

3. A partial real property tax exemption for commercial, mixed-use commercial, and industrial properties in Enterprise Zone One A to encourage rehabilitation of existing structures. To receive this exemption, the property must be no less than 15 years in age, be renovated so as to increase the assessed value of the structure by at least \$50,000, have not received another exemption under Division 5 of the Code, and the rehabilitation must be completed within two years after the date of the application. Additionally, mixed-use commercial property must not be more than 80% residential use in order to qualify.
4. A partial real property tax exemption for residential and commercial properties in redevelopment and conservation areas, as well as rehabilitation districts, to encourage the construction of new structures or other improvements.

CITY OF ROANOKE, VIRGINIA
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For residential properties to receive this exemption, the new structure or improvement must have an assessed value, after construction or improvement, of at least 120% of the median value of other residential structures in the neighborhood. Commercial properties must be located in a district zoned Commercial Neighborhood (CN) and must be designed for and used for purposes permitted in a CN district.

For both residential and commercial properties, the construction or improvement must be completed within 2 years after the date of the application.

The **Solar Energy Equipment, Facilities, and Devices** program provides for an exemption on real estate or machinery and tools taxes to encourage investment in certified solar energy equipment, facilities, and devices, as specified in Chapter 32, Article II, Division 8 of the Code. Taxpayers must file an application with the Department of Planning, Building, and Development, along with supporting documents that can be used to verify the costs, ownership, and nature of the property involved. The taxpayer may choose to apply the exemption to real estate taxes or machinery and tool taxes, as applicable. The exemption is determined by applying the appropriate local tax rate to the value of the qualified solar energy equipment, facilities, and devices.

The **Energy-Efficient Buildings** program provides a special classification to buildings certified as energy-efficient, which provides for a lower tax rate than that applied to other real property. Applications are reviewed by the City's Department of Planning, Building, and Development, as specified under Chapter 32, Article II, Division 9 of the Code. If approved, the building is given the special classification for five years. For the year ended June 30, 2017, the real estate tax rate applicable to Energy-Efficient Buildings was \$1.10 per \$100 of assessed value.

Economic Development Grants are provided to local developers who complete projects that promote economic development within the city, as determined in advance by the city administration in accordance with the Code, Ordinance Numbers 40709 and 39447. Such projects are expected to provide additional tax revenue, jobs, and services that will benefit city residents. The local taxes collected from businesses located in these developments are used to fund the grants. Applicable local taxes include real estate tax, local option sales tax, business professional and occupational license tax, tangible personal property tax, and prepared food and beverage tax. Payments to developers are based on the taxes collected the preceding fiscal year. Grants paid during the fiscal year ended June 30, 2017, were between 50 and 75% of the local tax revenues generated from applicable projects.

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(15) Joint Ventures

Blue Ridge Behavioral Healthcare

The Counties of Botetourt, Craig and Roanoke, and the Cities of Roanoke and Salem formed Blue Ridge Behavioral Health Care (BRBH) a community services board, to provide a system of comprehensive community mental health, intellectual disability and substance abuse services. BRBH is governed by a 16 member board. Roanoke City Council appoints three members. Each locality's financial obligation is based on the type and amount of services performed for individuals in the locality. For the fiscal year ended June 30, 2017, the City remitted approximately \$504,600 to BRBH. Financial statements may be obtained from Blue Ridge Behavioral Healthcare, 301 Elm Avenue, Roanoke, Virginia 24016.

Hotel Roanoke Conference Center Commission

The City is a participant with Virginia Polytechnic Institute and State University (Virginia Tech) in a joint venture to establish and operate a publicly-owned Conference Center in the City of Roanoke in conjunction with the Hotel Roanoke, which is adjacent to the Conference Center. The Hotel Roanoke Conference Center Commission (HRCCC) is composed of six members, three of whom are appointed by City Council and three of whom are appointed by Virginia Tech. The HRCCC has the authority to issue debt and such debt is the responsibility of the HRCCC. The City issued general obligation bonds in its name for its share of the Conference Center construction costs and was obligated to repay this debt. The City has incurred no related future obligation.

The intention of the HRCCC is to be self-supporting through its user fees. The City and Virginia Tech share equally in any operating deficit or if additional funding is needed for capital expenditures. The City has no equity interest in the HRCCC; however, as previously mentioned, additional funding or subsidies may be necessary to support on going operations. For the fiscal year ended June 30, 2017, the City contributed \$80,000 to the HRCCC. Financial statements may be obtained from the Hotel Roanoke Conference Center Commission, 106 Shenandoah Avenue, Roanoke, Virginia 24016.

Roanoke Valley Broadband Authority

The Roanoke Valley Broadband Authority (Authority) was created under the Virginia Wireless Services Facilities Act by the Cities of Roanoke and Salem, and the counties of Botetourt and Roanoke. The Authority was formed in order to provide quality affordable access to broadband technologies. The Board of the Authority consists of five members of which the City appoints one member for a four year term. The Authority is in the process of engineering a 46 mile network in the Valley that will serve business parks, large institutions, government facilities, and businesses. For the fiscal year ended June 30, 2017, the City remitted \$159,746 to Roanoke Valley Broadband Authority for broadband installations, \$334,470 for bond payments and \$327,200 for its commitment for the broadband project. Financial statements may be obtained from Roanoke Valley Broadband Authority, 601 South Jefferson Street, Suite 110, Roanoke, Virginia 24011.

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Roanoke Valley Regional Fire-EMS Training Center

The City along with the County of Roanoke, City of Salem, and Town of Vinton jointly operate a Fire-EMS training center (Center). The Center is governed by a committee of eight members, designated by the participating jurisdictions. New Fire-EMS recruits are required to take a 17 week training course at the facility before being assigned to a station. Upon completion of the training, the new recruits are state 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, 2017, the City paid \$39,000 of the total annual operating costs and \$60,000 to the Debt Service Fund for principal and interest on an inter-fund loan related to the construction of the facility. Financial statements may be obtained from the Roanoke Valley Regional Fire-EMS Training Center, 1220 Kessler Mill Road, Salem, Virginia 24153.

Roanoke Valley Resource Authority

The City of Roanoke, the County of Roanoke, and the Town of Vinton jointly participate in the Roanoke Valley Resource Authority (Authority), which operates the regional sanitary landfill, waste collection and transfer station, and related treatment facilities. The Authority is governed by a board composed of seven members designated by the participating jurisdictions. Roanoke City Council appoints two members. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. The participating localities are each responsible for their pro rata share, based on population, of any year-end operating deficit. For the fiscal year ended June 30, 2017, the City remitted \$1,941,713 to the Authority for services. Financial statements may be obtained from Roanoke Valley Resource Authority, 1020 Hollins Road, Roanoke, Virginia 24012.

Regional Center for Animal Care and Protection

The City of Roanoke along with the Counties of Roanoke and Botetourt, and the Town of Vinton jointly participate on the Advisory Board which is responsible for the general fiscal and management policies for the Regional Center for Animal Care and Protection (RCACP). The regional care center is comprised of an animal control and animal education facilities that are adjacent to each other and are owned and operated by the Roanoke Valley Society for the Prevention of Cruelty to Animals, Inc. (RVSPCA). The animal control facility was financed by bonds in the amount of \$3.5 million which were issued by the RVSPCA. This debt was defeased and reissued by the participating localities in connection with the purchase and operations of the control facility. Each participating locality pays monthly amounts for its share of operating costs, debt service, and to fund reserves for operating and maintenance needs of the RCACP based on the locality's average use of the facility. During the year ended June 30, 2017, the City's share was 58%, and the City remitted approximately \$860,857 for its share of RCACP expenses.

Western Virginia Regional Industrial Facility Authority

The Western Virginia Regional Industrial Facility Authority was created as a combined effort with Roanoke City, Roanoke County, the City of Salem, Botetourt County, Franklin County and the Town of Vinton to enhance these localities economic basis and stimulate economic growth by developing new opportunities in these areas. For fiscal year ending June 30, 2017, the City remitted \$29,497 for services and \$99,719 for capital reimbursements.

CITY OF ROANOKE, VIRGINIA
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(16) Jointly Governed Organizations

Roanoke Valley Regional Board

The Counties of Botetourt, Craig, and Franklin, and the Cities of Roanoke and Salem jointly participate in a regional education program for severely disabled students operated by the Roanoke Valley Regional Board (Regional Board). The Regional Board is composed of five members, one from each participating locality. The City has control over budget and financing only to the extent of representation by the one board member appointed. Each locality's financial obligation is based on its proportionate share of students attending the regional program. For the fiscal year ended June 30, 2017, the School Board, a component unit of the City, remitted \$5,556,638 to the Regional Board for services.

Roanoke Valley Detention Commission

The Counties of Botetourt, Franklin and Roanoke and the Cities of Roanoke and Salem formed the Roanoke Valley Detention Commission (Commission) in 1998 to renovate, expand and operate a detention facility for juveniles. The Commission is governed by a six member board. Roanoke City Council appoints two members. Localities using the facility are guaranteed a number of beds according to the terms of the agreement. Each locality's financial obligation is based on the number of juveniles housed at the 81 bed facility. The Commission has the authority to issue debt, and such debt is the responsibility of the Commission. For the fiscal year ended June 30, 2017, the City remitted \$815,500 to the Roanoke Valley Detention Commission in per diem charges for juveniles housed by the Commission.

Western Virginia Water Authority

The City and the County of Roanoke combined its water and water pollution control functions to form the Western Virginia Water Authority (WVWA), which 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 appointees, three County of Roanoke appointees, and one Franklin County appointee. The City has control over the budget and financing for the WVWA only to the extent of representation by the board members appointed. Upon formation of the WVWA, the City retained \$38 million of general obligation bonds, which are to be repaid contractually by the WVWA in accordance with its operating agreement. During fiscal year 2017, the WVWA paid \$1.43 million to the City in principal and interest payments on the bonds. As of June 30, 2017, the remaining principal balance of these bonds was approximately \$8.2 million and this amount was recorded as a receivable Due from Other Governments in the Statement of Net Position of the basic financial statements.

CITY OF ROANOKE, VIRGINIA
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YEAR ENDED JUNE 30, 2017

Virginia's First Regional Industrial Facility Authority

The Cities of Radford, Roanoke and Salem; the Counties of Bland, Craig, Giles, Montgomery, Pulaski, Roanoke and Wythe; and the Towns of Christiansburg, Dublin, Narrows, Pearisburg and Pulaski all participate in the Virginia's First Regional Industrial Facility Authority (Authority). The Authority's purpose is to enhance the member localities economic base in Virginia's First Region. The Authority is governed by a board composed of twenty-nine members, two of which are appointed by Roanoke City Council. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. Each locality is obligated to annual dues of \$5,000. Authority member localities, who are also participants in the Regional Commerce Park like the City, are obligated to an annual amount based on the number of shares owned. The City owns 10,000 shares and has an annual obligation of \$27,500. For the fiscal year ended June 30, 2017, the City remitted \$32,500 to Virginia's First Regional Industrial Facility Authority.

Market Building Foundation Inc.

The Market Building Foundation Inc., is a public non-profit entity created and incorporated to ensure the preservation of the City Market Building in Downtown Roanoke. The Foundation manages the rehabilitation, maintenance, and operation of the City Market Building. The Foundation has a board of seven members representing individuals from several organizations in the downtown area. These organizations include the City of Roanoke, Downtown Roanoke, Inc., the Roanoke Regional Chamber of Commerce and the private business community. These board members are responsible for the oversight and governance of the facility as well as the management, leasing, and operational performance of the City Market Building. The City does not have authority to override the Foundation board regarding decisions about rates or operations but it is obligated to finance deficits of the Foundation. The City has an annual obligation to the Market Building of \$300,000 for an operating contribution. For the fiscal year ended June 30, 2017, the City paid the Market Building Foundation Inc. \$306,000 for the annual operating contribution and equipment replacement services.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(17) Related Organizations

Economic Development Authority

The Economic Development Authority issues low-interest, tax-free industrial revenue bonds in its name for the construction or renovation of properties sold or leased to enterprises locating to or remaining in the City. City Council is responsible for appointing the seven member board; however, the City, the state, and any political subdivision thereof are not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2017, there were nine series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$460.8 million.

Roanoke Redevelopment and Housing Authority

The Roanoke Redevelopment and Housing Authority (Housing Authority) is a political subdivision of the Commonwealth of Virginia created to provide low income and subsidized housing, promote self-sufficiency and foster economic development. Commissioners of the Housing Authority are appointed by City Council. The Housing Authority is financially independent of the City and has administrative control of its operations, but its overall housing plans require the approval of City Council. The City provides a financial benefit through federal pass-through grant funds awarded to the Housing Authority on a contractual basis to implement certain grant programs. The Housing Authority also directly receives other federal and state subsidies and rents for operating its housing programs. During the year ended June 30, 2017, the City remitted \$14,687 to the Housing Authority.

Roanoke Regional Airport Commission

The City and Roanoke County formed the Roanoke Regional Airport Commission (Airport Commission) in 1987 to own and operate The Roanoke Blacksburg Regional Airport. The Airport Commission is composed of five members. Three commissioners are appointed by Roanoke City Council and two are appointed by the Roanoke County Board of Supervisors. Airport operations are financed by user fees. The City and Roanoke County are each responsible for their pro rata share, based on population, of any year-end operating deficit or unfunded capital projects if any additional funding is required. The Airport Commission may incur debt and is responsible for paying all outstanding debt. The City has control over budget and financing only to the extent of representation by the board members appointed. No subsidy has been required since inception.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(18) Subsequent Events

Effective July 1, 2017, the Department of Technology and Fleet Internal Service Funds were eliminated and reporting for these activities moved to the General Fund. This change allows for better alignment of departmental costs with the overall financial strategy of the organization, as well as improved tracking of certain expenditures. Additionally, administrative procedures were reduced and streamlined, allowing for more efficient operations.

The City is in the early stages of replacing and consolidating its multiple revenue systems onto one platform. This change will allow for improved customer service and increased efficiencies. It will affect all departments throughout the City. A target go-live date has not yet been set; however, implementation is expected to take approximately 24 months.

(19) Commitments and Contingencies

Litigation

The City is named as a defendant in litigation involving claims for personal injury or property damages. City management estimates that any ultimate liability not covered by insurance would not have a material adverse effect on the City's financial position.

Grants

Federal grant programs in which the City participates have been audited in accordance with the provisions of the Office of Management 2 CFR 200, Uniform Administrative Requirements. In addition, these grant programs are subject to financial and compliance audits by the federal government, which may result in disallowed expenditures. Based on prior experience, City management believes such disallowances, if any, would not have a material adverse effect on 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, 2017
(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	\$ 31,437,743	\$ 31,437,743	\$ 31,437,743	\$ -
Resources (Inflows):				
General Property Taxes	114,528,000	114,528,000	113,275,390	(1,252,610)
Other Local Taxes	81,406,000	81,406,000	77,780,381	(3,625,619)
Permits, Fees, and Licenses	1,147,000	1,147,000	995,699	(151,301)
Fines and Forfeitures	1,284,000	1,284,000	1,211,207	(72,793)
Revenue from Use of Money and Property	221,000	221,000	263,998	42,998
Charges for Services	11,015,000	12,192,508	11,970,192	(222,316)
Intergovernmental	70,863,000	72,398,691	72,624,700	226,009
Miscellaneous	628,000	700,791	802,960	102,169
Transfers from Other Funds	-	374,512	374,512	-
Amounts Available for Appropriation	\$ 312,529,743	\$ 315,690,245	\$ 310,736,783	\$ (4,953,462)
Charges to Appropriations (Outflows):				
General Government				
City Treasurer	\$ 1,445,519	\$ 1,470,419	\$ 1,419,999	\$ (50,420)
Commissioner of the Revenue	1,263,351	1,307,001	1,306,977	(24)
City Council	80,651	68,497	67,029	(1,468)
City Council - Mayor Lea	31,488	36,065	36,060	(5)
City Council - Vice Mayor Price	31,105	31,295	30,617	(678)
City Council - Council Member Trinkle	24,868	25,328	23,994	(1,334)
City Council - Council Member Bestpitch	30,966	33,644	33,091	(553)
City Council - Council Member Ferris	30,966	33,601	32,362	(1,239)
City Council - Council Member Dykstra	31,156	34,073	32,818	(1,255)
City Council - Council Member Garland	31,156	33,511	33,511	-
City Council - Mayor Bowers (former)	-	160	156	(4)
City Attorney	1,041,186	1,102,336	1,098,648	(3,688)
City Clerk	484,370	499,280	493,355	(5,925)
Municipal Auditing	797,366	897,391	887,691	(9,700)
Department of Finance	2,733,191	2,638,691	2,613,078	(25,613)
Real Estate Valuation	1,244,735	1,249,010	1,231,072	(17,938)
Board of Equalization	11,512	6,992	6,005	(987)
Electoral Board	635,294	798,876	798,869	(7)
Office of Communications	457,400	474,350	465,461	(8,889)
City Manager	937,297	998,468	994,062	(4,406)
Human Resources	1,377,154	1,629,848	1,629,841	(7)
Employee Health Services	919,365	1,319,987	1,277,484	(42,503)
Department of Management and Budget	664,516	653,888	602,270	(51,618)
Purchasing	508,063	510,757	503,516	(7,241)
Director of General Services	207,795	243,550	243,548	(2)
Environmental Management	276,326	531,524	531,523	(1)

See Accompanying Note to Budgetary Comparison Schedule (RSI 21)
See Accompanying Report of Independent Auditor

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Judicial Administration				
Clerk of Circuit Court	\$ 1,669,509	\$ 1,640,379	\$ 1,624,599	\$ (15,780)
Juvenile and Domestic Relations Court Services	1,083,487	1,030,320	976,329	(53,991)
Juvenile and Domestic Relations Court Clerk	60,654	66,865	66,860	(5)
Magistrates Office	5,456	5,656	5,648	(8)
General District Court	95,543	107,158	107,144	(14)
Circuit Court	556,133	527,008	518,883	(8,125)
Sheriff	3,205,739	3,172,029	3,172,026	(3)
Commonwealth's Attorney	1,842,227	1,845,437	1,845,431	(6)
Cost Collection Unit	92,478	75,253	74,594	(659)
Law Library	127,736	132,544	132,532	(12)
Public Safety				
Jail	\$ 15,496,284	\$ 15,764,517	\$ 15,643,719	\$ (120,798)
E911	2,587,190	2,291,928	2,260,858	(31,070)
E911 - Wireless	586,176	441,110	441,088	(22)
Fire - Administration	943,907	965,902	965,897	(5)
Fire - Support	1,287,835	1,281,357	1,278,435	(2,922)
Fire - Operations	19,705,676	21,210,146	21,210,127	(19)
Emergency Management	127,985	137,210	137,191	(19)
Building Inspections	996,617	993,667	989,410	(4,257)
Outreach Detention	338,534	293,420	291,744	(1,676)
Youth Haven I	633,214	606,719	538,752	(67,967)
Enhanced Community Services	53,937	58,567	58,560	(7)
Substance Abuse Services	58,511	59,011	58,940	(71)
Police - Administration	2,450,693	2,222,556	2,218,492	(4,064)
Police - Investigation	3,290,080	3,482,005	3,472,458	(9,547)
Police - Patrol	14,420,367	15,212,838	14,894,092	(318,746)
Police - Services	2,868,941	2,982,671	2,955,118	(27,553)
Police - Training	668,969	790,007	744,980	(45,027)
Police - Animal Control	1,359,848	1,493,704	1,465,474	(28,230)
Public Works				
Custodial Services	\$ 778,110	\$ 748,131	\$ 748,115	\$ (16)
Building Maintenance	5,018,276	5,011,746	4,629,065	(382,681)
Director of Public Works	177,515	198,372	198,352	(20)
Transportation - Streets and Traffic	4,475,632	4,958,164	4,903,938	(54,226)
Transportation - Paving Program	3,773,924	4,463,959	4,449,506	(14,453)
Transportation - Snow Removal	228,033	368,508	364,261	(4,247)
Transportation - Street Lighting	1,133,989	1,294,429	1,294,420	(9)
Transportation - Engineering and Operations	1,952,866	1,873,333	1,845,718	(27,615)
Solid Waste Management	7,459,010	7,556,407	7,322,023	(234,384)
Engineering	1,522,060	1,561,436	1,536,531	(24,905)

See Accompanying Note to Budgetary Comparison Schedule (RSI 21)
See Accompanying Report of Independent Auditor

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Health and Welfare				
Human Services Support	\$ 292,053	\$ 285,853	\$ 281,136	\$ (4,717)
Health Department	1,555,792	1,581,856	1,581,856	-
Blue Ridge Behavioral Health Care	448,890	448,890	448,890	-
Human Services Committee	409,052	409,052	409,052	-
Social Services	25,842,674	25,938,380	25,689,636	(248,744)
Children's Services Act	11,414,734	12,470,525	12,470,509	(16)
Parks, Recreation and Cultural				
Roanoke Arts Commission	\$ 269,220	\$ 269,220	\$ 267,220	\$ (2,000)
Recreation	1,925,899	2,092,557	1,972,631	(119,926)
Parks	3,331,545	3,351,660	3,193,073	(158,587)
Parks & Recreation - Administration	1,341,940	1,326,990	1,299,947	(27,043)
Libraries	3,981,386	4,042,512	3,990,438	(52,074)
Community Development				
Memberships and Affiliations	\$ 3,502,477	\$ 3,668,196	\$ 3,631,993	\$ (36,203)
Economic Development	2,229,690	2,841,624	2,841,594	(30)
Planning, Building and Development	1,437,375	1,517,193	1,495,648	(21,545)
Neighborhood Support	119,421	124,363	119,571	(4,792)
Neighborhood Services	1,421,935	1,463,858	1,381,932	(81,926)
Virginia Cooperative Extension	80,407	85,408	80,407	(5,001)
Nondepartmental				
Residual Fringe Benefits	\$ 3,577,886	\$ 225,919	\$ 72,767	\$ (153,152)
Transfers to Other Funds	5,225,293	6,243,400	6,217,966	(25,434)
Transfers to Debt Service Fund	11,455,616	11,455,616	11,407,432	(48,184)
Transfers to Component Units	82,302,405	82,302,405	80,253,895	(2,048,510)
Miscellaneous	50,000	50,000	41,318	(8,682)
Personnel Lapse	(2,258,633)	-	-	-
Funding for Reserves	1,125,000	125,000	-	(125,000)
Contingency	1,580,006	973,811	-	(973,811)
Total Charges to Appropriations	\$ 281,092,000	\$ 286,847,299	\$ 280,983,258	\$ (5,864,041)
Budgetary Fund Balance, June 30	\$ 31,437,743	\$ 28,842,946	\$ 29,753,525	\$ 910,579

See Accompanying Note to Budgetary Comparison Schedule (RSI 21)
See Accompanying Report of Independent Auditor

(Continued)

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 310,736,783
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).	(31,437,743)
Transfers from other funds are a budgetary resource, but not a revenue for financial reporting purposes (Exhibit E)	<u>(374,512)</u>
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 278,924,528</u></u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 280,983,258
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes (Exhibit E).	(17,625,398)
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.	<u>(3,523,769)</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 259,830,322</u></u>

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

(2) Infrastructure Assets Under Modified Approach

INFRASTRUCTURE – FLOOD REDUCTION

In conjunction with the adoption of the modified approach for flood reduction asset accounting, the City is required to conduct semi-annual (January and July) condition level assessments for 100% of these assets. These assessments are based on the United States Army Corps of Engineers (USACE) 'Inspection, Maintenance and Operational Report' and are conducted by City personnel. Individual components assessed include bench cuts (14) and training walls (2), which both directly impact the level of flood reduction benefit the assets provide. These components are evaluated by examining the number of obstructions or amount of damage observed, and then establishing the extent to which it has affected the infrastructure. These individual assessments are then used to determine an overall condition rating, as defined below.

Independent evaluations are also conducted periodically by the USACE using the same assessment criteria. City and USACE policy requires condition levels to be maintained at or above a Fair (2) rating. Deficiencies discovered by either party which would cause the condition level to fall below this standard are the City's responsibility and should be addressed prior to the next assessment.

<u>Condition</u>	<u>Rating</u>
Good	3
Fair	2
Poor	1

Assessment Ratings of Infrastructure Components

	<u>Number Assessed</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Training Walls	2	3	2.5	3	3
Bench Cuts	14	3	2.6	2	2.7

Comparison of Estimated to Actual Maintenance Costs

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Estimated	\$131,833	\$116,000	\$54,500	\$75,000
Actual	\$107,512	\$ 49,384	\$36,414	\$27,204

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

(3) Schedule of City Pension Contributions - City Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 10,451,101	\$ 10,184,532	\$ 13,122,478	\$ 11,136,823
Contributions in Relation to Actuarially Determined Contribution	10,451,101	10,184,532	13,122,478	11,136,823
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Employee Payroll	\$ 66,104,371	\$ 65,118,496	\$ 59,030,490	\$ 60,633,287
Contributions as a Percentage of Covered Employee Payroll	15.81%	15.64%	22.23%	18.37%

Notes to Schedule:

Valuation Date:	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
-----------------	---------------	---------------	---------------	---------------

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-Age Normal Cost method
Amortization method	Level percent closed, 30-years with phase-in of codified COLA
Amortization period	31.89 years, with 28 years remaining as of June 30, 2015
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.75%
Mortality	125% of RP-2000 Combined Healthy Mortality for males and females with generational mortality projection using Scale AA

Other Information:

The Plan changed actuarial cost methods to entry age normal with the valuation effective June 30, 2014 in accordance with GAAP.

The Plan utilized the Projected Unit Credit cost method for the valuations performed effective June 30, 2013 and June 30, 2012.

Schedule is intended to show information for 10 years. 2014 is the first year of available data. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

(4) Schedule of City's Proportionate Share of the Net Pension Liability - City Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of Net Pension Liability	87.81%	86.73%	86.38%
City's Proportionate Share of Net Pension Liability	\$ 148,945,372	\$ 121,555,328	\$101,395,947
Covered Employee Payroll	\$ 65,118,496	\$ 59,030,490	\$ 60,633,287
City's Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll	228.73%	205.92%	167.23%
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	68.70%	73.81%	77.23%

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

(5) Schedule of School Board Pension Contributions - City Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 257,269	\$ 340,838	\$ 527,115
Contributions in Relation to Actuarially Determined Contribution	257,269	340,838	527,115
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Employee Payroll	\$ 1,985,104	\$ 2,617,813	\$ 2,690,735
Contributions as a Percentage of Covered Employee Payroll	12.96%	13.02%	19.59%

Notes to Schedule:

Valuation Date:	June 30, 2015	June 30, 2014	June 30, 2013
-----------------	---------------	---------------	---------------

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-Age Normal Cost method
Amortization method	Level percent closed, 30-years with phase-in of codified COLA
Amortization period	31.89 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.75%
Mortality	125% of RP-2000 Combined Healthy Mortality for males and females with generational mortality projection using Scale AA

Other Information:

The Plan changed actuarial cost methods to entry age normal with the valuation effective June 30, 2014 in accordance with GAAP

The Plan utilized the Projected Unit Credit cost method for the valuations performed effective June 30, 2013.

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

(6) Schedule of School Board's Proportionate Share of the Net Pension Liability - City Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School Board's Proportion of Net Pension Liability	2.94%	3.48%	3.63%
School Board's Proportionate Share of Net Pension Liability	\$ 4,984,640	\$ 4,882,739	\$ 4,256,291
Covered Employee Payroll	\$ 1,985,104	\$ 2,690,735	\$ 3,005,980
School Board's Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll	251.10%	181.46%	141.59%
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	68.70%	73.81%	77.23%

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

(7) Schedule of City's Pension Contributions - VRS

(For Employees Covered under VRS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,443,062	\$ 1,499,615	\$ 1,514,713
Contributions in Relation to Contractually Required Contribution	1,443,062	1,499,615	1,514,713
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 8,820,673	\$ 8,537,263	\$ 8,650,983
Contributions as a Percentage of Covered Employee Payroll	16.36%	17.57%	17.51%

Notes to Schedule:

Valuation Date: June 30, 2015 June 30, 2014 June 30, 2013

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of p Level percent of pay, closed
Remaining amortization period	28 years (decreasing by one each year in subsequent valuations until reaching 0 years)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.50% - 5.35%
Cost of living adjustment	2.25% - 2.50%
Investment rate of return	7.00%
Mortality	14.00% of deaths are assumed to be service related
Pre-Retirement	RP-2000 Employee Mortality Table projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years
Post-Retirement	RP-2000 Combined Mortality Table projected with Scale AA to 2020 with males set forward 1 year
Post-Disablement	RP-2000 Disabled Life Mortality Table with males set back 3 years and no provision for future mortality improvement

Other Information:

Mortality improvement is anticipated under the post-retirement mortality assumption as projected with Scale AA

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

(8) Schedule of School Board's Pension Contributions - VRS - Non-professionals' Plan

(For employees covered under VRS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 93,497	\$ 126,073	\$ 126,993
Contributions in Relation to Contractually Required Contribution	93,497	126,073	126,993
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 2,099,489	\$ 2,294,401	\$ 2,291,710
Contributions as a Percentage of Covered Employee Payroll	4.45%	5.49%	5.54%

Notes to Schedule:

Valuation Date: June 30, 2015 June 30, 2014 June 30, 2013

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, closed
Remaining amortization period	30 years (decreasing by one each year in subsequent valuations until reaching 0 years)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.50% - 5.35%
Cost of living adjustment	2.50% - 2.25%
Investment rate of return	7.00%
Mortality	14.00% of deaths are assumed to be service related
Pre-Retirement	RP-2000 Employee Mortality Table projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years
Post-Retirement	RP-2000 Combined Mortality Table projected with Scale AA to 2020 with males set forward 1 year
Post-Disablement	RP-2000 Disabled Life Mortality Table with males set back 3 years and no provision for future mortality improvement

Other Information:

Mortality improvement is anticipated under the post-retirement mortality assumption as projected with Scale AA

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017
(UNAUDITED)

(9) Schedule of Changes in City's Net Pension Liability and Related Ratios - VRS
(CAFR reporting year - measurement date June 30 of prior year)

	2017	2016	2015
Total Pension Liability			
Service Cost	\$ 1,380,941	\$ 1,312,849	\$ 1,333,127
Interest	4,042,340	3,859,768	3,680,676
Differences Between Expected and Actual Experience	(396,031)	101,336	-
Benefit Payments, including refunds of employee contributions	(2,834,452)	(2,497,107)	(2,413,588)
Net Change in Total Pension Liability	\$ 2,192,798	\$ 2,776,846	\$ 2,600,215
Total Pension Liability - Beginning	59,164,936	56,388,090	53,787,875
Total Pension Liability - Ending	\$ 61,357,734	\$ 59,164,936	\$ 56,388,090
Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,499,615	\$ 1,514,713	\$ 1,460,269
Contributions - Employee	428,612	432,153	424,175
Net Investment Income	872,926	2,245,173	6,752,670
Benefit Payments, including refunds of employee contributions	(2,834,452)	(2,497,107)	(2,413,588)
Administrative Expense	(31,738)	(30,828)	(36,491)
Other	(372)	(473)	356
Net Change in Plan Fiduciary Net Position	\$ (65,409)	\$ 1,663,631	\$ 6,187,391
Plan Fiduciary Net position - Beginning	50,828,838	49,165,207	42,977,816
Plan Fiduciary Net Position - Ending	\$ 50,763,429	\$ 50,828,838	\$ 49,165,207
Total Net Pension Liability - Beginning	\$ 8,336,098	\$ 7,222,883	\$ 10,810,059
Total Net Pension Liability - Ending	\$ 10,594,305	\$ 8,336,098	\$ 7,222,883
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.73%	85.91%	87.19%
Covered Employee Payroll	\$ 8,537,263	\$ 8,650,983	\$ 8,430,964
Net Pension Liability as a Percentage of Covered Employee Payroll	124.09%	96.36%	85.67%

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

(10) Schedule of School Board's Pension Contributions - VRS - Teachers' Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 11,471,695	\$ 11,164,143	\$ 11,825,296
Contributions in Relation to Contractually Required Contribution	11,471,695	11,164,143	11,825,296
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Employee Payroll	\$ 66,024,081	\$ 66,856,351	\$ 69,016,143
Contributions as a Percentage of Covered Employee Payroll	17.38%	16.70%	17.13%

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

(11) Schedule of School Board's Proportionate Share of Net Pension Liability - Teachers' Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of Net Pension Liability	1.01%	1.00%	0.98%
Employer's Proportionate Share of Net Pension Liability	\$141,324,000	\$125,881,000	\$118,679,000
Covered Employee Payroll	\$ 66,024,081	\$ 69,016,143	\$ 71,425,124
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll	214.05%	182.39%	166.16%
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

(12) Schedule of School Board's Changes in Net Pension Asset and Related Ratios - VRS
(CAFR reporting year - measurement date June 30 of prior year)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost	\$ 292,621	\$ 250,347	\$ 238,778
Interest	90,855	75,430	57,278
Differences Between Expected and Actual Experience	3,596	(71,963)	-
Benefit Payments, including refunds of employee contributions	(23,660)	(43,270)	(30,199)
Net change in Total Pension Liability	\$ 363,412	\$ 210,544	\$ 265,857
Total Pension Liability - Beginning	1,309,756	1,099,212	833,355
Total Pension Liability - Ending	\$ 1,673,168	\$ 1,309,756	\$ 1,099,212
 Plan Fiduciary Net Position			
Contributions - Employer	\$ 114,441	\$ 103,468	\$ 167,937
Contributions - Employee	145,769	131,040	112,035
Net Investment Income	48,318	99,131	259,744
Benefit Payments, including refunds of employee contribution	(23,660)	(43,270)	(30,199)
Administrative Expense	(1,296)	(1,144)	(1,173)
Other	(19)	(21)	14
Net Change in Plan Fiduciary Net Position	\$ 283,553	\$ 289,204	\$ 508,358
Plan Fiduciary Net Position - Beginning	2,309,230	2,020,026	1,511,668
Plan Fiduciary Net Position - Ending	\$ 2,592,783	\$ 2,309,230	\$ 2,020,026
 Total Net Pension Asset - Beginning	\$ (999,474)	\$ (920,814)	\$ (678,313)
Total Net Pension Asset - Ending	\$ (919,615)	\$ (999,474)	\$ (920,814)
 Plan Fiduciary Net Position as a Percentage of Total Pension Asset	154.96%	176.31%	183.77%
 Covered Employee Payroll	\$ 2,099,489	\$ 2,291,710	\$ 2,220,265
 Net Pension Liability as a Percentage of Covered Employee Payroll	43.80%	43.61%	41.47%

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

(13) Schedules of Funding Progress - OPEB

City - 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
07/01/2016	\$ 3,334,000	\$ 10,674,000	\$ 7,340,000	31.2%	\$ 71,512,000	10.3%
07/01/2015	\$ 2,912,000	\$ 11,119,000	\$ 8,207,000	26.2%	\$ 69,346,000	11.8%
07/01/2014	\$ 2,607,000	\$ 10,667,000	\$ 8,060,000	24.4%	\$ 70,052,000	11.5%
07/01/2013	\$ 2,099,000	\$ 10,399,000	\$ 8,300,000	20.2%	\$ 66,641,000	12.5%
07/01/2012 (1)	\$ 1,877,000	\$ 9,728,000	\$ 7,851,000	19.3%	\$ 68,086,000	11.5%
07/01/2011 (1)	\$ 1,639,000	\$ 13,190,000	\$ 11,551,000	12.4%	\$ 68,086,000	17.0%
07/01/2010 (1)	\$ 1,141,000	\$ 12,816,000	\$ 11,675,000	8.9%	\$ 69,600,000	16.8%
07/01/2009	\$ 793,000	\$ 16,958,000	\$ 16,165,000	4.7%	\$ 69,600,000	23.2%
07/01/2008	\$ 362,000	\$ 19,283,000	\$ 18,921,000	1.9%	\$ 75,000,000	25.2%

(1) Based on the July 1, 2010 and 2012 actuarial valuations, there was a significant decrease in the actuarial accrued liability. 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 45 limited retirees' ability to make healthcare plan changes after initial date of retirement which also contributed to a decline in the liability.

City - OPEB - LODA 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
07/01/2016	\$ 1,410,600	\$ 3,836,300	\$ 2,425,700	36.8%	\$ 32,921,200	7.4%
07/01/2015	\$ 1,133,600	\$ 3,492,300	\$ 2,358,700	32.5%	\$ 32,577,300	7.2%
07/01/2014	\$ 841,700	\$ 3,518,200	\$ 2,676,500	23.9%	\$ 33,055,600	8.1%
07/01/2013	\$ 509,600	\$ 3,147,700	\$ 2,638,100	16.2%	\$ 31,425,600	8.4%
07/01/2012	\$ -	\$ 2,119,200	\$ 2,119,200	0.0%	\$ 29,618,000	7.2%

School Board - 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
6/30/2017	\$ -	\$ 636,468	\$ 636,468	0.0%	N/A	N/A
6/30/2016	\$ -	\$ 636,468	\$ 636,468	0.0%	N/A	N/A
6/30/2015	\$ -	\$ 1,450,062	\$ 1,450,062	0.0%	N/A	N/A
6/30/2014	\$ -	\$ 1,919,200	\$ 1,919,200	0.0%	N/A	N/A
6/30/2013	\$ -	\$ 2,015,639	\$ 2,015,639	0.0%	N/A	N/A
6/30/2012	\$ -	\$ 2,166,661	\$ 2,166,661	0.0%	N/A	N/A
6/30/2011	\$ -	\$ 2,437,419	\$ 2,437,419	0.0%	N/A	N/A
6/30/2010	\$ -	\$ 4,083,544	\$ 4,083,544	0.0%	N/A	N/A
6/30/2009	\$ -	\$ 7,964,432	\$ 7,964,432	0.0%	\$ 85,979,029	9.3%
6/30/2008	\$ -	\$ 20,074,254	\$ 20,074,254	0.0%	\$ 83,474,785	24.0%

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

(14) Schedules of Employer Contributions - OPEB

City - OPEB Schedule of Employer Contributions

June 30	Required	Contributed
2017	\$ 947,000	100.0%
2016	\$ 1,071,000	100.2%
2015	\$ 982,000	100.3%
2014	\$ 957,000	100.4%
2013	\$ 877,000	100.0%
2012	\$ 1,278,000	105.0%
2011	\$ 1,235,000	106.0%
2010	\$ 152,800	113.0%

City - OPEB - LODA Schedule of Employer Contributions

June 30	Required	Contributed
2017	\$ 328,000	100.0%
2016	\$ 367,100	100.3%
2015	\$ 370,900	100.3%
2014	\$ 349,100	100.4%
2013	\$ 248,000	133.1%
2012	\$ 238,800	100.0%

School Board - OPEB Schedule of Employer Contributions

June 30	Required	Contributed
2017	\$ 94,533	174.4%
2016	\$ 195,023	207.8%
2015	\$ 236,620	228.5%
2014	\$ 191,319	374.6%
2013	\$ 193,701	120.3%
2012	\$ 180,534	395.8%
2011	\$ 289,043	209.6%
2010	\$ 684,706	55.8%

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

(15) Schedule of Funding Progress - Health Insurance Credit

City - Health Insurance Credit Program Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
06/30/2016	\$ 83,168	\$ 376,392	\$ 293,224	22.1%	\$ 8,537,263	3.4%
06/30/2015	\$ 85,675	\$ 361,670	\$ 275,995	23.7%	\$ 8,650,983	3.2%
06/30/2014	\$ 82,801	\$ 346,691	\$ 263,890	23.9%	\$ 8,430,964	3.1%
06/30/2013	\$ 77,352	\$ 324,054	\$ 246,702	23.9%	\$ 8,665,556	2.8%
06/30/2012	\$ 73,236	\$ 160,477	\$ 87,241	45.6%	\$ 7,892,701	1.1%
06/30/2011	\$ 76,808	\$ 158,267	\$ 81,459	48.5%	\$ 7,975,869	1.0%
06/30/2010	\$ 67,213	\$ 167,493	\$ 100,280	40.1%	\$ 8,031,938	1.2%

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

(16) Schedule of Investment Returns

City of Roanoke - OPEB Trust

June 30, 2017

Annual money weighted rate of return, net of investment expense	13.04%
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The City of Roanoke utilizes the VML/VACo Pooled OPEB Trust Portfolio I for investment of funds related to its Other Postemployment Benefits for the Postemployment Health Plan and Line of Duty Benefits. Thus, a single Schedule of Investment Returns is applicable and presented for both components of the City's OPEB Trust.

Schedule is intended to show information for 10 years. As 2017 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

(17) Schedule of City's OPEB Contributions - Employees' Post Retirement Health Plan

Actuarially determined contribution	\$ 947,000
Contributions in relation to the actuarially determined contribution	947,000
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 71,512,000
Contributions as a percentage of covered-employee payroll	1.32%

Notes to Schedule

Valuation Date: June 30, 2016

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates for payments made in 2017, which were calculated under GASB 45 requirements:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay, closed
Remaining amortization period	22 years
Asset valuation method	Market Value of Assets
Inflation	2.25%
Medical Inflation	5.50%
Payroll growth	2.50%
Investment rate of return	7.00%
Mortality	
Pre-Retirement	125% of the RP-2000 Combined Health Mortality Table for males and females with generational mortality projection using Scale AA
Healthy Annuitants	125% of the RP-2000 Combined Health Mortality Table for males and females with generational mortality projection using Scale AA
Disabled Annuitants	The SOA RP-2014 adjusted to 2006 Disabled Retiree Mortality Tables with base rates only

Mortality improvement is anticipated under the post-retirement mortality assumption as projected with Scale AA

Schedule is intended to show information for 10 years. As 2017 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

(18) Schedule of City's OPEB Contributions - Line of Duty Benefits

Actuarially determined contribution	\$ 328,000
Contributions in relation to the actuarially determined contribution	328,000
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 32,921,200
Contributions as a percentage of covered-employee payroll	1.00%

Notes to Schedule

Valuation Date: June 30, 2016

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates for payments made in 2017, which were calculated under GASB 45 requirements:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay, closed
Remaining amortization period	22 years
Asset valuation method	Market Value of Assets
Inflation	2.25%
Payroll growth	2.50%
Investment rate of return	7.00%
Mortality	
Pre-Retirement	125% of the RP-2000 Combined Health Mortality Table for males and females with generational mortality projection using Scale AA
Healthy Annuitants	125% of the RP-2000 Combined Health Mortality Table for males and females with generational mortality projection using Scale AA
Disabled Annuitants	The SOA RP-2014 adjusted to 2006 Disabled Retiree Mortality Tables with base rates only

Schedule is intended to show information for 10 years. As 2017 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

(19) Schedule of Changes in Net OPEB Liability and Related Ratios
OPEB Trust - Employees' Post-Retirement Health Plan

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 329,000
Interest	831,000
Differences between expected and actual experience	(602,000)
Benefit payments, including refunds of employee contributions	(696,000)
Net change in total OPEB liability	<u>(138,000)</u>
Total OPEB liability -- Beginning	<u>12,218,000</u>
Total OPEB liability -- Ending	<u><u>\$ 12,080,000</u></u>
 Plan fiduciary net position	
Contributions -- employer	\$ 947,000
Net investment income	426,486
Benefit payments, including refunds of employee contributions	(696,000)
Net change in plan fiduciary net position	<u>677,486</u>
Plan fiduciary net position -- Beginning	<u>3,333,588</u>
Plan fiduciary net position -- Ending	<u><u>\$ 4,011,074</u></u>
 Total net OPEB liability -- Beginning	 \$ 8,884,412
Total Net OPEB Liability -- Ending	 <u><u>\$ 8,068,926</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	 33.20%
 Covered Employee Payroll	 \$ 73,167,000
 Net OPEB Liability as a percentage of covered employee payroll	 11.03%

The schedule of changes reflects the change from the initial look-back year ended June 30, 2016 to the current fiscal year ended June 30, 2017, consistent with the implementation of GASB 74. Data provided in the related footnote 12 reflects the totals as of the initial look-back year ended June 30, 2016, consistent with the City's reporting based on the measurement date ended one year prior to the current fiscal year under GASB 74. Liabilities were determined using the Entry Age Normal cost method.

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

(20) Schedule of Changes in Net OPEB Liability and Related Ratios
OPEB Trust - Line of Duty Act

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 160,200
Interest	255,700
Differences between expected and actual experience	(30,500)
Benefit payments, including refunds of employee contributions	<u>(101,700)</u>
Net change in total OPEB liability	283,700
Total OPEB liability -- Beginning	<u>3,702,800</u>
Total OPEB liability -- Ending	<u><u>\$ 3,986,500</u></u>
 Plan fiduciary net position	
Contributions -- employer	\$ 328,000
Net investment income	180,987
Benefit payments, including refunds of employee contributions	<u>(101,700)</u>
Net change in plan fiduciary net position	407,287
Plan fiduciary net position -- Beginning	<u>1,410,630</u>
Plan fiduciary net position -- Ending	<u><u>\$ 1,817,917</u></u>
 Total net OPEB liability -- Beginning	\$ 2,292,170
Total Net OPEB Liability -- Ending	<u><u>\$ 2,168,583</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	45.60%
 Covered Employee Payroll	\$ 33,524,900
 Net OPEB Liability as a percentage of covered employee payroll	6.47%

The schedule of changes reflects the change from the initial look-back year ended June 30, 2016 to the current fiscal year ended June 30, 2017, consistent with the implementation of GASB 74. Data provided in the related footnote 12 reflects the totals as of the initial look-back year ended June 30, 2016, consistent with the City's reporting based on the measurement date ended one year prior to the current fiscal year under GASB 74. Liabilities were determined using the Entry Age Normal cost method.

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

(21) Note to Budgetary Comparison Schedule – General Fund

(A) Budgets and Budgetary Accounting

The City adheres to the following procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedule located in the Required Supplementary Information:

1. Proposal – At least sixty days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Projects and Grants – The capital projects budget is prepared on a project-length basis under which the total outlay for each project is estimated for the length of the project. The Special Revenue Fund budget is adopted on a grant-length basis as grants are received by the City. Grant budgets are not legally enacted on an annual period basis; therefore, a budgetary comparison statement is not presented for the Special Revenue Fund.

3. Adoption – Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to May 15, the budget is legally adopted at the departmental-level through passage of an appropriation ordinance by City Council.

4. Amendment – The City Manager is authorized to transfer any amount, within or between funds and departments during the fiscal year. The Director of Finance reports to City Council on a quarterly basis all transfers in excess of \$100,000 between funds, as well as between project and program accounts in the Capital Project Fund and Grant Fund. All other transfers or supplemental appropriations must be approved by City Council. During the year, \$5,755,299 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of restricted, committed or assigned fund balance, and the appropriation of additional intergovernmental grants received during the year.

5. Integration – Formal budgetary integration is employed as a management control device during the year for the General and Capital Projects Funds. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through budgeted transfers from the General Fund to the Debt Service Fund for debt payments.

6. Legal Compliance – Actual expenditures and operating transfers out may not legally exceed budget appropriations for each department. City Council legally adopts an annual budget for the General Fund. Its budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America except for the recognition of encumbrances, the classification of certain transfers as expenditures, and the consideration of beginning fund balance as a budgetary resource. A reconciliation of the actual General Fund uses of financial resources presented in accordance with GAAP is presented as part of the Budgetary Comparison Schedule located in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

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CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<u>Assets</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 5,730,404	\$ 228,328	\$ 10,987,596	\$ 16,946,328
Due from Other Funds	198,064	677,753	1,775,199	2,651,016
Due from Component Unit	-	4,052	-	4,052
Due from Other Governments	5,697	2,927	-	8,624
Accounts Receivable (net of allowance for uncollectibles)	605	-	94,840	95,445
Inventory	-	39,598	-	39,598
Other Assets	8,124	4,953	330,594	343,671
Current Assets	\$ 5,942,894	\$ 957,611	\$ 13,188,229	\$ 20,088,734
Capital Assets:				
Equipment and Other Capital Assets	\$ 30,043,088	\$ 40,075,676	\$ 11,378	\$ 70,130,142
Construction in Progress	434,873	-	-	434,873
Less Accumulated Depreciation	(21,019,967)	(28,025,086)	(6,297)	(49,051,350)
Capital Assets, Net	\$ 9,457,994	\$ 12,050,590	\$ 5,081	\$ 21,513,665
Total Assets	\$ 15,400,888	\$ 13,008,201	\$ 13,193,310	\$ 41,602,399
Deferred Outflows of Resources				
Deferred Outflows for Pension Contributions	\$ 336,849	\$ 162,540	\$ 24,084	\$ 523,473
Deferred Outflows for Pension Changes	801,572	386,784	57,311	1,245,667
Deferred Outflows for Other Proportional Changes	2,503	49,479	18,599	70,581
Deferred Charges on Refunding of Debt	34,784	-	-	34,784
Deferred Outflows of Resources	\$ 1,175,708	\$ 598,803	\$ 99,994	\$ 1,874,505
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 622,413	\$ 291,360	\$ 6,083	\$ 919,856
Due to Other Funds	15,139	6,125	1,512	22,776
Long-Term Liabilities Due Within One Year	603,420	70,363	3,540,477	4,214,260
Current Liabilities	\$ 1,240,972	\$ 367,848	\$ 3,548,072	\$ 5,156,892
Long-Term Liabilities:				
Compensated Absences Payable	\$ 199,231	\$ 83,115	\$ 11,032	\$ 293,378
Claims Payable	-	-	19,819,708	19,819,708
General Obligation Bonds Payable, Net	5,672,717	-	-	5,672,717
Capital Lease Obligations	168,997	3,005	3,725	175,727
Net Pension Liability	4,800,647	2,316,468	343,240	7,460,355
Less Current Maturities	(603,420)	(70,363)	(3,540,477)	(4,214,260)
Long-Term Liabilities	\$ 10,238,172	\$ 2,332,225	\$ 16,637,228	\$ 29,207,625
Total Liabilities	\$ 11,479,144	\$ 2,700,073	\$ 20,185,300	\$ 34,364,517
Deferred Inflows of Resources				
Deferred Inflows for Pension Changes	\$ 413,596	\$ 199,574	\$ 29,572	\$ 642,742
Deferred Inflows of Resources	\$ 413,596	\$ 199,574	\$ 29,572	\$ 642,742
<u>Net Position</u>				
Net Investment in Capital Assets	\$ 3,651,064	\$ 12,047,585	\$ 1,356	\$ 15,700,005
Unrestricted (Deficit)	1,032,792	(1,340,228)	(6,922,924)	(7,230,360)
Net Position	\$ 4,683,856	\$ 10,707,357	\$ (6,921,568)	\$ 8,469,645

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<u>Operating Revenues</u>				
Charges for Services Other Funds	\$ 6,755,976	\$ 6,920,143	\$ 17,791,370	\$ 31,467,489
Charges for Services Outside Parties	125,538	139,236	-	264,774
Other Revenue	64,750	456,557	750,000	1,271,307
Total Operating Revenues	\$ 6,946,264	\$ 7,515,936	\$ 18,541,370	\$ 33,003,570
<u>Operating Expenses</u>				
Personal Services	\$ 2,649,770	\$ 1,548,562	\$ 217,206	\$ 4,415,538
Other Services and Charges	1,264,270	1,066,849	19,516,165	21,847,284
Materials and Supplies	334,920	2,360,460	688,783	3,384,163
Depreciation	3,259,326	2,685,385	3,788	5,948,499
Total Operating Expenses	\$ 7,508,286	\$ 7,661,256	\$ 20,425,942	\$ 35,595,484
Operating Loss	\$ (562,022)	\$ (145,320)	\$ (1,884,572)	\$ (2,591,914)
<u>Nonoperating Revenues (Expenses)</u>				
Loss on Disposal of Assets	\$ (11,435)	\$ (9,172)	\$ -	\$ (20,607)
Investment Income	43,090	4,053	46,209	93,352
Interest Expense	(232,718)	(490)	-	(233,208)
Net Nonoperating Revenues (Expenses)	\$ (201,063)	\$ (5,609)	\$ 46,209	\$ (160,463)
Loss Before Transfers	\$ (763,085)	\$ (150,929)	\$ (1,838,363)	\$ (2,752,377)
<u>Transfers</u>				
Transfers In	\$ 311,157	\$ 2,964	\$ 1,000,000	\$ 1,314,121
Transfers Out	(278,667)	(116,083)	-	(394,750)
Net Transfers	\$ 32,490	\$ (113,119)	\$ 1,000,000	\$ 919,371
Change in Net Position	\$ (730,595)	\$ (264,048)	\$ (838,363)	\$ (1,833,006)
Total Net Position - Beginning of Year	5,414,451	10,971,405	(6,083,205)	10,302,651
Total Net Position - End of Year	\$ 4,683,856	\$ 10,707,357	\$ (6,921,568)	\$ 8,469,645

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
Cash Flows From Operating Activities:				
Cash Received from Customers Other Funds	\$ 6,739,530	\$ 6,765,618	\$ 16,935,275	\$ 30,440,423
Cash Received from Customers Outside Parties	126,011	136,309	-	262,320
Cash Payments to Suppliers for Goods and Services	(1,336,564)	(3,500,722)	(1,913,000)	(6,750,286)
Cash Payments to Other Funds for Interfund Services	(59,860)	(95,131)	(659,874)	(814,865)
Cash Payments to Employees	(2,589,039)	(1,493,356)	(212,396)	(4,294,791)
Cash Payments for Claims	-	-	(19,347,826)	(19,347,826)
Cash Received from Other Operating Revenue	64,750	451,604	749,406	1,265,760
Net Cash Provided for (Used in) for Operating Activities	\$ 2,944,828	\$ 2,264,322	\$ (4,448,415)	\$ 760,735
Cash Flows From Noncapital Financing Activities:				
Transfers In	\$ 311,157	\$ 2,964	\$ 1,000,000	\$ 1,314,121
Transfers Out	(278,667)	(116,083)	-	(394,750)
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 32,490	\$ (113,119)	\$ 1,000,000	\$ 919,371
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	\$ (1,704,387)	\$ (3,547,178)	\$ -	\$ (5,251,565)
Principal Paid on Bonds and Capital Lease Obligations	(435,007)	(1,959)	(2,429)	(439,395)
Interest Paid on Bonds and Capital Lease Obligations	(260,915)	(490)	-	(261,405)
Net Cash Used in Capital and Related Financing Activities	\$ (2,400,309)	\$ (3,549,627)	\$ (2,429)	\$ (5,952,365)
Cash Flows From Investing Activities:				
Interest Received	\$ 47,552	\$ 7,758	\$ 64,880	\$ 120,190
Net Cash Provided by Investing Activities	\$ 47,552	\$ 7,758	\$ 64,880	\$ 120,190
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 624,561	\$ (1,390,666)	\$ (3,385,964)	\$ (4,152,069)
Cash and Cash Equivalents at July 1	5,105,843	1,618,994	14,373,560	21,098,397
Cash and Cash Equivalents at June 30	\$ 5,730,404	\$ 228,328	\$ 10,987,596	\$ 16,946,328
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:				
Operating Loss	\$ (562,022)	\$ (145,320)	\$ (1,884,572)	\$ (2,591,914)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	\$ 3,259,326	\$ 2,685,385	\$ 3,788	\$ 5,948,499
Changes in Assets and Liabilities:				
(Increase) Decrease in Due From Other Governments	473	(2,927)	-	(2,454)
Increase in Due From Other Funds	(82,465)	(151,796)	(761,255)	(995,516)
(Increase) Decrease in Accounts Receivable	66,019	(2,729)	(94,840)	(31,550)
Decrease in Inventory	-	13,713	-	13,713
Increase in Other Assets	(629,189)	(372,159)	(72,423)	(1,073,771)
Increase in Other Liabilities	644,085	374,207	72,682	1,090,974
Increase (Decrease) in Accounts Payable and Accrued Expenses	303,883	(144,705)	(120,985)	38,193
Increase (Decrease) in Due to Other Funds	2,383	1,129	(644,516)	(641,004)
Increase (Decrease) in Compensated Absences Payable	(57,665)	9,524	3,718	(44,423)
Increase in Claims Payable	-	-	(950,012)	(950,012)
Total Adjustments	\$ 3,506,850	\$ 2,409,642	\$ (2,563,843)	\$ 3,352,649
Net Cash Provided by (Used in) Operating Activities	\$ 2,944,828	\$ 2,264,322	\$ (4,448,415)	\$ 760,735

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2017

	Hotel Roanoke Conference Center Commission
<u>Assets</u>	
Cash and Cash Equivalents	\$ 4,887,068
Due from Other Governments	392,335
Total Assets	\$ 5,279,403
<u>Liabilities</u>	
Due to Other Governments	\$ 5,279,403
Total Liabilities	\$ 5,279,403

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CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<u>Assets</u>				
Cash and Cash Equivalents	\$ 4,536,910	\$ 790,703	\$ 440,545	\$ 4,887,068
Accrued Interest Receivable	79	21,763	21,842	-
Due from Other Governments	-	542,408	150,073	392,335
Total Assets	<u>\$ 4,536,989</u>	<u>\$ 1,354,874</u>	<u>\$ 612,460</u>	<u>\$ 5,279,403</u>
<u>Liabilities</u>				
Due to Other Governments	\$ 4,536,989	\$ 1,354,874	\$ 612,460	\$ 5,279,403
Total Liabilities	<u>\$ 4,536,989</u>	<u>\$ 1,354,874</u>	<u>\$ 612,460</u>	<u>\$ 5,279,403</u>

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Roanoke, Virginia's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the government's overall financial condition.

Contents	Page
Financial Trends	177
<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	184
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
Debt Capacity	187
<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	191
<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	193
<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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**CITY OF ROANOKE, VIRGINIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

**Table 1
Unaudited**

	2016-17	2015-16 (3)	2014-15	2013-14 (2)	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Governmental Activities										
Net Investment in Capital Assets	\$ 391,326,816	\$ 386,671,621	\$ 371,085,207	\$ 344,420,223	\$ 335,651,602	\$ 329,493,504	\$ 269,948,200	\$ 260,869,253	\$ 238,461,969	\$ 225,501,044
Restricted for:										
Capital Projects	-	-	-	5,669,959	-	-	-	46,777	70,914	105,323
Debt Service	539,265	1,011,031	1,508,122	1,406,148	1,493,056	-	-	-	-	-
Other Purposes	-	48,411	-	-	6,746,307	-	-	-	-	-
Unrestricted	(98,655,788)	(100,167,028)	(99,306,461)	(102,194,393)	22,261,350	29,219,419	44,235,521	25,539,839	41,697,432	45,552,401
Total Governmental Activities										
Net Position	\$ 293,210,293	\$ 287,564,035	\$ 273,286,868	\$ 249,301,937	\$ 366,152,315	\$ 358,712,923	\$ 314,183,721	\$ 286,455,869	\$ 280,230,315	\$ 271,158,768
Business-type Activities										
Net Investment in Capital Assets	\$ 41,274,658	\$ 35,765,948	\$ 35,092,265	\$ 33,828,819	\$ 33,675,512	\$ 34,264,716	\$ 33,964,073	\$ 51,750,741	\$ 52,067,081	\$ 51,594,498
Unrestricted	4,706,651	2,246,546	1,918,868	1,642,447	1,446,904	840,542	1,109,365	4,678,494	2,213,388	3,180,872
Total Business-type Activities										
Net Position	\$ 45,981,309	\$ 38,012,494	\$ 37,011,133	\$ 35,471,266	\$ 35,122,416	\$ 35,105,258	\$ 35,073,438	\$ 56,429,235	\$ 54,280,469	\$ 54,775,370
							(1)	(1)		
Primary Government										
Net Investment in Capital Assets	\$ 432,601,474	\$ 422,437,569	\$ 406,177,472	\$ 378,249,042	\$ 369,327,114	\$ 363,758,220	\$ 303,912,273	\$ 312,619,994	\$ 290,529,050	\$ 277,095,542
Restricted for:										
Capital Projects	-	-	-	5,669,959	-	-	-	46,777	70,914	105,323
Debt Service	539,265	1,011,031	1,508,122	1,406,148	1,493,056	-	-	-	-	-
Other Purposes	-	48,411	-	-	6,746,307	-	-	-	-	-
Unrestricted	(93,949,137)	(97,920,482)	(97,387,593)	(100,551,946)	23,708,254	30,059,961	45,344,886	30,218,333	43,910,820	48,733,273
Total Primary Government										
Net Position	\$ 339,191,602	\$ 325,576,529	\$ 310,298,001	\$ 284,773,203	\$ 401,274,731	\$ 393,818,181	\$ 349,257,159	\$ 342,885,104	\$ 334,510,784	\$ 325,934,138

Information is presented on a full accrual basis of accounting.

- (1) Effective in fiscal year 2011, Greater Roanoke Transit Company (GRTC) was reported as a discretely presented component unit. Accordingly, the fiscal year 2010 Net Position included \$16.7 million whereas in fiscal year 2011, GRTC Net Position is no longer reported as a business-type activity. Fiscal year 2010 also included Net Position of \$4.6 million for the City's Market Building Fund, which was discontinued in fiscal year 2011.
- (2) Ending Net Position was restated for implementation of GASB statements No. 68 and No. 71
- (3) Ending Net Position for Governmental Activities and Business-type Activities was restated for a change in accounting approach related to recognition of Stormwater Fund capital assets and long-term liabilities. Responsibility for approximately \$3.1 million in general obligation serial bond liability and assets totaling \$6.7 million were moved from Governmental Activities to Business-type Activities as of July 1, 2016.

Table 2
Unaudited

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

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Expenses										
Governmental Activities:										
General Government	\$ 17,492,500	\$ 16,832,704	\$ 14,277,141	\$ 13,994,522	\$ 14,036,094	\$ 15,192,371	\$ 13,934,968	\$ 12,224,830	\$ 13,859,060	\$ 14,951,184
Judicial Administration	9,547,223	9,399,253	8,581,552	8,718,527	8,704,405	8,777,516	7,644,774	7,786,140	9,167,289	8,881,939
Public Safety	76,212,279	72,549,379	64,530,235	66,886,151	66,852,582	69,882,446	63,287,015	63,976,863	66,448,271	67,457,297
Public Works	28,640,405	34,278,578	27,794,564	29,671,503	27,835,679	28,672,051	18,654,587	28,126,031	31,174,272	29,493,501
Health and Welfare	44,873,765	40,378,769	38,466,658	39,093,358	37,453,267	41,124,917	42,111,631	45,995,109	45,756,887	45,287,639
Parks, Recreation and Cultural	12,675,738	12,193,652	11,427,529	11,090,084	10,908,904	13,301,508	11,420,919	10,559,350	12,018,560	11,718,909
Community Development	12,966,412	12,812,996	11,853,575	11,305,174	11,398,126	9,452,579	10,706,299	10,010,970	9,752,877	13,009,501
Transportation	-	1,812,105	1,754,105	1,527,146	1,654,105	1,654,105	1,177,324	-	-	-
Education	83,842,601	84,378,194	81,406,796	79,397,641	79,011,455	83,072,419	74,772,599	67,945,097	66,604,559	65,494,065
Economic Development	4,998,061	853,466	1,167,670	414,274	3,079,428	2,022,694	3,904,121	3,510,831	1,535,584	657,348
Other	2,013,693	-	3,056	58,700	83,466	4,595	98,494	-	15,329	13,470
Interest and Fiscal Charges	9,108,045	10,924,644	10,156,610	12,654,695	12,047,146	11,551,668	12,002,689	13,538,201	13,124,928	10,710,840
Total Governmental Activities Expenses	\$ 302,370,722	\$ 296,413,740	\$ 271,419,491	\$ 274,811,775	\$ 273,064,657	\$ 284,708,869	\$ 259,715,420	\$ 263,673,422	\$ 269,457,616	\$ 267,675,693
Business-type Activities:										
Transit Company	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,474,181	\$ 9,545,470	\$ 9,195,709
Civic Facilities	5,436,839	4,759,841	4,843,800	4,587,589	4,581,203	4,509,327	4,511,711	4,302,258	7,138,833	5,259,155
Parking	3,283,745	3,449,510	3,362,282	3,809,369	3,454,022	3,483,658	2,755,253	3,030,494	2,806,984	2,396,330
Stormwater Utility	4,076,625	2,863,855	1,802,924	69,525	-	-	-	-	-	-
Market Building	-	-	-	-	-	-	163,992	384,331	649,874	379,828
Total Business-type Activities Expenses	\$ 12,797,209	\$ 11,073,206	\$ 10,009,006	\$ 8,466,483	\$ 8,035,225	\$ 7,992,985	\$ 7,430,956	\$ 17,191,264	\$ 20,141,161	\$ 17,231,022
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,287,076	\$ 4,730,687	\$ 4,404,474	\$ 4,188,317	\$ 4,408,777	\$ 3,700,916	\$ 6,035,893	\$ 4,152,979	\$ 4,511,088	\$ 4,467,706
Judicial Administration	1,984,517	3,124,725	3,547,051	3,928,176	3,820,609	3,782,588	3,755,301	3,734,589	4,823,817	4,594,962
Public Safety	8,180,496	5,336,837	5,080,861	5,255,890	4,952,127	4,702,979	5,323,523	6,203,883	6,453,285	6,632,394
Public Works	309,576	270,402	340,693	266,683	381,886	340,438	2,168,980	347,422	386,445	445,191
Health and Welfare	1,514,952	30,606	26,363	32,356	40,111	93,991	131,520	127,834	146,338	196,110
Parks, Recreation and Cultural	778,101	557,759	578,905	543,186	342,005	414,693	399,968	367,143	308,446	155,799
Community Development	511,681	169,656	299,571	190,372	146,061	154,041	167,314	166,176	161,228	165,144
Economic Development	-	-	-	-	-	-	-	-	4,974	83,541
Operating Grants and Contributions	70,782,914	66,228,087	66,929,796	62,762,426	64,201,295	64,457,688	68,572,662	70,252,704	70,986,646	69,257,682
Capital Grants and Contributions	7,105,056	13,695,997	5,673,238	6,056,338	2,168,673	3,677,359	5,665,618	718,580	265,005	3,975,312
Total Governmental Activities Program Revenues	\$ 93,454,369	\$ 94,144,756	\$ 86,880,952	\$ 83,223,744	\$ 80,461,544	\$ 81,324,693	\$ 92,220,779	\$ 86,071,310	\$ 88,047,272	\$ 89,973,841
Business-type Activities:										
Charges for Services										
Transit Company	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,046,752	\$ 2,097,420	\$ 2,033,024
Civic Facilities	2,358,795	2,151,235	2,238,759	2,460,384	2,701,142	2,559,400	2,405,370	1,966,484	4,312,359	2,248,649
Parking	3,240,441	3,195,168	2,987,015	3,074,017	3,365,930	3,316,277	2,840,685	2,733,270	2,804,755	2,809,958
Market Building	-	-	-	-	-	-	10,452	198,022	224,637	255,476
Operating Grants and Contributions	2,128,772	-	-	-	-	-	-	4,139,626	4,393,415	4,071,749
Capital Grants and Contributions	1,110,542	1,116,640	811,558	480,815	-	-	-	2,348,098	1,115,208	769,852
Total Business-type Activities Program Revenues	\$ 8,838,550	\$ 6,463,043	\$ 6,037,332	\$ 6,015,216	\$ 6,067,072	\$ 5,875,677	\$ 5,256,507	\$ 13,432,252	\$ 14,947,794	\$ 12,188,708
Total Primary Government Program Revenues	\$ 102,292,919	\$ 100,607,799	\$ 92,918,284	\$ 89,238,960	\$ 86,528,616	\$ 87,200,370	\$ 97,477,286	\$ 99,503,562	\$ 102,995,066	\$ 102,162,549
Net (Expense)/Revenue:										
Governmental Activities	(208,916,353)	(202,268,984)	(184,538,539)	(191,588,031)	(192,603,113)	(203,384,176)	(167,494,641)	(177,602,112)	(181,410,344)	(177,701,852)
Business-type Activities	(3,958,659)	(4,610,163)	(3,971,674)	(2,451,267)	(1,968,153)	(2,117,308)	(2,174,449)	(3,759,012)	(5,193,367)	(5,042,314)
Total Primary Government Net Expense	\$ (212,875,012)	\$ (206,879,147)	\$ (188,510,213)	\$ (194,039,298)	\$ (194,571,266)	\$ (205,501,484)	\$ (169,669,090)	\$ (181,361,124)	\$ (186,603,711)	\$ (182,744,166)

Table 2
Unaudited
Continued

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

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
General Property - Real Estate and Personal Property	\$ 114,172,203	\$ 109,218,854	\$ 108,241,653	\$ 107,151,665	\$ 103,429,235	\$ 105,653,485	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861	\$ 98,714,420
Local Portion of State Sales	19,696,458	20,600,395	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956
Business and Professional Occupational License	12,932,282	12,421,851	12,731,564	12,317,760	12,063,755	11,769,433	11,276,263	11,588,503	12,479,698	12,536,783
Utility	9,726,709	9,828,466	9,870,443	9,981,896	9,812,703	9,584,366	9,937,596	9,557,889	9,735,948	9,825,738
Prepared Food and Beverage	15,996,897	15,705,629	13,857,569	13,231,279	13,737,840	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944
Commonwealth Share - Personal Property	8,075,992	8,075,992	8,075,992	8,076,000	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460
Cigarette	2,267,939	2,371,201	2,256,249	2,332,536	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612
Transient Room	4,317,618	4,305,977	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,253
Telecommunications	6,562,456	6,727,824	6,933,071	6,994,183	7,115,248	7,096,425	7,247,911	7,383,848	7,145,256	7,978,786
Motor Vehicle License Tax	2,765,343	2,594,635	2,123,181	2,046,686	2,069,531	2,130,312	2,002,299	1,951,813	1,937,500	1,682,310
Other Taxes and Fees	3,514,679	5,851,370	6,717,642	5,246,978	3,154,317	3,011,116	2,810,326	4,344,857	6,071,290	7,412,254
Payment from Component Unit	14,261,464	15,072,438	14,621,813	15,502,968	15,928,396	16,373,216	9,752,655	10,020,049	8,930,898	7,752,288
Grants and Contributions Not Restricted to Specific Program	4,084,439	-	-	-	-	-	2,880	11,226	8,379	3,372
Interest and Investment Income	260,051	798,323	1,634,045	1,450,625	1,380,818	1,071,384	960,375	1,246,826	1,618,541	2,644,762
Miscellaneous	1,800,886	4,117,156	-	1,394,408	-	-	-	130,702	-	-
Special Item	-	-	-	-	-	43,322,018	(3,492,982)	-	-	-
Transfers	(2,328,398)	(1,143,960)	(3,290,944)	(2,117,439)	(1,985,311)	(1,978,226)	(569,468)	(5,693,020)	(4,493,091)	(4,339,261)
Total Governmental Activities	\$ 218,107,018	\$ 216,546,151	\$ 208,498,844	\$ 206,720,124	\$ 200,042,505	\$ 247,913,378	\$ 195,222,489	\$ 183,827,666	\$ 190,481,891	\$ 191,114,677
Business-type Activities:										
Stormwater Fee	\$ 6,041,973	\$ 3,979,349	\$ 2,049,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Investment Income	215,141	190,765	170,634	-	-	170,902	112,028	80,077	87,552	140,247
Miscellaneous	(202,445)	-	-	-	-	-	-	134,681	117,823	187,010
Special Item	-	-	-	-	-	-	(3,204,514)	-	-	-
Transfers	2,328,398	1,143,960	3,290,944	2,117,439	1,985,311	1,978,226	569,468	5,693,020	4,493,091	4,339,261
Transfers - Capital Assets	-	297,450	-	953,065	-	-	-	-	-	-
Total Business-type Activities	\$ 8,383,067	\$ 5,611,524	\$ 5,511,541	\$ 3,070,504	\$ 1,985,311	\$ 2,149,128	\$ (2,523,018)	\$ 5,907,778	\$ 4,698,466	\$ 4,666,518
Total Primary Government	\$ 226,490,085	\$ 222,157,675	\$ 214,010,385	\$ 209,790,628	\$ 202,027,816	\$ 250,062,506	\$ 192,699,471	\$ 189,735,444	\$ 195,180,357	\$ 195,781,195
Change in Net Position										
Governmental Activities	\$ 9,190,665	\$ 14,277,167	\$ 23,984,931	\$ 15,132,093	\$ 7,439,392	\$ 44,529,202	\$ 27,727,848	\$ 6,225,554	\$ 9,071,547	\$ 13,412,825
Business-type Activities	4,424,408	1,001,361	1,539,867	619,237	17,158	31,820	(4,697,467)	2,148,766	(494,901)	(375,796)
Total Primary Government	\$ 13,615,073	\$ 15,278,528	\$ 25,524,798	\$ 15,751,330	\$ 7,456,550	\$ 44,561,022	\$ 23,030,381	\$ 8,374,320	\$ 8,576,646	\$ 13,037,029

Information is presented on a full accrual basis of accounting.

Table 3
Unaudited

CITY OF ROANOKE, VIRGINIA
GOVERNMENTAL ACTIVITIES' TAX REVENUES BY SOURCE

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
General Property Tax-Real Estate and Personal Property	\$ 114,172,203	\$ 109,218,854	\$ 108,241,653	\$ 107,151,667	\$ 103,429,235	\$ 105,653,485	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861	\$ 98,714,420
Sales Tax	19,696,458	20,600,395	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956
Business License Tax	12,932,282	12,421,851	12,731,564	12,317,760	12,063,755	11,769,433	11,276,263	11,588,503	12,479,698	12,536,783
Utility Consumer Tax	9,726,709	9,828,466	9,870,443	9,981,896	9,812,703	9,584,366	9,937,596	9,557,889	9,735,948	9,825,738
Prepared Food & Beverage Tax (1)	15,996,897	15,705,629	13,857,569	13,231,279	13,737,840	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944
Commonwealth Share Personal Property Tax	8,075,992	8,075,992	8,075,992	8,076,000	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460
Cigarette Tax	2,267,939	2,371,201	2,256,249	2,332,535	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612
Transient Room Tax (2)	4,317,618	4,305,977	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,253
Telecommunications (3)	6,562,456	6,727,824	6,933,071	6,994,183	7,115,248	7,096,425	7,247,911	7,383,848	7,145,256	7,978,786
Motor Vehicle License Tax	2,765,343	2,594,635	2,123,181	2,046,686	2,069,531	2,130,312	2,002,299	1,951,813	1,937,500	1,682,310
Other Taxes	3,514,679	5,851,370	6,717,642	5,246,978	3,154,317	3,011,116	2,810,326	4,344,857	6,071,290	7,412,254
Total Governmental Activities Tax Revenues	\$ 200,028,576	\$ 197,702,194	\$ 195,533,930	\$ 190,489,562	\$ 184,718,602	\$ 189,124,986	\$ 188,569,029	\$ 178,111,883	\$ 184,417,164	\$ 185,053,516

Information is presented on a full accrual basis of accounting.

(1) Effective July 1, 2010, the Prepared Food and Beverage Tax increased from 5% to 7%. The tax rate reverted to 5% on July 1, 2012.

(2) Effective January 1, 2013, the Transient Room Tax increased from 7% to 8%.

(3) On January 1, 2007, the State began the new Telecommunications Tax which replaced the Telephone Surcharge as well as Cable TV Franchise Tax, and Telephone and Cellular Utility Taxes.

Table 4
Unaudited

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

	2016-17	2015-16	2014-15	2013-14 (2)	2012-13	2011-12	2010-11 (1)	2009-10	2008-09	2007-08
General Fund										
Restricted	\$ -	\$ 48,411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	3,523,769	2,593,822	1,750,624	1,905,812	1,562,056	1,084,361	1,379,076	-	-	-
Assigned	-	-	-	-	-	-	1,407,485	-	-	-
Unassigned	29,757,294	28,795,510	28,050,350	26,757,052	26,060,594	26,000,436	25,535,754	-	-	-
Reserved	-	-	-	-	-	-	-	598,753	1,028,676	1,318,997
Unreserved	-	-	-	-	-	-	-	24,361,867	21,352,928	19,723,710
Total General Fund	<u>\$ 33,281,063</u>	<u>\$ 31,437,743</u>	<u>\$ 29,800,974</u>	<u>\$ 28,662,864</u>	<u>\$ 27,622,650</u>	<u>\$ 27,084,797</u>	<u>\$ 28,322,315</u>	<u>\$ 24,960,620</u>	<u>\$ 22,381,604</u>	<u>\$ 21,042,707</u>
All Other Governmental Funds										
Restricted	\$ 12,309,907	\$ 8,332,563	\$ 11,788,796	\$ 7,076,107	\$ 8,239,363	\$ 4,686,212	\$ 3,465,004	\$ -	\$ -	\$ -
Committed	13,616,329	7,521,487	4,225,885	13,859,029	15,544,610	17,131,452	16,368,501	-	-	-
Unassigned	(400,282)	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	6,146,088	17,529,842	36,500,585
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Debt Service Fund	-	-	-	-	-	-	-	1,213,260	1,161,895	1,143,782
Capital Projects Fund	-	-	-	-	-	-	-	6,121,743	31,685,558	27,455,399
Total All Other Governmental Funds	<u>\$ 25,525,954</u>	<u>\$ 15,854,050</u>	<u>\$ 16,014,681</u>	<u>\$ 20,935,136</u>	<u>\$ 23,783,973</u>	<u>\$ 21,817,664</u>	<u>\$ 19,833,505</u>	<u>\$ 13,481,091</u>	<u>\$ 50,377,295</u>	<u>\$ 65,099,766</u>

Information is presented on a modified accrual basis of accounting.

(1) The City adopted GASB Statement No. 54 in fiscal year 2011.

(2) Fiscal year ending 2013-14 fund balance was restated for construction in process retainage not previously included.

Table 5
Unaudited

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

	2016-17 (3)	2015-16 (2)	2014-15	2013-14 (1)	2012-13	2011-12
Revenues						
Local Taxes	\$191,055,771	\$191,205,770	\$184,464,956	\$179,576,940	\$178,073,456	\$181,456,770
Permits, Fees and Licenses	1,014,623	888,328	1,140,606	1,092,534	966,903	857,561
Fines and Forfeitures	1,211,208	1,014,511	1,188,103	1,209,575	1,439,961	1,531,145
Rental Income	208,127	150,923	166,025	146,602	111,834	117,154
Investment Income	167,716	172,510	92,447	98,276	93,291	136,277
Intergovernmental	106,245,943	103,474,969	98,349,593	94,352,004	93,839,219	95,942,714
Charges for Services	11,970,192	11,010,903	10,812,015	11,066,281	10,919,251	10,262,192
Miscellaneous	1,450,370	4,808,427	1,086,545	5,315,274	2,915,807	1,902,037
Total Revenues	<u>\$313,323,950</u>	<u>\$312,726,341</u>	<u>\$297,300,290</u>	<u>\$292,857,486</u>	<u>\$288,359,722</u>	<u>\$292,205,850</u>
Expenditures						
Current Operating:						
General Government	\$15,951,767	\$15,857,483	\$14,397,926	\$14,333,910	\$13,064,653	\$13,420,641
Judicial Administration	8,905,780	8,917,856	8,621,436	8,507,385	8,327,159	8,075,746
Public Safety	70,411,215	69,892,637	67,358,507	65,388,178	63,848,864	62,753,894
Public Works	25,406,877	25,253,641	24,328,878	24,857,169	23,842,020	23,696,320
Health and Welfare	43,850,760	39,346,495	38,777,239	38,783,646	36,802,549	39,683,737
Parks, Recreation and Cultural	10,529,089	10,301,293	10,162,961	9,787,505	9,547,523	9,632,815
Community Development	12,701,995	12,251,778	11,645,063	11,115,802	10,829,570	9,045,363
Transportation	1,899,605	1,812,105	1,754,105	1,527,146	1,654,105	1,654,105
Education	78,429,620	79,053,977	76,371,925	74,366,181	73,870,214	78,351,405
Other	114,088	-	-	-	-	-
Debt Service:						
Principal Retirement	20,004,267	21,778,211	20,348,785	23,529,050	24,523,873	23,426,997
Interest and Paying Agent Charges	7,632,824	8,306,238	8,593,585	8,611,669	9,522,590	10,936,143
Bond Issuance Cost	348,146	1,493,517	823,289	492,516	590,381	801,658
Capital Outlays	24,214,097	33,858,879	32,624,252	21,663,696	15,291,837	12,373,816
Total Expenditures	<u>\$320,400,130</u>	<u>\$328,124,110</u>	<u>\$315,807,951</u>	<u>\$302,963,853</u>	<u>\$291,715,338</u>	<u>\$293,852,640</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,076,180)	(15,397,769)	(18,507,661)	(10,106,367)	(3,355,616)	(1,646,790)
Other Financing Sources (Uses)						
Issuance of Bonds	\$20,980,000	\$15,170,000	\$17,420,000	\$11,820,000	\$12,269,104	\$5,533,829
Issuance of Refunding Bonds	-	15,710,000	12,870,000	1,829,500	24,870,000	25,125,000
Payment to Refunded Bond Escrow Agent	-	(15,275,000)	(12,655,000)	(1,829,500)	(28,239,596)	(27,734,307)
Premium on Sale of Bonds	1,251,508	2,368,860	1,279,190	351,572	2,165,563	3,371,482
Capital Lease	-	1,681,463	-	-	-	-
Transfers In	14,747,887	15,861,385	16,237,615	15,997,869	17,427,478	18,088,403
Transfers Out	(18,387,991)	(18,642,801)	(20,426,489)	(18,878,993)	(22,632,771)	(21,990,976)
Total Other Financing Sources (Uses), Net	<u>18,591,404</u>	<u>16,873,907</u>	<u>14,725,316</u>	<u>9,290,448</u>	<u>5,859,778</u>	<u>2,393,431</u>
Net Change in Fund Balances	<u>11,515,224</u>	<u>1,476,138</u>	<u>(3,782,345)</u>	<u>(815,919)</u>	<u>2,504,162</u>	<u>746,641</u>
Fund Balances--Beginning of Year	<u>47,291,793</u>	<u>45,815,655</u>	<u>49,598,000</u>	<u>51,406,623</u>	<u>48,902,461</u>	<u>48,155,820</u>
Fund Balances--End of Year	<u>\$58,807,017</u>	<u>\$47,291,793</u>	<u>\$45,815,655</u>	<u>\$49,598,000</u>	<u>\$51,406,623</u>	<u>\$48,902,461</u>

(1) In Fiscal year 2013-14 fund balance was restated due to a change in accounting policy related to retainage in construction in process.

(2) In Fiscal year 2015-16, a Recycling and Disposal lease obligation that is accounted for as a Governmental activity was initiated.

(3) In Fiscal year 2016-17, other Operating Expenses includes payments for Affordable Care Act and Debt Set Off.

See Table 17 for additional information relating to the ratio of debt service expenditures to total noncapital expenditures.

Information is presented on an modified accrual basis of accounting.

Table 5
Unaudited
Continued

2010-11	2009-10	2008-09	2007-08
\$ 178,308,587	\$ 171,185,553	\$ 173,518,576	\$ 172,769,022
969,800	880,347	1,053,443	1,475,370
1,805,083	1,615,265	1,558,517	1,558,039
210,633	550,191	845,373	968,975
177,577	251,970	1,211,719	2,241,720
91,502,519	93,250,211	93,064,316	96,691,241
11,624,417	10,834,925	11,616,042	10,955,336
4,717,123	703,626	1,536,704	1,336,850
<u>\$ 289,315,739</u>	<u>\$ 279,272,088</u>	<u>\$ 284,404,690</u>	<u>\$ 287,996,553</u>
\$ 13,043,582	\$ 12,671,590	\$ 13,094,420	\$ 13,614,281
7,336,125	7,503,476	8,735,663	8,441,872
60,845,503	61,821,748	63,808,641	64,859,294
22,133,031	23,860,980	24,841,431	23,663,876
41,755,947	45,439,356	45,128,533	44,626,860
10,314,592	9,192,283	10,753,820	11,165,097
10,481,809	9,931,020	9,559,518	11,473,754
1,177,324	-	-	-
70,232,036	63,443,415	62,856,641	62,392,633
-	-	-	-
20,778,546	23,566,295	22,157,734	19,822,282
11,479,778	12,768,787	12,286,166	11,343,116
204,463	317,494	79,082	-
13,251,045	40,276,382	44,299,810	35,471,132
<u>\$ 283,033,781</u>	<u>\$ 310,792,826</u>	<u>\$ 317,601,459</u>	<u>\$ 306,874,197</u>
6,281,958	(31,520,738)	(33,196,769)	(18,877,644)
\$ 7,121,925	\$ 2,661,171	\$ 23,912,613	\$ 43,967,698
2,017,600	36,056,200	-	-
(2,136,507)	(39,056,309)	-	-
248,563	3,669,899	706,843	1,199,155
-	-	-	-
26,925,336	25,536,867	27,214,121	26,430,553
(30,744,766)	(31,664,278)	(32,020,382)	(31,095,774)
<u>3,432,151</u>	<u>(2,796,450)</u>	<u>19,813,195</u>	<u>40,501,632</u>
9,714,109	(34,317,188)	(13,383,574)	21,623,988
38,441,711	72,758,899	86,142,473	64,518,485
<u>\$ 48,155,820</u>	<u>\$ 38,441,711</u>	<u>\$ 72,758,899</u>	<u>\$ 86,142,473</u>

Table 6
Unaudited

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

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
General Property Tax	\$ 113,275,390	\$ 113,081,794	\$ 108,639,136	\$ 106,192,008	\$ 105,475,896	\$ 105,846,418	\$ 104,463,578	\$ 103,019,671	\$ 102,177,312	\$ 98,983,976
Sales Tax	19,696,458	20,600,395	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956
Utility Consumer Tax (1)	9,270,713	9,363,331	9,386,233	9,486,778	9,325,645	9,115,344	9,433,181	9,072,887	9,245,881	9,317,726
Cigarette Tax	2,267,939	2,371,201	2,256,249	2,332,535	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612
Recordation and Probate Tax	1,017,519	1,034,652	961,270	863,485	947,178	880,865	740,733	781,542	777,182	1,243,373
Business, Professional, and Occupational License Tax	13,388,278	12,886,986	13,215,775	12,812,877	12,550,814	12,238,455	11,780,678	12,073,505	12,969,765	13,044,796
Transient Room Tax (2)	4,317,618	4,305,977	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,252
Admissions Tax	447,622	462,216	443,116	439,693	417,015	433,932	422,279	442,030	476,491	443,664
Telecommunications/Telephone Surcharge - E911 (1)	6,562,456	6,727,824	6,933,071	6,994,183	7,115,248	7,096,448	7,247,927	7,383,848	7,145,256	7,979,032
Motor Vehicle License Tax	2,765,343	2,594,635	2,123,181	2,046,686	2,069,532	2,130,313	2,002,299	1,951,813	1,937,500	1,682,310
Franchise Tax (1)	449,488	496,151	338,193	485,678	479,215	447,420	474,064	579,288	483,724	504,370
Prepared Food and Beverage Tax (3)	15,996,897	15,704,954	13,856,899	13,225,652	12,874,902	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944
Bank Stock Tax	1,600,050	1,575,655	1,585,268	1,586,786	1,558,030	1,463,718	1,853,502	1,473,670	960,846	740,011
Total Local Taxes	\$ 191,055,771	\$ 191,205,771	\$ 184,464,956	\$ 179,576,940	\$ 178,073,456	\$ 181,456,770	\$ 178,308,587	\$ 171,185,553	\$ 173,518,576	\$ 172,769,022

- (1) On January 1, 2007, the State began a new Telecommunications Tax, which replaced the Telephone Surcharge as well as Cable TV Franchise Tax, and Telephone and Cellular Utility Taxes.
- (2) Effective January 1, 2013, the Transient Room Tax increased from 7% to 8%.
- (3) Effective July 1, 2010, the Prepared Food and Beverage Tax increased from 5% to 7%. The tax rate reverted to 5% on July 1, 2012. The tax rate increased to 5.5% on July 1, 2015.

Table 7
Unaudited

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

	2016-17	2015-2016	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Total Tax Levies	\$ 120,894,494	\$ 119,869,392	\$ 115,885,506	\$ 113,183,821	\$ 113,209,446	\$ 112,485,925	\$ 112,560,131	\$ 110,098,047	\$ 110,034,071	\$ 106,316,893
Current Tax Collections	110,623,042	110,372,175	105,842,394	103,746,942	103,802,153	103,693,219	102,130,123	100,833,008	98,726,769	95,621,945
Current Tax Collections - State Share (1)	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460
Collections in Subsequent Years (2)	-	2,799,543	3,926,119	4,193,129	4,838,415	2,972,963	2,756,631	2,389,214	3,555,384	3,393,719
Total Tax Collections	\$ 118,699,034	\$ 121,247,710	\$ 117,844,505	\$ 116,016,063	\$ 116,716,560	\$ 114,742,174	\$ 112,962,746	\$ 111,298,214	\$ 110,358,145	\$ 107,089,124
Current Tax Collections As Percent of Levies	98.18%	98.81%	98.30%	98.80%	98.82%	99.36%	97.91%	98.92%	97.06%	97.53%
Total Tax Collections As Percent of Levies (2)	98.18%	101.15%	101.69%	102.50%	103.10%	102.01%	100.36%	101.09%	100.29%	100.73%

- (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) Prior to FY 2014, the City did not have the capability of determining the levy year for delinquent collections. Effective FY 2014, delinquent collections are recorded in the levy year for which they were collected.

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

Table 8
Unaudited

REAL PROPERTY					PERSONAL PROPERTY					PUBLIC SERVICE CORPORATIONS							
Year	Assessed Value	Percentage Growth (Decline)		Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth (Decline)		Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth (Decline)		Estimated Actual Value	Assessment Ratio	Total Assessed Value	Total Estimated Actual Value
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	\$ 7,972,224,770
2009	6,564,294,962	4.92%	6,564,294,962	1.00		809,722,606	(3.22%)	1,349,537,677	0.60		335,086,164	6.51%	341,586,222	0.981		7,709,103,732	8,255,418,861
2010	6,698,391,113	2.04%	6,698,391,113	1.00		758,872,026	(6.28%)	1,264,786,710	0.60		359,212,368	7.20%	360,848,221	0.995		7,816,475,507	8,324,026,044
2011	6,801,971,286	1.55%	6,801,971,286	1.00		769,951,558	1.46%	1,283,252,597	0.60		353,515,462	(1.59%)	357,281,499	0.989		7,925,438,306	8,442,505,382
2012	6,794,772,298	(0.11%)	6,794,772,298	1.00		816,148,651	6.00%	1,360,247,752	0.60		360,309,314	1.92%	360,309,314	1.000		7,971,230,263	8,515,329,364
2013	6,725,168,858	(1.02%)	6,725,168,858	1.00		840,633,111	3.00%	1,401,055,185	0.60		416,800,579	15.68%	418,303,022	0.996		7,982,602,548	8,544,527,065
2014	6,679,969,872	(0.67%)	6,679,969,872	1.00		859,809,462	2.28%	1,433,015,770	0.60		414,953,913	(0.44%)	413,969,355	1.002		7,954,733,247	8,526,954,997
2015	6,693,874,349	0.21%	6,693,874,349	1.00		899,096,367	4.57%	1,498,493,945	0.60		437,573,144	5.45%	441,997,287	0.990		8,030,543,860	8,634,365,581
2016	6,724,229,966	0.45%	6,724,229,966	1.00		942,611,706	4.84%	1,571,019,510	0.60		439,744,208	0.50%	447,535,616	0.983		8,106,585,880	8,742,785,092
2017	6,783,463,907	0.88%	6,783,463,907	1.00		943,805,249	0.13%	1,573,008,748	0.60		451,184,702	2.60%	460,947,191	0.979		8,178,453,858	8,817,419,846

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

Table 9
Unaudited

REAL PROPERTY					PERSONAL PROPERTY					PUBLIC SERVICE CORPORATIONS				
Year	Direct Tax Rate Per \$100	Levy	Total Tax Rate Per \$100	Levy	Direct Tax Rate Per \$100	Levy	Total Tax Rate Per \$100	Levy	Total Tax Rate Per \$100	Levy	Total Tax Rate Per \$100	Levy	Total Tax Rate Per \$100	Levy
2008	1.19	\$74,451,741	3.45	\$ 28,100,133 (1)	3.45	\$ 28,100,133 (1)	1.19	\$ 3,765,019	1.19	\$ 3,765,019	\$106,316,893	1.79	1.79	1.79
2009	1.19	78,114,892	3.45	27,925,972 (1)	3.45	27,925,972 (1)	1.19	3,993,207	1.19	3,993,207	110,034,071	1.76	1.76	1.76
2010	1.19	79,710,636	3.45	26,141,385 (1)	3.45	26,141,385 (1)	1.19	4,246,026	1.19	4,246,026	110,098,047	1.73	1.73	1.73
2011	1.19	80,943,458	3.45	27,385,166 (1)	3.45	27,385,166 (1)	1.19	4,231,507	1.19	4,231,507	112,560,131	1.74	1.74	1.74
2012	1.19	80,857,790	3.45	27,311,532 (1)	3.45	27,311,532 (1)	1.19	4,316,603	1.19	4,316,603	112,485,925	1.74	1.74	1.74
2013	1.19	80,029,509	3.45	28,188,385 (1)	3.45	28,188,385 (1)	1.19	4,991,552	1.19	4,991,552	113,209,446	1.75	1.75	1.75
2014	1.19	79,491,642	3.45	28,709,212 (1)	3.45	28,709,212 (1)	1.19	4,982,967	1.19	4,982,967	113,183,821	1.76	1.76	1.76
2015	1.19	79,600,752	3.45	31,024,476 (1)	3.45	31,024,476 (1)	1.19	5,260,278	1.19	5,260,278	115,885,506	1.80	1.80	1.80
2016	1.22	82,035,606 (2)	3.45	32,374,952 (1)	3.45	32,374,952 (1)	1.22	5,458,834 (2)	1.22	5,458,834 (2)	119,869,392	1.82	1.82	1.82
2017	1.22	82,758,259	3.45	32,593,307 (1)	3.45	32,593,307 (1)	1.22	5,542,928	1.22	5,542,928	120,894,494	1.82	1.82	1.82

(1) In fiscal year 1999, the State initiated the Personal Property Tax Relief Act. The levy includes the state portion.
(2) Effective July 1, 2015, the rate became \$1.22.

Table 10
Unaudited

CITY OF ROANOKE, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
COMPARISON OF JUNE 30, 2017 AND JUNE 30, 2008

Taxpayer	Description	2017			2008		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Carilion Clinic	Healthcare Provider	\$ 248,436,278	1	3.04%	\$ 122,025,109	1	1.65%
Norfolk Southern Railway	Transportation	171,179,876	2	2.09%	87,746,846	3	1.18%
Appalachian Power	Public Utility	151,831,850	3	1.86%	91,434,866	2	1.23%
Valley View Mall LLC	Shopping Mall	87,808,139	4	1.07%	70,606,622	4	0.95%
Roanoke Gas Company	Public Utility	50,223,373	5	0.61%	-	-	-
Roanoke Electric Steel Corp	Primary Metals	38,397,772	6	0.47%	31,600,652	6	0.43%
Maple Leaf Bakery	Bakery	35,626,573	7	0.44%	26,398,843	8	0.36%
Verizon Virginia, Inc	Communications	31,393,221	8	0.38%	67,321,491	5	0.91%
Faison Roanoke Office Limited	Office Building	30,044,500	9	0.37%	30,720,200	7	0.41%
Roanoke Times	Newspaper	12,841,889	10	0.16%	22,222,284	9	0.30%
BLC Corp	Lease Company	-	-	-	11,903,564	10	0.16%
		<u>\$ 857,783,471</u>		<u>10.49%</u>	<u>\$ 561,980,477</u>		<u>7.58%</u>

Source: City of Roanoke, Commissioner of the Revenue

Table 11
Unaudited

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

Calendar Year	Total Retail Sales (1)
2008	\$ 1,925,487,309
2009	1,692,267,903
2010	1,676,331,018
2011	1,649,614,469
2012	1,732,017,118
2013	1,746,710,461
2014	1,785,467,436
2015	1,752,752,699
2016	1,732,156,837
2017 thru June	855,424,492

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

Table 12
Unaudited

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

Fiscal Year	Population (A)	Total Estimated Actual Value	Governmental Activities Gross Bonded Debt (C)	Business-type Activities Gross Bonded Debt (C)	Gross Bonded Debt	Less Bonds Supported By Western Virginia Water Authority	Less Bonds Supported By Hotel Roanoke, LLC (B)	Less Amount Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Total Estimated Actual Value	Net Bonded Debt Per Capita
2008	93,734	\$ 7,972,224,770	\$ 272,991,207	\$ 25,784,761	\$ 298,775,968	\$ 26,596,538	\$ -	\$ 1,143,782	\$271,035,648	3.40%	\$ 2,891.54
2009	94,482	8,255,418,861	274,721,495	29,350,308	304,071,803	24,255,948	-	1,161,895	278,653,960	3.38%	2,949.28
2010	97,032	8,324,026,044	254,789,731	28,812,906	283,602,637	21,987,683	-	1,213,260	260,401,694	3.13%	2,683.67
2011	97,206 (est.)	8,442,505,382	250,315,325	27,342,979	277,658,304	19,875,450	1,355,000	1,133,011	255,294,843	3.02%	2,626.33
2012	97,206 (est.)	8,515,329,364	234,279,293	26,311,567	260,590,860	17,558,082	910,000	1,317,554	240,805,224	2.83%	2,477.27
2013	98,641 (est.)	8,544,527,065	225,402,117	26,944,093	252,346,210	13,389,900	-	1,493,056	237,463,254	2.78%	2,407.35
2014	98,913 (est.)	8,526,954,997	217,261,926	26,817,066	244,078,992	10,989,900	-	1,406,148	231,682,944	2.72%	2,342.29
2015	99,320 (est.)	8,634,365,581	214,885,676	27,203,128	242,088,804	9,968,500	-	1,508,122	230,612,182	2.67%	2,321.91
2016	99,681 (est.)	8,742,785,092	210,393,462	30,109,234	240,502,696	9,405,800	-	1,011,031	230,085,865	2.63%	2,308.22
2017	99,644 (est.)	8,817,419,846	208,814,498	33,675,339	242,489,837	8,213,900	-	539,265	233,736,672	2.65%	2,345.72

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

(B) Effective FY12, Hotel Roanoke, LLC debt was excluded from total bonded debt as a result of a change in the reporting of the Hotel Roanoke, LLC Note Receivable at the entity-wide level

(C) Gross Bonded Debt includes Bond Premiums and Deferred Bond Costs. See Table 15.

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

**Table 13
Unaudited**

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2007-08	\$ 275,531,207	\$ 5,279,002	\$ 25,955,524	\$ 477,865	\$ 307,243,598	8.38%	\$ 3,207
2008-09	276,891,495	5,113,998	29,484,914	416,578	311,906,985	8.57%	3,215
2009-10	256,564,731	4,838,541	29,667,886	352,473	291,423,631	7.81%	3,009
2010-11	250,315,325	4,528,184	28,121,356	285,366	283,250,231	7.59%	2,924
2011-12	234,279,293	4,178,505	26,771,200	215,083	265,444,081	7.11%	2,741
2012-13	225,402,117	3,782,784	26,944,093	141,434	256,270,428	6.59%	2,650
2013-14	217,261,927	4,287,946	26,817,066	93,645	248,460,584	6.16%	2,549
2014-15	214,885,676	4,256,650	27,203,128	17,507	246,362,961	5.81%	2,502
2015-16	210,393,463	5,356,637	30,109,234	19,412	245,878,746	6.28%	2,703
2016-17	208,814,498	4,692,762	33,675,339	11,750	247,194,349	6.24%	2,689

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

(2) The Western Virginia Water Authority was created in FY 05, resulting in associated bonds moving from business-type activities to governmental activities.

(3) General Obligation Bonds include Bond Premiums and Deferred Bond Costs. See Table 15.

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

**Table 14
Unaudited**

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Debt Limit	\$ 678,346,391	\$ 672,422,997	\$ 669,387,435	\$ 667,966,987	\$ 672,516,886	\$ 679,477,230	\$ 680,197,128	\$ 669,839,111	\$ 656,429,496	\$ 625,649,531
Total Net Debt Applicable to Limit	219,172,541	215,556,963	217,064,553	218,489,528	224,003,579	227,263,512	240,667,032	244,769,119	263,493,652	260,060,887
Legal Debt Margin	\$ 459,173,850	\$ 456,866,034	\$ 452,322,882	\$ 449,477,459	\$ 448,513,307	\$ 452,213,718	\$ 439,530,096	\$ 425,069,992	\$ 392,935,844	\$ 365,588,644
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	32.31%	32.06%	32.43%	32.71%	33.31%	33.45%	35.38%	36.54%	40.14%	41.57%

Table 15
Unaudited

CITY OF ROANOKE, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2017

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

Total Assessed Value of Real Estate, 2017 (1) \$ 6,783,463,907

Legal Debt Limit: 10% \$ 6,783,463,907 678,346,391

Debt applicable to limitation:

General Obligation Serial Bonds - Governmental Activities	164,497,079	
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)	8,213,900	
Premium on Bonds - Governmental Activities	12,949,098	
Deferred Bond Costs - Governmental Activities	(5,584,574)	
Qualified Zone Academy Bonds (QZAB)	2,319,592	
State Literary Fund Loans	750,000	
Virginia Public School Authority (VPSA) School Bonds	25,669,403	
Capital Leases	4,692,762	
Civic Facilities Enterprise Fund - Business-type Activities	13,783,700	
Premium on Bonds - Civic Facilities Enterprise Fund Debt	929,823	
Civic Facilities Enterprise Fund Capital Lease	5,920	
Deferred Bond Costs - Civic Facilities Enterprise Fund Debt	(300,997)	
Parking Enterprise Fund Supported Debt - Business-type Activities	10,979,300	
Premium on Bonds - Parking Enterprise Fund Supported Debt	547,534	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	(872,937)	
Parking Enterprise Fund Capital Lease	777	
Stormwater Enterprise Fund Supported Debt - Business-type Activities	7,175,420	
Premium on Bonds - Stormwater Enterprise Fund Supported Debt	259,562	
Stormwater Enterprise Fund Capital Lease	5,053	
Total Debt	\$ 246,020,415	
Less: Available in Debt Service Fund	(539,265)	
WVWA Supported Debt	(8,213,900)	
Parking Enterprise Fund Supported Debt (Incl Capital Lease)	(10,980,077)	
Premium on Bonds - Parking Enterprise Fund Supported Debt	(547,534)	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	872,937	
Stormwater Enterprise Fund Supported Debt (Incl Capital Lease)	(7,180,473)	
Premium on Bonds - Stormwater Enterprise Fund Supported Debt	(259,562)	\$ 219,172,541
Legal Debt Margin		\$ 459,173,850

(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
2007-08	\$ 18,181,973	\$ 9,880,643	\$ 28,062,616	\$ 334,448,507	8.4%
2008-09	20,480,823	11,121,043	31,601,866	340,360,591	9.3%
2009-10	21,869,664	11,436,671	33,306,335	324,345,350	10.3%
2010-11	19,093,669	10,346,300	29,439,969	314,114,285	9.3%
2011-12	21,033,664	10,338,250	31,371,914	318,343,912	9.9%
2012-13	22,234,068	9,209,934	31,444,002	330,390,756	9.5%
2013-14	22,092,341	8,888,882	30,981,223	340,700,280	9.1%
2014-15	20,591,147	8,898,421	29,489,568	355,808,118	8.3%
2015-16	21,162,907	7,772,401	28,935,308	347,306,776	8.3%
2016-17	20,374,492	8,009,420	28,383,912	359,445,090	7.9%

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

During Fiscal Year 2017, the Stormwater Fund assumed responsibility for all stormwater debt, including that issued prior to the Fund's formation in FY2014. Debt payments made by the Roanoke City Stormwater Fund are excluded, beginning in Fiscal Year 2017.

Interest payments exclude federal interest subsidies for Recovery Zone Economic Development (RZED) bonds and Qualified School Construction Bonds (QSCB).

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

CITY OF ROANOKE
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES
LAST TEN FISCAL YEARS

Table 17
Unaudited

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Debt Service:										
Principal Retirement	\$20,004,268	\$ 21,778,211	\$ 20,348,785	\$ 23,529,050	\$ 24,523,873	\$ 23,426,997	\$ 20,778,546	\$ 23,566,295	\$ 22,157,734	\$ 19,822,282
Interest and Paying Agent Charges	7,632,823	8,306,238	8,593,585	8,611,669	9,522,590	10,936,143	11,372,995	12,768,787	12,286,166	11,189,318
Total Debt Service Payments	27,637,091	30,084,449	28,942,370	32,140,719	34,046,463	34,363,140	32,151,541	36,335,082	34,443,900	31,011,600
Total Government Funds' Expenditures	320,400,130	328,124,110	315,807,951	302,963,853	291,715,338	293,852,640	283,033,781	310,792,826	317,601,459	306,874,197
Capital Outlays	(24,214,097)	(29,501,207)	(33,583,493)	(22,588,742)	(13,855,461)	(10,456,003)	(17,436,961)	(37,764,765)	(40,930,978)	(31,895,657)
Total Noncapital Expenditures	296,186,033	298,622,903	\$282,224,458	\$ 280,375,111	\$ 277,859,877	\$ 283,396,637	\$ 265,596,820	\$273,028,061	\$276,670,481	\$274,978,540
Percentage of Noncapital Expenditures	9.33%	10.07%	10.26%	11.46%	12.25%	12.13%	12.11%	13.31%	12.45%	11.28%

Information is presented on the modified accrual basis of accounting.

CITY OF ROANOKE, VIRGINIA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Table 18
Unaudited

Fiscal Year	Population (1)	Per Capita Income (2)	Personal Income	School Enrollment (3)	Local Unemployment Rate (4)	National Unemployment Rate (5)
2007-08	93,734	\$ 38,370	\$3,645,705,000	12,286	3.9%	5.6%
2008-09	94,482	37,929	3,636,678,000	12,303	7.7%	9.5%
2009-10	97,032	38,713	3,747,025,000	12,266	7.4%	9.4%
2010-11	97,061	36,948	3,576,942,000	12,261	6.9%	9.1%
2011-12	97,206	39,100	3,827,065,000	13,006	6.5%	8.4%
2012-13	98,641	38,453	3,799,698,000	13,192	6.4%	7.8%
2013-14	98,913	39,385	3,915,935,000	13,390	5.7%	6.3%
2014-15	99,320	39,385	3,915,935,000	13,513	5.6%	5.5%
2015-16	99,681	39,385	3,915,935,000	13,585	4.1%	5.1%
2016-17	99,644	40,947	4,090,520,000	13,580	4.5%	4.5%

(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		RESIDENTIAL CONSTRUCTION	
	Number of Permits	Value	Number of Permits	Value
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
2011-12	538	69,398,478	678	14,628,255
2012-13	567	123,146,541	693	20,764,757
2013-14	583	107,120,600	709	21,150,152
2014-15	535	113,585,224	610	17,416,192
2015-16	541	128,368,145	625	20,843,406
2016-17	541	96,727,834	612	15,278,633

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 2016 AND 2007**

Employer	December 31, 2016			December 31, 2007		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Carilion	1	Private	1,000+	1	Private	1,000+
Roanoke City Public Schools	2	Local Govt	1,000+	2	Local Govt	1,000+
City of Roanoke	3	Local Govt	1,000+	3	Local Govt	1,000+
Carilion Services	4	Private	500-999	4	Private	1,000+
Walmart	5	Private	500-999	7	Private	500-999
United Parcel Service	6	Private	500-999	5	Private	500-999
United States Postal Service	7	Federal Govt	500-999	8	Federal Govt	500-999
Virginia Western Community College	8	State Govt	500-999	-	-	-
Securities Security Service USA Inc	9	Private	500-999	-	-	-
Anthem	10	Private	500-999	9	Private	500-999
Advance Auto Parts	-	Private	500-999	6	Private	500-999
Kroger	-	Private	500-999	10	Private	500-999

Source: Virginia Employment Commission (VEC)

Note: Total employee count no longer available from VEC

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

Table 21
Unaudited

Function:	Full-time Equivalent Employees as of December 31									
	2016	2015	2014	2013	2012	2011 (2)	2010	2009	2008	2007
General Government	204	213	213	211	218	218	159	178	195	193
Judicial Administration:										
Sheriff	34	38	38	35	34	35	33	32	35	31
Other	60	57	54	53	53	58	55	58	57	59
Public Safety:										
Police	313	306	306	305	305	305	284	309	312	305
Jail	173	170	170	173	171	171	161	159	164	165
Fire	253	257	254	254	253	258	259	250	268	270
Other	70	76	71	81	76	75	62	81	76	83
Public Works:										
Engineering	13	14	13	14	16	18	20	20	19	19
Maintenance/Other	113	114	114	112	111	114	127	126	132	144
Transportation	65	65	65	69	83	91	86	79	86	92
Stormwater	37	37	28	22	-	-	-	1	2	2
Health and Welfare	231	234	225	225	221	231	220	224	226	224
Parks, Recreation and Cultural	104	104	102	102	98	118	92	97	112	112
Community Development	52	52	51	51	52	50	42	46	47	47
Civic Facilities	-	-	-	-	-	-	- (1)	- (1)	25 (1)	31
Total	1,722	1,737	1,704	1,707	1,691	1,742	1,600	1,660	1,756	1,777

(1) 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.

(2) In calendar year 2011, the City began reporting full time equivalent positions instead of full time employees. Like data is unavailable in prior years for comparative purposes.

Source: City of Roanoke, Department of Finance

Table 22
Unaudited

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

Function	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
General Government										
Levied property taxes	\$ 34,198,200	\$ 33,465,503	\$ 31,719,207	\$ 30,244,961	\$ 30,301,304	\$ 30,005,358	\$ 29,197,629	\$ 28,773,772	\$ 28,765,002	\$ 30,005,699
Number of business licenses issued	6,741	6,989	7,156	7,253	7,400	7,129	7,458	7,121	7,481	7,369
Number of property & building permits*	3,837	3,719	4,127	4,170	4,234	4,038	4,145	3,158	3,575	3,685
Police										
Number of traffic summonses	8,455	9,535	11,787	22,069	22,314	24,111	27,425	21,997	22,592	20,777
Number of assistance call responses	87,422	88,250	85,307	85,393	88,154	93,670	89,498	89,172	90,840	89,131
Number of hours of training conducted**	32,058	26,122	39,990	42,415	47,584	48,230	34,916	19,266	10,238	28,888
Fire										
Number of emergency call responses	28,314	26,900	25,715	25,299	25,251	23,805	23,941	23,630	23,231	23,369
Highways and Streets										
Number of lane miles resurfaced	40	75	58	61	25	24	19	41	43	46
Number of street lights added	(18)	60	15	27	16	10	14	52	73	7
Judicial Administration										
Number of criminal cases	7,350	6,700	7,702	9,585	10,225	11,792	11,562	12,671	14,917	14,516
Number of traffic cases	16,366	16,221	21,435	27,353	26,557	27,975	30,555	30,335	32,377	29,199
Number of civil cases	16,485	18,459	19,750	20,947	20,624	20,919	20,292	20,668	26,635	31,585
Parks & Recreation										
Number of participants served	166,000	163,000	151,673	133,179	188,101	140,220	130,755	117,484	135,000	160,000
Education										
Number of instructional personnel	1,724	1,116	1,123	1,120	1,115	1,101	1,073	1,113	1,220	1,258
Number of students	13,580	13,585	13,513	13,390	13,192	13,006	12,261	12,266	12,303	12,288
Libraries										
Number of volumes	268,306	258,615	289,979	245,241	341,741	311,495	319,014	402,827	410,216	273,897
Number of audio materials	14,637	13,355	14,524	13,490	12,553	12,120	11,660	12,128	10,923	11,255
Number of video materials	36,505	32,435	29,359	31,158	24,813	21,307	18,791	16,469	16,690	12,358
Number of annual library visits	558,883	554,042	530,295	509,963	686,196	660,559	659,672	707,467	669,511	650,881
Economic Development										
Number of business contacts made	808	766	996	838	841	840	504	537	645	349
Housing and Neighborhood Services										
Total housing units	47,305	47,381	47,356	45,416	45,378	45,340	45,665	45,720	45,710	45,442
Average assessed value of single-family housing units	\$ 125,495	\$ 124,482	\$ 125,165	\$ 125,545	\$ 127,244	\$ 129,932	\$ 133,340	\$ 133,276	\$ 132,798	\$ 132,170

Sources: Various City of Roanoke departments and Roanoke City Public Schools

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

** In 2017 street lights were removed due to several Transportation projects.

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

Table 23
Unaudited

Function	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Police										
Number of vehicular units	156	161	156	157	160	158	165	162	157	175
Fire										
Number of stations	(1)	11	11	11	11	11	11	12	12	12
Number of fire trucks	29	29	28	28	27	27	28	26	24	24
Highways and Streets										
Miles of streets (lane miles)	1,054	1,054	1,067	1,067	998	998	998	997	997	997
Number of street lights	9,984	10,002	9,942	9,927	9,900	9,960	9,950	9,936	9,884	9,811
Parks and Recreation										
Parks, plazas and recreation sites	71	71	71	70	69	69 (2)	72	72	68	69
Playgrounds/play areas	94	94	94	94	94	94 (3)	39	39	37	37
Football/soccer fields	24	24	24	24	24	24	26	26	24	24
Baseball/softball fields	29	29	29	29	29	29	31	31	30	30
Olympic-size swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	6	6	6	6	6	6	6	6	6	6
Education										
Elementary schools	17	17	17	17	17	17	17	18	19	20
Middle schools	5	5	5	5	5	5	5	5	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	7
Bookmobile	-	-	-	-	-	-	-	-	1	1
Kiosks	2	2	2	2	2	2	2	2	2	2

(1) Excludes non-staffed fire stations

(2) Prior to fiscal year 2012, certain separate facilities located within parks were counted as individual sites. Effective fiscal year 2012, these facilities are included as part of the park site and not a separate site.

(3) Prior to fiscal year 2012, multiple play structures were considered a single unit. Effective fiscal year 2012, each play structure is now considered an individual unit.

Source: City of Roanoke - various departments and Roanoke City Public Schools

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COMPLIANCE SECTION

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CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Agriculture</u>						
Passed Through Commonwealth of Virginia						
Department of Agriculture:						
Food Distribution - Commodities	10.04 915	10.555	10/1/15	\$ 2,523	-	3
Subtotal Food Distribution - Commodities				<u>2,523</u>		
Passed Through Commonwealth of Virginia						
Department of Health:						
Summer Food Service Program for Children FY17	10018-16	10.559	6/6/16	77,402	-	
Summer Food Service Program for Children FY18	10018-17	10.559	6/5/17	20,266	-	
Subtotal Summer Food Service Program for Children				<u>97,668</u>		
Total Child Nutrition Cluster				<u>100,191</u>	-	
Passed Through Commonwealth of Virginia						
Department of Social Services:						
State Administrative Matching Grants for						
Food Stamp Program	-	10.561	multiple	2,000,140	-	
Subtotal Matching Grants for Food Stamp Program				<u>2,000,140</u>		
Passed Through Commonwealth of Virginia						
Department of Forestry:						
Urban and Community Forestry FY16-Projects	15UCF24	10.664	6/20/15	6,418	-	
Urban and Community Forestry FY17-Projects	16UCF05	10.664	6/21/16	11,705	-	
Subtotal Urban and Community Forestry				<u>18,123</u>		
Subtotal Passed Through Commonwealth of Virginia				<u>2,118,454</u>		
Total Department of Agriculture				<u>\$ 2,118,454</u>		
<u>Department of Housing and Urban Development</u>						
Direct Programs:						
Community Development Block Grant FY15	B14MC5-10020	14.218	7/2/14	\$ 26,225	-	5.1
Community Development Block Grant FY16	B15MC5-10020	14.218	7/23/15	150,056	122,309	5.1
Community Development Block Grant FY17	B16MC5-10020	14.218	8/2/16	1,511,442	965,171	5.1
Subtotal Community Development Block Grant				<u>1,687,723</u>		
Emergency Shelter Grant FY16	E15MC5-10020	14.231	7/17/15	4,832	4,832	5.2
Emergency Shelter Grant FY17	E16MC5-10020	14.231	7/14/16	133,107	130,172	5.2
Subtotal Emergency Shelter Grant				<u>137,939</u>		

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Housing and Urban Development (continued):</u>						
Shelter Plus Care 2012 Rural Highlands	VA0169C3F021000	14.238	9/21/11	\$ 90,623	86,447	5.3
Shelter Plus Care 2016	VA0032L3F021407	14.238	4/28/15	45,876	45,876	5.3
Subtotal Shelter Plus Care				136,499		
HOME Investment in Affordable Housing 15	M14MC5-10206	14.239	7/1/14	10,200	-	5.4
HOME Investment in Affordable Housing 16	M15MC5-10206	14.239	7/17/15	179,368	169,098	5.4
HOME Investment in Affordable Housing 17	M16MC5-10206	14.239	7/14/16	416,501	386,282	5.4
Subtotal HOME Investment in Affordable Housing				606,069		
Continuum of Care Homeless Assistance Team FY16	VA0031L3F021508	14.267	6/17/16	88,582	-	
Continuum of Care Homeless Assistance Team FY17	VA0031L3F021609	14.267	2/1/17	50,745	-	
Continuum of Care Planning Grant FY16	VA0265L3F021500	14.267	6/27/16	37,728	39,906	5.5
Continuum of Care Assessment FY17	VA0300L3F021600	14.267	3/1/17	8,378	-	5.5
Shelter Plus Care PSH FY17	VA0032L3F021508	14.267	6/27/16	122,739	122,740	5.3
Subtotal Continuum of Care				308,172		
Lead Hazard Control FY15	VALHB0580-14	14.900	12/16/14	744,176	-	
Subtotal Lead Hazard Control				744,176		
Subtotal Department of Housing and Urban Development Direct Programs				3,620,578		
Total Department of Housing and Urban Development				\$ 3,620,578		
<u>Department of Justice</u>						
Direct Programs:						
Safe Havens Visitation Program FY14	2013-FL-AX-K016	16.527	10/1/13	\$ 27,366	27,366	5.6
Subtotal Safe Havens Visitation Program				27,366		
State Criminal Alien Assistance Program FY17	2016-AP-BX-0007	16.606	10/7/16	8,424	-	
Subtotal SCAAP Program				8,424		
Bulletproof Vests FY15 (Police & Sheriff)	2014BUBX14067200	16.607	7/28/14	276	-	
Bulletproof Vests FY16 (Police & Sheriff)	2015BUBX15077100	16.607	8/11/16	15,676	-	
Bulletproof Vests FY17 (Police & Sheriff)	2016BUBX16081627	16.607	8/18/16	1,562	-	
Subtotal Bulletproof Vests				17,514		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Justice (continued)</u>						
Justice Assistance Grant FY14 (Bike Patrol/Tech Improve)	2013-DJ-BX-0840	16.738	10/1/12	\$ 28,652	-	
Justice Assistance Grant FY15 (Bike Patrol/Tech Improve)	2014-DJ-BX-0534	16.738	10/1/13	21,696	-	
Justice Assistance Grant FY16 (Bike Patrol/Tech Improve)	2015-DJ-BX-0723	16.738	10/1/14	3,205	-	
Justice Assistance Grant FY17 (Bike Patrol/Tech Improve)	2016-DJ-BX-0146	16.738	8/9/16	24,195	-	
Justice Assistance Grant CY17 (Less Lethal Equipment)	17-A6088AD13	16.738	12/26/16	2,211	-	
Justice Assistance Grant CY17 (Workplace Violence)	17-A6089AD13	16.738	12/26/16	6,300	-	
Justice Assistance Grant CY17 (Basketball League)	17-A6091AD13	16.738	12/26/16	2,248	-	
Subtotal Justice Assistance				<u>88,507</u>		
Body Worn Camera Grant FY17	2016-BC-BX-K076	16.835	9/26/16	1,233	-	
Subtotal Body Worn Camera Program				<u>1,233</u>		
Equitable Sharing Funds - Department of Justice	-	16.922	multiple	20,215	-	
Subtotal Equitable Sharing Funds DOJ Program				<u>20,215</u>		
Subtotal Department of Justice Direct Programs				<u>163,259</u>		
Passed Through Commonwealth of Virginia						
Department of Criminal Justice Services:						
Juvenile Justice and Delinquency Prevention FY16	16-A3230JJ13	16.540	12/28/15	55,957	49,338	5.7
Juvenile Justice and Delinquency Prevention FY17	17-B3230JJ15	16.540	1/3/17	6,332	6,332	5.7
Subtotal Juvenile Justice and Delinquency Prevention				<u>62,289</u>		
Victim Witness Assistance FY17	17-W8554VW15	16.575	7/19/16	165,445	-	
Victim Witness Assistance FY18	18-X8554VW16	16.575	7/17/17	375	-	
Subtotal Victim Witness Assistance				<u>165,820</u>		
Police Domestic Violence Unit CY16	16-R3153VA15	16.588	1/1/16	10,784	-	
Police Domestic Violence Unit CY17	17-S3153VA16	16.588	1/1/17	17,827	-	
Subtotal Police Domestic Violence				<u>28,611</u>		
Justice Assistance Grant FY17 (Positive Action Initiative)	17-A4052AD15	16.738	9/26/16	9,427	-	
Subtotal Drug Market Initiative				<u>9,427</u>		
Subtotal Passed Through Commonwealth of Virginia				<u>266,147</u>		
Total Department of Justice				<u>\$ 429,406</u>		
<u>Department of Labor</u>						
Passed Through Commonwealth of Virginia Community College System/USDOL:						
WIOA - Adult Program	LWA 3-15-03/LWA 3-16-03	17.258	10/1/15	\$ 720,823	720,823	5.8
Subtotal Workforce Investment Act Adult				<u>720,823</u>		

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Labor (continued)</u>						
WIOA -Youth Activities	LWA 3-15-03/LWA 3-16-03	17.259	4/1/15	\$ 605,321	605,321	5.8
Subtotal Workforce Investment Act Youth				605,321		
WIOA - Dislocated Worker	multiple	17.278	10/1/15	501,023	501,023	5.8
WIOA PY2015 - Dislocated Worker National Reserve	LWA 3-15-01 NR	17.281	1/1/15	15,000	15,000	5.8
Subtotal Workforce Investment Dislocated Worker				516,023		
Subtotal Passed Through Commonwealth of Virginia				1,842,167		
Total Department of Labor				\$ 1,842,167		
Total Workforce Investment Cluster				\$ 1,842,167		
<u>Department of Transportation</u>						
Passed Through Commonwealth of Virginia						
Department of Motor Vehicles:						
Speed Enforcement FY16	SC-2016-56401-6601	20.600	9/30/15	\$ 4,416	-	
Speed Enforcement FY17	SC-2017-57341-6990	20.600	9/30/16	8,635	-	
Occupant Protection FY16	OP-2016-56399-6599	20.600	9/30/15	2,169	-	
Occupant Protection FY17	OP-2017-5298-6947	20.600	9/30/16	7,948	-	
Pedestrian/Bike Enforcement FY16	PS-2016-56403-6603	20.600	9/30/15	904	-	
Pedestrian/Bike Enforcement FY17	PS-2017-57342-6991	20.600	9/30/16	1,633	-	
Subtotal Highway Safety				25,705		
Alcohol Enforcement FY16	K8-2016-56365-6565	20.601	9/30/15	6,320	-	
Alcohol Enforcement FY17	K8-2017-57337-6986	20.601	9/30/16	10,330	-	
Subtotal Alcohol Impaired Driving				16,650		
DUI Taskforce FY17	154AL-2017-57747-7083	20.607	9/30/16	194,352	-	
Subtotal Alcohol Open Container Requirements				194,352		
Passed Through Commonwealth of Virginia						
Department of Transportation:						
Roanoke River Greenway - Bridge the Gap	UPC 105439	20.205	1/30/14	131,654	-	
Subtotal Highway Planning and Construction				131,654		
Virginia Recreation Trails FY13	NRT-10FY(001)-VRT-262	20.219		146	-	
Subtotal Recreation Trails Programs				146		
Total Highway Planning and Construction Cluster				131,800		
Subtotal Passed Through Commonwealth of Virginia				368,507		
Total Department of Transportation				\$ 368,507		

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Treasury</u>						
Direct Programs:						
Equitable Sharing Funds - Attorney General	-	21.000	multiple	\$ 67,844	-	
Equitable Sharing Funds - Department of Treasury	-	21.000	multiple	13,051	-	
Subtotal Equitable Sharing Funds DOT Programs				<u>80,895</u>		
Total Department of Treasury				<u>\$ 80,895</u>		
<u>Environmental Protection Agency</u>						
Direct Programs:						
EPA Brownfield Site Assessment FY16	96339901	66.818	9/2/15	\$ 45,427	-	
Subtotal Brownfield Remedial Programs				<u>45,427</u>		
Subtotal Environmental Protection Agency Direct Programs				<u>45,427</u>		
Passed Through James Madison University:						
Vehicle Emission Reduction FY16	96341801	66.039	9/24/15	37,489	-	
Subtotal Brownfield National Clean Diesel Programs				<u>37,489</u>		
Subtotal Passed Through James Madison University				<u>37,489</u>		
Total Department of Environmental Protection Agency				<u>\$ 82,916</u>		
<u>Department of Education</u>						
Passed Through Commonwealth of Virginia Department of Education:						
21st Century CLC (Title IV-B)	-	84.287		\$ 51,899	-	
Subtotal 21st Century CLC Program				<u>51,899</u>		
Subtotal Passed Through Commonwealth of Virginia				<u>51,899</u>		
Total Department of Education				<u>\$ 51,899</u>		
<u>Department of Homeland Security</u>						
Passed Through Commonwealth of Virginia						
Department of Homeland Security:						
Emergency Management Assistance	-	97.042	10/1/15	\$ 106,774	-	
Derecho Emergency Management	-	97.042	multiple	231,083	-	
VDEM LEMPG Supplement FY15	-	97.042	2/7/17	24,000	-	
Subtotal Emergency Management Assistance Programs				<u>361,857</u>		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Homeland Security (continued)</u>						
State Homeland Security Heavy Tactical Rescue Team FY15	FY2015-SHSP HTR/SWR	97.067	2/24/16	\$ 70,395	-	
State Homeland Security Heavy Tactical Rescue Team FY16	FY2016-SHSP HTR	97.067	2/14/17	22,025	-	
State Homeland Security Response Team Equipment FY16	FY2015-SHSP RTE	97.067	2/4/16	331	-	
State Homeland Security Haz-Mat Team Equipment FY16	FY2016-SHSP HAZ-MAT	97.067	12/7/16	15,782	-	
Subtotal Homeland Security Grant Programs				<u>108,533</u>		
State Homeland Security Haz-Mat Team Equipment FY15	2015 SHSP HAZ-MAT	97.073	2/24/16	60,419	-	
State Homeland Security Mass Care Shelter Enhancement FY1	2015 SHS GRANT	97.073	5/2/16	31,076	-	
Subtotal State Homeland Security Programs				<u>91,495</u>		
Subtotal Passed Through Commonwealth of Virginia				<u>561,885</u>		
Total Department of Homeland Security				<u>\$ 561,885</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	multiple	\$ 109,360	-	
Subtotal Promoting Safe and Stable Family Programs				<u>109,360</u>		
Temporary Assistance for Needy Families	-	93.558	multiple	1,879,166	-	
Refugee & Entrant Assistance-State Administered Program	-	93.566	multiple	33,850	-	
Low-Income Home Energy Assistance Program	-	93.568	multiple	187,167	-	
Child Care and Development Block Grant	-	93.575	multiple	(693)	-	
Child Care and Development Fund	-	93.596	multiple	263,843	-	
Total CCDF Cluster				<u>263,150</u>		

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Health and Human Services (continued)</u>						
Passed Through Commonwealth of Virginia						
Department of Social Services (continued):						
Chafee Education & Training Vouchers Program	-	93.599	multiple	\$ 17,934	-	
Adoption Incentive Payments	-	93.603	multiple	1,088	-	
Child Welfare Services	-	93.645	multiple	2,134	-	
Foster Care Title IV-E	-	93.658	multiple	2,459,154	-	
Adoption Assistance Title IV-E	-	93.659	multiple	3,061,303	-	
Social Services Block Grant	-	93.667	multiple	1,786,794	-	
PSSF Child Abuse Prevention FY16	FAM-15-059-08	93.669	7/1/15	600	-	
PSSF Child Abuse Prevention FY17	G-1401VACA01	93.669	7/21/16	17,087	-	
Foster Care Independent Living Program	-	93.674	multiple	32,636	-	
FAMIS Children's Insurance Program	-	93.767	multiple	81,546	-	
DMAS Medical Assistance Program	-	93.778	multiple	2,559,143	-	
Subtotal CFDA 93.669				<u>17,687</u>		
Subtotal Passed Through Commonwealth of Virginia				<u>12,492,112</u>		
Total Department of Health and Human Services				<u>\$ 12,492,112</u>		
Grand Total Federal Financial Assistance				<u>\$ 21,648,819</u>	<u>\$ 3,998,036</u>	

The accompanying notes are an integral part of this schedule.

(Continued)

**Notes to the Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2017**

Note 1 – Basis of Accounting

This Schedule of Expenditures of Federal Awards (Schedule) is prepared on the same basis of accounting as the City of Roanoke's financial statements. The City uses the modified accrual basis of accounting, in which expenditures are generally recognized when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due. Program income earned while administering Federal programs or projects are reported using the additive method. Under this method, expenditures from this income is reported on the Schedule in addition to expenditures made from the original grant.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Non-cash Awards – food donations

The amount of food commodities reported on the Schedule is the value of the food received by the Roanoke Juvenile Detention Home through the U.S. Department of Agriculture donated food distribution program during current year and priced as net dollar, fair market value as furnished by the U.S. Department of Agriculture.

Note 4 – Indirect Cost Rate

The City uses a direct cost method for administrative expenses within Federal Programs. The City has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

(Continued)

**Notes to the Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2017**

Note 5 – Subrecipient Expenditure Summary

The following chart summarizes Federal funds that passed through the City to subrecipients for the fiscal year ending June 30, 2017:

Note	Group	Total Expenditures
5.1	Community Development Block Grants	\$ 1,087,480
5.2	Emergency Shelter	135,004
5.3	Shelter Plus Care	255,063
5.4	HOME Investment in Affordable Housing	555,380
5.5	Continuum of Care	39,906
5.6	Safe Havens Visitation Program	27,366
5.7	Juvenile Justice and Delinquency Prevention	55,670
5.8	Workforce Investment	1,842,167
	Total	<u>\$ 3,998,036</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2018. Our report includes a reference to other auditors who audited the financial statements of the School Board of the City of Roanoke, Virginia, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and one instance of noncompliance under the *Specifications for Audits of Counties, Cities and Towns*, which is described in the accompanying schedule of findings and questioned costs as item 2017-002.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

Roanoke, Virginia
January 29, 2018

**Report of Independent Auditor on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Roanoke, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. The City's basic financial statements include the operations of the School Board of the City of Roanoke, Virginia (the "School Board") and the Greater Roanoke Transit Company (the "GRTC"), discretely presented component units of the City, which received \$22,497,647 and \$3,912,592, respectively, in federal awards which are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2017. Our audit, described below, did not include the operations of the School Board and the GRTC because the component units engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Roanoke, Virginia
January 29, 2018

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

A. Summary of Auditor's Results

1. The type of report issued on the financial statements: **Unmodified Opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None Reported**
3. Material weaknesses: **Yes, Finding 2017-001**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None Reported**
6. Material weaknesses: **No**
7. The type of report issued on compliance for major programs: **Unmodified Opinion**
8. Any audit findings which are required to be reported under the Uniform Guidance: **No**
9. The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
Adoption Assistance	93.659
Medical Assistance Program – Medicaid Cluster	93.778
Foster Care – Title IV-E	93.658
HOME Investment Partnerships Program	14.239

10. Dollar threshold to distinguish between Type A and Type B Programs: **\$750,000**
11. The City of Roanoke, Virginia was not determined to be a low risk auditee.

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

2017-001: Material Weakness – Internal Control over Financial Reporting – Annual External Financial Reporting in Accordance with Accounting Principles Generally Accepted in the United States of America ("GAAP")

Criteria: In order to prepare financial statements in accordance with GAAP, accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets, liabilities, deferred flows of resources, revenues, and expenditures/expenses to ensure an accurate presentation of the financial position and activity of the City for the fiscal year just ended.

Condition: Yearly, the City's Finance Department oversees the preparation, processing, and recordation of thousands of financial transactions that ultimately will be reflected in the yearly Comprehensive Annual Financial Report ("CAFR") produced within the Finance Department. In order to ensure the transactions are fairly presented, procedures must be in place and functioning effectively to produce complete and accurate financial information. During the City's year-end closing and CAFR processes, unreconciled cash balances and an error related to prior fiscal years were

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2017

identified by Finance Department management, which were considered material to the financial statement presentation by City management, resulting in the adjustment to the City's financial records. Specifically,

- The Department of Finance did not perform monthly reconciliations of the City's cash balances for 10 consecutive months, beginning with September 2016 and extending through the end of the fiscal year June 30, 2017.
- Finance Department management determined that the recordation of stormwater infrastructure capital assets and related general obligation debt within the governmental activities opinion unit, during prior fiscal years, was inconsistent with the funding intent and debt repayment streams (i.e., assessed stormwater fees) of the stormwater infrastructure development program. Accordingly, management determined that such assets and debt activities should have been recorded within the Stormwater Fund beginning with its inception as an external reportable proprietary fund of the City in the 2014 CAFR.

Cause:

The controls in place to analyze and reconcile cash balances from the financial institution to the City's general ledger simply did not function throughout fiscal year 2017.

During fiscal year 2017, the City's Finance Department experienced departures at various levels of staff and management, which diminished the technical abilities and critical mass of departmental personnel available with the experience to analyze the myriad of transactions the City enters into yearly in order to effectively, efficiently, compliantly, and timely prepare the City's CAFR in accordance with GAAP. As the requirements of GAAP and financial reporting evolve and change yearly, the diminished level of technical strength in the City Finance Department is a detriment and impedance to timely and compliant external financial reporting and efficient internal reporting to support effective financial management.

Effect:

The controls in place to analyze and reconcile cash balances from the financial institution to the City's general ledger simply did not function throughout fiscal year 2017. Consequently, the City operated the majority of the fiscal year without confirmation that its general ledger cash balances, used for management decision making purposes, were complete and accurate.

Through a restatement of beginning net position, the City transferred all debt and related infrastructure assets from the governmental activities' opinion unit to the Stormwater Fund, resulting in a decrease of the governmental activities' net position and an increase of the business-type activities' and the Stormwater Fund's net position, as of June 30, 2016, of \$3,544,407.

Recommendation:

We recommend that the City's existing policies and procedures related to the monthly reconciliation of cash balances be adhered to and that an effective monitoring procedure be utilized to ensure that each month's reconciliation is occurring before the subsequent month's end and that the review of the reconciliation be performed, and approved, by the appropriate level of management.

We recommend the City address this people-centric need by considering the identification, hiring, and retaining of experienced accountants as a mission-critical, continuous, long-term objective. During the 2017 reporting process, staff turnover, coupled with the remaining staff's experience in the

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2017

preparation of a CAFR, inhibited the City's ability to accumulate, assimilate, and analyze financial data needed for the preparation of the CAFR. Over the years, the City has not always been able to hire and retain experienced accountants. The City is not unique amongst its peers in its need to fill vacancies with candidates possessing the skill sets needed for a fully-functioning financial accounting and reporting operation. We cannot stress enough the need for the City to identify, hire, and retain experienced governmental accountants, specifically Certified Public Accountants, in key finance management positions and to strive to maintain a minimum of two such designations consistently within the financial operations area. Additionally, a structured cross-training program should be considered within financial operational functions (e.g., general accounting, accounts payable) aimed at expanding the skill sets of available team members to be utilized in periods of staff turnover or increased demands in a particular area.

Views of Responsible Officials: We concur with the Auditor's observations. As noted, the City has experienced turnover in the accounting management and staff intermittently in the past few years. The loss of more experienced staff, as well as the time consuming process of hiring and training replacements, affected the department's ability to effectively ensure accurate and timely financial reporting.

City management identified concerns with timely bank reconciliations in July 2017 and promptly assigned additional staff from the Department of Management and Budget to assist Finance in rectifying the matter. Staff finished the uncompleted reconciliations in August 2017 and continue to complete monthly reconciliations within 30 days of the end of the month. Staff from Finance and Auditing are working together to revise and improve the monthly reconciliation process by May 31, 2018. This will include procedures for management review and approval of reconciliations within 30 days of month-end. Additionally, internal controls which had been lessened or removed over time have been reinstated including supervisor approval on journal vouchers, budget documents, and certain monthly reconciliations.

In recognition of the closely related nature of work performed by accounting and budgeting staff members and the prior accounting experience of budgeting staff, management has reorganized the Department of Finance to include the Department of Management and Budget. This consolidation provides closer collaboration among staff, more opportunities for cross-training and employee development, and capacity to manage workloads that fluctuate based on deadlines for budget adoption and annual financial reporting. Work will be assigned in a deliberate manner to promote broad-based knowledge and develop employees' capacity to take on more complex tasks as they learn through both structured and on-the-job training.

In late October 2017, management began holding a series of one hour informational sessions for all employees in Finance, Budget, Purchasing, and Auditing. These sessions were designed strategically to provide an overview of the City organization, departmental roles, financial policies and procedures, budgeting, information systems, and internal controls. The twelfth and final session was completed in January 2018. Subsequent training will reflect training needs identified by management.

Management is currently interviewing candidates for the Accounting Supervisor position. The job description reflects management's desire for the person to have three to five years of experience with governmental accounting and to be licensed as a certified public accountant ("CPA"). Once this position has been filled and day-to-day functions are being properly managed, the Accounting Manager position will be advertised and filled. The Accounting Manager will oversee all accounting and accounts payable functions and report to the Director of Finance. Candidates for this position will be expected to have prior experience, a deep knowledge of government accounting, and be licensed as a CPA.

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2017

In conclusion, we believe that the actions taken to date have established a sound foundation on which to build a high performing financial management function. The processes implemented do not constitute an immediate fix to all issues identified, therefore we will continue to focus on staff development and process improvements to ensure we comply with all financial reporting requirements in 2018 and beyond.

C. Findings and Questioned Costs Relating to Federal Awards

None

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2017-002 – Weldon Cooper Survey

Criteria: Section 33.2-319 of the *Code of Virginia* (the “Code”) and the *Urban Manual* require local governments to submit an annual Weldon Cooper Center Local Finance Survey to the Virginia Department of Transportation accounting for payments received and related expenditures by March 31, 2017.

Condition: The City submitted the completed survey on April 13, 2017.

Cause: Unknown.

Effect: Non-compliance may result in action by the Commonwealth.

Questioned Cost: Non-financial

Recommendation: The City should submit its survey before the deadline required by the Code.

Views of Responsible Officials: Responsibility for filing the survey will be formally assigned by February 1, 2018. Management will establish reminders to help ensure surveys are filed in accordance with State requirements.

E. Resolution of Prior Year Audit Findings

None noted in prior year

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

Barbara A. Dameron, CPA
Andrea F. Trent
Cindy M. Kirby

Director of Finance
Assistant Director of Finance
Administrative Assistant IV

Accounting / Accounts Payable

Dorothy E. Hoskins
Cathy P. Jones
Lori N. Ramey
Holli N. Salyers
Kelly Phlegar
D. René Satterwhite
Joseph A. Shepherd
Katherine T. Todora

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

Accounts Receivable / Local Tax

Shelby T. Cundiff
Carrie W. Glass

Tax Compliance Administrator
Collection Specialist

Payroll

Connie K. Altice
Suzanne F. Barnett
Jody A. Lawson
Paula S. Quinn

Payroll Technician
Payroll Supervisor
Payroll & Collections Administrator
Senior Payroll Technician

Retirement

Tiffany L. Gilbert
Kayla J. Gunter
Harold R. Harless, Jr.
Karen B. Mullen

Retirement Account Technician
Senior Accountant
Financial Analyst
Accountant

Systems

Kimberly H. Corpening
Amanda K. Dooley
Mary L. Talley

Financial Systems Technician
Financial Systems Accountant
Senior Financial Systems Accountant

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