



Comprehensive Annual Financial Report

City of Roanoke, Virginia

Fiscal Year Ended June 30, 2013



The cover image, taken in the Advance Auto Parts Atrium of the newly renovated Center in the Square, captures two 500-gallon, cylindrical aquariums that hold up to 36 moon jellyfish each. These aquariums are connected by the seahorse display nestled in a tidal mangrove estuary that is home to species such as *Hippocampus Erectus* Seahorse, Pincushion Sea Urchin, and Brittle Starfish. Special features like these are part of the major capital renovations of Center in the Square, all working together splendidly, making the Center a learning facility that engages all ages.

Photographer: Lynn Donnary, Marketing Manager, Center in the Square

City of Roanoke, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year July 1, 2012 to June 30, 2013

Prepared by the City of Roanoke Department of Finance

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INTRODUCTORY SECTION

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November 25, 2013

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

In accordance with Section 25.1(f) of the Roanoke City Charter, we are pleased to present the City of Roanoke (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The Charter requires the City to issue an annual report on its financial position and activity and that the financial statements included in the report be audited by an independent firm of certified public accountants. This report was prepared by the Department of Finance in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and the financial statements included in the report were audited by KPMG LLP.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City'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.

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 2013 estimated population, 98,461 accounts for 31.5% 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.

The financial reporting entity reflected in the CAFR, which is more fully described in Note 1 to the basic financial statements, conforms to the requirements of GASB Statement No. 14, as amended by GASB Statements No. 39 and No. 61. The accounting and reporting principles of the GASB are based on the fundamental concept that publicly elected officials are accountable to their constituents and the financial statements should emphasize the primary government and enable financial statement users to distinguish between the primary government and its component units. There are several commissions and authorities

where the City's accountability is limited to appointments to, or seats on, the respective boards. The City does not exercise financial or administrative control over these entities, so they are excluded from this report.

The City's reporting entity includes two discretely presented component units. A component unit is a legally separate entity which meets one of three conditions: the governing board is appointed by the primary government, the entity is fiscally dependent on the primary government and there is a relationship of financial benefit or burden with the primary government, or excluding the entity, through exercise of management's professional judgment, could potentially result in misleading financial reporting. A component unit should be blended with the primary government if the entities share a governing body and there is a financial benefit or burden relationship between the primary government and the component unit or the primary government is responsible for the operation of the component unit, if the component unit almost exclusively provides services or benefits to the primary government even though it does not provide services directly to the primary government and if the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government; otherwise, it must be presented discretely.

The City's discretely presented component units are presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from that of the primary government.

- The Greater Roanoke Transit Company (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

Fiscal year 2013 was a year of stable local tax performance for the City of Roanoke. While the real estate tax declined overall for the first time in recorded history, many of the City's other local taxes performed well

for the year when compared to fiscal year 2012. General Property taxes decreased 0.4% while other local taxes increased 2.6% when adjusted for the elimination of the Eat for Education surtax effective July 1, 2012. The Eat for Education program was a 2.0% increase in the City's food and beverage tax and was dedicated additional funding for Roanoke City Public Schools. The surtax was implemented for a two year period beginning July 1, 2010 and ending June 30, 2012 and generated an additional \$9.5 million in funding for the City's school system. \$4.9 million of the additional funding was generated in fiscal year 2012.

While Real Estate taxes declined 1.3%, Personal Property taxes grew 2.5%. The major contributors to local tax growth were Sales tax which increased 1.5%, Business License tax which increased 2.8% and Prepared Food and Beverage tax with growth of 4.7%, as adjusted for the change in tax rate. The Transient Occupancy tax also increased and was favorably impacted by a change in tax rate from 7% to 8% effective January 1, 2013. This tax increase was made as part of a regional effort to provide additional funding to the Roanoke Valley Convention and Visitors Bureau.

General Fund revenues from the Commonwealth decreased 1.8% compared to fiscal year 2012. In fiscal 2012, the Commonwealth began paying for certain social services directly which impacted the amount of reimbursement revenue for the City. Adjusting for this impact, revenues from the Commonwealth increased 1.0%. A reduction in the required payments from localities to the Commonwealth was the main factor in this increase, along with reimbursements related to the June 2012 derecho storm and increased street maintenance funding.

On the expenditure side, in fiscal year 2013, the General Fund expenditures decreased 1.6% compared to a targeted decrease of 2.1% from the prior fiscal year. Funding to Roanoke City Public Schools increased, and exceeded the adopted budget as driven by local taxes in excess of their estimates. The City shares 40% of local taxes with Roanoke Schools. Almost all categories achieved expenditures and encumbrances below budget, enabling the City to add funding to reserves and to provide cash-funded capital. This level of controlled spending reflects the City Leadership's commitment to sound fiscal policies and judicious budgetary control.

Unemployment remained elevated during fiscal year 2013, but levels improved compared to the prior year. The average unemployment in the Roanoke MSA for fiscal year 2013 was 5.9%, according to the Virginia Employment Commission, down from an average 6.3% in the prior fiscal year and 7.0% in fiscal year 2011. Comparatively, average unemployment in fiscal year 2013 was 5.6% at the State level and 7.8% 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

Roanoke is the center of a strong region, boasting a creative, diverse, sustainable economy. The City stimulates and supports economic development for the purpose of attracting new businesses and encouraging the expansion of existing businesses. The City's Economic Development Department's strategy continues to focus efforts on four core initiatives: marketing, business retention - expansion services, data collection and intelligence, and staff development. New marketing materials were created to publicize Roanoke's ever increasing assets and amenities, web based data collection tools were implemented, and will continue to be upgraded, a new real estate search program was implemented, a Facebook page implemented with a staff dedicated to teamwork and honing every skill necessary to assist the business community. As a result of this focused approach, retention, expansion and attraction efforts in fiscal year 2012-2013 yielded announcements from businesses in the industrial, information technology, healthcare and hospitality sectors totaling over \$30 million in new investment and more than 350 new jobs. Some highlights include:

- FedEx Ground constructed a 103,000 square-foot facility in the City's Centre for Industry & Technology adding 54 new jobs and investing a total of \$12.7 million.
- Source 4 relocated to the City of Roanoke adding 80 jobs and investing \$7 million in improvements needed for this state of the art publishing/print/communication business.
- Fresenius Medical Care opened a new \$4 million facility on McClanahan Street adding 29 new jobs specializing in hemodialysis services.

An important part of the City's economic development initiative is its two Enterprise Zones. Businesses located within the boundaries of Enterprise Zones may qualify for State or local incentives. This year, Façade Grant funding of approximately \$153,200 leveraged approximately \$1.2 million in private investment for building façade improvements.

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

Downtown

The pulse in downtown Roanoke is livelier than it has been in over 50 years. Over 1,350 residents now reside in the core of the City as a result of the conversion of grand historic buildings and smaller scale properties into apartments and condominiums. Downtown Roanoke, offering the oldest continuous farmer's market in the Commonwealth, continues to be a landmark for visitors to the City and a regular shopping venue for residents. Roanoke restaurants, shops, and art galleries continue to open in the downtown district to complement our recently renovated Historic City Market Building and the newly renovated Center in the Square (the Center).

Key construction projects and new businesses culminated during the past year include:

- Center in the Square – after fully renovating the Center's 200,000 square-foot facility at a cost of \$30 million, the Center reopened to the public. The Center now offers aquariums (see front cover), improved box office access, a rooftop pavilion complete with a green roof and butterfly habitat, and facility rental accommodations. It is home to the Science Museum of Western Virginia, Mill Mountain Theater, History Museum of Western Virginia and the Harrison Museum of African American Culture.
- New additions to the core of downtown include: Jack's/Men's Fine Grooming, The Business Lounge, Villages of Africa, Cedars Lebanese Restaurant, Jack Brown's Burger Joint and the Roanoke Natural Foods Co-Op organic grocery store.

Windsor-Aughtry, a Greenville, South Carolina based development company, plans to purchase the first floor and upper story air rights to the City Market Garage to build a 132 room Hampton Inn and Suites. This new hotel in downtown Roanoke will support the Conference Center and help build Roanoke's brand as a tourist destination.

The downtown area continues to enjoy a healthy variety of cultural amenities such as The Taubman Museum of Art, the O. Winston Link Museum, the Virginia Museum of Transportation and the Jefferson Center for Performing Arts, and throughout the year the City hosts a range of festivals and events to keep visitors and local citizens actively participating in our downtown district.

Riverside Centre for Research and Technology

The Riverside Centre for Research and Technology (RCRT), headquarters of several medical science entities, is a 110-acre technology park located along Jefferson Street and Reserve Avenue. Within RCRT, the Carilion Clinic offers an 110,000 square-foot office and laboratory complex headquarters, a 250,000-square-foot outpatient medical clinic which opened to patients in September 2009, a 1600-plus parking deck, a 215,000 square-foot research institute and medical school, and a 127-room Cambria Suites hotel.

The Virginia Tech-Carilion School of Medicine (VTC) has accepted its fourth class, adding 42 new students in August of 2013, bringing total enrollment to 168 students. The school is now at full capacity and will graduate its first class in the spring of 2014. The Virginia Tech-Carilion Research Institute continues to bring in new research teams and reported the following progress as of May of 2013:

- 22 research team leaders hired (from 17 universities from around the globe), 152 employees, a payroll of nearly \$10 million with an average annual salary of \$65,000 (excluding students, the salary averages rise to over \$79,000).
- FY 13 total expenditures are estimated to approach \$23 million.
- The local housing market has enjoyed sales of 30 homes as a result of the attraction activities of the institute. Sales totaled approximately \$11 million.
- Creation and continuation of a well attended Distinguished Visiting Scholars and Public Lecture Series for the Roanoke community and southwest Virginia.
- Collaborations with the Salem VA Hospital, the U.K., Norway, Korea, China, Germany, Princeton, Cal Tech, Emory, Duke, Wake Forest, UCLA and the Children's National Medical Center
- Roanoke recognized as a hub of worldwide functional brain imaging and home to the world's largest brain study.

Roanoke Centre for Industry and Technology

The Roanoke Centre for Industry and Technology (RCIT) is a 496-acre City developed business park located just minutes from Interstates 581 and 81. This industrial park was acquired, developed and marketed by the City. The City continues its excellent record of attracting top corporations, enhancing the tax base and creating jobs for its citizens. One hundred forty acres, including four ready-to-go sites, ranging in size from seven to thirty-one acres, are now available. Fifty-six acres remain to be developed for future prospects.

Revenue generated from the corporations located in the RCIT exceeds the cost incurred by the City for the original site acquisition and improvements to the park for infrastructure and the extension of Blue Hills Drive. Present and future tax revenue will be used to continue this type of economic development.

The corporations located in the RCIT employ in excess of 2,200 persons, have a combined investment in the Centre in excess of \$163 million, and occupy over 2.1 million square feet of space. Corporations currently in the Centre include Crouse-Hinds (a division of Cooper Industries), Advance Auto Parts, AT&T Communications Systems, SEMCO, Elizabeth Arden, Orvis, InfoSeal, Virginia Utility Protection Services and Maple Leaf Bakery. The City of Roanoke added a new RCIT tenant this year with the October 2012 announcement of the construction of the FedEx Ground facility described earlier.

Also this year, Heritage Point (an historic area located within RCIT which hosts a restored 19th-Century cabin) was acquired, and Tract B leased, by the Roanoke Natural Foods Co-op. RCIT is perhaps the only industrial and technology park in the country, if not the world, which is home to an Organic Urban Farm and is one of the largest contiguous organic urban farms in the nation.

Roanoke River District

The City entered into a Performance Agreement last year with Roanoke River Associates, LLC and the Economic Development Authority for the City of Roanoke (EDA) for the development of approximately 22 acres located east of South Jefferson Street and adjacent to the Roanoke River. This important project broke ground in May 2013 and is now named “The Bridges”. The Bridges is a mixed use development of commercial, office, retail and residential buildings and amenities. The City provided an initial economic development grant of \$2 million to fund the installation of public infrastructure on the site. The City will also provide subsequent annual economic development grants based on a portion of amounts of actual designated local taxes received by the City on the property. The project is expected to grow for the next 10-plus years and is expected to exceed well over \$100 million in total investment. Construction on infrastructure and of the first mixed use apartment and office complex is underway.

Valley View Mall Area

The Valley View Mall, built during the 1980s, is a dominant regional shopping center of nearly 900,000 square feet of retail space. The District at Valley View was built in 2007 to enhance the mall area. It offers eye-catching storefronts, extensive landscaping and pedestrian friendly walkways. The two areas, combined, offer six anchor stores, over 100 specialty shops, and many restaurants. Valley View Mall is owned and operated by CBL & Associates Properties Inc. which continues to display confidence in the Roanoke retail market. One of Roanoke’s strong economic indicators is its strength in retail sales per capita, as the City has historically performed very well at both the State and national level due to its regional draw for shoppers. In 2012-2013, the Mall added ULTA Beauty, a 10,000 square-foot addition on the lower level. The greater

Valley View Mall area also saw some major improvements. Sam's Club added \$2 million of improvements to its store and Dick's Sporting Goods made store improvements totaling \$150,000. Along Valley View Road, a new Hampton Inn & Suites is nearing completion and will result in an investment of approximately \$11 million.

Grandin Village

Another important retail hub is the City's Grandin Village area. This area serves residents in the south and southwest portions of Roanoke and is a draw for downtown workers. A revitalization effort took place in recent years that increased the area's diversity of offerings and vitality. The Grandin Village is home to the Grandin Theatre as well as numerous local restaurants and specialty shops. This year, improvements in the Village include the opening of 1906 Ale House and FireFly Media, a digital advertising service agency.

Tourism

Roanoke is a "City on the Rise" according to the cover of the Oct/Nov 2012 issue of Garden & Gun magazine. Multiple travel articles have publicized Roanoke, enticing readers to Virginia's Blue Ridge more than ever before. As a result of hosting over 90 travel journalists, the Roanoke Valley Convention & Visitors Bureau's public relations initiative has generated over \$2 million in national publicity in just three years. This has created a greater economic impact for the City of Roanoke with lodging tax revenues reaching an all-time high. Hosting meetings and sports groups have drawn a record number of visitors as measured by the number of rooms sold in the City of Roanoke's lodging properties. Events and groups such as the Subway Commonwealth Games, Order of the Eastern Star, Harley Owners Group, Miss Virginia Pageant and many others have put Roanoke in Virginia's Blue Ridge on the map. These groups bring many youth and families to the area, and with the re-opening of Center in the Square, the City of Roanoke offers an even more attractive package to entice visitors to stay longer.

Also, in October 2012, The Small Cities Movement launched the second annual CityWorks (X)po in downtown Roanoke, an event seeking to enhance connectivity between smaller cities to explore exponential impact across major themes: Capital & Social Entrepreneurship, Leadership & Good Government, Arts & Design, Food & Drink, Outdoors & Recreation and Knowledge & New Media. Over 500 individuals attended the conference from Roanoke, the U.S. and beyond. This event, along with other festivals throughout the year, continue to bring visitors to the City of Roanoke to experience exceptional cultural venues, numerous and diverse festivals and events and multiple outdoor recreational amenities.

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. The City anticipates it will initiate its next update to the Comprehensive Plan in 2015.

Budgeting for Outcomes

Roanoke was the first city in Virginia to implement the Budgeting for Outcomes process which took place in the development of the fiscal year 2012 budget. Budgeting for Outcomes (BFO) 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 potentially improved services while limiting additional resources required. Improvements are monitored by performance measures and priority indicators. The City has a highly 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 began to design the implementation of long term financial planning during the development of the fiscal year 2014 operating budget. Muncast, which is a GFOA sponsored forecasting software product, is being used to develop this process. The use of the Muncast software is to facilitate operating budget estimates for future periods. The process has involved strategic planning and prioritizing with department leadership and City Council in its annual strategic planning session. The process will be implemented during the development of the fiscal year 2015 budget.

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 improvements throughout the City. The CIP represents a balance between finite resources and competing community priorities. The CIP specifies the capital improvement and construction projects that will be funded over the upcoming five-year period in order to maintain or enhance the City's \$596 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 2014 through FY 2018 represents over \$100 million of public improvements to the City's schools, infrastructure (streets, sidewalks, bridges and storm drains), parks, public buildings, passenger rail, technology, and the Roanoke Civic Center. Resources accumulated to meet these priority needs are accounted for in the City's Capital Projects and Proprietary Funds.

Relevant Financial Policies

Financial policies serve as the framework for the financial operation of city government as well as the basis for budget development. The City's financial policy statements in their entirety can be located in the City's Resource Allocation Plan. Policies are in place to provide guidance in the areas of budget, expenditures, reserves, revenues, and debt management. In November 2013, City Council adopted revisions to its Reserve and Debt Management Policies to reflect progress of funding reserves, reference the newly established Post Issuance Compliance Procedures and to incorporate other changes. The key components of the policies were unchanged as a result of the most recent amendments.

Reserve Policies

Key components of the reserve policies are as follows:

- The Unassigned General Fund Reserve target will be 10% of the budget to provide the City with sufficient working capital and margin of financial safety to address unforeseen, one-time expenditure emergencies or significant unforeseen declines in revenues in a specific fiscal year. As of June 30, 2013, the Unassigned General Fund Reserve was 10.3% of actual expenditures. The Unassigned General Fund Reserve is reported in the General Fund Balance Sheet in the unassigned category.

- A Risk Management Reserve serves to cover some of the risk exposure the City has due to its self-insurance program. The minimum funding level for the Risk Management Reserve is:
 - 25% of the three-year average of self-insured claims costs,
 - plus 10% of the three-year average of fully insured premiums,
 - plus a \$1 million catastrophic reserve.

The City's reserve policies call for this reserve to receive the highest priority for funding once the General Fund Unassigned Reserve is funded to the 10% target. While this reserve was in a deficit position at June 30, 2013, funding of \$2.1 million was added to the reserve in fiscal year 2013. City management is carefully monitoring the liabilities associated with the risk management area and intends to continue adding increasing amounts of funding in future years until the reserve goal is met.

- Once the Risk Management Reserve is fully funded, an Economic Downturn Reserve will be created to smooth 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.
- 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. The reserve floor is \$1 million. As of June 30, 2013, the balance of this reserve was approximately \$3.5 million. The Economic and Community Development Reserve is reported in the Capital Projects Fund Balance Sheet as Committed fund balance.

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

Debt Management Policies

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

Adherence to this policy will help assure maintenance of the City's positive credit ratings.

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

- Net tax-supported debt as a percentage of the total taxable assessed value in the City (including real, personal property, and public service corporations) will not exceed 4%. As of June 30, 2013, net tax supported debt was 2.8%.
- Net tax-supported general obligation debt service shall not exceed 10% of General Fund expenditures. As of June 30, 2013, net tax-supported general obligation debt service was 9.5% of General Fund expenditures.
- Net tax-supported debt will be structured in a manner such that not less than 60% of the aggregate outstanding tax-supported debt will be retired within 10 years. As of fiscal year 2013, 78% of outstanding debt will be retired within 10 years.

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

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. In 2012, the City of Roanoke was named an All-America City for its Community Action Plan, a collaborative program that addresses readiness for kindergarten, absenteeism, and summer learning. It marked the sixth time Roanoke has earned this distinction. The City's entry was the "Star City Reads" campaign, a plan to ensure that more Roanoke children are reading at grade level by the end of third grade.

Roanoke Library staff worked with the Roanoke City Public Schools (RCPS) to implement the Summer Reading Camp. The number of children served has increased from 200 in 2011 to more than 2,600 in 2013. In summer 2013, RCPS launched an innovative summer enrichment program called RCPS+. Participants in the first year numbered 2,100.

Roanoke Schools have demonstrated significant performance improvements in recent years. The 2013 on-time graduation rate was 80%, up significantly from 59% in 2008. The majority of schools within the system

are now academically accredited. School maintenance and capital improvement projects are underway as part of an updated Capital Improvement Program.

In 2013, Superintendent Rita Bishop was named Virginia's Superintendent of the Year. More information regarding the important achievements of Roanoke City Public Schools is available in the separately published School CAFR.

Virginia Western Community College is a two-year public institution of higher learning established in 1966 that serves a current enrollment population of more than 12,000 students. In 2013, Virginia Western opened and dedicated the Fralin Center for Science and Health Professions building, the first new academic building to be constructed on campus in more than a decade. The \$27 million-plus project resulted in a 68,000 square-foot state-of-the-art teaching facility that houses programs such as nursing, dental hygiene, radiation, oncology, radiology and basic lab sciences.

Several important partnerships exist between Virginia Western and Roanoke City Public Schools. Students at Patrick Henry and William Fleming High Schools can take dual enrollment classes free of charge, enabling students to earn college credit while in high school. The Community College Access Program (CCAP) enables qualifying students to attend Virginia Western for two years tuition-free. More than 200 Roanoke City students have participated in this program with an additional 108 beginning in Fall 2013.

Jefferson College of Health Sciences (JCHS) is a professional health sciences college, offering 20 degree options on the graduate, bachelor and associate levels, as well as certificate and professional & continuing education programs. With excellent licensure pass rates in the institution's professional programs and high student satisfaction ratings, JCHS is proud to be one of the few private healthcare colleges in the Southern region. JCHS enrolls approximately 1,100 undergraduate students and 80 graduate students annually, and employs approximately 70 full-time faculty. The overall student-to-faculty ratio is 15:1, but this varies by program and by classroom/clinical setting. As an affiliate of Carilion Clinic, JCHS offers excellent clinical opportunities, extensive distance learning offerings, and continuing education and volunteer opportunities near campus and abroad.

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.

In 2013, Roanoke became the first jurisdiction in Virginia to have its building inspection and permitting program accredited by the International Accreditation Service (IAS).

To promote regional cooperation, the Police Department entered into an agreement with Roanoke County, the City of Salem, and the Town of Vinton to allow law enforcement officers to have mutual jurisdictional powers and to form a partnership to facilitate the co-location of the Roanoke County Police Academy adjacent to the City of Roanoke Police Academy. This partnership will ensure more efficient and collaborative training opportunities for both organizations.

During fiscal year 2012, Part One crimes (serious felonies) were reduced by 1% compared to the prior year. Violent offenses declined significantly while property offenses remained relatively flat. The Roanoke Police Department has been accredited by the Commission on Accreditation for Law Enforcement Agencies (CALEA) since July 30, 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.

The Fire-EMS Department is also partnered with Roanoke County, 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.

To make the most effective use of technology in its firefighting activities, Roanoke Fire-EMS has installed mobile data units in all front-line fire engines, ladder trucks, and ambulances. Roanoke Fire-EMS has been an accredited agency with the Commission on Fire Accreditation International Inc. (CFAI) since 2002, meeting the criteria established through the CFAI's voluntary self-assessment and accreditation program. The department, re-accredited for the third time in 2012, is one of only 143 fire departments in the world and of only nine in the Commonwealth to hold this international accreditation. In 2012, Fire-EMS saw the lowest fire loss in five years. Working fires continue to remain low with success attributed to fire prevention, public education, code enforcement and early notification practices.

In 2012, the Insurance Service Organization (ISO) reassessed the Roanoke Fire-EMS Department to ensure it was meeting the ISO standards for structure fire suppression capabilities. Roanoke retained its Class 2 ISO

Rating, a distinction held by only seven Virginia communities and less than six hundred localities nationwide.

The Roanoke City Sheriff's Office Citizens' Academy was designed to develop positive relations between deputies and the community. The six-week interactive program helps participants gain an understanding of the department and how it operates. It creates a growing nucleus of responsible, well-informed citizens familiar with the services Roanoke City Sheriff's Office provides to the community. In 2012, the academy was held in the fall and 13 citizens participated in a graduation ceremony.

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.

During fiscal year 2013, installation was completed on a new audio / video surveillance system for the courthouse and jail complex. The Sheriff's office was able to acquire this technology through the use of grant funding and the technology was implemented in an effort to enhance public safety for those that visit or occupy the jail and/or courthouse.

Human Services

Roanoke's status as the largest city west of the state capitol means that there is a high demand for human services from the community. 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. Human Services is committed to providing information about and creating access to fair, equitable and timely services. The focus is on prevention, reducing the need for future services, intervention and offering direct services when an individual or family is in need. Typically, services provided are paid for by the City and in part, reimbursed by various federal, state and local agencies, businesses and institutions. In FY13, the department achieved an all-time low for the number of children in foster care. More than \$1.6 million in grants was received to support services of homeless individuals, children, and victims of domestic violence.

Neighborhoods

The City understands attractive, healthy and safe neighborhoods contribute to the overall welfare of the community. Promoting the development of neighborhoods into vibrant and sustainable places for people of all ages, ethnicity, lifestyles, and income translates into a quality of life with broader economic effects such

as increasing property values. Community organizations in conjunction with law and code enforcement initiatives play an important role in preventing neighborhoods from becoming environments for crime, blight and other types of deterioration. Residents participating in these organizations are often more engaged in their communities, and, as such, provide a great link of communication between local government and residents. The City continues to support the development of neighborhoods and those who inhabit them. The number of active neighborhood organizations and watch groups increased across the city during 2013.

The City also continues to create opportunities for civic groups to enhance their neighborhood's quality of life by providing them with financial resources to undertake self-help projects through the Office of Neighborhood Services Neighborhood Development Grant Program. Funded by Community Development Block Grant (CDBG) and City General funds, various neighborhood groups throughout the City submitted grant applications in 2013 to undertake a variety of projects. These included the purchase and installation of Historic District Street sign toppers by the Mountain View neighborhood, restoration of historic stone walls and gargoyles at the entrance to the Melrose-Rugby neighborhood, and purchase and installation of bicycle route signage throughout the Old Southwest. Other projects included repair and replacement of neighborhood gateway signage, and creation of a history walk made up of eight interpretive panels to tell the story of the historic Gainsborough neighborhood. Through the Neighborhood Development Grant Program, neighborhood organization volunteers have the opportunity to build community spirit and pride, develop leaders within the neighborhood, and actively participate in the enhancement of their quality of life within their respective community. To support its neighborhoods, the City has adopted policies and programs that focus on revitalization and increasing homeownership opportunities. Revitalization efforts have housing, economic, human and neighborhood development dimensions.

The City uses an approach of targeting a neighborhood for CDBG funds in order to best leverage federal, local and in-kind contributions from public and private sources. Such projects include wide ranging elements such as infrastructure, housing, community gardening and recording the oral history of the neighborhood. The City's current focus is on the revitalization of the West End neighborhood, targeting funding and efforts, and encompassing parts of West End, Mountain View, and Old Southwest neighborhoods. As the City undertakes neighborhood projects, staff take into account existing neighborhood plans, conditions and needs, and seek to involve residents into the decision-making and evaluation processes.

The City recognizes the need to provide for a variety of City wide projects with federal and other resources. During the most recently completed fiscal year, the City's Down Payment Assistance Program enabled 42

more families to become homeowners in neighborhoods of their choosing. In addition to supporting the Neighborhood Development Grant program, CDBG funds were also used as match funding to enhance the city's HUD-funded Lead-Safe Roanoke program. The Lead-Safe program's 3-year goal is to create 80 lead safe residential housing units for children under the age of 6 while helping to reduce the number of lead poisoning incidents occurring in this vulnerable young population. CDBG and local City resources have contributed to neighborhood crime reduction, enhanced human services and other needs of residents.

Recreational and Outdoor Opportunities

The City is branded by its unique combination of urban amenities surrounded by significant natural beauty and outdoor and recreational activities. The Appalachian Trail and Blue Ridge Parkway surround the city. The Carvins Cove Natural Reserve provides nearly 13,000 acres of park land available for a wide variety of recreational uses. The City's greenway system continues to grow and develop, gaining favor with visitors as well as residents of the Roanoke Valley. More than 14 miles of paved trails currently exist with an additional 10 miles under development. The Lick Run, Tinker Creek, Murray Run, Mill Mountain, and Roanoke River greenways serve thousands of patrons annually. Additional green space is expected as a result of the Countryside Master Plan which outlines property uses including recreational, open space, and greenways.

Progress on the Elmwood Park improvement project continued during fiscal year 2013. Revitalization of the park included improvements to the performance area and infrastructure such as restrooms, food vending areas and seating. The goal of the project is to create a more welcoming environment by improving visibility and connecting the park to the surrounding streets and library, adding active play areas, beautifully landscaped paths, colorful gardens, community gathering areas and performance venues. A 4,500 seat amphitheater is a main feature of the park project. Elmwood Park's ribbon cutting was held in October 2013.

Roanoke was selected as a "Bicycle Friendly Community" by the League of American Bicyclists. There has been a diverse and growing number of cyclists and interest in bicycling in Roanoke. Bike shops in the community reported rising bike sales as the miles of pathways increased. There are numerous support organizations involved in biking education. RIDE Solutions (alternative transportation), National Mountain Bike Patrol, Pathfinders for Greenways and the Blue Ridge Bicycle Club sponsor weekly rides, competitive cycling events including a Junior Racing Team, The Roanoke International Mountain Biking Association (RIMBA), commuter information, and involvement in trail maintenance and development and safety support.

Arts and Cultural Activities

Arts and cultural opportunities abound in Roanoke through private sector opportunities such as the Taubman Museum of Art, the Jefferson Center for Performing Arts and others. The City places an emphasis on arts and culture. The Roanoke Civic Center and the City's public art program are two important components of arts and culture in Roanoke.

The Roanoke Civic Center continues to reach new successes each year under management by Global Spectrum which has been operating the City-owned facility since 2009. In fiscal 2013, the Civic Center hosted sold-out concerts for five major country music performers and reported the highest level of subscriptions sold in 20 years for its Broadway in Roanoke program.

Roanoke's public art program enhances the quality of life for Roanoke's citizens by creating a heightened sense of place and community identity and visually enhanced public space. In 2013, the City launched Parks and Arts, a new program developed to complement the Neighborhood Arts Initiative which fosters community interaction with innovative arts programming. The program was partially funded by an Our Town Grant from the National Endowment for the Arts.

Libraries

The City of Roanoke promotes lifelong learning for all citizens. The Library Master Plan includes projects to enhance the delivery of programs and services throughout the community. The City's libraries provide many resources to citizens including free computer training, free internet and free wireless access at all locations. In 2009, the City completed expansion and renovation of the Gainsboro and Jackson Park branch libraries and added e-Branch locations at Valley View Mall and at Garden City. Renovations are now underway at the Main Library. The renovations include dedicated and expanded teen, children and pre-school areas. New furniture, family restrooms, books, technology and four meeting rooms are highlights of Main's renovation. The mezzanine will be expanded to include additional space for adult services, computers and books. A children's mezzanine will provide a unique space for children's programs and activities. To connect the Library to the newly renovated Elmwood Park windows will be added to the back of the library, as well as a Reading Porch. A screened in porch will be added onto the front of the Library. Planning is underway for a major expansion and renovation of the Raleigh Court Branch Library in 2014. In 2013 over 10,000 children participated in the Library's Summer Reading Program and in 2012-2013 over 4,000 programs were offered to the public. Libraries support the public education programs of Roanoke City

Public Schools through the All America City Star City Reads initiative, Blue Ridge Literacy and the joint Summer Reading Camp.

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 proposals by the Virginia Department of Transportation for construction of improvements at two interchanges along I-581. Improvements at Elm Avenue will add capacity to both interstate exit ramps and is expected to relieve congestion during several hours of each day in the heart of the City's downtown. The project started during 2013, and work is expected to be completed by 2015.

Improvements at the existing Valley View Boulevard interchange will complete the existing partial interchange. This will improve access to and from the north to the retail area housing Best Buy, Target, PetSmart and other stores as well as provide access to approximately 150 acres to the south of Interstate 581 for new development. In April, City Council adopted the Evans Spring Area Plan. The plan was developed with the involvement of residents from the three neighborhoods surrounding the development area.

The City has worked diligently to address the transportation and parking needs of citizens and visitors in the downtown area. The Star Line Trolley is public transportation that serves the corridor of retail businesses, schools, libraries, restaurants, and lodging along Jefferson Street between the downtown area and Carilion Medical Center Campus.

Valley Metro transports Medicare card holders, persons age 65 or older, disabled persons, and youth ages 11 to 18 with a school-issued identification card at a discount rate of one half the regular fare. Youth ages 10 and younger ride free when accompanied by a paying adult passenger.

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

The City's public parking system in downtown includes seven garages and five surface lots. The parking systems offer competitive daily, weekly and monthly rates, and, at many locations, free after hours and weekend parking.

Environmental Leadership

The City's position of environmental leadership continues as evidenced by the receipt of a 'Platinum Certification' from the Virginia Municipal League Green Government Challenge 2013. 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.

In 2013, the Environmental Sustainability Management System (ESMS) was fully implemented, bringing with it various operating procedures and response protocols aimed at supporting the City's position of environmental leadership. The City reduced overall energy consumption by 11% between 2005 and 2012 though square footage of occupancy grew. Municipal greenhouse emissions dropped 15% in three years, outpacing City Council's goal of a 12.5% reduction in five years.

The City is committed to encouraging economic growth in green living housing and offers a 10% reduction in the real estate rate for five years following investments by home owners that increase energy efficiency. The City also offers a 10% credit to the personal property tax for qualifying clean special fuel vehicles.

Regional Cooperation

City leadership appreciates the importance of regional cooperation in promoting economic development and in operating governments as efficiently as possible. Roanoke area governments have achieved several important accomplishments along the lines of regional cooperation. These include formation of a Broadband Authority, the recent creation of Western Virginia Regional Industrial Facility Authority, and a partnership for use of the Police Academy by the City and Roanoke County. The Roanoke Valley has a number of successful regional ventures in place as detailed in the footnotes to these financial statements. These initiatives provide services to citizens in the areas of utilities, animal control and protection, public safety, transportation and others. The Roanoke Valley Consortium, of which the City is a member, obtains dental insurance for a large pool of valley employees and works collaboratively to explore purchasing opportunities for new benefit programs and/or services.

In May of 2012, the Roanoke Regional Partnership launched a \$3 million private sector campaign with an anticipatory \$3 million private sector match. The campaign goals include creating over 3,200 higher wage jobs and bringing \$200 million in capital investment to the area.

Future Challenges

The U.S. economy continues its rebound, and stock market performance has been strong in recent periods. Unemployment remains at a somewhat high level, though it has improved in the past year. On the national scene, housing activity has improved. For the first time in its history, the City experienced a slight decline of 1.2% in the assessed value of real property effective with fiscal year 2013, and this trend continued in fiscal year 2014 when assessments dropped 0.7%. Assessed values may experience little or no growth in the near term. Given the importance of real estate tax revenues to the City's budget, this will pose challenges for the City and School Board as a significant portion of school funding is derived from general property taxes.

Local taxes as adjusted again posted modest growth in fiscal 2013, stabilizing declines in the Real Property tax area. Growth is expected to continue in fiscal 2014, although consumer confidence may be negatively impacted by uncertainty stemming from the federal government shutdown of fall 2013 and its impact on the broader US economy. More and more, Federal and State governments are imposing mandates to local governments. Localities continue to be asked to do more with less. The challenge for local governments is how to maintain service levels with reduced available funding. The City regularly assesses the influence of economic factors and makes budgetary adjustments as necessary to minimize the impact to key services and ensure that the City continues to remain financially 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, 2012. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose content conforms to program standards. The CAFR must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory section of the CAFR.

A Certificate of Achievement is valid for a period of one year. The City of Roanoke has received a Certificate of Achievement for the last 38 consecutive years (fiscal years ended 1974 - 2012). 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, 2013. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device. The City has been a recipient of the Distinguished Budget Presentation Award for the last 28 consecutive years.

Other Awards and Recognitions

- Six-time recipient of the National Civic League's All America City award for the "Star City Reads" entry, a collaborative partnership among the City, School System and local partner organizations – no other city has achieved this distinction.
- Roanoke is a certified Crime Prevention Community, a one-of-a-kind program of recognition created by the Governor's Partnership Commission for Community Safety.
- The City's "Eat for Education" campaign received three awards from the Public Relations Society of America.
- The City's historic Market Building renovation received the Public Works Project of the Year award, a national recognition from the American Public Works Association (APWA), and a Gold award for its Public Relations Campaign in 2012 from the Public Relations Society Blue Ridge Chapter. The Market Building also received the City-County Communications & Marketing Association Savvy Award for "Marketing and Tools for Community Issues."
- Roanoke was named Second Place in the Digital Cities Survey (75,000 to 125,000 population class). The City has been recognized in the top 10 for the 13 consecutive years.
- Roanoke received one of the Government Finance Officers Association's national Awards for Excellence for its submission "Ensuring a Financially Sustainable Retirement Plan".
- Roanoke's Department of Public Works won the 2012 Safe and Sustainable Snow-fighting Award from the Salt Institute for excellence in environmental consciousness and effective management in the storage of winter road salt.
- The National Complete Streets Coalition recognized the City of Roanoke's Complete Street Policy as one of the nation's leading examples of safe, smart transportation policy according to its recent nationwide analysis.

- Harvard's Ash Center for Democratic Governance and Innovation recognized the City of Roanoke's initiative of applying Quick Response (QR) codes to building permit placards as one of its Bright Ideas in Government program.
- Roanoke's Fleet Management department was recognized as one of the best 100 fleets in North America.
- Roanoke City Manager Chris Morrill served as President of the Government Finance Officers Association of the U.S. and Canada during 2012 - 2013.
- Patrick Henry High School was named "One of Top High Schools in the United States" by Newsweek magazine for the second consecutive year.
- *Blue Ridge Outdoors* magazine recognized Roanoke as the 2012 Best Mid-Sized Mountain Town.
- *Virginia Living* magazine named Downtown Roanoke one of the "Best Shopping Areas" in Southwestern Virginia.

The preparation of this report would not have been possible without the efficient and dedicated services of the Department of Finance. We would like to express our appreciation to the staff of the Department of Finance for their dedication in assuring the financial integrity of the City and for preparing this report. 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,



Christopher P. Morrill

City Manager



Ann H. Shawver, CPA

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, 2012

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

Executive Director/CEO

CITY OF ROANOKE
DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2013

Members of City Council

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

Mayor
Vice-Mayor

Constitutional Officers

Brenda L. Hamilton
Octavia L. Johnson
Donald S. Caldwell
Evelyn W. Powers
Sherman A. Holland

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

City Council Appointed Officials

Christopher P. Morrill
Ann H. Shawver, CPA
Daniel J. Callaghan
Stephanie M. Moon
Troy A. Harmon, CPA

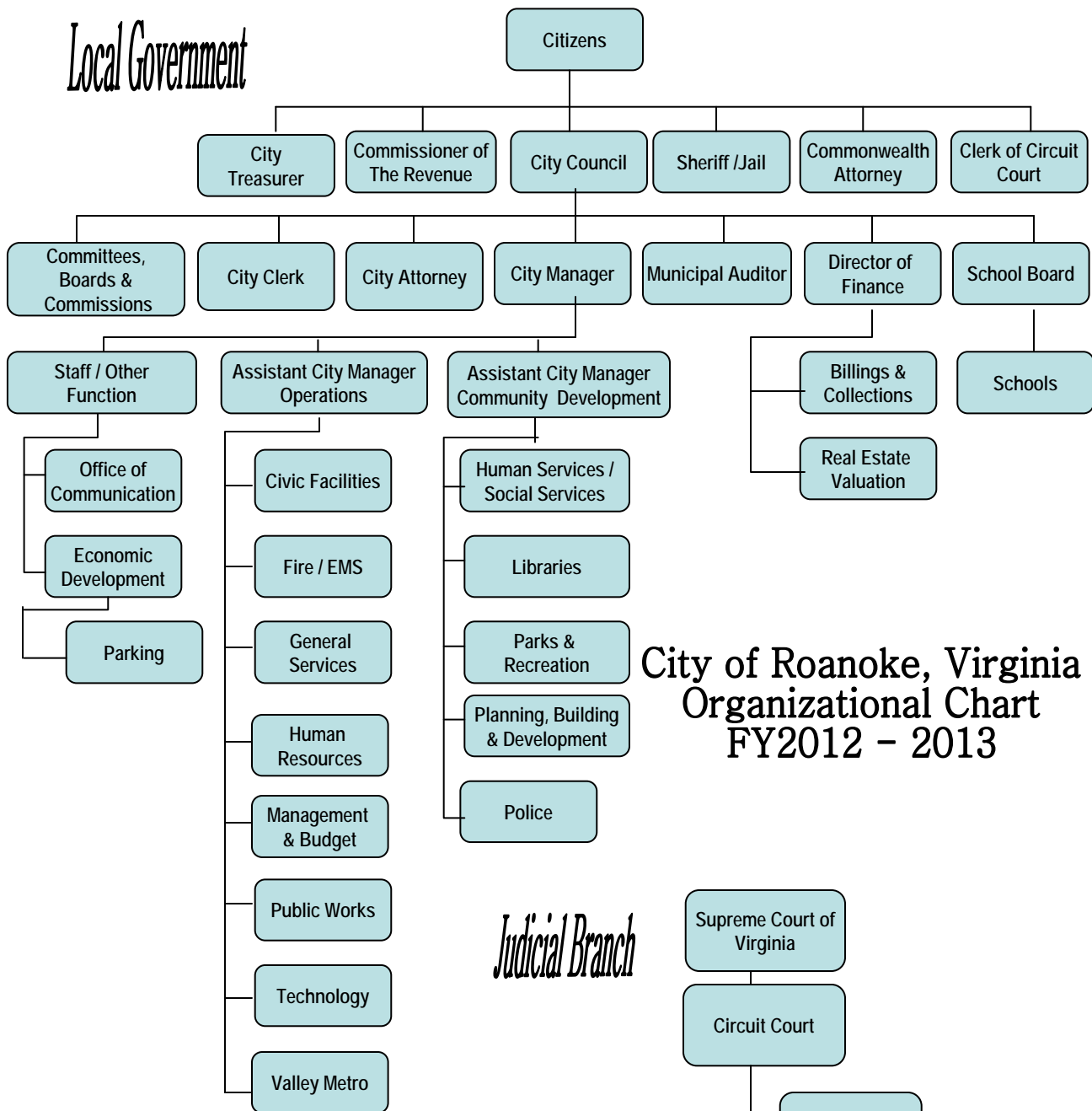
City Manager
Director of Finance
City Attorney
City Clerk
Municipal Auditor

Other City Officials

Sherman M. Stovall
R. Brian Townsend

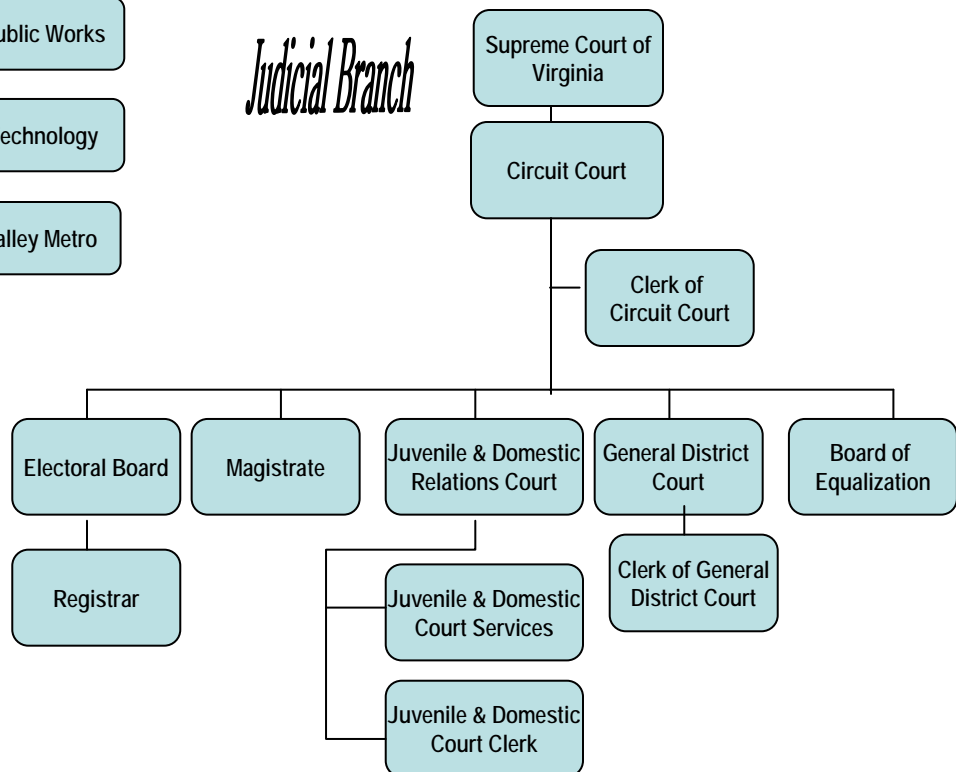
Assistant City Manager
Assistant City Manager

Local Government



City of Roanoke, Virginia Organizational Chart FY2012 - 2013

Judicial Branch



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

Independent Auditors' Report

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

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, 2013, 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 statements reflect total assets, total liabilities, and total net position constituting 100% of the total assets, total liabilities, and total net position of this discretely presented component unit as of June 30, 2013, and total revenues and total expenses constituting 100% of the total revenues and total expenses of this discretely presented component unit for the year then ended. We also did not audit certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, which statements reflect total assets constituting 1.4% and 3.2% of total assets, total liabilities constituting 2.1% and 4.8% of total liabilities, and total net position/fund balance constituting 0.5% and 1.4% of total net position/fund balance of the City's business-type activities and Civic Facilities fund, respectively, as of June 30, 2013, and total revenues constituting 31.6% and 54.0% of total revenues and total expenses constituting 38.8% and 67.8% of total expenses of the City's business-type activities and Civic Facilities fund, respectively, for the year then ended. The financial statements of the School Board and certain operations of the Civic Facilities fund were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the School Board and the amounts included for the Civic Facilities fund audited by other auditors are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those



standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 35 through 49, the Budgetary Comparison Schedule – General Fund, the Infrastructure Assets Under Modified Approach, the Schedules of Funding Progress, the Schedules of Employer Contributions, and the Notes to Budgetary Comparison Schedule – General Fund on pages 129 through 138 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.

Supplementary and 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 accompanying supplementary information listed as Supplementary Information in the Financial Section in the table of contents and the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, listed in the Single Audit Section in the table of contents, and the Introductory Section and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

KPMG LLP

November 25, 2013

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FINANCIAL SECTION

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**CITY OF ROANOKE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The following discussion and analysis of the City of Roanoke, Virginia's (the City's) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the preceding transmittal letter and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position, excluding those of its component units, on the government-wide basis, totaled \$401,274,731 at June 30, 2013. Of this amount, \$23,708,254 may be used to meet ongoing obligations to citizens and creditors; \$8,239,363 is restricted for debt service and other specific usage; and \$369,327,114 is attributable to the City's net investment in capital assets.
- Governmental activities of the City had expenses net of program revenues of \$192,603,113, which totaled \$7,439,392 less than the general revenues, net of transfers of \$200,042,505.
- At June 30, 2013, the City's governmental funds balance sheet reported total ending fund balances of \$51,406,623.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

changes in the City's property tax base and the condition of the City's infrastructure should also be considered in assessing the overall financial position of the City.

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 Civic Facilities and Parking operations are reported here as the City charges fees for services to customers.

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 begin on page 51 and provide detailed information about the most significant funds, not the City as a whole. The City has three types of funds:

Governmental funds – Most of the City's basic services are included in governmental funds. Fund-based financial statements focus on how resources flow into and out of those funds and the balances left at year-end that are available for future spending. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can readily be converted to cash. The governmental fund 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. The differences between governmental activities as reported in the government-wide and fund financial statements are reconciled in Exhibits D and F on pages 55 and 57, respectively.

Proprietary funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds, like the government-wide 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 Civic Facilities and Parking funds.

The City uses internal service funds, another type of proprietary fund, to report activities that provide supplies and services by one City department to other City departments on a cost reimbursement basis. Internal service fund rates are evaluated annually and adjusted as

considered necessary with the goal of providing adequate revenues to cover operating and capital expenditures on an ongoing basis. Funds included in this category are Department of Technology, Fleet Management, and Risk Management.

Internal service fund activities are reported as governmental activities on the government-wide 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 post-employment 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. Agency funds are custodial in nature and do not involve measurement of results of operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

Summary of Net Position as of June 30, 2013 and 2012 (In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 112.9	\$ 108.1	\$ 4.1	\$ 3.2	\$ 117.0	\$ 111.3
Capital assets, net	537.1	540.0	59.2	60.8	596.3	600.8
Total assets	650.0	648.1	63.3	64.0	713.3	712.1
Other liabilities	23.1	50.8	1.1	2.7	24.2	53.5
Long-term liabilities	260.7	238.6	27.1	26.2	287.8	264.8
Total liabilities	283.8	289.4	28.2	28.9	312.0	318.3
Net Position:						
Net investment in capital assets	335.6	329.5	33.7	34.2	369.3	363.7
Restricted	8.3	-	-	-	8.3	-
Unrestricted	22.3	29.2	1.4	0.9	23.7	30.1
Total net position	\$ 366.2	\$ 358.7	\$ 35.1	\$ 35.1	\$ 401.3	\$ 393.8

The City's Primary Government combined net position increased from \$393.8 million to \$401.3 million as a result of the increase in net position of governmental activities of \$7.5 million. The increase is a result of increases in capital asset investment and restricted debt funding, partially offset by a reduction of unrestricted net position. 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 \$8.3 million and is restricted for debt service and bond funding for future capital projects. Unrestricted net position, the portion that can be used to finance the day-to-day operations of the City, totaled \$23.7 million. Net investment in capital assets, totaled \$369.3 million and represented the amount of capital assets owned by the City, including infrastructure, net of accumulated depreciation.

Summary of Changes in Net Position:

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

Summary of Changes in Net Position For the Years Ended June 30, 2013 and 2012 (In Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for services	\$ 14.1	\$ 13.2	\$ 6.0	\$ 5.9	\$ 20.1	\$ 19.1
Operating grants and contributions	64.2	64.5	-	-	64.2	64.5
Capital grants and contributions	2.2	3.7	-	-	2.2	3.7
General Revenues:						
Property taxes	103.4	105.6	-	-	103.4	105.6
Local portion of state sales tax	19.4	19.1	-	-	19.4	19.1
Business and professional occupational license taxes	12.1	11.8	-	-	12.1	11.8
Utility taxes	9.8	9.6	-	-	9.8	9.6
Prepared food and beverage taxes	13.7	17.2	-	-	13.7	17.2
Commonwealth share-personal property taxes	8.1	8.1	-	-	8.1	8.1
Cigarette taxes	2.4	2.5	-	-	2.4	2.5
Transient room taxes	3.4	3.0	-	-	3.4	3.0
Telecommunications taxes	7.1	7.1	-	-	7.1	7.1
Motor vehicle license tax	2.1	2.1	-	-	2.1	2.1
Local Aid to Commonwealth	(1.1)	(1.4)	-	-	(1.1)	(1.4)
Other	4.4	4.4	-	-	4.4	4.4
Payment from Component Unit	15.9	16.4	-	-	15.9	16.4
Interest and investment income	1.4	1.1	-	0.1	1.4	1.2
Special Item: Donated Asset	-	43.3	-	-	-	43.3
Total Revenues	\$ 282.6	\$ 331.3	\$ 6.0	\$ 6.0	\$ 288.6	\$ 337.3

(Continued)

Summary of Changes in Net Position (Continued)
For the Years Ended June 30, 2013 and 2012
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Expenses						
General Government	\$ 14.0	\$ 15.2	-	-	\$ 14.0	\$ 15.2
Judicial Administration	8.7	8.8	-	-	8.7	8.8
Public Safety	66.9	69.9	-	-	66.9	69.9
Public Works	27.8	28.7	-	-	27.8	28.7
Health and Welfare	37.5	41.1	-	-	37.5	41.1
Parks, Recreation and Cultural	10.9	13.3	-	-	10.9	13.3
Community Development	11.4	9.5	-	-	11.4	9.5
Greater Roanoke Transit Company	1.7	1.7	-	-	1.7	1.7
Education	79.0	83.1	-	-	79.0	83.1
Economic Development	3.1	2.0	-	-	3.1	2.0
Interest and Fiscal Charges	12.0	11.5	-	-	12.0	11.5
Civic Facilities	-	-	4.6	4.5	4.6	4.5
Parking	-	-	3.4	3.5	3.4	3.5
Other	0.1	-	-	-	0.1	-
Total Expenses	273.1	284.8	8.0	8.0	281.1	292.8
Increase (Decrease) in Net Position before Transfers	9.5	46.5	(2.0)	(2.0)	7.5	44.5
Transfers	(2.0)	(2.0)	2.0	2.0	-	-
Increase in Net Position	7.5	44.5	-	-	7.5	44.5
Total Net Position, Beginning	358.7	314.2	35.1	35.1	393.8	349.3
Total Net Position, Ending	<u><u>\$ 366.2</u></u>	<u><u>\$ 358.7</u></u>	<u><u>\$ 35.1</u></u>	<u><u>\$ 35.1</u></u>	<u><u>\$ 401.3</u></u>	<u><u>\$ 393.8</u></u>

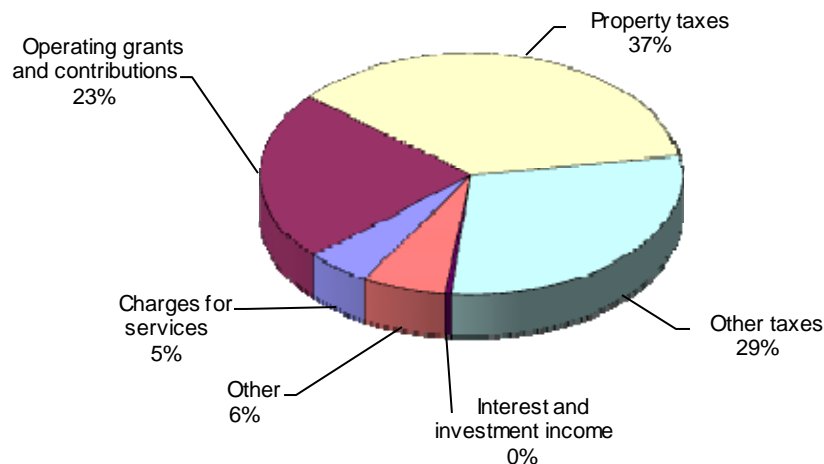
The net position of governmental activities increased \$7.5 million during 2013. Significant current year activities affecting net position include:

- An increase in restricted net position of \$8.3 million as a result of the classification of debt service and bond funding for capital assets as restricted.
- The performance of general revenues was impacted by real estate reassessments and the prepared food and beverage tax rate reduction from 7.0% to 5.0% effective July 1, 2013. Total property tax revenue decreased 0.4%. Other local taxes such as sales, business license and transient occupancy increased slightly as local economic conditions continue to improve. In its entirety, the City's local taxes decreased 1.9%.
- The City continued to maintain and implement financial controls to ensure expenditures of general government programs were contained well within budget. Staffing levels were reduced based on program changes, planned departmental budget reductions were maintained and enabled the City to complete the year well within the budget.
- The City funded the OPEB Trust at an amount above the minimum required contribution and thus recognized an asset in the governmental Statement of Net Position of \$0.5 million.

• The net position of business-type activities remained relatively flat during 2013. Current year activities affecting net position include:

- The Parking Fund net position remained relatively stable with a slight decrease in operating income.
- The Civic Center Fund net position remained stable due to a transfer from the General Fund of \$2.0 million.

Revenues generated for governmental activities are presented below by category:



The property tax classification, which comprises approximately 37% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, and public service corporation taxes. Real estate tax revenue, the largest source of revenue for the City, totaled \$80.1 million. The assessed value of real property in the City decreased slightly (1.02%) for the 2013 calendar year as a result of reassessments.

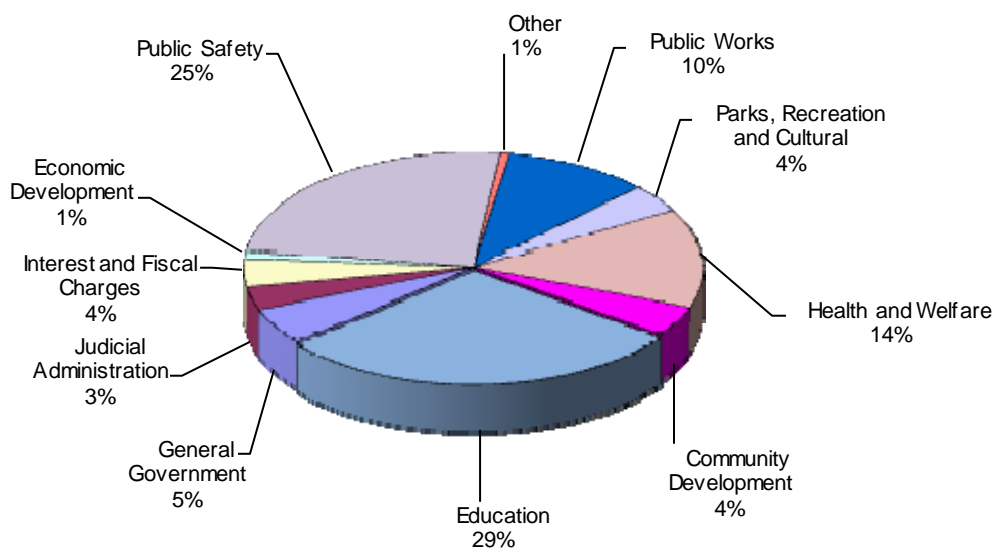
Personal property tax revenue, including the Commonwealth share, totaled \$31.4 million. The revenue received locally from citizens totaled \$23.3 million. Funding from the Commonwealth under its amended Personal Property Tax Relief Act (PPTRA) program provided revenue totaling \$8.1 million. Revenue from the Commonwealth provided relief of 59.89% on the first \$20,000 in vehicle value for the current fiscal year and is included in the other taxes category.

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

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

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



Education expenses comprise 29% of governmental activities. Funding of \$73.9 million was provided to the Roanoke City School Board to support School 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 are included in this category, along with expenses of Emergency Medical Services, Communications (E911 Call Center), and the cost of juvenile justice programs.

Public Works and Health and Welfare expenses comprised approximately 10% and 14%, respectively, of governmental activities expenses. Expenses for Solid Waste Management, Building Maintenance, Street Paving, and Street Maintenance are included in the Public Works category. The Comprehensive Services Act and social services programs were the majority of expenses reported in the Health and Welfare category.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2013, the governmental funds reflect a total fund balance of \$51,406,623. Approximately \$26.1 million of this amount constitutes unassigned fund balance and consists of the Undesignated General Fund Reserve. The Reserve provides the City with sufficient working capital and margin of financial safety to address unforeseen, one-time expenditure emergencies or declines in revenues for which there is no other budgetary resource or other designations of fund balance available to satisfy the funding need. Committed fund balance of approximately \$17.1 million consists of funding for outstanding purchase commitments and future years' capital project expenditures. The remaining fund balance of approximately \$8.2 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 GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The application of this standard categorizes fund balance into five classifications based upon constraints placed on the use of resources. See Note 1 of the Notes to the financial statements for additional information on the fund balance categories.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund unassigned fund balance was \$26.1 million while the total fund balance was \$27.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 10.3% of the total General Fund expenditures and other financing uses, while total fund balance represents 10.9% of that same amount.

The General Fund begins each fiscal year with budgeted revenue and expenditure amounts that are equal. During the year, encumbrances unpaid at the end of the prior year are liquidated, increasing expenditures. Other budgetary adjustments are made to recognize additional sources and uses of funding or to accept donations. During the fiscal year ended June 30, 2013, the fund balance of the General Fund increased by \$0.5 million. The committed balance to cover outstanding purchase commitments at the end of the year increased from 2012 to 2013 while the unassigned fund balances grew as a result of revenues in excess of expenditures.

Local taxes decreased by 1.9% compared to last year. Real estate taxes, the City's largest single source of revenue, decreased by 0.9% due to reassessments related to housing market declines.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$62.5 million in fiscal year 2013. The Commonwealth is the primary source of Intergovernmental revenue; providing revenue for social services programs, street maintenance funds, and law enforcement funding received under House Bill 599.

In fiscal year 2013, reductions in Commonwealth supported social service revenues were a result of a decrease in reimbursable foster care expenditures. The total reduction in funding from the Commonwealth in fiscal year 2013 compared to fiscal year 2012 was approximately \$1.1 million or 1.8%. This reduction in revenue is a result of a corresponding decrease in expenditures as the City did not fund these foster care services.

The Capital Projects Fund balance increased \$1.8 million. Contributing to the increase of the fund were revenues from the Army Corps of Engineers related to a reimbursement of Roanoke River Flood Reduction project costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual General Fund Revenues were \$1.8 million or 0.7% higher than the original budgeted revenues, but fell short of the final budgeted revenues by \$0.5 million or 0.2%. Changes to the revenue budget late in the year narrowed the gap between actual revenue performance and the final budget estimate. The General Fund revenue decrease was driven by lower reimbursement-based intergovernmental revenues.

In the local tax area, real estate, personal property, sales, meals and transient occupancy taxes exceeded budget. Economic conditions have improved over the last several years and as a result led to increases in several of the local tax estimates for fiscal year 2013 which were achieved.

The intergovernmental revenue performance was driven by a reduction in foster care costs at the local level. Accordingly, as reimbursable foster care expenditures were reduced, associated foster care revenues were also reduced.

General Fund expenditures and transfers were greater than the original budget by \$1.2 million or 0.5% due to supplemental appropriations, but were less than the final amended budget by \$2.2 million or 0.8%. Efforts were focused on managing the City's expenditures. Spending at the departmental level was closely monitored during the fiscal year, and policies centered on maximizing savings were continued.

During fiscal year 2013, 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, 2012 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, 2012 totaled \$1.1 million.
- To appropriate excess local revenues over expenditures to capital funding and the Risk Reserve of \$2.1 million.

CAPITAL ASSETS

As of June 30, 2013, the City's capital assets for its governmental and business-type activities amounted to \$596,290,317 net of accumulated depreciation. This investment includes land, historical treasures, construction in progress, land improvements, buildings and structures, equipment and infrastructure. The City's capital assets decreased year over year by \$4.5 million or 0.8% related to the disposition of assets in the buildings and structure category.

The following table shows summarized balances of major categories of capital assets as of June 30, 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	Balance	Balance	Balance	Balance	Balance	Balance
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Land and Improvements	46.4	\$ 46.7	\$ 3.6	\$ 3.6	\$ 50.0	\$ 50.3
Buildings and Improvements	260.2	263.2	54.9	56.6	315.1	319.8
Equipment	26.6	26.8	0.6	0.6	27.2	27.4
Infrastructure	190.7	189.7	-	-	190.7	189.7
Construction in Progress	12.6	13.0	0.1	-	12.7	13.0
Historical Treasures	0.6	0.6	-	-	0.6	0.6
Total	<u>\$ 537.1</u>	<u>\$ 540.0</u>	<u>\$ 59.2</u>	<u>\$ 60.8</u>	<u>\$ 596.3</u>	<u>\$ 600.8</u>

Detailed information regarding capital assets is disclosed in Note 5 of the Notes to the financial statements.

LONG-TERM DEBT

At June 30, 2013, the City's long-term liabilities, excluding compensated absences and claims payable, totaled \$256,270,430, comprised of \$229,184,901 related to governmental activities, and \$27,085,529 related to business-type activities. Total debt decreased by \$11,649,140 during the fiscal year. Changes in long-term debt during fiscal year 2013 resulted from payment of principal on existing debt, issuance of the General Obligation Public Improvement New Money and Refunding Bonds, Series 2013A, and General Obligation Public Improvement and Refunding Bonds, Series 2013B. Series 2013A bonds were used to finance capital requirements for school improvement projects, parks and recreation improvement projects, stormwater management projects, public bridge renovation projects, renovations to the Roanoke Civic Center, the Digital Radio Project, curbs, gutter and sidewalk improvement projects, streetscape improvement projects, and public libraries projects. Series 2013A Bonds were also used to refund a portion of outstanding Series 2006A bonds and Series 2008 bonds. Series 2013B bonds were used to refund a portion of outstanding Series 2003 bonds, Series 2004 bonds, Series 2004A bonds, Series 2005 bonds and Series 2006B bonds. The City realized present value savings of \$2.2 million in the refunding portions of the Series 2013A and 2013B Bonds.

The City's most recent ratings obtained in February 2013 were AA+ and AA from Fitch Ratings and Standard & Poor's Ratings Services, respectively.

The Charter of the City of Roanoke and Code of Virginia limits the City's net debt to 10% of the assessed valuation of real estate within the City limits. The limit applies to tax supported debt paid by the governmental funds. Long-term liabilities of business-type funds will be met by revenues generated by those funds. The City considers long-term debt of its Parking

Enterprise Fund to be self-supporting. Additionally, in accordance with its contractual agreement with the Western Virginia Water Authority, the City will receive funding from the Authority toward \$13,389,900 of general obligation debt. The City's tax-supported debt of \$225,496,635 less the Debt Service Fund Balance of \$1,493,056 designated for the repayment of debt service is well below the legal debt limit of \$672,516,886.

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

Interest and fiscal charges for 2013 were \$10,112,971, or 3.5% of total governmental funds' expenditures.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's Metropolitan Statistical Area (MSA) unemployment rate, not seasonally adjusted, was 6.3% as of June 30, 2013. Consistent with trends at the state level, this represents a decrease of 0.2% from the prior year. The City's MSA unemployment rate was above the state unemployment rate of 5.9% but below the national unemployment rate of 7.8%. Employment in Roanoke is diverse with representation within the MSA of all census-defined industries. The industries providing the largest number of jobs in the region are health care and social assistance.

Roanoke's income levels trail the state and national averages; however, they compare quite well when adjusted for the cost of living. Fiscal year 2013 financial performance was indicative of an improving local economy. However, the City anticipates lingering effects of the economic downturn as the local real estate market remains depressed and the volume of property sales remains at lower than normal levels.

The City's General Fund revenue decreased in 2013 by 1.5% primarily due to real estate reassessments and the 2.0% reduction of the food and beverage tax rate. These were offset by increases in various other local taxes and interest and investment income. With tight expenditure controls, the City was able to fund additional capital projects in the public safety and public works areas as well as add to the risk management reserve. In addition, the General Fund unassigned fund balance was increased by \$0.1 million maintaining the requisite funding level according to the City's reserve policy.

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

Housing values have remained stable for Roanoke longer than other localities around the state but in fiscal year 2013, fell 2.0% to an average assessed value of \$127,200. The volume of commercial construction permits increased slightly although the value of permits issued in 2013 increased by 77.4% compared to 2012. The value of residential construction permits increased 41.9% in 2013 compared to 2012. This vast improvement in the Construction sector is another indication of an improving local economy.

The Commonwealth of Virginia (the Commonwealth) implemented a number of budget reduction strategies in fiscal year 2012 in response to the slow economic recovery. Among these budget reduction strategies approved by the General Assembly, were changes impacting the funding for localities participating in the Virginia Retirement System (VRS). Employees of the City of Roanoke Sheriff's Department and the School Board of the City of Roanoke participate in the Virginia Retirement System.

The VRS Board of Trustees approved changes to certain actuarial assumptions in fiscal year 2012 resulting in an increase in funding rates for participating localities. The General Assembly deferred the pension contribution rate increases request by the VRS Board of Trustees, and similarly allowed participating school divisions and political subdivisions the opportunity to defer their share of the increase in the contribution rate. The enabling legislation requires that the impact of the deferral of the rate increase be replenished beginning in fiscal year 2013 and continuing until fully replenished in fiscal year 2021. The School Board of the City of Roanoke elected to defer the rate increase. Ultimately, it is likely that there will be significant increases in the School Board's costs in order to meet the future payment obligations required of the VRS Plan.

In addition to the deferral of contribution rate increases, the General Assembly approved legislation requiring contributions from employees of school divisions and political subdivisions, on a salary reduction basis, where previously, the school division or political subdivision paid the member contributions on behalf of the employee. The legislation further required that the participating school division or political subdivision provide an offsetting pay increase equal to the required employee contribution. The legislation provided for a "phase in" option with a minimum 1% member contribution to be implemented over the next 5 years to reach the required 5% member contribution level by fiscal year 2017.

During fiscal year 2013, the School Board of the City of Roanoke implemented the phase in option requiring a 1% member contribution with an offsetting 1% salary increase. The City of Roanoke implemented the full 5% required employee contribution and offsetting pay increase effective July 1, 2013 for employees of the City of Roanoke Sheriff's Department. The implementation of the required employee contribution and shared-cost of retirement benefits will result in long-term savings for both the City of Roanoke and the School Board.

In 2013, the City decreased funding of education due to the elimination of the Eat For Education program which designated 2.0% of the City's prepared food and beverage tax for educational purposes. The tax rate was increased from 5.0% to 7.0% for a period of two years, but reverted on July 1, 2012 to 5.0%. During the two year period the tax was in effect, the City provided an additional \$9.5 million in education funding. Adjusting for the effect of the elimination of the program, the City increased funding to the Schools by 0.6% in 2013 compared to fiscal year 2012. The increase was provided by better than estimated performance in local tax revenues.

Fiscally responsible budgeting for 2013 provided for expanded programming levels for services compared to prior years despite the reduction in real estate and food and beverage taxes. Programming levels were increased in the priorities of Livability and Infrastructure offset by the decrease in Social Services for the reimbursement of foster care expenditures.

The General Fund adopted budget for 2014 increased by 2.8% compared to the fiscal year 2013 adopted budget. Local taxes comprise 69.2% of all budgeted fiscal year 2014 General Fund revenues, and the budget for this category increased approximately 2.8% compared to the fiscal year 2013 adopted budget. For fiscal year 2014, growth is projected in personal property, sales, business license, transient occupancy and food and beverage taxes. Funding from the Commonwealth is projected to be relatively flat and funding to Schools increased an estimated 2.4%.

In fiscal 2014, the City will implement the next phase of its award winning (GFOA, 2013) pension reform plan. This phase consists of the establishment of a 401(h), Retirement Health Savings Account (RHSA) for all current and future employees with a required 1.0% employee contribution. Employees hired prior to July 1, 2014 who have accumulated or will accumulate 20 years of service are eligible to receive a supplemental retirement benefit until the age of 65. Those employees were provided the option of retaining the supplement or foregoing the supplement and receiving a 1.0% matching contribution by the City to the employee's RHSA. The City will provide a 1.0% salary increase to all current employees to offset the required 1.0% employee contribution as well as a 1.0% match for those employees opting out of the retirement supplement. Employees hired on or after July 1, 2014 are automatically enrolled in the RHSA plan and receive the City paid 1.0% match.

As the City looks ahead toward fiscal 2015, another challenging budget process is anticipated. Strategic focus areas include providing capital investment to maintain City assets and operations, increased local funding of state mandated programs as state funding is reduced and funding of employee health care and compensation costs. The priorities are challenging given the potential of lower local revenues due, in part, to reduced assessments of real estate property.

The real estate market in the City has continued to lag during the past year. In addition, the ratio of assessed value to sales price has continued to rise which indicates a potential need to lower assessed values of real property in some areas again for the second consecutive year. The City is monitoring the situation carefully and expects information prior to the beginning of the budgeting process for fiscal year 2015. 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 slowly rebounding from the recession. Local taxes indicate increased economic activity. Management believes that the current fiscal 2014 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.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional information should be directed to the Director of Finance, PO Box 1220, Roanoke, Virginia 24006, telephone (540) 853-2821 or email finance@roanokeva.gov. The City's website address is www.roanokeva.gov.

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CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	GRTC
Assets					
Cash and Cash Equivalents	\$ 56,163,154	\$ 3,342,810	\$ 59,505,964	\$ 38,804,757	\$ 710,177
Investments	15,552,043	442,556	15,994,599	-	-
Interest and Dividends Receivable	27,335	-	27,335	-	-
Due from City of Roanoke	-	-	-	2,025,855	-
Due from Other Governments	22,583,583	481	22,584,064	6,310,466	788,552
Internal Balances	19,686	(19,686)	-	-	-
Taxes and Accounts Receivable, Net	16,412,712	72,095	16,484,807	135,987	74,152
Note Receivable	974,188	-	974,188	-	-
Inventory	77,933	-	77,933	-	468,055
Other Assets	552,026	327,971	879,997	1,197,464	151,051
OPEB/LODA Prepayment	491,400	-	491,400	-	-
Capital Assets:					
Land, Construction in Progress, Right-of-Way, and Historical Treasures	124,752,903	3,711,047	128,463,950	-	720,724
Other Capital Assets, Net	412,366,927	55,459,440	467,826,367	2,760,872	10,110,647
Capital Assets, Net	537,119,830	59,170,487	596,290,317	2,760,872	10,831,371
Total Assets	\$ 649,973,890	\$ 63,336,714	\$ 713,310,604	\$ 51,235,401	\$ 13,023,358
Liabilities					
Accounts Payable and Accrued Expenses	12,837,468	298,539	13,136,007	4,294,117	1,024,834
Accrued Interest Payable	3,734,662	350,378	4,085,040	-	-
Due to Component Unit	1,960,949	-	1,960,949	-	-
Due to Other Governments	205,900	63,628	269,528	-	-
Unearned Revenue	3,750,988	-	3,750,988	614,434	194,812
Other Liabilities	590,170	381,789	971,959	-	-
Long-term Liabilities Due Within One Year	31,411,535	1,668,669	33,080,204	6,214,972	-
Long-term Liabilities Due in More Than One Year, Net	229,329,903	25,451,295	254,781,198	5,162,614	-
Total Liabilities	283,821,575	28,214,298	312,035,873	16,286,137	1,219,646
Net Position					
Net Investment in Capital Assets	335,651,602	33,675,512	369,327,114	2,760,872	10,831,371
Restricted for:					
Debt Service	1,493,056	-	1,493,056	-	-
Other Purposes	6,746,307	-	6,746,307	-	-
Unrestricted	22,261,350	1,446,904	23,708,254	32,188,392	972,341
Total Net Position	\$ 366,152,315	\$ 35,122,416	\$ 401,274,731	\$ 34,949,264	\$ 11,803,712

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 14,036,094	\$ 4,408,777	\$ 1,013,052	\$ 829,493
Judicial Administration	8,704,405	3,820,609	8,159,639	-
Public Safety	66,852,582	4,952,127	9,020,564	-
Public Works	27,835,679	381,886	12,743,476	923,938
Health and Welfare	37,453,267	40,111	28,070,303	-
Parks, Recreation and Cultural	10,908,904	342,005	282,949	415,242
Community Development	11,398,126	146,061	4,911,312	-
Greater Roanoke Transit Company	1,654,105	-	-	-
Education	79,011,455	-	-	-
Economic Development	3,079,428	-	-	-
Other	83,466	-	-	-
Interest and Fiscal Charges	12,047,146	-	-	-
Total Governmental Activities	273,064,657	14,091,576	64,201,295	2,168,673
Business-Type Activities:				
Civic Facilities	4,581,203	2,701,142	-	-
Parking	3,454,022	3,365,930	-	-
Total Business-Type Activities	8,035,225	6,067,072	-	-
Total Primary Government	\$ 281,099,882	\$ 20,158,648	\$ 64,201,295	\$ 2,168,673
Component Unit:				
School Board of the City of Roanoke	\$ 177,111,189	\$ 5,404,395	\$ 44,492,512	\$ -
Greater Roanoke Transit Company	\$ 11,003,786	\$ 2,141,808	\$ -	\$ -

General Revenues:

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

Total Net Position at Beginning of Year**Total Net Position at End of Year**

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

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	School Board	GRTC
\$ (7,784,772)	\$ -	\$ (7,784,772)	\$ -	\$ -
3,275,843	-	3,275,843	-	-
(52,879,891)	-	(52,879,891)	-	-
(13,786,379)	-	(13,786,379)	-	-
(9,342,853)	-	(9,342,853)	-	-
(9,868,708)	-	(9,868,708)	-	-
(6,340,753)	-	(6,340,753)	-	-
(1,654,105)	-	(1,654,105)	-	-
(79,011,455)	-	(79,011,455)	-	-
(3,079,428)	-	(3,079,428)	-	-
(83,466)	-	(83,466)	-	-
(12,047,146)	-	(12,047,146)	-	-
(192,603,113)	-	(192,603,113)	-	-
-	(1,880,061)	(1,880,061)	-	-
-	(88,092)	(88,092)	-	-
-	(1,968,153)	(1,968,153)	-	-
\$ (192,603,113)	\$ (1,968,153)	\$ (194,571,266)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (127,214,282)	\$ -
\$ -	\$ -	\$ -	\$ -	\$ (8,861,978)
\$ 103,429,235	\$ -	\$ 103,429,235	\$ -	\$ -
19,437,336	-	19,437,336	-	-
12,063,755	-	12,063,755	-	-
9,812,703	-	9,812,703	-	-
13,737,840	-	13,737,840	-	-
8,075,992	-	8,075,992	-	-
2,431,242	-	2,431,242	-	-
3,391,403	-	3,391,403	-	-
7,115,248	-	7,115,248	-	-
2,069,531	-	2,069,531	-	-
574,384	-	574,384	-	-
2,579,933	-	2,579,933	-	246,174
-	-	-	51,367,376	-
-	-	-	73,870,214	-
15,928,396	-	15,928,396	-	-
-	-	-	15,809	6,607,127
1,380,818	-	1,380,818	68,365	-
-	-	-	1,176,318	-
-	-	-	-	385,026
(1,985,311)	1,985,311	-	-	-
\$ 200,042,505	\$ 1,985,311	\$ 202,027,816	\$ 126,498,082	\$ 7,238,327
7,439,392	17,158	7,456,550	(716,200)	(1,623,651)
358,712,923	35,105,258	393,818,181	35,665,464	13,427,363
\$ 366,152,315	\$ 35,122,416	\$ 401,274,731	\$ 34,949,264	\$ 11,803,712

**CITY OF ROANOKE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 15,991,159	\$ 1,583,706	\$ 1,381,321	\$ 19,676,975	38,633,161
Investments	4,992,240	-	-	3,947,688	8,939,928
Interest and Dividends Receivable	15,861	-	-	4,289	20,150
Due from Other Governments	9,029,544	-	164,139	-	9,193,683
Due from Other Funds	52,497	403	161	1,264,867	1,317,928
Taxes Receivable	17,484,144	-	-	-	17,484,144
Accounts Receivable	5,201,016	-	58,037	62,066	5,321,119
Allowance for Uncollectible Receivables	(6,451,578)	-	-	-	(6,451,578)
Deferred Charges	92,111	-	-	46,152	138,263
Total Assets	\$ 46,406,994	\$ 1,584,109	\$ 1,603,658	\$ 25,002,037	\$ 74,596,798
LIABILITIES					
Accounts Payable and Accrued Expenditures	\$ 9,775,893	\$ 68,106	\$ 721,835	\$ 1,024,632	\$ 11,590,466
Due to Other Governments	126,402	-	79,498	-	205,900
Due to Other Funds	4,307,187	22,947	866	-	4,331,000
Due to Component Unit	274,461	-	-	1,686,488	1,960,949
Deferred Revenue	4,300,401	-	801,459	-	5,101,860
Total Liabilities	18,784,344	91,053	1,603,658	2,711,120	23,190,175
FUND BALANCES					
Restricted	-	1,493,056	-	6,746,307	8,239,363
Committed	1,562,056	-	-	15,544,610	17,106,666
Unassigned	26,060,594	-	-	-	26,060,594
Total Fund Balance	27,622,650	1,493,056	-	22,290,917	51,406,623
Total Liabilities and Fund Balance	\$ 46,406,994	\$ 1,584,109	\$ 1,603,658	\$ 25,002,037	\$ 74,596,798

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, 2013

Total Fund Balance - Governmental Funds \$ 51,406,623

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	738,134,536	
Less: accumulated depreciation	<u>(224,238,052)</u>	513,896,484

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

Bond issuance costs and deferred amounts on refunding	16,600,453	
Less: accumulated amortization	(7,600,775)	
Note Receivable - Hotel Roanoke, LLC	974,188	
Receivable from Western Virginia Water Authority	<u>13,389,900</u>	23,363,766

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. 1,745,797

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

Governmental bonds payable	(216,051,545)	
Capital lease obligation	(3,782,784)	
Bond premium	(16,828,946)	
Accumulated amortization of bond premium	4,634,469	
Compensated absences payable	(5,878,177)	
Accrued interest payable	<u>(3,654,122)</u>	(241,561,105)

Internal service funds are used by management to charge the costs of
certain activities to individual funds. The assets, liabilities and net position of
the internal service funds are included with governmental activities in the
Statement of Net Position. 17,300,750

Total Net Position of Governmental Activities \$366,152,315

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, 2013

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Local Taxes	\$ 178,073,456	\$ -	\$ -	\$ -	\$ 178,073,456
Permits, Fees and Licenses	966,903	-	-	-	966,903
Fines and Forfeitures	1,439,961	-	-	-	1,439,961
Rental Income	111,834	-	-	-	111,834
Investment Income	38,471	-	3,583	51,237	93,291
Intergovernmental	62,464,181	20,670,962	9,406,331	1,297,745	93,839,219
Charges for Services	10,919,251	-	-	-	10,919,251
Miscellaneous	578,333	282,824	330,722	1,723,928	2,915,807
Total Revenues	254,592,390	20,953,786	9,740,636	3,072,910	288,359,722
EXPENDITURES					
Current Operating:					
General Government	12,841,798	-	222,855	-	13,064,653
Judicial Administration	8,086,630	-	240,529	-	8,327,159
Public Safety	61,896,070	-	1,952,794	-	63,848,864
Public Works	23,842,020	-	-	-	23,842,020
Health and Welfare	34,908,498	-	1,894,051	-	36,802,549
Parks, Recreation and Cultural	9,365,870	-	181,653	-	9,547,523
Community Development	6,176,126	-	4,653,444	-	10,829,570
Greater Roanoke Transit Company	1,654,105	-	-	-	1,654,105
Education	73,870,214	-	-	-	73,870,214
Debt Service:					
Principal Retirement	-	24,523,873	-	-	24,523,873
Interest and Paying Agent Charges	-	9,522,590	-	-	9,522,590
Bond Issuance Cost	-	590,381	-	-	590,381
Capital Outlays	-	-	-	15,291,837	15,291,837
Total Expenditures	232,641,331	34,636,844	9,145,326	15,291,837	291,715,338
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,951,059	(13,683,058)	595,310	(12,218,927)	(3,355,616)
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	-	-	-	12,269,104	12,269,104
Issuance of Refunding Bonds	-	24,870,000	-	-	24,870,000
Payment to Refunded Bond Escrow Agent	-	(28,239,596)	-	-	(28,239,596)
Premium on Sale of Bonds	-	2,165,563	-	-	2,165,563
Transfers In	81,916	15,062,593	417,519	1,865,450	17,427,478
Transfers Out	(21,495,122)	-	(1,012,829)	(124,820)	(22,632,771)
Total Other Financing Sources (Uses)	(21,413,206)	13,858,560	(595,310)	14,009,734	5,859,778
Change in Fund Balance	537,853	175,502	-	1,790,807	2,504,162
Fund Balance at Beginning of Year	27,084,797	1,317,554	-	20,500,110	48,902,461
Fund Balance at End of Year	\$ 27,622,650	\$ 1,493,056	\$ -	\$ 22,290,917	\$ 51,406,623

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, 2013**

Net Change in Fund Balance - Governmental Funds \$ 2,504,162

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	13,855,461	
Donation of capital assets	24,000	
Less current year depreciation expense	<u>(15,353,185)</u>	(1,473,724)

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

Net change in deferred revenue related to taxes	(2,046,661)	
Net change in Note Receivable - Hotel Roanoke, LLC	(458,858)	
Net principal reimbursed by Western Virginia Water Authority	<u>(4,168,182)</u>	(6,673,701)

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	(35,928,904)	
Bond premium	(3,375,763)	
Amortization of current year bond premium	1,013,372	
Bond costs and deferred amounts	1,969,325	
Amortization of current year bond costs and deferred amounts	(944,971)	
Principal payments	<u>50,083,873</u>	12,816,932

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	479,125	
Change in accrued interest payable	<u>(88,318)</u>	390,807

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.

(125,084)

Change in Net Position - Governmental Activities \$ 7,439,392

See Notes to Basic Financial Statements.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Funds			Internal Service Funds
Assets	Civic Facilities	Parking	Total	
Current Assets:				
Cash and Cash Equivalents	\$ 2,451,949	\$ 890,861	\$ 3,342,810	\$ 17,529,994
Investments	115,014	327,542	442,556	6,612,115
Interest and Dividends Receivable	125	356	481	7,185
Due from Other Funds	-	40,177	40,177	2,951,324
Accounts Receivable	15,971	56,124	72,095	59,027
Inventory	-	-	-	77,933
Other Assets	175,399	152,572	327,971	413,762
Total Current Assets	2,758,458	1,467,632	4,226,090	27,651,340
Capital Assets:				
Land and Land Improvements	1,215,005	2,466,514	3,681,519	-
Buildings and Structures	38,111,328	47,947,494	86,058,822	-
Equipment and Other Capital Assets	2,155,278	168,882	2,324,160	68,326,441
Construction in Progress	97,974	-	97,974	110,951
Less Accumulated Depreciation	(17,122,020)	(15,869,968)	(32,991,988)	(45,214,046)
Capital Assets, Net	24,457,565	34,712,922	59,170,487	23,223,346
Total Assets	\$ 27,216,023	\$ 36,180,554	\$ 63,396,577	\$ 50,874,686
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Expenses	262,062	36,477	298,539	1,247,002
Accrued Interest Payable	178,899	171,479	350,378	80,540
Due to Other Governments	63,628	-	63,628	-
Due to Other Funds	10,522	50,601	61,123	17,336
Deferred Revenue	380,529	-	380,529	-
Long-Term Liabilities Due Within One Year	958,303	710,366	1,668,669	3,110,610
Total Current Liabilities	1,853,943	968,923	2,822,866	4,455,488
Long-Term Liabilities:				
Compensated Absences Payable	-	34,435	34,435	320,062
Claims Payable	-	-	-	25,358,298
General Obligation Bonds Payable, Net	13,484,420	13,459,675	26,944,095	6,550,698
Capital Lease Obligations	141,434	-	141,434	-
Less Current Maturities	(958,303)	(710,366)	(1,668,669)	(3,110,610)
Total Long-Term Liabilities	12,667,551	12,783,744	25,451,295	29,118,448
Total Liabilities	14,521,494	13,752,667	28,274,161	33,573,936
Net Position				
Net Investment in Capital Assets	12,269,694	21,405,818	33,675,512	17,039,698
Unrestricted	424,835	1,022,069	1,446,904	261,052
Total Net Position	\$ 12,694,529	\$ 22,427,887	\$ 35,122,416	\$ 17,300,750

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, 2013

	Enterprise Funds			Internal Service Funds
	Civic Facilities	Parking	Total	
<u>Operating Revenues</u>				
Charges for Services	\$ 2,629,313	\$ 2,814,210	\$ 5,443,523	\$ 28,927,892
Other Revenue	-	490,380	490,380	512,951
Total Operating Revenues	2,629,313	3,304,590	5,933,903	29,440,843
<u>Operating Expenses</u>				
Personal Services	1,256,296	150,940	1,407,236	3,895,461
Other Services and Charges	1,886,408	970,143	2,856,551	18,495,367
Materials and Supplies	-	707,312	707,312	4,804,037
Depreciation	912,689	969,628	1,882,317	5,428,965
Total Operating Expenses	4,055,393	2,798,023	6,853,416	32,623,830
Operating Income (Loss)	(1,426,080)	506,567	(919,513)	(3,182,987)
<u>Nonoperating Revenues (Expenses)</u>				
Loss on Disposal of Assets	(19,999)	-	(19,999)	(33,173)
Investment Income	71,829	61,340	133,169	61,709
Interest Expense	(505,811)	(655,999)	(1,161,810)	(190,615)
Net Nonoperating Expenses	(453,981)	(594,659)	(1,048,640)	(162,079)
Loss Before Transfers and Contributions	(1,880,061)	(88,092)	(1,968,153)	(3,345,066)
<u>Transfers and Contributions</u>				
Transfers In	2,026,136	-	2,026,136	3,219,982
Transfers Out	(40,825)	-	(40,825)	-
Net Transfers and Contributions	1,985,311	-	1,985,311	3,219,982
Change in Net Position	105,250	(88,092)	17,158	(125,084)
Total Net Position at Beginning of Year	12,589,279	22,515,979	35,105,258	17,425,834
Total Net Position at End of Year	\$ 12,694,529	\$ 22,427,887	\$ 35,122,416	\$ 17,300,750

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds			Internal Service Funds
	Civic Facilities	Parking	Total	
Cash Flow From Operating Activities				
Cash Received from Customers	\$ 2,568,459	\$ 2,727,836	\$ 5,296,295	\$ 29,512,751
Cash Payments to Suppliers for Goods and Services	(1,852,606)	(1,695,942)	(3,548,548)	(6,968,221)
Cash Payments to Other Funds for Interfund Services	(77,413)	(102,390)	(179,803)	(327,454)
Cash Payments to Employees	(1,234,708)	(116,505)	(1,351,213)	(3,883,935)
Cash Payments for Claims	-	-	-	(14,561,149)
Cash Received from Other Operating Revenues	-	490,380	490,380	512,951
Net Cash Provided (Used) by Operating Activities	(596,268)	1,303,379	707,111	4,284,943
Cash Flow From Noncapital Financing Activities:				
Transfers In	2,026,136	-	2,026,136	3,219,982
Transfers Out	(40,825)	-	(40,825)	-
Net Cash Provided by Noncapital Financing Activities	1,985,311	-	1,985,311	3,219,982
Cash Flow From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(184,898)	(34,719)	(219,617)	(4,084,336)
Loss on Sale of Capital Assets	(19,999)	-	(19,999)	-
Proceeds from Issuance of Bonds	883,200	-	883,200	2,032,526
Proceeds from Sale of Refunding Bonds	2,015,000	1,255,000	3,270,000	-
Principal Paid to Refunded Bond Escrow Agent	(2,095,000)	(1,300,000)	(3,395,000)	-
Principal Paid on Bonds and Capital Lease Obligations	(818,650)	(655,000)	(1,473,650)	(75,021)
Interest Paid on Bonds and Capital Lease Obligations	(413,196)	(588,946)	(1,002,142)	(200,602)
Net Cash Used by Capital and Related Financing Activities	(633,543)	(1,323,665)	(1,957,208)	(2,327,433)
Cash Flow From Investing Activities:				
Interest Received	72,008	60,759	132,767	50,733
Net Purchase of Investments	(106,442)	268,851	162,409	3,230,428
Cash Provided (Used) by Investing Activities	(34,434)	329,610	295,176	3,281,161
Net Increase in Cash and Cash Equivalents	721,066	309,324	1,030,390	8,458,653
Cash and Cash Equivalents at July 1	1,730,883	581,537	2,312,420	9,071,340
Cash and Cash Equivalents at June 30	\$ 2,451,949	\$ 890,861	\$ 3,342,810	\$ 17,529,993
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (1,426,080)	\$ 506,567	\$ (919,513)	\$ (3,182,987)
Depreciation	912,689	969,628	1,882,317	5,428,965
Increase in Due From Other Governments	-	-	-	18,824
(Increase) Decrease in Due From Other Funds	48,013	(39,596)	8,417	551,913
(Increase) Decrease in Accounts Receivable	71,373	(46,778)	24,595	14,123
Decrease in Inventory	-	-	-	(16,865)
Increase (Decrease) in Accounts Payable and Accrued Expenses	28,131	(72,373)	(44,242)	315,681
Increase in Due to Other Governments	21,588	-	21,588	-
Decrease in Due to Other Funds	(71,742)	(48,503)	(120,245)	(215,501)
Increase in Compensated Absences Payable	-	34,434	34,434	4,471
Decrease in Deferred Revenue	(180,240)	-	(180,240)	-
Increase in Claims Payable	-	-	-	1,366,319
Total Adjustments	829,812	796,812	1,626,624	7,467,930
Net Cash Provided (Used) by Operating Activities	\$ (596,268)	\$ 1,303,379	\$ 707,111	\$ 4,284,943

Noncash Capital and Financing Activities:

Civic Facilities Fund noncash activities in fiscal year 2013 consisted of capital asset acquisitions of \$8,836 recorded as accounts payable at June 30, 2013.

Internal Service Funds noncash activities in fiscal year 2013 consisted of capital asset acquisitions of \$125,464 recorded as accounts payable at June 30, 2013.

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Pension Trust Fund	OPEB Trust Fund	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 936,105	\$ -	\$ 702,247
Investments	-	-	4,008,513
Receivables:			
Employer Contributions	188,096	-	-
Accrued Interest	492,916	-	29,618
Receivable for Security Transactions	262,428	-	-
Total Receivables	943,440	-	29,618
Investments Held by Trustee, at Fair Value:			
Cash Equivalents	3,612,938	-	-
Cash Collateral on Loaned Securities	5,446,895	-	-
Government Securities	5,544,820	-	-
Corporate Bonds	14,811,134	-	-
Convertible Bond Mutual Funds	14,425,860	-	-
Common Stocks	75,989,011	-	-
Domestic Mutual Funds	132,108,628	-	-
International Mutual Funds	80,871,271	-	-
Real Estate Mutual Funds	8,851,406	-	-
Infrastructure Funds	10,495,319	-	-
Investment in Pooled Funds	-	2,608,725	-
Total Investments	352,157,282	2,608,725	-
Total Assets	354,036,827	2,608,725	4,740,378
LIABILITIES			
Accounts Payable and Accrued Expenses	302,012	-	-
Payable for Security Transactions	1,161,815	-	-
Liability for Collateral on Loaned Securities	5,446,895	-	-
Due to Other Governments	-	-	4,740,378
Total Liabilities	6,910,722	-	4,740,378
FIDUCIARY NET POSITION	\$ 347,126,105	\$ 2,608,725	\$ -

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, 2013

	Pension Trust Fund	OPEB Trust Fund
<u>Additions/(Reductions)</u>		
Contributions from Employer	\$ 10,750,822	\$ 1,207,000
Investment Income		
Net Appreciation in Fair Value of Investments	40,859,365	218,361
Interest and Dividends	7,166,930	-
Other	5,811	-
Total Investment Income	48,032,106	218,361
Less Investment Expenses	(1,302,606)	(2,953)
Net Investment Income	46,729,500	215,408
Securities Lending Income		
Securities Lending Income	3,074	-
Less Securities Lending Expenses	(1,731)	-
Net Securities Lending Income	1,343	-
Total Additions	57,481,665	1,422,408
<u>Deductions</u>		
Benefit Payments	30,535,459	929,000
Administrative Expenses	365,601	-
Total Deductions	30,901,060	929,000
Change in Net Position	26,580,605	493,408
Fiduciary Net Position at Beginning of Year	320,545,500	2,115,317
Fiduciary Net Position at End of Year	\$ 347,126,105	\$ 2,608,725

See Notes to Basic Financial Statements.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Units

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

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

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

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

B. Financial Statement Presentation

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

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

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

The effect of interfund activity, other than service provided and used, has been eliminated from these statements. Excess revenues or expenses of the internal service funds are allocated to the appropriate governmental functional activity. The City does not allocate indirect expenses. The government-wide financial 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 financial statements are organized on the basis of funds, each of which is considered to be a separate accounting entity. The emphasis is on major governmental and enterprise funds. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures or expenses, as appropriate.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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

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

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

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

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

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

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

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

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

Parking Fund – Accounts for the operation of seven parking garages and several parking lots.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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

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

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

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

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 (OPEBs). It is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net position.

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

C. Basis of Accounting

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

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

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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 financial 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, 2013, significant encumbrances in the General Fund totaled \$0.9 million related to employee health services and paving contracts. In the Capital Projects fund, \$6.2 million was related to various capital improvement construction contracts and \$0.9 million was encumbered in Proprietary funds.

E. Deposits and Investments

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

Investments are recorded at fair value. Mutual fund and common stock fair values are based on quotations obtained from national security exchanges. The fair value of underlying assets held in the Pension Trust Fund's real estate fund is based upon independent appraisal conducted periodically throughout the year, but not less than annually. Investments of the Capital Projects Fund consist of government securities and certificates of deposits with original maturities greater than three months. Investments of the Pension Trust Fund consist of overnight investments in bank common trust funds, government securities, certificates of deposits with original maturities greater than three months, corporate bonds, stocks, and mutual funds.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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, 2013, the allowance for General Fund uncollectible taxes and accounts receivable was \$6,451,578 or 27% of the outstanding balance of taxes receivable and accounts receivable.

H. Property Taxes

Property taxes are assessed annually as of January 1. Real estate tax is payable in two equal installments, each due on or before October 5 and April 5. On April 6, real property taxes become an enforceable lien against the property. The annual assessment for real estate is based on 100% of the assessed fair market value. The tax rates are established annually, without limitation, by City Council. The tax rate for real estate was \$1.19 per \$100 of assessed value for the year.

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 59.89% for tax year 2013. A penalty of 10% of unpaid real estate and personal property tax is due for late payment. Interest on unpaid taxes is 10% in the first year. Thereafter, the interest is calculated using the Internal Revenue Service (IRS) rate. At June 30, 2013, the IRS rate was 3%.

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

I. Inventory

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

J. Pension Trust Fund

The City's policy is to fully fund actuarially determined pension costs, which include both normal costs and amortization of unfunded accrued liability. Pension Trust Fund investments are recorded at fair value. The fair value is based on quotations obtained from national security exchanges. Security transactions are recognized on the trade date which is the date the order to buy or sell is originated. Securities lending fees are included as a component of investment expenses.

K. Other Postemployment Benefits Trust Fund

The City's policy is to fully fund actuarially determined Other Postemployment Benefits (OPEB) costs, which include both normal costs and amortization of unfunded accrued liability, by contributing to the Virginia Pooled OPEB Trust Fund (OPEB Trust Fund). The OPEB Trust Fund investments are recorded at fair value. The Trust Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. OPEB includes retirement benefits 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 fair value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land, inexhaustible infrastructure (e.g., flood reduction), construction-in-progress, or items designated as historical treasures. The estimated useful lives for capital assets are as follows:

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

The City has adopted the Modified Approach under GASB Statement No. 34 for certain infrastructure capital 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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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

M. Compensated Absences Payable

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

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are paid. Current and non-current portions of compensated absences totaling \$5,878,177 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 and Fund Balance

Net Position – Government-wide Financial Statements

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 imposed on their use through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or the laws and regulations of other governments.

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Fund Balances – Governmental Funds

For governmental funds, the City follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Under this Statement, fund balance is divided into five classifications based upon the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

Restricted Fund balance is reported as restricted when constraints placed on the use of resources 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 Virginia Code 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.

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The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. See Note 10 for further information regarding the City's fund balances pursuant to GASB Statement No. 54.

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

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

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, 2013, 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 contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

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P. 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 ended June 30, 2013. GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued to improve financial reporting by addressing issues related to service concession arrangements (SCAs) which are a type of public-private or public-public partnership. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB Statement No. 14 and No. 34, was issued to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements of the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was issued to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The City retroactively implemented the provisions of GASB Statement No. 63 in fiscal year 2013 by replacing the previous term “net assets” with the new term “net position” in the accompanying financial statements.

Q. Future Accounting Pronouncements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* was issued to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities, as outflows and deferred outflows of resources or inflows and deferred inflows of resources. GASB Statement No. 66, *Technical Corrections – 2012* – an amendment of GASB Statements No. 10 and No. 62, was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicted guidance that resulted from the issuance of GASB Statements No. 54 and No. 62. The City will adopt these pronouncements in the fiscal year ending June 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued to improve the financial reporting by local government pension plans. The City will adopt this pronouncement in the fiscal year ended June 30, 2014. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued to improve the accounting and financial reporting by state and local government pensions. The City will adopt this pronouncement in the fiscal year ending June 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, was issued to provide accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. The City will adopt this pronouncement in the fiscal year ending June 30, 2015.

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GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees as well as additional guidance for intra-entity nonexchange financial guarantees involving blended component units. The City will adopt this pronouncement in the fiscal year ended June 30, 2014.

(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, 2013 of \$39,892,517. 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 Global Spectrum which holds a portion of cash in the amount of \$807,766 on the City's behalf. The City acts as one of the fiscal agents for the Hotel Roanoke Conference Center Commission (HRCCC) and holds total cash and investments of \$4,740,378 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 a least two of the Nationally Recognized Statistical Rating Organization.

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

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

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

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

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

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

CITY OF ROANOKE, VIRGINIA
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Money Market Funds: One or more open-end investment funds, provided that the funds are registered under the Federal Investment Company Act of 1940 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 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 and no minimum credit rating is required as long as the securities are 100% FDIC insured.

Investments as of June 30, 2013 consisted of the following:

	Total Primary Government	School Board Component Unit	GRTC Component Unit	Fiduciary Funds
Investment in pooled funds, including Virginia LGIP	\$ 18,701,700	\$ 17,988,896	\$ -	\$ 3,659,825
Certificates of Deposit	11,000,000	-	-	4,008,513
Money Market Accounts	26,823,703	20,015,130	-	-
Repurchase Agreements	-	-	360,562	-
Mutual Funds	13,380,461	-	-	-
Federal Agency Bonds/Notes	4,994,600	-	-	-
Total	<u>\$ 74,900,464</u>	<u>\$ 38,004,026</u>	<u>\$ 360,562</u>	<u>\$ 7,668,338</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, The Virginia Local Government Investment Pool (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).

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As of June 30, 2013, investment holdings as a percentage of total investments, excluding OPEB Trust Fund investments, were as follows:

Investment Type	Primary Government	School Board Component Unit	GRTC Component Unit	Fiduciary Fund	Credit Rating
Repurchase Agreements	0.0%	0.0%	100.0%	0.0%	NR
Mutual Funds	36.1%	0.0%	0.0%	0.0%	AAAm
Federal Agency Bond/Notes	13.5%	0.0%	0.0%	0.0%	Aaa
Virginia LGIP	50.4%	100.0%	0.0%	100.0%	AAAm
Total Investment Percentage	100.0%	100.0%	100.0%	100.0%	

Custodial Credit Risk - Investments. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments as of June 30, 2013 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, 2013, 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 \$29,863,497, including Fiduciary HRCCC Funds of \$404,718. The City's bank balance of deposits was \$29,941,495. The City's investment policy requires all deposits to be federally secured or held in accordance with the Virginia Security for Public Deposits Act. In agreement with the policy, the entire balance was covered by federal depository insurance or collateralized in accordance with Virginia Security for Public Deposits Act.

Concentration of Credit Risk. The 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.

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As of June 30, 2013, the portions of the City's debt securities that exceed 5% of the total value, excluding certificates of deposit which were fully insured by Federal Deposit Insurance Corporation (FDIC) and the Virginia LGIP, were as follows:

Issuer	Percent of Portfolio Primary Government
Commonwealth Cash Reserve Fund	36.1%
Federal Home Loan Bank	8.1%

As of June 30, 2013, of the School Board was invested with the Virginia LGIP in the amount of \$17,988,896, and in a Valley Bank Public Funds money market account, \$20,015,130.

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.

As of June 30, 2013, the Primary Government had the following investments and maturities:

	Investment Maturity		
	Fair Value	Less than 1 year	1-3 years
Non-negotiable Certificates of Deposits	\$ 11,000,000	\$ 11,000,000	\$ -
Mutual Funds	13,380,461	13,380,461	-
Federal Agency Bonds/Notes	4,994,600	-	4,994,600
Virginia LGIP	18,701,700	18,701,700	-
TOTAL	\$ 48,076,761	\$ 43,082,161	\$ 4,994,600

As of June 30, 2013, the School Board Component Unit had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Virginia LGIP	\$ 17,988,896	\$ 17,988,896
TOTAL	\$ 17,988,896	\$ 17,988,896

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As of June 30, 2013, the Hotel Roanoke Conference Center Commission, a fiduciary fund, had the following investments and maturities:

	Investment Maturity		
	Fair Value	Less than 1 year	1-3 years
Non-negotiable Certificates of Deposits	\$ 4,008,513	\$ 1,000,000	\$ 3,008,513
Virginia LGIP	197,528	197,528	-
TOTAL	\$ 4,206,041	\$ 1,197,528	\$ 3,008,513

Separately Presented Fiduciary Funds

Pension Trust Fund

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

Investments as of June 30, 2013 consisted of the following:

Cash Equivalents	\$ 741,907
Investment in pooled funds, including Virginia LGIP	3,724,603
Cash Collateral on Loaned Securities	5,446,895
U.S Government Securities	3,224,426
Municipal and Agency Bonds	2,320,394
Corporate Bonds	14,811,134
Convertible Bond Mutual Funds	14,425,860
Common Stocks	75,989,011
Domestic Mutual Funds	132,108,628
International Mutual Funds	80,871,271
Real Estate Mutual Funds	8,851,406
Infrastructure Funds	10,495,319
Total Investments	\$ 353,010,854

Credit Risk. The Plan's investment policy limits investments in fixed income securities to issues which are rated at least Baa or BBB by either Moody's or Standard and Poor's. Below investment grade fixed income securities may be purchased and held in accounts specifically selected to hold such issues. Purchases of non-U.S. government securities are restricted to issues of \$50 million or greater. The State Treasurer's Office of the Commonwealth of Virginia has regulatory oversight over the LGIP. The City's fair value of investment in the LGIP is the same as the pooled value of its shares.

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As of June 30, 2013, the Plan's pooled and fixed income investments consisted of the following:

	<u>S&P Rating</u>	<u>Market Value</u> 2013
Municipal and Agency Bonds		
	AAA	\$ 318,856
	AA	948,183
	A	412,007
	NR 1	641,348
		<u>\$ 2,320,394</u>
Corporate Bonds		
	AAA	\$ 652,998
	AA	2,087,034
	A	7,920,056
	BBB	3,819,919
	NR 2	331,127
		<u>\$ 14,811,134</u>
Domestic Bond Mutual Funds		
	Aa2 3	\$ 2,350
	B1 4	15,261,557
	NR 5	15,274,296
		<u>\$ 30,538,203</u>
Investment in Pooled Funds		
	AAAm	\$ 853,572
	A-1	2,871,031
		<u>\$ 3,724,603</u>

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

2 The bonds within this category are backed by the Export-Import Bank of the United States.

3 Moody's credit rating.

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

5 This domestic mutual fund is an actively managed high-quality core bond fund that is not rated on a fund level.

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. On June 30, 2013, the carrying amount and bank balance of the Plan's deposits were of equal value at \$3,695,471. Of the bank balance at June 30, 2013, \$82,533 was covered by Federal depository insurance or collateralized pursuant to agreements with all participating financial institutions to pledge assets on a pooled basis to secure public deposits according to the Virginia Security for Public Deposits Act Regulations of the Code of Virginia (ACT).

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Such collateralization qualifies as state depository insurance. Accordingly, the bank balance of \$82,533 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 \$3,612,938 is uninsured and uncollateralized. The uninsured and uncollateralized deposits are held by Comerica Bank.

Custodial Credit Risk – Investments. The Plan held the following investments as of June 30, 2013: cash equivalents; investment in pooled funds; U.S. government securities; agency and municipal bonds; corporate bonds; convertible bond mutual funds; common stocks; domestic, international, and real estate mutual funds; and infrastructure commingled funds. Investments in external investment pools and in open-end mutual funds are not considered to be exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent but not in the Plan's name. The Plan's investment policy does not specifically address custodial credit risk.

As of June 30, 2013, the Plan's investments considered to be exposed to custodial credit risk consisted of the following:

<u>Investment Type</u>	<u>Market Value</u>
U.S Government Bonds	\$ 3,224,426
Municipal and Agency Bonds	2,320,394
Corporate Bonds	14,811,134
Common Stocks	75,989,011
Total	<u><u>\$ 96,344,965</u></u>

Comerica Bank carries Banker's Professional Liability insurance that insures the Bank against errors made in providing professional services that result in a financial loss to a client and a an Employee Fidelity Bond, which insures against employee wrong-doing that results in a financial loss to a client. Further insurance carried by the depositories includes coverage against losses occurring on the premises or during transit.

Concentration of Credit Risk. The Plan's investment policy prohibits the investment of more than 5% of plan assets in either fixed income or equity securities of any single issuer based on cost. Securities of the U.S. government and investment company shares (mutual funds) are exempted from this limitation. As of June 30, 2013, the Plan did not own securities of a single organization, other than positions in mutual funds, representing 5% or more of the Plan's net assets.

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

The market value of the Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2013:

Original Investment Maturities (In Years)					
Investment Type	Fair Value	<5	5-10	>10	
U.S. Government Securities	\$ 3,224,426	\$ -	\$ -	\$ 3,224,426	
Municipal and Agency Bonds	2,320,394	209,178	294,976	1,816,240	
Corporate Bonds	14,811,134	197,667	863,761	13,749,706	
Bond Mutual Funds	30,538,303	-	30,538,303	-	
Pooled Investment	2,871,031	2,871,031	-	-	
TOTAL	\$ 53,765,288	\$ 3,277,876	\$ 31,697,040	\$ 18,790,372	

The City maintains a cash and investment pool, in which the Plan is a participant. The fair value of the Plan's investment that was a result of participating in that cash and investment pool as of June 30, 2013:

Investment Type	Fair Value	<1
Virginia LGIP	\$ 853,572	\$ 853,572
TOTAL	\$ 853,572	\$ 853,572

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. As of June 30, 2013 the Plan had no investments that were not denominated in U.S. dollars or that were traded solely on exchanges outside the U.S.

Securities Lending Arrangements. The Plan's Board of Trustees approved a Securities Lending Authorization Agreement allowing Comerica (Custodian) to lend the Plan's available securities to broker-dealers and banks pursuant to a form of loan agreement. During fiscal year 2013, the Plan's securities were available for securities lending, except those securities which the Plan specifically identified in notices to the Custodian as not being available. During the fiscal year ended June 30, 2013, the Plan did not exclude any securities from securities lending.

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The Custodian lends the securities and in exchange, the borrowers are required to deliver collateral in the form of cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt of foreign nations and irrevocable bank letters of credit. The Custodian does not have the ability to pledge or sell collateral securities delivered, absent a borrower default. Borrowers are required to deliver collateral for each loan in amounts equal to: (1) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (2) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

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

The Plan and the borrowers maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan is invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 1, 2012, the Plan transitioned custodian trust services from State Street Bank & Trust to Comerica Bank. The Board of Trustees did not approve a Securities Lending Authorization Agreement allowing Comerica to lend the Plan's available securities to broker-dealers and banks. The Plan had no credit risk exposure to borrowers as of June 30, 2013.

The following represents balances relates to securities lending transactions as of June 30, 2013:

Securities on Loan	Market Value of Securities	Cash Collateral Investment Value
Domestic Equities	\$ 5,234,075	\$ 5,446,895
TOTAL	\$ 5,234,075	\$ 5,446,895

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

OPEB Trust Fund

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

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Investment Policy. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to achieve a compound annualized total rate of return over a market cycle, including current income and capital appreciation, in excess of 5% after inflation, in a manner consistent with prudent risk-taking. Investment decisions for the funds' assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of 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 Virginia Pooled OPEB Trust can be obtained by writing to VML/VACo Finance, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

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

Credit Risk. State law (Code of Virginia, Chapter 3, Title 26) limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the Virginia LGIP. As of June 30, 2013, the OPEB Trust Fund was exclusively invested in the Virginia Pooled OPEB Trust.

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, 2013, 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, 2013, the OPEB Trust Fund did not own securities other than the Virginia Pooled OPEB Trust. As of June 30, 2013, investment holdings as a percentage of total investments for the OPEB Trust were as follows:

Investment Type	OPEB Trust Fiduciary Fund	Credit Rating
Virginia Pooled OPEB Trust	100%	NR

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The market value of the OPEB Trust Fund's fixed income holdings within the Virginia Pooled OPEB Trust consisted of the following investments and maturities as of June 30, 2013:

	Investment Maturity		
	Fair Value	< 5 years	5 - 10 years
Virginia Pooled OPEB Trust			
Bond Mutual Funds	\$ 596,243	\$ -	\$ 596,243
Short Term Investment Funds	63,113	63,113	-
	<u>\$ 659,356</u>	<u>\$ 63,113</u>	<u>\$ 596,243</u>

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

(3) Receivables

Receivables as of June 30, 2013 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>							
Interest and Dividends	\$ 15,861	\$ -	\$ 4,289	\$ 7,185	\$ 27,335	\$ -	\$ -
Federal Government	-	34,921	-	-	34,921	3,796,665	362,812
State Government	8,565,281	129,218	-	-	8,694,499	2,513,801	360,125
City of Roanoke	-	-	-	-	-	2,025,855	-
Other Governments	464,263	-	-	-	464,263	-	65,615
Subtotal Governments	<u>9,029,544</u>	<u>164,139</u>	<u>-</u>	<u>-</u>	<u>9,193,683</u>	<u>8,336,321</u>	<u>788,552</u>
Taxes	17,484,144	-	-	-	17,484,144	-	-
Accounts	5,201,016	58,037	62,066	59,027	5,380,146	135,987	74,152
Less: Allowance for Uncollectible Accounts	(6,451,578)	-	-	-	(6,451,578)	-	-
Subtotal	<u>16,233,582</u>	<u>58,037</u>	<u>62,066</u>	<u>59,027</u>	<u>16,412,712</u>	<u>135,987</u>	<u>74,152</u>
Governmental Fund Receivables	<u>25,278,987</u>	<u>222,176</u>	<u>66,355</u>	<u>66,212</u>	<u>25,633,730</u>	<u>8,472,308</u>	<u>862,704</u>
Enterprise Fund Receivables	-	-	-	-	72,095	-	-
Due from WVA	-	-	-	-	13,389,900	-	-
Note Receivable	-	-	-	-	974,188	-	-
Total Receivables	<u>\$ 25,278,987</u>	<u>\$ 222,176</u>	<u>\$ 66,355</u>	<u>\$ 66,212</u>	<u>\$ 40,069,913</u>	<u>\$ 8,472,308</u>	<u>\$ 862,704</u>

Business-Type

	Civic Facilities	Parking	Total Enterprise Funds
<u>Receivables</u>			
Accounts	\$ 15,971	\$ 56,124	\$ 72,095
Total Receivables	<u>\$ 15,971</u>	<u>\$ 56,124</u>	<u>\$ 72,095</u>

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

Net taxes and accounts receivable, as reported on the government-wide Statement of Net Position, include taxes receivable of approximately \$1.7 million that are not available to pay for current period expenditures and are accordingly recorded as deferred revenue in the governmental funds balance sheet. A \$13,389,900 receivable from the Western Virginia Water Authority (WVWA) related to long-term liabilities is reported on the Statement of Net Position.

Similarly, the City carries a Note Receivable from the Hotel Roanoke, LLC with a balance as of June 30, 2013 of \$974,188. The Note Receivable is related to a long term Section 108 loan which was incurred by the City on behalf of the Hotel Roanoke, LLC and defeased on April 19, 2013. Details of the Section 108 loan are fully described in Note 8. Principal is payable in nineteen annual installments with interest on the unpaid principal balance of the note at a fixed rate of 4.0% per annum. Installments of principal and interest in the amount of \$496,757 are due and payable on June 30 of each year until June 30, 2014. If, in any one year, full payment of principal and interest is not made, that unpaid amount is payable on any subsequent annual installment payment date. In this event, no additional interest would accrue. At June 30, 2013, unpaid installments totaling \$496,757 are due from the Hotel Roanoke, LLC. This amount is comprised of unpaid principal of \$458,858 and interest of \$37,899. Further details are presented in Note 8.

(4) Interfund Balances and Transfers

Interfund balances consisted of the following for the year ended June 30, 2013:

		DUE FROM (FUND)						
DUE TO (FUND)		General	Civic Facilities	Debt Service	Internal Services	Special Revenue	Parking	Total
	General Fund	\$ -	\$ 3,057	\$ -	\$ -	\$ 99	\$ 49,341	\$ 52,497
	Capital Projects	1,264,867	-	-	-	-	-	1,264,867
	Debt Service	403	-	-	-	-	-	403
	Internal Service	2,918,287	7,465	22,947	1,858	767	-	2,951,324
	Special Revenue	161	-	-	-	-	-	161
	Pension Trust	93,507	-	-	5,263	-	1,260	100,030
	Parking	29,962	-	-	10,215	-	-	40,177
	TOTAL	\$ 4,307,187	\$ 10,522	\$ 22,947	\$ 17,336	\$ 866	\$ 50,601	\$ 4,409,459

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

CITY OF ROANOKE, VIRGINIA
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reported Due To Component Unit (School Board) balance of \$1,960,949. In comparison, the School Board has a Due From Primary Government balance of \$2,025,855 (see Exhibit A). The \$64,906 Due To/Due From difference is related to timing.

Interfund transfers consisted of the following for the year ended June 30, 2013:

TRANSFER FROM (FUND)						
TRANSFER TO (FUND)		General	Civic Facilities	Capital Projects	Special Revenue	Total
	General	\$ -	\$ -	\$ 81,916	\$ -	\$ 81,916
	Civic Facilities	2,026,136	-	-	-	2,026,136
	Capital Projects	1,865,450	-	-	-	1,865,450
	Debt Service	14,008,939	40,825	-	1,012,829	15,062,593
	Internal Service	3,194,982	-	25,000	-	3,219,982
	Special Revenue	399,615	-	17,904	-	417,519
	TOTAL	\$ 21,495,122	\$ 40,825	\$ 124,820	\$ 1,012,829	\$ 22,673,596

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 2013, in addition to debt service, the City transferred funding for an annual operating subsidy for the Civic Center, capital projects, internal services provided as well as required/matching funding for grants in the Special Revenue fund.

CITY OF ROANOKE, VIRGINIA
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(5) Changes in Capital Assets

Primary Government:

Changes in capital assets for the year ended June 30, 2013 consisted of the following:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
<u>Governmental activities:</u>				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 43,450,131	\$ -	\$ -	\$ 43,450,131
Infrastructure - Right of Way	20,035,826	-	-	20,035,826
Infrastructure - Inexhaustible	47,995,346	-	-	47,995,346
Construction in Process	12,969,717	12,922,243	(13,255,658)	12,636,302
Historical Treasures	635,298	-	-	635,298
Total Capital assets, not being depreciated	125,086,318	12,922,243	(13,255,658)	124,752,903
<u>Capital assets, being depreciated:</u>				
Land Improvements	5,208,315	41,116	-	5,249,431
Accumulated Depreciation	(1,976,685)	(331,058)	-	(2,307,743)
Net Land Improvements	3,231,630	(289,942)	-	2,941,688
Building and Structures	372,047,303	5,098,705	(1,234,156)	375,911,852
Accumulated Depreciation	(108,810,036)	(7,303,125)	394,024	(115,719,137)
Net Building & Structures	263,237,267	(2,204,420)	(840,132)	260,192,715
Infrastructure	210,755,480	7,313,042	-	218,068,522
Accumulated Depreciation	(89,075,528)	(6,389,343)	-	(95,464,871)
Net Infrastructure	121,679,952	923,699	-	122,603,651
Equipment	77,031,408	6,697,135	(1,139,323)	82,589,220
Accumulated Depreciation	(50,295,220)	(6,758,625)	1,093,498	(55,960,347)
Net Equipment	26,736,188	(61,490)	(45,825)	26,628,873
Total Capital Assets Being Depreciated	665,042,506	19,149,998	(2,373,479)	681,819,025
Less: Accumulated Depreciation	(250,157,469)	(20,782,151)	1,487,522	(269,452,098)
Net Total Capital Assets Being Depreciated	414,885,037	(1,632,153)	(885,957)	412,366,927
Governmental activities capital assets, net	\$ 539,971,355	\$ 11,290,090	\$ (14,141,615)	\$ 537,119,830
General Capital Assets, Net				\$ 513,896,484
Internal Service Fund Capital Assets, Net				23,223,346
Total				\$ 537,119,830

Capital assets used for educational purposes totaling \$194,206,737 are included with the Governmental Activities capital assets of the primary government. Depreciation expense on these assets was recorded as Education expense in the current fiscal year.

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The City employs the Modified Approach for certain infrastructure assets deemed 'inexhaustible' as defined by GASB Statement No. 34. and as a result such assets are not depreciated. A requirement of using this guidance is that the asset be evaluated periodically to ensure that it is being maintained at or above its current condition level. Disclosure of the condition assessment for these infrastructure assets may be found in the Required Supplementary Information section (RSI), table two.

Changes in capital assets for Business-type activities for the year ended June 30, 2013 consisted of the following:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
<u>Business-type activities:</u>				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 3,613,073	\$ -	\$ -	\$ 3,613,073
Construction in Process	18,719	204,896	(125,641)	97,974
Total Capital assets, not being depreciated	3,631,792	204,896	(125,641)	3,711,047
<u>Capital assets, being depreciated:</u>				
Land Improvements	68,446	-	-	68,446
Accumulated Depreciation	(61,564)	(1,286)	-	(62,850)
Net Land Improvements	6,882	(1,286)	-	5,596
Building and structures	85,951,900	106,922	-	86,058,822
Accumulated Depreciation	(29,377,946)	(1,772,616)	-	(31,150,562)
Net Building & Structures	56,573,954	(1,665,694)	-	54,908,260
Equipment	2,549,645	53,438	(278,923)	2,324,160
Accumulated Depreciation	(1,929,086)	(108,414)	258,924	(1,778,576)
Net Equipment	620,559	(54,976)	(19,999)	545,584
Total Capital Assets Being Depreciated	88,569,991	160,360	(278,923)	88,451,428
Less: Accumulated Depreciation	(31,368,596)	(1,882,316)	258,924	(32,991,988)
Net Total Capital Assets Being Depreciated	57,201,395	(1,721,956)	(19,999)	55,459,440
Business-type activities capital assets, net	\$ 60,833,187	\$ (1,517,060)	\$ (145,640)	\$ 59,170,487

CITY OF ROANOKE, VIRGINIA
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Depreciation was charged to functions as follows:

Governmental activities:

General Government	\$ 890,004
Judicial Administration	243,736
Public Safety	1,266,410
Public Works	6,275,193
Health and Welfare	342,461
Parks, Recreation and Cultural	1,058,496
Community Development	131,176
Economic Development	4,468
Education	5,141,241
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	5,428,966
Total	<u>\$ 20,782,151</u>

Business-type activities:

Civic Facilities	\$ 912,688
Parking	969,628
Total	<u>\$ 1,882,316</u>

School Board Component Unit:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Equipment	\$ 7,431,388	\$ 743,581	\$ (1,742,111)	\$ 6,432,858
Accumulated Depreciation	(4,643,448)	(566,964)	1,538,426	(3,671,986)
Net Equipment	<u>2,787,940</u>	<u>176,617</u>	<u>(203,685)</u>	<u>2,760,872</u>
Component unit capital assets, net	<u>\$ 2,787,940</u>	<u>\$ 176,617</u>	<u>\$ (203,685)</u>	<u>\$ 2,760,872</u>

GRTC Component Unit:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 720,724	\$ -	\$ -	\$ 720,724
Capital assets, being depreciated:				
Building and Structures	10,655,037	39,242	-	10,694,279
Equipment	18,066,216	401,566	-	18,467,782
Less: Accumulated Depreciation	(16,914,948)	(2,136,466)	-	(19,051,414)
Subtotal	<u>11,806,305</u>	<u>(1,695,658)</u>	<u>-</u>	<u>10,110,647</u>
Component unit capital assets, net	<u>\$ 12,527,029</u>	<u>\$ (1,695,658)</u>	<u>\$ -</u>	<u>\$ 10,831,371</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

(6) Construction in Progress and Contract Commitments

A summary of construction in progress by function and contract commitments (encumbrances) at June 30, 2013 is as follows:

<u>Primary Government:</u>				
	Project	Expended/Expensed	Contract	Required
<u>Governmental Activities:</u>	Authorizations	as of	Commitments	Future
<u>Function</u>		June 30, 2013	(Encumbrances)	Financing
General Government	\$ 368,653	\$ 46,582	\$ 8,975	None
Parks, Recreation and Cultural	11,179,000	4,124,978	3,670,599	\$ 1,000,000
Flood Reduction	-	-	-	None
Economic Development	1,704,415	177,268	-	\$ 1,000,000
Community Development	3,810,000	191,490	147,209	\$ 2,800,000
Public Safety	250,000	-	-	\$ 250,000
Public Works	21,922,199	5,636,277	917,033	\$ 4,770,000
Education	5,813,139	2,346,538	139,931	\$ 3,000,000
Department of Technology	604,471	48,526	-	None
Subtotal	45,651,877	12,571,659	4,883,747	
Non-Capitalized Projects	13,976,765	17,682,183	1,206,279	None
Total	\$ 59,628,642	\$ 30,253,842	\$ 6,090,026	
<u>Business-Type Activities:</u>				
<u>Fund</u>				
Civic Facilities	\$ 975,000	\$ 97,974	\$ 195,244	\$ 1,000,000
Parking	-	-	-	None
Total	\$ 975,000	\$ 97,974	\$ 195,244	

CITY OF ROANOKE, VIRGINIA
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(7) Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue for the Civic Center proprietary fund (shown as Business-type activities in the table below) is reported as such on the face of the statements (see Exhibit G). Deferred revenue as reported in the governmental and proprietary funds financial statements at June 30, 2013 consisted of the following:

Governmental activities:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Deferred Property and Other Tax Revenue	\$ 4,300,401	\$ -	\$ 4,300,401
Other receivables for which revenue recognition criteria have not been met	-	801,459	801,459
Total	\$ 4,300,401	\$ 801,459	\$ 5,101,860

Business-type activities:

	<u>Civic Facilities Fund</u>
Deferred Ticket and Other Event Revenue	\$ 380,529
Total	\$ 380,529

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

(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, 2013 of \$1,493,056 was committed for future retirement of long-term debt. The Charter of the City of Roanoke limits the legal debt to 10% of the assessed valuation of real estate within the City limits. The City's legal debt margin at June 30, 2013 was \$672,516,886. 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, 2013 were comprised of the following:

Details of Long - Term Indebtedness

At June 30, 2013, the long-term indebtedness of the City consisted of the following:

	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
<u>General Obligation Bonds</u>					
2003 Refunding Bonds	2.00% - 5.00%	7/1/2003	8/1/2024	12,075,000	\$ 2,745,000
2004 Refunding Bonds	2.00% - 5.00%	2/25/2004	10/1/2019	46,030,000	9,250,000
2004A Refunding Bonds	2.00% - 3.63%	3/11/2004	8/1/2017	7,935,000	2,660,000
2004B Public Improvement Bonds	3.00% - 5.25%	11/23/2004	2/1/2015	36,105,000	3,610,000
2006A Public Improvement Bonds	3.50% - 5.00%	2/8/2006	2/1/2026	17,950,000	2,700,000
2006B Public Improvement Bonds (Subject to AMT)	4.00% - 5.00%	2/8/2006	2/1/2026	5,500,000	1,650,000
2008 Public Improvement Bonds	3.25% - 5.00%	2/5/2008	2/1/2033	43,445,000	23,925,000
2008A VRA Public Improvement Bonds	3.12% - 5.37%	12/10/2008	10/1/2028	6,910,000	5,550,000
2010A Refunding Bonds	2.00% - 5.00%	3/11/2010	10/1/2021	32,792,400	32,792,400
2010B Public Improvement Bonds	1.25% - 5.80%	3/11/2010	10/1/2029	2,680,000	2,390,000
2010C Refunding Bonds	2.00% - 4.00%	8/11/2010	7/15/2015	1,786,500	1,786,500
2010C Public Improvement Bonds	2.00% - 4.00%	8/11/2010	7/15/2030	2,605,000	2,440,000
2010D Public Improvement Bonds (Market Bldg.)	2.00% - 4.00%	8/11/2010	7/15/2030	5,470,000	5,135,000
2010E Public Improvement Bonds	2.90% - 5.70%	8/11/2010	7/15/2030	5,665,000	5,665,000
2012A Public Improvement Bonds	2.00% - 5.00%	3/14/2012	2/1/2032	6,925,000	6,580,000
2012B Refunding Bonds	0.43% - 2.96%	3/14/2012	10/1/2023	6,880,000	6,880,000
2012C Refunding Bonds	4.00% - 5.00%	3/14/2012	2/1/2025	11,140,000	11,140,000
2013A Public Improvement Bonds	1.00% - 5.00%	2/27/2013	7/15/2033	10,906,800	10,906,800
2013A Refunding Bonds	0.37% - 2.73%	2/27/2013	7/15/2024	9,520,000	9,520,000
2013B Refunding Bonds	0.37% - 2.73%	2/27/2013	7/15/2024	15,350,000	15,350,000
					\$ 162,675,700
<u>General Obligation Bonds-Western Virginia Water Authority</u>					
2003 Refunding Bonds - Water (WVWA)	2.00% - 5.00%	7/1/2003	8/1/2024	14,310,000	\$ 1,370,000
2006C Refunding Bonds - Water (WVWA)	3.50% - 4.65%	5/4/2006	8/1/2013	7,655,992	1,420,000
2010A Refunding Bonds - Water (WVWA)	2.00% - 5.00%	3/4/2010	10/1/2021	3,263,800	3,263,800
2010C Refunding Bonds - Water (WVWA)	3.00%	8/11/2010	7/15/2015	231,100	231,100
2012B Refunding Bonds - Sewer (WVWA)	1.15% - 2.96%	3/14/2012	10/1/2023	7,105,000	7,105,000
					\$ 13,389,900
<u>Lease Obligations</u>					
Social Services Building Lease	11.80%	2/1/2004	1/1/2024	4,857,000	\$ 3,782,784

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Details of Long-Term Indebtedness (continued)

	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
<u>School Fund Bonds and Loans (1)</u>					
1994B VPSA Subsidized Virginia Heights	6.25% - 6.75%	11/1/1994	7/15/2014	2,000,000	\$ 195,047
1995C VPSA Subsidized Wasena & Jackson	5.10% - 6.10%	12/21/1995	7/15/2015	4,400,000	649,671
1996B VPSA Subsidized Breckenridge	5.10% - 6.10%	11/14/1996	7/15/2016	5,000,000	977,165
1997 VPSA Subsidized Woodrow Wilson	4.35% - 5.35%	11/1/1997	7/15/2017	5,000,000	1,215,155
1998A VPSA Subsidized Addison	3.60% - 5.10%	11/19/1998	7/15/2018	5,000,000	1,500,000
1998B VPSA Subsidized Huff Lane	3.60% - 5.10%	11/19/1998	7/15/2018	1,200,000	363,954
1999A VPSA Subsidized Governor's School	5.10% - 6.10%	11/18/1999	7/15/2019	3,250,000	1,085,000
1999B VPSA Subsidized Hurt Park	5.10% - 6.10%	11/18/1999	7/15/2019	1,250,000	409,635
2000B VPSA Subsidized Garden City	4.97% - 5.85%	11/16/2000	7/15/2020	2,750,000	1,057,598
2000B VPSA Subsidized Grandin Court	4.97% - 5.85%	11/16/2000	7/15/2020	1,900,000	730,703
2000B VPSA Subsidized Preston Park	4.97% - 5.85%	11/16/2000	7/15/2020	1,900,000	730,703
2001B VPSA Subsidized Fairview	3.10% - 5.35%	11/15/2001	7/15/2021	2,750,000	1,201,695
2001B VPSA Subsidized Fishburn Park	3.10% - 5.35%	11/15/2001	7/15/2021	2,500,000	1,092,449
2003C VPSA Subsidized Roanoke Academy	3.10% - 5.35%	11/6/2003	7/15/2023	5,000,000	2,613,285
2004B VPSA Subsidized Lincoln Terrace	4.10% - 5.60%	11/1/2004	7/15/2024	1,300,000	714,353
2005D VPSA Subsidized Fallon Park	4.60% - 5.10%	11/10/2005	7/15/2025	992,464	677,332
2005D VPSA Subsidized Westside	4.60% - 5.10%	11/10/2005	7/15/2025	3,291,459	2,246,295
2006B VPSA Non-Subsidized Monterey	4.22% - 5.10%	11/9/2006	7/15/2026	1,945,000	1,345,000
2006B VPSA Subsidized Patrick Henry	4.22% - 5.10%	11/9/2006	7/15/2026	7,500,000	4,790,753
2007A VPSA Non-Subsidized Patrick Henry	4.10% - 5.10%	5/10/2007	7/15/2027	3,345,000	2,495,000
2008B VPSA Subsidized William Fleming	3.60% - 5.35%	12/11/2008	7/15/2028	6,350,705	5,187,791
2008B VPSA Non-Subsidized William Fleming/Roofs	3.60% - 5.35%	12/11/2008	7/15/2028	10,580,000	8,460,000
2010 VPSA Qualified School Construction Bonds (QSCB)	0.00%	7/8/2010	6/1/2027	1,135,000	940,000
Literary Fund Loan-Morningside Elementary School	4.00%	8/1/1995	9/1/2015	2,200,000	330,000
Literary Fund Loan-Lucy Addison Middle School	4.00%	10/1/1999	10/1/2019	5,000,000	1,750,000
Qualified Zone Academy Bond-Roanoke Academy	0%	12/20/2000	12/20/2013	1,291,618	99,356
Qualified Zone Academy Bond-Lincoln Terrace	0%	11/1/2002	10/31/2016	800,000	270,427
Qualified Zone Academy Bond-Fallon Park	0%	12/29/2004	12/29/2020	439,100	246,824
Qualified Zone Academy Bond-Patrick Henry High School	0%	12/27/2006	12/27/2022	1,097,571	752,423
Qualified Zone Academy Bond-Schools Capital Projects	0%	10/31/2012	6/1/2035	2,014,104	2,014,104
					\$ 46,141,718
Subtotal Governmental Activities					\$ 225,990,102

	Interest Rates	Issue Date	Maturity	Issue Amount	Business-Type Activities
<u>Enterprise Fund Bonds:</u>					
2004B Civic Facilities Bonds	3.00% - 5.25%	11/23/2004	2/1/2015	7,895,000	\$ 720,000
2006A Civic Facilities Bonds	3.50% - 5.00%	2/8/2006	2/1/2026	6,405,000	870,000
2010A Civic Facilities Refunding Bonds	2.00% - 5.00%	3/4/2010	10/1/2021	4,382,700	4,382,700
2010C Civic Facilities Refunding Bonds	2.00% - 4.00%	8/11/2010	7/15/2015	91,500	91,500
2012A Civic Facilities Bonds	4.00% - 5.00%	3/14/2012	2/1/2032	685,000	655,000
2012C Civic Facilities Refunding Bonds	4.00% - 5.00%	3/14/2012	2/1/2025	3,345,000	3,345,000
2013A Civic Facilities Bonds	1.00% - 5.00%	2/27/2013	7/15/2033	883,200	883,200
2013A Civic Facilities Refunding Bonds	1.00% - 5.00%	2/27/2013	7/15/2025	2,015,000	2,015,000
2004B Parking Bonds-Campbell Avenue	3.00% - 5.25%	11/23/2004	2/1/2015	2,000,000	185,000
2006A Parking Bonds-Campbell Avenue	3.50% - 5.00%	2/8/2006	2/1/2026	2,600,000	355,000
2008 Parking Bonds-Campbell Avenue	3.25% - 5.00%	2/5/2008	2/1/2028	2,545,000	1,250,000
2008A VRA Parking Bonds-Market	3.12% - 5.37%	12/10/2008	10/1/2031	5,040,000	4,885,000
2010A Parking Refunding Bonds-Gainsboro & Campbell Ave.	2.00% - 5.00%	3/4/2010	10/1/2021	2,861,100	2,861,100
2010A Parking Bonds-Market	2.00% - 5.00%	3/4/2010	10/1/2029	1,625,000	1,370,000
2010C Parking Refunding Bonds-Gainsboro	2.00% - 4.00%	8/11/2010	7/15/2015	105,900	105,900
2012C Parking Refunding Bonds-Campbell Avenue	4.00% - 5.00%	3/14/2012	2/1/2025	900,000	900,000
2013A Parking Refunding Bonds	1.00% - 5.00%	2/27/2013	7/15/2025	1,255,000	1,255,000
					\$ 26,129,400
<u>Lease Obligations</u>					
Ovations Lease	3.93%	7/1/2008	6/30/2015	449,988	\$ 141,434
Subtotal Business-Type Activities					\$ 26,270,834
Total Primary Governmental Bonded Debt					\$ 252,260,936

(1) VPSA = Virginia Public School Authority

CITY OF ROANOKE, VIRGINIA
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YEAR ENDED JUNE 30, 2013

The annual requirements to amortize governmental activities debt outstanding as of June 30, 2013 are as follows:

FISCAL YEAR	GENERAL OBLIGATION SERIAL BONDS		WESTERN VIRGINIA WATER AUTHORITY (WVWA) GENERAL OBLIGATION SERIAL BONDS		VPSA/LITERARY FUND LOANS		TOTAL GOVERNMENTAL ACTIVITIES DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2013-14	\$ 16,644,105	\$ 5,755,671	\$ 2,400,000	\$ 365,032	\$ 4,178,523	\$ 2,041,293	\$ 23,222,628	\$ 8,161,996
2014-15	14,232,388	5,312,172	1,021,400	290,403	4,204,689	1,840,473	19,458,477	7,443,048
2015-16	15,381,786	4,741,036	562,700	258,364	4,131,639	1,640,149	20,076,125	6,639,549
2016-17	13,112,323	4,301,877	1,191,900	237,875	3,824,330	1,442,866	18,128,553	5,982,618
2017-18	12,928,219	3,996,338	1,210,700	216,643	3,596,024	1,258,395	17,734,943	5,471,376
2018-23	49,712,613	14,260,253	6,058,200	581,995	13,494,286	4,038,274	69,265,099	18,880,522
2023-28	27,791,750	6,726,935	945,000	13,995	8,432,933	1,374,811	37,169,683	8,115,741
2028-33	15,526,750	2,222,206	-	-	896,160	22,852	16,422,910	2,245,058
2033-35	728,900	129,658	-	-	-	-	728,900	129,658
TOTAL	<u>\$ 166,058,834</u>	<u>\$ 47,446,146</u>	<u>\$ 13,389,900</u>	<u>\$ 1,964,307</u>	<u>\$ 42,758,584</u>	<u>\$ 13,659,113</u>	<u>\$222,207,318</u>	<u>\$ 63,069,566</u>

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, 2013 are as follows:

FISCAL YEAR	CIVIC FACILITIES FUND SERIAL BONDS		PARKING FUND SERIAL BONDS		TOTAL BUSINESS-TYPE DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2013-14	\$ 787,300	\$ 503,000	\$ 703,900	\$ 554,481	\$ 1,491,200	\$ 1,057,481
2014-15	854,900	487,953	722,000	537,446	1,576,900	1,025,399
2015-16	997,600	443,086	843,500	505,459	1,841,100	948,545
2016-17	954,500	403,068	768,300	472,720	1,722,800	875,788
2017-18	978,400	375,350	796,500	445,697	1,774,900	821,047
2018-23	5,178,500	1,340,550	4,257,800	1,692,480	9,436,300	3,033,030
2023-28	2,766,000	321,343	3,465,000	796,091	6,231,000	1,117,434
2028-33	401,000	61,041	1,610,000	161,500	2,011,000	222,541
2033-34	44,200	1,105	-	-	44,200	1,105
TOTAL	<u>\$ 12,962,400</u>	<u>\$ 3,936,496</u>	<u>\$ 13,167,000</u>	<u>\$ 5,165,874</u>	<u>\$ 26,129,400</u>	<u>\$ 9,102,370</u>

CITY OF ROANOKE, VIRGINIA
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YEAR ENDED JUNE 30, 2013

CHANGES IN GENERAL LONG-TERM LIABILITIES

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year
<u>Primary Government - Governmental Activities:</u>					
General Obligation Serial Bonds:					
General Obligation Serial Bonds	\$ 172,545,914	\$ 37,790,904	\$ 40,505,984	\$ 169,830,834	\$ 16,644,105
General Obligation Serial Bonds - WVWA	17,558,082	-	4,168,182	13,389,900	2,400,000
Deferred Amounts:					
Add Bond Premiums	10,284,544	3,375,764	1,465,831	12,194,477	1,136,521
Net Loss on Refunded Bonds	(8,427,785)	(2,608,024)	(2,036,131)	(8,999,678)	(863,763)
Subtotal General Obligation Serial Bonds	191,960,755	38,558,644	44,103,866	186,415,533	19,316,863
Hotel Roanoke Section 108 Loan	910,000	-	910,000	-	-
State Literary Fund Loans	2,440,000	-	360,000	2,080,000	360,000
VPSA School Bonds	40,825,297	-	3,918,713	36,906,584	3,818,523
Capital Lease Obligation	4,178,505	-	395,721	3,782,784	191,227
Claims Payable	23,991,979	1,563,335	197,016	25,358,298	2,759,878
Compensated Absences Payable	6,672,894	5,657,025	6,131,680	6,198,239	4,965,044
Subtotal Governmental Activities:	\$ 270,979,430	\$ 45,779,004	\$ 56,016,996	\$ 260,741,438	\$ 31,411,535
<u>Primary Government - Business-Type Activities:</u>					
General Obligation Serial Bonds:					
General Obligation Serial Bonds	\$ 26,771,200	\$ 4,153,200	\$ 4,795,000	\$ 26,129,400	\$ 1,491,200
Deferred Amounts:					
Add Bond Premiums	1,078,362	779,557	175,210	1,682,709	163,557
Net Loss on Refunded Bonds	(459,634)	(452,791)	(44,409)	(868,016)	(65,401)
Subtotal General Obligation Serial Bonds	\$ 27,389,928	\$ 4,479,966	\$ 4,925,801	\$ 26,944,093	\$ 1,589,356
Capital Lease Obligation	215,083	-	73,649	141,434	69,327
Compensated Absences Payable	-	34,435	-	34,435	9,986
Subtotal Business-Type Activities:	\$ 27,605,011	\$ 4,514,401	\$ 4,999,450	\$ 27,119,962	\$ 1,668,669
Total Primary Government Long-Term Liabilities	\$ 298,584,443	\$ 50,293,405	\$ 61,016,446	\$ 287,861,400	\$ 33,080,204
<u>School Board Component Unit:</u>					
Claims Payable	\$ 7,904,606	\$ 14,629,042	\$ 14,771,883	\$ 7,761,765	\$ 5,391,798
Compensated Absences Payable	3,069,936	3,081,142	3,090,950	3,060,128	823,174
Other Post-Employment Benefit Obligation	595,020	193,701	233,028	555,693	-
Total School Board Component Unit	\$ 11,569,562	\$ 17,903,885	\$ 18,095,861	\$ 11,377,586	\$ 6,214,972

During fiscal year 2013, 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.

CITY OF ROANOKE, VIRGINIA
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On February 27, 2013, the City issued \$39,930,000 principal amount of General Obligation Public Improvement Bonds consisting of \$11,790,000 principal amount of General Obligation Public Improvement New Money Bonds, Series 2013A (Tax-Exempt), \$12,790,000 principal amount of General Obligation Public Improvement Refunding Bonds, Series 2013A (Tax-Exempt) and \$15,350,000 principal amount of General Obligation Public Improvement Refunding Bonds, Series 2013B (Taxable Bonds).

The Series 2013A Bonds were issued for the purpose of providing funds to finance a portion of the costs of school improvement projects, parks and recreation improvement projects, stormwater management projects, public bridge renovation projects, renovations to the Roanoke Civic Center, the Digital Radio Project, curbs, gutter and sidewalk improvement projects, streetscape improvement projects, and public libraries projects.

The Series 2013A Refunding Bonds were issued with a true interest cost of 2.3012%. The bond proceeds were used to advance refund on a current basis \$13,195,000 outstanding principal amount of the City's General Obligation Public Improvement Bonds, Series 2006A, dated February 8, 2006, and Series 2008, dated February 5, 2008.

The proceeds committed from the Series 2013A Refunding Bonds of \$12,790,000 were applied to refund on a current basis the Refunded Series 2006A Bonds, which are to be paid at their call date on February 1, 2016, and the Refunded Series 2008 Bonds, which are to be paid on their call date on February 1, 2018.

The proceeds of the Refunding Series 2013A Refunding Bonds were deposited with Regions Bank, Richmond, Virginia, as Escrow Agent (the "Escrow Agent"), under an Escrow Deposit Agreement, dated February 27, 2013, by and between the City and the Escrow Agent. The proceeds were invested in Government Securities (as defined in the Escrow Deposit Agreement). The Government Securities will mature and bear interest payable at times and in amounts sufficient to pay (i) the interest, when due, on the Refunded Series 2006A Bonds to February 1, 2016, (ii) the redemption prices of the Refunded Series 2006A Bonds upon the redemption thereof on February 1, 2016, (iii) the interest, when due, on the Refunded Series 2008 Bonds to February 1, 2018 and (iv) the redemption prices of the Refunded Series 2008 Bonds upon the redemption thereof on February 1, 2018. The City is undertaking the refunding of the Refunded Series 2006A Bonds and the Refunded Series 2008 Bonds described above in order to achieve debt service savings.

The Series 2006A bonds mature annually through February 1, 2026. The stated interest rates ranged from 4.00% to 4.25%. The amounts maturing on February 1 in each of the years 2020 and 2023 through 2026 were subject to redemption and are to be redeemed on February 1, 2016.

The Series 2008 bonds mature annually through February 1, 2033. The stated interest rates ranged from 3.25% to 5.00%. The amounts maturing on February 1 in each of the years 2022 through 2024 were subject to redemption and are to be redeemed on February 1, 2018.

The Series 2013B Bonds were issued with a true interest cost of 1.6386%. The bond proceeds were used to advance refund \$13,965,000 from General Obligation Public Improvement Bonds Series 2003, dated on July 1, 2003, Series 2004 bonds, dated on February 1, 2004, Series 2004A Bonds, dated on March 1, 2004, and Series 2006B Bonds, dated on February 8, 2006 and to current refund \$2,120,000 from General Obligation Public Improvement Bonds Series 2005 Bonds, dated on December 15, 2005.

CITY OF ROANOKE, VIRGINIA
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The proceeds committed from the Series 2013B Bonds of \$15,350,000 were applied to refund on a current basis the Refunded Series 2003 Bonds, which are to be paid at their call date on August 1, 2013, the Refunded Series 2004 Bonds, which are to be paid on their call date on October 1, 2014, the Refunded Series 2004A Bonds, which are to be paid on their call date on August 1, 2014, the Refunded Series 2005 Bonds, which are to be paid on their call date on March 29, 2013, and the Refunded Series 2006B Bonds, which are to be paid on their call date on February 1, 2016.

The proceeds of the Refunding Series 2013B Bonds were deposited with the Escrow Agent under an Escrow Deposit Agreement dated February 27, 2013. Such proceeds were invested in Government Securities (as defined in the Escrow Deposit Agreement). The Government Securities will mature and bear interest payable at times and in amounts sufficient to pay (i) the interest, when due, on the Refunded Series 2003 Bonds to August 1, 2013, (ii) the redemption prices of the Refunded Series 2003 Bonds upon the redemption thereof on August 1, 2013, (iii) the interest when due on the Refunded Series 2004 Bonds to October 1, 2014, (iv) the redemption prices of the Refunded Series 2004 Bonds upon the redemption thereof on October 1, 2014, (v) the interest, when due, on the Refunded Series 2004A Bonds to August 1, 2014, (vi) the redemption prices of the Refunded Series 2004A Bonds upon the redemption thereof on August 1, 2014, (vii) the interest, when due, on the Refunded Series 2005 Bonds to March 29, 2013, (viii) the principal amount of the Refunded Series 2005 Bonds upon the redemption thereof on March 29, 2013, (ix) the interest, when due, on the Refunded Series 2006B Bonds to February 1, 2016, and (x) the redemption prices of the Refunded Series 2006B upon the redemption thereof on February 1, 2016. The City is undertaking the refunding of the Refunded Series 2003 Bonds, the Refunded Series 2004 Bonds, the Refunded Series 2004A Bonds, the Refunded 2005 Bonds and the Refunded Series 2006B Bonds described above in order to achieve debt service savings.

The Series 2003 bonds mature annually through August 1, 2024. The stated interest rates ranged from 2.00% to 5.00%. The amounts maturing on August 1 in each of the years 2015 and 2024 were subject to redemption and were to be redeemed on August 1, 2013.

The Series 2004 bonds mature through October 1, 2019. The stated interest rate ranged from 2.00% to 5.00%. The amounts maturing on October 1 in each of the years 2016 through 2019 were subject to redemption and are to be redeemed on October 1, 2014.

The Series 2004A bonds mature through August 1, 2017. The stated interest rate ranged from 2.0% to 3.50%. The amounts maturing on August 1, 2017 was subject to redemption and is to be redeemed on August 1, 2014.

The Series 2005 bonds mature through December 1, 2020. The stated interest rate was 6.25%. The amounts maturing on December 1 in each of the years 2013 through 2020 were subject to redemption and were to be redeemed on March 29, 2013.

The Series 2006B bonds mature annually through February 1, 2026. The stated interest rates ranged from 4.00% to 5.00%. The amounts maturing on February 1 in each of the years 2019 through 2025 were subject to redemption and were to be redeemed on February 1, 2016.

CITY OF ROANOKE, VIRGINIA
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In prior years, the City defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. Government Securities that were placed in these trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt was considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2013, the amount of defeased debt outstanding was \$28,955,000 and consisted of maturities from the City's 2003, 2004, 2004A, 2005, 2006A, 2004B, 2006A, 2006B and 2008 bond series (of which \$1,795,000 were the ultimate responsibility of the Western Virginia Water Authority).

The City advance refunded the Series 2003, 2004, 2004A, 2006A, 2004B, 2006A, 2006B and 2008 bonds for the purpose of realizing interest savings due to the decline in municipal bond interest rates. The final maturity of the bonds was not extended as a result of this refunding. Principal payments on the refunding bonds range from \$590,000 to \$4,800,000 and are due annually through 2025.

The transactions also resulted in an economic gain of approximately \$2,263,200 and a reduction of approximately \$4,671,200 in future debt service payments.

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, 2013, the City had \$13,389,900 in outstanding general obligation debt which will contractually be repaid by the Water Authority over the remaining twelve year amortization of the bonds. Further details are presented in Notes 3 and 15.

The Hotel Roanoke LLC assumed certain indebtedness of the City and agreed to pay the City amounts equal to debt service on Hotel Roanoke LLC debt retained by the City. The note originally provided \$6 million of the \$27.5 million expended for the rehabilitation and restoration of the Hotel Roanoke. The Hotel Roanoke, LLC, is obligated to repay, in priority order, certain first mortgage loans held by banks and is then obligated to repay the note receivable and other debt. Funding for repaying this debt is available from resources of the Hotel Roanoke, LLC, generated by the operations of the Hotel Roanoke.

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

The City defeased \$440,000 of the Section 108 HUD loan related to the Hotel Roanoke LLC on April 19, 2013, hence there was no remaining outstanding balance as of June 30, 2013. The defeased amount of \$440,000 will contractually be repaid by the Hotel Roanoke, LLC in November 2013.

CITY OF ROANOKE, VIRGINIA
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(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 \$57,000 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 twenty years. Ownership of the building is retained by Blue Eagle Partnership.

Lease assets and obligations are accounted for as Governmental Activities. At June 30, 2013, the original cost of the building under the capital lease totaled \$4,857,000 and accumulated depreciation on the building totaled \$2,184,828.

Ovations, Inc.

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

Lease assets and obligations are accounted for in the Civic Facilities Fund. At June 30, 2013, the original cost of the kitchen renovations, including equipment, under the capital lease totaled \$449,988, and there was \$224,932 of accumulated depreciation on the assets.

Future Lease Obligations for all capital leases are as follows:

<u>Future Minimum Lease Payments:</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total (Memo Only)</u>
2014	\$ 686,962	\$ 75,000	\$ 761,962
2015	700,701	75,000	775,701
2016	714,715	-	714,715
2017	729,009	-	729,009
2018	743,589	-	743,589
2019-2023	3,947,062	-	3,947,062
2024-2028	486,054	-	486,054
Minimum lease payments	\$ 8,008,092	\$ 150,000	\$ 8,158,092
Less: Amounts representing interest	(4,225,308)	(8,566)	(4,233,874)
Present value of minimum lease payments	3,782,784	141,434	3,924,218
Less: Current portion	(191,227)	(69,327)	(260,554)
Long-Term Lease Obligation at Jun 30, 2013	<u>\$ 3,591,557</u>	<u>\$ 72,107</u>	<u>\$ 3,663,664</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

(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 the economic environment. Additional information regarding these reserve policies may be found in the City of Roanoke's Reserve and Debt Management Policies.

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

All fiscal year 2013 outstanding purchase commitments were re-appropriated to the 2013-14 fiscal year by City Council on May 13, 2013.

The General Fund balance of \$27,622,650 is categorized as committed or unassigned. The City committed funds of \$1,562,056 for outstanding purchase commitments for goods and services ordered but not received by June 30, 2013. The remaining fund balance of \$26,060,594 is unassigned.

The Debt Service Fund balance of \$1,493,056 is restricted for future debt service payments.

The Capital Projects Fund balance of \$22,290,917 is comprised of \$6,746,307, related to outstanding bond proceeds and is categorized as restricted; committed funds of \$6,188,909 for outstanding purchase commitments for goods and services ordered but not received by June 30, 2013; \$5,868,140 committed for Future Years' Expenditures; \$3,487,561 committed for the Economic Community Development Reserve.

(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.

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

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

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

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

Effective July 16, 2012, City Council established Chapter 22.3 of City Code, which includes modifications to employees hired on or after July 1, 2013. Chapter 22.3 of City Code discontinues the Pension Plan Supplement and establishes an Internal Revenue Code Section 401(h) health savings account for employees hired on or after July 1, 2013, codifies a defined method of applying cost of living supplements, and modifies the tiers of ESRS pension plan benefits for employees hired on or after July 1, 2014.

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

City of Roanoke Pension Plan - Funding Policy

The Pension Plan is noncontributory for employees. Employer contributions to the Pension Plan are based on a percentage of the annual compensation of the active members. The City's contribution rate for the fiscal year ended June 30, 2013 was equal to the required contribution of 15.60%.

City of Roanoke Pension Plan - Annual Pension Cost

For fiscal year 2013, the City's annual pension cost of \$9,203,632 was equal to the City's required and actual contributions. As stipulated by City Code, the required contribution was determined as part of the June 30, 2011 actuarial valuation using the projected unit credit actuarial cost method. Any unfunded/(overturned) actuarial liability is amortized using the level percentage of pay amortization method over a 25 year closed amortization period. The actuarial assumptions included (a) 7.75% investment rate of return, and (b) projected salary increases ranging from 2.5% to 5.5% per year. Projected salary increases include an inflation component of 2.75%. The actuarial value of the assets is determined using a method designed to smooth the impact of market fluctuations. The actuarial value recognizes annual appreciation and depreciation over a five-year period. The following information is provided related to trend information.

Trend Information
City of Roanoke, Virginia

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$9,203,632	100%	\$0
June 30, 2012	10,337,831	100%	0
June 30, 2011	9,427,062	103%	274,575

CITY OF ROANOKE, VIRGINIA
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Virginia Retirement System - Plan Description

The City contributes to the Virginia Retirement System, an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (VRS or the System). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with five years of service for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service, and 1.85% of their average final salary (AFS) for each year of credited service for elected Sheriffs. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. Average final compensation is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at the following address: <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Virginia Retirement System - Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. 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, 2013 was 17.27% of annual covered payroll.

Virginia Retirement System – Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 76.62% funded. The actuarial accrued liability for benefits was \$51.3 million, and the actuarial value of assets was \$39.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$12.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7.9 million, and the ratio of the UAAL to the covered payroll was 151.93%.

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
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Virginia Retirement System - Annual Pension Cost

For fiscal year 2013, the City's annual pension cost of \$1,133,649 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. Any unfunded actuarial liability is amortized as a level percentage of payroll on an open basis within a period of 30 years. The actuarial value of the City's assets is determined based upon a five year smoothed market value designed to smooth the impact of market fluctuations. This method utilizes techniques which recognize the excess (shortfall) between expected and actual investment income over a five-year period.

The following information related to trend information is provided.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$1,133,649	100%	\$0
June 30, 2012	971,795	100%	0
June 30, 2011	980,415	100%	0

School Board Component Unit

Defined Benefit Pension Plans

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
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Virginia Retirement System – Statewide Professional Cost-Sharing Pool

A. Plan Description

The School Board contributes to a cost-sharing and agent multiple-employer defined benefit pension plan (Plan 1 and Plan 2) 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.

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/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policies

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. Effective July 1, 2013, all employees must pay at least 2% of the employee 5% contribution amount. The Roanoke City School Board began phasing the employee share of the contribution in 1% increments effective with the 2012-2013 fiscal year. At June 30, 2013, employees paid 1% of the employee contribution and the School Board contributed the remaining 4%. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate was 15.66% for the period of July 2012 through June 2013 of covered payroll (including the employee share of 4% paid by their employer).

CITY OF ROANOKE, VIRGINIA
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The following table shows total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School System for the prior three years:

	Total Contributions	Percentage of Annual Covered Payroll	Annual Covered Payroll
June 30, 2013	\$ 11,618,072	16.68%	\$ 69,661,960
June 30, 2012	7,531,647	11.33%	66,367,331
June 30, 2011	6,052,585	9.00%	67,221,089

C. Annual Required Contribution

Public School Division professional employees participate in a VRS statewide teacher cost-sharing pool. For fiscal year 2013, the School Board's annual required contribution was \$11,618,072. The required contribution was based on an actuarial valuation. The contribution requirements for the School Board were equal to the actual contributions for 2013. Total School Board payroll for 2013 was \$84,648,186. Payroll covered by VRS for School Board employees was \$69,661,960.

The following table related to trend information is provided:

Fiscal Year Ended	Annual Required Contributions (ARC)	Percentage of ARC Contributed
June 30, 2013	\$ 11,618,072	100%
June 30, 2012	7,531,647	100%
June 30, 2011	6,052,585	100%

Virginia Retirement System – Non-Professional's Agent Plan

A. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 162.5% funded. The actuarial accrued liability for benefits was \$718,966 and the actuarial value of assets was \$1,168,380 resulting in an unfunded (over-funded) actuarial accrued liability (UAAL) of (\$449,414). The covered payroll (annual payroll of active employees covered by the plan) was \$1,485,891 and the ratio of the over funded actuarial accrued liability to the covered payroll was (30.3%).

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
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The valuation reflects the following changes in benefit provisions:

Effective June 30, 2010, all new members on and after this date participate in Plan 2. The provisions of Plan 2 that differ from Plan 1 are noted throughout this footnote.

There were no changes in the benefit provisions since the last actuarial valuation that had a financial impact on the Plan.

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

B. Annual Pension Cost

Public School Division non-professional employees hired after July 1, 2006 participate in an agent multiple-employee retirement plan. For fiscal year 2013, the School Board's contributions to the plan were equal to the annual required contribution and annual pension cost for each year. The annual and required contribution was determined through a June 30, 2012 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included a) an investment return rate of 7.0%, b) an annual cost-of-living adjustment of 2.5% for Plan 1 members and 2.25% for Plan 2 members, and c) salary increases ranging between 3.75% and 5.6% depending on the member's service and classification. Both the investment rate of return and the projected salary increases also include an inflation component of 2.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2012 actuarial valuation was 29 years. Total School Board payroll for 201 was \$84,648,186. Payroll covered by VRS for School Board non-professional employees was \$1,868,438.

City of Roanoke Pension Plan

A. Plan Description

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

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

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

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

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

Effective July 16, 2012, City Council established Chapter 22.3 of City Code, which includes modifications to employees hired on or after July 1, 2013. Chapter 22.3 of City Code discontinues the Pension Plan Supplement and establishes a retirement health savings account for employees hired on or after July 1, 2013, codifies a defined method of applying cost of living supplements, and modifies the ESRS pension plan benefits for employees hired on or after July 1, 2014.

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

**CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
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B. Funding Policy

School Board employees do not contribute to the Pension Plan. The School Board's contribution is based on a percentage of the annual compensation of the active members. The contribution rate was 12.75% of annual covered payroll for the year ended June 30, 2013.

C. Annual Required Contribution

For fiscal year 2013, the School Board's annual required contribution was \$425,310. The required contribution was based on an actuarial valuation. The School Board's actual contribution was \$425,310. Total School Board payroll for 2013 was \$84,648,186. Payroll covered by City Retirement for School Board employees was \$3,335,975.

Information related to trend information is provided below.

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed
June 30, 2013	\$ 425,310	100.0%
June 30, 2012	598,352	98.2%
June 30, 2011	572,600	100.0%

(12) Other Postemployment Benefit Plans

Primary Government – OPEB Employees' Post-Retirement Health Plan

A. Plan Description

Employees with 15 years of active service and under the age of 65 who retire from the City of Roanoke 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 Post-employment Benefit (OPEB) as defined by GASB Statement No. 45. The City plan is a single employer OPEB plan and is administered by the City of Roanoke to provide medical insurance to eligible retirees. The OPEB for City retirees was authorized by the City Council. The City of Roanoke healthcare plan does not issue a stand-alone financial report.

CITY OF ROANOKE, VIRGINIA
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B. Funding Policies

The contribution requirements of the City of Roanoke healthcare plan members and the City are established and may be amended by City Council. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health insurance, the employees retiring prior to January 1, 2010, contribute 100% of the retirees' premium payment. For the fiscal year ended June 30, 2013, the retirees contributed \$847,000 to the City of Roanoke healthcare plan for health insurance. The City contributed \$30,000 to a qualified trust as defined by GASB Statement No. 45, to fund the annual required contribution of \$877,000 for fiscal year 2013. The City overfunded the plan in fiscal year 2012 by \$3,000 which includes a net adjustment of \$3,000 for the requisite ARC actuarial adjustment and interest as per GASB Statement No. 45. It is the City's intent to fully fund the annual required contribution each year. Effective January 1, 2010, retirees began paying the blended rate plus an additional contribution based on their selected benefit tier.

C. Annual OPEB Cost and Net OPEB Obligation

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

The plan contains both active employees and retirees. Although the City's annual payments were for combined participants, the share of claims related to retirees represents a higher percentage of the total claims. Accordingly, contributions reflected in the OPEB calculations have been adjusted to reflect that a portion of contributions for active employees are subsidizing the retiree claims. As of the July 1, 2012 actuarial valuation, there were 1,644 active participants, 161 retired participants, and 25 spouses of retired participants in the plan.

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

CITY OF ROANOKE, VIRGINIA
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	City of Roanoke Healthcare Plan
Annual Required Contribution	\$ 877,000
Less interest on beginning Net OPEB asset	(23,000)
Add ARC adjustment	20,000
Annual OPEB Cost	874,000
Contributions made	(877,000)
Increase in Net OPEB asset	(3,000)
Net OPEB Asset at July 1, 2012	(333,000)
Net OPEB Asset at June 30, 2013	\$ (336,000)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2013, 2012 and 2011 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Overfunded Net OPEB Asset
June 30, 2013	\$ 874,000	100%	\$ 336,000
June 30, 2012	1,274,000 ⁽¹⁾	105%	333,000 ⁽¹⁾
June 30, 2011	1,232,000 ⁽¹⁾	106%	270,000 ⁽¹⁾

(1) Prior year amounts updated to include interest on net OPEB asset and ARC Adjustment.

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent biannual actuarial valuation date, the City of Roanoke healthcare plan was 19.3% funded. The actuarial accrued liability for benefits was \$9,728,000, and the actuarial value of assets was \$1,877,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,851,000. The covered payroll (annual payroll of active employees covered by the City plan) was \$68,089,000, and the ratio of the UAAL to the covered payroll was 11.5%.

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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
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F. Actuarial Methods and Assumptions

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

In the July 1, 2012 valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7% rate of return (net of administrative expenses). Because the City has begun funding the plan, the rate of return was based on the projected returns of the Virginia Pooled OPEB Trust. The healthcare trend rate is based on the Getzen Trend Model and projects increases from 7.3% graded to 4.7% over an eighty one year period. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2013 was 25 years.

Primary Government – OPEB Line of Duty Benefits

A. Plan Description

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

B. Funding Policies

The contribution requirements of the City of Roanoke 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, 2013, members of the plan did not contribute. The City contributed \$82,000 to the Line of Duty plan for death benefits and health insurance based on projected pay-as-you-go financing. The City also contributed \$248,000 to a qualified trust as defined by GASB Statement No. 45, to fund the annual required contribution of \$248,000 for fiscal year 2013. The City overfunded the plan in fiscal year 2013 by \$83,000 which includes a net adjustment of \$1,000 for the requisite ARC actuarial adjustment and interest as per GASB Statement No. 45. It is the City's intent to fully fund the annual required contribution each year.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
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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 GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The plan contains public safety employees, their surviving spouses, and their dependent children. As of the July 1, 2011 actuarial valuation, there were 700 active participants, 2 retirees, 1 eligible terminated participant, 5 spouses and surviving spouses, and 2 lifetime dependent children in the plan.

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

	City of Roanoke Healthcare Plan
Annual Required Contribution	\$ 248,000
Less interest on beginning Net OPEB asset	(5,000)
Add ARC adjustment	4,000
Annual OPEB Cost	247,000
Contributions made	(330,000)
Increase in Net OPEB asset	(83,000)
Net OPEB Asset at July 1, 2012	(72,400)
Net OPEB Asset at June 30, 2013	\$ (155,400)

The City's annual Line of Duty cost, the percentage of annual Line of Duty cost contributed to the plan, and the net Line of Duty obligation for the fiscal years ended June 30, 2013 and 2012 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Overfunded Net OPEB Asset
June 30, 2013	\$ 247,000	134%	\$ 155,400
June 30, 2012	238,800 ⁽¹⁾	130%	72,400

(1) Establishment of the Line of Duty OPEB occurred July 1, 2011.

CITY OF ROANOKE, VIRGINIA
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YEAR ENDED JUNE 30, 2013

D. Funded Status and Funding Progress

As of July 1, 2011, the most recent biannual actuarial valuation date, the City of Roanoke Line of Duty plan was not funded. The actuarial accrued liability and unfunded actuarial accrued liability (UAAL) for benefits was \$2,119,200. The required annual contribution as a cost per active member was \$341. The UAAL as a cost per active member was \$3,027. The covered payroll (annual payroll of active employees covered by the City plan) was \$29,618,000, and the ratio of the UAAL to the covered payroll was 7.2%.

E. Actuarial Valuations

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

F. Actuarial Methods and Assumptions

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

In the July 1, 2011 valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7% rate of return (net of administrative expenses). Because the City has begun funding the plan, the rate of return was based on the projected returns of the Virginia Pooled OPEB Trust. The healthcare trend rate is based on the Getzen Trend Model and projects increases from 8.3% graded to 4.7% over an eighty five year period. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2013 was 25 years.

Primary Government – Health Insurance Credit Program

A. Plan Description

Employees of the City of Roanoke Sheriff's Department participate in the Virginia Retirement System (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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

B. Funding Policies

The contribution rate of the City of Roanoke for the fiscal year ended June 30, 2013 was 0.15% 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 GASB Statement No. 45.

The City's annual retiree health insurance credit cost, the percentage of annual Health Insurance Credit cost contributed to the plan, and the net Health Credit obligation for the fiscal years ended June 30, 2013, 2012, and 2011 are 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>
June 30, 2013	\$ 9,846	\$ 9,846	100%
June 30, 2012	11,134	11,134	100%
June 30, 2011	11,233	11,233	100%

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the City health insurance credit plan was 45.64% funded. The actuarial accrued liability for benefits was \$160,477 and actuarial value of assets was \$73,236, resulting in an unfunded actuarial accrued liability (UAAL) for benefits of \$87,241. The covered payroll (annual payroll of active employees covered by the City plan) was \$7,892,701, and the ratio of the UAAL to the covered payroll was 1.11%.

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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

F. Actuarial Methods and Assumptions

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

In the June 30, 2012 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 on an open basis. The remaining amortization period at June 30, 2012 was 29 years.

School Board Component Unit

A. Plan Descriptions

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

B. Funding Policies

The contribution requirements of the Roanoke City Public Schools Healthcare Plan members and the Roanoke City Public Schools are established and may be amended by the Roanoke City School Board. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health and dental insurance, the School Board contributes 0% of all premium payments, and the retirees contribute 100%. Employees who retired on or before July 1, 2010, participate in the plan at a group rate which is blended with that of active employees. Employees who retire after that date will pay an unblended group rate. For the fiscal year ended June 30, 2013, the Roanoke City Public Schools retirees contributed \$1,080,837 to the Roanoke City Public Schools Healthcare Plan. The retiree's claims amounted to \$1,313,865 for the same time period.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

C. Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the Roanoke City Public School's annual OPEB cost, the amounts contributed to the Plan, and changes in the Roanoke City Public School's net OPEB obligation for the fiscal year ended June 30, 2013:

	Roanoke City Public Schools Healthcare Plan
Annual Required Contribution	\$ 230,862
Interest on net OPEB Obligation	23,801
Adjustment to annual required contribution	<u>(60,962)</u>
Annual OPEB Cost	193,701
Contributions made	<u>(233,028)</u>
Decrease in net OPEB obligation	(39,327)
Net OPEB obligation at July 1, 2012	<u>595,020</u>
Net OPEB obligation at June 30, 2013	<u><u>\$ 555,693</u></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 fiscal years ended June 30, 2013, 2012, and 2011 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 193,701	120.3%	\$ 555,693
June 30, 2012	180,534	395.8%	595,020
June 30, 2011	289,043	209.6%	1,129,105

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the Roanoke City Public Schools' Healthcare Plan was 0.0% funded. As this is pay-as-you-go plan and was closed to new members effective July 1, 2010, the covered payroll is \$0. The actuarial accrued liability for benefits was \$2,015,639, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,015,639. 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 Roanoke City Public Schools and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule 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 for benefits.

The actuarial valuation of the liabilities as of June 30, 2013 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 (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the 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, 2013 valuation, the projected unit credit actuarial cost method was used. Past service liability is amortized over a level dollar, open 12 year period as of July 1, 2013, that declines year per year. The remaining amortization period at July 1, 2013 was 8 years.

The actuarial assumptions included a 4.0% discount rate. Annual medical rates are expected to increase at an annual trend rate of 9.5% for the year ending June 30, 2013. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

(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 \$1,000,000 per occurrence. The City purchases excess coverage to cover settlements that exceed the amount of the self-insured retention. The amount of settlements did not exceed insurance coverage for each of the past four years.

The City has property insurance coverage 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. Effective January 1, 2009, the Civic Center has been managed by Global Spectrum, Incorporation. As a part of its contract with the City, Global Spectrum is responsible for securing the liability coverage to address the unique exposures of this facility and its many events. Flood insurance is purchased through the 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 for each of the past four years.

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 four years. The City is self-insured for employee health insurance and worker's compensation with stop loss provisions to limit catastrophic claims exceeding \$1,000,000.

Included in long-term liabilities at June 30, 2013 were claims payables of \$25,358,298 as a provision for unasserted claims. Other risks insured through the City's self-insurance program adequately covered any claims incurred over each of the past four years.

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

	2012-13	2011-12
Claims liability at July 1	\$ 23,991,979	\$ 16,717,495
Claims incurred	17,293,787	28,641,814
Claims payments	(15,927,468)	(21,367,330)
Claims liability at June 30	<u>\$ 25,358,298</u>	<u>\$ 23,991,979</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Surety Bond coverage is as follows:

Company:	<u>Amount</u>
<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

Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* addresses the requirements for reporting liabilities related to cleaning up pollution and/or contamination. The City evaluated the impact of GASB Statement No. 49 as of June 30, 2013 and determined the City had no outstanding liability.

The City has adopted comprehensive reserve and debt management policies that include a Risk Management Reserve. The purpose of the reserve is to cover 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 deficit balance as of June 30, 2013 of \$5,536,861 and is underfunded by \$10,220,428 compared to the computed minimum funding level of \$4,683,567. While the reserve is in a deficit position, the City added funding of \$2.1 million during fiscal year 2013.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

School Board Component Unit

The School Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school division, through a competitive procurement process is using the professional services of a firm to assist in determining appropriate levels of insurance coverage. Further, the firm assists with the placement of coverage with third party providers, including the Virginia Municipal Liability Pool as noted below. Risk management activities are accounted for in the General Fund of the School Board Component Unit. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported (IBNR) primarily based upon past claims and an estimate by a qualified claims adjuster with a third party administrator. Workers' compensation claims have been estimated by an actuary.

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 hired to replace the roof on this building and the School Board are in dispute regarding both reimbursement for damages and payments for services.

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

	<u>2012-13</u>	<u>2011-12</u>
Claims liability at July 1	\$ 7,904,606	\$ 7,404,325
Claims incurred	14,629,042	15,361,351
Claims payments	<u>(14,771,883)</u>	<u>(14,861,070)</u>
Claims liability at June 30	<u><u>\$ 7,761,765</u></u>	<u><u>\$ 7,904,606</u></u>

(14) Joint Ventures

Hotel Roanoke Conference Center Commission

The City is a participant with Virginia Polytechnic Institute and State University (Virginia Tech) in a joint venture to establish and operate a publicly-owned Conference Center in the City of Roanoke in conjunction with the Hotel Roanoke, which is adjacent to the Conference Center. The Hotel Roanoke Conference Center Commission (HRCCC) is composed of six members, three of whom are appointed by City Council and three of whom are appointed by Virginia Tech. The HRCCC has the authority to issue debt, and such debt is the responsibility of the HRCCC. The City issued general obligation bonds in its name for its share of the Conference Center construction costs and was obligated to repay this debt. This debt was defeased in April, 2013 and the City has incurred no related future obligation.

The intention of the HRCCC is to be self-supporting through its user fees. The City and Virginia Tech share equally in any operating deficit or if additional funding is needed for capital expenditures. The City has no equity interest in the HRCCC; however, as previously mentioned, additional funding or subsidies may be necessary to support ongoing operations. For the fiscal year ended June 30, 2013, 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.

**CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

Roanoke Valley Regional Fire-EMS Training Center

The City along with the County of Roanoke, City of Salem, and Town of Vinton jointly operate a Fire-EMS training center (Center). The Center is governed by a committee designated by the participating jurisdictions. New Fire-EMS recruits are required to take a 17 week training course at the facility before being assigned to a station. Upon completion of the training, the new recruits are state certified. Each jurisdiction is responsible for a percentage of the annual operating costs of the facility. The City is responsible for 44% of the annual operating costs. For the fiscal year ended June 30, 2013, 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.

(15) Jointly Governed Organizations

Regional Center for Animal Control and Protection

The City of Roanoke along with the Counties of Roanoke and Botetourt, and the Town of Vinton jointly participate on the Advisory Board which is responsible for the general fiscal and management policies for the Regional Center for the Animal Control and Protection (RCAP). The regional control center is comprised of an animal control and animal education facility that are adjacent to each other and are owned and operated by the Roanoke Valley Society for the Prevention of Cruelty to Animals, Inc. (RVSPCA). The animal control facility was financed by bonds in the amount of \$3.5 million which were issued by the RVSPCA. Each participating locality pays monthly amounts for its share of operating costs, debt service, and to fund reserves for operating and maintenance needs of the RCACP based on the locality's average use of the facility. During the year ended June 30, 2013, the City's share was 58%, and the City remitted approximately \$552,000 for its share of RCACP expenses.

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, 2013, the City of Roanoke School Board, a component unit of the City, remitted \$3,981,245 to the Regional Board for services.

Roanoke Valley Resource Authority

The City of Roanoke, the County of Roanoke, and the Town of Vinton jointly participate in the Roanoke Valley Resource Authority (Authority), which operates the regional sanitary landfill, waste collection and transfer station, and related treatment facilities. The Authority is governed by a board composed of seven members designated by the participating jurisdictions. 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, 2013, the City remitted \$2,009,642 to the Authority for services.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Roanoke Regional Airport Commission

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

Roanoke Valley Detention Commission

The Counties of Botetourt, Franklin and Roanoke and the Cities of Roanoke and Salem formed the Roanoke Valley Detention Commission (Commission) in 1998 to renovate, expand and operate a detention facility for juveniles. The Commission is governed by a six member board. Roanoke City Council appoints two members. Each locality's financial obligation is based on the number of juveniles housed at the facility. The Commission has the authority to issue debt, and such debt is the responsibility of the Commission. For the fiscal year ended June 30, 2013, the City remitted approximately \$981,000 to the Roanoke Valley Detention Commission in per diem charges for juveniles housed by the Commission.

Blue Ridge Behavioral Healthcare

The Counties of Botetourt, Craig and Roanoke, and the Cities of Roanoke and Salem formed Blue Ridge Behavioral Health Care (BRBH) to provide a system of comprehensive community mental health, mental retardation and substance abuse services. BRBH is governed by a sixteen member board. 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, 2013, the City remitted approximately \$631,000 to BRBH.

Western Virginia Water Authority

The City and the County of Roanoke combined its water and water pollution control functions to form the Western Virginia Water Authority (WVWA). The WVWA is responsible for the supply, treatment, distribution, and transmission of water and the collection and treatment of wastewater. In November 2009, Franklin County joined the WVWA to provide services to the western side of the County. The WVWA is governed by a seven member board consisting of three City of Roanoke appointees, three County of Roanoke appointees, and one Franklin County appointee. The City has control over the budget and financing for the WVWA only to the extent of representation by the board members appointed. Upon formation of the WVWA, the City retained \$38 million of general obligation bonds, which are to be repaid contractually by the WVWA in accordance with its operating agreement. During fiscal year 2013, \$4.7 million in locality compensation payments were paid by the WVWA to the City to cover principal and interest payment on the bonds. As of June 30, 2013, the remaining principal balance of these bonds was approximately \$13.4 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
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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 promotes economic development in Virginia's First Region and is governed by a board composed of twenty-nine members, two of which are appointed by Roanoke City Council. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. Each locality is obligated to annual dues of \$5,000. Authority member localities, who are also participants in the Regional Commerce Park 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, 2013, the City remitted \$27,500 to Virginia's First Regional Industrial Facility Authority.

(16) Related Organizations

Economic Development Authority of the City of Roanoke, Virginia

The Economic Development Authority issues low-interest, tax-free industrial revenue bonds in its name to acquire and improve property that is sold or leased to enterprises locating to or remaining in the City. City Council is responsible for appointing the seven member board; however, the City, the state, and any political subdivision thereof are not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2013, there were ten series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$494 million.

Roanoke Redevelopment and Housing Authority

The Roanoke Redevelopment and Housing Authority (Housing Authority) is a political subdivision of the State created to provide low income and subsidized housing. Commissioners of the Housing Authority are appointed by City Council. The Housing Authority is financially independent of the City and has administrative control of its operations, but its overall housing plans require the approval of City Council. The City provides a financial benefit through federal pass-through grant funds awarded to the Housing Authority on a contractual basis to implement certain grant programs. The Housing Authority also directly receives other federal and state subsidies and rents for operating its housing programs. During the year ended June 30, 2013, the City remitted approximately \$9,843 to the Housing Authority.

(17) Subsequent Events

On January 7, 2013, the City entered into a joint operating agreement with the Counties of Roanoke and Botetourt and the Town of Vinton to operate a regional pound facility. Joint operation of the Regional Center for Animal Control and Protection (RCACP) commenced on July 1, 2013. On November 1, 2013, the City issued General Obligation Bonds in connection with the purchase and the operation of the RCACP. The City issued bonds in the amount of \$1.8 million on the behalf of the participating jurisdictions. The City, which is responsible for 58% of the operating costs of the RCACP, will be reimbursed for a portion of this debt by the other participating localities to the extent of their responsibility of the operating costs of the facility.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

On August 5, 2013, City Council adopted an ordinance that the City become a Participating Political Subdivision in the establishment of a new investment program for local governments – the Virginia Investment Pool Trust Fund in cooperation with the Virginia Association of Counties (VACo) and the Virginia Municipal League (VML). The purpose of the pool is to provide an alternative for local governments for investing relatively short term assets in investment instruments authorized by state law. The program is intended to provide greater liquidity and less risk exposure for participating local governments. The City will jointly create a trust fund with the City of Chesapeake which will be administered by VML/VACo Finance Corporation. The City's initial investment will be \$5.0 million which will be deposited when the pool opens on January 4, 2014. The source of these funds will be cash and maturing investments that the City currently holds.

On November 18, 2013, City Council adopted revisions to the City's Reserve and Debt Management financial policies. The Reserve policy revisions included aligning reserve target dates with funding abilities and the simplification of the calculation of an Economic Downturn Reserve. The Debt Management policy revisions included regulatory compliance verbiage specific to Post issuance Compliance and Underwriter selection and glossary updates to reflect the City's specific debt environment. Key elements of the policies were unchanged.

(18) Commitments, Contingencies and Other Matters

Litigation

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

Grants

Federal grant programs in which the City participates have been audited in accordance with the provisions of the Office of Management and Budget Circular A-133. In addition, these grant programs are subject to financial and compliance audits by the federal government, which may result in disallowed expenditures. Based on prior experience, City management believes such disallowances, if any, would not have a material effect on the City's financial position.

Other Matters

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(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	\$ 27,084,797	\$ 27,084,797	\$ 27,084,797	\$ -
Resources (Inflows):				
General Property Taxes	\$ 103,789,000	\$ 104,535,000	\$ 105,475,896	\$ 940,896
Other Local Taxes	71,231,000	71,949,200	72,597,560	648,360
Permits, Fees, and Licenses	1,013,000	1,013,000	966,903	(46,097)
Fines and Forfeitures	1,392,000	1,392,000	1,439,961	47,961
Revenue from Use of Money and Property	210,000	210,000	149,019	(60,981)
Charges for Services	10,399,000	10,454,800	10,919,251	464,451
Intergovernmental	64,415,000	65,102,287	62,464,181	(2,638,106)
Miscellaneous	471,000	471,000	579,619	108,619
Transfers from Other Funds	-	81,916	81,916	-
Amounts Available for Appropriation	<u>\$ 280,004,797</u>	<u>\$ 282,294,000</u>	<u>\$ 281,759,103</u>	<u>\$ (534,897)</u>

Charges to Appropriations (Outflows):

General Government				
City Treasurer	\$ 1,054,772	\$ 1,059,472	\$ 1,040,081	\$ (19,391)
Commissioner of the Revenue	1,028,681	1,045,381	1,045,288	(93)
City Council	223,677	232,178	231,839	(339)
City Council - Mayor Bowers	13,053	11,776	11,021	(755)
City Council - Council Member Trinkle	2,500	1,500	1,388	(112)
City Council - Council Member Lea	3,700	4,802	4,783	(19)
City Council - Council Member Bestpitch	2,500	1,000	735	(265)
City Council - Council Member Ferris	3,700	1,400	416	(984)
City Council - Council Member Price	7,926	6,726	5,611	(1,115)
City Council - Vice Mayor Rosen	3,875	2,875	2,592	(283)
City Attorney	1,028,076	941,925	929,367	(12,558)
City Clerk	447,229	458,808	450,730	(8,078)
Municipal Auditing	684,689	582,726	574,652	(8,074)
Department of Finance	2,254,490	1,972,704	1,957,883	(14,821)
Office of Billings and Collections	1,008,319	874,464	874,464	-
Real Estate Valuation	1,028,894	1,041,273	1,036,652	(4,621)
Board of Equalization	11,567	9,367	8,715	(652)
Electoral Board	329,483	420,638	420,549	(89)
Office of Communications	382,475	387,036	382,250	(4,786)
City Manager	788,547	785,939	778,581	(7,358)
Human Resources	1,036,549	1,211,405	1,205,364	(6,041)
Employee Health Services	557,300	861,743	860,939	(804)
Department of Management and Budget	508,454	532,345	529,052	(3,293)
Purchasing	394,848	454,581	454,481	(100)
Director of General Services	163,184	245,422	242,824	(2,598)
Management Services	53,484	25,464	19,993	(5,471)
Environmental Management	181,916	217,741	217,734	(7)

See Accompanying Note to Budgetary Comparison Schedule

See Accompanying Independent Auditors' Report

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Judicial Administration				
Clerk of Circuit Court	\$ 1,518,940	\$ 1,651,541	\$ 1,648,305	\$ (3,236)
Juvenile and Domestic Relations Court Services	1,081,563	1,193,063	1,192,203	(860)
Juvenile and Domestic Relations Court Clerk	35,545	36,601	25,996	(10,605)
Magistrates Office	5,377	5,377	4,744	(633)
General District Court	32,062	43,462	41,229	(2,233)
Circuit Court	538,385	542,985	542,890	(95)
Sheriff	2,758,892	2,923,667	2,908,916	(14,751)
Commonwealth's Attorney	1,591,078	1,548,353	1,545,106	(3,247)
Cost Collection Unit	84,320	83,620	82,943	(677)
Law Library	118,821	119,121	116,737	(2,384)
Public Safety				
Jail	14,733,290	14,464,387	14,464,322	(65)
E911	2,265,939	2,369,890	2,369,747	(143)
E911 - Wireless	538,565	379,765	378,838	(927)
Fire - Administration	635,620	651,983	632,876	(19,107)
Fire - Support	1,047,341	1,095,000	1,094,595	(405)
Fire - Operations	17,028,971	18,267,695	18,262,515	(5,180)
Fire - Airport Rescue	-	59,200	59,139	(61)
Emergency Management	104,333	104,328	97,925	(6,403)
Building Inspections	753,529	879,193	879,046	(147)
Outreach Detention	256,862	266,903	256,446	(10,457)
Youth Haven I	635,046	595,664	576,110	(19,554)
Police - Administration	657,489	707,364	705,760	(1,604)
Police - Investigation	3,939,614	3,962,770	3,962,623	(147)
Police - Patrol	12,523,835	13,639,697	13,634,795	(4,902)
Police - Services	2,711,129	2,853,785	2,832,445	(21,340)
Police - Training	610,781	630,256	618,813	(11,443)
Police - Animal Control	1,129,145	1,126,189	1,122,324	(3,865)
Public Works				
Custodial Services	687,426	615,730	613,527	(2,203)
Building Maintenance	4,199,146	4,409,422	4,409,422	-
Director of Public Works	148,976	153,898	150,151	(3,747)
Transportation - Streets and Traffic	4,973,409	5,249,907	5,226,103	(23,804)
Transportation - Paving Program	3,279,728	3,243,317	3,206,774	(36,543)
Transportation - Snow Removal	110,597	141,097	141,069	(28)
Transportation - Street Lighting	1,155,989	1,163,245	1,163,193	(52)
Transportation - Engineering and Operations	1,820,012	1,913,230	1,879,295	(33,935)
Solid Waste Management	6,257,189	6,456,725	6,456,198	(527)
Engineering	1,440,088	1,416,324	1,400,459	(15,865)

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

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Health and Welfare				
Human Services Support	\$ 276,265	\$ 305,707	\$ 299,350	\$ (6,357)
Health Department	1,473,975	1,477,975	1,463,110	(14,865)
Blue Ridge Behavioral Health Care	448,890	448,890	448,890	-
Human Services Committee	409,052	409,052	409,052	-
Social Services - Administration	1,967,855	1,869,281	1,868,909	(372)
Social Services - Benefits	5,429,127	5,506,695	5,488,874	(17,821)
Social Services - Services	14,765,777	13,460,013	13,460,012	(1)
Employment Services	1,318,123	1,453,572	1,448,599	(4,973)
Foster Parent Training	176,200	153,700	143,088	(10,612)
Comprehensive Services Act	10,630,000	9,804,430	9,804,322	(108)
Comprehensive Services Act - Administration	155,511	161,911	146,409	(15,502)
Parks, Recreation and Cultural				
Roanoke Arts Commission	269,220	298,720	286,220	(12,500)
Recreation	1,663,568	1,744,186	1,741,096	(3,090)
Parks	2,860,652	2,870,919	2,870,778	(141)
Parks & Recreation - Administration	1,182,419	1,300,318	1,300,113	(205)
School Playground Maintenance	108,213	38,443	15,171	(23,272)
Libraries	3,213,227	3,262,034	3,241,387	(20,647)
Community Development				
Memberships and Affiliations	1,666,236	2,095,419	2,090,890	(4,529)
Economic Development	1,636,259	1,587,996	1,587,996	-
Planning, Building and Development	1,195,997	1,136,982	1,136,810	(172)
Neighborhood Support	95,013	94,377	93,894	(483)
Neighborhood Services	1,253,840	1,304,249	1,242,107	(62,142)
Virginia Cooperative Extension	67,267	84,342	69,625	(14,717)
Nondepartmental				
Residual Fringe Benefits	2,587,561	-	-	-
Transfers to Other Funds	3,800,833	7,486,183	7,486,183	-
Transfers to Debt Service Fund	14,005,255	14,008,940	14,008,938	(2)
Transfers to Component Unit	74,424,505	75,524,319	75,524,319	-
Miscellaneous	50,000	50,000	30,804	(19,196)
Personnel Lapse	(2,340,146)	-	-	-
Funding for Reserves	625,000	-	-	-
Contingency	2,891,386	-	-	-
Total Charges to Appropriations	252,920,000	256,294,098	\$ 255,698,509	(595,589)
Budgetary Fund Balance, June 30	\$ 27,084,797	\$ 25,999,902	\$ 26,060,594	\$ 60,692

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

(Continued)

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(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.	281,759,103
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).	(27,084,797)
Transfers from other funds are a budgetary resource but not a revenue for financial reporting purposes (Exhibit E)	(81,916)
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u>\$ 254,592,390</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 255,698,509
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (Exhibit E).	(21,495,122)
Encumbrances for goods and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year goods and services are received for GAAP purposes (Exhibit C).	(1,562,056)
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u>\$ 232,641,331</u>

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

(2) Infrastructure Assets Under Modified Approach

INFRASTRUCTURE – FLOOD REDUCTION

Effective fiscal year 2012, with the adoption of the modified approach for certain infrastructure assets, the City is required to conduct an 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' and is conducted twice a year by City personnel based on criteria contained within the inspection report. The individual components assessed are the bench cuts (14) and training walls (2), which directly impact the level of flood reduction the asset provides. These are evaluated by examining the number of obstructions or damage observed, and to what extent. These individual assessments are then used to determine an overall condition rating as defined below. Independent evaluations are conducted periodically by the USACE using the same assessment criteria. City and USACE policy require the condition level to be maintained at or above a Fair (2) rating. Any deficiencies discovered by either party that would cause the condition level to fall below Fair (2), are the responsibility of the City and will be addressed prior to the next July assessment.

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

Assessment Ratings of Infrastructure Components

	<u>Number Assessed</u>	<u>2013 Rating</u>
Training Walls	2	3
Bench Cuts	14	3

As of June 30, 2013, the infrastructure as a whole had an assessment rating of 3 (Good).

Comparison of Estimated to Actual Maintenance Costs

	<u>2012</u>	<u>2013</u>
Estimated	\$97,370	\$75,126
Actual	\$97,370	\$75,126

See Accompanying Independent Auditors' Report

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)

(3) Schedules of Funding Progress - Pension

City - Virginia Retirement System Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio Assets as a % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ 39,288,274	\$ 51,279,275	\$ 11,991,001	76.6%	\$ 7,892,701	151.9%
6/30/2011	39,390,635	50,522,039	11,131,404	78.0%	7,975,869	139.6%
6/30/2010	38,578,435	48,126,459	9,548,024	80.2%	8,031,938	118.9%
6/30/2009	38,685,812	43,883,043	5,197,231	88.2%	8,483,464	61.3%
6/30/2008	38,079,256	42,499,150	4,419,894	89.6%	8,586,861	51.5%
6/30/2007	34,499,166	38,692,867	4,193,701	89.2%	8,377,002	50.1%
6/30/2006	30,539,557	33,495,408	2,955,851	91.2%	8,127,839	36.4%

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

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Over funded AAL	Funded Ratio Assets as a % of AAL	Annual Covered Payroll	OAAL as a % of Covered Payroll
6/30/2012	\$ 1,168,380	\$ 718,966	\$ (449,414)	162.5%	\$ 1,485,891	(30.2%)
6/30/2011	947,844	710,365	(237,479)	133.4%	1,225,391	(19.4%)
6/30/2010	784,752	514,460	(270,292)	152.5%	1,071,610	(25.2%)
6/30/2009	808,508	722,986	(85,522)	111.8%	3,583,415	(2.4%)
6/30/2008	265,363	103,514	(161,849)	256.4%	3,114,481	(5.2%)
6/30/2007	23,341	5,536	(17,805)	421.6%	368,136	(4.8%)

See Accompanying Independent Auditors' Report

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

(4) Schedules of Funding Progress - OPEB

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

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012 ⁽¹⁾	\$ 1,877,000	\$ 9,728,000	\$ 7,851,000	19.3%	\$ 68,089,000	11.5%
7/1/2011 ⁽¹⁾	1,639,000	13,190,000	11,551,000	12.4%	68,089,000	17.0%
7/1/2010 ⁽¹⁾	1,141,000	12,816,000	11,675,000	8.9%	69,600,000	16.8%
7/1/2009	793,000	16,958,000	16,165,000	4.7%	69,600,000	23.2%
7/1/2008	362,000	19,283,000	18,921,000	1.9%	75,000,000	25.2%
7/1/2007	-	15,840,000	15,840,000	0.0%	65,100,000	24.3%

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

	(a)	(b)	(b-a)	(a/b)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio
7/1/2011	-	\$ 2,119,200	\$ 2,119,200	0.0%

⁽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.

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

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2013	-	\$ 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 Independent Auditors' Report

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

(5) Schedules of Employer Contributions - OPEB

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$ 877,000	100.0%
2012	1,278,000	105.0%
2011	1,235,000	106.0%
2010	1,528,000	113.0%
2009	1,747,000	100.0%
2008	1,398,000	100.0%

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$ 248,000	133.1%
2012	238,800	100.0%

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$ 230,862	120.3%
2012	244,094	292.8%
2011	289,043	209.6%
2010	684,706	55.8%
2009	(1,599,071)	(16.4%)
2008	3,259,698	7.9%

See Accompanying Independent Auditors' Report

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

(6) 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	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered
6/30/2012	\$ 73,236	\$ 160,477	\$ 87,241	45.64%	\$ 7,892,701	1.11%
6/30/2011	76,808	158,267	81,459	48.53%	7,975,869	1.02%
6/30/2010	67,213	167,493	100,280	40.13%	8,031,938	1.25%
6/30/2009	71,592	150,405	78,813	47.60%	8,483,464	0.93%
6/30/2008	108,754	227,931	119,177	47.71%	8,586,861	1.39%
6/30/2007	82,519	31,986	(50,533)	257.98%	8,377,002	-0.60%

See Accompanying Independent Auditors' Report

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

(7) Note to Budgetary Comparison Schedule – General Fund

(A) Budgets and Budgetary Accounting

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

- 1. Proposal** – At least sixty days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. Projects and Grants** – The capital projects budget is prepared on a project length basis under which the total outlay for each project is estimated for the length of the project. The Special Revenue Fund budget is adopted on a grant length basis as grants are received by the City. Grant budgets are not legally enacted on an annual period basis; therefore, a budgetary comparison statement is not presented for the Special Revenue Fund.
- 3. Adoption** – Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to May 15, the budget is legally adopted at the departmental level through passage of an appropriation ordinance by City Council.
- 4. Amendment** – The City Manager is authorized to transfer amounts not exceeding \$75,000 between departments beginning July through March and to transfer any amount between departments beginning April through June. The City Manager also has the authority to make transfers of any amount within a given department. All other transfers or supplemental appropriations must be approved by City Council. During the year, \$3,374,098 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of restricted, committed or assigned fund balance, and the appropriation of additional intergovernmental grants received during the year.
- 5. Integration** – Formal budgetary integration is employed as a management control device during the year for the General and Capital Projects Funds. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through budgeted transfers from the General Fund to the Debt Service Fund for debt payments.
- 6. Legal Compliance** – Actual expenditures and operating transfers out may not legally exceed budget appropriations for each department. City Council legally adopts an annual budget for the General Fund. Its budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America except for the recognition of encumbrances, the classification of certain transfers as expenditures, and the consideration of beginning fund balance as a budgetary resource. A reconciliation of the actual General Fund uses of financial resources presented in accordance with generally accepted accounting principles is presented as part of the Budgetary Comparison Schedule located in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

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CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<u>Assets</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,600,277	\$ 1,711,986	\$ 12,217,731	\$ 17,529,994
Investments	1,123,385	684,036	4,804,694	6,612,115
Interest and Dividends Receivable	1,221	743	5,221	7,185
Due from Other Funds	173,773	167,623	2,609,928	2,951,324
Accounts Receivable (net of allowance for uncollectibles)	39,053	19,918	56	59,027
Inventory	-	77,933	-	77,933
Other Assets	83,762	-	330,000	413,762
Total Current Assets	5,021,471	2,662,239	19,967,630	27,651,340
Capital Assets:				
Equipment and Other Capital Assets	32,030,595	36,295,846	-	68,326,441
Construction in Progress	110,951	-	-	110,951
Less Accumulated Depreciation	(19,186,616)	(26,027,430)	-	(45,214,046)
Capital Assets, Net	12,954,930	10,268,416	-	23,223,346
Total Assets	\$ 17,976,401	\$ 12,930,655	\$ 19,967,630	\$ 50,874,686
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	338,249	768,119	140,634	1,247,002
Accrued Interest Payable	80,540	-	-	80,540
Due to Other Funds	15,576	534	1,226	17,336
Long-Term Liabilities Due Within One Year	318,957	27,442	2,764,211	3,110,610
Total Current Liabilities	753,322	796,095	2,906,071	4,455,488
Long-Term Liabilities:				
Compensated Absences Payable	250,392	65,337	4,333	320,062
Claims Payable	-	-	25,358,298	25,358,298
General Obligation Bonds Payable, Net	6,550,698	-	-	6,550,698
Less Current Maturities	(318,957)	(27,442)	(2,764,211)	(3,110,610)
Total Long-Term Liabilities	6,482,133	37,895	22,598,420	29,118,448
Total Liabilities	7,235,455	833,990	25,504,491	33,573,936
<u>Net Position</u>				
Net Investment in Capital Assets	6,771,282	10,268,416	-	17,039,698
Unrestricted	3,969,664	1,828,249	(5,536,861)	261,052
Total Net Position	\$ 10,740,946	\$ 12,096,665	\$ (5,536,861)	\$ 17,300,750

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<u>Operating Revenues</u>				
Charges for Services	\$ 5,897,803	\$ 6,712,338	\$ 16,317,751	\$ 28,927,892
Other Revenue	111,355	401,596	-	512,951
Total Operating Revenues	6,009,158	7,113,934	16,317,751	29,440,843
<u>Operating Expenses</u>				
Personal Services	2,482,351	1,250,690	162,420	3,895,461
Other Services and Charges	1,309,669	317,447	16,868,251	18,495,367
Materials and Supplies	733,160	3,228,771	842,106	4,804,037
Depreciation	3,519,225	1,909,740	-	5,428,965
Total Operating Expenses	8,044,405	6,706,648	17,872,777	32,623,830
Operating Income/(Loss)	(2,035,247)	407,286	(1,555,026)	(3,182,987)
<u>Nonoperating Revenues (Expenses)</u>				
Loss on Disposal of Assets	-	(33,173)	-	(33,173)
Investment Income	17,911	3,991	39,807	61,709
Interest Expense	(190,388)	(227)	-	(190,615)
Net Nonoperating Revenues (Expenses)	(172,477)	(29,409)	39,807	(162,079)
Income/(Loss) Before Transfers and Contributions	(2,207,724)	377,877	(1,515,219)	(3,345,066)
<u>Transfers and Contributions</u>				
Transfers In	797,828	281,154	2,141,000	3,219,982
Net Transfers and Contributions	797,828	281,154	2,141,000	3,219,982
Change in Net Position	(1,409,896)	659,031	625,781	(125,084)
Total Net Position - Beginning of Year	12,150,842	11,437,634	(6,162,642)	17,425,834
Total Net Position - End of Year	\$ 10,740,946	\$ 12,096,665	\$ (5,536,861)	\$ 17,300,750

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 6,070,404	\$ 7,245,443	\$ 16,196,905	\$ 29,512,752
Cash Payments to Suppliers for Goods and Services	(2,091,035)	(3,234,684)	(1,642,502)	(6,968,221)
Cash Payments to Other Funds for Interfund Services	4,767	(89,499)	(242,722)	(327,454)
Cash Payments to Employees	(2,448,737)	(1,273,923)	(161,275)	(3,883,935)
Cash Payments for Claims	-	-	(14,561,149)	(14,561,149)
Cash Received From Other Operating Revenue	111,355	401,596	-	512,951
Net Cash Provided (Used) by Operating Activities	1,646,754	3,048,933	(410,743)	4,284,944
Cash Flows From Noncapital Financing Activities:				
Transfers In	797,828	281,154	2,141,000	3,219,982
Net Cash Provided by Noncapital Financing Activities	797,828	281,154	2,141,000	3,219,982
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(2,074,852)	(2,009,484)	-	(4,084,336)
Principal Paid on Bonds and Capital Lease Obligations	(71,625)	(3,396)	-	(75,021)
Proceeds from Issuance of Bonds	2,032,526	-	-	2,032,526
Interest Paid on Bonds and Capital Lease Obligations	(200,374)	(228)	-	(200,602)
Net Cash Used by Capital and Related Financing Activities	(314,325)	(2,013,108)	-	(2,327,433)
Cash Flows From Investing Activities:				
Interest Received	16,661	3,085	30,987	50,733
Purchase of Investments	(738,560)	243,256	3,725,732	3,230,428
Cash Provided (Used) by Investing Activities	(721,899)	246,341	3,756,719	3,281,161
Net Increase in Cash and Cash Equivalents	1,408,358	1,563,320	5,486,976	8,458,654
Cash and Cash Equivalents at July 1	2,191,919	148,666	6,730,755	9,071,340
Cash and Cash Equivalents at June 30	\$ 3,600,277	\$ 1,711,986	\$ 12,217,731	\$ 17,529,994
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income\ (Loss)	\$ (2,035,247)	\$ 407,286	\$ (1,555,026)	\$ (3,182,987)
Depreciation	3,519,225	1,909,740	-	5,428,965
Increase in Due From Other Governments	3,076	15,748	-	18,824
(Increase) Decrease in Due From Other Funds	157,691	519,643	(125,421)	551,913
(Increase) Decrease in Accounts Receivable	11,834	(2,286)	4,575	14,123
Increase in Inventory	-	(16,865)	-	(16,865)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(46,812)	232,700	129,793	315,681
Increase (Decrease) in Due to Other Funds	13,817	534	(229,852)	(215,501)
Increase (Decrease) in Compensated Absences Payable	23,169	(17,567)	(1,131)	4,471
Increase in Claims Payable	-	-	1,366,319	1,366,319
Total Adjustments	3,682,000	2,641,647	1,144,283	7,467,930
Net Cash Provided (Used) by Operating Activities	\$ 1,646,753	\$ 3,048,933	\$ (410,743)	\$ 4,284,943

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2013

	Hotel Roanoke Conference Center Commission
<u>Assets</u>	
Cash and Cash Equivalents	\$ 702,247
Investments	4,008,513
Accrued Interest Receivable	29,618
Total Assets	\$ 4,740,378
<u>Liabilities</u>	
Due to Other Governments	\$ 4,740,378
Total Liabilities	\$ 4,740,378

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,207,961	\$ 5,670,214	\$ 6,175,928	\$ 702,247
Investments	4,003,246	4,008,513	4,003,246	4,008,513
Accrued Interest Receivable	24,330	29,618	24,330	29,618
Due from Other Governments	18	112,426	112,444	-
Total Assets	<u>\$ 5,235,555</u>	<u>\$ 9,820,771</u>	<u>\$ 10,315,948</u>	<u>\$ 4,740,378</u>
<u>Liabilities</u>				
Due to Other Governments	\$ 5,235,555	\$ 9,820,771	\$ 10,315,948	\$ 4,740,378
Total Liabilities	<u>\$ 5,235,555</u>	<u>\$ 9,820,771</u>	<u>\$ 10,315,948</u>	<u>\$ 4,740,378</u>

See Accompanying Independent Auditors' Report.

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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	149
<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	156
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
Debt Capacity	159
<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	162
<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	164
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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Table 1
Unaudited

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

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Governmental Activities										
Net Investment in Capital Assets	\$ 335,651,602	\$ 329,493,504	\$ 269,948,200	\$ 260,869,253	\$ 238,461,969	\$ 225,501,044	\$ 200,914,327	\$ 190,962,494	\$ 187,115,017	\$ 164,108,469
Restricted for:										
Capital Projects	-	-	-	46,777	70,914	105,323	139,732	205,752	276,133	215,691
Debt Service	1,493,056	-	-	-	-	-	-	-	-	-
Other Purposes	6,746,307	-	-	-	-	-	-	-	-	-
Unrestricted	22,261,350	29,219,419	44,235,521	25,539,839	41,697,432	45,552,401	56,691,884	52,348,145	30,519,227	45,098,238
Total Governmental Activities Net Position	\$ 366,152,315	\$ 358,712,923	\$ 314,183,721	\$ 286,455,869	\$ 280,230,315	\$ 271,158,768	\$ 257,745,943	\$ 243,516,391	\$ 217,910,377	\$ 209,422,398
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 33,675,512	\$ 34,264,716	\$ 33,964,073	\$ 51,750,741	\$ 52,067,081	\$ 51,594,498	\$ 50,696,302	\$ 38,113,702	\$ 42,009,100	\$ 157,247,149
Unrestricted	1,446,904	840,542	1,109,365	4,678,494	2,213,388	3,180,872	4,454,864	11,034,165	4,909,789	21,240,298
Total Business-Type Activities Net Position	\$ 35,122,416	\$ 35,105,258	\$ 35,073,438	\$ 56,429,235	\$ 54,280,469	\$ 54,775,370	\$ 55,151,166	\$ 49,147,867	\$ 46,918,889	\$ 178,487,447
Primary Government				(1)						
Net Investment in Capital Assets	\$ 369,327,114	\$ 363,758,220	\$ 303,912,273	\$ 312,619,994	\$ 290,529,050	\$ 277,095,542	\$ 251,610,629	\$ 229,076,196	\$ 229,124,117	\$ 321,355,618
Restricted for:										
Capital Projects	-	-	-	46,777	70,914	105,323	139,732	205,752	276,133	215,691
Debt Service	1,493,056	-	-	-	-	-	-	-	-	-
Other Purposes	6,746,307	-	-	-	-	-	-	-	-	-
Unrestricted	23,708,254	30,059,961	45,344,886	30,218,333	43,910,820	48,733,273	61,146,748	63,382,310	35,429,016	66,338,536
Total Primary Government Net Position	\$ 401,274,731	\$ 393,818,181	\$ 349,257,159	\$ 342,885,104	\$ 334,510,784	\$ 325,934,138	\$ 312,897,109	\$ 292,664,258	\$ 264,829,266	\$ 387,909,845

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.

Table 2
Unaudited

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

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Expenses										
Governmental Activities:										
General Government	\$ 14,036,094	\$ 15,192,371	\$ 13,934,968	\$ 12,224,830	\$ 13,859,060	\$ 14,951,184	\$ 11,273,712	\$ 13,060,424	\$ 12,505,925	\$ 12,129,739
Judicial Administration	8,704,405	8,777,516	7,644,774	7,786,140	9,167,289	8,881,939	8,696,783	7,759,108	7,093,904	6,563,999
Public Safety	66,852,582	69,882,446	63,287,015	63,976,863	66,448,271	67,457,297	63,824,918	60,338,648	56,027,791	52,085,243
Public Works	27,835,679	28,672,051	18,654,587	28,126,031	31,174,272	29,493,501	29,322,095	25,396,344	25,413,778	27,619,650
Health and Welfare	37,453,267	41,124,917	42,111,631	45,995,109	45,756,887	45,287,639	39,755,942	36,851,200	35,063,221	31,985,929
Parks, Recreation and Cultural	10,908,904	13,301,508	11,420,919	10,559,350	12,018,560	11,718,909	12,328,684	10,671,914	9,269,834	6,063,700
Community Development	11,398,126	9,452,579	10,706,299	10,010,970	9,752,877	13,009,501	11,847,813	10,388,248	9,849,351	9,601,301
Greater Roanoke Transit Company (GRTC)	1,654,105	1,654,105	1,177,324	-	-	-	-	-	-	-
Education	79,011,455	83,072,419	74,772,599	67,945,097	66,604,559	65,494,065	61,335,067	57,899,575	54,737,434	51,458,092
Economic Development	3,079,428	2,022,694	3,904,121	3,510,831	1,535,584	657,348	613,075	3,046,343	7,175,953	1,160,036
Other	83,466	4,595	98,494	-	15,329	13,470	31,575	66,967	125,801	90,903
Interest and Fiscal Charges	12,047,146	11,551,668	12,002,689	13,538,201	13,124,928	10,710,840	11,916,375	11,588,440	11,652,145	8,598,701
Total Governmental Activities Expenses	273,064,657	284,708,869	259,715,420	263,673,422	269,457,616	267,675,693	250,946,039	237,067,211	228,915,137	207,357,293
Business-Type Activities:										
Transit Company	-	-	-	9,474,181	9,545,470	9,195,709	8,403,369	7,850,064	7,609,131	7,078,272
Water	-	-	-	-	-	-	-	-	-	11,101,776
Water Pollution Control	-	-	-	-	-	-	-	-	-	10,801,834
Civic Facilities	4,581,203	4,509,327	4,511,711	4,302,258	7,138,833	5,259,155	4,694,186	5,066,942	4,610,356	5,077,678
Parking	3,454,022	3,483,658	2,755,253	3,030,494	2,806,984	2,396,330	2,894,630	2,036,575	2,002,110	1,927,191
Market Building	-	-	163,992	384,331	649,874	379,828	390,098	368,090	506,894	492,795
Total Business-Type Activities Expenses	8,035,225	7,992,985	7,430,956	17,191,264	20,141,161	17,231,022	16,382,283	15,321,671	14,728,491	36,479,546
Total Primary Government Expenses	281,099,882	292,701,854	267,146,376	280,864,686	289,598,777	284,906,715	267,328,322	252,388,882	243,643,628	243,836,839
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	4,408,777	3,700,916	6,035,893	4,152,979	4,511,088	4,467,706	4,228,015	3,234,836	3,038,133	6,839,246
Judicial Administration	3,820,609	3,782,588	3,755,301	3,734,589	4,823,817	4,594,962	5,445,812	5,132,780	5,334,458	2,131,060
Public Safety	4,952,127	4,702,979	5,323,523	6,203,883	6,453,285	6,632,394	5,894,930	5,086,196	4,768,397	5,191,798
Public Works	381,886	340,438	2,168,980	347,422	386,445	445,191	523,344	458,882	445,256	781,285
Health and Welfare	40,111	93,991	131,520	127,834	146,338	196,110	172,703	584,149	595,797	517,697
Parks, Recreation and Cultural	342,005	414,693	399,968	367,143	308,446	155,799	132,728	413,090	372,186	62,309
Community Development	146,061	154,041	167,314	166,176	161,228	165,144	199,255	170,493	131,038	151,933
Economic Development	-	-	-	-	4,974	83,541	-	-	-	-
Operating Grants and Contributions	64,201,295	64,457,688	68,572,662	70,252,704	70,986,646	69,257,682	63,164,087	59,243,639	56,208,537	51,329,015
Capital Grants and Contributions	2,168,673	3,677,359	5,665,618	718,580	265,005	3,975,312	289,043	102,934	239,246	736,337
Total Governmental Activities Program Revenues	80,461,544	81,324,693	92,220,779	86,071,310	88,047,272	89,973,841	80,049,917	74,428,999	71,133,048	67,740,680
Business-Type Activities:										
Charges for Services:										
Transit Company	-	-	-	2,046,752	2,097,420	2,033,024	1,819,053	1,779,619	1,565,511	1,439,067
Water	-	-	-	-	-	-	-	-	-	13,383,297
Water Pollution Control	-	-	-	-	-	-	-	-	-	11,159,513
Civic Facilities	2,701,142	2,559,400	2,405,370	1,966,484	4,312,359	2,248,649	2,413,877	2,995,440	2,788,081	3,403,360
Parking	3,365,930	3,316,277	2,840,685	2,733,270	2,804,755	2,809,958	2,686,301	2,683,159	2,600,415	2,645,977
Market Building	-	-	10,452	198,022	224,637	255,476	268,340	277,886	308,366	256,015
Operating Grants and Contributions	-	-	-	4,139,626	4,393,415	4,071,749	3,896,866	3,252,566	3,252,566	2,843,449
Capital Grants and Contributions	-	-	-	2,348,098	1,115,208	769,852	5,783,634	1,357,967	1,010,893	4,698,459
Total Business-Type Activities Program Revenues	6,067,072	5,875,677	5,256,507	13,432,252	14,947,794	12,188,708	16,868,071	12,489,772	11,525,832	39,829,137
Total Primary Government Program Revenues	86,528,616	87,200,370	97,477,286	99,503,562	102,995,066	102,162,549	96,917,988	86,918,771	82,658,880	107,569,817
Net (Expense)/Revenue:	(192,603,113)	(203,384,176)	(167,494,641)	(177,602,112)	(181,410,344)	(177,701,852)	(170,896,122)	(162,638,212)	(157,782,089)	(139,616,613)
Business-Type Activities	(1,968,153)	(2,117,308)	(2,174,449)	(3,759,012)	(5,193,367)	(5,042,314)	485,788	(2,831,899)	(3,202,659)	3,349,591
Total Primary Government Net Expense	\$ (194,571,266)	\$ (205,501,484)	\$ (169,669,090)	\$ (181,361,124)	\$ (186,603,711)	\$ (182,744,166)	\$ (170,410,334)	\$ (165,470,111)	\$ (160,984,748)	\$ (136,267,022)

Table 2
Unaudited
(continued)

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

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
General Property - Real Estate and Personal Property	\$ 103,429,235	\$ 105,653,485	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861	\$ 98,714,420	\$ 93,361,362	\$ 86,651,722	\$ 81,071,535	\$ 75,186,290
Local Portion of State Sales	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376	19,663,577	19,223,559
Business and Professional Occupational License	12,063,755	11,769,433	11,276,263	11,588,503	12,479,698	12,536,783	12,690,668	12,893,280	11,335,221	10,828,304
Utility	9,812,703	9,584,366	9,937,596	9,557,889	9,735,948	9,825,738	11,409,106	13,234,488	13,857,552	13,823,643
Prepared Food and Beverage	13,737,840	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950
Commonwealth Share - Personal Property	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,121,547	7,962,068	8,325,821	7,689,531
Cigarette	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533
Transient Room	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,253	2,666,253	2,529,645	2,250,249	2,232,754
Telecommunications	7,115,248	7,096,425	7,247,911	7,383,848	7,145,256	7,978,786	3,421,394	-	-	-
Motor Vehicle License Tax	2,069,531	2,130,312	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858
Other	3,154,317	3,011,116	2,810,326	4,344,857	6,071,290	7,412,254	11,727,231	7,359,754	7,111,634	8,213,700
State Aid Not Restricted to a Specific Program	-	-	-	-	-	-	-	-	-	-
Payment from Component Unit	15,928,396	16,373,216	9,752,655	10,020,049	8,930,898	7,752,288	1,300,000	-	-	-
Grants and Contributions Not Restricted to Specific Program	-	-	2,880	11,226	8,379	3,372	3,107	-	239,988	274,714
Interest and Investment Income	1,380,818	1,071,384	960,375	1,246,826	1,618,541	2,644,762	3,737,732	3,187,105	2,387,866	1,265,367
Miscellaneous	-	-	-	130,702	-	-	4,471,167	4,005,203	6,754,063	5,790,943
Special Item	-	43,322,018	(3,492,982)	-	-	-	-	(1,575,776)	-	-
Transfers	(1,985,311)	(1,978,226)	(569,468)	(5,693,020)	(4,493,091)	(4,339,261)	(5,030,413)	(3,062,423)	(2,882,183)	(4,892,800)
Transfers - Capital Assets	-	-	-	-	-	-	-	(1,726,651)	-	(161,275)
Total Governmental Activities	200,042,505	247,913,378	195,222,489	183,827,666	190,481,891	191,114,677	185,125,674	174,424,956	161,762,038	150,800,071
Business-Type Activities:										
Interest and Investment Income	-	170,902	112,028	80,077	87,552	140,247	228,058	163,638	92,195	224,589
Gain (Loss) on Sale of Assets	-	-	-	-	-	-	-	(293,213)	9,896	16,325
Miscellaneous	-	-	-	134,681	117,823	187,010	259,040	401,378	522,955	418,509
Special Item	-	-	(3,204,514)	-	-	-	-	-	-	-
Transfers	1,985,311	1,978,226	569,468	5,693,020	4,493,091	4,339,261	5,030,413	3,062,423	2,882,183	4,892,800
Transfers - Capital Assets	-	-	-	-	-	-	-	1,726,651	-	161,275
Total Business-Type Activities	1,985,311	2,149,128	(2,523,018)	5,907,778	4,698,466	4,666,518	5,517,511	5,060,877	3,507,229	5,713,498
Total Primary Government	\$ 202,027,816	\$ 250,062,506	\$ 192,699,471	\$ 189,735,444	\$ 195,180,357	\$ 195,781,195	\$ 190,643,185	\$ 179,485,833	\$ 165,269,267	\$ 156,513,569
Change in Net Position										
Governmental Activities	\$ 7,439,392	\$ 44,529,202	\$ 27,727,848	\$ 6,225,554	\$ 9,071,547	\$ 13,412,825	\$ 14,229,552	\$ 11,786,744	\$ 3,979,949	\$ 11,183,458
Business-Type Activities	17,158	31,820	(4,697,467)	2,148,766	(494,901)	(375,796)	6,003,299	2,228,978	304,570	9,063,089
Total Primary Government	\$ 7,456,550	\$ 44,561,022	\$ 23,030,381	\$ 8,374,320	\$ 8,576,646	\$ 13,037,029	\$ 20,232,851	\$ 14,015,722	\$ 4,284,519	\$ 20,246,547

Information is presented on a full accrual basis of accounting.

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

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
General Property Tax-Real Estate and Personal Property	\$ 103,429,235	\$ 105,653,485	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861	\$ 98,714,420	\$ 93,361,362	\$ 86,651,722	\$ 81,071,535	\$ 75,186,290
Sales Tax	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559
Business License Tax	12,063,755	11,769,433	11,276,263	11,588,503	12,479,698	12,536,783	12,174,159	12,893,280	11,335,221	10,828,304
Utility Consumer Tax	9,812,703	9,584,366	9,937,596	9,557,889	9,735,948	9,825,738	11,925,615	13,234,488	13,857,552	13,823,643
Prepared Food & Beverage Tax (1)	13,737,840	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950
Commonwealth Share Personal Property Tax	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,121,547	7,962,068	8,325,821	7,689,531
Cigarette Tax	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533
Transient Room Tax (2)	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,253	2,666,253	2,529,645	2,250,249	2,232,754
Telecommunications (3)	7,115,248	7,096,425	7,247,911	7,383,848	7,145,256	7,978,786	3,421,394	-	-	-
Motor Vehicle License Tax	2,069,531	2,130,312	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858
Other Taxes	3,154,317	3,011,116	2,810,326	4,344,857	6,071,290	7,412,254	11,727,231	7,359,754	7,111,634	8,213,700
Total Governmental Activities Tax Revenues	\$ 184,718,602	\$ 189,124,986	\$ 188,569,029	\$ 178,111,883	\$ 184,417,164	\$ 185,053,516	\$ 180,644,081	\$ 165,821,066	\$ 155,262,304	\$ 148,523,122

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

	2012-13	2011-12	2010-11 (1)	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
General Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	1,562,056	1,084,361	1,379,076	-	-	-	-	-	-	-
Assigned	-	-	1,407,485	-	-	-	-	-	-	-
Unassigned	26,060,594	26,000,436	25,535,754	-	-	-	-	-	-	-
Reserved	-	-	-	598,753	1,028,676	1,318,997	743,092	1,219,270	1,389,488	1,552,656
Unreserved	-	-	-	24,361,867	21,352,928	19,723,710	21,347,881	22,121,582	19,660,766	2,945,349
Total General Fund	\$ 27,622,650	\$ 27,084,797	\$ 28,322,315	\$ 24,960,620	\$ 22,381,604	\$ 21,042,707	\$ 22,090,973	\$ 23,340,852	\$ 21,050,254	\$ 4,498,005
All Other Governmental Funds										
Restricted	\$ 8,239,363	\$ 4,686,212	\$ 3,465,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	15,544,610	17,131,452	16,368,501	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	6,146,088	17,529,842	36,500,585	14,814,335	22,669,544	19,200,210	14,068,820
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Debt Service Fund	-	-	-	1,213,260	1,161,895	1,143,782	1,021,667	1,063,737	988,465	15,061,934
Capital Projects Fund	-	-	-	6,121,743	31,685,558	27,455,399	26,591,510	37,744,826	39,994,304	37,069,596
Total All Other Governmental Funds	\$ 23,783,973	\$ 21,817,664	\$ 19,833,505	\$ 13,481,091	\$ 50,377,295	\$ 65,099,766	\$ 42,427,512	\$ 61,478,107	\$ 60,182,979	\$ 66,200,350

Information is presented on a modified accrual basis of accounting.

(1) The City adopted GASB Statement No. 54 in fiscal year 2011.

Table 5
Unaudited

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

	2012-13	2011-12	2010-11	2009-10	2008-09
Revenues					
Local Taxes	\$ 178,073,456	\$ 181,456,770	\$ 178,308,587	\$ 171,185,553	\$ 173,518,576
Permits, Fees and Licenses	966,903	857,561	969,800	880,347	1,053,443
Fines and Forfeitures	1,439,961	1,531,145	1,805,083	1,615,265	1,558,517
Rental Income	111,834	117,154	210,633	550,191	845,373
Investment Income	93,291	136,277	177,577	251,970	1,211,719
Intergovernmental	93,839,219	95,942,714	91,502,519	93,250,211	93,064,316
Charges for Services	10,919,251	10,262,192	11,624,417	10,834,925	11,616,042
Miscellaneous	2,915,807	1,902,037	4,717,123	703,626	1,536,704
Total Revenues	\$ 288,359,722	\$ 292,205,850	\$ 289,315,739	\$ 279,272,088	\$ 284,404,690
Expenditures					
Current Operating:					
General Government	\$ 13,064,653	\$ 13,420,641	\$ 13,043,582	\$ 12,671,590	\$ 13,094,420
Judicial Administration	8,327,159	8,075,746	7,336,125	7,503,476	8,735,663
Public Safety	63,848,864	62,753,894	60,845,503	61,821,748	63,808,641
Public Works	23,842,020	23,696,320	22,133,031	23,860,980	24,841,431
Health and Welfare	36,802,549	39,683,737	41,755,947	45,439,356	45,128,533
Parks, Recreation and Cultural	9,547,523	9,632,815	10,314,592	9,192,283	10,753,820
Community Development	10,829,570	9,045,363	10,481,809	9,931,020	9,559,518
Greater Roanoke Transit Company	1,654,105	1,654,105	1,177,324	-	-
Education	73,870,214	78,351,405	70,232,036	63,443,415	62,856,641
Debt Service:					
Principal Retirement	24,523,873	23,426,997	20,778,546	23,566,295	22,157,734
Interest and Paying Agent Charges	9,522,590	10,936,143	11,479,778	12,768,787	12,286,166
Bond Issuance Cost	590,381	801,658	204,463	317,494	79,082
Capital Outlays	15,291,837	12,373,816	13,251,045	40,276,382	44,299,810
Total Expenditures	\$ 291,715,338	\$ 293,852,640	\$ 283,033,781	\$ 310,792,826	\$ 317,601,459
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,355,616)	(1,646,790)	6,281,958	(31,520,738)	(33,196,769)
Other Financing Sources (Uses)					
Issuance of Bonds	12,269,104	5,533,829	7,121,925	2,661,171	23,912,613
Capital Lease	-	-	-	-	-
Issuance of Refunding Bonds	24,870,000	25,125,000	2,017,600	36,056,200	-
Payment to Refunded Bond Escrow Agent	(28,239,596)	(27,734,307)	(2,136,507)	(39,056,309)	-
Premium on Sale of Bonds	2,165,563	3,371,482	248,563	3,669,899	706,843
Transfers In	17,427,478	18,088,403	26,925,336	25,536,867	27,214,121
Transfers Out	(22,632,771)	(21,990,976)	(30,744,766)	(31,664,278)	(32,020,382)
Total Other Financing Sources (Uses)	5,859,778	2,393,431	3,432,151	(2,796,450)	19,813,195
Net Change in Fund Balances	2,504,162	746,641	9,714,109	(34,317,188)	(13,383,574)
Fund Balances--Beginning of Year	48,902,461	48,155,820	38,441,711	72,758,899	86,142,473
Fund Balances--End of Year	\$ 51,406,623	\$ 48,902,461	\$ 48,155,820	\$ 38,441,711	\$ 72,758,899

Information is presented on an modified accrual basis of accounting.

Table 5
Unaudited
(continued)

2007-08	2006-07	2005-06	2004-05	2003-04
\$ 172,769,022	\$ 164,871,887	\$ 156,259,656	\$ 145,738,157	\$ 138,027,923
1,475,370	1,142,724	1,469,016	1,275,026	1,026,606
1,558,039	1,540,598	1,444,566	1,354,775	1,365,502
968,975	1,032,990	1,462,840	796,688	682,798
2,241,720	3,460,986	1,978,325	1,794,290	949,912
96,691,241	85,531,788	79,661,592	74,579,619	68,418,569
10,955,336	11,611,220	11,142,081	11,237,776	11,544,955
1,336,850	2,897,616	2,543,147	820,779	1,369,767
\$ 287,996,553	\$ 272,089,809	\$ 255,961,223	\$ 237,597,110	\$ 223,386,032
\$ 13,614,281	\$ 12,782,063	\$ 12,214,535	\$ 11,677,301	\$ 11,822,041
8,441,872	8,438,366	7,347,752	6,736,070	6,355,497
64,859,294	61,964,362	58,192,222	53,777,319	50,733,282
23,663,876	23,900,264	22,798,347	22,229,895	24,688,073
44,626,860	39,290,415	36,105,373	34,754,917	31,888,121
11,165,097	10,724,981	9,697,644	8,434,669	5,318,074
11,473,754	9,074,244	9,701,539	9,066,266	8,859,741
-	-	-	-	-
62,392,633	58,669,043	55,789,730	52,676,279	49,520,072
19,822,282	19,119,311	17,140,653	14,785,327	11,543,107
11,343,116	11,103,323	11,270,985	10,084,588	8,541,638
-	-	141,334	104,034	241,850
35,471,132	44,308,692	38,370,611	40,808,400	28,606,142
\$ 306,874,197	\$ 299,375,064	\$ 278,770,725	\$ 265,135,065	\$ 238,117,638
(18,877,644)	(27,285,255)	(22,809,502)	(27,537,955)	(14,731,606)
43,967,698	12,961,171	31,708,923	37,662,856	4,595,399
-	-	-	-	4,857,000
-	-	10,631,826	-	66,040,000
-	-	(10,705,136)	-	(68,189,271)
1,199,155	407,950	705,605	1,460,022	2,971,027
26,430,553	25,211,822	30,811,378	37,134,208	21,215,612
(31,095,774)	(31,596,162)	(36,757,368)	(42,034,253)	(28,827,670)
40,501,632	6,984,781	26,395,228	34,222,833	2,662,097
21,623,988	(20,300,474)	3,585,726	6,684,878	(12,069,509)
64,518,485	84,818,959	81,233,233	74,548,355	82,767,864
\$ 86,142,473	\$ 64,518,485	\$ 84,818,959	\$ 81,233,233	\$ 70,698,355

Table 6
Unaudited

CITY OF ROANOKE, VIRGINIA LOCAL TAX REVENUES BY SOURCE LAST TEN FISCAL YEARS										
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
General Property Tax	\$ 105,475,896	\$ 105,846,418	\$ 104,463,578	\$ 103,019,671	\$ 102,177,312	\$ 98,983,976	\$ 93,084,689	\$ 86,447,295	\$ 81,199,730	\$ 75,346,292
Sales Tax	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559
Utility Consumer Tax (1)	9,325,645	9,115,344	9,433,181	9,072,887	9,245,881	9,317,726	11,409,106	13,234,488	13,349,039	13,321,752
Cigarette Tax	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533
Recordation and Probate Tax	947,178	880,865	740,733	781,542	777,182	1,243,373	1,416,300	1,314,804	1,116,447	835,561
Business, Professional, and Occupational License Tax	12,550,814	12,238,455	11,780,678	12,073,505	12,969,765	13,044,796	12,690,668	12,893,280	11,843,734	11,330,195
Transient Room Tax (2)	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,252	2,666,253	2,529,645	2,250,249	2,232,754
Admissions Tax	417,015	433,932	422,279	442,030	476,491	443,664	457,454	456,048	448,312	530,712
Telecommunications/Telephone Surcharge - E911 (1)	7,115,248	7,096,448	7,247,927	7,383,848	7,145,256	7,979,032	4,127,361	1,431,406	1,603,863	1,340,847
Motor Vehicle License Tax	2,069,532	2,130,313	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858
Franchise Tax (1)	479,215	447,420	474,064	579,288	483,724	504,370	1,000,718	1,456,085	1,500,624	1,554,297
Prepared Food and Beverage Tax (3)	12,874,902	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950
Bank Stock Tax	1,558,030	1,463,718	1,853,502	1,473,670	960,846	740,011	772,818	1,306,496	1,115,867	986,613
Total Local Taxes	\$ 178,073,456	\$ 181,456,770	\$ 178,308,587	\$ 171,185,553	\$ 173,518,576	\$ 172,769,022	\$ 164,871,887	\$ 156,259,656	\$ 145,738,157	\$ 138,027,923

(1) On January 1, 2007, the State began the new Telecommunications Tax which replaced the Telephone Surcharge as well as Cable TV Franchise Tax, and Telephone and Cellular Utility Taxes.

(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.

Table 7
Unaudited

CITY OF ROANOKE, VIRGINIA GENERAL PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN YEARS										
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Total Tax Levies	\$ 113,209,446	\$ 112,485,925	\$ 112,560,131	\$ 110,098,047	\$ 110,034,071	\$ 106,316,893	\$ 101,301,039	\$ 94,754,245	\$ 88,719,548	\$ 82,947,318
Current Tax Collections	103,802,153	103,693,219	102,130,123	100,833,008	98,726,769	95,621,945	89,761,174	83,902,929	78,489,950	72,835,920
Current Tax Collections - State Share (1)	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,089,164	7,789,896	8,147,634	7,551,379
Collections in Subsequent Years	1,673,743	2,153,199	2,333,454	2,186,663	3,450,543	3,362,031	3,323,515	2,544,365	2,709,780	2,510,372
Delinquent Tax Collections - State Share (1)	-	-	-	-	-	-	32,383	172,172	178,186	138,153
Total Tax Collections	\$ 113,551,888	\$ 113,922,410	\$ 112,539,569	\$ 111,095,663	\$ 110,253,304	\$ 107,057,436	\$ 101,206,236	\$ 94,409,362	\$ 89,525,550	\$ 83,035,824
Current Tax Collections As Percent of Levies	98.82%	99.36%	97.91%	98.92%	97.06%	97.53%	96.59%	96.77%	97.65%	96.91%
Total Tax Collections As Percent of Levies (2)	100.30%	101.28%	99.98%	100.91%	100.20%	100.70%	99.91%	99.64%	100.91%	100.11%

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

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

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

Table 9
Unaudited

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

Year	REAL PROPERTY			PERSONAL PROPERTY			PUBLIC SERVICE CORPORATIONS		
	Direct	Direct	Direct	Direct	Tax Rate	Tax Rate	Tax Rate	Total	Total
	Tax Rate Per \$100	Tax Rate Per \$100	Tax Rate Per \$100	Tax Rate Per \$100	Levy	Levy	Per \$100	Levy	Tax Levies
2004	1.21	55,162,380	3.45	23,300,981	(1)	1.21	4,483,957	82,947,318	1.84
2005	1.21	59,439,602	3.45	25,222,479	(1)	1.21	4,057,467	88,719,548	1.85
2006	1.21	64,754,545	3.45	26,302,920	(1)	1.21	3,696,780	94,754,245	1.83
2007	1.19 (2)	69,429,439	3.45	28,163,083	(1), (3)	1.19 (2)	3,708,517	101,301,039	1.82
2008	1.19	74,451,741	3.45	28,100,133	(1)	1.19	3,765,019	106,316,893	1.79
2009	1.19	78,114,892	3.45	27,925,972	(1)	1.19	3,993,207	110,034,071	1.76
2010	1.19	79,710,636	3.45	26,141,385	(1)	1.19	4,246,026	110,098,047	1.73
2011	1.19	80,943,458	3.45	27,385,166	(1)	1.19	4,231,507	112,560,131	1.74
2012	1.19	80,857,790	3.45	27,311,532	(1)	1.19	4,316,603	112,485,925	1.74
2013	1.19	80,029,509	3.45	28,188,385	(1)	1.19	4,991,552	113,209,446	1.75

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

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

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

Table 10
Unaudited

CITY OF ROANOKE, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
COMPARISON OF JUNE 30, 2013 AND JUNE 30, 2004

Taxpayer	Description	2013			2004		
		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	\$ 205,264,456	1	2.61%	\$ -	-	-
Appalachian Power	Public Utility	133,697,835	2	1.70%	71,301,361	2	1.36%
Norfolk Southern Corporation	Transportation	121,054,498	3	1.54%	69,094,970	3	1.32%
Valley View Mall LLC (Formerly Hersh, Ltd)	Shopping Mall	74,938,200	4	0.95%	49,747,070	4	0.95%
Verizon Virginia, Inc	Communications	46,040,681	5	0.59%	79,437,253	1	1.51%
Roanoke Gas Company	Public Utility	38,267,865	6	0.49%	23,453,924	7	0.45%
Faison Roanoke Office Limited	Office Building	30,770,100	7	0.39%	-	-	-
Maple Leaf Bakery	Bakery	29,543,003	8	0.38%	26,563,400	6	0.51%
Advance Auto Parts	Auto Parts	29,384,305	9	0.37%	-	-	-
Steel Dynamics Roanoke Division	Primary Metals	23,673,262	10	0.30%	20,606,223	9	0.39%
Spectacle Lens	Eyecare Professionals	-	-	-	29,081,589	5	0.55%
Hotel Roanoke	Hotel	-	-	-	20,662,713	8	0.39%
IHC (Wyndham)	Hotel	-	-	-	18,100,500	10	0.34%
		<u>\$ 732,634,205</u>		<u>9.32%</u>	<u>\$ 408,049,003</u>		<u>7.77%</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)
2004	1,712,570,484
2005	1,599,236,967
2006	1,876,508,609
2007	1,900,930,872
2008	1,925,487,309
2009	1,692,267,903
2010	1,676,331,018
2011	1,649,614,469
2012	1,732,017,118
2013 thru June	859,538,966

(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	Business Activities Gross Bonded Debt	Gross Bonded Debt	Less Bonds Supported By Western Virginia Water Authority	Less Bonds Supported By Hotel Roanoke, LLC (C)	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
2004	92,900	6,062,851,434	182,167,056	41,504,678	223,671,734	19,562,536	-	15,061,934	189,047,264	3.12%	2,034.95
2005	92,671	6,469,379,840	237,750,405	18,618,803	256,369,208	33,435,000	-	988,465 (B)	221,945,743	3.43%	2,394.99
2006	92,994	6,931,028,926	255,708,015	26,100,802	281,808,817	31,315,992	-	1,063,737	249,429,088	3.60%	2,682.21
2007	92,024	7,513,954,307	249,451,409	24,575,142	274,026,551	28,924,766	-	1,021,667	244,080,118	3.25%	2,652.35
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

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

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

(C) 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

Table 13
Unaudited

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2003-04	182,118,717	6,797,976	45,865,218	-	234,781,911	8.10%	2,540
2004-05	241,280,405 (2)	5,648,433	17,876,626 (2)	-	264,805,464	8.90%	2,863
2005-06	258,928,015	4,643,001	26,096,945	-	289,667,961	9.29%	3,074
2006-07	252,341,409	4,551,467	24,782,063	-	281,674,939	8.18%	2,968
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	26,944,095	141,434	256,270,430	6.59%	2,650

(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.

Table 14
Unaudited

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

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Debt Limit	\$ 672,516,886	\$ 679,477,230	\$ 680,197,128	\$ 669,839,111	\$ 656,429,496	\$ 625,649,531	\$ 583,442,494	\$ 535,163,357	\$ 491,240,359	\$ 455,890,060
Total Net Debt Applicable to Limit	224,003,579	227,263,512	240,667,032	244,769,119	263,493,652	260,060,887	234,919,976	239,565,221	214,127,613	171,889,360
Legal Debt Margin	\$ 448,513,307	\$ 452,213,718	\$ 439,530,096	\$ 425,069,992	\$ 392,935,844	\$ 365,588,644	\$ 348,522,518	\$ 295,598,136	\$ 277,112,746	\$ 284,000,700
Total Net Debt										
Applicable to Limit as a Percentage of Debt Limit	33.31%	33.45%	35.38%	36.54%	40.14%	41.57%	40.26%	44.76%	43.59%	37.70%

Table 15
Unaudited

CITY OF ROANOKE, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2013

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, 2013 (1)		<u>\$ 6,725,168,858</u>
Legal Debt Limit: 10% of \$6,725,168,858		672,516,886
Debt applicable to limitation:		
General Obligation Serial Bonds - Governmental Activities	\$ 166,447,700	
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)	13,389,900	
Premium on Bonds - Governmental Activities	12,194,477	
Deferred Bond Costs - Governmental Activities	(8,999,678)	
Qualified Zone Academy Bonds (QZAB)	3,383,134	
State Literary Fund Loans	2,080,000	
Virginia Public School Authority (VPSA) School Bonds	36,906,584	
Civic Facilities Enterprise Fund - Business-Type Activities	12,962,400	
Premium on Bonds - Civic Facilities Enterprise Fund Debt	958,895	
Deferred Bond Costs - Civic Facilities Enterprise Fund Debt	(436,877)	
Parking Enterprise Fund Supported Debt - Business-Type Activities	13,167,000	
Premium on Bonds - Parking Enterprise Fund Supported Debt	723,814	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	(431,139)	
Total Debt	252,346,210	
Less: Available in Debt Service Fund	(1,493,056)	
WVWA Supported Debt	(13,389,900)	
Parking Enterprise Fund Supported Debt	(13,167,000)	
Premium on Bonds - Parking Enterprise Fund Supported Debt	(723,814)	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	431,139	224,003,579
Legal Debt Margin		<u><u>\$ 448,513,307</u></u>

(1) Source: City of Roanoke, Commissioner of the Revenue.

Table 16
Unaudited

CITY OF ROANOKE, VIRGINIA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL LONG-TERM DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS

Fiscal Year	Principal (1)	Interest (1)	Total Debt Service	Total General Expenditures (2)	Percent of Debt Service to General Expenditures
2003-04	11,255,346	7,882,228	19,137,574	268,406,972	7.1%
2004-05	12,283,849	7,860,775	20,144,624	284,024,496	7.1%
2005-06	(3) 14,765,894	9,357,973	24,123,867	298,166,075	8.1%
2006-07	17,493,085	10,549,172	28,042,257	318,422,477	8.8%
2007-08	18,181,973	9,880,643	28,062,616	334,448,507	8.4%
2008-09	20,480,823	11,121,043	31,601,866	340,360,591	9.3%
2009-10	21,869,664	11,436,671	33,306,335	324,345,350	10.3%
2010-11	19,093,669	10,346,300	29,439,969	314,114,285	9.3%
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%

- (1) Principal and interest payments include all general long term debt payments supported by tax revenues of the City. Debt payments made on behalf of the Roanoke Civic Center are included. Debt payments made by the Roanoke City Parking Fund, Western Virginia Water Authority and the Hotel Roanoke Conference Center Commission are excluded. The interest payment excludes 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.
- (3) Excludes Bond Anticipation Note of \$5,500,000 which was both issued and repaid during fiscal year 2006.

Table 17
Unaudited

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

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Debt Service:										
Principal Retirement	\$ 24,523,873	\$ 23,426,997	\$ 20,778,546	\$ 23,566,295	\$ 22,157,734	\$ 19,822,282	\$ 19,119,311	\$ 17,140,653	\$ 14,785,327	\$ 11,543,107
Interest and Paying Agent Charges	9,522,590	10,936,143	11,372,995	12,768,787	12,286,166	11,189,318	11,103,323	11,270,985	10,084,588	8,541,638
Total Debt Service Payments	34,046,463	34,363,140	32,151,541	36,335,082	34,443,900	31,011,600	30,222,634	28,411,638	24,869,915	20,084,745
Total Government Funds Expenditures	291,715,338	293,852,640	283,033,781	310,792,826	317,601,459	306,874,197	299,375,064	278,770,725	265,135,065	238,117,638
Capital Outlays	(13,855,461)	(10,456,003)	(17,436,961)	(37,764,765)	(40,930,978)	(31,895,657)	(40,817,148)	(37,032,175)	(34,734,158)	(27,916,709)
Total Noncapital Expenditures	\$ 277,859,877	\$ 283,398,637	\$ 265,596,820	\$ 273,028,061	\$ 276,670,481	\$ 274,978,540	\$ 258,557,916	\$ 241,738,550	\$ 230,400,907	\$ 210,200,929
Percentage of Noncapital Expenditures	12.25%	12.13%	12.11%	13.31%	12.45%	11.28%	11.69%	11.75%	10.79%	9.56%

Information is presented on the modified accrual basis of accounting.

Table 18
Unaudited

CITY OF ROANOKE, VIRGINIA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Per Capita Income (2)	Personal Income	School Enrollment (3)	Local Unemployment Rate (4)	National Unemployment Rate (5)
2003-04	92,900	31,370 (est.)	2,900,194,000	12,861	4.0%	5.6%
2004-05	92,671	32,169 (est.)	2,975,832,000	12,712	3.7%	5.0%
2005-06	92,994	33,090 (est.)	3,118,622,000	12,587	3.3%	4.6%
2006-07	93,048	36,277 (est.)	3,443,232,000	12,256	3.2%	4.6%
2007-08	93,734	38,276 (est.)	3,667,342,000	12,286	3.9%	5.6%
2008-09	94,482	37,108 (est.)	3,600,438,000	12,303	7.7%	9.5%
2009-10	97,032	38,110 (est.)	3,691,187,000	12,266	7.4%	9.4%
2010-11	97,206	40,215 (est.)	3,889,328,000	12,261	6.9%	9.1%
2011-12	97,206	40,215 (est.)	3,889,328,000	13,006	6.5%	8.4%
2012-13	98,641	40,215 (est.)	3,889,328,000	13,192	5.9%	7.8%

(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
2003-04	871	57,922,598	303	17,995,045
2004-05	497	143,755,330	610	23,936,990
2005-06	512	193,157,052	673	30,206,738
2006-07	465	109,104,902	697	24,079,265
2007-08	456	233,358,448	754	29,442,647
2008-09	419	103,604,031	663	23,814,449
2009-10	467	92,266,288	709	25,004,592
2010-11	533	80,571,667	686	15,535,733
2011-12	538	69,398,478	678	14,628,255
2012-13	567	123,146,541	693	20,764,757

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 2013 AND 2004

Employer	December 31, 2012			December 31, 2003		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Carilion	1	Private	1000+	1	Private	1000+
Roanoke City Public Schools	2	Local Govt.	1000+	2	Local Govt.	1000+
City of Roanoke	3	Local Govt.	1000+	3	Local Govt.	1000+
Advance Auto Parts	4	Private	1000+	5	Private	1000+
Norfolk Southern	5	Private	1000+	4	Private	1000+
United Parcel Service	6	Private	500-999	7	Private	500-999
Walmart	7	Private	500-999	9	Private	500-999
Triad Laboratory Alliance	8	Private	500-999	-	-	-
Virginia Western Community College	9	State Govt.	500-999	13	State Govt	500-999
United States Postal Service	10	Federal Govt.	500-999	6	Federal Govt.	500-999
Kroger	-	-	-	10	Private	500-999
Anthem (Blue Cross & Blue Shield)	-	-	-	8	Private	500-999

Source: Virginia Employment Commission (VEC) and Roanoke Regional Partnership

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

Function:	Full-time Equivalent Employees as of December 31										
	2012	2011	(3)	2010	2009	2008	2007	2006	2005	2004	2003
General Government	218	218		159	178	195	193	184	184	188	191
Judicial Administration:											
Sheriff	34	35		33	32	35	31	31	31	31	31
Other	53	58		55	58	57	59	58	54	53	52
Public Safety:											
Police	305	305		284	309	312	305	309	304	286	295
Jail	171	171		161	159	164	165	165	173	175	173
Fire	253	258		259	250	268	270	266	264	266	268
Other	76	75		62	81	76	83	84	79	82	84
Public Works:											
Engineering	16	18		20	20	19	19	17	20	21	21
Maintenance	111	114		127	126	132	144	150	151	152	157
Transportation	83	91		86	79	86	92	82	85	91	98
Other	-	-		-	1	2	2	2	1	2	3
Health and Welfare	221	231		220	224	226	224	224	217	209	208
Parks, Recreation and Cultural	98	118		92	97	112	112	110	102	102	105
Community Development	52	50		42	46	47	47	48	41	35	42
Civic Facilities	-	-		- (2)	- (2)	25 (2)	31	36	35	37	31
Water	-	-		-	-	-	-	-	- (1)	- (1)	106
Water Pollution Control	-	-		-	-	-	-	-	- (1)	- (1)	43
Total	1,691	1,742		1,600	1,660	1,756	1,777	1,766	1,741	1,730	1,908

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

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

(3) 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

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

Function	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
General Government										
Levied property taxes	\$ 30,301,304	\$ 30,005,358	\$ 29,197,629	\$ 28,773,772	\$ 28,765,002	\$ 30,005,699	\$ 30,487,405	\$ 28,355,143	\$ 26,943,961	\$ 25,524,398
Number of business licenses issued	7,400	7,129	7,458	7,121	7,481	7,369	7,427	7,200	6,900	7,200
Number of property & building permits*	4,234	4,038	4,145	3,158	3,575	3,685	3,433	5,000	5,352	5,760
Police										
Number of traffic summons	22,314	24,111	27,425	21,997	22,592	20,777	18,626	18,766	7,396	9,714
Number of assistance call responses	88,154	93,670	89,498	89,172	90,840	89,131	88,022	89,176	88,991	83,862
Number of hours of training conducted**	47,584	48,230	34,916	19,266	10,238	28,888	47,089	62,500	62,000	55,906
Fire										
Number of emergency call responses	25,251	23,805	23,941	23,630	23,231	23,369	23,686	22,203	22,579	21,139
Highways and Streets										
Number of lane miles resurfaced	25	24	19	41	43	46	51	57	57	49
Number of street lights added	16	10	14	52	73	7	52	90	60	120
Judicial Administration										
Number of criminal cases	10,225	11,792	11,562	12,671	14,917	14,516	12,790	13,103	12,500	12,643
Number of traffic cases	26,557	27,975	30,555	30,335	32,377	29,199	25,613	28,544	29,500	25,930
Number of civil cases	20,624	20,919	20,292	20,668	26,635	31,585	32,391	37,587	33,000	32,054
Parks & Recreation										
Number of participants served	188,101	140,220	130,755	117,484	135,000	160,000	200,000	231,000	213,900	195,000
Education										
Number of instructional personnel	1,115	1,101	1,073	1,113	1,220	1,188	1,193	1,157	1,096	1,142
Number of students	13,192	13,006	12,261	12,266	12,303	12,286	12,256	12,587	12,712	12,861
Libraries										
Number of volumes	341,741	311,495	319,014	402,827	410,216	273,897	320,249	378,734	374,453	345,856
Number of audio materials	12,553	12,120	11,660	12,128	10,923	11,255	10,958	13,481	13,516	12,844
Number of video materials	24,813	21,307	18,791	16,469	16,690	12,358	9,799	12,078	10,692	9,742
Number of annual library visits	686,196	660,559	659,672	707,467	669,511	650,881	548,436	375,000	434,170	328,228
Economic Development										
Number of business contacts made	841	840	504	537	645	349	332	200	100	150
Housing and Neighborhood Services										
Total housing units	45,378	45,340	45,665	45,720	45,710	45,442	47,087	45,978	46,388	45,051
Average assessed value of single-family housing units	\$ 127,244	\$ 129,932	\$ 133,340	\$ 133,276	\$ 132,798	\$ 132,170	\$ 132,778	\$ 124,709	\$ 109,819	\$ 100,707

Sources: Various City of Roanoke departments and Roanoke City Public Schools

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

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

Table 23
Unaudited

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

Function	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Police										
Number of vehicular units	160	158	165	162	157	175	165	142	156	137
Fire										
(1)	11	11	11	12	12	12	12	13	13	13
Number of stations	27	27	28	26	24	24	23	23	25	25
Number of fire trucks										
Highways and Streets										
Miles of streets (lane miles)	998	998	998	997	997	997	997	997	997	995
Number of street lights	9,900	9,960	9,950	9,936	9,884	9,811	9,804	9,800	9,758	9,710
Parks and Recreation										
Parks, plazas and recreation sites	69	69 (2)	72	72	68	69	69	71	71	71
Playgrounds/play areas	94	94 (3)	39	39	37	37	37	39	39	39
Football/soccer fields	24	24	26	26	24	24	24	21	21	21
Baseball/softball fields	29	29	31	31	30	30	30	32	32	32
Olympic-size swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	6	6	6	6	6	6	6	8	8	8
Education										
Elementary schools	17	17	17	18	19	20	21	21	21	21
Middle schools	5	5	5	5	6	6	6	6	6	6
High schools	2	2	2	2	2	2	2	2	2	2
Libraries										
Libraries	7	7	7	7	7	7	7	7	7	7
Bookmobile	-	-	-	-	1	1	1	1	1	1
Kiosks	2	2	2	2	2	2	1	-	-	-

(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 now 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

COMPLIANCE SECTION

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**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
<u>Department of Agriculture</u>			
Passed Through Commonwealth of Virginia			
Department of Agriculture:			
Food Distribution - Commodities (1)	-	10.555	\$ 2,439
Subtotal Food Distribution - Commodities			<u>2,439</u>
Passed Through Commonwealth of Virginia			
Department of Health:			
Summer Food Service Program for Children FY12-13	58745	10.559	35,528
Summer Food Service Program for Children FY13-14	58745	10.559	22,202
Subtotal Summer Food Service Program for Children			<u>57,730</u>
Passed Through Commonwealth of Virginia			
Department of Social Services:			
State Administrative Matching Grants for			
Food Stamp Program	-	10.561	1,718,187
Subtotal Matching Grants for Food Stamp Program			<u>1,718,187</u>
Passed Through Commonwealth of Virginia			
Department of Forestry:			
Urban and Community Forestry FY12-Marketing	11UCF12	10.675	2,243
Urban and Community Forestry FY12-Tree Stewards	11UCF13	10.675	2,244
Urban and Community Forestry FY13-Projects	12UCF24	10.675	21,200
Subtotal Urban and Community Forestry			<u>25,687</u>
Subtotal Passed Through Commonwealth of Virginia			<u>1,804,043</u>
Total Department of Agriculture			<u>1,804,043</u>
<u>Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant FY09 (2)	B-08-MC-51-0020	14.218	7,187
Community Development Block Grant FY10 (2)	B-09-MC-51-0020	14.218	201,635
Community Development Block Grant FY11 (2)	B-10-MC-51-0020	14.218	291,336
Community Development Block Grant FY12 (2)	B-11-MC-51-0020	14.218	799,477
Community Development Block Grant FY13 (2)	B-12-MC-51-0020	14.218	1,408,137
Subtotal Community Development Block Grant			<u>2,707,772</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Direct Programs:			
Department of Housing and Urban Development (continued):			
Emergency Shelter Grant FY12 (3)	S-11-MC-51-0006	14.231	\$ 40,039
Emergency Shelter Grant FY13 (3)	S-12-MC-51-0006	14.231	129,273
Subtotal Emergency Shelter Grant			<u>169,312</u>
Supportive Housing Program 2012	VA0031B3F021104	14.235	110,614
Supportive Housing Program 2013	VA0031L3F021205	14.235	58,881
Subtotal Supportive Housing Program			<u>169,495</u>
Shelter Plus Care 2012 (4)	VA0032C3F021003	14.238	8,692
Shelter Plus Care 2012 Rural Highlands (4)	VA0169C3F021000	14.238	13,024
Shelter Plus Care 2013 (4)	VA0032C3F021104	14.238	108,396
Subtotal Shelter Plus Care			<u>130,112</u>
HOME Investment in Affordable Housing 08 (5)	M-07-MC-51-0206	14.239	1,561
HOME Investment in Affordable Housing 09 (5)	M-08-MC-51-0206	14.239	81,003
HOME Investment in Affordable Housing 10 (5)	M-09-MC-51-0206	14.239	177,771
HOME Investment in Affordable Housing 11 (5)	M-10-MC-51-0206	14.239	(23,922)
HOME Investment in Affordable Housing 12 (5)	M-11-MC-51-0206	14.239	233,367
HOME Investment in Affordable Housing 13 (5)	M-12-MC-51-0206	14.239	594,165
Subtotal HOME Investment in Affordable Housing			<u>1,063,945</u>
Lead Hazard Control	VALHB0510-11	14.900	1,075,505
Subtotal Lead Hazard Control			<u>1,075,505</u>
Subtotal Department of Housing and Urban Development Direct Programs			<u>5,316,141</u>
Total Department of Housing and Urban Development			<u>5,316,141</u>
<u>Department of Justice</u>			
Direct Programs:			
U. S. Marshals Service FY12 Automotive	JLEO-12-0210	16.111	680
Subtotal U. S. Marshals Service			<u>680</u>
Safe Havens Visitation Program FY11	2010-CW-AX-K005	16.527	153,614
Subtotal Safe Havens Visitation Program			<u>153,614</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Direct Programs:			
Department of Justice (continued):			
State Criminal Alien Assistance Program FY12	2011-H3285-VA-AP	16.606	\$ 21,823
State Criminal Alien Assistance Program FY13	2012-H4510-VA-AP	16.606	19,174
Subtotal SCAAP Program			<u>40,997</u>
Bulletproof Vests FY11 (Police & Sheriff)	2010BUBX10053408	16.607	4,680
Bulletproof Vests FY12 (Police & Sheriff)	2011BUBX11058211	16.607	13,564
Subtotal Bulletproof Vests			<u>18,244</u>
COPS Secure Our Schools FY12	2011-CK-WX0003	16.710	635,047
ARRA COPS Hiring Recovery Program FY10	2009-RKWX-0850	16.710	9,762
Subtotal COPS Programs			<u>644,809</u>
Justice Assistance Grant FY13 (Bike Patrol/Tech Improve)	2012-DJ-BX-0588	16.738	37,549
Justice Assistance Grant FY12 (Bike Patrol/Tech Improve)	2011-DJ-BX-2868	16.738	10,505
Justice Assistance Grant FY11 (Tech Improve Police & Sheriff)	2010-DJ-BX-1650	16.738	28,144
Subtotal Justice Assistance			<u>76,198</u>
ARRA Justice Assistance Grant (Multiple Projects) FY09	2009-SB-B9-1442	16.804	101,998
Subtotal ARRA Justice Assistance			<u>101,998</u>
Subtotal Department of Justice Direct Programs			<u>1,036,540</u>
Passed Through Commonwealth of Virginia			
Department of Criminal Justice Services:			
Juvenile Accountability Incentive Block Grant CY12	12-N3221JB10	16.523	18,735
Juvenile Accountability Incentive Block Grant CY13	13-O3221JB11	16.523	9,234
Subtotal Juvenile Accountability Incentive Block Grant			<u>27,969</u>
Positive Action FY13	13-B2346JJ-11	16.540	51,567
Project Back on Track FY13	13-C2242JJ-11	16.540	30,783
Subtotal Juvenile Justice			<u>82,350</u>
Victim Witness Assistance FY12	12-R8554VW11	16.575	11
Victim Witness Assistance FY13	13-S8554VW12	16.575	132,917
Subtotal Victim Witness Assistance			<u>132,928</u>
Police Domestic Violence Unit CY12	12-N3153VA11	16.588	23,056
Police Domestic Violence Unit CY13	13-O3153VA12	16.588	23,215
Subtotal Police Domestic Violence			<u>46,271</u>

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Passed Through Commonwealth of Virginia			
Department of Criminal Justice Services (continued):			
Intensive Supervision Juvenile Supervision FY13	13-C2134AD11	16.592	\$ 52,625
Subtotal Intensive Supervision			<u>52,625</u>
Justice Assistance Grant FY13 (Drug Market Initiative)	13-A2629AD11	16.738	56,095
Subtotal Drug Market Initiative			<u>56,095</u>
Subtotal Passed Through Commonwealth of Virginia			<u>398,238</u>
Total Department of Justice			<u>1,434,778</u>
<u>Department of Labor</u>			
Passed Through Commonwealth of Virginia			
Virginia Employment Commission:			
Workforce Investment Act FY12 Exemplary Perform - Adult	LWA-03-11-INC02	17.258	198
Workforce Investment Act FY12 Regional Collaboration - Adult	LWA-03-11-INC01	17.258	12,946
Workforce Investment Act FY12 - Adult	LWA3-11-03	17.258	196,286
Subtotal Workforce Investment Act Adult			<u>209,430</u>
Workforce Investment Act FY12 Exemplary Perform - Youth	LWA-03-11-INC02	17.259	212
Workforce Investment Act FY12 Regional Collaboration - Youth	LWA-03-11-INC01	17.259	13,871
Workforce Investment Act FY12 - Youth	LWA3-11-03	17.259	270,259
Subtotal Workforce Investment Act Youth			<u>284,342</u>
Workforce Investment Act FY12 - Dislocated Worker	LWA3-11-03	17.278	237,653
Workforce Investment Act FY12 Exemplary Perform - Dis Wkr	LWA-03-11-INC02	17.278	297
Workforce Investment Act FY12 Regional Collaboration - Dis Wkr	LWA-03-11-INC01	17.278	19,419
Subtotal Workforce Investment Dislocated Worker			<u>257,369</u>
Subtotal Passed Through Commonwealth of Virginia			<u>751,141</u>
Total Department of Labor			<u>751,141</u>
<u>Department of Transportation</u>			
Direct Programs:			
FY08 FTA Capital Assistance (pass thru to CCTM)	VA-04-0004-01	20.500	28,043
FY08 FTA Capital Assistance (pass thru to NRHS)	VA-04-0009-01	20.500	28,195
FY08 FTA Capital Assistance (pass thru to OWL)	VA-04-0041-00	20.500	(23,486)
FY09 FTA Capital Assistance	VA-04-0046-00	20.500	2,960
Subtotal FTA Capital Assistance			<u>35,712</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Direct Programs:			
Department of Transportation (continued):			
FY07 FTA Capital Assistance	VA-95-X005-00	20.507	\$ 105,742
FY08 FTA Capital Assistance	VA-95-0019-00	20.507	45,858
FY09 FTA Capital Assistance	VA-95-0051-00	20.507	87,414
FY13 FTA Operating Assistance	VA-90-X386-00	20.507	2,507,599
ARRA FY10 FTA Assistance	VA-96-X010-00	20.507	133,141
Subtotal FTA Operating & Capital Assistance			<u>2,879,754</u>
FY12 FTA Operating Assistance (pass thru from DRPT)	VA-18-X032-00	20.509	75,216
FY13 FTA Operating Assistance (pass thru from DRPT)	VA-18-X033-00	20.509	241,554
Subtotal FTA Operating Assistance			<u>316,770</u>
Subtotal Direct Programs			<u>3,232,236</u>
Passed Through Commonwealth of Virginia			
Department of Emergency Management:			
Haz-Mat Emergency Response Plan	HM-HMP-0241-11-01-00	20.703	5,537
Subtotal Emergency Response			<u>5,537</u>
Passed Through Commonwealth of Virginia			
Department of Motor Vehicles:			
Multi-Purpose FY12	SC-2012-52288-4666	20.600	16,434
Speed Enforcement FY13	SC-2013-53439-5154	20.600	15,442
Blue Ridge Regional Crash Team FY12	RS-2012-52067-4445	20.600	226
Subtotal Highway Safety			<u>32,102</u>
Blue Ridge Regional DUI FY12	K8-2012-52012-4390	20.601	1,459
Blue Ridge Regional DUI FY13	K8-2013-53226-4941	20.601	2,562
Subtotal Alcohol Enforcement			<u>4,021</u>
Occupant Protection FY13	K2-2013-53442-5157	20.602	9,471
Subtotal Occupant Protection			<u>9,471</u>
Alcohol Enforcement FY13	154AL-2013-53321-5036	20.607	10,477
Subtotal Alcohol Enforcement			<u>10,477</u>
Passed Through Commonwealth of Virginia			
Department of Transportation:			
Roanoke River Greenway TEA21	EN03-128-129	20.205	27,333
Roanoke River Greenway TEA21, #128-129		20.205	183,387
Roanoke River Greenway, Bridge the Gap		20.205	542
Virginian Railway Passenger Station TEA21		20.205	368,664
Subtotal Roanoke River Greenway			<u>579,926</u>
Subtotal Passed Through Commonwealth of Virginia			<u>641,534</u>
Total Department of Transportation			<u>3,873,770</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
<u>National Endowment for the Arts</u>			
Direct Programs:			
Local Arts Agencies (Roanoke Arts Commission)	10-6200-7028	45.024	\$ 879
Our Town Neighborhood Art (Roanoke Arts Commission)	12-4292-7092	45.024	29,801
Subtotal Local Arts Agencies			30,680
Total National Endowment for the Arts			30,680
<u>Environmental Protection Agency</u>			
Direct Programs:			
Brownfield Area Plan Tech Assistance FY11	TR-83491601-0	66.814	21,712
Subtotal Brownfield Job Training			21,712
Brownfield Assessment Petroleum Based FY07	BF97346901-0	66.818	40,441
Brownfield Loan Fund FY08	BF97357101-0	66.818	13,323
Brownfield Assessment Hazardous Materials FY09	BF97370501-0	66.818	43,481
Brownfield Assessment Hazardous Substances FY11	BF97398001-0	66.818	45
Subtotal Brownfield Remedial Programs			97,290
Subtotal Environmental Protection Agency Direct Programs			119,002
Total Department of Environmental Protection Agency			119,002
<u>Department of Energy</u>			
Direct Programs:			
ARRA Energy Efficiency & Conservation Block Grant FY10	DE-SC0002804	81.128	(5,297)
Subtotal ARRA Energy Efficiency & Conservation Block Grant			(5,297)
Subtotal Department of Energy Direct Programs			(5,297)
Total Department of Energy			(5,297)
<u>Substance Abuse Mental Health Services Administration</u>			
Passed Through Commonwealth of Virginia			
Virginia Commonwealth University (VCU)			
Strategic Prevention Framework State Incentive Grant	SAMHSA SPF-SIG BRBH	93.243	7,865
Subtotal Strategic Prevention Framework' Program			7,865
Subtotal Passed Through Commonwealth of Virginia			7,865
Total Corporation for National and Community Services			7,865
<u>Corporation for National and Community Services</u>			
Passed Through Commonwealth of Virginia			
Department of Social Services:			
AmeriCorps	2011-2012 Formula	94.006	28,260
AmeriCorps	2012-2013 Formula	94.006	87,951
Subtotal AmeriCorps Program			116,211
Subtotal Passed Through Commonwealth of Virginia			116,211
Total Corporation for National and Community Services			116,211

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
<u>Federal Emergency Management Agency</u>			
Direct Programs:			
Assistance To Firefighters 2011	EMW-2010-FO-07086	97.044	\$ (5,528)
Assistance To Firefighters 2012	EMW-2011-FR-00363	97.044	111,152
Subtotal Assistance to Firefighters Programs			<u>105,624</u>
Subtotal Federal Emergency Management Direct Programs			<u>105,624</u>
Passed Through Commonwealth of Virginia			
Department of Emergency Management:			
Emergency Management Assistance	-	97.042	2,116
Subtotal Emergency Management Assistance Programs			<u>2,116</u>
Passed Through Commonwealth of Virginia			
Department of Emergency Management (continued):			
State Homeland Security Incident Response Vehicle FY10	10-A2163HS09	97.073	(57)
State Homeland Security Haz-Mat Team Equip FY11	2010-SHSP-HAZ-MAT	97.073	2,598
State Homeland Security Heavy Tactical Rescue Team FY12	2012-SHSP-TATICAL	97.073	49,734
State Homeland Security Gas Masks & Related Eq FY13	2013-SHSP-HAZ-MAT	97.073	14,999
Subtotal State Homeland Security Programs			<u>67,274</u>
Subtotal Passed Through Commonwealth of Virginia			<u>69,390</u>
Total Federal Emergency Management Agency			<u>175,014</u>
<u>Department of Health and Human Services</u>			
Passed Through Commonwealth of Virginia			
Department of Social Services:			
Promoting Safe and Stable Families	-	93.556	<u>51,635</u>
Temporary Assistance for Needy Families	-	93.558	<u>2,316,573</u>
Refugee & Entrant Assistance-State Administered Program	-	93.566	<u>22,558</u>
Low-Income Home Energy Assistance	-	93.568	<u>109,486</u>
Child Care and Development Block Grant	-	93.575	<u>(3,370)</u>
Child Care Mandatory-Child Care and Development Fund	-	93.596	<u>282,914</u>
Education & Training Vouchers Program	-	93.599	<u>26,428</u>
Child Welfare Services	-	93.645	<u>10,382</u>
Foster Care Title IV-E	-	93.658	<u>1,562,996</u>
Adoption Assistance	-	93.659	<u>2,457,223</u>

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Passed Through Commonwealth of Virginia			
Department of Social Services (continued):			
Social Services Block Grant	-	93.667	\$ 1,706,600
Foster Care Independence Program	-	93.674	46,950
Children's Insurance Program	-	93.767	40,904
Medical Assistance Program	-	93.778	1,018,368
Subtotal Passed Through Commonwealth of Virginia			<u>9,649,647</u>
Total Department of Health and Human Services			<u>9,649,647</u>
Grand Total Federal Financial Assistance			<u><u>\$ 23,272,995</u></u>

Notes:

- (1) The value reported for disbursements, with respect to commodities distributed by the Federal government, fair market value as furnished by the respective department of the Federal government.
- (2) The amount of federal funds passed through to subgrantees totals \$2,707,771.
- (3) The amount of federal funds passed through to subgrantees totals \$169,312.
- (4) The amount of federal funds passed through to subgrantees totals \$130,112.
- (5) The amount of federal funds passed through to subgrantees totals \$1,063,945.



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

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

We have audited, 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 *Specifications of Audits of Counties, Cities and Towns* (Specifications), 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, the aggregate remaining fund information of the City of Roanoke, Virginia (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2013. Other auditors audited the financial statements of the School Board of the City of Roanoke, Virginia (the School Board), a discretely presented component unit of the City, and certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

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 opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Compliance and Other Matters

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

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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Specifications in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 25, 2013



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

Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance as Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Honorable Members of 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's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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), a discretely presented component unit of the City, which received \$23,991,830 in federal awards which is not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2013. Our audit, described below, did not include the operations of the School Board because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2013.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

November 25, 2013

(1) **Summary of Auditors' Results**

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

Program	CFDA
ARRA Federal Transit and Federal Transit – Cluster	(CFDA #20.500 and #20.507);
Food Stamp Cluster	(CFDA #10.651);
Community Oriented Policing Services (COPS) Grant	(CFDA #16.710);
Medicaid Assistance Program	(CFDA #93.778);

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$698,190**.
- (i) Auditee qualified as a low risk auditee under Section 530 of OMB Circular A-133: **no**.

(2) **Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:**

None.

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

None.

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

None.

Item 2012-1: Internal Controls over Capital Assets

Status: No significant deficiencies in internal control over financial reporting (internal control) were reported in fiscal year 2013 related to the City's internal control for recording capital assets.

Item 2012-2: Annual Disclosure Form

Status: No compliance findings were identified in fiscal year 2013 related to the City's requirement, pursuant to the *Specifications of Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, to ensure that Annual Disclosure Forms are submitted by the impacted officials to the City by the January 15th deadline for all interests in real estate located within the City limits.

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City of Roanoke, Virginia**

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