



City of Roanoke, Virginia

**Comprehensive Annual
Financial Report**
Fiscal Year Ended June 30, 2016



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year July 1, 2015 to June 30, 2016



DEPARTMENT OF FINANCE
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INTRODUCTORY SECTION

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December 14, 2016

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

We are pleased to present the City of Roanoke, Virginia (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016 in accordance with Section 25.1(f) of the Roanoke City Charter. The Charter requires the City to issue an annual report on its financial position and activity and that the financial statements included in the report be audited by an independent firm of certified public accountants. This report was prepared by the Department of Finance in conformity with 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 Cherry Bekaert LLP.

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

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

The CAFR is presented in the following three sections:

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

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

Profile of the Government

Roanoke, the largest city in the Commonwealth of Virginia (Commonwealth) west of Richmond, is located 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 2016 estimated population is 99,681 and accounts for 32% of the population in its Metropolitan Statistical Area (MSA), which includes the neighboring City of Salem, Town of Vinton, and the Counties of Roanoke, Botetourt, Craig, and Franklin.

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

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

May. Changes and amendments are incorporated into the final budget ordinance for adoption no later than May 15th of each year.

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

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

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

Economic Condition and Outlook

Local Economy

The average unemployment in the Roanoke Metropolitan Statistical Area (MSA) for fiscal year 2016 was 4.0%, according to the Bureau of Labor Statistics, down from an average of 4.9% in the prior fiscal year. Comparatively, average unemployment in fiscal year 2016 was 4.1% for the Commonwealth and 5.0% at the national level. Roanoke's economy is strengthened by the diversity of employment opportunities, with representation from every major type of business as defined by the U.S. Census Bureau.

Economic Development

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

In 2016, the City's Economic Development Department improved its marketing materials to better publicize and create awareness of Roanoke's increasing assets and amenities. A new economic development website was launched, offering a completely updated design and user experience. Roanoke's Facebook page continues to attract "friends" with weekly posts and staff remains dedicated to the business community. As a result of ongoing efforts, fiscal year 2015-2016 yielded record breaking announcements from businesses in the industrial, healthcare, insurance, residential housing, hospitality and the food and beverage sectors totaling over \$166 million in new investment and the creation of more than 740 new jobs.

Significant project announcements in fiscal year 2015 – 2016 include:

- Progress towards the first phase of construction for the Amtrak platform to serve intercity passenger rail service to Roanoke. Roanoke will serve as the southern terminus of Amtrak's Northeast Regional service which will terminate to the north in Boston, Massachusetts. Plans are on track for a 2017 opening.
- One of the nation's top 10 craft breweries selected Roanoke as their east coast location. Virginia Governor Terry McAuliffe announced in March of 2016 that Deschutes Brewery, Inc., a Bend, Oregon based brewery will open its East Coast Operations in the City of Roanoke, investing \$85 million and creating 108 new jobs, with plans for continued expansion.
- State funding was authorized for regional university Virginia Tech's request of approximately \$45 million to expand health sciences and technology research and training assets in the City. The university requested state funding to be matched by \$21 million from Virginia Tech and health organization Carilion Clinic for the construction of a 105,000 square-foot biosciences addition to the Virginia Tech Carilion Research Institute. This expansion enables the recruitment of 25 additional research teams (each team is comprised of up to 30 researchers), which would increase the number of teams doing scientific investigations and clinical trials in Roanoke to approximately 55.
- Carilion Clinic plans to expand Roanoke Memorial Hospital by constructing a 15-story building on the site of nearby tennis courts. Plans are for a five-story garage capable of parking 800 vehicles and above which will be constructed 500,000 square foot hospital space of approximately 10 floors.
- The City purchased the former Gill Memorial Hospital located on South Jefferson Street to create the Gill Memorial Technology Accelerator. Roanoke was selected as one of four cities to receive a portion of available Industrial Revitalization Grants. The award of \$600,000, which is the maximum for any one project, will fund renovations beginning in mid-2016. The center is expected to have an economic impact of approximately \$3.4 million per year, creating 18 initial jobs. The accelerator will be part of a Health Sciences and Technology Innovation Corridor extending from the Gill property to the Virginia Tech Carilion School of Medicine and Research Institute.

There are numerous major projects drawing to completion or significantly underway, increasing the list of local assets and stimulating additional growth, vibrancy and economic development in the City.

- Carilion Clinic's Institute for Orthopaedics and Neurosciences (ION) opened in January, following a \$32 million renovation of vacant retail space. ION is approximately 116,000 square feet of medical office space with 125 patient exam rooms, nine procedure rooms and capacity for eight diagnostic imaging rooms.
- The Mellow Mushroom pizza franchise began construction in 2016 adjacent to the ION center and is anticipated to add 150 full and part-time positions.
- Allstate Insurance relocated into the 48,000 square foot Stone Printing building in the downtown area, bringing 350 jobs to the City.
- Construction of the Downtown Roanoke Hampton Inn & Suites is substantially complete and will open in the fall of 2016. The hotel offers 127 rooms atop the City's Market Garage, an investment of approximately \$17 million.

- The Bridges, a 22-acre multi-year, mixed-use redevelopment project broke ground on Phase II of the project. A second apartment complex is currently under construction with 127 one and two bedroom units, outdoor recreation areas, a swimming pool and a fourth-floor viewing deck. The structure is expected to be complete by the end of 2017. Developers are investing approximately \$14 million in the new building, and will have invested about \$40 million in The Bridges site upon project completion.
- Moe's Southwestern Grill, a national chain, opened at The Bridges in the first quarter of 2016. The 2,200-square-foot restaurant is a \$750,000 investment in the City and employs 20 full-time and 20 part-time workers.
- A downtown kayak launch is under construction as the result of a funding effort led by the Roanoke Outside Foundation on behalf of The Bridges development. The campaign raised \$77,000 in cash and in-kind services to build the launch which is located on the Roanoke River at The Bridges. Construction above the water line was completed in May with the underwater portion to begin after June 30.
- Gramercy Row, the first downtown new-build mixed-use structure in many years broke ground in the first quarter, 2015, and is expected to provide 80 new apartments along with 8,000 square feet of office space. This \$8 million project is slated to open in the third quarter, 2016. Gramercy Row features a series of facades reflecting the historic look of downtown, extending the downtown Roanoke corridor.
- Roanoke's former health department was purchased by a local developer and renovated into the West End Flats. Vacated by the City in 2007, the building has been converted into 24 one-bedroom apartments featuring a communal patio, lawn and private courtyard, with an investment of approximately \$2.2 million. A 2,400-square-foot commercial space is also available for lease.
- The Locker Room Lofts offers 56 one- and two-bedroom apartments, live-work spaces, and one dedicated commercial site. This is a \$7 million investment.
- The Aurora, a \$3.1 million investment opened in 2016. The building features 28 apartments, nine artist studios (including a performance arts studio, classroom space, common arts area and gallery/exhibition space), roof top deck/lounge, an interior three-story open atrium, and two street level commercial spaces.
- Fuji Electric announced the opening of a new 37,000 square foot engineering and assembly facility in the City to grow and expand business activities in the U.S. The Roanoke plant invested \$.5 million.
- Safeside Tactical expanded from Stewartsville, Virginia investing approximately \$5 million into its Roanoke location. The 72,000-square-foot former warehouse space has been vacant over eight years. The company plans to employ 45 to 50 people at the new location and will consist of approximately 2,500 square feet of retail space, a state-of-the-art firing range and classrooms for weapons safety classes.
- KingScreen, a new screen printing business to Roanoke, relocated from Atlanta into a 10,000 square foot space and employs six full-time workers.
- Member One Federal Credit Union opened a new branch with a total investment of just over a \$1 million and created 10 full-time and one part-time positions.
- The German-based discount grocer, Aldi opened a 21,000 square feet grocery store in November 2015. The store employs 10 – 12 full and part-time workers.

- BreadCraft, the artisan locally-owned European bakery, expanded to a new location in downtown Roanoke with a \$750,000 investment into the purchase and renovation of 6,000 square feet of space. Three residential apartments will be located on the upper floor, with the remainder of the space dedicated to the bakery. Three full-time employees have been hired as the result of the expansion.
- The Rodeo Grande Mexican Restaurant opened in May 2016. The 9,400 square foot restaurant will feature an upper level outdoor dining terrace along with indoor/outdoor dining on the ground level and equals an investment of \$1.7 million.
- The Kitchen, a Local Environmental Agriculture Project (LEAP) unveiled a one-of-a-kind resource in April, 2016. The Kitchen allows residents and culinary entrepreneurs to reserve time slots 24/7 in a shared commercial kitchen. The Kitchen, as a food business incubator and resource hub, supports the development of small food-based businesses and provides commercial cooking equipment to facilitate large batch production for retail and wholesale. LEAP is also partnering with other community organizations to create a resource hub for culinary entrepreneurs. The Kitchen will offer general community programs such as education on food, cooking, and nutrition.

Also contributing to the strength of the local economy is the Roanoke Centre for Industry and Technology (RCIT), a 496-acre City-developed business park located 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 such as the Deschutes' brewery and the opening of an ORVIS Clearance Store adjacent to the existing Orvis Service Center within RCIT. The new 2,500 square foot store is a \$35,000 investment creating 8 – 10 new jobs.

The Sidewalk Project at the RCIT became a reality beginning in July 2015 as the City, the Economic Development Authority and several property owners along the sidewalk path collaborated in the \$388,000 cost of a 6,900 foot sidewalk project. The project was completed in November 2015.

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. The long sought after I-581 exchange to access Valley View Boulevard is well underway with an estimated completion in the fall of 2016 at a total project cost of \$64 million.

Tourism

Roanoke as "Star City of the South" is recognized as the recreational, cultural and business hub of Virginia's Blue Ridge Mountains and the entire western half of the Commonwealth. Roanoke and the surrounding cities and counties that comprise the Roanoke Valley host more festivals and cultural events than any place west of Richmond. Multiple travel articles have publicized Roanoke, enticing readers to Virginia's Blue Ridge. This year, the Roanoke Valley Convention and Visitors Bureau rebranded itself as Visit Virginia's Blue Ridge, laying the foundation for stronger promotion and marketing of the amenities the area has to offer. As a result of hosting 58 travel journalists, Visit Virginia's Blue Ridge public relations initiative generated over \$1 million in national publicity in fiscal year 2016 and nearly \$5 million over a three year period. This has created a positive economic impact for the City of Roanoke with lodging tax revenues

reaching an all-time high. In addition, 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. Excursions on the restored Norfolk & Western Class J611 Passenger Locomotive draws visitors from around the globe as does Roanoke's Black Dog Salvage which attracts hundreds of "Salvage Dawgs" fans as they move into DIY Network's sixth season. Events around craft breweries, vineyards, rail, and outdoor adventure and youth sports coupled with Virginia Tech football, and other remarkable "happenings" have put Roanoke and Virginia's Blue Ridge on the map. These groups bring many youth and families to the area. The growing list of amenities offered by City of Roanoke entices visitors to lengthen their stay or return for another visit. In October 2015, The Small Cities Movement launched the fifth annual CityWorks (X)po at Charter Hall in the historic downtown Market Building, an event providing a platform for sharing big ideas and where those involved have the freedom to truly innovate. The goal of the event is 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. Individuals attend the conference from Roanoke, the US, 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.

Budgeting for Outcomes

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

Long Term Financial Planning

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

Capital Improvement Program (CIP)

In conjunction with the preparation of an annual operating budget, the City prepares a five-year Capital Improvement Program Update. This serves as a planning tool for efficient, effective and equitable distribution of public improvement resources throughout the City. The CIP focuses on maintaining capital assets, infrastructure investment for livability and economic development, and targeted livability investments. The CIP represents a balance between finite funding and competing community priorities. The CIP specifies the capital improvement and construction projects over the upcoming five-year period in order to maintain or enhance the City's \$640 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 2016 through FY 2020 represents \$156 million of public improvements to the City's schools, infrastructure, parks, public buildings, arts and cultural capital contributions, and Roanoke's civic center (the Berglund Center). The CIP includes important public safety improvements such as the Fire EMS Master Plan for the renovation and/or relocation of three Fire/EMS stations as well as a joint E 911/VA 811 call center for improved emergency response and system and communication redundancy.

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

Relevant Financial Policies

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

Major Initiatives and Accomplishments

Education

Roanoke City Council places education as the top priority of the government and its citizens, providing more funding toward education than any other area of the government. Roanoke Schools have demonstrated significant performance improvements in recent years. On-time graduation rates continue to rise; in 2015-16, 87.47% of students graduated on time. The number of schools that are fully accredited by the Commonwealth of Virginia is also increasing. Based on 2015-16 student achievement, 18 out of 24 schools are fully accredited for 2016-17. This is up from 15 fully accredited schools in the prior year. Roanoke is committed to providing students with safe and effective learning environments, and to that end, Roanoke City Public Schools updates its Capital Improvement Plan annually. A multi-year project to expand and renovate Round Hill Elementary will be completed in 2016-17. More information regarding the important achievements of Roanoke City Public Schools is available in the separately published School CAFR.

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

Public Safety

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

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

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

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

Human Services

Roanoke, as the largest city west of the state capitol, supports a high demand for human services from the community. Human Services unites public and private institutions to encourage and support caring communities by assisting individuals and families to achieve self-sufficiency and healthy lives with a variety of financial and employment programs. In fiscal year 2016, the City's Department of Social Services was awarded the annual "I³ Recognition Award" by the Virginia Department of Social Services. The award criteria focused on innovation, implementation and impact. Roanoke won the award for a LEAN Six Sigma project that increased online applications and improved the walk-in process for customers.

Neighborhoods

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

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

The City leverages federal, local and in-kind contributions from public and private sources with the utilization of Community Development Block Grant (CDBG) funding. Neighborhood projects include wide ranging elements such as infrastructure, housing, community gardening and recording of oral histories. The City's Lead Safe program removed lead hazards in 33 low-and-moderate income homes and annually, the City applies for a grant to continue the program. The City continues to encourage individuals and neighborhood organizations to enhance their neighborhood's quality of life.

Recreational and Outdoor Opportunities

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

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

The Appalachian Trail and Blue Ridge Parkway surround the city. The City's greenway system continues to grow and develop, gaining favor with visitors as well as residents of the Roanoke Valley. More than 19 miles of paved trails currently exist. The Lick Run, Tinker Creek, Murray Run, Mill Mountain, and Roanoke River greenways serve thousands of patrons annually. The City continues to enhance accessibility to roadways and trailways for cycling enthusiasts and is a "Bicycle Friendly Community."

Libraries

The City of Roanoke supports and promotes lifelong learning for all citizens. The Library Master Plan includes projects to enhance the delivery of programs and services throughout the community at the seven library locations. The Roanoke Public Libraries provide many resources to citizens including free computer training, free internet and free wireless access at all locations, as well as a range of free events for children and adults throughout the year. One of the largest programs offered by the Roanoke Public Libraries is the Summer Reading Program, which continues to grow. In 2010, 5,431 adults and children attended 306 Summer Reading Program events; in 2016, 16,602 attended 1,159 programs.

The Libraries have been undergoing an extensive system-wide renovation process. Beginning in 2014 with the renovation of the City's Main Library, the City completed renovations to the Raleigh Court library in 2016. Raleigh Court library reopened in March 2016 and includes a community room that can be used for meetings outside of opening hours, a separate teen area, a recording studio, and a courtyard. Since reopening, circulation at the Raleigh Court branch has more than tripled. The Williamson Road branch is currently under renovation, and will be almost double in size when it reopens in the fall of 2017. There are plans to continue expanding and renovating several other library branches.

Libraries support the public education programs of Roanoke City Public Schools through a variety of partnerships and initiatives, including the All-America City Award-winning Star City Reads initiative. Star City reads is a citywide coalition of over 24 community partners, spearheaded by the Libraries, working to improve the grade-level reading outcomes of Roanoke children. Its programs include the Summer Reading Program, which is coordinated with the RCPS+ summer enrichment program; Books on Buses, a collaboration with Valley Metro that creates mobile libraries; Feed and Read, a partnership with the YMCA that provides free USDA-approved meals and literacy activities for children throughout the summer; and distribution of the Roanoke Baby Board Book to every child born at Carilion with the support of Turn the Page volunteers. In addition, the Libraries coordinate all book distribution for Star City Reads. Since the initiative began in 2012, over 32,000 books have been given to Roanoke youth. The Libraries continue to promote education for all of the Roanoke Valley with relevant programs for children, teens, and adults.

Transportation and Parking

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

The City has worked diligently to address the transportation and parking needs of citizens and visitors in the downtown area. Valley Metro provides transit services to address the needs of the community. Youth ages 10 and younger ride free when accompanied by a paying adult passenger.

The City-owned transit company, Valley Metro, implemented transportation initiatives which included regional connections. The Smart Way Bus is a regional transportation service operated by Valley Metro which links the Roanoke Valley and the New River Valley. The Smart Way Connector is a regional transportation service which links the Roanoke Valley and New River Valley to the Amtrak Passenger Rail Station in Lynchburg. Reservations for the Smart Way Connector can be made using the Amtrak reservation system.

Construction has started to facilitate the return of Amtrak passenger rail service to Roanoke. It is expected that passenger rail service will be extended to Roanoke in the fall of 2017.

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

Environmental Leadership

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

The City's Stormwater Utility Division is actively working on projects to reduce flooding and improve water quality. Stormwater management activities are necessary to protect the general health, safety, and welfare of the residents of the City. The Stormwater fee will provide a dedicated source of revenue needed to address water quality, a backlog of drainage improvement projects, and increased maintenance of drainage infrastructure.

Regional Cooperation

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

Future Challenges

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

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

Awards and Acknowledgements

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roanoke, Virginia, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government unit must publish an informational and efficiently organized CAFR, whose content conforms to program standards. The CAFR must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory section of the CAFR. A Certificate of Achievement is valid for a period of one year. The City of Roanoke has received a Certificate of Achievement for 43 years. This report was prepared in conformity with the Certificate of Achievement program requirements and standards, and it will be submitted to the GFOA to determine eligibility for another certificate.

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2016. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communication device. The City has been a recipient of the Distinguished Budget Presentation Award for the last 31 consecutive years.

Other Awards and Recognitions

- Roanoke's Star City Reads Program was named a recipient of the Campaign for Grade-Level Reading's 2015 All-Around Pacesetter Award.
- The American Library Association recognized Shelia Umberger, Director of Roanoke Public Libraries, with the 2016 Peggy Sullivan Award for Public Library Administrators Supporting Services to Children.
- Roanoke Social Services was the recipient of the annual Virginia Department of Social Services ¹³ (innovation, implementation and impact) award.

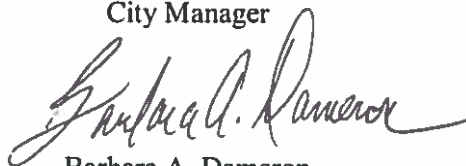
- The Center for Digital Government's Digital City Survey awarded Roanoke first place in the 75,000-124,999 population range, making this the 14th consecutive year that Roanoke was ranked a Top Digital City in the top 10 of all cities in its population range.
- The Virginia Chapter of the American Planning Association selected the Gainsboro History Walk Interpretive Panels project for its 2015 Award for Grassroots Efforts. The project shares the Gainsboro neighborhood's contribution not only to the City of Roanoke, but also to the country.
- The Virginia Statewide Neighborhood Conference recognized the West End Target Area project with the "Project of the Year" award.
- Government Social Media named Communication and Media Coordinator Timothy Martin the 2016 Top Social Media Advocate in Government.
- Emerging Local Government Leaders included City Manager Chris Morrill and Communication and Media Coordinator Timothy Martin in the Top 100 Local Government Influencers.

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

Respectfully submitted,



Christopher P. Morrill
City Manager



Barbara A. Dameron
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, 2015



Executive Director/CEO

CITY OF ROANOKE
DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2016

Members of City Council

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

Mayor
Vice-Mayor

Constitutional Officers

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

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

City Council Appointed Officials

Christopher P. Morrill
Barbara A. Dameron
Daniel J. Callaghan
Stephanie M. Moon-Reynolds
Troy A. Harmon, CPA

City Manager
Director of Finance
City Attorney
City Clerk
Municipal Auditor

Other City Officials

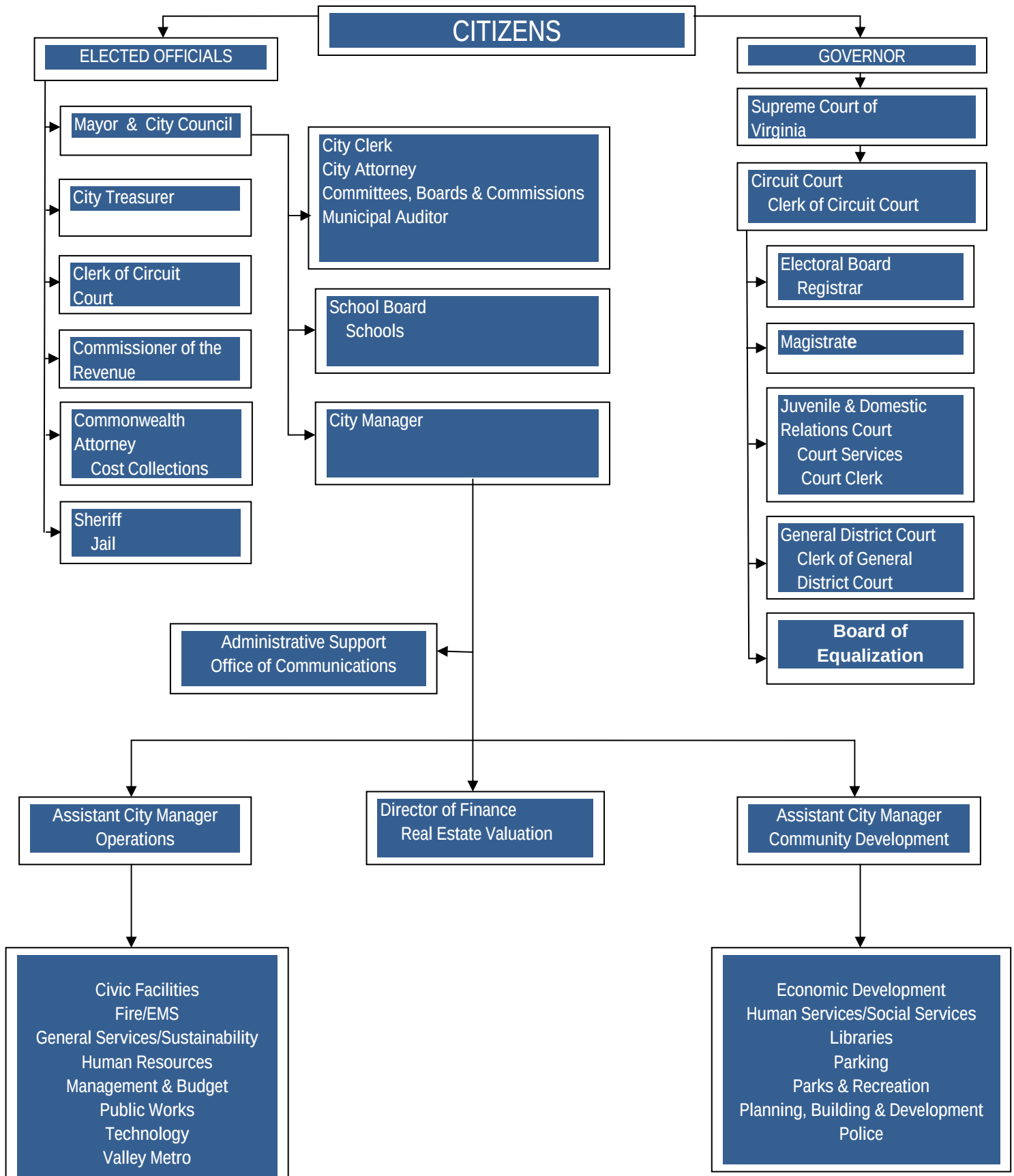
Sherman M. Stovall
R. Brian Townsend

Assistant City Manager
Assistant City Manager

CITY OF ROANOKE, VIRGINIA

Organizational Chart

FY2015 – 2016



FINANCIAL SECTION

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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the School Board of the City of Roanoke, Virginia (the "School Board"), a discretely presented component unit of the City, which represents 77.65%, 95.44%, and 112.57%, respectively, of the total assets, revenues, and net position of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, infrastructure modified approach and pension and other postemployment benefits trend information on pages 23-35, 119-122, 123 and 124-137, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the City of Roanoke, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Roanoke, Virginia's internal control over financial reporting and compliance.

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

Roanoke, Virginia
December 14, 2016

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**CITY OF ROANOKE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

This section of the City of Roanoke, Virginia (City) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2016. The MD&A should be read in conjunction with the preceding transmittal letter and the City's financial statements.

FINANCIAL HIGHLIGHTS

- At the end of the fiscal year, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$325.6 million. This amount represents an increase of \$15.3 million, or 4.9%, over the prior year's ending balance of \$310.3 million. Net position was comprised of \$422.5 million, attributable to the City's net investment in capital assets, \$1.1 million restricted for debt service and prepaid expenses, offset by a negative unrestricted amount of (\$98.0) million related to the implementation of GASB Statements No. 68 and 71.
- Net position for governmental activities increased \$14.3 million. For the fiscal year, \$311.8 million, which was generated in taxes and other revenues for governmental programs exceeded expenses by \$15.4 million (before transfers), a deterioration over the prior year of \$11.9 million.
- In the City's business-type activities, net position increased by \$1.0 million compared to the prior year, a deterioration of \$0.5 million.
- The City's governmental funds reported a combined ending fund balance of \$47.3 million, a 3.2% increase compared to prior year. Of the total fund balance, 0.1% was nonspendable, 17.6% was restricted, 21.4% was committed (mainly for projects in the capital improvement program) and 60.9% remained available for spending at the government's discretion as unassigned.
- The City has maintained its bond rating of AA+ from Standard & Poor's and Fitch Ratings.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position (Exhibit A) and the Statement of Activities (Exhibit B). These statements provide information about the City as a whole using the full accrual basis of accounting, which is the method used by most private-sector enterprises.

All current year revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid.

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

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

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

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

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

Fund Financial Statements

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

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

Proprietary funds – When the City charges for the services it provides, these services are generally reported in proprietary funds. 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 Stormwater Utility, Civic Facilities and Parking.

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

Internal service fund rates are evaluated annually and adjusted as necessary with the goal of providing adequate revenues to cover operating and capital expenditures on an ongoing basis. Funds included in this category are Department of Technology, Fleet Management, and Risk Management.

Internal service fund activities are reported as governmental activities on the government-wide financial statements.

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

FINANCIAL ANALYSIS OF THE PRIMARY GOVERNMENT

A comparative analysis of government-wide information as follows:

Summary of Net Position as of June 30, 2016 and 2015 (In Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 106.0	\$ 110.9	\$ 9.6	\$ 6.3	\$ 115.6	\$ 117.2
Capital assets, net	576.9	562.8	62.8	60.2	639.7	623.0
Total assets	682.9	673.7	72.4	66.5	755.3	740.2
Deferred outflows of resources	23.6	22.2	1.6	1.6	25.2	23.8
Other liabilities	22.5	25.9	2.6	2.1	25.1	28.0
Long-term liabilities	377.8	363.3	33.2	29.0	411.0	392.3
Total liabilities	400.3	389.2	35.8	31.1	436.1	420.3
Deferred inflows of resources	18.6	33.4	0.2	-	18.8	33.4
Net Position:						
Net investment in capital assets	386.7	371.1	35.8	35.1	422.5	406.2
Restricted	1.1	1.5	-	-	1.1	1.5
Unrestricted (deficit)	(100.2)	(99.3)	2.2	1.9	(98.0)	(97.4)
Total net position	\$ 287.6	\$ 273.3	\$ 38.0	\$ 37.0	\$ 325.6	\$ 310.3

Net Position:

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$325.6 million at the close of the fiscal year. The City's combined net position, (the City's bottom line) increased by \$15.3 million from prior year's ending balance of \$310.3 million. Net position from governmental activities increased by \$14.3 million. Business-type activities resulted in an increase in net position of \$1.0 million.

The largest component of the City's net position (\$422.5 million) was the investment in capital assets (e.g., land, buildings, infrastructure improvements, machinery, and equipment, net of accumulated depreciation) less any related outstanding debt used to acquire those assets. The increase in the City's net position was a result of increases in capital asset investment and 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 \$1.1 million and was restricted for prepaid expenses and debt service. The City's unrestricted net position, which is used to finance the day-to-day operations of the City, totaled a negative \$98.0 million, a decrease of \$0.6 from fiscal year 2015 unrestricted net position.

Summary of Changes in Net Position:

The following table summarizes the changes in net position:

Summary of Changes in Net Position
For the Years Ended June 30, 2016 and 2015
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for services	\$ 14.2	\$ 14.3	\$ 5.3	\$ 5.2	\$ 19.5	\$ 19.5
Operating grants and contributions	66.2	66.9	-	-	66.2	66.9
Capital grants and contributions	13.7	5.7	1.1	0.8	14.8	6.5
General Revenues:						
Property taxes	109.2	108.2	-	-	109.2	108.2
Local portion of state sales tax	20.6	20.6	-	-	20.6	20.6
Business and professional occupational license taxes	12.4	12.7	-	-	12.4	12.7
Utility taxes	9.8	9.9	-	-	9.8	9.9
Prepared food and beverage taxes	15.7	13.9	-	-	15.7	13.9
Commonwealth share-personal property taxes	8.1	8.1	-	-	8.1	8.1
Cigarette taxes	2.4	2.3	-	-	2.4	2.3
Transient room taxes	4.3	4.2	-	-	4.3	4.2
Telecommunications taxes	6.7	6.9	-	-	6.7	6.9
Motor vehicle license tax	2.6	2.1	-	-	2.6	2.1
Local Aid to the Commonwealth	-	(0.7)	-	-	-	(0.7)
Stormwater Fee	-	-	4.0	2.0	4.0	2.0
Other	10.0	7.3	0.6	-	10.6	7.3
Payment from Component Unit	15.1	14.6	-	-	15.1	14.6
Interest and investment income	0.8	1.7	-	0.2	0.8	1.9
Total Revenues	\$ 311.8	\$ 298.7	\$ 11.0	\$ 8.2	\$ 322.8	\$ 306.9

(Continued)

**Summary of Changes in Net Position
For the Years Ended June 30, 2016 and 2015
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Expenses						
General Government	\$ 16.8	\$ 14.3	\$ -	\$ -	\$ 16.8	\$ 14.3
Judicial Administration	9.4	8.6	-	-	9.4	8.6
Public Safety	72.5	64.5	-	-	72.5	64.5
Public Works	34.3	27.8	-	-	34.3	27.8
Health and Welfare	40.4	38.4	-	-	40.4	38.4
Parks, Recreation and Cultural	12.2	11.4	-	-	12.2	11.4
Community Development	12.8	11.9	-	-	12.8	11.9
Greater Roanoke Transit Company	1.8	1.8	-	-	1.8	1.8
Education	84.4	81.4	-	-	84.4	81.4
Economic Development	0.9	1.2	-	-	0.9	1.2
Interest and Fiscal Charges	10.9	10.1	-	-	10.9	10.1
Stormwater Utility	-	-	2.9	1.8	2.9	1.8
Civic Facilities	-	-	4.8	4.8	4.8	4.8
Parking	-	-	3.4	3.4	3.4	3.4
Total Expenses	296.4	271.4	11.1	10.0	307.5	281.4
Increase (Decrease) in Net Position before Transfers	15.4	27.3	(0.1)	(1.8)	15.3	25.5
Transfers	(1.1)	(3.3)	1.1	3.3	-	-
Increase in Net Position	14.3	24.0	1.0	1.5	15.3	25.5
Total Net Position, Beginning	273.3	249.3	37.0	35.5	310.3	284.8
Total Net Position, Ending	\$ 287.6	\$ 273.3	\$ 38.0	\$ 37.0	\$ 325.6	\$ 310.3

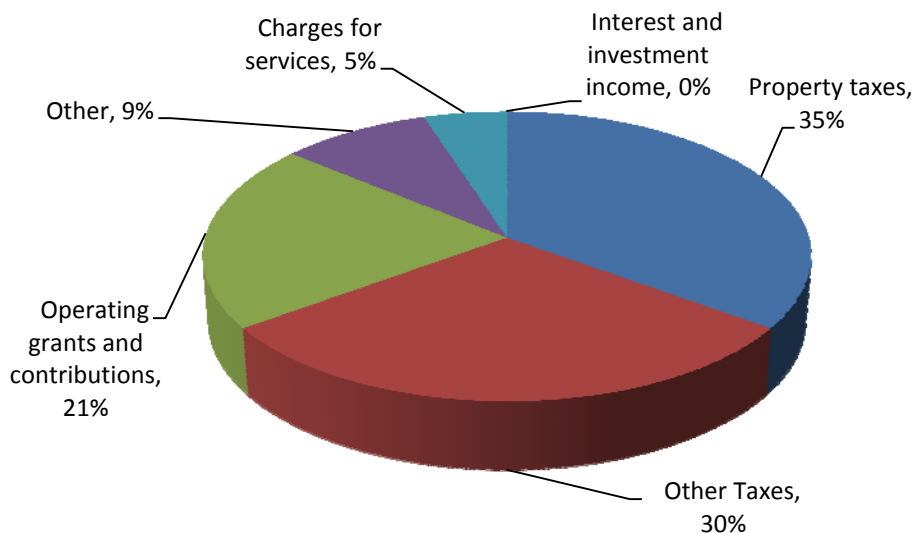
Governmental Activities

The net position of governmental activities increased \$14.3 million as compared to the \$24.0 million increase in prior year. Significant current year activities affecting net position include:

- General revenues increased 2.8% and were mainly due to a 7.4% increase in personal property tax. Other local taxes, in its entirety, increased 3.0% compared to the prior year. Tax rate increases in real estate, prepared food and beverage of and per motor vehicle license contributed to the growth in revenues for FY 2016.
- The City continued to maintain and implement financial controls to ensure that the expenses of general government programs were contained within budget. Staffing was at the appropriate levels based on ongoing program activities and departments maintained fiscal restraint.
- The City funded the OPEB Trust (including Line of Duty) at an amount above the minimum required contribution and thus recognized an asset in the governmental Statement of Net Position of \$0.5 million.

Revenues generated for governmental activities are presented below by category:

Revenue by Source – Primary Government for the year ended June 30, 2016



The property tax classification was approximately 35% of the total revenue generated by governmental activities and included real estate tax, the local portion of personal property tax, and public service corporation taxes. Real estate tax revenue, the largest source of revenue for the City, totaled \$82.2 million. The assessed value of real property in the City increased 0.40% for the 2016 calendar year mainly due to new construction.

Personal property tax revenue, including the Commonwealth share, totaled \$39.1 million. The revenue received locally from citizens totaled \$31.1 million. Funding from the Commonwealth under its amended Personal Property Tax Relief Act (PPTRA) program provided revenue totaling \$8.1 million. Revenue from the Commonwealth provided relief of 48.4% on the first \$20,000 in vehicle value for the current fiscal year and is included in the other taxes category.

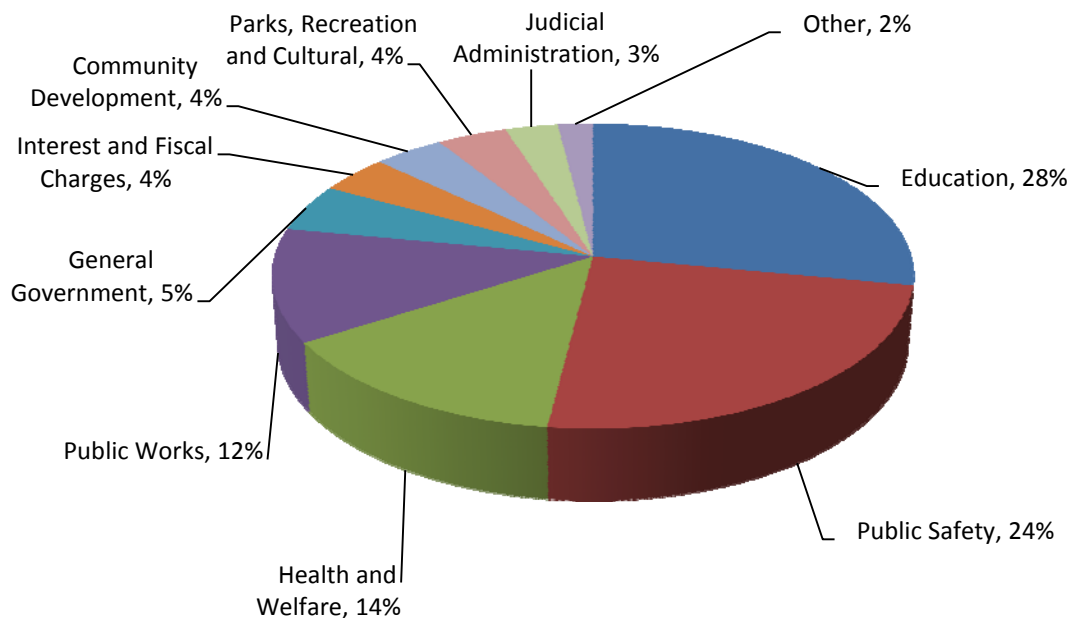
Sales, prepared food and beverage, business and professional occupational license, utility, telecommunication, transient room and cigarette taxes as well as funding from the Commonwealth under PPTRA comprised the majority of other local taxes collected by the City. Other taxes equated to approximately 30% of total revenues generated for governmental activities.

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

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

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

Expenses – Primary Government for the year ended June 30, 2016



Education comprised 28% of governmental activities. Funding of \$79.1 million was provided to the Roanoke City School Board to support School operations and debt service.

Public Safety expenses comprised approximately 24% of expenses of the governmental activities. Operations of the City Jail, Police and Fire Departments were included in this category, along with expenses of Emergency Medical Services, Communications (E911 Call Center), and the cost of juvenile justice programs.

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

Business-type Activities

The net position of business-type activities increased the City's net position \$1.0 million, primarily related to Stormwater fee revenue.

Expenses for the City's business-type activities totaled \$11.1 million. The increase was mainly related to the City's stormwater utility operation, which was established in fiscal year 2014.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds - For the fiscal year ended June 30, 2016, the governmental funds reported a combined ending fund balance of \$47.3 million, an increase of \$1.5 million from the prior year. Approximately 61% of this total (\$28.8 million) constitutes unassigned fund balance and consists of the Unassigned General Fund Reserve. The Reserve provides the City with sufficient working capital and a margin of financial safety to address unforeseen, one-time expenditure emergencies or declines in revenues for which there is no other budgetary resource or other designations of fund balance available to satisfy the funding need. Nonspendable Fund Balance of \$0.05 million consisted of prepaid expenditures. Committed fund balance of approximately \$10.1 million consisted of funding for outstanding purchase commitments and future years' capital project expenditures. The remaining fund balance of approximately \$8.3 million is restricted and consists of funds, provided by bonded debt, for future capital project expenditures and funds restricted to debt service.

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

The General Fund is the primary operating fund of the City. The total fund balance increased by \$1.6 million (revenue of \$272.8 million less expenditures of \$253.7 million and other financing uses of \$17.5 million net transfers), and the unassigned fund balance increased by \$0.7 million to \$28.8 million.

Local taxes increased by 3.7% compared to last year, in part relating to tax rate increases in real estate prepared food and beverage and motor vehicle licenses, but also indicative of a growing local economy. Personal property, prepared food and beverage, lodging, and motor vehicle license taxes all increased for the fiscal year 2016. Real Estate taxes, the City's largest single source of revenue, increased 2.8% primarily due to the \$.03 tax rate increase.

Intergovernmental revenue is the second largest source of General Fund revenues accounting for \$67.9 million in fiscal year 2016. The Commonwealth is the primary source of Intergovernmental revenue by providing revenues for social services programs, street maintenance funds, and law enforcement funding received under House Bill 599.

In fiscal year 2016, the total increase in funding from the Commonwealth compared to fiscal year 2015 was approximately \$0.9 million or 1.3%. This is primarily due to the fiscal year 2015 local government funding reduction of \$0.7 million that was not required for fiscal year 2016.

The Capital Projects Fund balance increased \$0.3 million primarily related to increased funding from the Commonwealth for infrastructure capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Actual General Fund revenues were \$1.0 million or 0.4% higher than the original adopted fiscal year 2016 revenues estimates but were lower than the final revenue estimates by \$2.5 million or 0.9%. The General Fund revenue increase was driven by strong local tax revenue performance, primarily real estate, personal property, prepared food and beverage and motor vehicle license taxes.

In the local tax area, real estate, personal property, sales, prepared food and beverage, transient occupancy, admissions and cigarette taxes exceeded the original adopted budget, while business license and motor vehicle license taxes were under budget. The positive results indicated an ongoing recovery of the local economy and as a result, led to a projected moderate growth in real estate and other local tax revenue estimates in fiscal year 2017.

Intergovernmental revenue is the second largest source of General Fund revenue accounting for \$67.9 million in fiscal year 2016. The Commonwealth is the primary source of Intergovernmental revenue by providing revenues for social services programs, street maintenance funds, and law enforcement funding received under House Bill 599.

In fiscal year 2016, the total increase in funding from the Commonwealth in fiscal year 2016 compared to fiscal year 2015 was approximately \$0.9 million or 1.3%. This modest increment was attributable to the fiscal year 2015 local government funding reduction which reduced the prior year's revenues by \$0.7 million.

General Fund expenditures and transfers were lower than the original budget by \$0.6 million or 0.2% partially due to reduced Social Services expenditures during the year, and were lower than the final amended budget by \$5.9 million or 2.1%. LEAN methodology continues to be a focus for the City to continually improve efficiencies and reduce costs for the benefit of Roanoke citizens. Spending at the departmental level was closely monitored during the fiscal year, and policies centered on maximizing savings were continued.

During fiscal year 2016, 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, 2015, 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, 2015 totaled \$1.8 million.
- To appropriate excess local revenues over expenditures to capital funding.

CAPITAL ASSETS

As of June 30, 2016, the City's capital assets for its governmental and business-type activities amounted to \$639.8 million net of accumulated depreciation. This investment includes land, historical treasures, construction in progress, land improvements, buildings and structures, equipment and infrastructure. The City's capital assets increased year over year by \$16.8 million or 2.7% related to the increase of assets in the infrastructure and construction in progress categories, when compared to fiscal year ended 2015.

The following table shows summarized balances of major categories of capital assets as of June 30, 2016 and 2015.

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

	Governmental Activities		Business-type Activities		Total	
	Balance	Balance	Balance	Balance	Balance	Balance
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Land and Improvements	\$ 49.4	\$ 49.8	\$ 5.1	\$ 4.7	\$ 54.5	\$ 54.5
Buildings and Improvements	270.7	260.6	54.0	54.5	324.7	315.1
Equipment	28.3	25.4	0.9	0.4	29.2	25.8
Infrastructure	197.5	200.2	-	-	197.5	200.2
Construction in Progress	30.5	26.2	2.8	0.6	33.3	26.8
Historical Treasures	0.6	0.6	-	-	0.6	0.6
Total	<u>\$ 577.0</u>	<u>\$ 562.8</u>	<u>\$ 62.8</u>	<u>\$ 60.2</u>	<u>\$ 639.8</u>	<u>\$ 623.0</u>

The City uses the Modified Approach for certain infrastructure assets deemed ‘inexhaustible’ as defined by GAAP, and is required to conduct a semi-annual (January and July) assessment of the condition level of 100% of the Flood Reduction infrastructure asset. The assessment is based on the United States Army Corps of Engineers (USACE) ‘Inspection, Maintenance and Operational Report’. City and USACE policy require the condition level to be maintained at or above a Fair (2) rating. As of June 30, 2016, the infrastructure had an average assessment rating of 2.5, which is above the required minimum rating of 2. The fiscal year 2016 Budget (estimated) of \$54,500 was significantly lower than the prior year due to the City assuming the maintenance of the asset instead of procuring these services. Actual costs were lower as the City was unable to access several of the bench cuts during the year.

Comparison of Estimated to Actual Maintenance Costs

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

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

LONG-TERM DEBT

At June 30, 2016, the City’s long-term liabilities, excluding net pension liability, compensated absences and claims payable, totaled \$253.2 million, comprised of \$221.7 million related to governmental activities and \$31.4 million related to business-type activities. Total debt increased by \$0.9 million during the fiscal year. Interest and fiscal charges for 2016 were \$9.8 million, or 3.0% of total governmental funds’ expenditures. Changes in long-term debt during fiscal year 2016 resulted from the issuance of General Obligation Public Improvement and Refunding Bonds Series 2016.

The Series 2016 General Obligation Public Improvement bonds were issued for the purpose of providing funds towards the current school capital projects, public libraries, parks and recreation improvements, bridge renovation projects, stormwater management projects, curbs, gutter and sidewalk improvement projects, streetscape improvements and the Berglund Center (Civic Center) improvement projects.

The Series 2016 Refunding portion of the bonds was used to advance refund \$13,805,000 for the Series 2008 General Obligation Bond and \$3,090,000 of Series 2012A General Obligation Public Improvement Bond. The 2016 refunding transactions resulted in an economic gain of approximately \$1,798,878 and a decrease of approximately \$2,090,668 in future debt service payments.

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

The *Charter of the City* and *Code of Virginia* 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 Stormwater Utility and Parking Enterprise Funds to be self-supporting. Additionally, in accordance with its contractual agreement with the Western Virginia Water Authority, the City will receive funding from the Authority toward \$9.5 million of general obligation debt. The City's tax-supported debt of \$217.1 million less the Debt Service Fund Balance of \$1.0 million designated for the repayment of debt service is well below the legal debt limit of \$672.0 million.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's unemployment rate, not seasonally adjusted, was 4.1% as of June 30, 2016. Consistent with trends at the state level, this represents a decrease of 1.5% from the prior year. The City's unemployment rate was above the state unemployment rate of 3.7%, but below the national unemployment rate of 4.9%. Employment in Roanoke is diverse with representation within the area of all census-defined industries. The industries providing the largest number of jobs in the region are health care and social assistance.

Roanoke's income levels trail the state and national averages; however, they compare quite well when adjusted for the cost of living. Fiscal year 2016 financial performance was indicative of an improving local economy. However, the City anticipates lingering effects of economic uncertainties as weak economic conditions abroad, incomplete fixes to the financial system and disappointing national employment reports remain challenges.

The City's General Fund revenues increased in 2016 by 2.8% primarily due to real estate, personal property, meals, lodging, and motor vehicle license taxes. With strategic expenditure controls, the City was able to fund additional capital projects in the public safety and public works areas as well as increase funding to Roanoke City Public Schools. In addition, the General Fund unassigned fund balance was increased by \$0.7 million maintaining the unassigned balance above the requisite funding level according to the City's reserve policy.

Important economic indicators for the City during the past year included a decrease in unemployment and a slight decrease in consumer spending that affected many areas of the local economy. City management exhibits caution concerning the local economy regarding improvements during the next fiscal year with somewhat sporadic consumer spending trends.

Housing values continue to decline but at a lesser rate. The average assessed value of single-family housing unit fell slightly to \$124,482 in fiscal year 2016 from \$125,165 in fiscal year 2015. The volume of commercial construction permits increased by only 1.1% although the value of permits issued in 2016 increased by 13.0% compared to 2015. The volume of residential construction permits increased by 2.5% and the value of permits issued in 2016 increased by 19.7% over 2015.

Fiscally responsible budgeting for 2016 provided for continued programming levels for services in response to modest increases in property tax revenues. Programming levels remained stable.

General Fund fiscal year 2017 estimated revenues increased 3.3% compared to the fiscal year 2016 adopted budget. The increase was attributable to economic growth in real estate, personal property and several local taxes. General property taxes increased \$4.7 million and Intergovernmental revenues increased \$1.1 million, both positive economic indicators. Local taxes comprise 69.7% of all budgeted fiscal year 2017 General Fund revenues.

In fiscal year 2016, modest tax rate increases in several local taxes resulted in an increase in revenues in fiscal year 2017. For fiscal year 2017, total local tax revenues are estimated to grow modestly. Funding from the Commonwealth is projected to increase by only slightly primarily in the health and welfare category. Funding to Schools is projected to increase 1.7%.

The City's Pension Plan experienced a decline in investment performance for the fiscal year ended June 30, 2016, which is reflective of slow worldwide economic growth, large domestic and international deficits, geopolitical concerns and significant market volatility. The investment rate of return fell short of the actuarial expected rate of return. The Plan's fiduciary net position as a percentage of the total pension liability decreased from 73.8% to 68.7% as a result of the negative investment performance experienced in fiscal year 2016. The outlook is cautious given the expectation of marginal returns in both the equity and fixed income markets and continuing market volatility.

As the City looks ahead toward fiscal 2018, budgetary pressures continue, but are less impactful than in previous years due to local economic growth. 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 competition for finite resources.

The real estate market in the City has started to grow at a slow pace. The City is monitoring the situation carefully and expects information prior to the beginning of the budgeting process for fiscal year 2018. The real estate assessment process aligns well with the budgeting process in that real estate assessments are established in January of each year with an effective date of July 1st of the same year. This allows the City to plan and revise programs as needed to maintain a balanced budget as real estate tax revenues are known and defined.

The Roanoke economy appears to be recovering from the recession. Local taxes indicate increased economic activity. Management believes that the current fiscal 2017 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, 215 Church Avenue, SW, Room 465, Roanoke, Virginia 24011, telephone (540) 853-2821 or email finance@roanokeva.gov. The City's website address is www.roanokeva.gov.

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CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	GRTC
Assets					
Cash and Cash Equivalents	\$ 63,641,025	\$ 9,281,526	\$ 72,922,551	\$ 24,689,465	\$ 558,435
Interest and Dividends Receivable	2,953	-	2,953	-	-
Due from City of Roanoke	-	-	-	2,620,039	-
Due from Other Governments	22,525,711	-	22,525,711	10,634,825	584,037
Internal Balances	(13,682)	13,682	-	-	-
Taxes and Accounts Receivable, Net	18,892,537	257,932	19,150,469	235,887	121,332
Inventory	53,311	-	53,311	-	543,980
Prepays and Other Assets	378,411	35,971	414,382	341,965	50,356
Net Pension Asset	-	-	-	999,474	-
OPEB/LODA Prepayment	504,000	-	504,000	507,031	-
Capital Assets:					
Land, Construction in Progress,					
Right-of-Way, and Historical Treasures	143,361,661	7,930,114	151,291,775	-	720,724
Other Capital Assets, Net	433,558,409	54,902,437	488,460,846	3,094,777	9,835,023
Capital Assets, Net	576,920,070	62,832,551	639,752,621	3,094,777	10,555,747
Total Assets	\$ 682,904,336	\$ 72,421,662	\$ 755,325,998	\$ 43,123,463	\$ 12,413,887
Deferred Outflows of Resources					
Deferred Charges on Refunding of Debt	\$ 6,524,399	\$ 1,312,005	\$ 7,836,404	\$ -	\$ -
Deferred Outflows for Pension Contributions	15,120,585	219,692	15,340,277	11,631,054	-
Deferred Outflows for Pension Changes	1,938,284	25,637	1,963,921	3,048,630	-
Total Deferred Outflows of Resources	\$ 23,583,268	\$ 1,557,334	\$ 25,140,602	\$ 14,679,684	\$ -
Liabilities					
Accounts Payable and Accrued Expenses	\$ 15,873,375	\$ 1,055,667	\$ 16,929,042	\$ 4,441,413	\$ 1,115,684
Accrued Interest Payable	2,550,217	352,883	2,903,100	-	-
Due to Component Unit	2,620,039	-	2,620,039	-	-
Due to Other Governments	272,130	84,076	356,206	-	-
Unearned Revenue	896,212	1,104,549	2,000,761	1,532,636	244,289
Other Liabilities	308,623	5,449	314,072	4,969,617	-
Net Pension Liability	128,238,273	1,653,153	129,891,426	130,763,739	-
Long-term Liabilities Due Within					
One Year	31,050,557	2,296,406	33,346,963	828,608	-
Long-term Liabilities Due in More					
Than One Year, Net	218,485,750	29,212,124	247,697,874	3,709,596	-
Total Liabilities	\$ 400,295,176	\$ 35,764,307	\$ 436,059,483	\$ 146,245,609	\$ 1,359,973
Deferred Inflows of Resources					
Uncollected Service Charges	\$ 2,645,753	\$ -	\$ 2,645,753	\$ -	\$ -
Deferred Inflows for Pension Changes	15,982,640	202,195	16,184,835	10,558,229	-
Total Deferred Inflows of Resources	\$ 18,628,393	\$ 202,195	\$ 18,830,588	\$ 10,558,229	\$ -
Net Position					
Net Investment in Capital Assets	\$ 386,671,621	\$ 35,765,948	\$ 422,437,569	\$ 3,094,777	\$ 10,555,747
Restricted for:					
Debt Service	1,011,031	-	1,011,031	-	-
Prepaid Expenses	48,411	-	48,411	-	-
Unrestricted (deficit)	(100,167,028)	2,246,546	(97,920,482)	(102,095,468)	498,167
Total Net (deficit) Position	\$ 287,564,035	\$ 38,012,494	\$ 325,576,529	\$ (99,000,691)	\$ 11,053,914

See Notes to Basic Financial Statements

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 16,832,704	\$ 4,730,687	\$ 1,045,130	\$ 2,568,905
Judicial Administration	9,399,253	3,124,725	8,469,094	-
Public Safety	72,549,379	5,336,837	8,435,068	-
Public Works	34,278,578	270,402	14,386,211	8,558,937
Health and Welfare	40,378,769	30,606	28,611,306	-
Parks, Recreation and Cultural	12,193,652	557,759	1,297,828	2,568,155
Community Development	12,812,996	169,656	3,983,450	-
Transportation	1,812,105	-	-	-
Education	84,378,194	-	-	-
Economic Development	853,466	-	-	-
Other	-	-	-	-
Interest and Fiscal Charges	10,924,644	-	-	-
Total Governmental Activities	296,413,740	14,220,672	66,228,087	13,695,997
Business-Type Activities:				
Civic Facilities	4,759,841	2,151,235	-	229,167
Parking	3,449,510	3,195,168	-	425,473
Stormwater Utility	2,863,855	-	-	462,000
Total Business-Type Activities	11,073,206	5,346,403	-	1,116,640
Total Primary Government	\$ 307,486,946	\$ 19,567,075	\$ 66,228,087	\$ 14,812,637
Component Units:				
School Board of the City of Roanoke	\$ 191,360,327	\$ 6,979,179	\$ 49,230,834	\$ -
Greater Roanoke Transit Company	10,929,248	2,032,634	-	418,341

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
 Stormwater Fee
 Recovered Costs
 Other
 State Aid Not Restricted to a Specific Program
 Payment from City of Roanoke
 Payment from Component Unit
 Grants and Contributions Not Restricted to Specific Programs
 Interest and Investment Income
 Miscellaneous
 Capital Contribution
 Transfers

Total General Revenues and Transfers

Change in Net Position

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

See Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	GRTC
\$ (8,487,982)	\$ -	\$ (8,487,982)	\$ -	\$ -
2,194,566	-	2,194,566	-	-
(58,777,474)	-	(58,777,474)	-	-
(11,063,028)	-	(11,063,028)	-	-
(11,736,857)	-	(11,736,857)	-	-
(7,769,910)	-	(7,769,910)	-	-
(8,659,890)	-	(8,659,890)	-	-
(1,812,105)	-	(1,812,105)	-	-
(84,378,194)	-	(84,378,194)	-	-
(853,466)	-	(853,466)	-	-
-	-	-	-	-
(10,924,644)	-	(10,924,644)	-	-
(202,268,984)	-	(202,268,984)	-	-
-	(2,379,439)	(2,379,439)	-	-
-	171,131	171,131	-	-
-	(2,401,855)	(2,401,855)	-	-
-	(4,610,163)	(4,610,163)	-	-
\$ (202,268,984)	\$ (4,610,163)	\$ (206,879,147)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (135,150,314)	\$ -
-	-	-	-	(8,478,273)
\$ 109,218,854	\$ -	\$ 109,218,854	\$ -	\$ -
20,600,395	-	20,600,395	-	-
12,421,851	-	12,421,851	-	-
9,828,466	-	9,828,466	-	-
15,705,629	-	15,705,629	-	-
8,075,992	-	8,075,992	-	-
2,371,201	-	2,371,201	-	-
4,305,977	-	4,305,977	-	-
6,727,824	-	6,727,824	-	-
2,594,635	-	2,594,635	-	-
-	3,979,349	3,979,349	-	-
821,064	-	821,064	-	-
5,030,306	-	5,030,306	-	232,667
-	-	-	58,191,410	-
-	-	-	79,435,819	-
15,072,438	-	15,072,438	-	-
-	-	-	-	6,627,825
798,323	190,765	989,088	49,145	-
4,117,156	-	4,117,156	833,791	-
-	297,450	297,450	-	-
(1,143,960)	1,143,960	-	-	-
\$ 216,546,151	\$ 5,611,524	\$ 222,157,675	\$ 138,510,165	\$ 6,860,492
14,277,167	1,001,361	15,278,528	3,359,851	(1,617,781)
273,286,868	37,011,133	310,298,001	(102,360,542)	12,671,695
\$ 287,564,035	\$ 38,012,494	\$ 325,576,529	\$ (99,000,691)	\$ 11,053,914

**CITY OF ROANOKE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 22,861,957	\$ 1,538,853	\$ 954,369	\$ 17,187,449	\$ 42,542,628
Interest and Dividends Receivable	2,953	-	-	-	2,953
Due from Other Governments	9,191,962	-	1,303,393	2,618,386	13,113,741
Due from Other Funds	793,993	-	120,471	2,022,157	2,936,621
Taxes Receivable, net of Allowance	18,566,265	-	-	-	18,566,265
Accounts Receivable	4,543,718	-	19,408	458	4,563,584
Allowance for Uncollectible Receivables	(4,305,259)	-	-	-	(4,305,259)
Prepays and Other	48,411	-	-	-	48,411
Total Assets	\$ 51,704,000	\$ 1,538,853	\$ 2,397,641	\$ 21,828,450	\$ 77,468,944
LIABILITIES					
Accounts Payable and Accrued Expenditures	\$ 8,841,706	\$ 973	\$ 476,474	\$ 5,408,074	\$ 14,727,227
Due to Other Governments	272,130	-	-	-	272,130
Due to Other Funds	2,692,016	526,849	1,025,113	33,505	4,277,483
Due to Component Unit	1,076,345	-	-	1,543,694	2,620,039
Unearned Revenue	-	-	896,054	158	896,212
Total Liabilities	12,882,197	527,822	2,397,641	6,985,431	22,793,091
DEFERRED INFLOWS OF RESOURCES					
Uncollected Taxes and Charges	7,384,060	-	-	-	7,384,060
Total Deferred Inflows of Resources	7,384,060	-	-	-	7,384,060
FUND BALANCES					
Nonspendable	48,411	-	-	-	48,411
Restricted	-	1,011,031	-	7,321,532	8,332,563
Committed	2,593,822	-	-	7,521,487	10,115,309
Unassigned	28,795,510	-	-	-	28,795,510
Total Fund Balances	31,437,743	1,011,031	-	14,843,019	47,291,793
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 51,704,000	\$ 1,538,853	\$ 2,397,641	\$ 21,828,450	\$ 77,468,944

See Notes to Basic Financial Statements

Exhibit D

**CITY OF ROANOKE, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Funds		\$ 47,291,793
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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	823,625,181	
Less: accumulated depreciation	<u>(269,200,816)</u>	554,424,365

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

Deferred charge on refunding of debt	16,029,947	
Less: accumulated amortization	(9,542,844)	
OPEB and Line of Duty prepayment	504,000	
Receivable from Western Virginia Water Authority	<u>9,405,800</u>	16,396,903

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.

4,738,305

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

Governmental bonds and loans payable	(197,650,073)	
Capital lease obligation	(5,095,430)	
Bond premium	(20,724,203)	
Accumulated amortization of bond premium	8,070,570	
Compensated absences payable	(6,719,211)	
Accrued interest payable	<u>(2,550,217)</u>	(224,668,564)

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

Deferred outflows of resources for 2015 employer contributions	14,445,979	
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(15,218,463)	
Deferred outflows of resources due to changes in position and differences between employer contributions and proportionate share of contributions	1,841,393	
Net pension liability	<u>(121,990,327)</u>	(120,921,418)

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

10,302,651

Total Net Position of Governmental Activities		<u><u>\$ 287,564,035</u></u>
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See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Local Taxes	\$ 191,205,770	\$ -	\$ -	\$ -	\$ 191,205,770
Permits, Fees and Licenses	888,328	-	-	-	888,328
Fines and Forfeitures	1,014,511	-	-	-	1,014,511
Rental Income	150,923	-	-	-	150,923
Investment Income	108,424	-	1,997	62,089	172,510
Intergovernmental	67,854,700	16,120,094	8,676,352	10,823,823	103,474,969
Charges for Services	11,010,903	-	-	-	11,010,903
Miscellaneous	534,669	314,763	44,088	3,914,907	4,808,427
Total Revenues	272,768,228	16,434,857	8,722,437	14,800,819	312,726,341
EXPENDITURES					
Current Operating:					
General Government	15,744,794	-	112,689	-	15,857,483
Judicial Administration	8,595,591	-	322,265	-	8,917,856
Public Safety	68,368,990	-	1,523,647	-	69,892,637
Public Works	25,131,211	-	122,430	-	25,253,641
Health and Welfare	36,745,361	-	2,601,134	-	39,346,495
Parks, Recreation and Cultural	10,270,457	-	30,836	-	10,301,293
Community Development	7,988,974	-	4,262,804	-	12,251,778
Greater Roanoke Transit Company	1,812,105	-	-	-	1,812,105
Education	79,053,977	-	-	-	79,053,977
Debt Service:					
Principal Retirement	-	21,778,211	-	-	21,778,211
Interest and Other Charges	-	8,306,238	-	-	8,306,238
Bond Issuance Cost	-	1,493,517	-	-	1,493,517
Capital Outlays	-	1,681,463	-	32,177,416	33,858,879
Total Expenditures	253,711,460	33,259,429	8,975,805	32,177,416	328,124,110
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,056,768	(16,824,572)	(253,368)	(17,376,597)	(15,397,769)
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	-	-	-	15,170,000	15,170,000
Issuance of Refunding Bonds	-	15,710,000	-	-	15,710,000
Payment to Refunded Bond Escrow Agent	-	(15,275,000)	-	-	(15,275,000)
Premium on Sale of Bonds	-	1,261,860	-	1,107,000	2,368,860
Capital Lease	-	1,681,463	-	-	1,681,463
Transfers In	293,148	13,341,493	313,368	1,913,376	15,861,385
Transfers Out	(17,713,147)	(392,335)	(60,000)	(477,319)	(18,642,801)
Total Other Financing Sources (Uses), Net	(17,419,999)	16,327,481	253,368	17,713,057	16,873,907
Change in Fund Balance	1,636,769	(497,091)	-	336,460	1,476,138
Fund Balance at Beginning of Year	29,800,974	1,508,122	-	14,506,559	45,815,655
Fund Balance at End of Year	\$ 31,437,743	\$ 1,011,031	\$ -	\$ 14,843,019	\$ 47,291,793

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, 2016**

Net Change in Fund Balance - Governmental Funds \$ 1,476,138

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	29,501,207	
Donation of capital assets	53,000	
Less current year depreciation expense	<u>(16,960,606)</u>	12,593,601

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	175,146	
Net principal reimbursed by Western Virginia Water Authority	<u>(562,700)</u>	(387,554)

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	(31,599,393)	
Bond premium	(1,346,643)	
Amortization of current year bond premium	1,180,195	
Amortization of current year bond costs and deferred amounts	(896,053)	
Principal payments	<u>37,053,212</u>	4,391,318

Governmental funds report employer pension contributions as expenditures.

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

Pension contribution	14,445,979	
Pension expense	<u>(16,345,876)</u>	(1,899,897)

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	572,351	
Change in accrued interest payable	27,963	
OPEB and Line of Duty assets	504,000	1,104,314

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.

(3,000,753)

Change in Net Position - Governmental Activities

\$ 14,277,167

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Funds				Total Internal Service Funds
<u>Assets</u>	Stormwater	Civic Facilities	Parking	Total	
Current Assets:					
Cash and Cash Equivalents	\$ 3,957,729	\$ 3,320,519	\$ 2,003,278	\$ 9,281,526	\$ 21,098,397
Due from Other Governments	-	-	-	-	6,170
Due from Other Funds	33,505	1,922	251	35,678	1,682,338
Accounts Receivable, Net	103,507	151,493	2,932	257,932	67,947
Inventory	-	-	-	-	53,311
Other Assets	-	35,971	-	35,971	330,000
Total Current Assets	4,094,741	3,509,905	2,006,461	9,611,107	23,238,163
Capital Assets:					
Land and Land Improvements	549,250	1,215,005	3,431,514	5,195,769	-
Buildings and Structures	-	42,156,626	48,478,006	90,634,632	-
Equipment and Other Capital Assets	580,210	2,020,963	282,124	2,883,297	70,729,894
Construction in Progress	1,896,592	911,449	-	2,808,041	734,098
Less Accumulated Depreciation	(52,552)	(19,864,688)	(18,771,948)	(38,689,188)	(48,968,287)
Capital Assets, Net	2,973,500	26,439,355	33,419,696	62,832,551	22,495,705
Total Assets	\$ 7,068,241	\$ 29,949,260	\$ 35,426,157	\$ 72,443,658	\$ 45,733,868
Deferred Outflows of Resources					
Deferred Outflow for Pension Contributions	\$ 207,735	\$ -	\$ 11,957	\$ 219,692	\$ 674,606
Deferred Outflow for Pension Changes	23,940	-	1,697	25,637	96,891
Deferred Charges on Refunding of Debt	-	355,314	956,691	1,312,005	37,296
Total Deferred Outflows of Resources	\$ 231,675	\$ 355,314	\$ 970,345	\$ 1,557,334	\$ 808,793
<u>Liabilities</u>					
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 369,674	\$ 532,267	\$ 153,726	\$ 1,055,667	\$ 1,146,162
Accrued Interest Payable	27,187	198,677	127,019	352,883	-
Due to Other Governments	-	84,076	-	84,076	-
Due to Other Funds	22,256	4,826	363	27,445	663,780
Unearned Revenue	-	1,042,963	61,586	1,104,549	-
Long-Term Liabilities Due Within One Year	143,120	1,225,983	927,303	2,296,406	4,380,876
Total Current Liabilities	562,237	3,088,792	1,269,997	4,921,026	6,190,818
Long-Term Liabilities:					
Compensated Absences Payable	54,005	-	13,874	67,879	337,801
Claims Payable	-	-	-	-	20,769,720
General Obligation Bonds Payable, Net	3,033,097	15,935,646	12,452,496	31,421,239	6,049,219
Capital Lease Obligations	8,348	9,780	1,284	19,412	261,205
Net Pension Liability	1,543,753	-	109,400	1,653,153	6,247,946
Less Current Maturities	(143,120)	(1,225,983)	(927,303)	(2,296,406)	(4,380,876)
Total Long-Term Liabilities	4,496,083	14,719,443	11,649,751	30,865,277	29,285,015
Total Liabilities	\$ 5,058,320	\$ 17,808,235	\$ 12,919,748	\$ 35,786,303	\$ 35,475,833
Deferred Inflows of Resources					
Deferred Inflow for Pension Changes	\$ 188,814	\$ -	\$ 13,381	\$ 202,195	\$ 764,177
Total Deferred Inflows of Resources	\$ 188,814	\$ -	\$ 13,381	\$ 202,195	\$ 764,177
<u>Net Position</u>					
Net Investment in Capital Assets	\$ 1,204,056	\$ 12,639,285	\$ 21,922,607	\$ 35,765,948	\$ 16,227,595
Unrestricted (deficit)	848,726	(142,946)	1,540,766	2,246,546	(5,924,944)
Total Net Position	\$ 2,052,782	\$ 12,496,339	\$ 23,463,373	\$ 38,012,494	\$ 10,302,651

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, 2016

	Enterprise Funds				Total Internal Service Funds
	Stormwater	Civic Facilities	Parking	Total	
<u>Operating Revenues</u>					
Charges for Services	\$ -	\$ 2,151,235	\$ 3,195,168	\$5,346,403	\$ 30,634,589
Stormwater Fees	3,979,349	-	-	3,979,349	-
Other Revenue	462,000	229,167	425,473	1,116,640	482,450
Total Operating Revenues	4,441,349	2,380,402	3,620,641	10,442,392	31,117,039
<u>Operating Expenses</u>					
Personal Services	1,730,697	1,152,983	93,070	2,976,750	3,927,139
Other Services and Charges	722,576	1,901,167	1,209,281	3,833,024	20,525,212
Materials and Supplies	283,054	-	579,918	862,972	4,451,450
Depreciation	52,358	1,085,912	995,605	2,133,875	5,148,803
Total Operating Expenses	2,788,685	4,140,062	2,877,874	9,806,621	34,052,604
Operating Income (Loss)	1,652,664	(1,759,660)	742,767	635,771	(2,935,565)
<u>Nonoperating Revenues (Expenses)</u>					
Loss on Disposal of Assets	-	-	(44,290)	(44,290)	(347,114)
Investment Income	17,209	89,618	83,938	190,765	187,352
Interest Expense	(75,170)	(619,779)	(527,346)	(1,222,295)	(256,799)
Net Nonoperating Expenses	(57,961)	(530,161)	(487,698)	(1,075,820)	(416,561)
Income (Loss) Before Transfers	1,594,703	(2,289,821)	255,069	(440,049)	(3,352,126)
<u>Transfers</u>					
Capital Contributions	297,450	-	-	297,450	-
Transfers In	702,926	2,178,890	171,210	3,053,026	426,283
Transfers Out	(1,909,066)	-	-	(1,909,066)	(74,910)
Net Transfers	(908,690)	2,178,890	171,210	1,441,410	351,373
Change in Net Position	686,013	(110,931)	426,279	1,001,361	(3,000,753)
Total Net Position at Beginning of Year	1,366,769	12,607,270	23,037,094	37,011,133	13,303,404
Total Net Position at End of Year	\$ 2,052,782	\$ 12,496,339	\$ 23,463,373	\$ 38,012,494	\$ 10,302,651

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds				Total Internal Service Funds
	Stormwater	Civic Facilities	Parking	Total	
Cash Flow From Operating Activities					
Cash Received from Customers	\$ -	\$ 2,695,711	\$ 3,278,157	\$ 5,973,868	\$ 30,054,849
Cash Received from Customers Outside Parties	-	-	-	-	845,901
Cash Payments to Suppliers for Goods and Services	(902,415)	(2,018,700)	(1,943,054)	(4,864,169)	(7,513,894)
Cash Payments to Other Funds for Interfund Services	(337,448)	(61,120)	(75,609)	(474,177)	(172,665)
Cash Payments from Other Funds for Interfund Services	-	(3,238)	5,036	1,798	437,605
Cash Payments to Employees	(1,556,046)	(1,155,922)	(103,863)	(2,815,831)	(4,100,220)
Cash Payments for Claims	-	-	-	-	(18,908,036)
Cash Payments for Stormwater Fees	4,091,682	-	-	4,091,682	-
Cash Received from Other Operating Revenues	462,000	229,167	425,473	1,116,640	482,450
Net Cash Provided by (Used in) Operating Activities	1,757,773	(314,102)	1,586,140	3,029,811	1,125,990
Cash Flow From Noncapital Financing Activities:					
Transfers In	702,926	2,178,890	171,210	3,053,026	426,283
Transfers Out	(451,774)	-	-	(451,774)	(74,910)
Net Cash Provided by Noncapital Financing Activities	251,152	2,178,890	171,210	2,601,252	351,373
Cash Flow From Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(2,086,962)	(1,936,955)	(128,670)	(4,152,587)	(6,135,710)
Proceeds from Issuance of Capital Lease	15,433	-	2,373	17,806	13,904
Proceeds from Issuance of Bonds	1,805,000	2,795,000	-	4,600,000	-
Proceeds from Sale of Refunding Bonds	-	330,000	545,000	875,000	780,000
Principal Paid to Refunded Bond Escrow Agent	-	(330,000)	(530,000)	(860,000)	(760,000)
Principal Paid on Bonds and Capital Lease Obligations	(45,485)	(1,087,527)	(939,590)	(2,072,602)	(284,094)
Interest Paid on Bonds and Capital Lease Obligations	152,951	(404,633)	(537,506)	(789,188)	(287,832)
Net Cash Used in Capital and Related Financing Activities	(159,063)	(634,115)	(1,588,393)	(2,381,571)	(6,673,732)
Cash Flow From Investing Activities:					
Interest Received	12,319	90,935	80,766	184,020	147,919
Net Purchase of Investments	(75,170)	-	-	(75,170)	-
Net Cash Provided by (Used in) Investing Activities	(62,851)	90,935	80,766	108,850	147,919
Net Increase in Cash and Cash Equivalents	1,787,011	1,321,608	249,723	3,358,342	(5,048,450)
Cash and Cash Equivalents at July 1	2,170,718	1,998,911	1,753,555	5,923,184	26,146,847
Cash and Cash Equivalents at June 30	\$ 3,957,729	\$ 3,320,519	\$ 2,003,278	\$ 9,281,526	\$ 21,098,397
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$ 1,652,664	\$ (1,759,660)	\$ 742,767	\$ 635,771	\$ (2,935,565)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	52,358	1,085,912	995,605	2,133,875	5,148,803
Changes in Assets and Liabilities:					
Decrease in Due From Other Governments	-	-	-	-	6,491
(Increase) Decrease in Due From Other Funds	(27,013)	(3,238)	5,036	(25,215)	266,300
(Increase) Decrease in Accounts Receivable	139,346	(56,834)	21,403	103,915	(6,630)
Decrease in Inventory	-	-	-	-	9,995
Increase in Other Assets	(51,686)	-	(2,228)	(53,914)	(45,124)
Decrease in Accounts Payable and Accrued Expenses	(225,535)	(152,906)	(74,521)	(452,962)	(789,842)
Decrease in Due to Other Governments	-	(2,939)	-	(2,939)	-
Increase (Decrease) in Due to Other Funds	(34,352)	(25,747)	(2,634)	(62,733)	459,605
Increase (Decrease) in Other Liabilities	262,091	-	(92,486)	169,605	77,629
Decrease in Compensated Absences Payable	(10,100)	-	(6,802)	(16,902)	(74,328)
Increase in Unearned Revenue	-	601,310	-	601,310	-
Decrease in Claims Payable	-	-	-	-	(991,344)
Total Adjustments	105,109	1,445,558	843,373	2,394,040	4,061,555
Net Cash Provided by (Used in) Operating Activities	\$ 1,757,773	\$ (314,102)	\$ 1,586,140	\$ 3,029,811	\$ 1,125,990

Noncash Capital and Financing Activities:

Civic Facilities Fund noncash activities in fiscal year 2016 consisted of capital asset acquisitions of \$145,268 recorded as accounts payable at June 30, 2016.

Parking Fund noncash activities in fiscal 2016 consisted of capital asset acquisitions of \$48,000 recorded as accounts payable at June 30, 2016.

Parking Fund noncash activities in fiscal 2016 consisted of capital asset acquisitions of \$48,000 recorded as accounts payable at June 30, 2016.

Stormwater Fund noncash activities in fiscal year 2016 consisted of capital asset acquisitions of \$117,387 recorded as accounts payable at June 30, 2016.

Stormwater Fund includes a non-cash transfer of \$1,457,293 related to Pension.

Internal Service Fund noncash activities in fiscal year 2016 consisted of capital asset acquisitions of \$375,427 recorded as accounts payable at June 30, 2016.

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Pension Trust Fund	OPEB Trust Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	\$ 731,482	\$ -	\$ 4,536,910
Investments	-	-	-
Receivables:			
Employer Contributions	376,171	-	-
Employee Contributions	116,771	-	-
Accrued Interest	457,720	-	79
Receivable for Security Transactions	940,370	-	-
Total Receivables	1,891,032	-	79
Investments Held by Trustee, at Fair Value:			
Cash Equivalents	3,178,683	-	-
Government Securities	25,660,581	-	-
Corporate Bonds	22,733,492	-	-
Convertible Bond Mutual Funds	16,530,772	-	-
Common Stocks	63,206,127	-	-
Domestic Mutual Funds	131,695,333	-	-
International Mutual Funds	84,301,371	-	-
Real Estate Mutual Funds	12,353,088	-	-
Infrastructure Funds	11,549,485	-	-
Investment in Pooled Funds	-	4,744,218	-
Total Investments	371,208,932	4,744,218	-
Total Assets	\$ 373,831,446	\$ 4,744,218	\$ 4,536,989
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 279,840	\$ -	\$ -
Payable for Security Transactions	1,273,834	-	-
Due to Other Governments	-	-	4,536,989
Total Liabilities	\$ 1,553,674	\$ -	\$ 4,536,989
NET POSITION RESTRICTED FOR BENEFITS	\$ 372,277,772	\$ 4,744,218	\$ -

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, 2016

	Pension Trust Fund	OPEB Trust Fund
<u>Additions/(Reductions)</u>		
Contributions from Employer	\$ 11,598,631	\$ 1,438,100
Contributions from Employee	3,700,938	-
Investment Income		
Net Depreciation in Fair Value of Investments	(13,333,071)	(16,905)
Interest and Dividends	11,365,589	10
Other	4,763	-
Total Investment Loss	(1,962,719)	(16,895)
Less Investment Expenses	(1,357,236)	(5,758)
Net Investment Loss	(3,319,955)	(22,653)
Total Additions	11,979,614	1,415,447
<u>Deductions</u>		
Benefit Payments	34,126,382	716,600
Administrative Expenses	468,800	-
Total Deductions	34,595,182	716,600
Change in Net Position	(22,615,568)	698,847
Fiduciary Net Position at Beginning of Year	394,893,340	4,045,371
Fiduciary Net Position at End of Year	\$ 372,277,772	\$ 4,744,218

See Notes to Basic Financial Statements.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

The City 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 potential for the component unit to 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. 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, 2016

B. Financial Statement Presentation

The City's financial statements have been prepared in accordance with GAAP, which intends to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions and contains the following sections:

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

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

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

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

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

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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 revenues. 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:

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

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

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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, which 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 postemployment benefits (OPEB), which is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net position.

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

C. Basis of Accounting

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

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

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. General fund tax revenues are considered measurable when they have been levied. To be considered available and thus susceptible to accrual, taxes must be collected within the City's period of availability of 60 days. Uncollected taxes at the end of this period are reported as deferred outflows in the governmental funds. Interest income and intergovernmental receivables (state and federal grants to the extent of allowable expenditures) are considered susceptible to accrual. Expenditures are generally

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve the applicable appropriation, is employed as an extension of formal budgetary integration mainly in the governmental funds. 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, 2016, significant encumbrances in the General Fund totaled \$2.6 million related to employee health services, social services, prisoner sustenance and street and other maintenance contracts. In the Capital Projects fund, \$7.9 million was related to various capital improvement construction contracts and \$2.4 million was encumbered in Proprietary funds also related to capital projects.

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), the Virginia Investment Pool (VIP) 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.

Applicable investments are measured at fair value and are categorized within the fair value hierarchy using valuation techniques as required by GAAP with a hierarchy based on the

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

F. Interfund Receivables and Payables

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

G. Allowance for Uncollectible Taxes and Accounts Receivable

The City calculates its allowance for uncollectible receivables based on historical collection data and specific account analyses. At June 30, 2016, the allowance for General Fund uncollectible taxes and accounts receivable was \$4,305,259 or 19% of the outstanding balance of taxes receivable and accounts receivable.

H. Property Taxes

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

Personal property tax is due on or before May 31 during the year of assessment. The personal property tax rate was \$3.45 per \$100 of assessed value for the year. The Commonwealth funds localities for a portion of the personal property taxes billed to property tax owners. The Personal Property Tax Relief Act as amended provides a flat amount of reimbursement to localities, such as the City of Roanoke, thereby altering the percent of tax relief provided. The Commonwealth's share of the tax was 48.4% for tax year 2016. 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 rate, which at June 30, 2016, was 4%.

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. Inventory

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

J. Pension Trust Fund

The City's policy is to fully fund actuarially determined pension costs, which include both normal costs and amortization of unfunded accrued liability. Pension Trust Fund investments are measured at fair value using valuation techniques categorized under the hierarchy as set forth in GAAP. See Footnote 2 for additional information regarding the categorical fair value measurement of investments. Security transactions are recognized on the trade date which is the date the order to buy or sell is originated. Securities lending fees are included as a component of investment expenses.

K. Other Postemployment Benefits Trust Fund

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

L. Capital Assets

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

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

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

M. Compensated Absences Payable

It is the City's policy to permit employees to accumulate earned but unused compensated absences. For government-wide and proprietary fund 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 \$6,719,211 are recorded for governmental activities in the government-wide statements and represent a reconciling item between the government-wide and governmental fund presentations.

N. Net Position

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

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

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

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

Fund Balances – Governmental Funds

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or are 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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Restricted fund balance is reported when constraints are placed on the use of resources either externally imposed by creditors, grantors, constitutional provisions or by 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 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 are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

Unassigned 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 net deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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:

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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, 2016, 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, deferred inflows and outflows of resources, revenues, expenditures/expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

P. Deferred Inflows/Outflows of Resources

Deferred Inflows and Outflows of Resources represent the acquisition and consumption, respectively, of net position that applies to a future period. At June 30, 2016, the Primary Government had \$7.8 million in deferred outflows of resources representing deferred charges on refunding of debt and \$17.3 million in deferred charges related to Pension contributions and proportionate share changes. The Primary Government also had \$16.2 million in deferred inflows of resources related to changes in the Pension expected versus actual investment returns and \$2.6 million related to uncollected service charges.

Q. New GASB Pronouncements

GASB pronouncements are reviewed upon issuance to determine applicability and adoption. The following pronouncements have been analyzed by the City and were adopted in the fiscal year ending June 30, 2016. GASB Statement No. 72, *Fair Value Measurement and Application*, was issued to improve the accounting and financial reporting by state and local government for

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

investments. GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued to identify the hierarchy of GAAP. GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* was issued to address accounting and financial reporting for certain external investment pools and pool participants.

R. Future GASB Pronouncements

GASB Statement No. 77, *Tax Abatement Disclosures* was issued to improve the usefulness of information included in the general purpose external financial reports of state and local governments for assessing the impact of tax abatements on an entity's financial position and operating results. GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* was issued to address a practice issue regarding scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 80, *Blending Requirements for Certain Component Units* was issued to improve financial reporting by clarifying the financial reporting presentation requirements for certain component units.

The City will adopt these pronouncements in the fiscal year ending June 30, 2017.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

(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, 2016 of \$25,630,772, which includes \$941,307 held on behalf of a fiduciary fund. The GRTC component unit maintains separate cash and investment accounts consisting of cash and overnight repurchase agreements collateralized by government securities. Investments for GRTC and the School Board are presented in conjunction with City investments. The City Civic Center Facilities are managed by Global Spectrum LP, which holds a portion of cash in the amount of \$1,101,944 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 \$4,536,989 on HRCCC's behalf. Investments and related disclosures for the City of Roanoke Pension Plan and the OPEB Trust Fund, which are fiduciary funds, are presented separately.

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
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Virginia Investment Pool (VIP): Administered by the Virginia Municipal League/Virginia Association of Counties and is an alternative investment pool for local governments for assets held six months or longer.

Fair value measurements of investments are categorized within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1	Unadjusted quoted prices for identical instruments in active markets.
Level 2	Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
Level 3	Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Investments in the VIP are valued using the NAV per share, which is determined by dividing the total value of the VIP Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the VIP Trust. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days written notice. The City's investments in the SNAP money market and LGIP are measured at amortized cost. Investments in the separately presented Fiduciary Funds that are measured at fair value are categorized within the established hierarchy. See Separately Presented Fiduciary Funds in the notes that follow.

Investments as of June 30, 2016 consisted of the following:

	Total Primary Government	School Board Component Unit	GRTC Component Unit	Fiduciary Funds
Investment in pooled funds, including				
Virginia LGIP & VIP	\$ 48,132,067	\$ 16,037,161	\$ -	\$ 4,390,307
Money Market Accounts	5,027,153	5,120,425	-	-
Repurchase Agreements	-	-	57	-
Mutual Funds (SNAP)	15,525,893	-	-	-
Total	<u>\$ 68,685,113</u>	<u>\$ 21,157,586</u>	<u>\$ 57</u>	<u>\$ 4,390,307</u>

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

Credit Risk. State law (*Code of Virginia*, Chapter 3, Title 26) limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the LGIP. The State Treasurer's Office of the Commonwealth of Virginia has regulatory oversight over the LGIP. The City's fair value of investment in the LGIP is the same as the pooled value of its shares. It is the City's policy to limit its investments in commercial paper to the top rating issued by Nationally Recognized Statistical Rating Organizations (NRSROs).

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

As of June 30, 2016, 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	25.6%	0.0%	0.0%	0.0%	AAAm
Money Market Accounts	0.0%	24.2%	0.0%	0.0%	NR
Virginia Investment Pool	25.3%	0.0%	0.0%	0.0%	AAf
Virginia LGIP	49.1%	75.8%	0.0%	100.0%	AAAm
Total Investment Percentage	100.0%	100.0%	100.0%	100.0%	0.0%

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, 2016 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, 2016, 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 \$10,206,265, including Fiduciary HRCCC Funds of \$146,603. The City's bank balance of deposits was \$11,673,512. The City's investment policy requires all deposits to be federally secured or held in accordance with the Virginia Security for Public Deposits Act. In agreement with the policy, the entire balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

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

As of June 30, 2016, the portions of the City's debt securities that exceed 5% of the total value, excluding certificates of deposit, which were fully insured by Federal Deposit Insurance Corporation (FDIC) and the Virginia LGIP, were as follows:

Issuer	Percent of Portfolio Primary Government
State Non-Arbitrage Program (SNAP)	25.6%

CITY OF ROANOKE, VIRGINIA
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As of June 30, 2016, the School Board's investment portfolio was invested in the Virginia LGIP \$16,037,161 and a Bank of North Carolina premium money market account, \$5,120,425.

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, 2016, the Primary Government had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Mutual Funds (SNAP)	\$ 15,525,893	\$ 15,525,893
Virginia LGIP & VIP	48,132,067	48,132,067
Total	<u>\$ 63,657,960</u>	<u>\$ 63,657,960</u>

As of June 30, 2016, the School Board Component Unit had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Virginia LGIP	\$ 16,037,161	\$ 16,037,161
Total	<u>\$ 16,037,161</u>	<u>\$ 16,037,161</u>

As of June 30, 2016, the Hotel Roanoke Conference Center Commission, a fiduciary fund, had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Virginia LGIP & VIP	\$ 4,390,307	\$ 4,390,307
Total	<u>\$ 4,390,307</u>	<u>\$ 4,390,307</u>

CITY OF ROANOKE, VIRGINIA
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YEAR ENDED JUNE 30, 2016

Separately Presented Fiduciary Funds

Pension Trust Fund

Investment Policy. The Board of Trustees of the City of Roanoke Pension Plan (the Pension Plan) has adopted a Statement of Investment Policy Guidelines and Objectives (the Policy). The Policy articulates the Pension 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.

Pension Plan Investments as of June 30, 2016 consisted of the following:

	<u>2016</u>
Cash Equivalents	\$ 258,499
Investment in pooled funds	2,920,184
U.S. Government Securities	11,057,469
Municipal and Agency Bonds	14,603,112
Corporate Bonds	22,733,492
Convertible Bond Mutual Funds	16,530,772
Common Stocks	63,206,127
Domestic Mutual Funds	131,695,333
International Mutual Funds	84,301,371
Real Estate Funds	12,353,088
Infrastructure Funds	11,549,485
Total Investments	<u>\$ 371,208,932</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Fair Value Measurement of Investments

		Fair Value Measures Using		
		Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
	June 30, 2016			
Investments By Fair Value Level				
Fixed Income				
U.S. Government Securities	11,057,469	-	11,057,469	-
Municipal and Agency Bonds	14,603,112	-	14,603,112	-
Corporate Bonds	22,733,492	-	22,733,492	-
Total Fixed Income	48,394,073	-	48,394,073	-
Domestic Equity				
Financial and Utility Common Stock	22,661,864	22,661,864	-	-
Basic Industrial and Materials Common Stock	8,652,503	8,652,503	-	-
Consumer and Service Common Stock	20,962,931	20,962,931	-	-
Technology and Telecommunications Common Stock	10,928,829	10,928,829	-	-
Domestic Equity Mutual Fund	56,561,125	56,561,125	-	-
Total Domestic Equity	119,767,252	119,767,252	-	-
Convertible Securities				
Convertible Bond Mutual Funds	16,530,772	16,530,772	-	-
Total Convertible Securities	16,530,772	16,530,772	-	-
International Equity				
International Equity Mutual Fund	58,073,068	58,073,068	-	-
Total International Equity	58,073,068	58,073,068	-	-
Short-Term Investments				
Cash and Cash Equivalents	3,178,683	3,178,683	-	-
Total Short-Term Investments	3,178,683	3,178,683	-	-
Total Investments by Fair Value Level	245,943,848	197,549,775	48,394,073	-

CITY OF ROANOKE, VIRGINIA
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Net Asset Value (NAV) of Investments

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income Investments				
Co-mingled domestic fixed income	21,702,099	-	Daily	0-3 Days
Total Fixed Income Investments measured at the NAV	21,702,099	-		
Equity Investments				
Co-mingled domestic equity	53,432,109	-	Daily	0-3 Days
Co-mingled international equity	26,228,303	-	Daily, Bi-Monthly, Monthly	3-30 Days
Total Equity Investments measured at the NAV	79,660,412	-		
Real Estate Investments				
Real Estate	12,353,088	-	Quarterly	45-90 Days
Total Real Estate Investments measured at the NAV	12,353,088	-		
Alternative Assets				
Infrastructure Fund	11,549,485	-	Not eligible	N/A
Total Alt. Assets Investments measured at the NAV	11,549,485	-		
Total Investments Measured at the NAV	125,265,084	-		

Credit Risk. The Pension 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.

As of June 30, 2016, the Pension Plan's pooled and fixed income investments consisted of the following:

	2016	S&P Rating
Municipal and Agency Bonds		
	6,759,284	AA
1	7,843,828	NR
	<u>\$ 14,603,112</u>	
Corporate Bonds		
	\$ 941,737	AAA
	1,814,439	AA
	8,733,259	A
	11,244,057	BBB
	<u>\$ 22,733,492</u>	
Domestic Bond Mutual Funds		
2	\$ 4,432,816	Aa2
	17,269,283	B
	-	NR
	<u>\$ 21,702,099</u>	
Investment in Pooled Funds		
	\$ 2,920,184	AAAm
	<u>\$ 2,920,184</u>	

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

2 Moody's credit rating.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Pension Plan's deposits may not be returned to it. The Pension Plan's Policy does not specifically address custodial credit risk. The City maintains a cash and investment pool, in which the Pension Plan is a participant. On June 30, 2016, the carrying amount and bank balance of the Pension Plan's deposits were of equal value at \$3,910,165. Of the bank balance at June 30, 2016, \$731,482 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).

Such collateralization qualifies as state depository insurance. Accordingly, the bank balance of \$731,482 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 \$3,178,683 is uninsured and uncollateralized. The uninsured and uncollateralized deposits are held by Comerica Bank.

Custodial Credit Risk – Investments. The Pension Plan held the following investments as of June 30, 2016: cash equivalents; investments 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 Pension Plan's name. The Pension Plan's investments are not considered to be exposed to custodial credit risk.

Concentration of Credit Risk. The Pension 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, 2016, the Pension Plan did not own securities of a single organization, other than positions in mutual funds, representing 5% or more of the Pension Plan's fiduciary net position.

Interest Rate Risk. The Pension Plan's Policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Policy 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 objective of outperforming the Barclays Capital Long Government/Credit Index over a moving 3 – 5 year range.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

The fair value of the Pension Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2016:

Investment Type	Fair Value	Maturities		
		< 5	5 - 10	>10
U.S. Government Securities	\$ 11,057,469	\$ -	\$ 1,605,780	\$ 9,451,689
Municipal and Agency Bonds	14,603,112	6,134,441	4,496,198	3,972,473
Corporate Bonds	22,733,492	235,538	3,768,381	18,729,573
Bond Mutual Funds	21,702,099		21,702,099	
	<u>\$ 70,096,172</u>	<u>\$ 6,369,979</u>	<u>\$ 31,572,458</u>	<u>\$ 32,153,735</u>

Foreign Currency Risk. The 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, 2016, the Pension Plan had no investments that were not denominated in U.S. dollars or that were traded solely on exchanges outside the U.S.

Other Risks and Uncertainties. The Pension 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 position 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 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 Position of the OPEB Trust Fund (Exhibit J).

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

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

CITY OF ROANOKE, VIRGINIA
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YEAR ENDED JUNE 30, 2016

Credit Risk. State law (*Code of Virginia*, Chapter 3, Title 26) limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, and the LGIP. As of June 30, 2016, the City’s 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, 2016, 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, 2016, the OPEB Trust Fund did not own securities other than the Virginia Pooled OPEB Trust, which is classified as a co-mingled multi-strategy pooled investment fund. The value of these investments has been allocated among the participants using a net asset value per share.

Net Asset Value of Investments

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multistrategy Investments				
Co-mingled multistrategy investment fund	4,744,218	-	Daily	0-3 Days
Total Multistrategy Investments measured at the NAV	4,744,218	-		
Total Investments Measured at the NAV				
	4,744,218	-		

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, 2016:

Investment Type	Fair Value	Maturities	
		< 5	5 - 10
Bond Mutual Funds	\$ 998,629	\$ -	\$ 998,629
Short-Term Investment Funds	1,103	1,103	-
	<u>\$ 999,732</u>	<u>\$ 1,103</u>	<u>\$ 998,629</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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

(3) Receivables and Due From Other Governments

Balances as of June 30, 2016 consisted of the following:

Governmental Funds and Component Units

Receivables	General	Special Revenue	Capital Projects	Internal Service	Total Governmental Funds	School Board Component Unit	GRTC Component Unit
Interest and Dividends	\$ 2,953	\$ -	\$ -	\$ -	\$ 2,953	\$ -	\$ -
Federal Government	\$ 11,931	\$ 989,553	\$ 333,154	\$ -	\$ 1,334,638	\$ 6,673,245	\$ 497,898
State Government	9,115,444	313,840	2,285,232	-	11,714,516	3,961,580	64,585
City of Roanoke	-	-	-	-	-	2,620,039	-
Other Governments	64,587	-	-	6,170	70,757	-	21,554
Total Governments	<u>\$ 9,191,962</u>	<u>\$ 1,303,393</u>	<u>\$ 2,618,386</u>	<u>\$ 6,170</u>	<u>\$ 13,119,911</u>	<u>\$ 13,254,864</u>	<u>\$ 584,037</u>
Taxes	\$ 18,566,265	\$ -	\$ -	\$ -	\$ 18,566,265	\$ -	\$ -
Accounts	4,543,718	19,408	458	67,947	4,631,531	235,887	121,332
Less: Allowance for Uncollectible Accounts	(4,305,259)	-	-	-	(4,305,259)	-	-
Total	<u>\$ 18,804,724</u>	<u>\$ 19,408</u>	<u>\$ 458</u>	<u>\$ 67,947</u>	<u>\$ 18,892,537</u>	<u>\$ 235,887</u>	<u>\$ 121,332</u>

Enterprise Funds

Receivables	Stormwater	Civic Facilities	Parking	Total Enterprise Funds
Accounts	\$ 103,507	\$ 151,493	\$ 2,932	\$ 257,932
Total Receivables	<u>\$ 103,507</u>	<u>\$ 151,493</u>	<u>\$ 2,932</u>	<u>\$ 257,932</u>

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

Net taxes and accounts receivable, as reported on the government-wide Statement of Net Position, include taxes and charges receivable of approximately \$7.4 million that are not available to pay for current period expenditures and are accordingly recorded as a deferred inflow of resources in the governmental funds balance sheet. A \$9,405,800 receivable from the Western Virginia Water Authority (WVWA) related to long-term liabilities is reported on the Statement of Net Position.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

(4) Interfund Balances and Transfers

Interfund balances consisted of the following for the year ended June 30, 2016:

DUE FROM (FUND)									
	General	Special Revenue	Capital Projects	Debt Service	Stormwater Utility	Civic Facilities	Parking	Internal Services	Total
DUE TO (FUND)									
General Fund	\$ -	\$ -	\$ -	\$ 146,097	\$ 2,981	\$ -	\$ -	\$ 644,915	\$ 793,993
Special Revenue	120,471	-	-	-	-	-	-	-	120,471
Capital Projects	616,405	1,025,000	-	380,752	-	-	-	-	2,022,157
Stormwater Utility	-	-	33,505	-	-	-	-	-	33,505
Civic Facilities	1,922	-	-	-	-	-	-	-	1,922
Parking	251	-	-	-	-	-	-	-	251
Internal Service	1,660,130	113	-	-	14,111	4,826	78	3,080	1,682,338
Pension Trust	292,837	-	-	-	5,164	-	285	15,785	314,071
TOTAL	\$ 2,692,016	\$ 1,025,113	\$ 33,505	\$ 526,849	\$ 22,256	\$ 4,826	\$ 363	\$ 663,780	\$ 4,968,708

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

Interfund transfers consisted of the following for the year ended June 30, 2016:

TRANSFER FROM (FUND)								
	General	Special Revenue	Capital Projects	Debt Service	Stormwater	Internal Service	Government Wide	Total
TRANSFER TO (FUND)								
General	\$ -	\$ -	\$ 270,621	\$ -	\$ 3,850	\$ 18,677	\$ -	\$ 293,148
Debt Service	12,859,770	60,000	-	-	421,723	-	-	13,341,493
Special Revenue	257,135	-	-	-	-	56,233	-	313,368
Capital Projects	1,500,541	-	-	392,335	20,500	-	-	1,913,376
Stormwater Utility	702,926	-	-	-	-	-	-	702,926
Civic Facilities	2,178,890	-	-	-	-	-	-	2,178,890
Parking	-	-	-	-	-	-	171,210	171,210
Internal Service	213,885	-	206,698	-	5,700	-	-	426,283
Government Wide	-	-	-	-	1,457,293	-	-	1,457,293
TOTAL	\$ 17,713,147	\$ 60,000	\$ 477,319	\$ 392,335	\$ 1,909,066	\$ 74,910	\$ 171,210	\$ 20,797,987

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 2016, in addition to debt service, the City transferred funding for an annual operating subsidy for the Civic Center, stormwater, capital projects, internal services provided as well as required/matching funding for grants in the Special Revenue fund. Stormwater and Parking Funds initiated and received transfers respectively to/from the Government Wide entity for their proportionate share of Net Pension Liability.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

(5) Changes in Capital Assets

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

Primary Government:

Changes in capital assets for the year ended June 30, 2016 consisted of the following:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
<u>Governmental activities:</u>				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 44,809,031	\$ 53,000	\$ (636,494)	\$ 44,225,537
Infrastructure - Right of Way	20,053,006	-	-	20,053,006
Infrastructure - Inexhaustible	47,995,346	-	-	47,995,346
Construction in Progress	26,171,546	4,280,928	-	30,452,474
Historical Treasures	635,298	-	-	635,298
Total Capital assets, not being depreciated	139,664,227	4,333,928	(636,494)	143,361,661
<u>Capital assets, being depreciated:</u>				
Land Improvements	8,075,557	793,544	-	8,869,101
Accumulated Depreciation	(3,110,085)	(568,671)	-	(3,678,756)
Net Land Improvements	4,965,472	224,873	-	5,190,345
Building and Structures	389,792,634	18,069,628	(274,106)	407,588,156
Accumulated Depreciation	(129,245,426)	(7,836,245)	238,574	(136,843,097)
Net Building and Structures	260,547,208	10,233,383	(35,532)	270,745,059
Infrastructure	241,058,559	4,408,913	-	245,467,472
Accumulated Depreciation	(108,861,195)	(7,303,277)	-	(116,164,472)
Net Infrastructure	132,197,364	(2,894,364)	-	129,303,000
Equipment	82,262,038	9,700,779	(2,160,034)	89,802,783
Accumulated Depreciation	(56,877,995)	(6,401,216)	1,796,433	(61,482,778)
Net Equipment	25,384,043	3,299,563	(363,601)	28,320,005
Total Capital Assets Being Depreciated	721,188,788	32,972,864	(2,434,140)	751,727,512
Less: Accumulated Depreciation	(298,094,701)	(22,109,409)	2,035,007	(318,169,103)
Net Total Capital Assets Being Depreciated	423,094,087	10,863,455	(399,133)	433,558,409
Governmental activities' capital assets, net	\$ 562,758,314	\$ 15,197,383	\$ (1,035,627)	\$ 576,920,070
General Capital Assets, Net				\$ 554,424,365
Internal Service Funds' Capital Assets, Net				22,495,705
Total				\$ 576,920,070

Capital assets used for educational purposes totaled \$194,381,824 and are included with the Governmental Activities capital assets of the Primary Government. The depreciation on these assets was recorded as an Education expense in the current fiscal year.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Changes in capital assets for Business-type activities for the year ended June 30, 2016 consisted of the following:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
<u>Business-type activities:</u>				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 4,660,073	\$ 462,000	\$ -	\$ 5,122,073
Construction in Progress	641,288	2,166,753	-	2,808,041
Total Capital assets, not being depreciated	5,301,361	2,628,753	-	7,930,114
<u>Capital assets, being depreciated:</u>				
Land Improvements	73,696	-	-	73,696
Accumulated Depreciation	(65,620)	(1,639)	-	(67,259)
Net Land Improvements	8,076	(1,639)	-	6,437
Building and Structures	89,254,624	1,459,057	(79,049)	90,634,632
Accumulated Depreciation	(34,733,761)	(1,979,959)	34,759	(36,678,961)
Net Building and Structures	54,520,863	(520,902)	(44,290)	53,955,671
Equipment	2,342,074	687,562	(146,339)	2,883,297
Accumulated Depreciation	(1,937,030)	(152,277)	146,339	(1,942,968)
Net Equipment	405,044	535,285	-	940,329
Total Capital Assets Being Depreciated	91,670,394	2,146,619	(225,388)	93,591,625
Less: Accumulated Depreciation	(36,736,411)	(2,133,875)	181,098	(38,689,188)
Net Total Capital Assets Being Depreciated	54,933,983	12,744	(44,290)	54,902,437
Business-type activities' capital assets, net	\$ 60,235,344	\$ 2,641,497	\$ (44,290)	\$ 62,832,551

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Changes in Capital Assets (Continued)

Depreciation was charged to functions as follows:

Governmental activities:

General Government	\$ 679,536
Judicial Administration	266,185
Public Safety	1,374,629
Public Works	7,486,013
Health and Welfare	244,400
Parks, Recreation and Cultural	1,431,225
Community Development	138,154
Economic Development	16,247
Education	5,324,217
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	5,148,803
Total	\$ 22,109,409

Business-type activities:

Stormwater	\$ 52,358
Civic Facilities	1,085,912
Parking	995,605
Total	\$ 2,133,875

School Board Component Unit:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Equipment	\$ 7,514,381	\$ 687,033	\$ (84,889)	\$ 8,116,525
Accumulated Depreciation	(4,498,250)	(594,194)	70,696	(5,021,748)
Net Equipment	3,016,131	92,839	(14,193)	3,094,777
Component unit capital assets, net	\$ 3,016,131	\$ 92,839	\$ (14,193)	\$ 3,094,777

GRTC Component Unit:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 720,724	\$ -	\$ -	\$ 720,724
Capital assets, being depreciated:				
Building and Structures	11,195,615	300,987	(25,050)	11,471,552
Equipment	19,893,293	156,080	-	20,049,373
Less: Accumulated Depreciation	(19,804,230)	(1,906,722)	25,050	(21,685,902)
Subtotal	11,284,678	(1,449,655)	-	9,835,023
Component unit capital assets, net	\$ 12,005,402	\$ (1,449,655)	\$ -	\$ 10,555,747

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

(6) Construction in Progress and Contract Commitments

A summary of Construction in Progress by function and contract commitments (encumbrances) at June 30, 2016 is as follows:

<u>Primary Government:</u>				
<u>Governmental Activities:</u>	<u>Project</u>	<u>Expended/Expensed</u>	<u>Contract</u>	<u>Required</u>
<u>Function</u>	<u>Authorizations</u>	<u>as of</u>	<u>Commitments</u>	<u>Future</u>
		<u>June 30, 2016</u>	<u>(Encumbrances)</u>	<u>Financing</u>
General Government	\$ 378,068	\$ 123,027	\$ 48,276	None
Parks, Recreation and Cultural	8,128,151	2,105,995	994,393	None
Economic Development	316,980	177,268	-	None
Community Development	11,105,200	3,497,280	2,861,362	None
Public Safety	380,000	158,323	86,403	None
Public Works	27,596,757	12,151,174	4,059,083	None
Education	12,232,273	7,445,737	-	\$ 5,500,000
Department of Technology	1,443,147	505,242	580,968	None
Fleet	531,716	7,500	-	None
Subtotal	62,112,292	26,171,546	8,630,485	
Non-Capitalized Projects	26,922,079	21,572,424	720,779	None
Total	\$ 89,034,371	\$ 47,743,970	\$ 9,351,264	

<u>Business-type Activities:</u>				
<u>Fund</u>				
Stormwater Utilities	\$ 1,135,000	\$ 437,003	\$ 356,856	None
Civic Facilities	1,465,681	177,491	4,963	\$ 1,000,000
Parking	328,000	26,794	61,633	None
Total	\$ 2,928,681	\$ 641,288	\$ 423,452	

(7) Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue for the Civic Center proprietary fund (shown as Business-type activities in the table below) is reported as such on the face of the statements (see Exhibit G). Unearned revenue as reported in the governmental and proprietary funds financial statements was related to interest, grant awards and pre-billed parking at June 30, 2016, and consisted of the following:

<u>Governmental activities:</u>	<u>Capital</u>	<u>Special</u>	
	<u>Projects Fund</u>	<u>Revenue Fund</u>	<u>Total</u>
Other receivables for which revenue recognition criteria have not been met	\$ 158	\$ 896,054	\$ 896,212
Total	\$ 158	\$ 896,054	\$ 896,212

<u>Business-type activities:</u>	<u>Civic</u>	<u>Parking</u>	
	<u>Facilities Fund</u>	<u>Fund</u>	<u>Total</u>
Unearned Ticket and Other Event Revenue	\$ 1,042,963	\$ -	\$ 1,042,963
Other receivables for which revenue recognition criteria have not been met	-	61,586	61,586
Total	\$ 1,042,963	\$ 61,586	\$ 1,104,549

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

(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, 2016 of \$1,011,031 was restricted for future retirement of long-term debt. The City Charter limits the legal debt to 10% of the assessed valuation of real estate within the City limits. The City's legal debt margin at June 30, 2016 was \$672,422,997. 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, 2016, were comprised of the following:

Details of Long-Term Indebtedness

At June 30, 2016 the long-term indebtedness of the City consisted of the following:

	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
General Obligation Bonds					
2004A Refunding Bonds	2.00% - 3.63%	03/11/2004	08/01/2016	7,935,000	650,000
2006B Public Improvement Bonds (Subject to AMT)	4.00% - 5.00%	02/08/2006	02/01/2026	5,500,000	825,000
2008 Public Improvement Bonds	3.25% - 5.00%	02/05/2008	02/01/2033	43,445,000	3,550,000
2008A VRA Public Improvement Bonds	3.13% - 5.13%	12/10/2008	10/01/2018	6,910,000	1,050,000
2010A Refunding Bonds	2.00% - 5.00%	03/11/2010	10/01/2021	32,792,400	24,943,800
2010B Public Improvement Bonds	1.25% - 5.80%	03/11/2010	10/01/2029	2,680,000	1,960,000
2010C Public Improvement Bonds	2.00% - 4.00%	08/11/2010	07/15/2030	2,605,000	2,025,000
2010D Public Improvement Bonds (Market Bldg.)	2.00% - 4.00%	08/11/2010	07/15/2030	5,470,000	4,275,000
2010E Public Improvement Bonds	2.00% - 4.00%	08/11/2010	07/15/2030	5,665,000	5,665,000
2012A Public Improvement Bonds	2.00% - 5.00%	03/14/2012	02/01/2032	6,925,000	2,080,000
2012B Refunding Bonds	0.43% - 2.96%	03/14/2012	10/01/2023	6,880,000	4,345,000
2012C Refunding Bonds	4.00% - 5.00%	03/14/2012	02/01/2025	11,140,000	11,140,000
2013A Public Improvement Bonds	1.00% - 5.00%	02/27/2013	07/15/2033	10,906,800	9,815,200
2013A Refunding Bonds	0.37% - 2.73%	02/27/2013	07/15/2025	9,520,000	9,520,000
2013B Refunding Bonds	0.37% - 2.73%	02/27/2013	07/15/2024	15,350,000	13,475,000
2013C RCACP	2.46%	11/01/2013	09/30/2022	1,829,500	1,310,600
2014A Public Improvement Bonds	3.00% - 5.00%	03/05/2014	04/01/2034	11,073,200	9,957,600
2015 Public Improvement Bonds New Money	2.00% - 4.00%	03/25/2014	04/01/2035	17,420,000	16,808,400
2015 Public Improvement Bonds Refunding	2.00% - 4.00%	03/25/2014	04/01/2029	6,130,000	6,100,000
2016 Public Improvement Bonds New Money	2.00% - 5.00%	03/08/2016	04/01/2036	15,170,000	15,170,000
2016 Public Improvement Bonds Refunding	2.00% - 5.00%	03/08/2016	04/01/2036	16,505,000	16,490,000
					<u>\$ 161,155,600</u>
General Obligation Bonds - Western Virginia Water Authority):					
2010A Refunding Bonds - Water (WVWA)	2.00% - 5.00%	03/04/2010	10/01/2021		2,300,800
2012B Refunding Bonds - Water (WVWA)	0.43% - 2.96%	03/14/2012	10/01/2023		7,105,000
					<u>\$ 9,405,800</u>
Lease Obligations					
Social Services Building Lease	11.80%	02/01/2004	01/01/2024	4,857,000	3,134,675
Xerox Lease - General, Department of Technology and Fleet	12.00%	11/01/2013	10/31/2018	799,946	441,338
RDS Lease	3.97%	10/01/2015	09/01/2025		1,540,816
Net App Capital Solution Lease	3.72%	12/01/2014	11/30/2019	400,036	239,808
					<u>\$ 5,356,637</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Details of Long-Term Indebtedness (continued)

School Fund Bonds and Loans (1)	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
1996B VPSA Subsidized Breckinridge	5.10% - 6.10%	11/14/1996	07/15/2016	5,000,000	248,508
1997 VPSA Subsidized Woodrow Wilson	4.35% - 5.35%	11/01/1997	07/15/2017	5,000,000	494,107
1998A VPSA Subsidized Addison	3.60% - 5.10%	11/19/1998	07/15/2018	5,000,000	750,000
1998B VPSA Subsidized Huff Lane	3.60% - 5.10%	11/19/1998	07/15/2018	1,200,000	184,566
1999A VPSA Subsidized Governor's School	5.10% - 6.10%	11/18/1999	07/15/2019	3,250,000	620,000
1999B VPSA Subsidized Hurt Park	5.10% - 6.10%	11/18/1999	07/15/2019	1,250,000	240,325
2000B VPSA Subsidized Garden City	4.98% - 5.85%	11/16/2000	07/15/2020	2,750,000	670,129
2000B VPSA Subsidized Grandin Court	4.98% - 5.85%	11/16/2000	07/15/2020	1,900,000	462,998
2000B VPSA Subsidized Preston Park	4.98% - 5.85%	11/16/2000	07/15/2020	1,900,000	462,998
2001B VPSA Subsidized Fairview	3.10% - 5.35%	11/15/2001	07/15/2021	2,750,000	811,360
2001B VPSA Subsidized Fishburn Park	3.10% - 5.35%	11/15/2001	07/15/2021	2,500,000	737,599
2003C VPSA Subsidized Roanoke Academy	3.10% - 5.35%	11/06/2003	07/15/2023	5,000,000	1,925,604
2004B VPSA Subsidized Lincoln Terrace	4.10% - 5.60%	11/01/2004	07/15/2024	1,300,000	548,296
2005D VPSA Subsidized Fallon Park	4.60% - 5.10%	11/10/2005	7/15/2025	1,160,900	533,577
2005D VPSA Subsidized Westside	4.60% - 5.10%	11/10/2005	07/15/2025	3,850,000	1,769,550
2006B VPSA Subsidized Patrick Henry	4.22% - 5.10%	11/09/2006	07/15/2026	7,500,000	3,835,508
2008B VPSA Non-Subsidized William Fleming/Roofs	3.60% - 5.35%	12/11/2008	07/15/2028	7,500,000	4,303,608
2010 VPSA Qualified School Construction Bonds (QSCB) Elementary	0.00%	07/08/2010	06/01/2027	1,135,000	745,000
2014B VPSA Refunding	3.00% - 5.00%	05/15/2014	07/15/2026	1,245,000	1,045,000
2015A VPSA Refunding	4.10% - 5.35%	02/17/2015	07/15/2028	9,555,000	8,855,000
Literary Fund Loan-Lucy Addison Middle School	4.00%	10/01/1999	10/01/2019	5,000,000	1,000,000
Qualified Zone Academy Bond-Lincoln Terrace	0.00%	11/01/2002	10/31/2016	800,000	65,399
Qualified Zone Academy Bond-Fallon Park	0.00%	12/29/2004	12/29/2020	439,100	166,411
Qualified Zone Academy Bond-Patrick Henry High School	0.00%	12/27/2006	12/27/2022	1,097,571	560,293
Qualified Zone Academy Bond-Schools Capital Projects 2012	0.00%	10/31/2012	12/01/2034	2,014,104	1,739,451
					<u>\$ 32,775,287</u>
Subtotal Government Activities					<u>\$ 208,693,324</u>

Enterprise Fund Bonds	Interest Rates	Issue Date	Maturity	Issue Amount	Business-Type Activities
2010A Civic Facilities Refunding Bonds	2.00% - 5.00%	03/04/2010	10/01/2021	4,382,700	3,587,800
2012A Civic Facilities Bonds	2.00% - 5.00%	03/14/2012	02/01/2032	685,000	180,000
2012C Civic Facilities Refunding Bonds	4.00% - 5.00%	03/14/2012	02/01/2025	3,345,000	3,345,000
2013A Civic Facilities Bonds	1.00% - 5.00%	02/27/2013	07/15/2033	883,200	794,800
2013A Civic Facilities Refunding Bonds	1.00% - 5.00%	02/27/2013	07/15/2025	2,015,000	2,015,000
2014A Civic Facilities Bonds	3.00% - 5.00%	03/05/2014	04/01/2034	936,800	842,400
2015 Civic Facilities Bonds	2.00% - 4.00%	03/25/2014	04/01/2035	980,000	945,000
2015 Civic Facilities Refunding Bonds	2.00% - 4.00%	03/25/2014	04/01/2025	70,000	70,000
2016 Civic Facilities Bonds	2.00% - 5.00%	03/08/2016	04/01/2036	2,795,000	2,795,000
2016 Civic Facilities Refunding Bonds	2.00% - 5.00%	03/08/2016	04/01/2036	330,000	330,000
2008 Parking Bonds-Campbell Avenue	3.25% - 5.00%	02/05/2008	02/01/2028	2,545,000	235,000
2010A Parking Refunding Bonds-Gainsboro & Campbell Ave.	2.00% - 5.00%	03/04/2010	10/01/2021	2,861,100	2,317,600
2012C Parking Refunding Bonds-Campbell Avenue	4.00% - 5.00%	03/14/2012	02/01/2025	900,000	900,000
2013A Parking Refunding Bonds	1.00% - 5.00%	02/27/2013	07/15/2025	1,255,000	1,255,000
2014B Parking Refunding Bonds	1.00% - 4.25%	03/05/2014	04/01/2032	7,110,000	6,420,000
2015 Parking Refunding Bonds	2.00% - 4.00%	03/25/2014	04/01/2025	160,000	160,000
2016 Parking Refunding Bonds	2.00% - 5.00%	03/08/2016	04/01/2028	545,000	545,000
2015 Stormwater Utility Fund Bonds	2.00% - 4.00%	03/25/2014	04/01/2035	1,090,000	1,051,600
2016 Stormwater Utility Fund Bonds	2.00% - 5.00%	03/08/2016	04/01/2035	1,805,000	1,805,000
					<u>\$ 29,594,200</u>
Lease Obligations					
Xerox Lease - Stormwater	12.00%	11/01/2013	10/31/2018		8,348
Xerox Lease - Civic Facilities	12.00%	11/01/2013	10/31/2018		9,780
Xerox Lease - Parking Fund	12.00%	11/01/2013	10/31/2018		1,284
					<u>\$ 19,412</u>
Subtotal Business-type Activities					<u>\$ 29,613,612</u>

(1) VPSA = Virginia Public School Authority

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

The Annual Requirements to amortize primary government debt outstanding as of June 30, 2016 are as follows:

FISCAL YEAR	GENERAL OBLIGATION SERIAL BONDS		WESTERN VIRGINIA WATER AUTHORITY GENERAL OBLIGATION SERIAL BONDS		VPSA/LITERARY FUND LOANS		TOTAL GOVERNMENTAL ACTIVITIES DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2016-17	\$ 15,017,124	\$ 6,413,496	\$ 1,191,900	\$ 237,875	\$ 3,824,330	\$ 1,442,866	\$ 20,033,354	\$ 8,094,237
2017-18	14,956,219	5,951,196	1,210,700	216,643	3,596,024	1,258,395	19,762,943	7,426,234
2018-19	14,266,065	4,886,415	1,233,400	189,759	3,369,402	1,087,731	18,868,867	6,163,905
2019-20	14,123,363	4,448,051	1,263,200	156,823	3,079,258	929,986	18,465,821	5,534,860
2020-21	11,774,504	3,972,989	1,305,400	118,921	2,631,658	788,464	15,711,562	4,880,374
2022-26	46,827,330	13,158,602	3,201,200	130,487	10,209,606	2,337,193	60,238,136	15,626,282
2027-31	30,510,350	6,027,909	-	-	3,533,455	292,565	34,043,805	6,320,474
2032-36	16,212,199	1,559,393	-	-	-	-	16,212,199	1,559,393
TOTAL	<u>\$ 163,687,154</u>	<u>\$ 46,418,051</u>	<u>\$ 9,405,800</u>	<u>\$ 1,050,508</u>	<u>\$ 30,243,733</u>	<u>\$ 8,137,200</u>	<u>\$ 203,336,687</u>	<u>\$ 55,605,759</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, 2016 are as follows:

FISCAL YEAR	CIVIC FACILITIES FUND SERIAL BONDS		PARKING FUND SERIAL BONDS		STORMWATER FUND SERIAL BONDS		TOTAL BUSINESS-TYPE DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2016-17	\$ 1,121,300	\$ 587,252	\$ 853,300	\$ 442,908	\$ 94,600	\$ 104,798	\$ 2,069,200	\$ 1,134,958
2017-18	1,155,200	544,404	876,500	419,392	106,200	96,226	2,137,900	1,060,022
2018-19	1,204,700	500,558	905,100	388,303	107,800	91,428	2,217,600	980,289
2019-20	1,199,900	462,708	928,600	361,321	114,400	86,416	2,242,900	910,445
2020-21	1,276,500	414,620	965,400	326,663	116,400	81,190	2,358,300	822,473
2022-26	5,794,400	1,194,048	4,288,700	1,102,049	673,800	325,418	10,756,900	2,621,515
2027-31	1,695,000	405,433	2,540,000	372,769	797,400	205,210	5,032,400	983,412
2032-36	1,458,000	127,390	475,000	18,063	846,000	76,753	2,779,000	222,206
TOTAL	<u>\$ 14,905,000</u>	<u>\$ 4,236,413</u>	<u>\$ 11,832,600</u>	<u>\$ 3,431,468</u>	<u>\$ 2,856,600</u>	<u>\$ 1,067,439</u>	<u>\$ 29,594,200</u>	<u>\$ 8,735,320</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

CHANGES IN GENERAL LONG-TERM LIABILITIES

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
<u>Primary Government - Governmental Activities:</u>					
General Obligation Serial Bonds:					
General Obligation Serial Bonds **	\$ 164,834,740	\$ 31,660,000	\$ 32,807,586	\$ 163,687,154	\$ 15,017,124
General Obligation Serial Bonds - WVWA	9,968,500	-	562,700	9,405,800	1,191,900
Deferred Amounts:					
Add Bond Premiums **	12,073,819	2,415,070	1,472,652	13,016,237	1,285,326
Subtotal General Obligation Serial Bonds	186,877,059	34,075,070	34,842,938	186,109,191	17,494,350
State Literary Fund Loans	1,360,000	-	360,000	1,000,000	250,000
VPSA School Bonds	33,015,372	-	3,771,639	29,243,733	3,574,330
Capital Lease Obligations	4,256,650	1,695,368	595,381	5,356,637	663,875
Claims Payable	21,761,064	60,656	1,052,000	20,769,720	3,810,720
Compensated Absences Payable	7,703,690	6,865,141	7,511,805	7,057,026	5,257,282
Net Pension Liability	108,395,759	19,949,242	106,728	128,238,273	-
Subtotal Governmental Activities:	\$ 363,369,594	\$ 62,645,477	\$ 48,240,491	\$ 377,774,580	\$ 31,050,557
<u>Primary Government - Business-type Activities:</u>					
General Obligation Serial Bonds:					
General Obligation Serial Bonds	\$ 27,035,900	\$ 5,475,000	\$ 2,916,700	\$ 29,594,200	\$ 2,069,200
Deferred Amounts:					
Add Bond Premiums	1,594,173	440,663	207,797	1,827,039	179,476
Subtotal General Obligation Serial Bonds	\$ 28,630,073	\$ 5,915,663	\$ 3,124,497	\$ 31,421,239	\$ 2,248,676
Capital Lease Obligation	17,507	17,806	15,901	19,412	7,662
Compensated Absences Payable	84,781	81,737	98,639	67,879	40,068
Net Pension Liability	223,071	1,787,062	356,980	1,653,153	-
Subtotal Business-type Activities:	\$ 28,955,432	\$ 7,802,268	\$ 3,596,017	\$ 33,161,683	\$ 2,296,406
Total Primary Government Long-Term Liabilities	\$ 392,325,026	\$ 70,447,745	\$ 51,836,508	\$ 410,936,263	\$ 33,346,963
<u>School Board Component Unit:</u>					
Claims Payable	\$ 7,373,050	\$ 16,383,906	\$ 17,329,463	\$ 6,427,493	\$ 4,969,617
Compensated Absences Payable	3,624,846	2,957,543	3,502,061	3,080,328	828,608
Net Pension Liability	122,935,291	9,883,742	2,055,294	130,763,739	-
Other Postemployment Benefit Obligation (Asset)	(270,656)	219,198	455,573	(507,031)	-
Total School Board Component Unit	\$ 133,662,531	\$ 29,444,389	\$ 23,342,391	\$ 139,764,529	\$ 5,798,225

** Includes Internal Service Fund

During fiscal year 2016, the Debt Service Fund was used to account for the repayment of most long-term liabilities of governmental activities as shown in the tables preceding this paragraph. However, a portion of capital lease obligations claims payable and compensated absences were liquidated by Internal Service Funds. The remaining portion of compensated absences was liquidated by the General Fund.

On March 8, 2016, the City issued \$37,135,000 principal amount of General Obligation Public Improvement and Refunding Bonds (Bonds) consisting of \$19,770,000 principal amount of improvement bonds and \$17,365,000 principle amount of refunding bonds.

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The Series 2016 General Obligation Public Improvement bonds were issued for the purpose of providing funds towards the current school capital projects, public libraries, parks and recreation improvements, bridge renovation projects, stormwater management projects, curbs, gutter and sidewalk improvement projects, streetscape improvements and the Berglund Center (Civic Center) improvement projects.

The Series 2016 Refunding portion of the bonds was used to advance refund \$13,805,000 for the Series 2008 General Obligation Bond, dated February 5, 2008 and \$3,090,000 of Series 2012A General Obligation Public Improvement Bond, dated March 14, 2012. The Series 2016 Bonds were issued with a true interest cost of 2.54%. The 2016 refunding transactions resulted in an economic gain of approximately \$1,798,900 and a decrease of approximately \$2,090,700 in future debt service payments.

A portion of the net proceeds of sale of the Series 2016 Bonds were applied to refunding in advance of its stated maturity \$13,805,000 outstanding principal amount of the Refunded Series 2008 Bond, dated February 5, 2008, which are to be called for redemption on February 1, 2018 at a redemption price equal to 100% of the principal amount with accrued interest to the redemption date. An additional portion of the net proceeds of sale of the Bonds were applied to the refunding and defeasance of \$3,090,000 outstanding principal amount of the Refunded Series 2012A Bonds, which are to be called for redemption on February 1, 2020 at a redemption price equal to 100% of the principal amount with accrued interest to the redemption date. Such proceeds will be deposited with Wilmington Trust, National Association, as Escrow Agent for the City under the Escrow Deposit Agreement March 8, 2016. Such proceeds will be invested in Government Securities (as defined in the City's Escrow Deposit Agreement). The Government Securities will mature and bear interest payable at such times and in such amounts as shall be sufficient (i) to pay the interest, when due, on the Refunded Series 2008 Bonds to February 1, 2018, (ii) to pay the redemption prices of the Refunded Series 2008 Bonds upon the redemption thereof on February 1, 2018, (iii) to pay, when due, interest on the Refunded Series 2012A Bonds to February 1, 2020, and (iv) to pay redemption prices of the Refunded Series 2012A Bonds upon the redemption thereof on February 1, 2020.

The City typically refunds and defeases debt for several reasons including generating interest rate cost savings with a present value of 3% or greater, or if the nature of use or circumstances change, or if the City is involved in a pooled financing situation whereby it is subject to the refunding initiatives of the issuer of the pooled funds, which may have a positive or negative impact. As of June 30, 2016, the amount of defeased debt outstanding was \$16,895,000 and consisted of maturities from the City's 2008 and 2012A series.

On July 1, 2004, the Western Virginia Water Authority commenced operations. In conjunction with its formation, the Authority assumed certain indebtedness of the City, and it agreed to pay the City amounts equal to debt service on Water and Water Pollution Control debt to be retained by the City. As of June 30, 2016, the City had \$9,405,800 in outstanding general obligation debt, which will contractually be repaid by the Water Authority over the remaining 10 year amortization of the bonds. Further details are presented in notes 3 and 15.

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

The building lease asset and obligation are accounted for as Governmental Activities. At June 30, 2016, the original cost of the building under the capital lease totaled \$4,857,000 and accumulated depreciation on the building totaled \$2,913,665.

Xerox, Inc.

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

The Xerox lease asset and obligation are accounted for as Governmental Activities and in various proprietary funds. At June 30, 2016, the original cost of the equipment under the capital lease totaled \$851,808 and there was \$431,761 of accumulated depreciation on these assets.

NetApp Capital Solutions

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

The NetApp lease asset and obligation are accounted for as Governmental Activities. At June 30, 2016, the original cost of the equipment under the capital lease totaled \$400,036 and there was \$126,368 of accumulated depreciation on the assets.

Recycling Disposal and Solutions (RDS) Lease

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

The Recycling Disposal and Solution lease asset and obligation are accounted for as Governmental Activities. At June 30, 2016, the original cost of the equipment under the capital lease totaled \$1,648,155

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and there was \$246,097 of accumulated depreciation on the assets.

(10) Fund Balances

All classifications of Governmental Fund balances reflect City Code requirements or City Council action in the context of adoption of the City's budget except for those required to comply with accounting standards. Reserve policies include a required review every two years to ensure adequacy and appropriateness in light of economic changes. The next bi-annual review will be in November, 2016. Additional information regarding these reserve policies may be found in the City's Reserve and Debt Management Policies.

All fiscal year 2016 outstanding purchase commitments were re-appropriated to the 2016-17 fiscal year by City Council on May 9, 2016.

The General Fund balance of \$31,437,743 is categorized as non-spendable, committed or unassigned. The City had nonspendable funds of \$48,411 for prepaid expenditures, committed funds of \$2,593,822 for outstanding purchase commitments for goods and services ordered, but not received by June 30, 2016. The remaining fund balance of \$28,795,510 is unassigned.

The Debt Service Fund balance of \$1,011,031 is restricted for future debt service payments.

The Capital Projects Fund balance of \$14,843,019 is comprised of \$7,321,532, related to outstanding bond proceeds and is categorized as restricted and committed funds of 1) \$6,056,627 for outstanding purchase commitments for goods and services ordered, but not received by June 30, 2016 and 2) \$1,464,860 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 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 and incorporated a provision for an Employees' Supplemental Retirement System (ESRS) which modified certain benefits as defined by the ERS. All employees covered under the provisions of the ERS at June 30, 1984, could elect to remain with the ERS or be covered under the provisions of the ESRS. Coverage under the ESRS was mandatory for all employees hired or rehired on or after July 1, 1984. On November 28, 1994, June 1, 1998, November 2, 1998, and June 5, 2000, City Council authorized the Pension Plan to offer members of the ERS an opportunity to transfer to the ESRS. The option was available from February 1, 1995 to May 16, 1995, July 1, 1998 through August 31, 1998, December 1, 1998 through December 31, 1998, and July 1, 2000 through July 31, 2000. Both the ERS and the ESRS share a common trust fund from which all benefits are paid without distinction as to the source of funds and are administered by the Board of Trustees. The Pension Plan provides retirement benefits as well as death and disability benefits.

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

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

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

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

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

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

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

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

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Contributions

Effective July 1, 2015, employees contribute 5% of earnable compensation into the pension trust. Employees hired on or after July 1, 2014, electing participation as a Hybrid plan member contribute 5% of earnable compensation into a defined contribution plan member account. Employer contributions to the Pension Plan are based on a percentage of the earnable compensation of the active members. The City's contribution rate for the fiscal year ended June 30, 2016 was 15.64%, which, when combined with the required employee contribution of 5%, totaled 20.64%. For fiscal year 2016, the total contribution rate of 20.64% of earnable compensation, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$13,426,896 for fiscal year ended June 30, 2016 which includes amounts contributed by employees to the Hybrid plan.

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

At June 30, 2016, the City reported a liability of \$121,555,328 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the Pension Plan relative to the projected contributions of all Pension Plan participating employers, actuarially determined. At June 30, 2015, the City's proportion was 86.73% which was an increase of 0.35% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$16,567,323. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,951,525
Changes in assumptions	986,589	-
Net difference between projected and actual earnings on retirement plan investments	-	11,915,736
Changes in proportion and differences between employer contributions and proportionate share of contributions	898,465	-
Employer contributions subsequent to the measurement date	13,426,896	-
	<u>\$ 15,311,950</u>	<u>\$ 14,867,261</u>

The \$13,426,896 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017.

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

Year Ending June 30	Amount
2017	\$ (5,162,185)
2018	(5,162,185)
2019	(5,409,450)
2020	2,751,613
Total	<u>\$ (12,982,207)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, updated to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Investment Rate of Return

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

	Allocation Target	Weighted Contribution to Rate of Return
Equity		
US Equity	48.50%	4.85%
International Equity	22.00%	2.42%
Real Estate	6.00%	0.42%
Fixed Income		
US Fixed Income	23.50%	1.18%
Total	100.00%	8.87%

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Discount Rate

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

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

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

	1% Decrease 6.75%	Current Rate 7.75%	1% Increase 8.75%
City's Proportionate share of the net pension plan liability	\$ 172,687,023	\$ 121,555,328	\$ 78,394,771

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

Virginia Retirement System - Plan Description

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

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all others average final salary is defined the highest consecutive 60 months of salary. Non-hazardous duty employees hired on or after January 1, 2014 become members of the VRS Hybrid Retirement Plan. The VRS Hybrid Retirement Plan combines features of a defined benefit and a defined contribution plan. Employees covered under the VRS Hybrid Plan are eligible for an unreduced benefit when they reach their normal Social Security retirement age or when their age and service equal the sum of 90. Benefits are payable monthly for life in an amount equal to 1% of their AFS for each year of credited service. Hybrid members make mandatory contributions to the defined contribution component of the plan and may make additional voluntary contributions to the plan, which the employer is required to match. Employees vest in the matching employer contributions based upon a tiered schedule. Employees are 100% vested in all matching employer contributions upon reaching 4 years of creditable service. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 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/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

VRS Contributions

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. Prior to July 1, 2012, this 5% member contribution may be assumed by the employer. Effective July 1, 2012 employers may assume up to 4% of the required employee contribution, reducing by at least an additional 1% per year until 2016 or until the member's contribution equal 5% of creditable compensation. The City elected to implement the 5% required employee contribution effective July 1, 2012. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended June 30, 2016 was 17.55% of annual covered payroll. Contributions to the VRS from the City were \$1,913,381 for the fiscal year ended June 30, 2016.

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

At June 30, 2016 the City reported a liability of \$8,336,098 for its related net pension liability for employees covered under the VRS. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2016, the City recognized pension expense of \$855,429 for employees covered under the VRS. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,867	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,317,574
City contributions subsequent to the measurement date	1,913,381	-
Total	<u>\$ 1,992,248</u>	<u>\$ 1,317,574</u>

The \$1,913,381 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ (495,126)
2018	(495,126)
2019	(495,124)
2020	246,669
Total	<u>\$ (1,238,707)</u>

VRS Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, updated to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

VRS Investment Rate of Return

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

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

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

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

VRS Discount Rate

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

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Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 56,388,090	\$ 49,165,207	\$ 7,222,883
<i>Changes for the year:</i>			
Service cost	1,312,849	-	1,312,849
Interest	3,859,768	-	3,859,768
Difference between expected and actual experience	101,336	-	101,336
Contributions – employer	-	1,514,713	(1,514,713)
Contributions – employee	-	432,153	(432,153)
Net investment income	-	2,245,173	(2,245,173)
Benefit payments, including refunds of employee contributions	(2,497,107)	(2,497,107)	-
Administrative expenses	-	(30,828)	30,828
Other changes	-	(473)	473
<i>Net changes</i>	<u>2,776,846</u>	<u>1,663,631</u>	<u>1,113,215</u>
Balances at June 30, 2015	<u><u>\$ 59,164,936</u></u>	<u><u>\$ 50,828,838</u></u>	<u><u>\$ 8,336,098</u></u>

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

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

	<u>1% Decrease 6.00%</u>	<u>Current Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net pension liability	<u>\$ 16,207,573</u>	<u>\$ 8,336,098</u>	<u>\$ 1,793,478</u>

CITY OF ROANOKE, VIRGINIA
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School Board Component Unit

Defined Benefit Pension Plans

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

Virginia Retirement System Plans' Description

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

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, updated to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates of pre-retirement and service retirement members were based on the RP-2000 Mortality Table projected with Scale AA to 2020. For Disableds, mortality rates were based on RP-2000 Disabled Life Mortality Table. The actuarial assumptions used in the June 30, 2013 valuation were

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based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012.

Long-Term Expected Rate of Return

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

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

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

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

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Discount Rate

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

Virginia Retirement System – Statewide Professional Cost-Sharing Pool – School Board

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The school division's allocated portion of this contribution, included in operating grants and contributions in the Statement of Activities, was \$1,929,000. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer.

The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division were \$11,164,143 and \$11,825,296 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$125,881,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total

CITY OF ROANOKE, VIRGINIA
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pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 1.00014% as compared to 0.982% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$9,927,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,733,000
Net difference between projected and actual earnings on pension plan investments	-	7,709,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,009,000	-
Employer contributions subsequent to the measurement date	11,164,143	-
Total	<u>\$ 14,173,143</u>	<u>\$ 9,442,000</u>

The \$11,164,143 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	\$ (2,705,000)
2018	(2,705,000)
2019	(2,705,000)
2020	1,650,000
2021	32,000
Total	<u>\$ (6,433,000)</u>

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

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

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 184,215,000	\$ 125,881,000	\$ 77,860,000

Virginia Retirement System – Nonprofessional Employees – School Board

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	5
Inactive members:	
Vested inactive members	5
Non-vested inactive members	121
Inactive members active elsewhere in VRS	14
Total inactive members	140
Active members	108
Total covered employees	253

Contributions

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

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The school division's contractually required contribution rate for the year ended June 30, 2016 was 8.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$126,073 and \$126,993 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Asset

The school division's net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2014	\$ 1,099,212	\$ 2,020,026	\$ (920,814)
Changes for the year:			
Service cost	250,347	-	250,347
Interest	75,430	-	75,430
Difference between expected and actual experience	(71,963)	-	(71,963)
Contributions – employer	-	103,468	(103,468)
Contributions – employee	-	131,040	(131,040)
Net investment income	-	99,131	(99,131)
Benefit payments, including refunds of employee contributions	(43,270)	(43,270)	-
Administrative expenses	-	(1,144)	1,144
Other changes	-	(21)	21
Net changes	<u>210,544</u>	<u>289,204</u>	<u>(78,660)</u>
Balances at June 30, 2015	<u>\$ 1,309,756</u>	<u>\$ 2,309,230</u>	<u>\$ (999,474)</u>

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

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

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	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
School division's net pension asset	\$ 787,154	\$ 999,474	\$ 1,169,741

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

For the year ended June 30, 2015, the school division recognized pension expense of \$7,041. At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 50,417
Net difference between projected and actual earnings on pension plan investments	-	47,997
Employer contributions subsequent to the measurement date	126,073	-
Total	<u>\$ 126,073</u>	<u>\$ 98,414</u>

The \$126,073 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	\$ (40,806)
2018	(40,806)
2019	(26,586)
2020	9,784
Total	<u>\$ (98,414)</u>

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/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

CITY OF ROANOKE, VIRGINIA
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City of Roanoke Pension Plan – School Board

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 previous sections. Details regarding the Pension Plan may be found previously in this footnote.

School Board employees do not contribute to the Pension Plan. The School Board's contribution is based on a percentage of the annual compensation of the active members.

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

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

	1% Decrease 6.75%	Current Rate 7.75%	1% Increase 8.75%
Net pension liability	\$ 6,936,641	\$ 4,882,739	\$ 3,149,029

At June 30, 2016, the Schools reported a liability of \$4,882,739 for its proportionate share of the Collective Net Pension Liability of the City's Pension Plan. The Collective Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Collective Net Pension Liability was determined by an actuarial valuation as of that date. The Schools' proportion of the Collective Net Pension Liability was based on the Schools' actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for the City Plan's participating employers.

At June 30, 2015, the Schools' proportion was 3.4839% as compared to 3.6259% at June 30, 2014.

At June 30, 2015, the schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 118,559
Change in assumptions	39,630	-
Net difference between projected and actual earnings on pension plan investments	-	478,642
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	420,614
Employer contributions subsequent to the measurement date	340,838	-
Total	<u>\$ 380,468</u>	<u>\$ 1,017,815</u>

The \$340,838 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ (254,454)
2018	(254,454)
2019	(254,454)
2020	(254,453)
Total	<u>\$ (1,017,815)</u>

(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 Postemployment Benefit (OPEB) as defined by GAAP. 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.

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B. Funding Policies

The contribution requirements of the City of 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 blended premium payment. For the fiscal year ended June 30, 2016, the retirees contributed \$633,000 to the City healthcare plan for health insurance. The City contributed \$438,000 to a qualified trust as defined by GAAP, to fund the annual required contribution of \$1,071,000 for fiscal year 2016. The City overfunded the plan in fiscal year 2016 by \$2,000 which includes a net adjustment of \$2,000 for the requisite ARC actuarial adjustment and interest. 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 GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The plan contains both active employees and retirees. Although the City's annual payments were for combined participants, the share of claims related to retirees represents a higher percentage of the total claim per covered retiree. Accordingly, contributions reflected in the OPEB calculations have been adjusted to reflect that a portion of contributions for active employees are subsidizing the retiree claims. As of the July 1, 2015 actuarial valuation, there were 1,595 active participants, 127 retired participants, and 26 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:

	<u>City of Roanoke Healthcare Plan</u>
Annual Required Contribution	\$ 1,071,000
Less interest on beginning Net OPEB asset	(24,000)
Add ARC adjustment	<u>22,000</u>
Annual OPEB cost	1,069,000
Contributions made	<u>(1,071,000)</u>
Increase in Net OPEB asset	(2,000)
Net OPEB asset at July 1, 2015	<u>(343,000)</u>
Net OPEB asset at June 30, 2016 (Overfunded)	<u><u>\$ (345,000)</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Overfunded Net OPEB Asset
June 30, 2016	\$ 1,069,000	100%	\$ 345,000
June 30, 2015	979,000	100%	343,000
June 30, 2014	953,000	100%	340,000

D. Funded Status and Funding Progress

As of July 1, 2015, the most recent annual actuarial valuation date, the City of Roanoke healthcare plan was 26.0% funded. The actuarial accrued liability for benefits was \$11,119,000, and the actuarial value of assets was \$2,912,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,207,000. The covered payroll (annual payroll of active employees covered by the City plan) was \$69,346,000, and the ratio of the UAAL to the covered payroll was 11.8%.

E. Actuarial Valuations

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

F. Actuarial Methods and Assumptions

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

In the July 1, 2015 valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7.0% rate of return (net of administrative expenses). Because the City has begun funding the plan, the rate of return was based on the projected returns of the Virginia Pooled OPEB Trust. The healthcare trend rate is based on historical claims experience and census records with cost distributed based on the current covered population using the actuaries standard age curves, which vary by age and gender. The rates are trended forward using an annual trend assumption of 8.7% for medical, pharmacy and re-

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insurance and 3.0% for administrative expense. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2015 was 23 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 Line of Duty plan does not issue a stand-alone financial report.

B. Funding Policies

The contribution requirements of the City public safety plan members and the City are established and may be amended by the Commonwealth of Virginia. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For the fiscal year ended June 30, 2016, members of the plan did not contribute. The City contributed \$83,600 to the Line of Duty plan for death benefits and health insurance based on projected pay-as-you-go financing. The City also contributed \$283,500 to a qualified trust as defined by GAAP, to fund the annual required contribution of \$367,100 for fiscal year 2016. The City overfunded the plan in fiscal year 2016 by \$1,000 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.

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

The City's annual Line of Duty cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The plan contains public safety employees, their surviving spouses, and their dependent children. As of the July 1, 2015 actuarial valuation, there were 713 active participants, 5 retirees, 5 spouses and surviving spouses, and 2 lifetime dependent children in the plan.

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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 Line of Duty
Annual Required Contribution	\$ 367,100
Less interest on beginning Net OPEB asset	(11,100)
Add ARC adjustment	10,100
Annual OPEB cost	366,100
Contributions made	(367,100)
Increase in Net OPEB asset	(1,000)
Net OPEB asset at July 1, 2015	(158,000)
Net OPEB asset at June 30, 2016 (Overfunded)	\$ (159,000)

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 current year was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Overfunded Net OPEB Asset
June 30, 2016	\$ 366,100	100%	\$ 159,000
June 30, 2015	369,700	100%	158,000
June 30, 2014	347,700	100%	156,800

D. Funded Status and Funding Progress

As of July 1, 2015, the most recent annual actuarial valuation date, the City Line of Duty plan was 32.5% funded. The actuarial accrued liability and unfunded actuarial accrued liability (UAAL) for benefits was \$3,492,300 and the actuarial value of assets was \$1,133,600. The required annual contribution as a cost per active member was \$515. The UAAL as a cost per active member was \$3,308. The covered payroll (annual payroll of active employees covered by the City plan) was \$32,577,300, 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.

CITY OF ROANOKE, VIRGINIA
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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, 2015 valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7.0% rate of return (net of administrative expenses). Because the City has begun funding the plan, the rate of return was based on the projected returns of the Virginia Pooled OPEB Trust. The healthcare trend rate is based on historical claims experience and census records with cost distributed based on the current covered population using the actuaries standard age curves, which vary by age and gender. The rates are trended forward using an annual trend assumption of 8.7% for medical, pharmacy and re-insurance and 3.0% for administrative expense. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2015 was 23 years.

Primary Government – Health Insurance Credit Program

G. Plan Description

Employees of the City 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.

H. Funding Policies

The contribution rate of the City for the fiscal year ended June 30, 2016 was .22% of annual covered payroll.

I. 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 GAAP.

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

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Fiscal Year Ended	Annual Health insurance Credit Cost	Employer Contribution	Percentage of Annual Credit Cost Contributed	Net Health Credit Obligation
June 30, 2016	\$ 14,705	\$ 14,705	100%	-
June 30, 2015	14,836	14,836	100%	-
June 30, 2014	9,845	9,845	100%	-
June 30, 2013	9,846	9,846	100%	-
June 30, 2012	11,134	11,134	100%	-

J. Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the City health insurance credit plan was 23.69% funded. The actuarial accrued liability for benefits was \$361,670 and actuarial value of assets was \$85,675, resulting in an unfunded actuarial accrued liability (UAAL) for benefits of \$275,995. The covered payroll (annual payroll of active employees covered by the City plan) was \$8,650,983, and the ratio of the UAAL to the covered payroll was 3.19%.

K. 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.

L. 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, 2013 valuation, the entry age normal cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7% rate of return, which includes inflation at 2.5%. The UAAL is being amortized as a level percentage of pay over a period of 30 years for the legacy unfunded liability as of June 30, 2013. Each year a subsequent base will be added to the unfunded liability and will be amortized over a closed 20 year period. As of June 30, 2015, the remaining amortization period of the legacy liability as of June 30, 2013, was 28 years and the amortization of the subsequently added bases were 19 and 20 years.

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School Board Component Unit

A. Plan Descriptions

The School Board 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 Healthcare Plan members and the School Board 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 School Board's 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, 2016, the School Board's retirees contributed \$388,884 to the Roanoke City Public Schools Healthcare Plan. The retiree's claims amounted to \$844,457 for the same time period.

C. Annual OPEB Cost and Net OPEB Obligation

The School Board's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The following table shows the components of the School Board's annual OPEB cost, the amounts contributed to the Plan, and changes in the School Board's net OPEB obligation for the fiscal year ended June 30, 2016:

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	School Board Healthcare Plan
Annual Required Contribution	\$ 195,023
Less interest on beginning Net OPEB asset	(10,826)
Add ARC adjustment	<u>35,001</u>
Annual OPEB cost	219,198
Contributions made	<u>(455,573)</u>
Increase in Net OPEB asset	(236,375)
Net OPEB asset at July 1, 2015	<u>(270,656)</u>
Net OPEB asset at June 30, 2016 (Overfunded)	<u><u>\$ (507,031)</u></u>

The School Board's historical annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the Retiree Health Benefit were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
June 30, 2016	\$ 219,198	208%	\$ (507,031)
June 30, 2015	234,239	229%	(270,656)
June 30, 2014	191,319	375%	30,307

D. Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the School Board's Healthcare Plan was 0.0% funded. The actuarial accrued liability for benefits was \$636,468, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$636,468. The covered payroll was \$0. The plan does not have separately issued financial statements.

E. Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the 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.

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The actuarial valuation of the liabilities as of June 30, 2016 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, 2016 valuation, the projected unit credit actuarial cost method was used. Past service liability is amortized over a level dollar, open 20 year period that declines year per year. The remaining amortization period at July 1, 2016 was 10 years.

The actuarial assumptions included a 4.0% discount rate and a general inflation rate of 2.5%. Annual medical rates are expected to increase at an annual trend rate of 8.0% for the year ending June 30, 2016. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

(13) Risk Management

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

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

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

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

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the unique exposures of this facility and its many events.

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

Included in long-term liabilities at June 30, 2016 were claims payables of \$20,769,720 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 seven years.

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

	2015-16	2014-15
Claims liability at July 1	\$ 21,761,064	\$ 24,569,464
Claims incurred	17,017,991	10,046,064
Claims payments	(18,009,335)	(12,854,464)
Claims liability at June 30	<u>\$ 20,769,720</u>	<u>\$ 21,761,064</u>

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

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

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

The minimum funding level for The Risk Management Reserve is:

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

The Risk Management Reserve had a deficit balance as of June 30, 2016 of \$6,083,205 and is underfunded by \$11,295,494 compared to the computed minimum funding level of \$5,212,289. This is a result of a significant increase in liabilities in a prior year. While the reserve is in a deficit position, the City continues to add to the reserve on an annual basis.

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 four 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.

	2015-16	2014-15
Claims liability at July 1	\$ 7,373,050	\$ 6,677,964
Claims incurred	16,383,906	17,639,772
Claims payments	<u>(17,329,463)</u>	<u>(16,944,686)</u>
Claims liability at June 30	<u>\$ 6,427,493</u>	<u>\$ 7,373,050</u>

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(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. 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, 2016, the City contributed \$80,000 to the HRCCC. Financial statements may be obtained from the Hotel Roanoke Conference Center Commission, 106 Shenandoah Avenue, Roanoke, Virginia 24016.

Roanoke Valley Regional Fire-EMS Training Center

The City along with the County of Roanoke, City of Salem, and Town of Vinton jointly operate a Fire-EMS training center (Center). The Center is governed by a committee of eight members, designated by the participating jurisdictions. New Fire-EMS recruits are required to take a 17 week training course at the facility before being assigned to a station. Upon completion of the training, the new recruits are state certified. Each jurisdiction is responsible for a percentage of the annual operating costs of the facility. The City is responsible for 44% of the annual operating costs. For the fiscal year ended June 30, 2016, 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

Roanoke Valley Resource Authority

The City, 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, 2016, the City remitted approximately \$1,937,000 to the Authority for services.

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Roanoke Regional Airport Commission

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

Regional Center for Animal Care and Protection

The City along with the Counties of Roanoke and Botetourt, and the Town of Vinton jointly participate on the Advisory Board which is responsible for the general fiscal and management policies for the Regional Center for Animal Care and Protection (RCACP). The regional care center is comprised of an animal control and animal education facilities that are adjacent to each other and are owned and operated by the Roanoke Valley Society for the Prevention of Cruelty to Animals, Inc. (RVSPCA). The animal control facility was financed by bonds in the amount of \$3.5 million which were issued by the RVSPCA. This debt was defeased and reissued by the participating localities in connection with the purchase and operations of the control facility. Each participating locality pays monthly amounts for its share of operating costs, debt service, and to fund reserves for operating and maintenance needs of the RCACP based on the locality's average use of the facility. During the year ended June 30, 2016, the City's share was 58%, and the City remitted approximately \$886,000 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, 2016, the City of Roanoke School Board, a component unit of the City, remitted \$5,489,200 to the Regional Board for services.

Roanoke Valley Detention Commission

The Counties of Botetourt, Franklin and Roanoke and the Cities of Roanoke and Salem formed the Roanoke Valley Detention Commission (Commission) in 1998 to renovate, expand and operate a detention facility for juveniles. The Commission is governed by a six member board. Roanoke City Council appoints two members. Localities using the facility are guaranteed a number of beds according to the terms of the agreement. Each locality's financial obligation is based on the number of juveniles housed at the 81 bed facility. The Commission has the authority to issue debt, and such debt is the responsibility of the Commission. For the fiscal year ended June 30, 2016, the City remitted approximately \$1,039,000 to the Roanoke Valley Detention Commission in per diem charges for juveniles housed by the Commission.

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Blue Ridge Behavioral Healthcare

The Counties of Botetourt, Craig and Roanoke, and the Cities of Roanoke and Salem formed Blue Ridge Behavioral Health Care (BRBH), a community services board, to provide a system of comprehensive community mental health, intellectual disability and substance abuse services. BRBH is governed by a 16 member board. Roanoke City Council appoints three members. Each locality's financial obligation is based on the type and amount of services performed for individuals in the locality. For the fiscal year ended June 30, 2016, the City remitted approximately \$477,000 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 2016, the WVWA paid \$821,000 to the City in principal and interest payments on the bonds. As of June 30, 2016, the remaining principal balance of these bonds was approximately \$9.4 million and this amount was recorded as a receivable Due from Other Governments in the Statement of Net Position of the basic financial statements.

Virginia's First Regional Industrial Facility Authority

The Cities of Radford, Roanoke and Salem; the Counties of Bland, Craig, Giles, Montgomery, Pulaski, Roanoke and Wythe; and the Towns of Christiansburg, Dublin, Narrows, Pearisburg and Pulaski all participate in the Virginia's First Regional Industrial Facility Authority (Authority). The Authority's purpose is to enhance the member localities economic base in Virginia's First Region. The Authority is governed by a board composed of twenty-nine members, two of which are appointed by Roanoke City Council. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. Each locality is obligated to annual dues of \$5,000. Authority member localities, who are also participants in the Regional Commerce Park like the City, are obligated to an annual amount based on the number of shares owned. The City owns 10,000 shares and has an annual obligation of \$27,500. For the fiscal year ended June 30, 2016, the City remitted \$32,500 to Virginia's First Regional Industrial Facility Authority.

Western Virginia Regional Industrial Facility Authority

The Cities of Roanoke and Salem, the Counties of Botetourt, Franklin and Roanoke and the Town of Vinton created the Western Virginia Regional Industrial Facility Authority (Authority). The purpose of the Authority is to further enhance member localities economic bases by developing, owning and operating one or more facilities on a cooperative basis. The Authority is governed by a board of directors composed of twelve 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. The Authority may enter into separate Participation Agreements with one or more

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member localities for the development of projects contemplated by the Authority. To the extent that the City becomes a participant in a Participation Agreement and, subject the structure of the Participation Agreement, the City may be responsible for its pro-rata share of expenditures for the project, including debt service, in accordance with the terms of the Participation Agreement.

Roanoke Valley Broadband Authority

The Roanoke Valley Broadband Authority (Authority) was created under the Virginia Wireless Services Facilities Act by the Cities of Roanoke and Salem, and the counties of Botetourt and Roanoke. The Authority was formed in order to provide quality affordable access to broadband technologies. The Board of the Authority consists of five members of which the City appoints one member for a four year term. The Authority is in the process of engineering a 46 mile network in the Valley that will serve business parks, large institutions, government facilities, and businesses. For the fiscal year ended June 30, 2016, the City remitted \$212,300 to Roanoke Valley Broadband Authority.

(16) Related Organizations

Economic Development Authority

The Economic Development Authority issues low-interest, tax-free industrial revenue bonds in its name for the construction or renovation of properties sold or leased to enterprises locating to or remaining in the City. City Council is responsible for appointing the seven member board; however, the City, the state, and any political subdivision thereof are not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2016, there were ten series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$461 million.

Roanoke Redevelopment and Housing Authority

The Roanoke Redevelopment and Housing Authority (Housing Authority) is a political subdivision of the Commonwealth of Virginia created to provide low income and subsidized housing, promote self-sufficiency and foster economic development. Commissioners of the Housing Authority are appointed by City Council. The Housing Authority is financially independent of the City and has administrative control of its operations, but its overall housing plans require the approval of City Council. The City provides a financial benefit through federal pass-through grant funds awarded to the Housing Authority on a contractual basis to implement certain grant programs. The Housing Authority also directly receives other federal and state subsidies and rents for operating its housing programs. During the year ended June 30, 2016, the City remitted approximately \$14,000 to the Housing Authority.

(17) Subsequent Events

In August of 2016, the newly constructed Hampton Inn, located on top of the City's Market Garage, opened to the public. This is the first of its kind in the Roanoke Valley region.

In October of 2016, the City, Roanoke County and the City of Salem entered into a Participation Agreement with the Western Virginia Regional Industrial Facility Authority (Authority) for the purchase of real property identified by the Authority as appropriate for the development of an industrial park.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Under the Virginia Regional Industrial Facilities Act, Chapter 64 of Title 15.2 of the Code of Virginia, the Authority is authorized to issue bonds for real estate and facilities costs. In November of 2016, the Authority issued revenue bonds to finance the purchase of the real property. The City, in accordance with the participation Agreement, has pledged its full faith and credit in support of the debt and, therefore, will assume a general obligation for its pro rata share (44.2%) in the amount of \$4.4 million.

(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 except as noted below in Other Matters.

Other Matters

The City failed to report program income received under the Community Development Block Grant (CDBG) program to the United States Department of Housing and Urban Development (HUD) in a timely manner during fiscal year 2013 and fiscal year 2014. The estimated amount of program income that was not reported timely was approximately \$1.1 million. As a result of these failures, the City (i) may be required to repay funds to HUD; (ii) may face sanctions including reductions in grants from HUD under the CDBG program; and (iii) may be subject to other actions by HUD. The City has taken appropriate action and implemented procedures to address timely reporting in the future. The City reported these incidents to HUD and, after meeting with representatives from the regional HUD office, HUD required the City to meet the timeliness requirement for program expenditures imposed under the CDBG program by May 2, 2016. The City's Community Resources Program Administrator confirmed that the City met this requirement in May 2016.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(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	\$ 29,800,974	\$ 29,800,974	\$ 29,800,974	\$ -
Resources (Inflows):				
General Property Taxes	\$ 109,827,000	\$ 112,227,000	\$ 113,081,794	\$ 854,794
Other Local Taxes	78,120,000	78,520,000	78,123,976	(396,024)
Permits, Fees, and Licenses	1,195,000	1,195,000	888,328	(306,672)
Fines and Forfeitures	1,284,000	1,284,000	1,014,511	(269,489)
Revenue from Use of Money and Property	235,000	235,000	259,347	24,347
Charges for Services	10,947,000	11,500,000	11,010,903	(489,097)
Intergovernmental	69,791,000	69,872,200	67,854,700	(2,017,500)
Miscellaneous	652,000	652,000	534,667	(117,333)
Transfers from Other Funds	-	122,498	293,148	170,650
Amounts Available for Appropriation	\$ 301,851,974	\$ 305,408,672	\$ 302,862,350	\$ (2,546,322)
Charges to Appropriations (Outflows):				
General Government				
City Treasurer	\$ 1,376,585	\$ 1,371,823	\$ 1,348,107	\$ (23,716)
Commissioner of the Revenue	1,212,608	1,201,632	1,201,629	(3)
City Council	72,405	65,368	61,639	(3,729)
City Council - Mayor Bowers	48,040	36,380	35,177	(1,203)
City Council - Vice Mayor Trinkle	25,505	27,998	27,966	(32)
City Council - Council Member Lea	24,672	25,328	25,326	(2)
City Council - Council Member Bestpitch	29,037	31,988	31,930	(58)
City Council - Council Member Ferris	29,037	30,052	30,040	(12)
City Council - Council Member Price	26,445	29,159	29,068	(91)
City Council - Council Member Rosen	29,997	33,427	33,424	(3)
City Attorney	1,132,079	1,064,010	1,064,008	(2)
City Clerk	498,268	471,186	471,174	(12)
Municipal Auditing	733,126	948,796	947,711	(1,085)
Department of Finance	2,717,182	2,695,023	2,634,659	(60,364)
Real Estate Valuation	1,207,219	1,155,084	1,149,607	(5,477)
Board of Equalization	11,501	6,578	5,632	(946)
Electoral Board	804,751	959,649	946,983	(12,666)
Office of Communications	390,689	451,119	451,118	(1)
City Manager	904,160	955,418	954,942	(476)
Human Resources	1,282,070	1,776,522	1,772,508	(4,014)
Employee Health Services	715,000	1,272,528	1,234,210	(38,318)
Department of Management and Budget	590,599	557,522	556,516	(1,006)
Purchasing	501,368	478,538	478,533	(5)
Director of General Services	237,359	280,669	260,972	(19,697)
Environmental Management	268,612	426,474	422,431	(4,043)

See Accompanying Note to Budgetary Comparison Schedule

See Accompanying Report of Independent Auditor

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Judicial Administration				
Clerk of Circuit Court	\$ 1,658,774	\$ 1,588,925	\$ 1,582,199	\$ (6,726)
Juvenile and Domestic Relations Court Services	1,030,933	1,182,974	1,182,970	(4)
Juvenile and Domestic Relations Court Clerk	31,489	62,897	62,728	(169)
Magistrates Office	6,510	6,299	5,613	(686)
General District Court	27,860	43,951	43,948	(3)
Circuit Court	574,082	527,201	520,564	(6,637)
Sheriff	3,208,814	3,095,627	3,095,627	-
Commonwealth's Attorney	1,808,872	1,893,109	1,893,105	(4)
Cost Collection Unit	91,088	90,638	88,456	(2,182)
Law Library	127,971	128,046	125,915	(2,131)
Public Safety				
Jail	15,329,260	15,493,729	15,493,726	(3)
E911	2,539,544	2,376,942	2,359,488	(17,454)
E911 - Wireless	575,000	443,500	442,286	(1,214)
Fire - Administration	729,804	884,707	884,705	(2)
Fire - Support	1,172,702	1,252,592	1,252,592	-
Fire - Operations	19,048,544	20,183,305	20,183,305	-
Fire - Airport Rescue	-	50,822	50,821	(1)
Emergency Management	125,633	133,451	133,447	(4)
Building Inspections	971,620	943,519	943,514	(5)
Outreach Detention	281,814	310,893	310,062	(831)
Youth Haven I	640,195	617,007	567,992	(49,015)
Police - Administration	2,406,135	2,198,488	2,197,449	(1,039)
Police - Investigation	2,930,603	3,266,746	3,262,629	(4,117)
Police - Patrol	14,038,330	15,659,469	15,651,730	(7,739)
Police - Services	2,814,440	2,732,663	2,713,586	(19,077)
Police - Training	585,717	667,923	667,921	(2)
Police - Animal Control	1,334,205	1,437,407	1,437,403	(4)
Public Works				
Custodial Services	716,032	735,600	729,501	(6,099)
Building Maintenance	4,970,989	4,738,248	4,729,074	(9,174)
Director of Public Works	174,558	175,811	175,809	(2)
Transportation - Streets and Traffic	4,199,042	4,754,092	4,754,089	(3)
Transportation - Paving Program	3,658,679	3,560,204	3,543,279	(16,925)
Transportation - Snow Removal	218,033	617,710	617,701	(9)
Transportation - Street Lighting	1,133,989	1,261,554	1,261,538	(16)
Transportation - Engineering and Operations	2,018,893	1,871,402	1,852,229	(19,173)
Solid Waste Management	6,734,726	7,338,110	7,338,110	-
Engineering	1,419,340	1,411,772	1,406,870	(4,902)

See Accompanying Note to Budgetary Comparison Schedule
See Accompanying Report of Independent Auditor

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Health and Welfare				
Human Services Support	\$ 290,314	\$ 293,314	\$ 290,424	\$ (2,890)
Health Department	1,475,000	1,524,278	1,524,277	(1)
Blue Ridge Behavioral Health Care	448,890	448,890	448,890	-
Human Services Committee	409,052	409,052	409,052	-
Social Services	25,709,577	24,994,086	24,271,934	(722,152)
Comprehensive Services Act	10,764,000	10,534,000	10,109,939	(424,061)
Parks, Recreation and Cultural				
Roanoke Arts Commission	269,220	269,220	269,220	-
Recreation	1,949,280	1,947,164	1,839,943	(107,221)
Parks	3,064,823	3,026,435	3,026,430	(5)
Parks & Recreation - Administration	1,391,045	1,479,507	1,460,213	(19,294)
Libraries	3,786,238	3,820,541	3,820,537	(4)
Community Development				
Memberships and Affiliations	3,230,838	3,481,863	3,481,841	(22)
Economic Development	1,612,307	1,661,516	1,661,512	(4)
Planning, Building and Development	1,429,737	1,428,273	1,425,697	(2,576)
Neighborhood Support	120,657	123,997	120,357	(3,640)
Neighborhood Services	1,382,760	1,368,278	1,329,401	(38,877)
Virginia Cooperative Extension	72,267	72,267	72,267	-
Nondepartmental				
Residual Fringe Benefits	3,331,042	144,842	109,204	(35,638)
Transfers to Other Funds	4,344,491	4,877,584	4,853,377	(24,207)
Transfers to Debt Service Fund	12,716,023	12,923,263	12,859,770	(63,493)
Transfers to Component Unit	79,606,105	80,866,085	80,866,085	-
Miscellaneous	240,425	50,000	30,768	(19,232)
Personnel Lapse	(2,258,633)	-	-	-
Funding for Reserves	1,000,000	1,000,000	-	(1,000,000)
Contingency	1,463,008	524,262	-	(524,262)
Total Charges to Appropriations	272,051,000	277,358,321	274,018,429	(3,339,892)
Budgetary Fund Balance, June 30	\$ 29,800,974	\$ 28,050,351	\$ 28,843,921	\$ 793,570

See Accompanying Note to Budgetary Comparison Schedule

See Accompanying Report of Independent Auditor

(Continued)

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(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.	\$ 302,862,350
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).	(29,800,974)
Transfers from other funds are a budgetary resource, but not a revenue for financial reporting purposes (Exhibit E)	<u>(293,148)</u>
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 272,768,228</u></u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 274,018,429
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes (Exhibit E).	(17,713,147)
Encumbrances for goods and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year goods and services are received for GAAP purposes (Exhibit C).	<u>(2,593,822)</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 253,711,460</u></u>

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

(2) Infrastructure Assets Under Modified Approach

INFRASTRUCTURE – FLOOD REDUCTION

With the adoption of the modified approach for certain infrastructure assets, the City is required to conduct a semi-annual (January and July) assessment of the condition level of 100% of the Flood Reduction infrastructure asset. The assessment is based on the United States Army Corps of Engineers (USACE) ‘Inspection, Maintenance and Operational Report’ 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>2014</u>	<u>2015</u>	<u>2016</u>
Training Walls	2	3	2.5	3
Bench Cuts	14	3	2.6	2

The assessment of the bench cut ratings decreased in fiscal year 2016 from the prior year. This was primarily attributed to debris issues from flooding and continuous wet weather conditions. Additionally, some bench cuts could not be maintained due to the access point being blocked by a railroad. Management is in the process of addressing these issues and will continue to monitor the progress until resolved.

Comparison of Estimated to Actual Maintenance Costs

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

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
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(UNAUDITED)

(3) Schedule of City Pension Contributions - City Plan

	2016	2015	2014
Contractually determined contribution	\$ 13,407,845	\$ 13,122,478	\$ 11,136,823
Contributions in relation to the contractually determined contribution	13,407,845	13,122,478	11,136,823
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 64,960,489	\$ 59,030,490	\$ 60,633,287
Contributions as a percentage of covered-employee payroll	20.64%	22.23%	18.37%

Notes to Schedule

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

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-Age Normal Cost method
Amortization method	Level percent closed, 30-years with phase-in of codified COLA
Amortization period	31.89 years, with 29.97 years remaining as of June 30, 2014
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.75%
Mortality	125% of RP-2000 Combined Healthy Mortality for males and females with generational mortality projection using Scale AA

Other information:

The Plan changed actuarial cost methods to entry age normal with the valuation effective June 30, 2014 in accordance with Generally Accepted Accounting Principles (GAAP). The Plan utilized the Projected Unit Credit cost method for the valuations performed effective June 30, 2013 and June 30, 2012.

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

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016
 (UNAUDITED)

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

	2016	2015
City's proportion of the net pension liability	86.73%	86.38%
City's proportionate share of the net pension liability	\$ 121,555,328	\$ 101,395,947
Covered-employee payroll	\$ 59,030,490	\$ 60,633,287
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205.90%	167.23%
Plan fiduciary net position as a percentage of the total net pension liability	73.81%	77.23%

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

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
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(UNAUDITED)

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

	2016	2015
Contractually determined contribution	\$ 340,838	\$ 527,115
Contributions in relation to the contractually determined contribution	340,838	527,115
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,617,813	\$ 2,690,735
Contributions as a percentage of covered-employee payroll	13.02%	19.59%

Notes to Schedule

Valuation Date: June 30, 2014 June 30, 2013

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

Methods and assumptions used to determine contribution rates:

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

Other information:

The Plan changed actuarial cost methods to entry age normal with the valuation effective June 30, 2014 in accordance with Generally Accepted Accounting Principles (GAAP). The Plan utilized the Projected Unit Credit cost method for the valuations performed effective June 30, 2013.

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

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016
 (UNAUDITED)

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

	2016	2015
School Board's proportion of the net pension liability	3.48%	3.63%
School Board's proportionate share of the net pension liability	\$ 4,882,739	\$ 4,256,291
Covered-employee payroll	\$ 2,690,735	\$ 3,005,980
School Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.46%	141.59%
Plan fiduciary net position as a percentage of the total net pension liability	73.81%	77.23%

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

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

(For employees covered under VRS)

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,514,713	\$ 1,460,269
Contributions in relation to the actuarially determined contribution	1,514,713	1,460,269
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,650,983	\$ 8,430,964
Contributions as a percentage of covered-employee payroll	17.51%	17.32%

Notes to Schedule

Valuation Date: June 30, 2014 June 30, 2013

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, closed
Remaining amortization period	29 years (decreasing by one each year in subsequent valuations until reaching 0 years)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.50% - 5.35%
Cost of living adjustment	2.25% - 2.50%
Investment rate of return	7.00%
Mortality	14.00% of deaths are assumed to be service related
Pre-Retirement	RP-2000 Employee Mortality Table projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years
Post-Retirement	RP-2000 Combined Mortality Table projected with Scale AA to 2020 with males set forward 1 year
Post-Disablement	RP-2000 Disabled Life Mortality Table with males set back 3 years and no provision for future mortality improvement

Other information:

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

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

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

(For employees covered under VRS)

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 126,073	\$ 126,993
Contributions in relation to the actuarially determined contribution	126,073	126,993
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,294,401	\$ 2,291,710
Contributions as a percentage of covered-employee payroll	5.49%	5.54%

Notes to Schedule

Valuation Date: June 30, 2014 June 30, 2013

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

Methods and assumptions used to determine contribution rates:

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

Other information:

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

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

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

	2016	2015
Total Pension Liability		
Service Cost	\$ 1,312,849	\$ 1,333,127
Interest	3,859,768	3,680,676
Differences between expected and actual experience	101,336	-
Benefit payments, including refunds of employee contributions	(2,497,107)	(2,413,588)
Net change in total pension liability	2,776,846	2,600,215
Total pension liability - Beginning	56,388,090	53,787,875
Total pension liability -- Ending	\$ 59,164,936	\$ 56,388,090
Plan fiduciary net position		
Contributions--employer	\$ 1,514,713	\$ 1,460,269
Contributions -- employee	432,153	424,175
Net investment income	2,245,173	6,752,670
Benefit payments, including refunds of employee contributions	(2,497,107)	(2,413,588)
Administrative expense	(30,828)	(36,491)
Other	(473)	356
Net change in plan fiduciary net position	1,663,631	6,187,391
Plan fiduciary net position -- beginning	49,165,207	42,977,816
Plan fiduciary net position -- ending	\$ 50,828,838	\$ 49,165,207
Total net pension liability -- beginning	\$ 7,222,883	\$ 10,810,059
Total Net Pension Liability -- ending	\$ 8,336,098	\$ 7,222,883
Plan fiduciary net position as a percentage of total pension liability	85.91%	87.19%
Covered Employee Payroll	\$ 8,650,983	\$ 8,430,964
Net Pension Liability as a percentage of covered employee payroll	96.36%	85.67%

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

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

	2016	2015
Actuarially determined contribution	\$ 11,164,143	\$ 11,825,296
Contributions in relation to the actuarially determined contribution	11,164,143	11,825,296
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 66,856,351	\$ 69,016,143
Contributions as a percentage of covered-employee payroll	16.70%	17.13%

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

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016
 (UNAUDITED)

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

	2016	2015
Employer's proportion of the net pension liability	1.00%	0.98%
Employer's proportionate share of the net pension liability	\$ 125,881,000	\$ 118,679,000
Covered-employee payroll	\$ 69,016,143	\$ 71,425,124
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.29%	166.16%
Plan fiduciary net position as a percentage of the total net pension liability	70.68%	70.88%

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

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

	2016	2015
Total Pension Liability		
Service Cost	\$ 250,347	\$ 238,778
Interest	75,430	57,278
Differences between expected and actual experience	(71,963)	-
Benefit payments, including refunds of employee contributions	(43,270)	(30,199)
Net change in total pension liability	210,544	265,857
Total pension liability - Beginning	1,099,212	833,355
Total pension liability -- Ending	\$ 1,309,756	\$ 1,099,212
Plan fiduciary net position		
Contributions--employer	\$ 103,468	\$ 167,937
Contributions -- employee	131,040	112,035
Net investment income	99,131	259,744
Benefit payments, including refunds of employee contribution	(43,270)	(30,199)
Administrative expense	(1,144)	(1,173)
Other	(21)	14
Net change in plan fiduciary net position	289,204	508,358
Plan fiduciary net position -- beginning	2,020,026	1,511,668
Plan fiduciary net position -- ending	\$ 2,309,230	\$ 2,020,026
Total net pension liability -- beginning	\$ (920,814)	\$ (678,313)
Total Net Pension Liability -- ending	\$ (999,474)	\$ (920,814)
Plan fiduciary net position as a percentage of total pension liability	176.31%	183.77%
Covered Employee Payroll	\$ 2,291,710	\$ 2,220,265
Net Pension Liability as a percentage of covered employee payroll	(43.61%)	(41.47%)

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

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)

(13) Schedules of Funding Progress - OPEB

City - OPEB Schedule of Funding Progress						
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/2015	\$ 2,912,000	\$ 11,119,000	\$ 8,207,000	26.2%	\$ 69,346,000	11.8%
07/01/2014	2,607,000	10,667,000	8,060,000	24.4	70,052,000	11.5
07/01/2013	2,099,000	10,399,000	8,300,000	20.2	66,641,000	12.5
07/01/2012 (1)	1,877,000	9,728,000	7,851,000	19.3	68,086,000	11.5
07/01/2011 (1)	1,639,000	13,190,000	11,551,000	12.4	68,086,000	17.0
07/01/2010 (1)	1,141,000	12,816,000	11,675,000	8.9	69,600,000	16.8
07/01/2009	793,000	16,958,000	16,165,000	4.7	69,600,000	23.2
07/01/2008	362,000	19,283,000	18,921,000	1.9	75,000,000	25.2

City - 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	Covered Payroll	UAAL as a Percentage of Covered
07/01/2015	\$ 1,133,600	\$ 3,492,300	\$ 2,358,700	32.5%	\$ 32,577,300	7.2%
07/01/2014	841,700	3,518,200	2,676,500	23.9	33,055,600	8.1
07/01/2013	509,600	3,147,700	2,638,100	16.2	31,425,600	8.4
07/01/2012	-	2,119,200	2,119,200	0.0	29,618,000	7.2

⁽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 - 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
06/30/2016	\$ -	\$ 636,468	\$ 636,468	0.0%	N/A	N/A
06/30/2015	-	1,450,062	1,450,062	0.0	N/A	N/A
06/30/2014	-	1,919,200	1,919,200	0.0	N/A	N/A
06/30/2013	-	2,015,639	2,015,639	0.0	N/A	N/A
06/30/2012	-	2,166,661	2,166,661	0.0	N/A	N/A
06/30/2011	-	2,437,419	2,437,419	0.0	N/A	N/A
06/30/2010	-	4,083,544	4,083,544	0.0	N/A	N/A
06/30/2009	-	7,964,432	7,964,432	0.0	\$ 85,979,029	9.3%
06/30/2008	-	20,074,254	20,074,254	0.0	83,474,785	24.0

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

(14) Schedules of Employer Contributions - OPEB

City - OPEB Schedule of Employer Contributions

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

City - OPEB - LODA Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	\$ 367,100	100.3%
2015	370,900	100.3
2014	349,100	100.4
2013	248,000	133.1
2012	238,800	100.0

School Board - OPEB Schedule of Employer Contributions

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

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

(15) Schedule of Funding Progress - Health Insurance Credit

City - Health Insurance Credit Program Schedule of Funding Progress

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

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

(16) 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:

- 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, \$5,307,321 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.

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SUPPLEMENTARY INFORMATION

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CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<u>Assets</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 5,105,843	\$ 1,618,994	\$ 14,373,560	\$ 21,098,397
Due from Other Governments	6,170	-	-	6,170
Due from Other Funds	120,061	529,662	1,032,615	1,682,338
Accounts Receivable (net of allowance for uncollectibles)	66,624	1,323	-	67,947
Inventory	-	53,311	-	53,311
Other Assets	-	-	330,000	330,000
Current Assets	5,298,698	2,203,290	15,736,175	23,238,163
Capital Assets:				
Equipment and Other Capital Assets	31,738,573	38,979,943	11,378	70,729,894
Construction in Progress	734,098	-	-	734,098
Less Accumulated Depreciation	(21,183,805)	(27,781,973)	(2,509)	(48,968,287)
Capital Assets, Net	11,288,866	11,197,970	8,869	22,495,705
Total Assets	\$ 16,587,564	\$ 13,401,260	\$ 15,745,044	\$ 45,733,868
Deferred Outflows of Resources				
Deferred Outflow for Pension Contributions	\$ 448,586	\$ 202,002	\$ 24,018	\$ 674,606
Deferred Outflow for Pension Changes	63,149	29,595	4,147	96,891
Deferred Charges on Refunding of Debt	37,296	-	-	37,296
Deferred Outflows of Resources	\$ 549,031	\$ 231,597	\$ 28,165	\$ 808,793
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 583,028	\$ 436,066	\$ 127,068	\$ 1,146,162
Due to Other Funds	12,756	4,996	646,028	663,780
Long-Term Liabilities Due Within One Year	516,714	46,114	3,818,048	4,380,876
Current Liabilities	1,112,498	487,176	4,591,144	6,190,818
Long-Term Liabilities:				
Compensated Absences Payable	256,896	73,591	7,314	337,801
Claims Payable	-	-	20,769,720	20,769,720
General Obligation Bonds Payable, Net	6,049,219	-	-	6,049,219
Capital Lease Obligations	250,087	4,964	6,154	261,205
Net Pension Liability	4,072,105	1,908,419	267,422	6,247,946
Less Current Maturities	(516,714)	(46,114)	(3,818,048)	(4,380,876)
Long-Term Liabilities	10,111,593	1,940,860	17,232,562	29,285,015
Total Liabilities	\$ 11,224,091	\$ 2,428,036	\$ 21,823,706	\$ 35,475,833
Deferred Inflows of Resources				
Deferred Inflow for Pension Changes	\$ 498,053	\$ 233,416	\$ 32,708	\$ 764,177
Deferred Inflows of Resources	\$ 498,053	\$ 233,416	\$ 32,708	\$ 764,177
<u>Net Position</u>				
Net Investment in Capital Assets	\$ 5,026,856	\$ 11,193,006	\$ 7,733	\$ 16,227,595
Unrestricted (deficit)	387,595	(221,601)	(6,090,938)	(5,924,944)
Net Position	\$ 5,414,451	\$ 10,971,405	\$ (6,083,205)	\$ 10,302,651

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<u>Operating Revenues</u>				
Charges for Services Other Funds	\$ 5,975,285	\$ 7,175,384	\$ 16,644,510	\$ 29,795,179
Charges for Services Outside Parties	751,847	87,563	-	839,410
Other Revenue	223,786	258,664	-	482,450
Total Operating Revenues	6,950,918	7,521,611	16,644,510	31,117,039
<u>Operating Expenses</u>				
Personal Services	2,247,072	1,520,114	159,953	3,927,139
Other Services and Charges	1,114,336	1,015,330	18,395,546	20,525,212
Materials and Supplies	577,891	2,240,311	1,633,248	4,451,450
Depreciation	2,789,957	2,356,337	2,509	5,148,803
Total Operating Expenses	6,729,256	7,132,092	20,191,256	34,052,604
Operating Income/(Loss)	221,662	389,519	(3,546,746)	(2,935,565)
<u>Nonoperating Revenues (Expenses)</u>				
Loss on Disposal of Assets	(329,696)	(17,418)	-	(347,114)
Investment Income	55,943	17,051	114,358	187,352
Interest Expense	(256,408)	(391)	-	(256,799)
Net Nonoperating Revenues (Expenses)	(530,161)	(758)	114,358	(416,561)
Income/(Loss) Before Transfers	(308,499)	388,761	(3,432,388)	(3,352,126)
<u>Transfers</u>				
Transfers In	305,684	120,599	-	426,283
Transfers Out	(15,492)	(59,249)	(169)	(74,910)
Net Transfers	290,192	61,350	(169)	351,373
Change in Net Position	(18,307)	450,111	(3,432,557)	(3,000,753)
Total Net Position - Beginning of Year	5,432,758	10,521,294	(2,650,648)	13,303,404
Total Net Position - End of Year	\$ 5,414,451	\$ 10,971,405	\$ (6,083,205)	\$ 10,302,651

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
Cash Flows From Operating Activities:				
Cash Received from Customers Other Funds	\$ 6,021,682	\$ 7,269,129	\$ 16,764,038	\$ 30,054,849
Cash Received from Customers Outside Parties	754,013	91,888	-	845,901
Cash Payments to Suppliers for Goods and Services	(1,870,398)	(3,593,277)	(2,050,219)	(7,513,894)
Cash Payments to Other Funds for Interfund Service:	(71,167)	(101,498)	-	(172,665)
Cash Payments from Other Funds for Interfund Service:	-	-	437,605	437,605
Cash Payments to Employees	(2,385,140)	(1,557,866)	(157,214)	(4,100,220)
Cash Payments for Claims	-	-	(18,908,036)	(18,908,036)
Cash Received from Other Operating Revenue	223,786	258,664	-	482,450
Net Cash Provided by (Used in) Operating Activities	2,672,776	2,367,040	(3,913,826)	1,125,990
Cash Flows From Noncapital Financing Activities:				
Transfers In	305,684	120,599	-	426,283
Transfers Out	(15,492)	(59,249)	(169)	(74,910)
Net Cash Provided by (Used in) Noncapital Financing Activities	290,192	61,350	(169)	351,373
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(2,768,048)	(3,356,284)	(11,378)	(6,135,710)
Proceeds from Issuance of Capital Lease	1,339	1,187	11,378	13,904
Proceeds from Sale of Refunding Bonds	780,000	-	-	780,000
Principal Paid to Refunded Bond Escrow Agent	(760,000)	-	-	(760,000)
Principal Paid on Bonds and Capital Lease Obligations	(276,811)	(2,059)	(5,224)	(284,094)
Interest Paid on Bonds and Capital Lease Obligations	(287,441)	(391)	-	(287,832)
Net Cash Used in Capital and Related Financing Activities	(3,310,961)	(3,357,547)	(5,224)	(6,673,732)
Cash Flows From Investing Activities:				
Interest Received	47,053	13,286	87,580	147,919
Net Cash Provided by Investing Activities	47,053	13,286	87,580	147,919
Net Decrease in Cash and Cash Equivalents	(300,940)	(915,871)	(3,831,639)	(5,048,450)
Cash and Cash Equivalents at July 1	5,406,783	2,534,865	18,205,199	26,146,847
Cash and Cash Equivalents at June 30	\$ 5,105,843	\$ 1,618,994	\$ 14,373,560	\$ 21,098,397
Reconciliation of Operating Income/(Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating Income/(Loss)	\$ 221,662	\$ 389,519	\$ (3,546,746)	\$ (2,935,565)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Depreciation	2,789,957	2,356,337	2,509	5,148,803
Decrease in Due From Other Governments	2,166	4,325	-	6,491
Decrease in Due From Other Funds	61,689	85,083	119,528	266,300
(Increase) Decrease in Accounts Receivable	(15,292)	8,662	-	(6,630)
Decrease in Inventory	-	9,995	-	9,995
(Increase) Decrease in Other Assets	(37,025)	(10,272)	2,173	(45,124)
Increase (Decrease) in Other Liabilities	(17,683)	124,768	(29,456)	77,629
Increase (Decrease) in Accounts Payable and Accrued Expenses	(273,875)	(589,442)	73,475	(789,842)
Increase in Due to Other Funds	4,330	445	454,830	459,605
Increase (Decrease) in Compensated Absences Payable	(63,153)	(12,380)	1,205	(74,328)
Decrease in Claims Payable	-	-	(991,344)	(991,344)
Total Adjustments	2,451,114	1,977,521	(367,080)	4,061,555
Net Cash Provided by (Used in) Operating Activities	\$ 2,672,776	\$ 2,367,040	\$ (3,913,826)	\$ 1,125,990

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2016

	Hotel Roanoke Conference Center Commission
<u>Assets</u>	
Cash and Cash Equivalents	\$ 4,536,910
Accrued Interest Receivable	79
Total Assets	\$ 4,536,989
<u>Liabilities</u>	
Due to Other Governments	\$ 4,536,989
Total Liabilities	\$ 4,536,989

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<u>Assets</u>				
Cash and Cash Equivalents	\$ 3,353,692	\$ 1,607,149	\$ 423,931	\$ 4,536,910
Investments	1,000,000	-	1,000,000	-
Accrued Interest Receivable	21,978	21,806	43,705	79
Due from Other Governments	-	195,616	195,616	-
Total Assets	<u>\$ 4,375,670</u>	<u>\$ 1,824,571</u>	<u>\$ 1,663,252</u>	<u>\$ 4,536,989</u>
<u>Liabilities</u>				
Due to Other Governments	\$ 4,375,670	\$ 1,824,571	\$ 1,663,252	\$ 4,536,989
Total Liabilities	<u>\$ 4,375,670</u>	<u>\$ 1,824,571</u>	<u>\$ 1,663,252</u>	<u>\$ 4,536,989</u>

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Roanoke, Virginia's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the government's overall financial condition.

Contents	Page
Financial Trends	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

	2015-16	2014-15	2013-14 (2)	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Governmental Activities										
Net Investment in Capital Assets	\$ 386,671,621	\$ 371,085,207	\$ 344,420,223	\$ 335,651,602	\$ 329,493,504	\$ 269,948,200	\$ 260,869,253	\$ 238,461,969	\$ 225,501,044	\$ 200,914,327
Restricted for:										
Capital Projects		-	5,669,959	-	-	-	46,777	70,914	105,323	139,732
Debt Service	1,011,031	1,508,122	1,406,148	1,493,056	-	-	-	-	-	-
Other Purposes	48,411	-	-	6,746,307	-	-	-	-	-	-
Unrestricted	(100,167,028)	(99,306,461)	(102,194,393)	23,261,350	29,219,419	44,235,521	25,539,839	41,697,432	45,552,401	56,691,884
Total Governmental Activities Net Position	\$ 287,564,035	\$ 273,286,868	\$ 249,301,937	\$ 366,152,315	\$ 358,712,923	\$ 314,183,721	\$ 286,455,869	\$ 280,230,315	\$ 271,158,768	\$ 257,745,943
Business-type Activities										
Net Investment in Capital Assets	\$ 35,765,948	\$ 35,092,265	\$ 33,828,819	\$ 33,675,512	\$ 34,264,716	\$ 33,964,073	\$ 51,750,741	\$ 52,067,081	\$ 51,594,498	\$ 50,696,302
Unrestricted	2,246,546	1,918,868	1,642,447	1,446,904	840,542	1,109,365	4,678,494	2,213,388	3,180,872	4,454,864
Total Business-type Activities Net Position	\$ 38,012,494	\$ 37,011,133	\$ 35,471,266	\$ 35,122,416	\$ 35,105,258	\$ 35,073,438	\$ 56,429,235	\$ 54,280,469	\$ 54,775,370	\$ 55,151,166
Primary Government						(1)	(1)			
Net Investment in Capital Assets	\$ 422,437,569	\$ 406,177,472	\$ 378,249,042	\$ 369,327,114	\$ 363,758,220	\$ 303,912,273	\$ 312,619,994	\$ 290,529,050	\$ 277,095,542	\$ 251,610,629
Restricted for:										
Capital Projects	-	-	5,669,959	-	-	-	46,777	70,914	105,323	139,732
Debt Service	1,011,031	1,508,122	1,406,148	1,493,056	-	-	-	-	-	-
Other Purposes	48,411	-	-	6,746,307	-	-	-	-	-	-
Unrestricted	(97,920,482)	(97,387,593)	(100,551,946)	23,708,254	30,059,961	45,344,886	30,218,333	43,910,820	48,733,273	61,146,748
Total Primary Government Net Position	\$ 325,576,529	\$ 310,298,001	\$ 284,773,203	\$ 401,274,731	\$ 393,818,181	\$ 349,257,159	\$ 342,885,104	\$ 334,510,784	\$ 325,934,138	\$ 312,897,109

Information is presented on a full accrual basis of accounting.

- (1) Effective in fiscal year 2011, Greater Roanoke Transit Company (GRTC) was reported as a discretely presented component unit. Accordingly, the fiscal year 2010 Net Position included \$16.7 million whereas in fiscal year 2011, GRTC Net Position is no longer reported as a business-type activity. Fiscal year 2010 also included Net Position of \$4.6 million for the City's Market Building Fund which was discontinued in fiscal year 2011.
- (2) Ending Net Position was restated for implementation of GASB statements No. 68 and No. 71

Table 2
Unaudited

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

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Expenses										
Governmental Activities:										
General Government	\$ 16,832,704	\$ 14,277,141	\$ 13,994,522	\$ 14,036,094	\$ 15,192,371	\$ 13,934,968	\$ 12,224,830	\$ 13,859,060	\$ 14,951,184	\$ 11,273,712
Judicial Administration	9,399,253	8,581,552	8,718,527	8,704,405	8,777,516	7,644,774	7,786,140	9,167,289	8,881,939	8,696,783
Public Safety	72,549,379	64,530,235	66,886,151	66,852,582	69,882,446	63,287,015	63,976,863	66,448,271	67,457,297	63,824,918
Public Works	34,278,578	27,794,564	29,671,503	27,835,679	28,672,051	18,654,587	28,126,031	31,174,272	29,493,501	29,322,095
Health and Welfare	40,378,769	38,466,658	39,093,358	37,453,267	41,124,917	42,111,631	45,995,109	45,287,639	39,755,942	39,755,942
Parks, Recreation and Cultural	12,193,652	11,427,529	11,090,084	10,908,904	13,301,508	11,420,919	10,559,350	12,018,560	11,718,909	12,328,684
Community Development	12,812,996	11,853,575	11,305,174	11,398,126	9,452,579	10,706,299	10,010,970	9,752,877	13,009,501	11,847,813
Transportation	1,812,105	1,754,105	1,527,146	1,654,105	1,654,105	1,177,324	-	-	-	-
Education	84,378,194	81,406,796	79,397,641	79,011,455	83,072,419	74,772,599	67,945,097	66,604,559	65,494,065	61,335,067
Economic Development	853,466	1,167,670	414,274	3,079,428	2,022,694	3,904,121	3,510,831	1,535,584	657,348	613,075
Other	-	3,056	58,700	83,466	4,595	98,494	-	15,329	13,470	31,575
Interest and Fiscal Charges	10,924,644	10,156,610	12,654,695	12,047,146	11,551,668	12,002,689	13,538,201	13,124,928	10,710,840	11,916,375
Total Governmental Activities Expenses	296,413,740	271,419,491	274,811,775	273,064,657	284,708,869	259,715,420	263,673,422	269,457,616	267,675,693	250,946,039
Business-type Activities:										
Transit Company	-	-	-	-	-	-	-	-	-	-
Civic Facilities	4,759,841	4,843,800	4,587,589	4,581,203	4,509,327	4,511,711	4,302,258	7,138,833	9,195,709	8,403,369
Parking	3,449,510	3,362,282	3,809,369	3,454,022	3,483,658	2,755,253	3,030,494	2,806,984	2,396,330	2,894,630
Stormwater Utility	2,863,855	1,802,924	69,525	-	-	-	-	-	-	-
Market Building	-	-	-	-	-	163,992	384,331	649,874	379,828	390,098
Total Business-type Activities Expenses	11,073,206	10,009,006	8,466,483	8,035,225	7,992,985	7,430,956	17,191,264	20,141,161	17,231,022	16,382,283
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	4,730,687	4,404,474	4,188,317	4,408,777	3,700,916	6,035,893	4,152,979	4,511,088	4,467,706	4,228,015
Judicial Administration	3,124,725	3,547,051	3,928,176	3,820,609	3,782,588	3,755,301	3,734,589	4,823,817	4,594,962	5,445,812
Public Safety	5,336,837	5,080,861	5,255,890	4,952,127	4,702,979	5,323,523	6,203,883	6,453,285	6,632,394	5,894,930
Public Works	270,402	340,693	266,683	381,886	340,438	2,168,980	347,422	386,445	445,191	523,344
Health and Welfare	30,606	26,363	32,356	40,111	93,991	131,520	127,834	146,338	196,110	172,703
Parks, Recreation and Cultural	557,759	578,905	543,186	342,005	414,693	399,968	367,143	308,446	155,799	132,728
Community Development	169,656	299,571	190,372	146,061	154,041	167,314	166,176	161,228	165,144	199,255
Economic Development	-	-	-	-	-	-	-	4,974	83,541	-
Operating Grants and Contributions	66,228,087	66,929,796	62,762,426	64,201,295	64,457,688	68,572,662	70,252,704	70,986,646	69,257,682	63,164,087
Capital Grants and Contributions	13,695,997	5,673,238	6,056,338	2,168,673	3,677,359	5,665,618	718,580	265,005	3,975,312	289,043
Total Governmental Activities Program Revenues	94,144,756	86,880,952	83,223,744	80,461,544	81,324,693	92,220,779	86,071,310	88,047,272	89,973,841	80,049,917
Business-type Activities:										
Charges for Services										
Transit Company	-	-	-	-	-	-	-	-	-	-
Civic Facilities	2,151,235	2,238,759	2,460,384	2,701,142	2,559,400	2,405,370	1,966,484	4,312,359	2,248,649	2,413,877
Parking	3,195,168	2,987,015	3,074,017	3,365,930	3,316,277	2,840,685	2,733,270	2,804,755	2,809,958	2,686,301
Stormwater Utility	-	-	-	-	-	-	-	-	-	-
Market Building	-	-	-	-	-	10,452	198,022	224,637	255,476	268,340
Operating Grants and Contributions	-	-	-	-	-	-	4,139,626	4,393,415	4,071,749	3,896,866
Capital Grants and Contributions	1,116,640	811,558	480,815	-	-	-	2,348,098	1,115,208	769,852	5,783,634
Total Business-type Activities Program Revenues	6,463,043	6,037,332	6,015,216	6,067,072	5,875,677	5,256,507	13,432,252	14,947,794	12,188,708	16,868,071
Total Primary Government Program Revenues	100,607,799	92,918,284	89,238,960	86,528,616	87,200,370	97,477,286	99,503,562	102,995,066	102,162,549	96,917,988
Net (Expense)/Revenue:										
Governmental Activities	(202,268,984)	(184,538,539)	(191,588,031)	(192,603,113)	(203,384,176)	(167,494,641)	(177,602,112)	(181,410,344)	(177,701,852)	(170,896,122)
Business-type Activities	(4,610,163)	(3,971,674)	(2,451,267)	(1,968,153)	(2,117,308)	(2,174,449)	(3,759,012)	(5,193,367)	(5,042,314)	485,788
Total Primary Government Net Expense	\$ (206,879,147)	\$ (188,510,213)	\$ (194,039,298)	\$ (194,571,266)	\$ (205,501,484)	\$ (169,669,090)	\$ (181,361,124)	\$ (186,603,711)	\$ (182,744,166)	\$ (170,410,334)

Table 2
Unaudited
Continued

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

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
General Property - Real Estate and Personal Property	\$ 109,218,854	\$ 108,241,653	\$ 107,151,665	\$ 103,429,235	\$ 105,653,485	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861	\$ 98,714,420	\$ 93,361,362
Local Portion of State Sales	20,600,395	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443
Business and Professional Occupational License	12,421,851	12,731,564	12,317,760	12,063,755	11,769,433	11,276,263	11,588,503	12,479,698	12,536,783	12,690,668
Utility	9,828,466	9,870,443	9,981,896	9,812,703	9,584,366	9,937,596	9,557,889	9,735,948	9,825,738	11,409,106
Prepared Food and Beverage	15,705,629	13,857,569	13,231,279	13,737,840	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948
Commonwealth Share - Personal Property	8,075,992	8,075,992	8,076,000	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,121,547
Cigarette	2,371,201	2,256,249	2,332,536	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764
Transient Room	4,305,977	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,253	2,666,253
Telecommunications	6,727,824	6,933,071	6,994,183	7,115,248	7,096,425	7,247,911	7,383,848	7,145,256	7,978,786	3,421,394
Motor Vehicle License Tax	2,594,635	2,123,181	2,046,686	2,069,531	2,130,312	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365
Other	5,851,370	6,717,642	5,246,978	3,154,317	3,011,116	2,810,326	4,344,857	6,071,290	7,412,254	11,727,231
Payment from Component Unit	15,072,438	14,621,813	15,502,968	15,928,396	16,373,216	9,752,655	10,020,049	8,930,898	7,752,288	1,300,000
Grants and Contributions Not Restricted to Specific Program		-	-	-	-	2,880	11,226	8,379	3,372	3,107
Interest and Investment Income	798,323	1,634,045	1,450,625	1,380,818	1,071,384	960,375	1,246,826	1,618,541	2,644,762	3,737,732
Miscellaneous	4,117,156	-	1,394,408	-	-	-	130,702	-	-	4,471,167
Special Item	-	-	-	-	43,322,018	(3,492,982)	-	-	-	-
Transfers	(1,143,960)	(3,290,944)	(2,117,439)	(1,985,311)	(1,978,226)	(569,468)	(5,693,020)	(4,493,091)	(4,339,261)	(5,030,413)
Total Governmental Activities	216,546,151	208,498,844	206,720,124	200,042,505	247,913,378	195,222,489	183,827,666	190,481,891	191,114,677	185,125,674
Business-type Activities:										
Stormwater Fee	3,979,349	2,049,963	-	-	-	-	-	-	-	-
Interest and Investment Income	190,765	170,634	-	-	170,902	112,028	80,077	87,552	140,247	228,058
Gain (Loss) on Sale of Assets	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	134,681	117,823	187,010	259,040
Special Item	-	-	-	-	-	(3,204,514)	-	-	-	-
Transfers	1,143,960	3,290,944	2,117,439	1,985,311	1,978,226	569,468	5,693,020	4,493,091	4,339,261	5,030,413
Transfers - Capital Assets	297,450	-	953,065	-	-	-	-	-	-	-
Total Business-type Activities	5,611,524	5,511,541	3,070,504	1,985,311	2,149,128	(2,523,018)	5,907,778	4,698,466	4,666,518	5,517,511
Total Primary Government	\$ 222,157,675	\$ 214,010,385	\$ 209,790,628	\$ 202,027,816	\$ 250,062,506	\$ 192,699,471	\$ 189,735,444	\$ 195,180,357	\$ 195,781,195	\$ 190,643,185
Change in Net Position										
Governmental Activities	\$ 14,277,167	\$ 23,984,931	\$ 15,132,093	\$ 7,439,392	\$ 44,529,202	\$ 27,727,848	\$ 6,225,554	\$ 9,071,547	\$ 13,412,825	\$ 14,229,552
Business-type Activities	1,001,361	1,539,867	619,237	17,158	31,820	(4,697,467)	2,148,766	(494,901)	(375,796)	6,003,299
Total Primary Government	\$ 15,278,528	\$ 25,524,798	\$ 15,751,330	\$ 7,456,550	\$ 44,561,022	\$ 23,030,381	\$ 8,374,320	\$ 8,576,646	\$ 13,037,029	\$ 20,232,851

Information is presented on a full accrual basis of accounting.

CITY OF ROANOKE, VIRGINIA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
General Property Tax-Real Estate and Personal Property	\$ 109,218,854	\$ 108,241,653	\$ 107,151,667	\$ 103,429,235	\$ 105,653,485	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861	\$ 98,714,420	\$ 93,361,362	\$ 86,651,722
Sales Tax	20,600,395	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376
Business License Tax	12,421,851	12,731,564	12,317,760	12,063,755	11,769,433	11,276,263	11,588,503	12,479,698	12,536,783	12,174,159	12,893,280
Utility Consumer Tax	9,828,466	9,870,443	9,981,896	9,812,703	9,584,366	9,937,596	9,557,889	9,735,948	9,825,738	11,925,615	13,234,488
Prepared Food & Beverage Tax (1)	15,705,629	13,857,569	13,231,279	13,737,840	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894
Commonwealth Share Personal Property Tax	8,075,992	8,075,992	8,076,000	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,121,547	7,962,068
Cigarette Tax	2,371,201	2,256,249	2,332,535	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150
Transient Room Tax (2)	4,305,977	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,253	2,666,253	2,529,645
Telecommunications (3)	6,727,824	6,933,071	6,994,183	7,115,248	7,096,425	7,247,911	7,383,848	7,145,256	7,978,786	3,421,394	-
Motor Vehicle License Tax	2,594,635	2,123,181	2,046,686	2,069,531	2,130,312	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689
Other Taxes	5,851,370	6,717,642	5,246,978	3,154,317	3,011,116	2,810,326	4,344,857	6,071,290	7,412,254	11,727,231	7,359,754
Total Governmental Activities Tax Revenues	\$ 197,702,194	\$ 195,533,930	\$ 190,489,562	\$ 184,718,602	\$ 189,124,986	\$ 188,569,029	\$ 178,111,883	\$ 184,417,164	\$ 185,053,516	\$ 180,644,081	\$ 165,821,066

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.

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

	2015-16	2014-15	2013-14 (2)	2012-13	2011-12	2010-11 (1)	2009-10	2008-09	2007-08	2006-07
General Fund										
Restricted	\$ 48,411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	2,593,822	1,750,624	1,905,812	1,562,056	1,084,361	1,379,076	-	-	-	-
Assigned	-	-	-	-	-	1,407,485	-	-	-	-
Unassigned	28,795,510	28,050,350	26,757,052	26,060,594	26,000,436	25,535,754	-	-	-	-
Reserved	-	-	-	-	-	598,753	-	1,028,676	1,318,997	743,092
Unreserved	-	-	-	-	-	24,361,867	-	21,352,928	19,723,710	21,347,881
Total General Fund	<u>\$ 31,437,743</u>	<u>\$ 29,800,974</u>	<u>\$ 28,662,864</u>	<u>\$ 27,622,650</u>	<u>\$ 27,084,797</u>	<u>\$ 28,322,315</u>	<u>\$ 24,960,620</u>	<u>\$ 22,381,604</u>	<u>\$ 21,042,707</u>	<u>\$ 22,090,973</u>
All Other Governmental Funds										
Restricted	\$ 8,332,563	\$ 11,788,796	\$ 7,076,107	\$ 8,239,363	\$ 4,686,212	\$ 3,465,004	\$ -	\$ -	\$ -	\$ -
Committed	7,521,487	4,225,885	13,859,029	15,544,610	17,131,452	16,368,501	-	-	-	-
Reserved	-	-	-	-	-	-	6,146,088	17,529,842	36,500,585	14,814,335
Unreserved, reported in:										
Debt Service Fund	-	-	-	-	-	-	1,213,260	1,161,895	1,143,782	1,021,667
Capital Projects Fund	-	-	-	-	-	-	6,121,743	31,685,558	27,455,399	26,591,510
Total All Other Governmental Funds	<u>\$ 15,854,050</u>	<u>\$ 16,014,681</u>	<u>\$ 20,935,136</u>	<u>\$ 23,783,973</u>	<u>\$ 21,817,664</u>	<u>\$ 19,833,505</u>	<u>\$ 13,481,091</u>	<u>\$ 50,377,295</u>	<u>\$ 65,099,766</u>	<u>\$ 42,427,512</u>

Information is presented on a modified accrual basis of accounting.

- (1) The City adopted GASB Statement No. 54 in fiscal year 2011.
 (2) Fiscal year ending 2013-14 fund balance was restated for construction in process retainage not previously included.

Table 5
Unaudited

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

	2015-16	2014-15	2013-14 (1)	2012-13	2011-12	2010-11
Revenues						
Local Taxes	\$ 191,205,770	\$ 184,464,956	\$ 179,576,940	\$ 178,073,456	\$ 181,456,770	\$ 178,308,587
Permits, Fees and Licenses	888,328	1,140,606	1,092,534	966,903	857,561	969,800
Fines and Forfeitures	1,014,511	1,188,103	1,209,575	1,439,961	1,531,145	1,805,083
Rental Income	150,923	166,025	146,602	111,834	117,154	210,633
Investment Income	172,510	92,447	98,276	93,291	136,277	177,577
Intergovernmental	103,474,969	98,349,593	94,352,004	93,839,219	95,942,714	91,502,519
Charges for Services	11,010,903	10,812,015	11,066,281	10,919,251	10,262,192	11,624,417
Miscellaneous	4,808,427	1,086,545	5,315,274	2,915,807	1,902,037	4,717,123
Total Revenues	<u>\$ 312,726,341</u>	<u>\$ 297,300,290</u>	<u>\$ 292,857,486</u>	<u>\$ 288,359,722</u>	<u>\$ 292,205,850</u>	<u>\$ 289,315,739</u>
Expenditures						
Current Operating:						
General Government	\$ 15,857,483	\$ 14,397,926	\$ 14,333,910	\$ 13,064,653	\$ 13,420,641	\$ 13,043,582
Judicial Administration	8,917,856	8,621,436	8,507,385	8,327,159	8,075,746	7,336,125
Public Safety	69,892,637	67,358,507	65,388,178	63,848,864	62,753,894	60,845,503
Public Works	25,253,641	24,328,878	24,857,169	23,842,020	23,696,320	22,133,031
Health and Welfare	39,346,495	38,777,239	38,783,646	36,802,549	39,683,737	41,755,947
Parks, Recreation and Cultural	10,301,293	10,162,961	9,787,505	9,547,523	9,632,815	10,314,592
Community Development	12,251,778	11,645,063	11,115,802	10,829,570	9,045,363	10,481,809
Transportation	1,812,105	1,754,105	1,527,146	1,654,105	1,654,105	1,177,324
Education	79,053,977	76,371,925	74,366,181	73,870,214	78,351,405	70,232,036
Debt Service:						
Principal Retirement	21,778,211	20,348,785	23,529,050	24,523,873	23,426,997	20,778,546
Interest and Paying Agent Charges	8,306,238	8,593,585	8,611,669	9,522,590	10,936,143	11,479,778
Bond Issuance Cost	1,493,517	823,289	492,516	590,381	801,658	204,463
Capital Outlays	33,858,879	32,624,252	21,663,696	15,291,837	12,373,816	13,251,045
Total Expenditures	<u>\$ 328,124,110</u>	<u>\$ 315,807,951</u>	<u>\$ 302,963,853</u>	<u>\$ 291,715,338</u>	<u>\$ 293,852,640</u>	<u>\$ 283,033,781</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,397,769)	(18,507,661)	(10,106,367)	(3,355,616)	(1,646,790)	6,281,958
Other Financing Sources (Uses)						
Issuance of Bonds	\$ 15,170,000	\$ 17,420,000	\$ 11,820,000	\$ 12,269,104	\$ 5,533,829	\$ 7,121,925
Issuance of Refunding Bonds	15,710,000	12,870,000	1,829,500	24,870,000	25,125,000	2,017,600
Payment to Refunded Bond Escrow Agent	(15,275,000)	(12,655,000)	(1,829,500)	(28,239,596)	(27,734,307)	(2,136,507)
Premium on Sale of Bonds	2,368,860	1,279,190	351,572	2,165,563	3,371,482	248,563
Capital Lease	1,681,463	-	-	-	-	-
Transfers In	15,861,385	16,237,615	15,997,869	17,427,478	18,088,403	26,925,336
Transfers Out	(18,642,801)	(20,426,489)	(18,878,993)	(22,632,771)	(21,990,976)	(30,744,766)
Total Other Financing Sources (Uses)	<u>16,873,907</u>	<u>14,725,316</u>	<u>9,290,448</u>	<u>5,859,778</u>	<u>2,393,431</u>	<u>3,432,151</u>
Net Change in Fund Balances	<u>1,476,138</u>	<u>(3,782,345)</u>	<u>(815,919)</u>	<u>2,504,162</u>	<u>746,641</u>	<u>9,714,109</u>
Fund Balances--Beginning of Year	<u>45,815,655</u>	<u>49,598,000</u>	<u>51,406,623</u>	<u>48,902,461</u>	<u>48,155,820</u>	<u>38,441,711</u>
Fund Balances--End of Year	<u>\$ 47,291,793</u>	<u>\$ 45,815,655</u>	<u>\$ 49,598,000</u>	<u>\$ 51,406,623</u>	<u>\$ 48,902,461</u>	<u>\$ 48,155,820</u>

(1) Fiscal year 2013-14 fund balance was restated due to a change in accounting policy related to retainage in construction in process.

See Table 17 for additional information relating to the ratio of debt service expenditures to total noncapital expenditures.

Information is presented on an modified accrual basis of accounting.

Table 5
Unaudited
Continued

2009-10	2008-09	2007-08	2006-07
\$ 171,185,553	\$ 173,518,576	\$ 172,769,022	\$ 164,871,887
880,347	1,053,443	1,475,370	1,142,724
1,615,265	1,558,517	1,558,039	1,540,598
550,191	845,373	968,975	1,032,990
251,970	1,211,719	2,241,720	3,460,986
93,250,211	93,064,316	96,691,241	85,531,788
10,834,925	11,616,042	10,955,336	11,611,220
703,626	1,536,704	1,336,850	2,897,616
<u>\$ 279,272,088</u>	<u>\$ 284,404,690</u>	<u>\$ 287,996,553</u>	<u>\$ 272,089,809</u>

\$ 12,671,590	\$ 13,094,420	\$ 13,614,281	\$ 12,782,063
7,503,476	8,735,663	8,441,872	8,438,366
61,821,748	63,808,641	64,859,294	61,964,362
23,860,980	24,841,431	23,663,876	23,900,264
45,439,356	45,128,533	44,626,860	39,290,415
9,192,283	10,753,820	11,165,097	10,724,981
9,931,020	9,559,518	11,473,754	9,074,244
-	-	-	-
63,443,415	62,856,641	62,392,633	58,669,043
23,566,295	22,157,734	19,822,282	19,119,311
12,768,787	12,286,166	11,343,116	11,103,323
317,494	79,082	-	-
40,276,382	44,299,810	35,471,132	44,308,692
<u>\$ 310,792,826</u>	<u>\$ 317,601,459</u>	<u>\$ 306,874,197</u>	<u>\$ 299,375,064</u>

(31,520,738) (33,196,769) (18,877,644) (27,285,255)

\$ 2,661,171	\$ 23,912,613	\$ 43,967,698	\$ 12,961,171
36,056,200	-	-	-
(39,056,309)	-	-	-
3,669,899	706,843	1,199,155	407,950
-	-	-	-
25,536,867	27,214,121	26,430,553	25,211,822
(31,664,278)	(32,020,382)	(31,095,774)	(31,596,162)
(2,796,450)	19,813,195	40,501,632	6,984,781
(34,317,188)	(13,383,574)	21,623,988	(20,300,474)
72,758,899	86,142,473	64,518,485	84,818,959
<u>\$ 38,441,711</u>	<u>\$ 72,758,899</u>	<u>\$ 86,142,473</u>	<u>\$ 64,518,485</u>

Table 6
Unaudited

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

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
General Property Tax	\$ 113,081,794	\$ 108,639,136	\$ 106,192,008	\$ 105,475,896	\$ 105,846,418	\$ 104,463,578	\$ 103,019,671	\$ 102,177,312	\$ 98,983,976	\$ 93,084,689
Sales Tax	20,600,395	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443
Utility Consumer Tax (1)	9,363,331	9,386,233	9,486,778	9,325,645	9,115,344	9,433,181	9,072,887	9,245,881	9,317,726	11,409,106
Cigarette Tax	2,371,201	2,256,249	2,332,535	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764
Recordation and Probate Tax	1,034,652	961,270	863,485	947,178	880,865	740,733	781,542	777,182	1,243,373	1,416,300
Business, Professional, and Occupational License Tax	12,886,986	13,215,775	12,812,877	12,550,814	12,238,455	11,780,678	12,073,505	12,969,765	13,044,796	12,690,668
Transient Room Tax (2)	4,305,977	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,252	2,666,253
Admissions Tax	462,216	443,116	439,693	417,015	433,932	422,279	442,030	476,491	443,664	457,454
Telecommunications/Telephone Surcharge - E911 (1)	6,727,824	6,933,071	6,994,183	7,115,248	7,096,448	7,247,927	7,383,848	7,145,256	7,979,032	4,127,361
Motor Vehicle License Tax	2,594,635	2,123,181	2,046,686	2,069,532	2,130,313	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365
Franchise Tax (1)	496,151	338,193	485,678	479,215	447,420	474,064	579,288	483,724	504,370	1,000,718
Prepared Food and Beverage Tax (3)	15,704,954	13,856,899	13,225,652	12,874,902	17,216,380	16,930,878	11,159,911	11,496,914	11,560,944	11,061,948
Bank Stock Tax	1,575,655	1,585,268	1,586,786	1,558,030	1,463,718	1,853,502	1,473,670	960,846	740,011	772,818
Total Local Taxes	\$ 191,205,770.85	\$ 184,464,956	\$ 179,576,940	\$ 178,073,456	\$ 181,456,770	\$ 178,308,587	\$ 171,185,553	\$ 173,518,576	\$ 172,769,822	\$ 164,871,887

(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

	2015-2016	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Total Tax Levies	\$ 119,869,392	\$ 115,485,506	\$ 113,183,821	\$ 113,209,446	\$ 112,485,925	\$ 112,560,131	\$ 110,098,047	\$ 110,034,071	\$ 106,316,893	\$ 101,301,039
Current Tax Collections	110,372,175	105,842,394	103,746,942	103,802,153	103,693,219	102,130,123	100,833,008	98,726,765	95,631,945	89,761,174
Current Tax Collections - State Share (1)	8,075,592	8,075,592	8,075,592	8,075,592	8,075,592	8,075,592	8,075,592	8,075,592	8,073,460	8,083,164
Collections in Subsequent Years (2)	-	3,926,119	4,193,129	4,838,415	2,972,963	2,756,631	2,389,214	3,555,384	3,393,719	3,332,049
Delinquent Tax Collections - State Share (1)	-	-	-	-	-	-	-	-	-	32,383
Total Tax Collections	\$ 118,448,167	\$ 117,844,505	\$ 116,016,063	\$ 116,716,560	\$ 114,742,174	\$ 112,862,746	\$ 111,298,214	\$ 110,358,145	\$ 107,089,124	\$ 101,214,770
Current Tax Collections As										
Percent of Levies	98.81%	98.30%	98.80%	98.82%	99.36%	97.91%	98.92%	97.06%	97.53%	96.59%
Total Tax Collections As										
Percent of Levies (2)	98.81%	101.69%	102.50%	103.10%	102.01%	100.36%	101.09%	100.29%	100.73%	99.91%

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

(2) Prior to FY 2014, the City did not have the capability of determining the levy year for delinquent collections. Effective FY 2014, delinquent collections are recorded in the levy year for which they were collected.

Table 8
Unaudited

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

Year	REAL PROPERTY				PERSONAL PROPERTY				PUBLIC SERVICE CORPORATIONS				Total	
	Assessed Value	Percentage Growth (Decline)	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth (Decline)	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth (Decline)	Estimated Actual Value	Assessment Ratio	Assessed Value	Estimated Actual Value
2007	\$ 5,834,424,939	9.02%	\$ 5,834,424,939	1.00	\$ 818,058,932	7.30%	\$ 1,363,431,553	0.60	\$ 310,606,990	2.22%	\$ 316,097,815	0.983	\$ 6,963,090,861	\$ 7,513,954,307
2008	6,256,495,314	7.23%	6,256,495,314	1.00	836,674,524	2.28%	1,394,457,540	0.60	314,604,888	1.29%	321,271,916	0.979	7,407,774,726	7,972,224,770
2009	6,564,294,962	4.92%	6,564,294,962	1.00	809,722,606	(3.22%)	1,349,537,677	0.60	335,086,164	6.51%	341,586,222	0.981	7,709,103,732	8,255,418,861
2010	6,698,391,113	2.04%	6,698,391,113	1.00	758,872,026	(6.28%)	1,264,786,710	0.60	359,212,368	7.20%	360,848,221	0.995	7,816,475,507	8,324,026,044
2011	6,801,971,286	1.55%	6,801,971,286	1.00	769,951,558	1.46%	1,283,252,597	0.60	353,515,462	(1.59%)	357,281,499	0.989	7,925,438,306	8,442,505,382
2012	6,794,772,298	(0.11%)	6,794,772,298	1.00	816,148,651	6.00%	1,360,247,752	0.60	360,309,314	1.92%	360,309,314	1.000	7,971,230,263	8,515,329,364
2013	6,725,168,858	(1.02%)	6,725,168,858	1.00	840,633,111	3.00%	1,401,055,185	0.60	416,800,579	15.68%	418,303,022	0.996	7,982,602,548	8,544,527,065
2014	6,679,969,872	(0.67%)	6,679,969,872	1.00	859,809,462	2.28%	1,433,015,770	0.60	414,953,913	(0.44%)	413,969,355	1.002	7,954,733,247	8,526,954,997
2015	6,693,874,349	0.21%	6,693,874,349	1.00	899,096,367	4.57%	1,498,493,945	0.60	437,573,144	5.45%	441,997,287	0.990	8,030,543,860	8,634,365,581
2016	6,724,229,966	0.45%	6,724,229,966	1.00	942,611,706	4.84%	1,571,019,510	0.60	439,744,208	0.50%	447,535,616	0.983	8,106,585,880	8,742,785,092

Table 9
Unaudited

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

Year	REAL PROPERTY			PERSONAL PROPERTY			PUBLIC SERVICE CORPORATIONS			Total	
	Direct Tax Rate Per \$100	Levy		Direct Tax Rate Per \$100	Levy		Direct Tax Rate Per \$100	Levy		Total Direct Rate	
2007	1.19	\$ 69,429,439		3.45	\$ 28,163,083	(1), (3)	1.19	\$ 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
2014	1.19	79,491,642		3.45	28,709,212	(1)	1.19	4,982,967		113,183,821	1.76
2015	1.19	79,600,752		3.45	31,024,476	(1)	1.19	5,260,278		115,885,506	1.80
2016	1.22 (2)	82,035,606		3.45	32,374,952	(1)	1.22 (2)	5,458,834		119,869,392	1.82

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

(2) Effective July 1, 2015, the rate became \$1.22.

(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, 2016 AND JUNE 30, 2007

<u>Taxpayer</u>	<u>Description</u>	2016			2007		
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Carilion Clinic	Healthcare Provider	\$ 223,819,909	1	2.76%	\$ 155,795,269	1	2.24%
Norfolk Southern Corporation	Transportation	168,338,807	2	2.08%	82,668,625	3	1.19%
Appalachian Power	Public Utility	153,038,718	3	1.89%	89,367,381	2	1.28%
Valley View Mall LLC (Formerly Hersh, Ltd)	Shopping Mall	83,533,700	4	1.03%	66,310,179	5	0.95%
Roanoke Gas Company	Public Utility	46,663,319	5	0.58%	-	-	-
Steel Dynamics Roanoke Division	Primary Metals	38,616,461	6	0.48%	16,175,581	9	0.23%
Verizon Virginia, Inc	Communications	34,901,868	7	0.43%	69,521,792	4	1.00%
Faison Roanoke Office Limited	Office Building	29,885,900	8	0.37%	30,720,200	6	0.44%
Advance Auto Parts	Auto Parts	24,552,514	9	0.30%	-	-	-
Maple Leaf Bakery	Bakery	15,792,700	10	0.19%	23,457,626	7	0.34%
Times World Corporation	Newspaper	-	-	-	21,010,589	8	0.30%
BLC Corp	Lease Company	-	-	-	15,824,026	10	0.23%
		<u>\$ 819,143,896</u>		<u>10.11%</u>	<u>\$ 570,851,268</u>		<u>8.21%</u>

Source: City of Roanoke, Commissioner of the Revenue

Table 11
Unaudited

CITY OF ROANOKE, VIRGINIA
TAXABLE RETAIL SALES
LAST TEN CALENDAR YEARS

<u>Calendar Year</u>	<u>Total Retail Sales (1)</u>
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	1,746,710,461
2014	1,785,467,436
2015	1,752,752,699
2016 thru June	910,672,643

(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 (D)	Business-type Activities Gross Bonded Debt (D)	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
2007	93,048	\$ 7,513,954,307	\$ 249,451,409	\$ 24,575,142	\$ 274,026,551	\$ 28,924,766	-	\$ 1,021,667	\$ 244,080,118	3.25%	\$ 2,623.16
2008	93,734	7,972,224,770	272,991,207	25,784,761	298,775,968	26,596,538	-	1,143,782	271,035,648	3.40%	2,891.54
2009	94,482	8,255,418,861	274,721,495	29,350,308	304,071,803	24,255,948	-	1,161,895	278,653,960	3.38%	2,949.28
2010	97,032	8,324,026,044	254,789,731	28,812,906	283,602,637	21,987,683	-	1,213,260	260,401,694	3.13%	2,683.67
2011	97,206 (est.)	8,442,505,382	250,315,325	27,342,979	277,658,304	19,875,450	1,355,000	1,133,011	255,294,843	3.02%	2,626.33
2012	97,206 (est.)	8,515,329,364	234,279,293	26,311,567	260,590,860	17,558,082	910,000	1,317,554	240,805,224	2.83%	2,477.27
2013	98,641 (est.)	8,544,527,065	225,402,117	26,944,093	252,346,210	13,389,900	-	1,493,056	237,463,254	2.78%	2,407.35
2014	98,913 (est.)	8,526,954,997	217,261,926	26,817,066	244,078,992	10,989,900	-	1,406,148	231,682,944	2.72%	2,342.29
2015	99,320 (est.)	8,634,365,581	214,885,676	27,203,128	242,088,804	9,968,500	-	1,508,122	230,612,182	2.67%	2,321.91
2016	99,681 (est.)	8,742,785,092	210,393,462	30,109,234	240,502,696	9,405,800	-	1,011,031	230,085,865	2.63%	2,308.22

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
 (D) Gross Bonded Debt includes Bond Premiums and Deferred Bond Costs. See Table 15.

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 (3)	Capital Leases	General Obligation Bonds (3)	Capital Leases			
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	26,944,093	141,434	256,270,428	6.59%	2,650
2013-14	217,261,927	4,287,946	26,817,066	93,645	248,460,584	6.16%	2,549
2014-15	214,885,676	4,256,650	27,203,128	17,507	246,362,961	5.81%	2,502
2015-16	210,393,463	5,356,637	30,109,234	19,412	245,878,746	6.28%	2,703

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

(2) The Western Virginia Water Authority was created in FY 05, resulting in associated bonds moving from business-type activities to governmental activities.

(3) General Obligation Bonds include Bond Premium and Deferred Bond Costs. See Table 15.

Table 14
Unaudited

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

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Debt Limit	\$ 672,422,997	\$ 669,387,435	\$ 667,996,987	\$ 672,516,886	\$ 679,477,230	\$ 680,197,128	\$ 669,839,111	\$ 656,429,496	\$ 625,649,531	\$ 583,442,494
Total Net Debt Applicable to Limit	215,556,963	217,064,553	218,489,528	224,003,579	227,263,512	240,667,032	244,769,119	263,493,652	260,060,887	234,919,976
Legal Debt Margin	\$ 456,866,034	\$ 452,322,882	\$ 449,507,459	\$ 448,513,307	\$ 452,213,718	\$ 439,530,096	\$ 425,069,992	\$ 392,935,844	\$ 365,588,644	\$ 348,522,518
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	32.06%	32.43%	32.71%	33.31%	33.45%	35.38%	36.54%	40.14%	41.57%	40.26%

Table 15
Unaudited

CITY OF ROANOKE, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2016

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, 2016 (1)		<u>\$ 6,724,229,966</u>
Legal Debt Limit: 10%	\$ 6,724,229,966	672,422,997
Debt applicable to limitation:		
General Obligation Serial Bonds - Governmental Activities	\$ 161,155,600	
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)	9,405,800	
Premium on Bonds - Governmental Activities	13,016,237	
Deferred Bond Costs - Governmental Activities	(5,959,462)	
Qualified Zone Academy Bonds (QZAB)	2,531,554	
State Literary Fund Loans	1,000,000	
Virginia Public School Authority (VPSA) School Bonds	29,243,733	
Civic Facilities Enterprise Fund - Business-type Activities	14,905,000	
Premium on Bonds - Civic Facilities Enterprise Fund Debt	1,030,646	
Deferred Bond Costs - Civic Facilities Enterprise Fund Debt	(355,314)	
Parking Enterprise Fund Supported Debt - Business-type Activities	11,832,600	
Premium on Bonds - Parking Enterprise Fund Supported Debt	619,896	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	(956,691)	
Stormwater Enterprise Fund Supported Debt - Business-type Activities	2,856,600	
Premium on Bonds - Stormwater Enterprise Fund Supported Debt	176,497	
Total Debt	240,502,696	
Less: Available in Debt Service Fund	(1,011,031)	
WVWA Supported Debt	(9,405,800)	
Parking Enterprise Fund Supported Debt	(11,832,600)	
Premium on Bonds - Parking Enterprise Fund Supported Debt	(619,896)	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	956,691	
Stormwater Enterprise Fund Supported Debt	(2,856,600)	
Premium on Bonds - Stormwater Enterprise Fund Supported Debt	(176,497)	215,556,962
Legal Debt Margin		<u>\$ 456,866,035</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
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%
2013-14	22,092,341	8,888,882	30,981,223	340,700,280	9.1%
2014-15	20,591,147	8,898,421	29,489,568	355,808,118	8.3%
2015-16	21,162,907	7,772,401	28,935,308	347,306,776	8.3%

- (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 \$5,000,000 which was both issued and repaid during fiscal year 2006.

Table 17
Unaudited

CITY OF ROANOKE
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES
LAST TEN FISCAL YEARS

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Debt Service:										
Principal Retirement	\$ 21,778,211	\$ 20,348,785	\$ 23,529,050	\$ 24,523,873	\$ 23,426,997	\$ 20,778,546	\$ 23,566,295	\$ 22,157,734	\$ 19,822,282	\$ 19,119,311
Interest and Paying Agent Charges	8,306,238	8,593,585	8,611,669	9,522,590	10,936,143	11,372,995	12,768,787	12,286,166	11,189,318	11,103,323
Total Debt Service Payments	30,084,449	28,942,370	32,140,719	34,046,463	34,363,140	32,151,541	36,335,082	34,443,900	31,011,600	30,222,634
Total Government Funds Expenditures	328,124,110	315,807,951	302,963,853	291,715,338	293,852,640	283,033,781	310,792,826	317,601,459	306,874,197	299,375,064
Capital Outlays	(29,501,207)	(33,583,493)	(22,588,742)	(13,855,461)	(10,456,003)	(17,436,961)	(37,764,765)	(40,930,978)	(31,895,657)	(40,817,148)
Total Noncapital Expenditures	298,622,903	\$ 282,224,458	\$ 280,375,111	\$ 277,859,877	\$ 283,396,637	\$ 265,596,820	\$ 273,028,061	\$ 276,670,481	\$ 274,978,540	\$ 258,557,916
Percentage of Noncapital Expenditures	10.07%	10.26%	11.46%	12.25%	12.13%	12.11%	13.31%	12.45%	11.28%	11.69%

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)
2006-07	93,048	\$	\$ 3,477,315,000	12,256	3.2%	4.6%
2007-08	93,734		38,370 (est.) 3,645,705,000	12,286	3.9%	5.6%
2008-09	94,482		37,929 (est.) 3,636,678,000	12,303	7.7%	9.5%
2009-10	97,032		38,713 (est.) 3,747,025,000	12,266	7.4%	9.4%
2010-11	97,061 (est.)		36,948 (est.) 3,576,942,000	12,261	6.9%	9.1%
2011-12	97,206 (est.)		39,100 (est.) 3,827,065,000	13,006	6.5%	8.4%
2012-13	98,641 (est.)		38,453 (est.) 3,799,698,000	13,192	6.4%	7.8%
2013-14	98,913 (est.)		39,385 (est.) 3,915,935,000	13,390	5.7%	6.3%
2014-15	99,320 (est.)		39,385 (est.) 3,915,935,000	13,513	5.6%	5.5%
2015-16	99,681 (est.)		39,385 (est.) 3,915,935,000	13,585	4.1%	5.1%

(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
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
2013-14	583	107,120,600	709	21,150,152
2014-15	535	113,585,224	610	17,416,192
2015-16	541	128,368,145	625	20,843,406

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 2015 AND 2006

Employer	December 31, 2015				December 31, 2006			
	Rank	Ownership	Number of Employees	% of total Employment	Rank	Ownership	Number of Employees	% of total Employment
Carilion	1	Private	1000+	13.06%	1	Private	1000+	9.32%
Roanoke City Public Schools	2	Local Govt.	1000+	3.03%	2	Local Govt.	1000+	2.47%
City of Roanoke	3	Local Govt.	1000+	2.42%	3	Local Govt.	1000+	2.08%
Advance Auto Parts	4	Private	1000+	2.10%	4	Private	1000+	1.86%
Norfolk Southern	5	Private	1000+	1.89%	-	Private	1000+	-
United Parcel Service	6	Private	500-999	1.43%	5	Private	500-999	-
Walmart	7	Private	500-999	1.03%	7	Private	500-999	-
Anthem (Blue Cross & Blue Shield)	8	Private	500-999	1.01%	8	Private	500-999	-
United Health Group	9	Private	500-999	0.83%	-	Private	500-999	-
Kroger	10	Private	500-999	0.81%	9	Private	500-999	1.54%
Carilion Services	-	Private	500-999	-	6	Private	500-999	-
United States Postal Service	-	Federal Govt.	500-999	-	10	Federal Govt.	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										
	2015	2014	2013	2012	2011	(2)	2010	2009	2008	2007	2006
General Government	213	213	211	218	218		159	178	195	193	184
Judicial Administration:											
Sheriff	38	38	35	34	35		33	32	35	31	31
Other	57	54	53	53	58		55	58	57	59	58
Public Safety:											
Police	306	306	305	305	305		284	309	312	305	309
Jail	170	170	173	171	171		161	159	164	165	165
Fire	257	254	254	253	258		259	250	268	270	266
Other	76	71	81	76	75		62	81	76	83	84
Public Works:											
Engineering	14	13	14	16	18		20	20	19	19	17
Maintenance	114	114	112	111	114		127	126	132	144	150
Transportation	65	65	69	83	91		86	79	86	92	82
Other/Stormwater	37	28	22	-	-		-	1	2	2	2
Health and Welfare	234	225	225	221	231		220	224	226	224	224
Parks, Recreation and Cultural	104	102	102	98	118		92	97	112	112	110
Community Development	52	51	51	52	50		42	46	47	47	48
Civic Facilities	-	-	-	-	-		-	(1)	25	(1)	31
Total	1,737	1,704	1,707	1,691	1,742		1,600	1,660	1,756	1,777	1,766

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

(2) In calendar year 2011, the City began reporting full time equivalent positions instead of full time employees. Like data is unavailable in prior years for comparative purposes.

Source: City of Roanoke, Department of Finance

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

Function	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
General Government										
Levied property taxes	\$ 33,465,503	\$ 31,719,207	\$ 30,244,961	\$ 30,301,304	\$ 30,005,358	\$ 29,197,629	\$ 28,773,772	\$ 28,765,002	\$ 30,005,699	\$ 30,487,405
Number of business licenses issued	6,989	7,156	7,253	7,400	7,129	7,458	7,121	7,481	7,369	7,427
Number of property & building permits*	3,719	4,127	4,170	4,234	4,038	4,145	3,158	3,575	3,685	3,433
Police										
Number of traffic summons	9,535	11,787	22,069	22,314	24,111	27,425	21,997	22,592	20,777	18,626
Number of assistance call responses	88,250	85,307	85,393	88,154	93,670	89,498	89,172	90,840	89,131	88,022
Number of hours of training conducted**	26,122	39,990	42,415	47,584	48,230	34,916	19,266	10,238	28,888	47,089
Fire										
Number of emergency call responses	26,900	25,715	25,299	25,251	23,805	23,941	23,630	23,231	23,369	23,686
Highways and Streets										
Number of lane miles resurfaced	75	58	61	25	24	19	41	43	46	51
Number of street lights added	60	15	27	16	10	14	52	73	7	52
Judicial Administration										
Number of criminal cases	6,700	7,702	9,585	10,225	11,792	11,562	12,671	14,917	14,516	12,790
Number of traffic cases	16,221	21,435	27,353	26,557	27,975	30,555	30,335	32,377	29,199	25,613
Number of civil cases	18,459	19,750	20,947	20,624	20,919	20,292	20,668	26,635	31,585	32,391
Parks & Recreation										
Number of participants served	163,000	151,673	133,179	188,101	140,220	130,755	117,484	135,000	160,000	200,000
Education										
Number of instructional personnel	1,116	1,123	1,120	1,115	1,101	1,073	1,113	1,220	1,188	1,193
Number of students	13,585	13,513	13,390	13,192	13,006	12,261	12,266	12,303	12,286	12,256
Libraries										
Number of volumes	258,615	289,979	245,241	341,741	311,495	319,014	402,827	410,216	273,897	320,249
Number of audio materials	13,355	14,524	13,490	12,553	12,120	11,660	12,128	10,923	11,255	10,958
Number of video materials	32,435	29,359	31,158	24,813	21,307	18,791	16,469	16,690	12,358	9,799
Number of annual library visits	554,042	530,295	509,963	686,196	660,559	659,672	707,467	669,511	650,881	548,436
Economic Development										
Number of business contacts made	766	996	838	841	840	504	537	645	349	332
Housing and Neighborhood Services										
Total housing units	47,381	47,356	45,416	45,378	45,340	45,665	45,720	45,710	45,442	47,087
Average assessed value of single-family housing units	\$ 124,482	\$ 125,165	\$ 125,545	\$ 127,244	\$ 129,932	\$ 133,340	\$ 133,276	\$ 132,798	\$ 132,170	\$ 132,778

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.

***Number of business contact made increased due to new and ongoing projects and general inquiries.

Table 23
Unaudited

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

Function	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Police										
Number of vehicular units	161	156	157	160	158	165	162	157	175	165
Fire										
Number of stations	(1)	11	11	11	11	11	12	12	12	12
Number of fire trucks	29	28	28	27	27	28	26	24	24	23
Highways and Streets										
Miles of streets (lane miles)	1,054	1,067	1,067	998	998	998	997	997	997	997
Number of street lights	10,002	9,942	9,927	9,900	9,960	9,950	9,936	9,884	9,811	9,804
Parks and Recreation										
Parks, plazas and recreation sites	71	71	70	69	69 (2)	72	72	68	69	69
Playgrounds/play areas	94	94	94	94	94 (3)	39	39	37	37	37
Football/soccer fields	24	24	24	24	24	26	26	24	24	24
Baseball/softball fields	29	29	29	29	29	31	31	30	30	30
Olympic-size swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	6	6	6	6	6	6	6	6	6	6
Education										
Elementary schools	17	17	17	17	17	17	18	19	20	21
Middle schools	5	5	5	5	5	5	5	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
Kiosks	2	2	2	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, 2016

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Note
<u>Department of Agriculture</u>						
Passed Through Commonwealth of Virginia						
Department of Agriculture:						
Food Distribution - Commodities	10.04.915	10.555	10/1/15	\$ 4,343		3
Subtotal Food Distribution - Commodities				<u>4,343</u>		
Passed Through Commonwealth of Virginia						
Department of Health:						
Summer Food Service Program for Children FY16	58745-15	10.559	10/1/15	34,919		
Subtotal Summer Food Service Program for Children				<u>34,919</u>		
Total Child Nutrition Cluster				39,262		
Passed Through Commonwealth of Virginia						
Department of Social Services:						
State Administrative Matching Grants for Food Stamp Program	-	10.561	multiple	1,882,985		
Subtotal Matching Grants for Food Stamp Program				<u>1,882,985</u>		
Passed Through Commonwealth of Virginia						
Department of Forestry:						
Urban and Community Forestry FY15-Projects	14UCF02	10.664	6/10/14	3,255		
Urban and Community Forestry FY16-Projects	15UCF24	10.664	6/20/15	10,917		
Subtotal Urban and Community Forestry				<u>14,172</u>		
Subtotal Passed Through Commonwealth of Virginia				<u>1,936,419</u>		
Total Department of Agriculture				<u>1,936,419</u>		
<u>Department of Housing and Urban Development</u>						
Direct Programs:						
Community Development Block Grant FY12	B-11-MC-51-0020	14.218	7/25/11	89,825	\$ 83,100	5.1
Community Development Block Grant FY14	B-13-MC-51-0020	14.218	7/31/13	17,798	9,943	5.1
Community Development Block Grant FY15	B-14-MC-51-0020	14.218	7/2/14	179,761	142,656	5.1
Community Development Block Grant FY16	B-15-MC-51-0020	14.218	7/23/15	2,045,479	494,811	5.1
Subtotal Community Development Block Grant				<u>2,332,863</u>		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Note
<u>Department of Housing and Urban Development (continued):</u>						
Emergency Shelter Grant FY15	E-14-MC-51-0020	14.231	7/2/14	\$ 3,695	\$ 3,695	5.2
Emergency Shelter Grant FY16	E-15-MC-51-0020	14.231	7/17/15	128,139	124,239	5.2
Subtotal Emergency Shelter Grant				<u>131,834</u>		
Supportive Housing Program 2015	VA0031L3F021407	14.235	4/6/15	93,086		
Subtotal Supportive Housing Program				<u>93,086</u>		
Shelter Plus Care 2012 Rural Highlands	VA0169C3F021000	14.238	9/21/11	39,871	33,180	5.3
Shelter Plus Care 2015	VA0032L3F021306	14.238	7/16/14	68,423	68,423	5.3
Shelter Plus Care 2016	VA0032L3F021407	14.238	4/28/15	142,950	142,950	5.3
Subtotal Shelter Plus Care				<u>251,244</u>		
HOME Investment in Affordable Housing 14	M-13-MC-51-0206	14.239	7/26/13	102,492	45,808	5.4
HOME Investment in Affordable Housing 15	M-14-MC-51-0206	14.239	7/1/14	458,889	450,074	5.4
HOME Investment in Affordable Housing 16	M-15-MC-51-0206	14.239	7/17/15	259,104	224,423	5.4
Subtotal HOME Investment in Affordable Housing				<u>820,485</u>		
Continuum of Care Planning Grant FY15	VA0238L3F021300	14.267	12/16/14	6,586	6,586	5.5
Continuum of Care Homeless Assistance Team FY16	VA0031L3F021508	14.267	6/17/16	51,840		
Subtotal Continuum of Care				<u>58,426</u>		
Lead Hazard Control FY12	VALHB0510-11	14.900	11/1/11	(11)		
Lead Hazard Control FY15	VALHB0580-14	14.900	12/16/14	674,454		
HUD Pilot Database Project FY15	HUD-OLHCHH	N/A	11/1/14	422		
Subtotal Lead Hazard Control				<u>674,865</u>		
Subtotal Department of Housing and Urban Development Direct Programs				<u>4,362,803</u>		
Total Department of Housing and Urban Development				<u>4,362,803</u>		
<u>Department of Justice</u>						
Direct Programs:						
Safe Havens Visitation Program FY14	2013-FL-AX-K016	16.527	10/1/13	98,503	98,503	5.6
Subtotal Safe Havens Visitation Program				<u>98,503</u>		
State Criminal Alien Assistance Program FY16	2015-AP-BX-0811	16.606	9/23/15	12,240		
Subtotal SCAAP Program				<u>12,240</u>		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Note
<u>Department of Justice (continued)</u>						
Bulletproof Vests FY14 (Police & Sheriff)	2013BUBX13068334	16.607	9/11/13	\$ 2,253		
Bulletproof Vests FY15 (Police & Sheriff)	2014BUBX14067200	16.607	7/28/14	13,476		
Bulletproof Vests FY15 (Police & Sheriff)	2015BUBX15077100	16.607	8/11/16	657		
Subtotal Bulletproof Vests				<u>16,386</u>		
Justice Assistance Grant FY13 (Bike Patrol/Tech Improve)	2012-DJ-BX-0588	16.738	10/1/11	25,503		
Justice Assistance Grant FY14 (Bike Patrol/Tech Improve)	2013-DJ-BX-0840	16.738	10/1/12	20,875		
Justice Assistance Grant FY15 (Bike Patrol/Tech Improve)	2014-DJ-BX-0534	16.738	10/1/13	34,240		
Justice Assistance Grant FY16 (Bike Patrol/Tech Improve)	2015-DJ-BX-0723	16.738	10/1/14	31,253		
Subtotal Justice Assistance				<u>111,871</u>		
Equitable Sharing Funds - Department of Justice	-	16.922	multiple	20,006		
Subtotal Equitable Sharing Funds DOJ Program				<u>20,006</u>		
Subtotal Department of Justice Direct Programs				<u>259,006</u>		
Passed Through Commonwealth of Virginia						
Department of Criminal Justice Services:						
Victim Witness Assistance FY16	16-V8554VW15	16.575	7/1/15	108,848		
Subtotal Victim Witness Assistance				<u>108,848</u>		
Police Domestic Violence Unit CY15	15-Q3153VA14	16.588	1/1/15	11,547		
Police Domestic Violence Unit CY16	16-R3153VA15	16.588	1/1/16	17,409		
Subtotal Police Domestic Violence				<u>28,956</u>		
Justice Assistance Grant FY15 (Drug Market Initiative)	15-C2629AD13	16.738	10/1/14	16,209		
Subtotal Drug Market Initiative				<u>16,209</u>		
Subtotal Passed Through Commonwealth of Virginia				<u>154,013</u>		
Total Department of Justice				<u>413,019</u>		
<u>Department of Labor</u>						
Passed Through Commonwealth of Virginia						
Virginia Community College System/USDOL:						
Workforce Investment Act PY2014 - Adult Program	LWA 3-14-04	17.258	10/1/14	460,148	\$ 460,148	5.7
WIOA PY2015 - Adult Program	LWA 3-15-03	17.278	10/1/15	71,517	71,517	5.7
Subtotal Workforce Investment Act Adult				<u>531,665</u>		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Note
<u>Department of Labor (continued)</u>						
Workforce Investment Act PY2014 - Youth Activities	LWA 3-14-04	17.259	4/1/14	\$ 334,906	\$ 334,906	5.7
WIOA PY2015 - Youth Activities	LWA 3-15-03	17.278	4/1/15	39,639	39,639	5.7
Subtotal Workforce Investment Act Youth				<u>374,545</u>		
Workforce Investment Act PY2014 - Dislocated Worker	LWA 3-14-04	17.278	10/1/14	462,418	462,418	5.7
WIOA PY2014 - WIOA Transition Activities	LWA 3-15-03	17.278	1/1/15	1,965	1,965	5.7
WIOA PY2015 - Dislocated Worker	LWA 3-15-03	17.278	10/1/15	39,639	39,639	5.7
Subtotal Workforce Investment Dislocated Worker				<u>504,022</u>		
Subtotal Passed Through Commonwealth of Virginia				<u>1,410,232</u>		
Total Department of Labor				<u>1,410,232</u>		
Total Workforce Investment Cluster				<u>1,410,232</u>		
<u>Department of Transportation</u>						
Passed Through Commonwealth of Virginia						
Department of Motor Vehicles:						
Speed Enforcement FY14	SC-2014-54417-5665	20.600	9/30/13	(220)		
Speed Enforcement FY15	SC-2015-55336-6075	20.600	9/30/14	5,501		
Speed Enforcement FY16	SC-2016-56401-6601	20.600	9/30/15	9,001		
Occupant Protection FY15	OP-2015-55365-6104	20.600	9/30/14	1,135		
Occupant Protection FY16	OP-2016-56399-6599	20.600	9/30/15	8,998		
Pedestrian/Bike Enforcement FY16	PS-2016-56403-6603	20.600	9/30/15	2,284		
Subtotal Highway Safety				<u>26,699</u>		
Alcohol Enforcement FY15	K8-2015-55358-6097	20.601	9/30/14	11,354		
Alcohol Enforcement FY16	K8-2016-56365-6565	20.601	9/30/15	13,473		
Subtotal Alcohol Impaired Driving				<u>24,827</u>		
Alcohol Enforcement FY14	154AL-2014-54386-5634	20.607	9/30/13	38		
Subtotal Alcohol Open Container				<u>38</u>		
Occupant Protection FY14	M2HVE-2014-54416-5664	20.616	9/30/13	220		
Subtotal National Priority Safety Program				<u>220</u>		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Note
<u>Department of Transportation (continued)</u>						
Passed Through Commonwealth of Virginia						
Department of Transportation:						
Roanoke River Greenway - Bridge the Gap	UPC 105439	20.205	1/30/14	\$ 417,412		
Safe Routes to Schools - Garden City Project	UPC 102856	20.205	4/11/12	239,248		
Virginian Railway Passenger Station TEA21	UPC 78217	20.205	7/28/06	492,736	\$ 492,736	5.8
Transportation Alternative RR Grant - Garden City Greenway	UPC 106265	20.205	5/6/16	4,752		
Transportation Alternative Grant - Melrose Ave. Bus Station	UPC 106266	20.205	2/5/15	158,223		
Regional Surface Transportation Program FY14	UPC 105015	20.205	12/12/13	102,722		
Subtotal Highway Planning and Construction				<u>1,415,093</u>		
VDEM Haz Mat Preparedness FY15				21,799		
Subtotal Hazardous Materials Training and Planning Programs				<u>21,799</u>		
Subtotal Passed Through Department of Transportation				<u>1,436,892</u>		
Total Department of Transportation				<u>1,488,676</u>		
<u>Department of Treasury</u>						
Direct Programs:						
Equitable Sharing Funds - Attorney General	-	21.000	multiple	76,685		
Equitable Sharing Funds - Department of Treasury	-	21.000	multiple	59,439		
Subtotal Equitable Sharing Funds DOT Programs				<u>136,124</u>		
Total Department of Treasury				<u>136,124</u>		
<u>Environmental Protection Agency</u>						
Direct Programs:						
EPA Brownfield Site Assessment FY16	96339901	66.818	9/2/15	87,954		
Subtotal Brownfield Remedial Programs				<u>87,954</u>		
Subtotal Environmental Protection Agency Direct Programs				<u>87,954</u>		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Note
<u>Environmental Protection Agency (continued)</u>						
Passed Through James Madison University: Vehicle Emission Reduction FY16	96341801	66.039	9/24/15	\$ 18,744		
Subtotal Brownfield National Clean Diesel Programs				18,744		
Subtotal Passed Through James Madison University				18,744		
Total Department of Environmental Protection Agency				106,698		
<u>Substance Abuse Mental Health Services Administration</u>						
Passed Through Commonwealth of Virginia Virginia Commonwealth University (VCU): Strategic Prevention Framework State Incentive Grant FY15	PT107960-SC106015	93.243	6/1/14	72		
Subtotal Strategic Prevention Framework' Program				72		
Subtotal Passed Through Commonwealth of Virginia				72		
Total Substance Abuse Mental Health Services Administration				72		
<u>Department of Homeland Security</u>						
Passed Through Commonwealth of Virginia Department of Homeland Security: Emergency Management Assistance	-	97.042	10/1/15	53,387		
Subtotal Emergency Management Assistance Programs				53,387		
Emergency Management Flood Plain - Mitigation FY15	PDMC-03VA-2013	97.047	7/19/14	950		
Subtotal Pre-Disaster Mitigation				950		
State Homeland Security FY14	2013 SHSP LOCAL	97.067	2/18/14	67,870		
State Homeland Security Heavy Tactical Equip FY15	FY2014-SHSP LAW ENF	97.067	10/1/14	72,000		
State Homeland Security Heavy Tactical Rescue Team FY14	FY2014-SHSP HTR/SWR	97.067	10/1/14	81,075		
State Homeland Security Heavy Tactical Rescue Team FY15	FY2015-SHSP HTR/SWR	97.067	2/24/16	4,605		
State Homeland Security Response Team Protective Equipment FY:	FY2015-SHSP RTE	97.067	2/4/16	20,669		
Subtotal Homeland Security Grant Programs				246,219		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Note
<u>Department of Homeland Security (continued)</u>						
State Homeland Security Haz-Mat Team Equip FY15	2015 SHSP HAZ-MAT	97.073	2/24/16	\$ 8,980		
State Homeland Security Mass Care Shelter Enhancement FY15	2015 SHS GRANT	97.073	5/2/16	12,924		
Subtotal State Homeland Security Programs				21,904		
Subtotal Passed Through Commonwealth of Virginia				322,460		
Total Department of Homeland Security				322,460		
<u>Department of Health and Human Services</u>						
Passed Through Commonwealth of Virginia						
Department of Social Services:						
Promoting Safe and Stable Families	-	93.556	multiple	84,642		
PSSF Child Abuse Prevention FY16	FAM-15-059-08	93.556	7/1/15	16,744		
Subtotal Promoting Safe and Stable Family Programs				101,386		
Temporary Assistance for Needy Families	-	93.558	multiple	2,034,139		
Refugee & Entrant Assistance-State Administered Program	-	93.566	multiple	34,131		
Low-Income Home Energy Assistance	-	93.568	multiple	188,728		
Child Care and Development Block Grant	-	93.575	multiple	(895)		
Child Care Mandatory-Child Care and Development Fund	-	93.596	multiple	251,518		
Total CCDF Cluster				250,623		
Education & Training Vouchers Program	-	93.599	multiple	22,397		
Child Welfare Services	-	93.645	multiple	10,636		
Foster Care Title IV-E	-	93.658	multiple	1,890,237		
Adoption Assistance	-	93.659	multiple	2,866,104		
Social Services Block Grant	-	93.667	multiple	1,564,397		
Foster Care Independence Program	-	93.674	multiple	38,973		
Children's Insurance Program	-	93.767	multiple	79,052		
Medical Assistance Program	-	93.778	multiple	2,394,977		
Subtotal Passed Through Commonwealth of Virginia				11,475,780		
Total Department of Health and Human Services				11,475,780		
Grand Total Federal Financial Assistance				\$ 21,652,283	\$ 3,831,359	

The accompanying notes are an integral part of this schedule.

(Continued)

**Notes to the Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2016**

Note 1 – Basis of Accounting

This Schedule of Expenditures of Federal Awards (Schedule) is prepared on the same basis of accounting as the City of Roanoke's financial statements. The City uses the modified accrual basis of accounting, in which expenditures are generally recognized when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due. Program income earned while administering Federal programs or projects are reported using the additive method. Under this method, expenditures from this income is reported on the SEFA in addition to expenditures made from the original grant.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Non-cash Awards – food donations

The amount of food commodities reported on the Schedule is the value of the food received by the Roanoke Juvenile Detention Home through the U.S. Department of Agriculture donated food distribution program during current year and priced as net dollar, fair market value as furnished by the U.S. Department of Agriculture.

Note 4 – Indirect Cost Rate

The City uses a direct cost method for administrative expenses within Federal Programs. The City has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 5 – Subrecipient Expenditure Summary

The following chart summarizes Federal funds that passed through the City to subrecipients for the fiscal year ending June 30, 2016:

Note	Group	Total Expenditures
5.1	Community Development Block Grants	\$ 730,510
5.2	Emergency Shelter	127,934
5.3	Shelter Plus Care	244,553
5.4	HOME Investment in Affordable Housing	720,305
5.5	Continuum of Care	6,586
5.6	Safe Havens Visitation Program	98,503
5.7	Workforce Investment	1,410,232
5.8	Highway Planning and Construction	492,736
	Total	<u>\$ 3,831,359</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2016. Our report includes a reference to other auditors who audited the financial statements of the School Board of the City of Roanoke, Virginia, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Roanoke, Virginia
December 14, 2016

**Report of Independent Auditor on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Roanoke, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. The City's basic financial statements include the operations of the School Board of the City of Roanoke, Virginia (the "School Board") and the Greater Roanoke Transit Company (the "GRTC"), discretely presented component units of the City, which received \$21,359,726 and \$3,179,834, respectively, in federal awards which are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2016. Our audit, described below, did not include the operations of the School Board and the GRTC because the component units engaged other auditors to perform an audit in accordance with the Uniform Guidance. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in blue ink that reads "Cheryl Behrman CP".

Roanoke, Virginia
December 14, 2016

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

A. Summary of Auditor's Results

1. The type of report issued on the financial statements: **Unmodified Opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None Reported**
3. Material weaknesses: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None Reported**
6. Material weaknesses: **No**
7. The type of report issued on compliance for major programs: **Unmodified Opinion**
8. Any audit findings which are required to be reported under the Uniform Guidance: **No**
9. The programs tested as major programs were:

	<u>Name of Program</u>	<u>CFDA #</u>
SNAP Cluster		10.561
WIA Cluster		17.258, 17.259, 17.278
TANF Cluster		93.558-CL
CDBG - Entitlement Grant Cluster		14.218-CL
Social Services Block Grant		93.667

10. Dollar threshold to distinguish between Type A and Type B Programs: **\$750,000**
11. The City of Roanoke, Virginia was not determined to be a low risk auditee.

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2016

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

C. Findings and Questioned Costs Relating to Federal Awards

None

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

None

E. Resolution of Prior Year Audit Findings

Finding: 2015-01 Internal Control over Financial Reporting – Accounts Payable (Material Weakness)

Current Status: Corrective action was taken in fiscal year 2016, no repeat finding.

Finding: 2015-02 Internal Control over Financial Reporting – Stormwater Revenues and Receivables (Material Weakness)

Current Status: Corrective action was taken in fiscal year 2016, no repeat finding.

2015-003: Internal Control over Financial Reporting – Modified Accrual Revenue Recognition (Significant Deficiency)

Current Status: Corrective action was taken in fiscal year 2016, no repeat finding.

2015-004: Non-compliance and Significant Deficiency: Period of Availability – Community Development Block Grant (CFDA Number 14.218)

Current Status: Corrective action was taken in fiscal year 2016, no repeat finding.

2015-005: Non-Compliance and Significant Deficiency: Subrecipient Monitoring – Workforce Investment Act (“WIA”) Cluster (CFDA Numbers 17.258, 17.259, and 17.278)

Current Status: Corrective action was taken in fiscal year 2016, no repeat finding.

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

E. Resolution of Prior Year Audit Findings (continued)

2015-006: Non-Compliance: Highway Maintenance

Current Status: Corrective action was taken in fiscal year 2016, no repeat finding.

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

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Andrea F. Trent
Cindy M. Kirby

Director of Finance
Assistant Director of Finance
Administrative Assistant IV

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Acquenatta D. Jackson-Harris
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Senior Accountant
Accountant
Accountant
Accountant
Account Technician
Account Technician
Accounting Supervisor
Account Technician

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