

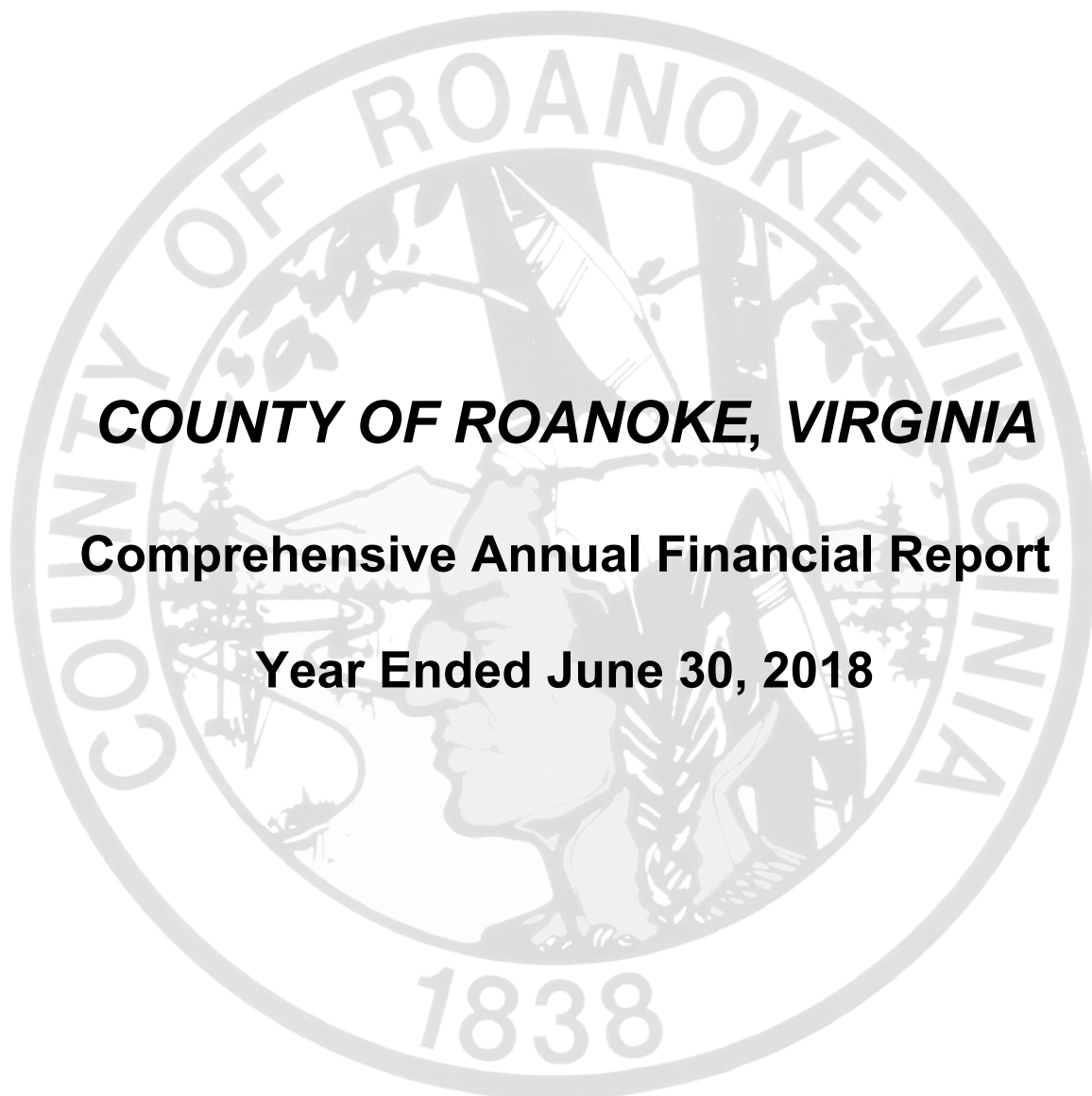
# County of Roanoke, Virginia

## Comprehensive Annual Financial Report



*Year Ended June 30, 2018*





***COUNTY OF ROANOKE, VIRGINIA***  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2018**

Prepared by the

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## County of Roanoke Board of Supervisors



Martha B. Hooker  
Chair  
Catawba District



P. Jason Peters  
Vice Chairman  
Vinton District



George G. Assaid  
Cave Spring District



Phil C. North  
Hollins District



Joseph P. McNamara  
Windsor Hills District



Thomas C. Gates  
County Administrator



**COUNTY OF ROANOKE, VIRGINIA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2018**

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# INTRODUCTORY SECTION



## **County of Roanoke**

Department of Finance  
5204 Bernard Drive, PO Box 29800  
Roanoke, VA 24018

November 16, 2018

To the Honorable Chairman, Members of the Board of Supervisors, and Citizens of the County of Roanoke, Virginia:

It is with pleasure that we submit to you the Comprehensive Annual Financial Report (CAFR) of the County of Roanoke, Virginia (the County) for the fiscal year ended June 30, 2018. State law requires that all local governments have their accounts and records, including those of the constitutional officers, audited annually as of June 30 by an independent certified public accountant and that the audited financial report be submitted on or before November 30 to the Auditor of Public Accounts of the Commonwealth of Virginia (APA). This report has been prepared by the County's Department of Finance in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB).

The CAFR was prepared with an emphasis on full disclosure of the financial activities of the County. Responsibility for both the completeness and reliability of the information contained in this report rests solely with County management, and is based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The auditing firm of Cherry Bekaert LLP, a firm of independent certified public accountants, has issued unmodified opinions on the County's basic financial statements as of and for the fiscal year ended June 30, 2018. Those opinions are located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the report of the independent auditor and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### **Profile of the Government**

The County of Roanoke is primarily the suburban hub of the Roanoke Valley. Within the County's geographical boundaries lie the independent cities of Roanoke and Salem, as well as the Town of Vinton. The County's provisional population is 93,735<sup>1</sup>, up 1.6% from the 2010 census population of 92,253. The County is part of the Roanoke Metropolitan Statistical Area (MSA) that has a total population of 319,344, reflecting an increase of 3.4% over the 2010 census. The County is within easy reach of major markets for local manufacturers and distributors via Interstate 81 and railway access.

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<sup>1</sup> Population source: Weldon Cooper Center for Public Service, University of Virginia.

The County is governed by a charter approved by the 1986 session of the Virginia General Assembly, which grants additional authority to the County Administrator. The Board of Supervisors (the Board) is the governing body of the County. Members of the Board, one from each of five magisterial districts, are elected to four-year terms. Board members annually select a Chairman and Vice-Chairman to each serve a one-year term.

The Board appoints a County Administrator to act as administrative head of the County. The County Administrator, who serves at the pleasure of the Board, carries out its policies and directs business procedures. All department heads report to the County Administrator, except for the County Attorney, who reports directly to the Board. Five constitutional officers (Commissioner of the Revenue, Commonwealth's Attorney, Clerk of the Circuit Court, Sheriff and Treasurer) are elected by the voters of the County and are not accountable to the Board, but work closely with the Board and the County Administrator.

The County provides a full range of services, including police and fire protection, curbside trash and brush collection, general public improvements, planning and zoning management, recreation and cultural activities, economic development and general administrative support. Residents enjoy certain other services provided through joint cooperation with neighboring localities, such as airport facilities, solid waste facilities, and water and sewer services.

The County provides education through its Roanoke County Public Schools system (School System) administered by the Roanoke County Public School Board (School Board) and promotes industry through the Economic Development Authority (EDA). The School System and EDA have been reflected as discretely presented component units in the accompanying financial statements because, under GASB pronouncements, they are legally separate entities for which the County is financially accountable. The School Board administers the County's schools and its own appropriations within the categories defined by the *Code of Virginia*, but is fiscally dependent upon the County because the Board of Supervisors approves the budget, levies the necessary taxes to finance operations and issues debt to finance capital projects. Additional information for the Schools is available in the separately published Roanoke County Public Schools comprehensive annual financial report. The EDA has the power to issue tax-exempt industrial development revenue bonds to qualifying enterprises wishing to utilize that form of financing. Those bonds represent limited obligations of the EDA and are to be repaid solely from revenue and receipts derived from the projects funded with the proceeds. The outstanding debt does not constitute a debt or pledge for the faith and credit of the County or the EDA.

The annual budget serves as the foundation of the County's financial planning and control. All departments of the County generally submit requests to the Department of Management and Budget in November of each year. The County Administrator uses these requests as the starting point for developing a proposed budget. The County Administrator then presents the proposed budget to the Board. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the County's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff's office) with the budget appropriation resolution, adopted by the Board of Supervisors, placing legal restrictions on expenditures at the fund level.

## **Economic Condition and Outlook**

### **Local Economy**

Fiscal year 2018 continued to show signs of economic stability in the Valley. Unemployment as of June 30, 2018 remained low at 3.1%<sup>2</sup>, which is below the State average of 3.2%<sup>3</sup>.

Additionally, according to the “Greater Roanoke Virginia Statistical Guide” produced by the Roanoke Regional Chamber of Commerce, the Valley’s overall cost of living index is 90, indicating that costs in Roanoke are 10% lower than the national average of 100%. The composite index is based on six component categories: housing, utilities, grocery items, transportation, health care, and miscellaneous goods and services.

### **Economic Development**

The County and region strive to promote a healthy and growing economic base that includes a diverse mix of manufacturing, medical, wholesale/retail trade, finance, insurance and banking, corporate headquarters and related businesses. The County’s multi-faceted economic development strategy includes an active business attraction, retention and expansion program, infrastructure and site development initiatives, and the redevelopment of key County properties. Ongoing outreach efforts with business leaders enable the County to identify company needs and provide appropriate assistance.

Fiscal year 2018 brought about the official service launch of the Roanoke Valley Broadband Authority’s 25-mile fiber service extension into the County. County leaders “lit the network” with a ribbon cutting event at South County Library, and joined Roanoke City and the City of Salem in uniting an ~80 mile carrier-grade regional offering. The RVBA is now serving Roanoke County organizations in the business, non-profit, and public sectors delivering multi-terabit capacity and fiber-to-the-door service at speeds up to 400 Gbps. The Roanoke Valley Broadband Authority (RVBA) offers reliable high-speed fiber connectivity options -- including internet, data transport, and dark fiber services -- to help local businesses compete, scale, and thrive in today’s digital dependent economy.

The Wood Haven Technology Park achieved a milestone in 2018 with the rezoning of 113 acres to a planned technology development district which will accommodate high quality, high investment projects. The Wood Haven Technology Park will be the largest, prepared site in the urban area and represents the greatest economic opportunity for the region, given its gateway location at the intersection of I-81 and I-581. The technology park is a joint development of Roanoke County, the City of Roanoke, and City of Salem through the Western Virginia Regional Industrial Facility Authority.

To support the development of the Wood Haven Park, an Opportunity Zone designation was secured to attract new development, and numerous grants have been received to extend utilities and create an entrance to the property. Site preparation and marketing strategies are planned for FY 19. Funding was also obtained in 2018 to begin studying the Interstate 581 intersection at Exit 2 (Peters Creek Road) to determine potential improvements that could benefit existing businesses as well as the future Wood Haven property development.

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<sup>2</sup> Virginia Employment Commission statistics

<sup>3</sup> U.S. Bureau of Labor Statistics



The Route 419 corridor is the center of commerce for Roanoke County, and a key economic driver for the community. Roanoke County's vision is to revitalize this corridor through the 419 Town Center Study, a planning study of 390 acres from Route 220 to Starkey Road in the Route 419 area near Tanglewood Mall. Staff completed the bulk of its work in FY 17 to create the 419 Town Center Plan, which incorporates a comprehensive market and residential analysis, design standards, transportation improvements and development concepts to encourage the redevelopment of catalyst sites within the corridor. Plan refinements continued in FY 18.

The Route 419 Widening, Safety, and Multimodal Improvements project, funded in 2016, is currently underway to address congestion on Route 419 in the 419 Town Center Study area. The improvements will extend about six-tenths of one mile from the County line at Route 220 to Ogden Road and include an additional southbound travel lane, plus bicycle and pedestrian accommodations. The project received \$1 million in Highway Safety Improvement Program funds and \$4.8 million in HB2/Smart Scale funds in June 2016. Surveying and Preliminary Engineering is currently underway, with construction proposed for FY 2020. Funding was also received in 2018 to begin designing a Diverging Diamond Interchange at the intersection of Route 419 and Route 220.

Tanglewood Mall continues to represent a significant opportunity to repurpose this property for greater economic development outcomes. Tanglewood Mall is the County's most noted and high-profile commercial development in the County's busiest commercial corridor, and is a catalyst site highlighted in the Route 419 Town Center Plan. Redevelopment scenarios have been created and property owners have been encouraged to incorporate design concepts consistent with the goals and strategies outlined in the Plan to enhance the livability, accessibility and economic impact of the area.

Two additional studies were initiated in 2018 to "reimagine" both the Oak Grove and Hollins areas of the County. Four community meetings have been held for both the Oak Grove Center Plan and the Hollins Center Plan. The draft plans will be revealed in early 2019.

Redevelopment projects continued throughout the year, with some bringing an expected completion date into FY 19. These projects in total represent more than \$17 million in new investment and 600 jobs, while returning previously underutilized County-owned property into productive and taxable reuse. Updates on these projects are as follows:

1. William Byrd School – construction on this redevelopment project began during the fiscal year to create 85 market rate apartments within the Town of Vinton, with expected completion in FY 19.
2. Vinton Library – construction began on this redevelopment project to convert the property into a restaurant use, with expected completion in FY 19.
3. Former Allstate building – This property was sold to Metis Holdings in FY 18, bringing a \$8 million redevelopment project to convert the building into a multi-tenant facility with an expected employment of up to 600 people within the Oak Grove planning area. Construction will continue through FY 19.

Other commercial and industrial expansion projects included the completion of a new Tru by Hilton hotel with an \$8 million investment. Blue Ridge Beverage also announced a 40,000 sq. ft. expansion with a \$2.5 million investment, and Ardagh Packaging invested \$4.2 million in continued growth in the County. Harris Corporation created in excess of 50 new jobs supported by workforce training assistance from the state. A \$1.5 million Magnets USA expansion was also supported by re-training assistance from the Virginia Economic Development Partnership

The County's Economic Development Department successfully utilizes provisions under the public/private partnership policy that allows businesses to receive assistance from the County for qualifying facility expansions and relocations. The expected return on investment in new taxes and employment is a critical measure governing the use of public funds to assist businesses and industries. The Department is an Accredited Economic Development Organization (AEDO), through the International Economic Development Council (IEDC) and has maintained this status since its original designation in 2004.

The County recognizes the importance of expanding the business tax base to provide revenues for needed services. Further, the County is committed to attracting and retaining quality jobs and investments that will diversify the economy, broaden the tax base, and provide long-term employment opportunities for residents.

### **Long-Term Financial Planning**

The County annually prepares a Capital Improvement Plan (CIP). The CIP serves as a planning tool for efficient, effective and equitable distribution of public improvements throughout the County. The CIP represents a balance between finite resources and an ever-increasing number of competing County priorities. This balance was achieved using the priorities and objectives established by the Board of Supervisors.

The Board of Supervisors adopted a formal policy for the establishment, maintenance, and use of unassigned general fund balance to provide for the long-term economic stability of the County of Roanoke. This policy increases the unassigned fund balance incrementally over several years with the ultimate goal of 11% of general fund revenues. Rating agencies carefully monitor levels of unassigned fund balance in a government's general fund to evaluate a government's continued credit worthiness. The rating agencies recommend that the unassigned balance be maintained at a level between 10% and 15% of the general fund revenues.

At June 30, 2018 the unassigned fund balance for the general fund was 11.00% of the fiscal year 2018 general fund budgeted revenues. This is a tenet of the Board's commitment to prudent financial planning because it eliminates the need for short-term borrowing, ensures that current obligations, including debt payments, can be met and provides a cushion against the potential shock of any unexpected change in revenues. This practice, along with our prudent debt management policies, allows the County to maintain strong bond ratings. The County has bond ratings on outstanding lease revenue bonds as follows: Standard & Poor's AA, Moody's Investor Service Aa2, and Fitch AA.

### **Relevant Financial Policies**

The County of Roanoke adopted policies which allocate the balance at the end of a fiscal year from excess revenues and/or unspent expenditures to capital. The policy allocates all of the revenues in excess of budget at year end, first to the General Fund Unassigned Balance until the maximum amount for the current year is met, and next to capital reserves. Also, unspent expenditure appropriations at year end are allocated to capital reserves. These policies were adopted in conjunction with the School System to ensure continued funding for needed capital improvements.

## Major Initiatives

Initiatives of the County of Roanoke promote economic progress, improve the community's quality of life, and position the County to respond to future development needs. The County is committed to providing quality housing and continues to receive positive publicity for the quality of life enjoyed by citizens and potential business prospects. Roanoke County saw the continuation of major capital and educational initiatives in the 2017-2018 fiscal year. Major initiatives for 2017-2018 included:

**Education:** Roanoke County Public Schools is the 19<sup>th</sup> largest of 132 school systems in the Commonwealth of Virginia. The School Board consists of five members elected to four-year terms.

The School System provides a broad spectrum of general, special, gifted, career and technical education opportunities for 14,096 students (including pre-kindergarten) between the ages of 3 and 21 at sixteen elementary schools, five middle schools, five high schools, and one specialty center. Roanoke County Public Schools had a strong year in terms of standards of learning (SOL) performance. The School system again had all of its 26 schools fully accredited for the 2018-2019 school year based on 2017-2018 results.

The School System has been recognized for the past 15 years as one of the "Best Communities for Music Education in America" by the NAMM Foundation and one of only eleven school districts in Virginia. This recognition demonstrates the School System's commitment to quality music education despite the financial pressures on fine arts programs throughout the country.

**Eastern Section of the Roanoke River Greenway:** This project entails the planning, design and construction of approximately 2.7 miles of the Roanoke River Greenway in the eastern portion of the County, from the water treatment plant in the City of Roanoke to the Blue Ridge Parkway. The project is has completed the design phase and is in the right of way acquisition stage. The project is funded through approximately \$6.8 million in VDOT Transportation Alternatives and Regional Surface Transportation Program (RSTP) funds with a local match of approximately \$193,000. The project is estimated to be completed in the summer of FY 2020-21.

**Western Section of the Roanoke River Greenway:** This project entails the planning, design and construction of approximately 1.6 miles of the Roanoke River Greenway in the western portion of the County, from Green Hill Park in Roanoke County to Riverside Park in the City of Salem. The project has completed its design stage and is in the right of way acquisition stage. The project is funded through approximately \$8.03 million in VDOT Open Container (OC), Regional Surface Transportation Program (RSTP) funds and VDOT SMART SCALE funds. The project is estimated to be completed in the summer of FY 2020-21.

**Explore Park:** Explore Park is an 1100 acre outdoor recreation park located in the eastern part of Roanoke County connecting with the Blue Ridge Parkway. In 2016, the Board of Supervisors adopted the Explore Park Adventure Plan that outlines the 15 year development plan for a regional park that will host not only local users but tourists from the surrounding region. Explore Park's plan focuses on private development for many of the recreational amenities such as a lodge, campground, cabins, restaurant, gas station, country store, rental facilities, ropes course and river access, creating a positive economic impact to the Roanoke Valley. Roanoke County is contracting with private firms to begin private recreation operations in 2018-2019. The FY 16-17 capital project for Explore Park includes the design and construction of public water and sewer to the entrance of the park. The project cost is \$800,000. This project will be completed in the fall of 2018. The cabin and yurt campground project will be completed in the fall of 2018 with a project

cost of \$900,000. Explore Park has three private vendors currently in operation with two additional contracts starting in spring/summer of 2019.

**Plantation Road Project:** The Plantation Road Bicycle, Pedestrian and Streetscape Improvement Project was started in 2009. The project encompasses the length of Plantation Road (Route 115) from Interstate 81 to Williamson Road (Route 11), a distance of nine-tenths of one mile. The proposed improvements include sidewalks, pedestrian crosswalks, pedestrian signals, bicycle facilities, street trees, pedestrian-scaled lighting, a Hollins community identification sign, landscaping and drainage improvements. Shared-use trails will connect Walrond Park to the Hollins University segment of the Tinker Creek Greenway and ultimately to the 40 miles of trails at Carvins Cove Natural Reserve. Phase 1 is complete and includes a shared use path from Williamson Road to Walrond Drive with curb, gutter, street trees and a Welcome to Hollins sign. A total of about \$1.3 million was awarded in 2016 for Lila Drive Intersection Safety Improvements. The Right-of-Way phase is underway and construction is anticipated in FY 2020. Another \$1.8 million was awarded in 2017 for Phase 2 of the Plantation Road Project which will continue sidewalks, curb, gutter and street trees from Walrond Drive to Gander Way/Friendship Lane. The project will also include Walrond Drive intersection improvements, pedestrian signals and crosswalks at the Gander Way/Friendship Lane intersection. Preliminary Engineering will begin shortly and construction is anticipated to begin in FY 2021.

**Masons Cove Fire and Rescue Station Renovation:** The Masons Cove Fire and Rescue station received renovations necessary to support occupancy by 24-hour staff and volunteer personnel on duty. The station was originally designed for light use and volunteer response to calls. The project included accommodations to include sleeping quarters, kitchen needs, bathrooms and showers for male and female personnel; as well as associated mechanical, electrical, and plumbing needs. The project cost was approximately \$370,000.

**Green Ridge Recreation Center Generator and Emergency Shelter:** This completed project provides the County with the ability to have a facility available as a shelter area if necessary for use in an emergency event. Previously, the County did not have a facility capable of serving a large number of people in such an event. This project included engineering design, generator installation, electrical modifications necessary to support the generator, and logistical planning work for potential emergency use. The cost of \$350,000 was supplemented by two grants totaling \$70,000 obtained by the Fire and Rescue Department.

**Public Service Center Facility:** This multi-phase project was initiated in the FY 2017 Capital Improvement Plan (CIP) through the completion of a comprehensive building planning study to identify options for the replacement of this existing facility that provides office space, shops, storage, and equipment staging for multiple County Departments. FY 2018 resulted in contracting for the acquisition of a key property adjacent to the County's Fleet Service Center necessary for a major phase of the project. Architectural and Engineering Service procurement was also initiated and the resulting project design for multiple phases is anticipated to begin in the first half of FY 2019. Project construction is anticipated to begin in FY 2020. The total cost for all prior and future project phases is anticipated to be \$15.3 million.



## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Roanoke for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This was the thirty-fourth consecutive year that Roanoke County has received this prestigious honor. In order to be awarded a Certificate of Achievement, governments have to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. In addition, the County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2018. This was the thirty-second consecutive year that the government received this esteemed recognition. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document must be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

In closing, we would like to express our sincere gratitude to the personnel in the Department of Finance for their dedication to assuring the financial integrity of the County of Roanoke and the preparation of this report. Appreciation is also extended to the Board of Supervisors and the administration, whose continuing leadership and support is essential to the financial health of the County of Roanoke.

Sincerely,



Thomas C. Gates  
County Administrator



Rebecca E. Owens  
Director of Finance

## **History of Roanoke County, Virginia**

In the 1740s, the first Scotch-Irish and German settlers reached the upper Roanoke Valley by traveling from Pennsylvania through the Shenandoah Valley. They were joined by Tidewater Virginians of English ancestry who journeyed up the valleys of the James and Roanoke Rivers.

Roanoke County, named after the Roanoke River, was formed in 1838 from a portion of Botetourt County and in 1849 a portion of Montgomery County was added. Roanoke County's name comes from the Indian word "Rawrenock", which means wampum. Wampum were white shell beads worn by Native Americans. This explanation comes from Captain John Smith, who wrote about the origins of Roanoke Island in North Carolina's Albermarle Sound.

Most of Roanoke County was rural in nature and farming was predominant throughout the area. By the latter half of the 20th century, Roanoke County, (the "County"), was in transition from farm to factory, but the County's rural population was still relatively large in 1920.

The County today has a population of approximately 93,735 and is a mostly suburban area that surrounds the City of Roanoke. Its 251 square miles include the Town of Vinton; Hollins, home of the prestigious Hollins University for women; and historic Bonsack. A diversified economic base helps to provide security from market fluctuations related to particular products.

The County is governed by a charter approved by the 1986 session of the Virginia General Assembly, which grants additional authority to the County Administrator. The Board of Supervisors is the governing body of the County. Members of the Board, one from each of five magisterial districts, are elected to four-year terms. Board members annually select a Chairman and Vice-Chairman to each serve a one-year term.

The Board appoints a County Administrator to act as administrative head of the County. The County Administrator serves at the pleasure of the Board, carries out its policies and directs business procedures. All department heads report to the County Administrator except for the County Attorney who reports directly to the Board. Five constitutional officers (Commissioner of the Revenue, Commonwealth's Attorney, Clerk of the Circuit Court, Sheriff, and Treasurer) are elected by the voters of the County and are not accountable to the Board, but work closely with the Board and the County Administrator.

On July 1, 1980, the Roanoke County Public Service Authority (therein called the "Authority") was dissolved and the sewer utility operation became a part of the utility department within the County government. The water utility operation had previously been transferred to the County effective July 1, 1976. Effective July 1, 2004, these utility operations were transferred to the newly created Western Virginia Water Authority as discussed in more detail on the next page.

The County participates in the Roanoke Regional Airport Commission, formed in 1987 through an act of the Virginia General Assembly. The Commission's five Board members are each appointed a four year term by both the Roanoke City Council and the Roanoke County Board of Supervisors. This is representative of a new cooperative, promotional spirit that is emerging in the Roanoke Valley between local governments.

In November 1992, the Roanoke County Police Department became the first nationally accredited department in Southwest Virginia through the Commission on Accreditation for Law

Enforcement Agencies, Inc. (CALEA). The department has maintained national accreditation since November 1997. Existing departmental programs, including criminal investigations, traffic enforcement, domestic violence, crime prevention, criminal apprehension, and community-involved policing, are enhanced through the accreditation process.

The Roanoke Valley Resource Authority (RVRA) was established on October 23, 1991 under a user agreement between the County of Roanoke, the City of Roanoke and the Town of Vinton to develop a regional solid waste disposal facility. In 2016, the City of Salem joined the RVRA. A nine-member board appointed by the governing bodies of the Charter Members presently governs the RVRA. The County has control over the budget and financing of the Authority only to the extent of representation by board members appointed. The old regional sanitary landfill operated by the Roanoke Valley Regional Solid Waste Management Board was closed on September 30, 1993.

On July 1, 2004, the County of Roanoke and the City of Roanoke, Virginia (City) formed the Western Virginia Water Authority, a regional water and wastewater authority. This full service authority serves both County and City citizens ensuring a reliable and efficient means of providing water and wastewater treatment, at the lowest cost and best rate and service for its customers. The assets and liabilities of the County and City water and wastewater utilities were merged into one full service authority.

The Western Virginia Regional Jail Authority was formed in June 2005 by the counties of Roanoke, Franklin, and Montgomery and the City of Salem. This regional initiative was undertaken to address overcrowded conditions experienced by each of the partner jurisdictions. The Western Virginia Regional Jail houses post-sentencing inmates and special populations, while the local jails remain operational and are used to house pre-sentencing inmates.

In 2016, the Board of Supervisors adopted the first-ever Community Strategic Plan. The Community Strategic Plan focuses on Community Health and Well-Being, Economic Development, Education, Public Safety, Quality of Life, and Transportation through seven Strategic Initiatives identified through a series of citizen surveys.

# County of Roanoke

## County Officials

June 30, 2018

### ***Board of Supervisors***

Martha B. Hooker, Chair, Catawba District  
P. Jason Peters, Vice-Chair, Vinton District  
George G. Assaid, Cave Spring District  
Phil C. North, Hollins District  
Joseph P. McNamara, Windsor Hills District

### ***County Administration***

Thomas C. Gates, County Administrator

County Attorney .....	Ruth Ellen Kuhnel
Assistant County Administrator .....	Daniel O'Donnell
Assistant County Administrator .....	Richard L. Caywood
Clerk to the Board .....	Deborah C. Jacks
Chief of Fire and Rescue .....	Stephen G. Simon
Chief of Police .....	Howard B. Hall
Acting Director of Planning .....	Philip G. Thompson
Acting Director of Development Services .....	Tarek M. Moneir
Director of Economic Development .....	Jill Loope
Director of Finance .....	Rebecca E. Owens
Director of General Services .....	Howard R Light
Director of Human Resources .....	Anne Marie Green
Director of Information Technology .....	Bill Hunter
Director of Libraries .....	Shari Henry
Director of Management and Budget .....	Christopher R. Bever
Director of Parks, Recreation and Tourism .....	Douglas Blount
Director of Real Estate Assessments .....	William Driver
Director of Social Services .....	Joyce W. Earl
Registrar .....	Anna Cloeter
Unit Coordinator for Virginia Cooperative Extension .....	Leslie Prillaman

### ***Constitutional Officers***

Clerk of the Circuit Court .....	Steven A. McGraw
Commissioner of the Revenue .....	Nancy J. Horn
Commonwealth Attorney .....	Edwin R. Leach
Sheriff .....	Joseph "Eric" Orange
Treasurer .....	F. Kevin Hutchins



# Roanoke County Public Schools

## Principal Officials

June 30, 2018

### *School Board Members*

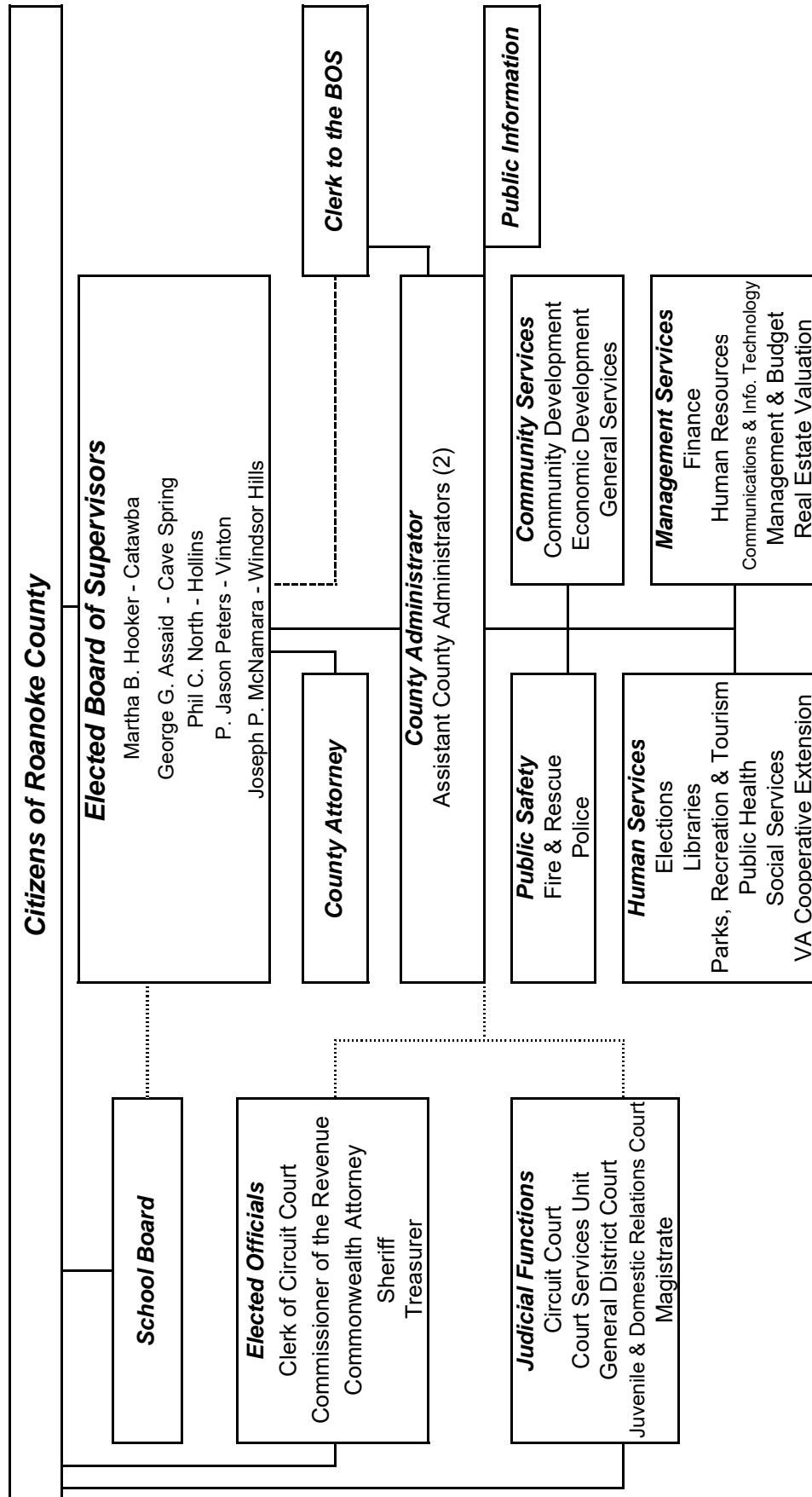
Jason B. Moretz, Chariman, Windsor Hills District  
Donald T. Butzer, Vice-Chairman, Catawba District  
Timothy D. Greenway, Vinton District  
Michael A. Wray, Cave Spring District  
David Linden, Hollins District

### *School Administration*

Dr. Gregory N. Killough, Superintendent of Schools

Assistant Superintendent of Human Resources  
and Instruction.....Dr. Rebecca G. Eastwood  
Assistant Superintendent of Finance and Operations.....Penny A. Hodge  
Director of Administration.....Dr. Kenneth E. Nicely  
Director of Elementary Instruction .....Dr. Linda F. Wright  
Director of Testing .....Mr. Ben J. Williams  
Director of Career and Technical Education .....Mr. Jason D. Suhr  
Director of Special Education .....Dr. Jessica M. McClung  
Director of Secondary Instruction .....Dr. Rhonda W. Stegall  
Director of Human Resources.....Mr. James R. Bradshaw  
Community Relations Specialist.....Mr. Chuck D. Lionberger  
Director of Facilities.....Mr. George G. Assaid  
Supervisor of Nutrition .....Mrs. Rhonda R. Huffman  
Chief Information Officer .....Mr. Jeff A. Terry  
Director of Finance.....Mrs. Susan L. Peterson

# County of Roanoke Organizational Chart





Government Finance Officers Association

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

Presented to

**County of Roanoke  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrell*

Executive Director/CEO

# FINANCIAL SECTION

## **Report of Independent Auditor**

To the Honorable Members of the Board of Supervisors  
County of Roanoke, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Roanoke, Virginia (the "County"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County'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 South Peak Community Development Authority (the "CDA"), a discretely presented component unit of the County, which represents 6.10% of the respective assets, 0.40% of the respective revenues, and 1.02% of the respective 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 CDA, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Notes 1 and 20 to the financial statements, the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County'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.

Richmond, Virginia  
November 30, 2018

County of Roanoke, Virginia  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

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The management of the County of Roanoke, Virginia (the "County") presents the following discussion and analysis as an overview of the financial activities of the County for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-8 of this report.

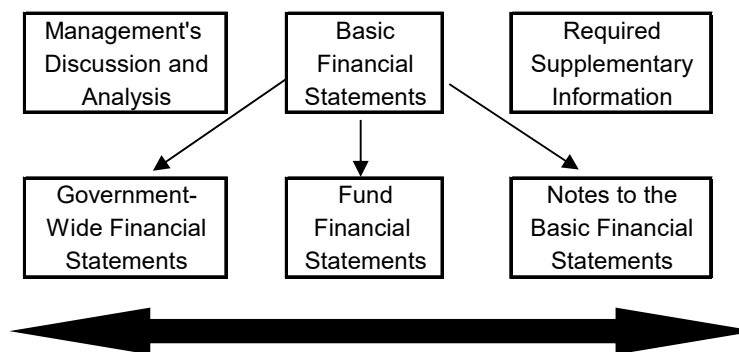
### FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of the County's governmental activities exceeded its liabilities and deferred inflows as of June 30, 2018 by \$81.7 million (*net position*).
- On a government-wide basis for governmental activities, the County had expenses, net of program revenues, of \$174.7 million, which were \$9.4 million more than general revenues of \$165.4 million (Exhibit II).
- The County's outstanding debt decreased by \$5.5 million during fiscal year 2018. This is the result of scheduled debt payments made during the year that reduced the principal balance.

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The financial section of the comprehensive annual financial report consists of the following:

#### Components of the Financial Section



Management's discussion and analysis is intended to serve as an introduction to the County of Roanoke's basic financial statements and is unaudited. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition, required supplementary information accompanies the basic financial statements and is unaudited.

County of Roanoke, Virginia  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

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The basic financial statements present two types of financial statements, each with a different view of the County's finances, the County as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the County's overall financial position. The fund financial statements focus on the individual funds of the County, reporting the County's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the County's accountability.

### **Government-Wide Financial Statements**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These financial statements provide information about the County as a whole using the accrual basis of accounting, which is the method used by most private-sector enterprises. All current year revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid. These statements allow readers to answer the question: "Is the County's financial position, as a whole, better or worse as a result of the year's activities?"

One of the main goals of these two financial statements is to report the County's net position and changes that affected net position during the fiscal year. The amount of net position, which is the difference between assets and deferred outflows and liabilities and deferred inflows, is one way to measure the County's financial position. Over time, increases or decreases in net position are indicators of whether the County's financial condition is improving or deteriorating. Other nonfinancial factors, such as changes in the County's property tax base and the physical condition of the County's infrastructure should also be considered in assessing the overall financial condition of the County.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate Roanoke County Public Schools and a legally separate Economic Development Authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 32-33 of this report.

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

Governmental activities – Most of the County's basic services are reported as governmental activities, including public safety, public works, judicial administration, library, health and welfare, parks, recreation and cultural, community development, education, and general government. Property and other local taxes, and state and federal grants finance most of these activities.

County of Roanoke, Virginia  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

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## **Fund Financial Statements**

Government financial statements have traditionally been prepared using the fund financial statement presentation. They provide more detailed information about the County's funds, focusing on its most significant or "major" funds – not the system as a whole. The County utilizes three types of funds:

- **Governmental funds:** Most of the County's basic services are reported in governmental funds, which focus on how resources flow into and out of those funds and the remaining balances at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation accompanying the fund financial statements.
- **Proprietary funds:** The County uses Internal Service funds to provide for health, other post employment benefits, dental, and workers' compensation coverage for employees and for general and automobile liability coverage.
- **Fiduciary funds:** The County is trustee, or fiduciary, for the Fire and Rescue Pension Trust Length of Service Awards Program. The County acts in an agency capacity or fiscal agent, for the Roanoke Valley Resource Authority, Virginia Recreational Facilities Authority, the Western Virginia Regional Jail Authority, the Regional Center for Animal Control and Protection and other local agencies. Resources held for other governments, individuals or agencies not part of the County are reported as fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The County excludes these activities from the government-wide financial statements because the County cannot use these assets to finance its operations.

The governmental fund financial statements can be found beginning on page 32 of this report.

**Notes to the basic financial statements.** The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 45 of this report.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's budgetary comparisons, contributions and progress in funding its obligation to provide pension and postemployment health care benefits to its employees. Required supplementary information can be found beginning on page 130 of this report.

County of Roanoke, Virginia  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

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**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

**Summary of Net Position**

As noted earlier, the amount of net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Summary of Net Position as presented in the government-wide financial statements:

<b>Summary of Net Position As of June 30, 2018 and 2017</b>		
	<b>Governmental Activities</b>	
	<b>FY2018</b>	<b>FY2017 (as restated)</b>
Current and other assets	\$ 85,440,205	\$ 82,302,883
Capital assets, net	242,281,810	257,021,428
Total assets	<u>327,722,015</u>	<u>339,324,311</u>
Deferred outflows	10,337,935	14,531,400
Other liabilities	11,480,962	9,759,013
Long-term liabilities	228,934,614	240,861,197
Total liabilities	<u>240,415,576</u>	<u>250,620,210</u>
Deferred inflows	15,924,017	12,116,056
Net investment in capital assets	108,276,652	111,249,469
Restricted	4,018,119	3,558,562
Unrestricted	(30,574,414)	(23,688,586)
Total net position	<u>\$ 81,720,357</u>	<u>\$ 91,119,445</u>

In the case of the County, assets and deferred outflows exceed liabilities and deferred inflows by \$81.7 million at the close of fiscal year 2018. This decrease of \$9.4 million reflects an overall decrease in the County's financial position and is the result of a combination of factors including 1) a decrease in net capital assets due to an increase in asset values offset by annual depreciation expense and 2) expenses exceeding revenues for the year ended.

The largest portion of the County's net position (132.5%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position (4.9%) is restricted for state and federal grant programs. The remaining balance is unrestricted net position (-37.4%). A negative balance indicates that no funds were available for discretionary purposes.

County of Roanoke, Virginia  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

At the end of the current fiscal year, the County was able to report a positive balance in both the net investment in capital assets and the restricted categories and a negative balance in the unrestricted net position category.

### Changes in Net Position

The following table shows the revenue and expenses of the government-wide activities:

<b>Changes in Net Position</b> <b>For the Year Ended June 30, 2018 and 2017</b>			
	<b>Governmental Activities</b>		
	<b>FY2018</b>	<b>FY2017</b>	
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 14,102,732	\$ 13,398,820	
Operating grants & contributions	30,095,411	27,434,634	
General Revenues:			
Property taxes	115,215,532	113,049,822	
Sales taxes	10,273,373	10,708,955	
Business license taxes	6,697,712	6,616,605	
Communication taxes	3,602,706	3,718,969	
Consumer utility taxes	3,792,647	3,765,184	
Tax on prepared food	4,496,145	4,409,949	
Motor vehicle licenses	2,371,464	2,269,832	
Other local taxes	4,982,011	4,909,434	
Non-categorical state aid	12,229,857	12,229,857	
Other revenues	1,689,308	2,108,741	
<b>Total revenues</b>	<b>209,548,898</b>	<b>204,620,802</b>	
<b>Expenses</b>			
General government	16,027,976	14,712,459	
Judicial administration	3,009,591	3,044,106	
Public safety	50,771,951	48,191,825	
Public works	16,438,048	17,411,621	
Library	5,871,360	6,803,503	
Health & welfare	19,625,816	19,624,895	
Parks, recreation and culture	9,533,021	8,487,614	
Community development	8,378,672	3,796,642	
Education	80,977,546	83,509,170	
Interest and other charges	8,314,005	8,594,638	
<b>Total expenses</b>	<b>218,947,986</b>	<b>214,176,473</b>	
Change in net position	(9,399,088)	(9,555,671)	
Total net position, beginning of year	91,119,445	112,519,474	
Restatement **	-	(11,844,358)	
Total net position, end of year	\$ <u>81,720,357</u>	\$ <u>91,119,445</u>	
** Restated in accordance with GASB statement No. 75			

County of Roanoke, Virginia  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

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### **Governmental Activities**

Governmental activities decreased the County's net position by \$9.4 million. The County's total revenues increased from the prior year by 2.4% to \$209.5 million and expenses for all programs and services increased 2.2% to \$218.9 million.

Approximately 55.0% of the County's revenues come from property taxes, 3.2% from business license tax, 1.7% from communications tax, 1.8% from consumer utility tax, 2.2% from tax on prepared food, 1.1% from motor vehicle license, 2.4% from other local tax, 6.7% from charges for services, 14.4% from operating grants and contributions, 5.8% from non-categorical state aid, 4.9% from sales tax, and 0.8% from other and miscellaneous revenues.

The County's expenses cover a range of services, with about 37.0% related to Education, 23.2% to Public Safety, 7.5% to Public Works, 9.0% to Health and Welfare, 1.4% to Judicial Administration, 2.7% to Library, 4.3% to Parks, Recreation and Culture, 3.8% to Community Development, 7.3% to General Government, and 3.8% for interest and other charges.

Revenues for governmental activities increased \$4.9 million (2.4%) and total expenses increased \$4.8 million (2.2%) when compared to the prior year. Key elements of these changes were as follows:

- Property tax revenues increased by \$2.2 million (1.9%) during the year. This increase was primarily due to modest growth in both real and personal property tax values.
- Operating grants and contributions revenues increased by \$2.7 million (9.7%) primarily as a result of an increase in monies for community development programs.
- Charges for services increased by \$0.7 million (5.3%) due to an increase in recovered costs.
- General Government expenses increased by \$1.3 million (8.9%) due to an increase in capital outlays related to financial information systems and technology replacements, as well as an increase in risk management and CommIT related expenses.
- Public Works expenses decreased by \$1.0 million (-5.6%) primarily due to the completion of capital projects related to building improvements and maintenance.
- Library expenses decreased by \$0.9 million (-13.7%) due, in large part, to a decrease in depreciation expense.
- Parks, Recreation and Culture expenses increased by \$1.0 million (12.3%) due to an increase in depreciation expense.
- Community Development expenses increased by \$4.6 million (120.7%) primarily due to an increase in capital outlays related to Plantation Road and various drainage projects.



County of Roanoke, Virginia  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

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**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental Funds**

Governmental funds consist of the General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund and account for the general operations of the County. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In fiscal year 2011, the County implemented new reporting guidance, which replaced the traditional fund balance components. The components of fund balance now include non-spendable, restricted, committed, assigned and unassigned. The County has fund balances in all components at year end.

As of the end of the fiscal year, the County's governmental funds reported combined fund balance of \$61.0 million, an increase of \$1.7 million in comparison with fiscal year 2017. Of this amount 0.7% (\$0.4 million) constitutes non-spendable fund balance which reflects inventories and prepaid assets that are non-liquid in form and cannot be spent, 19.3% (\$11.8 million) constitutes restricted fund balance, which is externally restricted for State and Federal grant programs, 40.3% (\$24.6 million) constitutes committed fund balance, which is designated for future capital projects, education, community development, stormwater management, LOSAP pension liability, and other general government programs, 1.8% (\$1.0 million) constitutes assigned fund balance, which is designated for parks and recreation and other various general government programs, and 38.0% (\$23.2 million) constitutes unassigned fund balance which reflects the County's unappropriated fund balances for all general governmental accounts.

The fund balance of the General Fund decreased \$1.3 million during the current fiscal year. This decrease is primarily attributed to one-time transfers out of the General Fund to County Capital.

The Special Revenue Fund accounts for proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The restricted fund balance increased from prior year by \$26,654 as a result of the increase in the property taxes received from the South Peak district.

The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities. At the end of the current fiscal year, the Capital Projects Fund balance consisted of \$17.9 million committed and \$7.8 million restricted for future capital projects. The fund balance increased by \$3.2 million primarily due to bond proceeds received for public safety radios, a new public service center, and Explore Park renovations offset by a one-time transfer to the Schools for capital projects.

County of Roanoke, Virginia  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The County's budget is prepared in accordance with the *Code of Virginia*. During the year, the County amended the original budget primarily for the following purposes:

- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2018 but not paid by that date.
- To reappropriate grants, donations and other revenues authorized in fiscal year 2018 or earlier, but not expended or encumbered as of June 30, 2018.
- To appropriate grants, donations, and other revenues accepted or adjusted in fiscal year 2018 when official notice of approval was received.
- To appropriate the designated general fund balance to capital projects.

Below is a condensed version of the budgetary comparison of the General Fund original budget, amended budget, and actual amounts for fiscal year 2018.

General Fund						
Budgetary Highlights for 2018						
		Original Budget		Budget as Amended		Actual
Revenues	\$	197,280,043	\$	214,255,705	\$	202,170,311
Expenditures		108,173,895		129,299,993		114,560,081
Transfers out, net		90,629,525		89,075,372		88,874,974
Net change in fund balance	\$	(1,523,377.00)	\$	(4,119,660)	\$	(1,264,744)

Actual General Fund total revenues fell short of the amended budget by \$12.1 million for fiscal year 2018. The deficit is primarily the result of several reimbursable federal and state grants budgeted for the Roanoke River Greenway, Plantation Road and other various projects. During the year, planning for the projects continued; however, minimal expenditures were incurred and, therefore, few revenues were received. Expenditures and transfers were less than budgetary estimates by \$14.9 million, resulting in savings at year end primarily due to grant awarded budgeted, but not fully expended.

The County Board of Supervisors appropriated \$2.3 million in transfers in fiscal year 2018 to allocate the prior year ending fund balance for future expenditures and capital projects. The County ending fund balance increased at June 30, 2018 by \$1.7 million compared to the prior fiscal year end largely due to bond proceeds received for several new capital projects offset by one-time transfers to County and School Capital. The School Board and County Board of Supervisors have a jointly adopted financial policy designating year end balances for major and minor capital projects.

County of Roanoke, Virginia  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

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### Proprietary Funds

The County Internal Service Funds, a proprietary fund type, are presented on the same basis as the government-wide financial statements but is presented in more detail in the fund financial statements.

Unrestricted net position of the Health Insurance, Dental Insurance, and Risk Management funds at the end of the year amounted to \$(288,846). The net position of Risk Management increased by \$748,814, Health Insurance decreased by \$1,081,304 as a result of adverse claims experience, and Dental Insurance increased by \$5,232.

### CAPITAL ASSETS

As of June 30, 2018, the County had invested \$242.3 million, net of accumulated depreciation, in a variety of capital assets including land, buildings, construction in progress, land improvements, and equipment. The total net decrease in the County's investment in capital assets for the current year was \$14.7 million.

Additional information on the County's capital assets can be found in note 9 of the notes to the basic financial statements. Capital assets are illustrated in the following table:

<b>Capital Assets</b>		
<b>As of June 30, 2018 and 2017</b>		
	<b>Governmental Activities</b>	
	<b>FY2018</b>	<b>FY2017</b>
Land	\$ 14,209,655	\$ 14,209,655
Buildings, improvements and systems	346,568,390	345,429,811
Furniture, fixtures, and equipment	69,669,035	67,361,347
Construction in progress	5,764,874	3,332,590
Subtotal	<u>436,211,954</u>	<u>430,333,403</u>
Accumulated depreciation	(193,930,144)	(173,311,975)
Totals	<u><u>\$ 242,281,810</u></u>	<u><u>\$ 257,021,428</u></u>

Major capital asset events during the current fiscal year included the following:

- Building, improvements and systems increased by \$1.1 million primarily due to the completion of Phase I of the Glade Creek improvements and lighting upgrades at the Sheriff's office.
- Furniture, fixtures, and equipment increased by \$2.3 million primarily due to the replacement of self-contained breathing apparatuses, the purchase and disposal of vehicles and heavy equipment for various departments, and the completion of a generator at Greenridge Recreation Center.

County of Roanoke, Virginia  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

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**LONG-TERM DEBT**

At June 30, 2018, the County had a number of bonded debt issues outstanding. These include \$2.8 million of general obligation debt (which is privately held), \$77.9 million of Virginia Public School Authority (VPSA) bonds for School purposes and \$82.2 million outstanding of lease revenue bonds. Although the issuance of bonds by Virginia counties is not subject to any limitations on amount, counties are prohibited from issuing general obligation bonds unless the issuance has been approved by public referendum. Outstanding debt at June 30, 2018 decreased by a net amount of \$5.5 million as a result of scheduled debt payments made during the year that reduced the principal balance of outstanding debt.

The County has adopted a debt policy that establishes guidelines and limitations for the issuance of debt. The debt policy addresses the level of total indebtedness the County can reasonably expect to incur without jeopardizing its financial position and to ensure the efficient and effective operation of the County. The County measures its total level of debt through three ratios: 1) net debt per capita (excluding business type funds) should not exceed \$2,500, 2) net debt per assessments should not exceed 3%, and 3) debt service to general fund expenditures should not exceed 10%. As of June 30, 2018, the County's net debt per capita ratio was \$1,632, the net debt to assessments ratio was 1.58%, and the percent of debt service to general fund expenditures was 6.57% based on total debt outstanding.

The County has bond ratings on outstanding lease revenue bonds as follows: Standard & Poor's AA, Moody's Investor Service Aa2, and Fitch AA.

Additional information on the County's long-term debt can be found in note 8 of the notes to the basic financial statements. The following table illustrates the County's outstanding debt:

<b>Outstanding Debt</b>			
<b>As of June 30, 2018 and 2017</b>			
		<b>Governmental Activities</b>	
		<b>FY2018</b>	<b>FY2017</b>
General Obligation bonds	\$	2,765,175	\$ 3,640,935
Lease Revenue bonds		77,970,000	74,535,000
Virginia Public School Authority bonds		72,194,043	80,301,667
Bond Premiums		9,929,441	9,832,624
Totals	\$	<u>162,858,659</u>	<u>\$ 168,310,226</u>

## **FACTORS INFLUENCING FUTURE BUDGETS AND RATES**

Key factors that are expected to impact future budgets include:

- Current financial market volatility and continued uncertainty of the economy.
- Current and projected State budget reductions.
- Projected increases in retirement contribution rates assessed by the Virginia Retirement System.
- Projected increases in health insurance premiums.
- Funding for the Capital Improvements Program.
- Volatility of CSA program expenditures.

## **ECONOMIC FACTORS**

During fiscal year 2018, the State economy mirrored the slow, yet steady, recovery of the national economy. The County continues to forecast and experience relatively flat revenue growth in the local tax base, further challenging the ability to maintain existing service levels.

Fiscal year 2018-19 revenue estimates appear to be performing slightly above budget. While we have always kept a watchful eye on the year-to-date revenue collections and regularly update revenue forecasts, our current fiscal climate dictates that continuous revenue budgeting be a top priority. However, even with this emphasis, it is important to be aware of the pitfalls of estimating future revenues in this continuing unstable economic environment.

The County recognizes the value of properly illustrating year-end commitments. Accordingly, the County is able to utilize all or portions of surpluses at the end of the current year as a source of funding in a subsequent year, while also meeting the County's fund balance and capital policies, and maintain desired reserves for future needs.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018, telephone (540) 772-2020, or visit the County's web site at [www.roanokecountyva.gov](http://www.roanokecountyva.gov).



# BASIC FINANCIAL STATEMENTS



**COUNTY OF ROANOKE, VIRGINIA**  
**Statement of Net Position**  
**June 30, 2018**

Exhibit I

	<b>Governmental</b>	<b>Component</b>
<b>ASSETS</b>	<b>Activities</b>	<b>Units</b>
Cash and cash equivalents	\$ 11,270,562	\$ 17,050,379
Cash and investments with fiscal agents	8,744,052	-
Investments	30,052,888	19,321,030
Restricted cash and cash equivalents	983,657	-
Accounts receivable	17,087,193	1,132,927
Due from other governments	16,491,855	4,347,975
Inventories	197,187	419,478
Land held for resale	-	4,680,024
Prepaid and other assets	612,811	127,131
Net asset from pension	-	1,332,767
Capital assets:		
Land and construction in progress	19,974,529	12,677,128
Other capital assets, net	222,307,281	39,596,379
Capital assets, net	<u>242,281,810</u>	<u>52,273,507</u>
Total assets	<u>327,722,015</u>	<u>100,685,218</u>
<b>DEFERRED OUTFLOWS</b>		
Deferred charges on refundings of debt	3,160,929	-
Resources related to pension plan	5,363,014	17,787,869
Other postemployment benefits provided by Virginia Retirement System	405,559	1,849,678
Other postemployment benefits provided by Roanoke County and Roanoke County Public Schools	1,408,433	831,012
Total deferred outflows	<u>10,337,935</u>	<u>20,468,559</u>
<b>LIABILITIES</b>		
Accounts payable	5,128,001	1,087,161
Accrued liabilities	1,161,543	2,707,573
Unearned revenues	2,890,352	259,938
Accrued interest payable	2,301,066	145,852
Long-term liabilities:		
Portion due or payable within one year:		
Bonds payable	11,955,043	196,000
Bond premiums	774,996	-
Compensated absences	3,312,695	831,887
Claims payable	1,495,978	2,041,280
Portion due or payable after one-year:		
Bonds payable	140,974,175	6,480,000
Bond premiums	9,154,445	-
Compensated absences	2,538,586	598,546
Claims payable	1,538,094	1,932,591
Net pension liabilities	35,255,699	120,182,000
Net LOSAP pension liability	9,502,709	-
Other postemployment benefits provided by Virginia Retirement System	4,859,384	18,866,000
Other postemployment benefits provided by Roanoke County and Roanoke County Public Schools	7,572,810	14,997,036
Total liabilities	<u>240,415,576</u>	<u>170,325,864</u>
<b>DEFERRED INFLOWS</b>		
Deferred tax revenues	10,926,614	-
Resources related to pension plan	4,254,408	16,271,356
Other postemployment benefits provided by Virginia Retirement System	472,492	884,000
Other postemployment benefits provided by Roanoke County and Roanoke County Public School:	270,503	50,710
Total deferred inflows	<u>15,924,017</u>	<u>17,206,066</u>
<b>NET POSITION</b>		
Net investment in capital assets	108,276,652	45,597,507
Restricted for:		
Grants and other governmental programs	4,018,119	-
Instructional grants	-	86,568
Emergency contingency	-	2,000,000
Unrestricted	(30,574,414)	(114,062,228)
Total net position	<u>\$ 81,720,357</u>	<u>\$ (66,378,153)</u>

See accompanying notes to basic financial statements.

**COUNTY OF ROANOKE, VIRGINIA**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Component Units
<b>Primary Government</b>						
General government	\$ 16,027,976	\$ 1,136,666	\$ 730,355	\$ -	\$ (14,160,955)	\$ -
Judicial administration	3,009,591	957,315	1,276,112	-	(776,164)	-
Public safety	50,771,951	4,449,517	9,478,240	-	(36,844,194)	-
Public works	16,438,048	367,506	54,783	-	(16,015,759)	-
Library	5,871,360	366,911	159,407	-	(5,345,042)	-
Health and welfare	19,625,816	1,601,167	11,889,838	-	(6,134,811)	-
Parks, recreation, and culture	9,533,021	4,778,218	483,800	-	(4,271,003)	-
Community development	8,378,672	445,432	496,395	-	(7,436,845)	-
Education	80,977,546	-	5,526,481	-	(75,451,065)	-
Interest and other charges	8,314,005	-	-	-	(8,314,005)	-
Total governmental activities	<u>\$ 218,947,986</u>	<u>\$ 14,102,732</u>	<u>\$ 30,095,411</u>	<u>\$ -</u>	<u>(174,749,843)</u>	<u>-</u>
<b>Total component units</b>	<u>\$ 162,157,381</u>	<u>\$ 4,563,331</u>	<u>\$ 31,676,933</u>	<u>\$ 3,513,954</u>	<u>-</u>	<u>(121,909,560)</u>
General revenues:						
Real estate and personal property					115,215,532	-
Local share of sales tax					10,273,373	-
Business license taxes					6,697,712	-
Communications taxes					3,602,706	-
Consumer utility taxes					3,792,647	-
Tax on prepared food					4,496,145	-
Motor vehicle licenses					2,371,464	-
Other local taxes					4,982,011	-
Payments from Roanoke County					-	70,089,574
Payments from other local governments					-	5,000
Non-categorical state aid					12,229,857	53,896,466
Incremental tax revenues					-	649,648
Special assessment revenues					-	17,027
Gain on sale of capital assets					219,762	145,912
Interest and Investment earnings					1,189,032	7,944
Miscellaneous					280,514	591,360
Total general revenues					<u>165,350,755</u>	<u>125,402,931</u>
Change in net position					(9,399,088)	3,493,371
Total net position at beginning of year, as restated (Note 20)					91,119,445	(69,871,524)
Total net position at end of year					<u>\$ 81,720,357</u>	<u>\$ (66,378,153)</u>

**COUNTY OF ROANOKE, VIRGINIA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,849,920	\$ 817,251	\$ 54,880	\$ 5,731,872	\$ 10,453,923
Cash and investments with fiscal agents	3,525,307	-	7,004	5,211,741	8,744,052
Investments	11,126,795	-	-	16,565,896	27,692,691
Restricted cash and cash equivalents	983,657	-	-	-	983,657
Receivables	16,581,530	5,027	-	1,432	16,587,989
Due from other governments	16,491,855	-	-	-	16,491,855
Prepaid items and other assets	203,117	-	-	-	203,117
Inventories	197,187	-	-	-	197,187
Total assets	<u>\$ 52,959,368</u>	<u>\$ 822,278</u>	<u>\$ 61,884</u>	<u>\$ 27,510,941</u>	<u>\$ 81,354,471</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,309,549	\$ 5,079	\$ -	\$ 1,818,369	\$ 4,132,997
Accrued wages and benefits	1,161,543	-	-	-	1,161,543
Unearned revenues	2,890,352	-	-	-	2,890,352
Total liabilities	<u>6,361,444</u>	<u>5,079</u>	<u>-</u>	<u>1,818,369</u>	<u>8,184,892</u>
<b>DEFERRED INFLOWS</b>					
Deferred tax revenues	10,921,587	5,027	-	-	10,926,614
Unavailable revenues	1,241,971	-	-	-	1,241,971
	<u>12,163,558</u>	<u>5,027</u>	<u>-</u>	<u>-</u>	<u>12,168,585</u>
<b>FUND BALANCES</b>					
Nonspendable	400,304	-	-	-	400,304
Restricted	3,205,947	812,172	-	7,772,222	11,790,341
Committed	6,583,134	-	61,884	17,920,350	24,565,368
Assigned	1,084,220	-	-	-	1,084,220
Unassigned	23,160,761	-	-	-	23,160,761
Total fund balances	<u>34,434,366</u>	<u>812,172</u>	<u>61,884</u>	<u>25,692,572</u>	<u>61,000,994</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 52,959,368</u>	<u>\$ 822,278</u>	<u>\$ 61,884</u>	<u>\$ 27,510,941</u>	<u>\$ 81,354,471</u>

(continued)

**COUNTY OF ROANOKE, VIRGINIA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

**Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Position**

Total fund balances for governmental funds		\$ 61,000,994
Total net capital assets reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land and construction in progress	19,974,529	
Other capital assets, net of \$193,930,144 of accumulated depreciation	<u>222,307,281</u>	
Total capital assets, net		242,281,810
Internal service funds (Exhibit V) are used by the County to charge the cost of health, dental, and risk management to individual funds. These assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. Internal service fund net position (deficit) is:		
		(288,846)
County revenues that are earned but not considered available are not current financial resources and, therefore, are not reported in the governmental funds.		
		1,241,971
Long-term assets or liabilities are not due and payable in the current period and, therefore, are not reported as assets or liabilities in the governmental funds. Balances at June 30, 2018 are:		
Prepaid and other assets	345,504	
Accrued interest payable	(2,301,066)	
Bonds payable	(152,929,218)	
Bond premiums	(9,929,441)	
Compensated absences	(5,851,281)	
Other postemployment benefit OPEB liabilities	(12,432,194)	
Net pension liabilities	<u>(44,758,408)</u>	
Total long-term assets and liabilities		(227,856,104)
Deferred outflows and inflows or resources related to debt refunds, pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds. Balances at June 30, 2018 are:		
Deferred outflow from debt refundings resulting in loss transactions	3,160,929	
Deferred outflows of resources related to pension plan	5,363,014	
Deferred outflows of resources related to other postemployment benefits	1,813,992	
Deferred inflows of resources related to other postemployment benefits	(742,995)	
Deferred inflow of resources related to pension plan	<u>(4,254,408)</u>	
Total deferred outflows and inflows		5,340,532
Total net position of governmental activities (Exhibit I)		<u><u>\$ 81,720,357</u></u>

See accompanying notes to basic financial statements.

**COUNTY OF ROANOKE, VIRGINIA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 115,702,743	\$ 278,935	\$ -	\$ -	\$ 115,981,678
Other local taxes	35,427,976	387,741	-	-	35,815,717
Permits, fees, and licenses	722,265	-	-	-	722,265
Fines and forfeitures	478,764	-	-	-	478,764
Use of money and property	403,627	-	477	140,459	544,563
Charges for services	8,944,984	-	-	639,755	9,584,739
Intergovernmental revenue	36,577,000	-	4,125,345	1,401,136	42,103,481
Locality compensation payments	-	-	125,284	-	125,284
Miscellaneous	3,912,952	-	111,825	27,753	4,052,530
Total revenues	202,170,311	666,676	4,362,931	2,209,103	209,409,021
<b>EXPENDITURES</b>					
Current operating:					
General government	14,401,607	-	-	-	14,401,607
Judicial administration	2,906,165	-	-	-	2,906,165
Public safety	47,266,283	-	-	-	47,266,283
Public works	14,104,319	-	-	-	14,104,319
Library	4,802,369	-	-	-	4,802,369
Health and welfare	18,913,665	-	-	-	18,913,665
Parks, recreation, and culture	7,492,934	-	-	-	7,492,934
Community development	4,672,739	18,481	-	-	4,691,220
Education	67,580,428	-	-	-	67,580,428
Debt service:					
Principal	-	173,000	11,988,384	-	12,161,384
Interest and other charges	-	448,541	7,040,096	85,612	7,574,249
Capital outlay	-	-	-	12,226,887	12,226,887
Total expenditures	182,140,509	640,022	19,028,480	12,312,499	214,121,510
Excess (deficiency) of revenues over (under) expenditures	20,029,802	26,654	(14,665,549)	(10,103,396)	(4,712,489)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	-	6,440,000	6,440,000
Premium on bonds	-	-	-	857,521	857,521
Proceeds from sale of land, buildings and equipment	-	-	-	219,762	219,762
Transfers in	1,314,545	-	14,580,272	7,185,253	23,080,070
Transfers out	(22,609,091)	-	(141,524)	(1,444,835)	(24,195,450)
Total other financing sources (uses), net	(21,294,546)	-	14,438,748	13,257,701	6,401,903
Net change in fund balances	(1,264,744)	26,654	(226,801)	3,154,305	1,689,414
Total fund balances at beginning of year	35,699,110	785,518	288,685	22,538,267	59,311,580
Total fund balances at end of year	\$ 34,434,366	\$ 812,172	\$ 61,884	\$ 25,692,572	\$ 61,000,994

(continued)

**COUNTY OF ROANOKE, VIRGINIA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**

Net change in fund balances-total governmental funds	\$ 1,689,414
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Total change in net position reported for governmental activities in the Statement of Activities is different due to:

Internal service funds (See Exhibit VI) are used by the County to charge the cost of health, dental, and risk management to individual funds. The change in net position of internal service funds is reported with governmental activities.	(327,258)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	26,141
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$9,181,267) were over depreciation expense (\$23,920,885) in the current period.	(14,739,618)
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Long-term liabilities, including bond and other obligation proceeds, are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the change in net position. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.

Obligation under debt issuances	(7,297,521)	
Repayments of principal	11,988,384	
Locality compensation payment	<u>(125,284)</u>	
Net adjustment		4,565,579

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, which is presented on the accrual basis, expenses and changes in liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net change of the following:

Compensated absences	(171,332)	
Accrued interest payable	<u>(739,757)</u>	
Net adjustment		(911,089)

Governmental funds report 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.	10,384
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Governmental funds report other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of other postemployment benefits earned net of employee contributions is reported as pension expense.	287,359
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Change in net position of governmental activities (Exhibit II)	<u><u>\$ (9,399,088)</u></u>
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**Exhibit V**

**COUNTY OF ROANOKE, VIRGINIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<b>Internal Service Funds</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 816,639
Investments	2,360,197
Accounts receivable	499,204
Prepaid expenses	64,190
Total current assets	<u>3,740,230</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	995,004
Claims payable	1,495,978
Total current liabilities	<u>2,490,982</u>
Noncurrent liabilities:	
Claims payable	1,538,094
Total noncurrent liabilities	<u>1,538,094</u>
Total liabilities	<u>4,029,076</u>
Net Position:	
Unrestricted (deficit)	(288,846)
Total net position (deficit)	<u><u>\$ (288,846)</u></u>

See accompanying notes to basic financial statements



**Exhibit VI**

**COUNTY OF ROANOKE, VIRGINIA**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 12,007,105
Total operating revenues	<u>12,007,105</u>
<b>OPERATING EXPENSES</b>	
Purchased services	2,440,589
Personal services	76,615
Claims	10,951,798
Total operating expenses	<u>13,469,002</u>
Operating loss	<u>(1,461,897)</u>
<b>NONOPERATING REVENUES</b>	
Investment income	<u>19,259</u>
Total nonoperating revenues	<u>19,259</u>
Loss before transfers	(1,442,638)
Transfers in	<u>1,115,380</u>
Change in net position	(327,258)
Total net position at beginning of year	<u>38,412</u>
Total net position (deficit) at end of year	<u><u>\$ (288,846)</u></u>

See accompanying notes to basic financial statements.

**Exhibit VII**

**COUNTY OF ROANOKE, VIRGINIA  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018**

	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from interfund services provided	\$ 12,007,105
Payments to suppliers	(1,555,610)
Payments to employees	(76,615)
Claims paid	(11,102,709)
Other payments, net	(80,889)
Cash used in operating activities	<u>(808,718)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds, net	1,115,380
Cash provided by noncapital financing activities	<u>1,115,380</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(2,360,197)
Interest and dividends received	19,259
Cash used in investing activities	<u>(2,340,938)</u>
Decrease in cash and cash equivalents	(2,034,276)
Cash and cash equivalents at beginning of the year	<u>2,850,915</u>
Cash and cash equivalents at end of the year	<u><u>\$ 816,639</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (1,461,897)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities:	
Accounts receivable	(124,391)
Due from other governmental units	104,182
Prepaid expenses	(3,859)
Accounts payable	828,158
Claims payable	(150,911)
Cash used in operating activities	<u><u>\$ (808,718)</u></u>

See accompanying notes to basic financial statements.

**COUNTY OF ROANOKE, VIRGINIA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	<b>OPEB Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 33,405,160
Investments	-	10,272,971
Investments held by trustee, at fair value:		
Other pooled funds	6,531,608	-
Total assets	<u>6,531,608</u>	<u>43,678,131</u>
<b>LIABILITIES</b>		
Accounts payable	-	43,678,131
Total liabilities	<u>-</u>	<u>\$ 43,678,131</u>
<b>NET POSITION</b>		
Fiduciary Net Position	<u>\$ 6,531,608</u>	

See accompanying notes to basic financial statements.

**COUNTY OF ROANOKE, VIRGINIA**  
**Statement of Changes in Fiduciary Net Position**  
**OPEB Trust**  
**For the Year Ended June 30, 2018**

**ADDITIONS**

Contributions from employer	\$ 121,825
Investment income:	
Interest and dividends	27
Realized gains	2,910
Unrealized gains	557,690
Total Investment Gain	560,627
Less Investment Expenses	(7,071)
Net Investment Income	553,556
Total additions	675,381

**DEDUCTIONS**

Benefit Payments	-
Total deductions	-

Change in net position 675,381

Total net position at beginning of year	5,856,227
Total net position at ending of year	\$ 6,531,608

See accompanying notes to basic financial statements.

**COUNTY OF ROANOKE, VIRGINIA**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2018**

	<b>Roanoke County Public Schools</b>	<b>Economic Development Authority</b>	<b>South Peak Community Development Authority</b>	<b>Total Component Units</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 16,355,687	\$ 694,692	\$ -	\$ 17,050,379
Investments	19,321,030	-	-	19,321,030
Accounts and other receivables	1,131,587	1,340	-	1,132,927
Due from other governments	3,535,803	-	812,172	4,347,975
Inventory	419,478	-	-	419,478
Prepaid and other assets	127,131	-	-	127,131
Net asset from pension	1,332,767	-	-	1,332,767
Land held for resale	-	4,680,024	-	4,680,024
Capital assets:				
Land and construction in progress	7,347,065	-	5,330,063	12,677,128
Other capital assets, net	39,596,379	-	-	39,596,379
Capital assets, net	<u>46,943,444</u>	<u>-</u>	<u>5,330,063</u>	<u>52,273,507</u>
Total assets	<u>89,166,927</u>	<u>5,376,056</u>	<u>6,142,235</u>	<u>100,685,218</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	17,787,869	-	-	17,787,869
Other postemployment benefit provided by Virginia Retirement System	1,849,678	-	-	1,849,678
Other postemployment benefit provided by Roanoke County Public Schools	<u>831,012</u>	<u>-</u>	<u>-</u>	<u>831,012</u>
Total deferred outflows of resources	<u>20,468,559</u>	<u>-</u>	<u>-</u>	<u>20,468,559</u>
<b>LIABILITIES</b>				
Accounts payable	1,087,161	-	-	1,087,161
Accrued liabilities	2,707,304	269	-	2,707,573
Unearned revenue	259,938	-	-	259,938
Accrued interest payable	-	-	145,852	145,852
Long-term liabilities:				
Portion due or payable within one year:				
Compensated absences	831,887	-	-	831,887
Claims payable	2,041,280	-	-	2,041,280
Bonds payable	-	-	196,000	196,000
Portion due or payable after one year:				
Bonds payable	-	-	6,480,000	6,480,000
Compensated absences	1,932,591	-	-	1,932,591
Claims payable	598,546	-	-	598,546
Net pension liability	120,182,000	-	-	120,182,000
Net liability from other postemployment benefit provided by Virginia Retirement System	18,866,000	-	-	18,866,000
Net liability from other postemployment benefit provided by Roanoke County Public Schools	<u>14,997,036</u>	<u>-</u>	<u>-</u>	<u>14,997,036</u>
Total liabilities	<u>163,503,743</u>	<u>269</u>	<u>6,821,852</u>	<u>170,325,864</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	16,271,356	-	-	16,271,356
Other postemployment benefit provided by Virginia Retirement System	884,000	-	-	884,000
Other postemployment benefit provided by Roanoke County Public Schools	<u>50,710</u>	<u>-</u>	<u>-</u>	<u>50,710</u>
Total deferred inflows of resources	<u>17,206,066</u>	<u>-</u>	<u>-</u>	<u>17,206,066</u>
<b>NET POSITION</b>				
Net investment in capital assets	46,943,444	-	(1,345,937)	45,597,507
Restricted for:				
Instructional grants	86,568	-	-	86,568
Emergency contingency	2,000,000	-	-	2,000,000
Unrestricted (deficit)	<u>(120,104,335)</u>	<u>5,375,787</u>	<u>666,320</u>	<u>(114,062,228)</u>
Total net (deficit) position	<u>\$ (71,074,323)</u>	<u>\$ 5,375,787</u>	<u>\$ (679,617)</u>	<u>\$ (66,378,153)</u>

See accompanying notes to basic financial statements

**COUNTY OF ROANOKE, VIRGINIA**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position				Total Component Units
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Public Schools	Economic Development Authority	Community Development Authority	South Peak	
Roanoke County Public Schools	\$ 160,417,502	\$ 4,563,331	\$ 31,676,933	\$ 3,513,954	\$ (120,663,284)	\$ -	\$ -	\$ (120,663,284)
Economic Development Authority	783,035	-	-	-	-	(783,035)	-	(783,035)
South Peak Community Development Authority	463,241	-	-	-	-	-	(463,241)	(463,241)
Total component units	<u>\$ 161,663,778</u>	<u>\$ 4,563,331</u>	<u>\$ 31,676,933</u>	<u>\$ 3,513,954</u>	<u>(120,663,284)</u>	<u>(783,035)</u>	<u>(463,241)</u>	<u>(121,909,560)</u>
General revenues:								
Payments from Roanoke County					69,307,937	781,637	-	70,089,574
Payments from other local governments					-	5,000	-	5,000
Non-categorical state aid					53,896,466	-	-	53,896,466
Incremental tax revenues					-	-	649,648	649,648
Special assessment revenues					-	-	17,027	17,027
Gain on sale of capital assets					145,912	-	-	145,912
Interest and Investment earnings					-	7,944	-	7,944
Miscellaneous					577,648	13,712	-	591,360
Total general revenues					<u>123,927,963</u>	<u>808,293</u>	<u>666,675</u>	<u>125,402,931</u>
Change in net position								
					3,264,679	25,258	203,434	3,493,371
Total net (deficit) position at beginning of year, as restated								
					(74,339,002)	5,350,529	(883,051)	(69,871,524)
Total net (deficit) position at end of year								
					<u>\$ (71,074,323)</u>	<u>\$ 5,375,787</u>	<u>\$ (679,617)</u>	<u>\$ (66,378,153)</u>

See accompanying notes to basic financial statements

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**(1) Summary of Significant Accounting Policies**

**Financial Reporting Entity**

Formed in 1838, the County of Roanoke, Virginia (the County) is a county government within the Commonwealth of Virginia (the Commonwealth or the State). The County is a municipal corporation governed by an elected five-member Board of Supervisors (the Board), one from each of the five magisterial districts that appoints a County Administrator. There are also five elected Constitutional Officers who are independent of the Roanoke County Government by law and serve as Clerk of the Circuit Court, Commissioner of the Revenue, Commonwealth Attorney, Sheriff and Treasurer.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (the GAAP) as applicable to government units. The Governmental Accounting Standards Board (the GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's financial reporting entity is defined and its financial statements are presented in accordance with GAAP, which defines the distinction between the County as the Primary Government and its related entities. Accordingly, these financial statements present the County and its component units, entities for which the County is considered to be financially accountable, hereafter referred to as the Reporting Entity.

**Discretely Presented Component Units**

Discretely presented component units are entities that are legally separate organizations for which the elected officials of the Primary Government are financially accountable or for which the nature and significance of their relationship with a Primary Government are such that exclusion would cause the Reporting Entity's financial statements to be misleading. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

**Roanoke County Public Schools**

The Roanoke County Public School Board (the School Board) is responsible for overseeing elementary and secondary public education within the government's jurisdiction. The members of the School Board are elected by the citizens of Roanoke County. However, the Roanoke County Public Schools (the School System) is fiscally dependent upon the County because its Board approves the School System's budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of debt to support School System operations and infrastructure. The School System's financial information is presented within the Discretely Presented Component Units' column to emphasize that it is legally separate from the Primary Government. The School System has separately issued financial statements, which may be obtained by writing the Roanoke County Public Schools Department of Budget and Finance, 5937 Cove Road, Roanoke, VA 24018 or visit their website at [www.rcs.k12va.us](http://www.rcs.k12va.us).

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**Economic Development Authority of Roanoke County, Virginia**

The Economic Development Authority of Roanoke County, Virginia (the EDA or the Authority) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Roanoke County Board on August 11, 1971, pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 49, Section 15.2 et. Seq., of the Code of Virginia (1950), as amended). The Authority is governed by a board of directors appointed by the County's Board. As a result, the Authority's revenues and expenses may be influenced by the decisions made by the County. The Authority is authorized to acquire, own, lease, and dispose of properties aimed at promoting industry and developing trade by encouraging enterprises to locate and remain in the Roanoke Valley. In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities, for which related liabilities may be retained by the Authority or may be assumed by the enterprises for which facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt of pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof and are payable solely from revenues generated from the lease of facilities constructed, which may be secured by a deed of trust on those facilities. The EDA financial information is presented within the Discretely Presented Component Units' column to emphasize that it is legally separate from the primary government. The Authority does not issue separate financial statements.

**South Peak Community Development Authority**

The South Peak Community Development Authority (the CDA) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the County Board on August 24, 2010 pursuant to the provisions of the Virginia Water and Waste Authorities Act (Chapter 51, Section 15.2 et. Seq., of the Code of Virginia (1950), as amended). The CDA is governed by a board of directors appointed by the County's Board. As a result, the CDA's revenues and expenses may be influenced by the decisions made by the County. The creation of the CDA was the result of a petition filed with the Board by the land owners within the South Peak Community Development District (the District). The District consists of approximately 62.5 acres of land within the County intended to be a mixed use development consisting of commercial and residential. The CDA was created to assist in financing the infrastructure, improvements and services in connection with the development of the land. The funding for these improvements will be through bonds issued by the CDA, special assessments to be levied pursuant to Section 15.2-5158(A)(5) of the Code of Virginia (1950), as amended, and contributions made by the County of certain incremental tax revenues generated within the District. Any bonds issued by the CDA, or any other financing arrangements entered into by the CDA are the obligations of the CDA, and will not be a debt or other obligation of the County nor does it constitute a pledge of the faith and credit of the County. The CDA's financial information is presented within the Discretely Presented Component Units' column to emphasize that it is legally separate from the primary government. The CDA has separately issued financial statements, which may be obtained by writing to the County of Roanoke Finance Department, 5204 Bernard Drive, Roanoke, VA 24018.



**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**Related Organizations**

As the custodian of public funds, the County's Treasurer invests all public monies held on deposit with the County. In the case of the separate agencies listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activities of the following organizations are accounted for as Agency funds within the County's financial records:

Roanoke Valley Resource Authority  
Commonwealth Fund  
Special Welfare Fund  
Cable TV  
Roanoke Valley Greenway Commission  
Virginia Recreational Facilities Authority  
Regional Fire Training Center  
Western Virginia Regional Jail Authority  
Regional Center for Animal Care and Protection

**Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements with all non-fiduciary activities categorized as governmental or proprietary. Fiduciary activities, whose resources are not available to finance the County's programs, are not included in the government-wide statements. In accordance with GAAP, the County's financial statements are comprised of the following components:

**Government-wide Financial Statements**

The reporting model includes financial statements prepared using full accrual accounting for all the County's activities. This approach includes not just current assets and liabilities but also capital assets, deferred inflows and outflows, and long-term liabilities. Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

**Statement of Net Position**

The Statement of Net Position is designed to display the financial position of the Primary Government and its discretely presented component units. The County reports all capital assets, net of accumulated depreciation, in the government-wide Statement of Net Position and report depreciation expense – the cost of "using up" capital assets - in the Statement of Activities. The net position of a government may be broken down into three categories; 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

**Statement of Activities**

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each government function. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**Fund Financial Statements**

The Fund financial statements organize and report the financial transactions and balances of the County on the basis of fund categories. Separate statements for each of the County's three fund categories – Governmental (e.g., General), Proprietary (e.g., Internal Service) and Fiduciary are presented. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. For the governmental funds, the financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances, which are presented on current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. For the Internal Service funds, the financial statements consist of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures or expenses, as appropriate. Fiduciary fund statements are used to report assets that are held in a trustee or agency capacity and consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

**Reconciliation of Government-wide and Fund Financial Statements**

A summary reconciliation of the difference between the total governmental fund balances and total net position for governmental activities, as shown in the government-wide Statement of Net Position, is presented in an accompanying reconciliation to the governmental funds' Balance Sheet. The asset, liability and deferred inflows and outflows of resources elements, which comprise the reconciliation differences, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

A summary reconciliation of the difference between net changes in governmental fund balances and change in net position for governmental activities as shown on the government-wide Statement of Activities is presented in a reconciliation to the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances. The revenue and expense elements, which comprise the reconciliation differences, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

**Measurement Focus and Basis of Presentation**

***Government-wide Financial Statements:*** The Statement of Net Position and the Statement of Activities display information about the County as a whole, except for fiduciary funds, and are prepared using the economic resources measurement focus, which differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Program revenues

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

include charges for services, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County. The County does not allocate indirect expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is where the elimination of the interfund activity would distort the direct costs and program revenues reported for the various functions.

**Fund Financial Statements:** Financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances and changes therein. Fund financial statements are designed to present financial information of the County at this more detailed level. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. The following is a brief description of the specific funds used by the County:

- **Governmental Funds** – These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Accordingly, real and personal property taxes are recorded as deferred revenue and receivables when billed. Sales taxes, which are collected by the State by year-end and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the State, which is generally in the month preceding receipt by the County. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. The individual governmental funds are:
  - General Fund – This fund accounts for all revenues and expenditures applicable to the general operations of the County that are not required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Roanoke County Public Schools. The General Fund is considered a major fund for reporting purposes.
  - Special Revenue Fund – This fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund consists of activity related to the CDA. Revenues are derived primarily from property taxes, other local taxes, and special assessments collected within the South Peak district. The Special Revenue Fund is considered a major fund for reporting purposes.

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

- Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and other related costs. The Debt Service Fund is considered a major fund for reporting purposes.
- Capital Projects Fund – This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by the proprietary fund. The Capital Projects Fund is considered a major fund for reporting purposes.
- **Internal Service Funds** – These funds account for employee health, dental, and workers' compensation coverage provided to other departments on a cost-reimbursement basis and they derive their funding from charges assessed to the user departments and employees. These funds are included in the governmental activities for government-wide reporting purposes. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. The excess revenue or expenses for the fund are allocated to the appropriate functional activity.

Additionally, the County reports the following Fiduciary funds:

- **Other Postemployment Benefits (OPEB) Trust Fund** – This fiduciary fund is used to account for the assets held in trust for the employees and beneficiaries of its OPEB plan.
- **Agency Funds** – These are fiduciary funds used to account for assets held by the County in a trustee capacity or as agent or custodian for other governmental units or other funds. They are presented in the fund financial statements by type. The County's Agency funds include assets held for entities for which the County is the fiscal agent. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Agency funds for the County include the Roanoke Valley Resource Authority, Commonwealth Fund, Special Welfare Fund, Cable TV, Roanoke Valley Greenway Commission, Regional Fire Training Center, Virginia Recreational Facilities Authority, Western Virginia Regional Jail Authority, and Regional Center for Animal Care and Protection.

### **Basis of Accounting**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements.

#### ***Government-wide, Proprietary Fund, and Fiduciary Fund Financial Statements.***

The government-wide, proprietary, pension and other postemployment benefits trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Agency funds report assets and liabilities and have no measurement focus and only use the accrual basis of accounting.

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting wherein revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures are recorded when the related fund liability is incurred, except compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**Revenues: Exchange and Non-exchange Transactions** – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within thirty days of fiscal year end.

Non-exchange transactions are transactions in which the County receives value without directly giving value in return. Taxes (e.g. real and personal property, sales), licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Taxes are levied to fund a subsequent fiscal period are recorded as a deferred inflow at fiscal year-end. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the County. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

**Deferred Outflows and Inflows of Resources** – The Statement of Net Position reports a separate section for deferred outflows of resources in addition to assets. The County reports deferred outflows of resources for deferred charges on refunding, amounts related to pensions and amounts related to other postemployment benefits (OPEB) in the government-wide Statement of Net Position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. Deferred outflows for pensions and OPEB result from changes in actuarial assumptions, pension/OPEB trust investment returns that exceed projected earnings, change in the proportion, actual economic experience that is different than estimated, and pension/OPEB contributions made to the measurement date. Changes in deferred outflows of resources, except contributions subsequent to the measurement date, are amortized over the remaining service life of all plan participants with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

The Statement of Net Position reports a separate section for deferred inflows of resources in addition to liabilities. Deferred inflows of resources in the governmental funds' Balance Sheet represent unavailable revenue for amounts billed and not collected. Deferred inflows of resources in the government-wide Statement of Net Position represent unearned revenues for amounts received in advance of meeting timing requirements or amounts collected in advance of the fiscal year to which they apply. Deferred inflows of resources are also reported for amounts related to pensions and OPEB in the government-wide statement of net position. Actuarial losses resulting from a difference in expected and actual experience, investment results, changes in actuarial assumptions and changes in proportionate share are deferred and amortized. Changes in deferred inflows of resources are amortized over the remaining service life of all plan participants with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

***Unearned Revenue*** – Unearned revenue arises when assets are recognized before revenue recognition criteria can be satisfied and also when assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period. Grants and entitlements received before the eligibility requirements are met have been recorded as unearned revenue.

***Cash and Cash Equivalents*** – The County considers cash and cash equivalents in proprietary funds to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent. For purposes of the Statement of Cash Flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and investments with maturities of 90 days or less. For purposes of the Statement of Cash Flows, cash includes unrestricted cash and cash equivalents and restricted cash. Restricted cash equivalents are defined differently and are not considered available for operations and, therefore, are not considered to be cash equivalents for the Statement of Cash Flows. Note 4 provides a detailed disclosure regarding cash equivalents and investments held by the County.

***Investments*** – Cash received by the County is deposited in various bank accounts. Monies legally required to be maintained individually, such as trust balances and contractor escrows, are deposited and maintained in individual segregated bank accounts. All other monies are deposited in a pool of bank accounts and are used to purchase investments that are specifically allocated to the appropriate funds. Interest earned on pooled investments is accrued as earned and distributed to the General Fund and other qualifying funds utilizing a formula based on the average month end balance of cash and cash equivalents of all pooled funds. Short-term investments are stated at amortized cost or at fair value and may consist of certificates of deposits, repurchase agreements, commercial paper, bankers' acceptances, Local Government Investment Pool (LGIP) and U.S. government securities. Investments are stated at fair value with any net appreciation or depreciation in fair value reflected as investment income. Investments consist of equity interest in long-term investments in U.S. government accounts. Interest earned is allocated based on average monthly balance. Note 4 provides a detailed disclosure regarding investments held by the County.

The County requires all banking institutions holding its public funds to protect such funds in accordance with the Virginia Security for Public Deposits Act (the Act). The Act established a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions so that the procedures for securing public deposits is uniform

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throughout the Commonwealth. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

**Fair Value Measurement** – The County categorizes its fair value measurements 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 are described as follows.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

**Receivables** – Local taxes and governmental fund accounts receivable are recorded in the County's accounts as both receivables and unearned revenue when billed. Property taxes paid in advance are recorded as unearned revenue until such time as the taxes become due. The reporting entity determines allowances for uncollectible accounts using historical collection data, specific account analysis and management's judgment.

**Inventories** – Inventories consist of various consumable supplies and are maintained on a perpetual basis with periodic verification based on physical count. All inventories are valued at cost using the first-in first-out method for the government-wide statements. The cost of the consumable supplies is recorded as expenditures when consumed in the General Fund.

**Capital Assets** – Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements, to the extent the County's capitalization threshold is met. The County defines capital assets as assets with an initial individual cost of more than \$10,000 and an estimated useful life of at least two years. Major additions, including those that significantly prolong a capital asset's economic life or expand usefulness, are capitalized. Normal repairs that merely maintain the asset in its present condition are recorded as expenditures and are not capitalized. Depreciation expense for capital assets is identified with a function, whenever possible, and is included as a direct expense.

All capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets donated works of art and similar items, and donated capital assets received in a service concession arrangement would be reported at acquisition value rather than fair value. Upon the sale or retirement of a capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	40-50 years
Building Improvements	10-25 years
Furniture, Fixtures, and Equipment	3-25 years

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According to the Code of Virginia, when a local government incurs a financial obligation payable over more than one fiscal year to fund an acquisition, construction or improvement of public school property, the local government acquires title to the school property as a tenant in common with the local school board for the term of the financial obligation. For financial reporting purposes, the local government may report the school property and related financial obligation. At the time the financial obligation is paid in full, the net value of the school property is transferred to the local school board and reflected as program revenue and expense in the government-wide financial statements for the local school board and the local government, respectively.

***Pension Plan*** – The Virginia Retirement System (VRS) County Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Retirement plan and the additions to / deductions from the County's Retirement plan's net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

***Other Postemployment Benefits (OPEB)*** – In connection with the County's funding of other postemployment benefits in fiscal year 2009, the County joined the Virginia Pooled OPEB Trust (the OPEB Trust Fund). The County plans to contribute amounts to the OPEB Trust Fund sufficient to fund the actuarially determined contribution (the ADC), an actuarially determined rate in accordance with GAAP. The OPEB Trust Fund assets are recorded at fair value. The Trust Board of Trustees establishes investment objectives, risk tolerance, and asset allocation policies based on the investment policy, market and economic conditions, and generally prevailing prudent investment practices.

***Health Insurance Credit Program*** – The VRS Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Health Insurance Credit Program OPEB, and the Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Group Life Insurance*** – The VRS Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life



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Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Temporary Literary Loan Proceeds*** – The County receives drawdowns from the Commonwealth of Virginia from approved Literary Loans. These loans are accounted for as short-term borrowings until the entire proceeds have been received by the County at which time the repayment schedules are finalized and the amounts established as long-term debt.

***Self-Insurance*** – The County is self-insured for workers' compensation, health insurance, general liability and automobile liability. Estimates for accrued liabilities in each program at the end of the year have been recorded.

***Compensated Absences*** – The liability for compensated absences reported at the government-wide level consists of unpaid accumulated vacation and sick leave balances. The liability is based on the sick leave and vacation leave accumulated at June 30. Limited vacation and sick leave may be accumulated until retirement or termination. Accumulated sick leave is paid at a fixed daily rate and accumulated vacation is paid at the employee's current wage upon retirement or termination.

***Long-term Obligations*** – Long-term debt and other obligations are reported as liabilities in the Statement of Net Position in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but no related long-term liabilities. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as an other financing source while discounts on debt issuances are reported as other financing uses. Payments to an escrow agent to defease debt is reported as other financing uses while issuance costs and repayments of principal and interest are reported as debt service expenditures. Matured principal and interest payments are reported when due.

***Interfund Transactions*** – On fund financial statements, receivables and payables resulting from interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities' column of the Statement of Net Position. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

***Encumbrances*** – The County uses encumbrance accounting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to restrict, commit, or assign that portion of the applicable appropriation.

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**Net Position** – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding which was used to finance those assets.
- Restricted - consists of assets where there are limitations imposed on their use through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
- Unrestricted – all other net position is reported in this category

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources, as needed.

**Fund Balance** – Except when required to comply with GAAP, all commitments and restrictions of Governmental Fund balances reflect County Board action in the context of adoption of the County's budget.

**Net Investment in Direct Financing Leases** – The Authority may acquire and improve properties and retain title to them. Where transfer of title at the completion of a lease to a tenant is not reasonably assured by bargain purchase options or other lease provision, the Authority accounts for activities in its role as lessor as either capital leases or operating leases in accordance with GAAP.

**Pollution and Remediation** – In accordance with GAAP, the County yearly analyzes the requirements for reporting liabilities related to cleaning up pollution and/or contamination. As of June 30, 2018, the County has determined that there is no related liability.

**Use of Estimates** – Management of the County has made a number of estimates and assumptions relating to the reporting of assets and deferred outflows, liabilities and deferred inflows, revenues, expenditures, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

**New Accounting Pronouncement** – The following accounting pronouncements have been implemented by the County.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government

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is a beneficiary of the agreement. In practice, there have been no material changes to the financial statements of the County as a result of Statement No. 81.

- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.
- GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB Statement No. 86, *Certain Debt Extinguishments Issues*, addresses accounting and financial reporting for in-substance defeasance of debt where cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. In practice, there have been no material changes to the financial statements of the County as a result of Statement No. 86.

**(2) Property Taxes**

Property taxes are levied annually in April on assessed values as of January 1. In addition, personal property transactions during the year are taxed on a prorated basis. Real estate tax is payable in two equal installments on or before December 5, and June 5, and personal property tax is due on or before May 31, or within 30 days subsequent to assessment. Taxes levied and due December 5 are intended to fund operations of that fiscal year. A lien is created when the real estate taxes are levied, and after three years it becomes enforceable by judicial sale of the property. Personal property taxes do not create a lien on property; however, the County reports delinquent taxpayers to the Virginia Department of Motor Vehicles (the DMV) twice a year. At that time, the taxpayer will no longer be able to conduct any business with the DMV until the outstanding taxes are paid. The County bills and collects both real estate and personal property taxes. The County recognizes tax revenue when levied to the extent that they are collected during the fiscal year and within 30 days after year-end.

The annual assessment for real estate is based on 94% of the assessed fair market value. A penalty of 10% of the unpaid tax is due for late payment. Interest is accrued at 10% for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the Internal Revenue Code Section 6621 (b). The effective tax rates per \$100 of assessed value for the year ended June 30, 2018 were as follows:

Real Estate	\$1.09
Personal Property	3.50
Machinery and Tools	2.85

**(3) Fund Balances**

The Board has adopted policies that provide a framework for the County's overall fiscal planning and management. The County's unassigned General Fund fund balance has been built over the years to provide the County with sufficient working capital to finance unforeseen

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emergencies without borrowing. The County is dedicated to maintaining a diversified and stable revenue system to shelter the government from fluctuations in any single revenue source and to ensure its ability to provide ongoing services. The County's policy is to fund current expenditures with current revenues. If it becomes necessary to fund current expenditures with fund balance, amounts already set aside for that specific purpose will be utilized unless otherwise directed by the County Board.

The County, in accordance with GAAP, categorizes its governmental-type fund balances using the following guidance:

- **Nonspendable** – Represents County assets that will never convert to cash (e.g., inventory and prepaid items).
- **Restricted** – Represents County resources with externally enforceable limitations on their use imposed by grantor, or laws and regulations of other governments.
- **Committed** – Represents County resources that can be used only for specific purposes, as determined by the County's highest level of decision-making authority, the Board, and is imposed by formal appropriation, which is an ordinance. The County policy is that formal Board action is required to establish or rescind a committed fund balance.
- **Assigned** – Represents County resources that are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. The County Board has approved limited authority to the parks and recreation management to have the flexibility in decisions on the use of certain funds as deemed necessary by an approved ordinance dated September 27, 1994.
- **Unassigned** – Represents County resources that have no spending restrictions under any of the preceding four classifications. The County has adopted a Board policy for establishing unappropriated fund balance. The General Fund is the only fund that reports a positive unassigned fund balance amount.

Fund balances classified in accordance with GAAP at June 30, 2018 are as follows:

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
Nonspendable:					
Prepays	\$ 203,117	\$ -	\$ -	\$ -	\$ 203,117
Inventory	197,187	-	-	-	197,187
	<u>\$ 400,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400,304</u>
Restricted for:					
Children's Services Act	\$ 1,139,786	\$ -	\$ -	\$ -	1,139,786
Law Enforcement	1,007,501	-	-	-	1,007,501
Public Safety Radios	-	-	-	1,403,671	1,403,671
Clerk of Circuit Court	-	-	-	7,719	7,719
Fire and Rescue	54,551	-	-	763,682	818,233
Parks and Recreation	379,109	-	-	18,571	397,680
Explore Park Infrastructure	-	-	-	4,142,835	4,142,835
Stormwater Management	423,186	-	-	31,123	454,309
Community Development	-	812,172	-	-	812,172
Public Service Center	-	-	-	1,404,621	1,404,621
Other purposes	201,814	-	-	-	201,814
	<u>\$ 3,205,947</u>	<u>\$ 812,172</u>	<u>\$ -</u>	<u>\$ 7,772,222</u>	<u>\$ 11,790,341</u>

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	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
Committed to:					
Law Enforcement	\$ 203,730	\$ -	\$ -	\$ 12,693	\$ 216,423
LOSAP pension	3,525,307	-	-	-	3,525,307
Fire and Rescue	6,208	-	-	543,446	549,654
Garage and Motor Pool	206,925	-	-	-	206,925
Information Technology and Communications Shop	358,847	-	-	794,821	1,153,668
Integrated Financial System	-	-	-	811,960	811,960
Human Resources and Payroll System	-	-	-	757,645	757,645
Radio Maintenance	361,273	-	-	-	361,273
Public Works	207,662	-	-	-	207,662
Parks and Recreation	298	-	-	325,194	325,492
Libraries	-	-	-	81,354	81,354
General Services	-	-	-	1,985,957	1,985,957
Debt Service Reserves	-	-	61,884	-	61,884
Education	-	-	-	4,012,863	4,012,863
Future Capital Projects	1,654,961	-	-	2,625,851	4,280,812
Community Development	-	-	-	2,815,113	2,815,113
Stormwater Management	54,177	-	-	2,971,250	3,025,427
Assessment	-	-	-	163,373	163,373
Other purposes	3,746	-	-	18,830	22,576
	<u>\$ 6,583,134</u>	<u>\$ -</u>	<u>\$ 61,884</u>	<u>\$ 17,920,350</u>	<u>\$ 24,565,368</u>
Assigned to:					
Law enforcement	\$ 2,717	\$ -	\$ -	\$ -	\$ 2,717
Parks and Recreation	1,081,503	-	-	-	1,081,503
	<u>\$ 1,084,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,084,220</u>
Unassigned	<u>\$ 23,160,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,160,761</u>
Total Fund Balances	<u>\$ 34,434,366</u>	<u>\$ 812,172</u>	<u>\$ 61,884</u>	<u>\$ 25,692,572</u>	<u>\$ 61,000,994</u>

The General Fund Unappropriated Balance Policy's stated purpose is to ensure the long-term economic stability of the County, by establishing a policy that maintains a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. The minimum balance shall be maintained between 10% and 11%. At the end of each fiscal year, all General Fund revenues in excess of budget will first go into the General Fund Unassigned Fund Balance, until the maximum balance for the current year is met.

It is the policy of the County to spend all restricted monies first, committed funds second, with assigned funds third, and unassigned funds being spent last for any projects with multiple funding sources.

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**(4) Deposits and Investments**

At June 30, 2018, the fair value and maturity of the County's and Component Units' total deposits and investments were as follows:

Deposits and Investments	Fair Value	Original Investment Maturity		Credit Rating
		Less Than 1 Year	1-6 Year	
Demand and time deposits	\$ 32,745,640	\$ 32,745,640	\$ -	not applicable
Interest-earning investment contract	3,525,307	3,525,307	-	AA-
Money market mutual funds	27,446,268	27,446,268	-	AAAm
Virginia LGIP	10,069,071	10,069,071	-	AAAm
Federal agency bonds and notes	59,646,889	-	59,646,889	AAA
Investment in other pooled funds	7,275,784	7,275,784	-	not applicable
Total	<u>\$ 140,708,959</u>	<u>\$ 81,062,070</u>	<u>\$ 59,646,889</u>	

The investment in other pooled funds categorizes its investments within the fair value hierarchy established by general accepted accounting principles. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the NAV per share (or its equivalent) of the investment. Investments in the pooled funds are valued using the NAV per share, which is determined by dividing the total value of the pooled funds by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the pooled funds. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice. As of June 30, 2018, excluding the pooled funds, there were no other investments.

Below is the carrying value of cash and investments for the Reporting Entity as of June 30, 2018:

Entity	Cash and Cash Equivalents	Cash and Investments with Fiscal Agents	Investments	Restricted Cash	Total
County	\$ 11,270,562	\$ 8,744,052	\$ 30,052,888	\$ 983,657	\$ 51,051,159
Component Units:					
School System	16,355,687	-	19,321,030	-	35,676,717
Authority	694,692	-	-	-	694,692
	<u>17,050,379</u>	<u>-</u>	<u>19,321,030</u>	<u>-</u>	<u>36,371,409</u>
Fiduciary Funds:					
Fiduciary Funds - County	33,405,160	6,531,608	10,272,971	-	50,209,739
Fiduciary Funds - School System	2,332,476	744,176	-	-	3,076,652
	<u>35,737,636</u>	<u>7,275,784</u>	<u>10,272,971</u>	<u>-</u>	<u>53,286,391</u>
Total	<u>\$ 64,058,577</u>	<u>\$ 16,019,836</u>	<u>\$ 59,646,889</u>	<u>\$ 983,657</u>	<u>\$ 140,708,959</u>

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Fair Value

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County has the following recurring fair value measurements as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Debt securities				
U.S. governmental bonds & notes	\$ -	\$ 59,646,889	\$ -	\$ 59,646,889

Debt securities classified in Level 2 of the fair value hierarchy are valued using matrix technique pricing.

Credit and Concentration of Credit Risk

In accordance with the Code of Virginia and other applicable laws, including regulations, the County's investment policy (the Policy) limits credit risk by restricting authorized investments to the following: bonds, notes and other direct obligations of the United States; bonds, notes and other direct obligations of the Commonwealth of Virginia or political subdivisions thereof; bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development and the Asian Development Bank; prime quality commercial paper; certificates of deposits; bankers' acceptances; repurchase agreements; and money market funds. The policy requires that commercial paper have a minimum Standard & Poor's (S&P) rating (or Moody's equivalent) of A-1. Deposits with banks are covered by the Federal Deposit Insurance Corporation (the FDIC) and collateralized in accordance with the Act Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized. The LGIP is administered by the Treasury Board pursuant to Sections 2.2-4600 through 2.2-4606 of the Code of Virginia. The Treasury Board has delegated the management of the LGIP to the State Treasurer. The fair value of the County's position in the LGIP is the same as the value of the pool shares.

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. The Policy establishes limitations on portfolio composition, both by investment type and by issuer, in order to control concentration of credit risk. The maximum percentage of the portfolio permitted in each eligible security with the limit to any one issuer is as follows:

U.S. Treasury Obligations	70%
U.S. Treasury Agency Securities and Instrumentalities of Government Sponsored Corporations	80%
Bankers' Acceptance with no more than 25% with any one Institution and maximum of 10% in any one issuance	40%
Repurchase Agreement Overnight with no more than 20% with any one institution	70%

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Repurchase Agreement Two or more nights with no more than 20% with any one institution	25%
Certificate of Deposit with Commercial Banks with no more than 45% with any one institution	100%
Certificate of Deposit with Savings and Loan Associations with no more than \$100,000 with any one institution	10%
Commercial Paper with no more than 35% with any one institution and a maximum of 10% or \$1 million dollars in any one issuance	35%
Local Government Investment Pool	75%

As of June 30, 2018, the portion of the County and School System's portfolio, excluding the LGIP, State Non-Arbitrage Program (SNAP), Interest-earning investment contract and Investment in other pooled funds held by fiduciary agents, and U.S. Government guaranteed obligations, that exceeded 5% of the total portfolio are as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	15.97%
Federal Farm Credit Bank Bonds	21.49%
Federal Home Loan Mortgage Corp	7.98%

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the depositor will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Policy requires that all investment securities purchased by the County or held as collateral on deposits or investments shall be held by the County or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2018, with the exception of the LOSAP funds, all other County investments are held by the County or in a bank's trust department in the County's name.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Policy requires maturity scheduling be timed to anticipated need and scheduled to coincide with projected cash flow needs. All funds shall be considered short-term except those reserved for capital projects and prepayment funds being held for debt retirement. As of June 30, 2018, the County did not have investments with a maturity greater than 24 months.



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**(5) Receivables**

Receivables at June 30, 2018 are as follows:

	Accounts	Taxes	Due from Other Governments	Total
Governmental activities				
General	\$ 4,919,475	\$ 11,662,055	\$ 16,491,855	\$ 33,073,385
Special Revenue	5,027	-	-	5,027
Capital Projects	1,432	-	-	1,432
Internal Service	499,204	-	-	499,204
Total governmental activities	<u>\$ 5,425,138</u>	<u>\$ 11,662,055</u>	<u>\$ 16,491,855</u>	<u>\$ 33,579,048</u>

**(6) Interfund Transfers**

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

Transfer To	Transfer Out				Total
	General	Debt Service	Capital Projects	Internal Service	
General Fund	\$ -	\$ -	\$ 1,314,545	\$ -	\$ 1,314,545
Debt Service Fund	14,449,982	-	130,290	-	14,580,272
Capital Projects Fund	7,043,729	141,524	-	-	7,185,253
Internal Service Fund	1,115,380	-	-	-	1,115,380
Totals	<u>\$ 22,609,091</u>	<u>\$ 141,524</u>	<u>\$ 1,444,835</u>	<u>\$ -</u>	<u>\$ 24,195,450</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget required to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**(7) Payables**

Payables at the government-wide level at June 30, 2018 are as follows:

	Vendors	Accrued Wages and Benefits	Total
Governmental funds:			
General	2,309,549	\$ 1,161,543	\$ 3,471,092
Special Revenue	5,079	-	5,079
Debt Service	-	-	-
Capital Projects	1,818,369	-	1,818,369
Total governmental funds	<u>\$ 4,132,997</u>	<u>\$ 1,161,543</u>	<u>\$ 5,294,540</u>
Proprietary funds:			
Internal Service	\$ 995,004	\$ -	\$ 995,004
Total proprietary funds	<u>\$ 995,004</u>	<u>\$ -</u>	<u>\$ 995,004</u>
Accrued interest payable			2,301,067
Total governmental activities			<u>\$ 8,590,611</u>

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
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**(8) Long-Term Liabilities**

The County's outstanding debt consists of General Obligation Bonds, Lease Revenue Bonds, and Virginia Public School Authority (the VPSA) Bonds. Debt is issued to provide funds for the acquisition, construction and improvement of major capital facilities. Federal arbitrage regulations are managed by SNAP and Virginia Resource Authority (the VRA) for state obligations and all other obligations are managed by a private consulting firm. The issuance of bonds by Virginia counties is not subject to any limitation on amount.

Outstanding long-term liabilities at June 30, 2018 are as follows:

	Governmental Activities
\$6,503,586 - 2013 General Obligation Refunding Bonds due in annual installments of \$898,188 to \$948,122 through June 1, 2021; interest at 2.4%	\$ 2,765,175
\$7,965,000 - 1998 Series A VPSA Bonds due in annual installments of \$395,000 through July 15, 2018; interest at 5.1%	395,000
\$4,724,924 - 1998 Series B VPSA Bonds due in annual installments of \$248,659 through July 15, 2018; interest at 5.1%	248,659
\$6,920,000 - 1999 Series B VPSA Bonds due in annual installments of \$345,000 through July 15, 2019; interest at 6.1%	690,000
\$16,500,000 - 2001 Series A VPSA Bonds due in annual installments of \$825,000 through July 15, 2021; interest at 5.1%	3,300,000
\$12,968,814 - 2001 Series B VPSA Bonds due in annual installments of \$675,397 to \$683,564 through July 15, 2021; interest at 3.1% to 5.1%	2,724,532
\$20,630,000 - 2003 Series C VPSA Bonds due in annual installments of \$1,030,000 through July 15, 2023; interest at 4.6% to 5.1%	6,180,000
\$14,900,000 - 2007 Non-subsidized VPSA bonds due in annual installments of \$745,000 through July 15, 2027; interest at 4.4% to 5.1%	7,450,000
\$6,364,713 - 2007 subsidized VPSA bonds due in annual installments of \$317,799 to \$371,160 through July 15, 2027; interest at 4.4% to 5.1%	3,425,852
\$43,830,000 - 2009 B VPSA Bonds due in annual installments of \$2,190,000 through July 15, 2029; interest at 4.1% to 5.1%	26,280,000
\$9,080,000 - 2011 VPSA Bonds due in annual installments of \$450,000 to \$455,000 through July 15, 2031; interest at 3.3% to 5.1%	6,350,000
\$17,835,000 - 2014 Series C VPSA bonds due in annual installments of \$890,000 to \$895,000 through July 15, 2034; interest at 3.6% to 5.1%	15,150,000

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
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	<u>Governmental Activities</u>
\$58,595,000 - Lease Revenue bond Series 2008 due in annual installments of \$1,345,000 to \$1,825,000 through October 15, 2020; interest at 4.0% to 5.0%	4,250,000
\$20,625,000 - 2013B VRA Refunding and Lease Revenue Bonds due in annual installments of \$510,000 to \$1,645,000 through October 1, 2033; interest at 4.1% to 4.8%	17,680,000
\$5,770,000 - 2014A VRA Refunding Bonds due in annual installments of \$15,000 to \$1,415,000 through October 1, 2033; interest at 3.1% to 4.9%	5,770,000
\$44,175,000 - Lease Revenue bond Series 2015 due in annual installments of \$105,000 to \$3,215,000 through October 15, 2037; interest at 3.0% to 5.0%	43,830,000
\$6,440,000 - Lease Revenue bond Series 2017 due in annual installments of \$245,000 to \$420,000 through October 1, 2037; interest at 2.8% to 5.1%	6,440,000
	<u>\$ 152,929,218</u>
Bond premiums	9,929,441
Accrued compensated absences	5,851,281
Claims payable	3,034,072
LOSAP liability	9,502,709
Net OPEB liability provided by VRS	4,859,384
Net OPEB liability provided by County	7,572,810
Net Pension liability	35,255,699
	<u>\$ 228,934,614</u>

**COUNTY OF ROANOKE, VIRGINIA**  
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Changes in long-term liabilities for the year ended June 30, 2018 were as follows:

<b>Primary Government</b>	<b>Outstanding June 30, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Outstanding June 30, 2018</b>	<b>Amounts Due Within One Year</b>
Governmental Activities:					
General Obligation Bonds	\$ 3,640,935	\$ -	\$ 875,760	\$ 2,765,175	\$ 898,188
VP&A School Bonds	80,301,667	-	8,107,624	72,194,043	8,121,855
Lease Revenue Bonds	74,535,000	6,440,000	3,005,000	77,970,000	2,935,000
	<u>158,477,602</u>	<u>6,440,000</u>	<u>11,988,384</u>	<u>152,929,218</u>	<u>11,955,043</u>
Bond premiums	9,832,624	857,521	760,704	9,929,441	774,996
Accrued compensated absences	5,679,949	4,205,805	4,034,473	5,851,281	3,312,695
Claims payable	3,184,983	10,238,659	10,389,570	3,034,072	1,495,978
LOSAP liability	8,003,243	1,922,267	422,801	9,502,709	-
Net OPEB liability provided by VRS	5,525,245	141,294	807,155	4,859,384	-
Net OPEB liability provided by County	7,710,421	1,790,712	1,928,323	7,572,810	-
Net Pension liability	43,782,538	20,943,568	29,470,407	35,255,699	-
	<u>\$ 242,196,605</u>	<u>\$ 46,539,826</u>	<u>\$ 59,801,817</u>	<u>\$ 228,934,614</u>	<u>\$ 17,538,712</u>
<b>Component Units</b>	<b>Outstanding June 30, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Outstanding June 30, 2018</b>	<b>Within One Year</b>
School System:					
Accrued compensated absences	\$ 2,821,130	\$ 1,864,530	\$ 1,921,182	\$ 2,764,478	\$ 831,887
Claims payable	2,480,899	17,438,806	17,279,879	2,639,826	2,041,280
Net Pension liability	133,544,391	43,374,309	56,736,700	120,182,000	-
Net OPEB liability provided by VRS	19,374,000	2,874,100	3,382,100	18,866,000	-
Net OPEB liability provided by RCPS	14,372,988	1,503,196	879,148	14,997,036	-
	<u>\$ 172,593,408</u>	<u>\$ 67,054,941</u>	<u>\$ 80,199,009</u>	<u>\$ 159,449,340</u>	<u>\$ 2,873,167</u>
CDA:					
Bond payable	\$ 6,849,000	\$ -	\$ 173,000	\$ 6,676,000	\$ 196,000

The Debt Service Fund is used to liquidate most long-term liabilities of governmental activities as shown above; however, a portion of compensated absences, claims payable and net pension liabilities are liquidated by the General Fund.

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
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The annual requirements to amortize governmental activities' debt outstanding as of June 30, 2018 are as follows:

Fiscal Year	General Obligation Serial Bonds		Virginia Public School Authority Bonds		Lease Revenue Bonds		Total Government Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 898,188	\$ 65,811	\$ 8,121,855	\$ 3,226,472	\$ 2,935,000	\$ 3,140,888	\$ 11,955,043	\$ 6,433,171
2020	918,865	44,434	7,490,422	2,840,204	3,060,000	3,012,076	11,469,287	5,896,714
2021	948,122	22,566	7,151,276	2,487,241	3,195,000	2,880,244	11,294,398	5,390,051
2022	-	-	7,157,438	2,130,969	3,340,000	2,733,381	10,497,438	4,864,350
2023	-	-	5,648,501	1,810,250	3,495,000	2,575,200	9,143,501	4,385,450
2024-2028	-	-	24,214,551	5,280,987	20,470,000	10,140,320	44,684,551	15,421,307
2029-2033	-	-	10,630,000	1,056,785	22,860,000	5,517,461	33,490,000	6,574,246
2034-2038	-	-	1,780,000	63,189	18,615,000	1,601,981	20,395,000	1,665,170
<b>Total</b>	<b>\$ 2,765,175</b>	<b>\$ 132,811</b>	<b>\$ 72,194,043</b>	<b>\$ 18,896,097</b>	<b>\$ 77,970,000</b>	<b>\$ 31,601,551</b>	<b>\$ 152,929,218</b>	<b>\$ 50,630,459</b>

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
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**(9) Capital Assets**

In accordance with GAAP, all school related bond obligations are reported herein as County debt since it is legally responsible for debt repayment. All related capital assets for which the County and the School System maintain a tenancy in common relationship have been reported as County assets. As of June 30, 2018, the related capital assets totaled \$110,776,528, net of accumulated depreciation.

Bondholders of the lease revenue bonds have a security leasehold interest in the underlying assets purchased with the proceeds of those bonds until the bonds are paid off or refinanced.

Primary Government capital asset activity for the year ended June 30, 2018 was as follows:

**Governmental Activities**

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 14,209,655	\$ -	\$ -	\$ 14,209,655
Construction in progress	3,332,590	4,440,856	(2,008,572)	5,764,874
Total capital assets at historical cost not being depreciated	<u>17,542,245</u>	<u>4,440,856</u>	<u>(2,008,572)</u>	<u>19,974,529</u>
Capital assets being depreciated:				
Building and improvements	345,429,811	1,138,579	-	346,568,390
Furniture, fixtures, and equipment	67,361,347	5,632,369	(3,324,681)	69,669,035
Total capital assets at historical cost being depreciated	<u>412,791,158</u>	<u>6,770,948</u>	<u>(3,324,681)</u>	<u>416,237,425</u>
Less accumulated depreciation:				
Buildings and improvements	(125,683,428)	(17,977,612)	-	(143,661,040)
Furniture, fixtures, and equipment	(47,628,547)	(5,943,273)	3,302,716	(50,269,104)
Total accumulated depreciation	<u>(173,311,975)</u>	<u>(23,920,885)</u>	<u>3,302,716</u>	<u>(193,930,144)</u>
Total capital assets, being depreciated, net	<u>239,479,183</u>	<u>(17,149,937)</u>	<u>(21,965)</u>	<u>222,307,281</u>
Governmental activities capital assets, net	<u>\$ 257,021,428</u>	<u>\$ (12,709,081)</u>	<u>\$ (2,030,537)</u>	<u>\$ 242,281,810</u>

**COUNTY OF ROANOKE, VIRGINIA**  
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Depreciation expense for the year ended June 30, 2018 was charged to functions/programs of the Primary Government as follows:

Governmental Activities:

General government	\$ 788,354
Judicial administration	78,302
Public Safety	3,681,952
Public Works	2,413,803
Health and welfare	644,358
Parks, recreation and culture	1,753,217
Library	1,070,679
Community development	93,102
Education	13,397,118
Total depreciation expense - governmental activities	<u>\$ 23,920,885</u>

The County has no active major building construction projects as of June 30, 2018.

The South Peak Community Development Authority's capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets not being depreciated:				
Infrastructure	\$ 5,330,063	\$ -	\$ -	\$ 5,330,063
Total capital assets at historical cost not being depreciated	<u>\$ 5,330,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,330,063</u>

The Roanoke County Public Schools' capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 5,683,472	\$ 1	\$ -	\$ 5,683,473
Construction in progress	1,338,378	2,749,602	(2,424,388)	1,663,592
Total capital assets at historical cost not being depreciated	<u>7,021,850</u>	<u>2,749,603</u>	<u>(2,424,388)</u>	<u>7,347,065</u>
Capital assets being depreciated:				
Building and improvements	81,578,322	2,897,708	(58,655)	84,417,375
Furniture, fixtures, and equipment	39,193,783	3,187,580	(3,088,221)	39,293,142
Total capital assets at historical cost being depreciated	<u>120,772,105</u>	<u>6,085,288</u>	<u>(3,146,876)</u>	<u>123,710,517</u>
Less accumulated depreciation:				
Buildings and improvements	(52,607,142)	(2,965,241)	46,282	(55,526,101)
Furniture, fixtures, and equipment	(28,421,434)	(3,227,541)	3,060,938	(28,588,037)
Total accumulated depreciation	<u>(81,028,576)</u>	<u>(6,192,782)</u>	<u>3,107,220</u>	<u>(84,114,138)</u>
Total capital assets, being depreciated, net	<u>39,743,529</u>	<u>(107,494)</u>	<u>(39,656)</u>	<u>39,596,379</u>
Governmental activities capital assets, net	<u>\$ 46,765,379</u>	<u>\$ 2,642,109</u>	<u>\$ (2,464,044)</u>	<u>\$ 46,943,444</u>

**COUNTY OF ROANOKE, VIRGINIA**  
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Depreciation expense for the Roanoke County Public Schools' charged to function/program activities for the year ended June 30, 2018 was as follows:

Instruction	\$ 4,965,176
Administration	326,215
Transportation	34,328
Operations and maintenance	792,728
School nutrition	74,335
Total depreciation expense	<u>\$ 6,192,782</u>

**(10) Operating Leases**

The County leases several sites around the Roanoke Valley for the purpose of maintaining towers and antennae for its public safety radio communications system and a 0.680 acre lot in Salem for Courthouse parking. The non-cancelable leases range in terms from one and half years remaining to open-ended. Rental expense in the amount of \$82,051 was paid for the fiscal year ended June 30, 2018.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2018 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 84,719
2020	87,162
2021	84,067
2022	87,751
2023	38,315
2024-2028	<u>97,169</u>
Total	<u>\$ 479,183</u>

**(11) Risk Management**

The County of Roanoke is self-insured for workers' compensation, health insurance, general liability and automobile liability as follows:

*Workers' Compensation* – The County established a self-insured Workers' Compensation program July 1, 1986. On July 1, 1990, the School System also implemented a self-insured Workers' Compensation program. Premiums are paid into the Internal Service Fund and the Component Unit Internal Service Fund by all other funds and are available to pay claims, claims reserves and administrative costs of the programs. An excess coverage insurance policy covers each accident in excess of \$500,000 for both the County and the School System, with a higher threshold of \$550,000 for emergency personnel, with statutory limits for all claims prior to June 30, 2015. Effective July 1, 2015, the County and Schools joined the VACORP Pool for any claims in excess of \$200,000. At June 30, 2018, the County and the School System have accrued liabilities of \$2,064,000 and \$882,000, respectively, based primarily upon an estimate by a qualified actuary. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as interfund services provided and used.



**COUNTY OF ROANOKE, VIRGINIA**  
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*Health Insurance* – The County established a self-insured health insurance program July 1, 1988. On July 1, 1990, the School System also implemented a self-insured health insurance program. Monthly contributions are paid into the Internal Service Fund and the Component Unit Internal Service Fund from the County and School System funds and the County and School System employees based upon estimates from the claims processor that should cover administrative expenses, stop loss insurance premiums, and claims. An excess coverage insurance policy covers each individual's pooled claims in excess of \$200,000. At June 30, 2018, incurred but not yet reported (IBNR) claims for the County and School System are estimated to be \$935,431 and \$1,757,826 respectively. Interfund premiums are based upon the employees within that fund who are enrolled in the plan.

*General Liability* – The County established a self-insured program for general liability and automobile insurance July 1, 1994. The County purchased excess insurance with \$250,000 retention, with limits of \$2,000,000 per occurrence, and no aggregate limit. At June 30, 2018, the County has an accrued general liability of \$8,419, based primarily upon an estimate by a qualified claims adjuster with a third party administrator.

*Automobile Liability* – The County continues to be self-insured up to \$250,000 and has certain deductibles in place for auto physical damage and comprehensive/collision. Effective July 1, 2017, the County purchased coverage for physical damage to and liability associated with the operation of the County's fleet, including Fire and Rescue and Solid Waste. At June 30, 2018, the County has an accrued automotive liability of \$26,222, based primarily upon an estimate by a qualified claims adjuster with a third party administrator.

Settled claims have not exceeded insurance coverage for the past three years. Unpaid claims are included as accrued liabilities on the balance sheet. Changes in the balances of claims liabilities during the past two years are as follows:

**Primary Government:**

	<b>Workers' Compensation</b>	<b>Health Insurance</b>	<b>General Liability</b>	<b>Automobile Liability</b>	<b>Total</b>
Unpaid Claims June 30, 2016	\$ 2,288,000	\$ 892,722	\$ 5,100	\$ 10,285	\$ 3,196,107
Incurred claims (including IBNR and changes in estimates)	1,420,331	8,508,175	19,249	16,331	9,964,086
Claim Payments	<u>(1,420,331)</u>	<u>(8,549,779)</u>	<u>(5,100)</u>	<u>-</u>	<u>(9,975,210)</u>
Unpaid Claims June 30, 2017	2,288,000	851,118	19,249	26,616	3,184,983
Incurred claims (including IBNR and changes in estimates)	792,568	9,437,672	8,419	-	10,238,659
Claim Payments	<u>(1,016,568)</u>	<u>(9,353,359)</u>	<u>(19,249)</u>	<u>(394)</u>	<u>(10,389,570)</u>
Unpaid Claims June 30, 2018	<u>\$ 2,064,000</u>	<u>\$ 935,431</u>	<u>\$ 8,419</u>	<u>\$ 26,222</u>	<u>\$ 3,034,072</u>

**COUNTY OF ROANOKE, VIRGINIA**  
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**School System Component Unit:**

	<b>Workers'</b>	<b>Technology</b>	<b>Health</b>	
	<b>Compensation</b>	<b>Reserve</b>	<b>Insurance</b>	<b>Total</b>
Unpaid Claims June 30, 2016	\$ 771,000	\$ -	\$ 1,568,022	\$ 2,339,022
Incurred claims (including IBNR and changes in estimates)	448,846	108,892	16,251,718	16,809,456
Claim Payments	<u>(408,846)</u>	<u>(108,892)</u>	<u>(16,149,841)</u>	<u>(16,667,579)</u>
Unpaid Claims June 30, 2017	811,000	-	1,669,899	2,480,899
Incurred claims (including IBNR and changes in estimates)	523,017	146,466	16,769,323	17,438,806
Claim Payments	<u>(452,017)</u>	<u>(146,466)</u>	<u>(16,681,396)</u>	<u>(17,279,879)</u>
Unpaid Claims June 30, 2018	<u>\$ 882,000</u>	<u>\$ -</u>	<u>\$ 1,757,826</u>	<u>\$ 2,639,826</u>

**(12) Pension Plan**

**Plan Description** – All full-time, salaried permanent employees of the County are automatically covered by VRS Retirement Plan. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010,	<b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their	<b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were

**COUNTY OF ROANOKE, VIRGINIA**  
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and they were vested as of January 1, 2013.	membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	<p>eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b>  Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>  VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan</p>	<p><b>Eligible Members</b>  Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>  Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p><b>Eligible Members</b>  Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</li> </ul> <p><b>*Non-Eligible Members</b>  Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p>

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<p>1 member who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b></p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b></p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b></p> <p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b></p> <p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A</p>	<p><b>Creditable Service</b></p> <p>Same as Plan 1.</p>	<p><b>Creditable Service</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service</p>

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<p>member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>		<p>the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b>  Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b>  Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60) months of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>  Same as Plan 1.</p>	<p><b>Vesting</b>  <b><u>Defined Benefit Component:</u></b>  Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b>  Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p>

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<p><b>Calculating the Benefit</b>  The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b>  See definition under Plan 1.</p>	<p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p> <p><b>Calculating the Benefit</b>  <b><u>Defined Benefit Component:</u></b>  See definition under Plan 1.</p> <p><b><u>Defined Contribution Component:</u></b>  The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b>  A member's average final compensation is the average of their 36 consecutive</p>	<p><b>Average Final Compensation</b>  A member's average final compensation is the average of their 60 consecutive months of</p>	<p><b>Average Final Compensation</b>  Same as Plan 2. It is used in the retirement formula for the</p>

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months of highest compensation as a covered employee.	highest compensation as a covered employee.	defined benefit component of the plan.
<b>Service Retirement Multiplier</b>  <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit.	<b>Service Retirement Multiplier</b>  <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	<b>Service Retirement Multiplier</b>  <u><b>Defined Benefit Component:</b></u> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.0%.  For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
<b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%	<b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.	<b>Sheriffs and regional jail superintendents:</b> Not applicable
<b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by employer.	<b>Political subdivision hazardous duty employees:</b> Same as Plan 1.	<b>Political subdivision hazardous duty employees:</b> Not applicable.  <u><b>Defined Contribution Component:</b></u> Not applicable.
<b>Normal Retirement Age</b> <b>VRS:</b> Age 65.	<b>Normal Retirement Age</b> <b>VRS:</b> Normal Social Security retirement age.	<b>Normal Retirement Age</b> <u><b>Defined Benefit Component:</b></u> <b>VRS:</b> Same as Plan 2.
<b>Political subdivision hazardous duty employees:</b> Age 60.	<b>Political subdivision hazardous duty employees:</b> Same as Plan 1.	<b>Political subdivision hazardous duty employees:</b> Not applicable.

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		<p><b><u>Defined Contribution Component:</u></b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivision hazardous duty employees:</b>  Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivision hazardous duty employees:</b>  Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivision hazardous duty employees:</b>  Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivision hazardous duty employees:</b>  50 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivision hazardous duty employees:</b>  Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivision hazardous duty employees:</b>  Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p>



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<p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b>  For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>○ The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>○ The member retires on disability.</li> <li>○ The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>○ The member is involuntarily separated from employment for causes other than job</li> </ul>	<p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b>  Same as Plan 1</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1</p>	<p><b><u>Defined Benefit Component:</u></b>  Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b>  Not applicable.</p> <p><b><u>Eligibility:</u></b>  Same as Plan 1 and Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1 and Plan 2.</p>
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<p>performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</p> <ul style="list-style-type: none"> <li>○ The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>		
<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b>  Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><b>Purchase of Prior Service</b>  Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and</p>	<p><b>Purchase of Prior Service</b>  Same as Plan 1.</p>	<p><b>Purchase of Prior Service Defined Benefit Component:</b>  Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable</li> </ul>

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the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.		compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.  <u><b>Defined Contribution Component:</b></u> Not applicable.
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The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <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.

**Employees Covered by Benefit Terms** – As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>County of Roanoke</b>	<b>School System Non-Professional Plan</b>
Inactive members or their beneficiaries currently receiving benefits	625	401
Inactive members:		
Vested	177	145
Non-vested	252	196
Active elsewhere in VRS	306	110
Total inactive members	735	451
Active members	974	100
Total covered employees	2,334	952

### **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 localities and 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 5.0% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be

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

The County's contractually required contribution rate for the year ended June 30, 2018 was 11.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. Employer contributions to the pension plan from the County were \$5,081,170 and \$4,893,436 for the years ended June 30, 2018 and June 30, 2017, respectively.

In addition, the School System's contractually required contribution rates for the year ended June 30, 2018 were 16.32% and 4.83% of covered employee compensation for the Teacher Retirement and Non-Professional Plans, respectively. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2015. For the Teacher Retirement Plan, the rate reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. Contributions to the pension plan from the School System Teacher Retirement Plan were \$12,566,803 and \$11,251,117 and from the and Non-Professional Plan were \$153,066 and \$148,080 for the years ended June 30, 2018 and June 30, 2017, respectively.

### **Net Pension Liability**

At June 30, 2018, the County reported a liability of \$35,255,699 for its proportionate share of the net pension liability.

At June 30, 2018, the School System reported a liability of \$(1,332,767) for the Non-Professional Plan net pension liability and \$120,182,000 for its proportionate share of the Teacher Retirement Plan net pension liability. At June 30, 2017, the School System's proportion was 0.97725% as compared to 0.94772% at June 30, 2016.

The County and School System net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

### **Actuarial Assumptions**

The total pension liability for the County and School System VRS Teacher Retirement plans were based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

- \* Inflation - 2.50%
- \* Salary increases - 3.50% to 5.35%, including inflation
- \* Investment rate of return - 7.00%, net of pension plan investment expense, including inflation\*

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Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

*Mortality rates for County and School System Non-Professional:*

15% of deaths are assumed to be service related.

Pre-Retirement – RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement – RP-2014 Employee Rates to age 49, Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement – RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; females 125% of rates.

*Mortality rates for Teacher Retirement Plan:*

Pre-Retirement – RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement – RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement – RP-2014 Disability Life Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Updated to a more current mortality table – RP-2014 projected to 2020 (pre-retirement, post-retirement healthy, and disabled)
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience

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**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
Inflation			<u>2.50%</u>
* Expected arithmetic nominal return			<u>7.30%</u>

- \* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**Discount Rate**

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

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**Changes in Net Pension Liability**

	County of Roanoke			School System - Non-Professional		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2016	\$ 223,668,447	\$ 179,885,909	\$ 43,782,538	\$ 32,137,224	\$ 31,407,833	\$ 729,391
Changes for the year:						
Service cost	5,358,767	-	5,358,767	318,248	-	318,248
Interest	15,156,698	-	15,156,698	2,177,707	-	2,177,707
Contribution - employer	-	4,812,332	(4,812,332)	-	144,668	(144,668)
Contributions - employee	-	2,219,705	(2,219,705)	-	150,511	(150,511)
Change in assumptions between expected and actual experience	(504,631)	-	(504,631)	(66,597)	-	(66,597)
Difference between expected and actual experience	283,025	-	283,025	(496,773)	-	(496,773)
Impact in change of proportion	(1,732,097)	(1,393,043)	(339,054)	-	-	-
Net investment income	-	21,594,685	(21,594,685)	-	3,725,620	(3,725,620)
Benefit payments including refunds of employee contributions	(10,824,191)	(10,824,191)	-	(2,054,245)	(2,054,245)	-
Administrative expense	-	(125,909)	125,909	-	(22,797)	22,797
Other changes	-	(19,169)	19,169	-	(3,259)	3,259
Net Changes	7,737,571	16,264,410	(8,526,839)	(121,660)	1,940,498	(2,062,158)
Balances at June 30, 2017	\$ 231,406,018	\$ 196,150,319	\$ 35,255,699	\$ 32,015,564	\$ 33,348,331	\$ (1,332,767)

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

The following presents the County's net pension liability and the School Systems' proportionate share of the net pension liability (asset) using the discount rate of 7.00%, as well what the net pension liability (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:

	Net Pension Liability (Asset)		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<u>County of Roanoke:</u>			
Retirement Plan	\$ 69,111,288	\$ 37,102,515	\$ 10,510,718
<u>School System:</u>			
Teacher Retirement Plan	\$ 179,472,000	\$ 120,182,000	\$ 71,137,000
Non-Professional Plan	1,880,812	(1,332,767)	(4,078,734)

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

For the year ended June 30, 2018, the County and the School System recognized pension expense (benefit) of \$3,271,323, \$8,111,000, and \$(658,628) in the Retirement Plan, the Teacher Retirement Plan and the Non-Professional Plan, respectively. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<b>County of Roanoke</b>		<b>School System</b>			
	<b>Retirement Plan</b>		<b>Teacher Retirement Plan</b>		<b>Non-Professional Plan</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 281,844	\$ 776,703	\$ -	\$ 8,510,000	\$ -	\$ -
Change in assumptions	-	364,844	1,754,000	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,790,982	-	4,366,000	-	450,356
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	321,879	3,314,000	2,945,000	-	-
Employer contributions subsequent to the measurement date	5,081,170	-	12,566,803	-	153,066	-
<b>Total</b>	<b>\$ 5,363,014</b>	<b>\$ 4,254,408</b>	<b>\$ 17,634,803</b>	<b>\$ 15,821,000</b>	<b>\$ 153,066</b>	<b>\$ 450,356</b>

Deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019 in addition to 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 ended June 30:	<b>County of Roanoke</b>	<b>School System</b>	
	<b>Retirement Plan</b>	<b>Teacher Retirement Plan</b>	<b>Non-Professional Plan</b>
2019	\$ (2,788,797)	\$ (5,477,000)	\$ (330,688)
2020	751,562	(730,000)	177,402
2021	(87,732)	(1,178,000)	20,841
2022	(1,847,597)	(3,357,000)	(317,911)
Thereafter	-	(11,000)	-
	<b>\$ (3,972,564)</b>	<b>\$ (10,753,000)</b>	<b>\$ (450,356)</b>

**Payable to the Pension Plan**

At June 30, 2018, the School System's Teacher Retirement and Non-professional plans reported payables of \$1,207,928 and \$15,746, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.



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**(13) Other Postemployment Benefits (OPEB)**

From an accrual accounting perspective, the cost of postemployment health care benefits (the OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. Historically, GASB 45 required the County to recognize the cost of postemployment health care in the year when the employee services are rendered, report the accumulating liability, and provide information useful in assessing potential demands on the County's future cash flows.

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015. This replaces GASB Statement 45 and requires the County to report the actuarial liability on the Statement of net Position for the OPEB, in addition to requiring more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. This statement has been implemented in these financial statements.

***Retiree Medical Program***

**Plan Description** - The County administers a single-employer healthcare plan (the Retiree Medical Plan). All full-time employees hired before July 1, 2016 who retire directly from the County and are eligible to receive an early or regular retirement benefit from the VRS are eligible for post-retirement medical coverage. Specific information about the County's Retiree Medical Plan, including eligibility, coverage, and benefits is set out in the table that follows:

<b>OPEB PLAN PROVISIONS – RETIREE MEDICAL</b>	
<b>Eligible Members</b>	
<p>All full-time employees hired before July 1, 2016, who meet the following criteria, are eligible to for post-retirement medical coverage:</p> <ul style="list-style-type: none"> <li>○ Retire directly from the County and are eligible to receive an early or regular retirement benefit from the VRS</li> <li>○ Have 10 years of continuous full-time service through the date of retirement</li> <li>○ Have 5 years of enrollment in the County sponsored medical plan</li> </ul> <p>Eligible dependents on the employee's health insurance may continue to receive the County's contribution toward the health plan.</p>	
<b>Benefit Amounts</b>	
<p>For plan members receiving benefits, the County contributes a specified amount monthly towards the cost of the health insurance premium.</p>	
<b>Program Notes</b>	
<p>Actives hired after July 1, 2016 are not eligible.</p> <p>The Retiree Medical Plan is assumed to be the primary plan of benefits prior to age 65. Once the retiree or spouse becomes eligible for Medicare, they must then enroll in the Medicare Advantage Plan.</p>	

The County participates in the OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League (the VML), at P.O. Box 12164, Richmond, Virginia 23241.

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**Long-Term Expected Rate of Return** - The long-term expected rate of return on OPEB 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 OPEB plan 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Large Cap Equity (Domestic)	26.00%	11.39%	2.96%
Small Cap Equity (Domestic)	10.00%	12.68%	1.27%
International Equity (Developed)	13.00%	12.39%	1.61%
Emerging Markets	5.00%	13.74%	0.69%
Private Equity	5.00%	14.03%	0.70%
Core Bonds	7.00%	6.40%	0.45%
Core Plus	14.00%	6.67%	0.93%
Diversified Hedge Funds	10.00%	9.92%	0.99%
Private Core Real Estate	5.00%	9.11%	0.46%
Private Value Add Real Estate	2.00%	10.28%	0.21%
Commodities	3.00%	7.50%	0.23%
Cash	0.00%	4.53%	0.00%
Total	<u>100.00%</u>		<u>10.49%</u>
		Inflation	<u>3.60%</u>
		*Expected arithmetic nominal return	<u>14.09%</u>

Benefits will be financed through a combination of accumulated trust funds and on a pay as you go basis until sufficient funds are accumulated in the OPEB trust. The discount rate used to measure the total OPEB liability is 7.50% based on the current expected return on assets and the investment portfolio.

**Retiree Medical Program – OPEB Plan Disclosures**

**Employees Covered by Benefits Terms** - As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the Retiree Medical Plan:

Inactive members:	
Retirees	126
Disableds	-
Total inactive members	<u>126</u>
Active members	<u>694</u>
Total covered employees	<u>820</u>

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**Contributions** - The Retiree Medical Plan is funded with contributions from plan members and the County. Plan members receiving benefits contribute specified amounts monthly, ranging from 33.3% to 66.7%, towards the cost of the health insurance premiums. For fiscal year ended June 30, 2018, the retirees contributed approximately \$478,152, or 45.0% of total premiums, through their required contributions of \$204.84 to \$1,030.22 per month depending on the coverage (single, single plus dependent, single plus spouse, or family).

The County's actuarially determined contribution rate for the year ended June 30, 2018 was 2.4% of covered employee compensation for the Retiree Medical Plan. The total amount contributed was \$823,789. This rate was based on the actuarially determined rate from actuarial valuations as of June 30, 2018.

**Net OPEB Liability** - The Plan data for the Retiree Medical Plan was measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018.

**Actuarial Methods and Assumptions** - The net OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Discount rate.....	7.50 percent
Salary increases.....	2.00 percent
Investment rate of return.....	7.50 percent

Healthcare cost trend rate – Medical.....7.50 percent graded down to 5.00% over ten years beginning in 2018

\*Administrative expenses for the medical plan were \$465 for pre-65 coverage, and \$0 for post-65 coverage, increasing at 5.0% per year. Stop-loss expenses were \$706 for pre-65 coverage, and \$0 for post-65 coverage, increasing 13.0% per year.

**Mortality rates**

Pre-Retirement.....RP-2000 table projected with Scale AA to 2020; males set forward 2 years; females setback 3 years.

Post-Retirement.....RP-2000 table projected with Scale AA to 2020; females setback 1 year (no setback for males)

Post-Disablement.....RP-2000 table projected with Scale AA to 2020; males setback 3 years; no future mortality improvements.

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**OPEB Liabilities and OPEB Expense for the Retiree Medical Plan as of 2018 measurement date**

	<b>Total OPEB Liability (a)</b>	<b>Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>
Balances at June 30, 2017	\$ 13,464,487	\$ 5,856,227	\$ 7,608,260
Changes for the year:			
Service cost	891,598	-	891,598
Interest	1,024,059	-	1,024,059
Difference between expected and actual experience	(5,174,702)	-	(5,174,702)
Change of assumptions	3,453,025	-	3,453,025
Contribution - employer	-	823,789	(823,789)
Contributions - member	502,321	502,321	-
Net investment income	-	560,627	(560,627)
Benefit payments including refunds of member contributions	(1,204,285)	(1,204,285)	-
Administrative expense	-	(7,071)	7,071
Net Changes	(507,984)	675,381	(1,183,365)
Balances at June 30, 2018	\$ 12,956,503	\$ 6,531,608	\$ 6,424,895

**Net OPEB Liability** - The net OPEB liability (NOL) is calculated separately, the OPEB Plan represents its total OPEB liability determined in accordance with GAAP, less the fiduciary net position. As of June 30, 2018, NOL amounts are as follows:

Total OPEB Liability	\$ 12,956,503
Plan Fiduciary Net Position	6,531,608
Net OPEB Liability	<u>\$ 6,424,895</u>

Fiduciary Net Position as a Percentage  
of Total OPEB Liability 50.41%

**Sensitivity to Changes in the Discount Rate** - The following presents the County's net OPEB liability using the discount rate of 7.50%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net OPEB Liability	\$ 7,762,289	\$ 6,424,895	\$ 5,271,605

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**Sensitivity to the Changes in the Healthcare Cost Rate** - The following presents the County's net OPEB liability using the health care cost rate of 7.50% grading to 5.00% over ten years, as well as what it would be if it were calculated using a healthcare cost rate that is one percentage point lower (6.50% grading to 4.00% over ten years) or one percentage point higher (8.50% grading to 6.00% over ten years) than the current rate:

	1% Decrease (6.50% decreasing to 4.0% over 10 yrs)	Current Rate (7.50% decreasing to 5.0% over 10 yrs)	1% Increase (8.50% decreasing to 6.0% over 10 yrs)
Net OPEB Liability	\$ 4,992,311	\$ 6,424,895	\$ 8,152,420

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Retiree Medical Plan** - At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the Retiree Medical Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,568,547
Change in assumptions	3,021,397	-
Net difference between projected and actual earnings on OPEB plan investments	-	260,967
Total	<u>\$ 3,021,397</u>	<u>\$ 4,829,514</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the OPEB expense in future reporting periods as follows:

**Year ended June 30:**

2019	\$ (302,524)
2020	(302,524)
2021	(302,524)
2022	(246,783)
2023	(223,345)
Thereafter	(430,417)
	<u>\$ (1,808,117)</u>

**COUNTY OF ROANOKE, VIRGINIA**  
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**Retiree Medical Program – Employer Recognition of the OPEB Plan**

**Employees Covered by Benefits Terms** - As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the Retiree Medical Plan:

Inactive members:	
Retirees	126
Disableds	7
Total inactive members	133
Active members	848
Total covered employees	981

**Contributions** - The County's actuarially determined contribution rate for the year ended June 30, 2017 was 3.54% of covered employee compensation. The total amount contributed was \$1,408,433. This rate was based on the actuarially determined rate from actuarial valuations as of June 30, 2016.

**Net OPEB Liability** - The Employer data for the Retiree Medical Plan was measured as of June 30, 2017. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The actuarial valuation was performed for the County and its fiscal agents as a whole. The below information reflects the County portion only.

**Actuarial Methods and Assumptions** - The net OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Discount rate.....7.50 percent  
Salary increases.....2.00 percent  
Investment rate of return.....7.50 percent

Healthcare cost trend rate – Medical.....8.00 percent graded down to 5.00% over six years  
beginning in 2016  
Mortality Rates.....1994 Group Annuity Mortality Tables for males and  
females with a one year setback

\*Administrative expenses for the medical plan were \$527 for pre-65 coverage, and \$0 for post-65 coverage, increasing at 5.0% per year.

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**OPEB Liabilities and OPEB Expense**

	<b>Total OPEB Liability (a)</b>	<b>Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>
Balances at June 30, 2016	\$ 12,693,008	\$ 4,982,587	\$ 7,710,421
Changes for the year:			
Service cost	845,185	-	845,185
Interest	938,962	-	938,962
Difference between expected and actual experience	(56,692)	-	(56,692)
Contribution - employer	-	1,213,601	(1,213,601)
Contributions - member	467,830	467,830	-
Net investment income	-	658,030	(658,030)
Benefit payments including refunds of member contributions	(1,486,541)	(1,486,541)	-
Administrative expense	-	(6,565)	6,565
Net Changes	708,743	846,354	(137,611)
Balances at June 30, 2017	\$ 13,401,751	\$ 5,828,941	\$ 7,572,810

For the year ended June 30, 2018, the County recognized OPEB expense of \$1,346,449.

**Net OPEB Liability** - The net OPEB liability (NOL) is calculated separately, the OPEB Plan represents its total OPEB liability determined in accordance with GAAP, less the fiduciary net position. As of June 30, 2018, NOL amounts are as follows:

Total OPEB Liability	\$ 13,401,751
Plan Fiduciary Net Position	5,828,941
Net OPEB Liability	<u>\$ 7,572,810</u>

Fiduciary Net Position as a Percentage of Total OPEB Liability	43.49%
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The County of Roanoke has fiscal entities who participate in the Retiree Medical Program. The above information reflects only the County's portion of the total OPEB liability.

**Sensitivity to Changes in the Discount Rate** - The following presents the County's net OPEB liability using the discount rate of 7.50%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net OPEB Liability	\$ 8,996,363	\$ 7,572,810	\$ 6,362,060

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**Sensitivity to the Changes in the Healthcare Cost Rate** - The following presents the County's net OPEB liability using the health care cost rate of 8.00% grading to 5.00% over six years, as well as what it would be if it were calculated using a healthcare cost rate that is one percentage point lower (7.00% grading to 4.00% over six years) or one percentage point higher (9.00% grading to 6.00% over six years) than the current rate:

	1% Decrease (7.00% decreasing to 4.0% over 6 yrs)	Current Rate (8.00% decreasing to 5.0% over 6 yrs)	1% Increase (9.00% decreasing to 6.0% over 6 yrs)
Net OPEB Liability	\$ 5,832,961	\$ 7,572,810	\$ 9,745,515

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Retiree Medical Plan** - At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the Retiree Medical Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 48,591
Net difference between projected and actual earnings on OPEB plan investments	-	221,912
Employer contributions subsequent to the measurement date	1,408,433	-
Total	<u>\$ 1,408,433</u>	<u>\$ 270,503</u>

Deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019 in addition to 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 ended June 30:**

2019	\$ (63,577)
2020	(63,577)
2021	(63,577)
2022	(63,577)
2023	(8,099)
Thereafter	(8,097)
	<u>\$ (270,503)</u>



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***VRS Health Insurance Credit and Group Life Insurance Programs***

**Plan Description** - All full-time, salaried permanent employees of the County are automatically covered by the VRS Political Subdivision Health Insurance Credit Program (HIC) upon employment. All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment.

These plans are administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information about the Health Insurance Credit Program and the Group Life Program, including eligibility, coverage, and benefits is set out in the table below:

**OPEB PLAN PROVISIONS BY PLAN STRUCTURE**

HEALTH INSURANCE CREDIT	GROUP LIFE INSURANCE
<b>Eligible Members</b>	
<p>The County's Retiree Health Insurance Credit Program was established July 1, 1993 for retired County employees who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include full-time, permanent, salaried employees of the County who are covered under the VRS pension plan.</p>	<p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<b>Benefit Amounts</b>	
<p>The County's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p>	<p>The benefits payable under the Group Life Insurance Program have several components.</p>

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<p><b><u>At Retirement</u></b></p> <p>For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.</p> <p><b><u>Disability Retirement</u></b></p> <p>For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.</p>	<p><b><u>Natural Death Benefit</u></b></p> <p>The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</p> <p><b><u>Accidental Death Benefit</u></b></p> <p>The accidental death benefit is double the natural death benefit.</p> <p><b><u>Other Benefit Provisions</u></b></p> <p>In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:</p> <ul style="list-style-type: none"> <li>o Accidental dismemberment benefit</li> <li>o Safety belt benefit</li> <li>o Repatriation benefit</li> <li>o Felonious assault benefit</li> <li>o Accelerated death benefit option</li> </ul>
<p><b>Program Notes</b></p>	
<p>The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</p> <p>Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</p>	<p><b><u>Reduction in Benefit Amounts</u></b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p> <p><b><u>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</u></b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Detailed information about the VRS Political Subdivision Health Insurance Credit Program's Fiduciary Net Position and the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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**Employees Covered by Benefit Terms** - As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

Inactive members or their beneficiaries currently receiving benefits	183
Inactive members:	
Vested inactive members	6
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	189
Active members	735
Total covered employees	924

**Contributions** - Under the Health Insurance Credit Program, the contribution requirement for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Under the Group Life Program, the contribution requirements are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of the funding provided to state agencies and school divisions by the Virginia General Assembly.

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 0.30% of covered employee compensation for employees in the Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Political Subdivision Health Insurance Credit Program were \$135,906 and \$106,244 for the years ended June 30, 2018 and June 30, 2017, respectively.

The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$237,653 and \$230,974 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Net OPEB Liability** - The County's net Health Insurance Credit OPEB liability and Group Life Insurance OPEB liability were measured as of June 30, 2017. The total OPEB liability for each program was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

**COUNTY OF ROANOKE, VIRGINIA**  
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**Actuarial Assumptions** - The total OPEB liability for the Health Insurance Credit Program and Group Life Insurance Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation.....	2.5 percent
Salary increases, including inflation.....	3.5 percent – 5.35 percent
Investment rate of return.....	7.0 percent, net of investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

**Mortality rates**

Pre-Retirement.....RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement.....RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement.....RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates.....	Updated to a more current mortality table – RP-2014 projected to 2020 (pre-retirement, post-retirement healthy, and disabled)
Retirement Rates.....	Lowered retirement rates at older ages and, for the HIC Program, extended final retirement age from 70 to 75
Withdrawal Rates.....	Adjusted termination rates to better fit experience at each age and service year
Disability Rates.....	Adjusted rates to better match experience
Salary Scale.....	No change

**Long-Term Expected Rate of Return** - The long-term expected rate of return on the 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 System's 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:

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Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
Expected arithmetic nominal return			7.30%

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**Discount Rate** - The discount rate used to measure the total OPEB liability for the Health Insurance Credit Program and the Group Life Insurance Program was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the OPEB plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net positions were projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Net OPEB Liability - Health Insurance Credit Program**

	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 1,583,262	\$ 410,017	\$ 1,173,245
Changes for the year:			
Service cost	32,415	-	32,415
Interest	107,974	-	107,974
Changes of assumptions	(42,521)	-	(42,521)
Contribution - employer	-	135,458	(135,458)
Net investment income	-	50,806	(50,806)
Benefit payments, including refunds of member contributions	(81,531)	(81,531)	-
Administrative expense	-	(905)	905
Other changes	-	2,370	(2,370)
Net Changes	16,337	106,198	(89,861)
Balances at June 30, 2017	\$ 1,599,599	\$ 516,215	\$ 1,083,384

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**Net OPEB Liability - Group Life Insurance Program** - The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows:

Total GLI OPEB Liability	\$ 7,383,000
Plan Fiduciary Net Position	3,607,000
Net OPEB Liability	<u>\$ 3,776,000</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	48.86%

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

**Sensitivity of the Health Insurance Credit Net OPEB Liability and the County's proportionate Share of the net GLI OPEB Liability to Changes in the Discount Rate** - The following presents the County's Health Insurance Credit Program net HIC OPEB liability and proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the County's net HIC OPEB liability and proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net HIC OPEB Liability	\$ 1,255,164	\$ 1,083,384	\$ 937,338
Net GLI OPEB Liability	4,884,000	3,776,000	2,878,000

**Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB** - For the year ended June 30, 2018, the County recognized Health Insurance Credit Program OPEB expense of \$98,089. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 36,359
Net difference between projected and actual earnings on OPEB plan investments	-	16,133
Employer contributions subsequent to the measurement date	135,906	-
Total	<u>\$ 135,906</u>	<u>\$ 52,492</u>

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\$135,906 reported as deferred outflows of resources related to the HIC OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

**Year ended June 30:**

2019	\$	(10,195)
2020		(10,195)
2021		(10,195)
2022		(10,196)
2023		(6,162)
Thereafter		(5,549)
	\$	<u>(52,492)</u>

**Group Life Insurance Program OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB** - At June 30, 2018, the entities reported a liability of \$3,776,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.25093% as compared to 0.24874% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$48,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 83,000
Change in assumptions	-	195,000
Changes in Proportionate Share	32,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	142,000
Employer contributions subsequent to the measurement date	237,653	-
Total	<u>\$ 269,653</u>	<u>\$ 420,000</u>

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\$237,653 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

**Year ended June 30:**

2019	\$	(81,000)
2020		(81,000)
2021		(81,000)
2022		(81,000)
2023		(45,000)
Thereafter		(19,000)
	<u>\$</u>	<u>(388,000)</u>

***Other Postemployment Benefits – VRS – Schools***

**Plan Description** – All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program (Health Credit Program). All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program (Group Life Program) upon employment.

These plans are administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members of the Health Credit Program earn one month of service credit toward the benefit of each month they are employed and for which their employer pays contributions to VRS.

The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for the Health Credit Program and the Group Life Program, including eligibility, coverage, and benefits is set out in the table on the following pages.



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Health Credit Program	Group Life Program
<b>Eligible Members</b>	
<p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <p>Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</p>	<p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<b>Benefit Amounts</b>	
<p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees.</p> <p><b><u>At Retirement</u></b>  For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</p> <p><b><u>Disability Retirement</u></b>  For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:</p> <ul style="list-style-type: none"> <li>○ \$4.00 per month, multiplied by twice the amount of service credit, or</li> <li>○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</li> </ul>	<p>The benefits payable under the Group Life Insurance Program have several components.</p> <p><b><u>Natural Death Benefit</u></b>  The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</p> <p><b><u>Accidental Death Benefit</u></b>  The accidental death benefit is double the natural death benefit.</p> <p><b><u>Other Benefit Provisions</u></b>  In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:</p> <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Safety belt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul>
<b>Program Notes</b>	
<p>The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</p> <p>Employees who retire after being on long-term disability under VLDP must have at least</p>	<p><b>Reduction in benefit Amounts</b>  The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional</p>

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Health Credit Program	Group Life Program
15 year of service credit to qualify for the health insurance credit as a retiree.	<p>25% on each subsequent January 1 until it reaches 25% of its original value.</p> <p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b>  For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued 2017 VRS CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Contributions** – Under the Health Credit Program, the contribution requirement for active employees is governed by §51.1-1401(E) 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. Under the Group Life Program, the contribution requirements are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly.

Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the Health Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School System to the Health Credit Program were \$947,188 and \$851,887 for the years ended June 30, 2018 and June 30, 2017, respectively.

The total rate for the Group Life Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Although not required, the School System elected to pay the employee component, which is separate from the contractually required employer component. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee

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contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$420,490 and \$419,387 for the years ended June 30, 2018 and June 30, 2017, respectively.

**OPEB Liabilities and OPEB Expense** – At June 30, 2018, the School System reported \$12,337,000 for its proportionate share of the Health Credit Program Net OPEB Liability. The Health Credit Program Net OPEB Liability was measured as of June 30, 2017 and the Health Credit Program total OPEB liability used to calculate the Health Credit Program Net OPEB Liability was determined by an actuarial valuation as of that date. The School System's proportion of the Health Credit Program Net OPEB Liability was based on the School System's actuarially determined employer contributions to the Health Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School System's proportion of the Health Credit Program was 0.97245% as compared to 0.94766% at June 30, 2016.

At June 30, 2018, the School System reported \$6,279,000 and \$250,000 for its proportionate share of the Group Life Program Net OPEB Liability for the teachers and non-professional employees, respectively. The Group Life Program Net OPEB Liability was measured as of June 30, 2017 and the Group Life Program total OPEB liability used to calculate the Group Life Program Net OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Group Life Program Net OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.41724% and 0.01666% for teachers and non-professional employees, respectively, as compared to 0.40314% and 0.01723% for teachers and non-professional employees, respectively, at June 30, 2016.

For the year ended June 30, 2018, the School System recognized Health Credit Program OPEB expense of \$1,045,000. For the year ended June 30, 2018, the participating employer recognized Group Life Program OPEB expense of \$108,000 and \$1,000 for teachers and non-professional employees, respectively. Since there was a change in proportionate share between measurement dates, a portion of the Health Credit Program and Group Life Program OPEB expense was related to deferred amounts from changes in proportion.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans** – At June 30, 2018, the School System reported deferred outflows of resources and deferred inflows of resources related to the OPEB program from the following sources:

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	<b>Health Credit Program</b>		<b>Group Life Program</b>			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Teacher Plan Deferred Outflows of Resources	Teacher Plan Deferred Inflows of Resources	Non-Professional Plan Deferred Outflows of Resources	Non-Professional Plan Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 140,000	\$ -	\$ 6,000
Change in assumptions	-	127,000	-	323,000	-	13,000
Net difference between projected and actual earnings on OPEB plan investments	-	22,000	-	236,000	-	9,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	273,000	-	209,000	-	-	8,000
Employer contributions subsequent to the measurement date	947,188	-	403,831	-	16,659	-
Total	<u>\$ 1,220,188</u>	<u>\$ 149,000</u>	<u>\$ 612,831</u>	<u>\$ 699,000</u>	<u>\$ 16,659</u>	<u>\$ 36,000</u>

\$947,188, \$403,831, and \$16,659 of deferred outflows of resources resulting from the School System's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019 for the Health Credit Program, Group Life Program Teacher Plan, and Group Life Program Non-Professional Plan, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB programs will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	<b>Health Credit Program</b>	<b>Group Life Program</b>	
		<b>Teacher Plan</b>	<b>Non-Professional Plan</b>
2019	\$ 16,000	\$ (106,000)	\$ (8,000)
2020	16,000	(106,000)	(8,000)
2021	16,000	(106,000)	(8,000)
2022	16,000	(106,000)	(8,000)
2023	22,000	(47,000)	(3,000)
Thereafter	38,000	(19,000)	(1,000)
	<u>\$ 124,000</u>	<u>\$ (490,000)</u>	<u>\$ (36,000)</u>

**Payable to the OPEB Plans** – At June 30, 2018, the Health Credit Program, Group Life Program Teacher Plan, and Group Life Program Non-Professional Plan reported payables of \$91,038, \$96,959, and \$4,355, respectively, for the outstanding amount of contributions to the OPEB plans required for the year ended June 30, 2018.

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**Actuarial Assumptions** – The total OPEB liability for the Health Credit Program and Group Life Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation.....2.50%  
Salary increases, including inflation.....3.50% to 5.35% for Health Credit Program  
.....3.50% to 5.95% for Group Life Program-Teacher Plan  
.....3.50% to 5.35% for Group Life Program-Non-Professional Plan  
Investment rate of return.....7.00%, net of pension plan investment expense, including inflation\*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality rates for Teacher Retirement Plan

Pre-Retirement..... RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement ..... RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement..... RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates ..... Updated to a more current mortality table – RP-2014 projected to 2020 (pre-retirement, post-retirement healthy, and disabled)

Retirement Rates ..... Lowered rates at older ages and changed final retirement from 70 to 75

Withdrawal Rates ..... Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability Rates ..... Adjusted rates to better match experience

Salary Scale ..... No change

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**Net OPEB Liability** – The net OPEB liability (NOL) is calculated separately for each school division and represents that particular division's total pension liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the School System's participation in the OPEB Plans is as follows:

	<b>Health Credit Program</b>	<b>Group Life Program</b>	
		<b>Teacher Plan</b>	<b>Non-Professional Plan</b>
Total OPEB Liability	\$ 13,271,000	\$ 12,277,000	\$ 490,000
Fiduciary Net Position	934,000	5,998,000	240,000
Net OPEB Liability	<u>\$ 12,337,000</u>	<u>\$ 6,279,000</u>	<u>\$ 250,000</u>

Fiduciary Net Position			
as a Percentage of Total OPEB Liability	7.04%	48.86%	48.98%

The total OPEB liability is calculated by the System's actuary, and each school division's fiduciary net position is reported in the Statement of Net Position. The net OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

**Discount Rate** – The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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, 2019, the rate contributed by the school division for the OPEB Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Long-Term Expected Rate of Return** – The long-term expected rate of return on VRS OPEB System 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 VRS OPEB 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:

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<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>	
		<b>Arithmetic</b>	<b>Weighted Average</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**Sensitivity of the School System's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** – The following presents the School System's proportionate share of the Net OPEB liability using the discount rate of 7.00%, as well as what the School System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease</b>	<b>Current Rate</b>	<b>1.00% Increase</b>
	<b>(6.00%)</b>	<b>(7.00%)</b>	<b>(8.00%)</b>
School System's proportionate share of the OPEB Liability			
Health Credit Program	\$ 13,769,000	\$ 12,337,000	\$ 11,120,000
Group Life Program: Teacher	8,121,000	6,279,000	4,786,000
Group Life Program: Non-Professional Plan	324,000	250,000	191,000

**Other Postemployment Benefits – Employer Recognition of the OPEB Plan – Schools**

From an accrual accounting perspective, the cost of other postemployment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. Historically, GASB Statement 45 required the School System to recognize the cost of other postemployment benefits in the year when the employee services are rendered, report the accumulating liability, and provide information useful in assessing potential demands on the School System's future cash flows.

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015. This replaces GASB Statement 45 and requires the School System to report the actuarial liability on the Statement of Net Position for the OPEB, in addition to requiring more extensive note disclosures and required supplementary information

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(RSI) about the OPEB liabilities. This statement has been implemented in these financial statements. Information for these required liabilities, disclosures and RSI are based on the June 30, 2016 actuarial valuation date with measurement date of June 30, 2017.

**Plan Description** – The School System administers and sponsors a single-employer defined benefit healthcare plan (Retiree Medical Plan). Employees are eligible for this benefit if they retire after age 55 with at least 10 years of service and 12 months enrollment in the School System's self-insured health insurance program.

The School System includes footnote and required supplementary information for the Retiree Medical Plan itself under Note 13 in lieu of issuing a separate financial report. The Retiree Medical Plan itself is presented for the subsequent year as it is based on a June 30, 2018 actuarial valuation date with measurement date of June 30, 2018.

The School System participates in the OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The OPEB Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League (VML) at P.O. Box 12164, Richmond, VA 23241.

**Benefits Provided** – The School System contributes up to \$2,500 per year towards the total medical premium for each eligible retiree for up to five years after retiring under the Employee Extended Work Plan. The total retiree medical premium is calculated as a blended rate based on the medical claims of all active and retired participants resulting in an implicit subsidy that benefits the retiree with a lower cost medical premium.

All health care benefits are provided through the School System's self-insured health insurance program. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services, mental, nervous and substance abuse care, vision care, and prescriptions. Once a retiree reaches age 65, retirees are removed from the plan.

The benefits, employee contributions, and employer contributions are governed by School Board policy and can be amended through School Board action.

**Employees Covered by Benefit Terms** – As of the Valuation Date of June 30, 2018, the following employees were covered by the benefit terms in the Retiree Medical Plan:

Inactive employees or beneficiaries currently receiving benefits	143
Active employees	1,448
Total covered employees	<u>1,591</u>

**Contributions** – The Retiree Medical Plan is funded through member and employer contributions. Plan members receiving benefits contribute monthly premiums towards the cost of the health insurance depending on the coverage selected (single, single plus dependent, single plus spouse, or family).

For the fiscal year ended June 30, 2018, the School System's average contribution rate was 1.59% of covered employee payroll. The total amount contributed was \$846,172. This rate was



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based on the actuarially determined rate from the actuarial valuation performed as of June 30, 2017.

**Net OPEB Liability and OPEB Expense** – At June 30, 2018, the Retiree Medical Plan reported a net OPEB liability of \$14,997,036. The Retiree Medical Plan's net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2016.

<b>Change in OPEB Liability</b>	<b>Total OPEB Liability</b>	<b>Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
	(a)	(b)	(a) - (b)
<b>Balances at June 30, 2016</b>	\$ 14,888,089	\$ 515,101	\$ 14,372,988
<b>Changes for the year:</b>			
Service cost	931,053	-	931,053
Interest	476,676	-	476,676
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	(28,590)	-	(28,590)
Contributions - employer		682,154	(682,154)
Contributions - member	94,298	94,298	-
Net investment income		74,106	(74,106)
Benefit payments, including refunds of contributions	(684,162)	(684,162)	-
Administrative expense		(1,169)	1,169
Other			-
Net changes	789,275	165,227	624,048
<b>Balances at June 30, 2017</b>	<u>\$ 15,677,364</u>	<u>\$ 680,328</u>	<u>\$ 14,997,036</u>

For the year ended June 30, 2018, the School System recognized OPEB expense of \$1,356,912.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – At June 30, 2018, the School System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 25,016
Net difference between projected and actual earnings on OPEB plan investments	-	25,694
Net difference in prior year's contribution	(15,160)	-
Employer contributions subsequent to the measurement date	846,172	-
<b>Total</b>	<u>\$ 831,012</u>	<u>\$ 50,710</u>

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\$831,012 of deferred outflows of resources resulting from the School System's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$	(9,998)
2020		(9,998)
2021		(9,998)
2022		(9,996)
2023		(3,574)
Thereafter		(7,146)
	\$	<u>(50,710)</u>

**Payable to the OPEB Plan** – At June 30, 2018, the School System reported a payable of \$92,290 for the outstanding amount of contributions to the Retiree Medical Plan required for the year ended June 30, 2018.

**Actuarial Assumptions** – The total OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age normal actuarial cost method and the following assumptions rolled forward to the measurement date of June 30, 2017.

Inflation.....This is implicitly included in the investment rate of return and healthcare cost trend rates.

Discount rate .....3.13%

Salary increases.....3.0% per annum

Investment rate of return .....7.5% per annum

Healthcare cost trend rates

Medical.....8.0% graded down to 5.0% over 6 years beginning in 2016

Administrative expenses .....5.0% per annum

Stop loss expenses .....15.0% per annum

Mortality rates

Professionals Pre-Retirement .....1994 Group Annuity Mortality Tables for males and females set back one year

Professionals Post-Retirement.....1994 Group Annuity Mortality Tables for males and females set back three years

Non-Professionals.....1994 Group Annuity Mortality Tables for males and females set back one year.

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The following changes were made to the actuarial assumptions and methods effective June 30, 2017:

- The discount rate for Statements No. 74 and No. 75 is 3.13% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2017, compared to the prior year Statement No. 45 discount rate of 8.0%.
- The funding method was changed to Entry Age Normal.

**Net OPEB Liability** – The net OPEB liability (NOL) for the Retiree Medical Plan represents its total OPEB liability calculated by the actuary in accordance with GAAP less the fiduciary net position. As of June 30, 2018, NOL amounts are as follows:

Total OPEB Liability	\$ 15,677,364
Fiduciary Net Position	<u>680,328</u>
Net OPEB Liability	<u><u>\$ 14,997,036</u></u>
Fiduciary Net Position as a	
Percentage of Total Pension Liability	4.34%

**Long-Term Expected Rate of Return** – The long-term expected rate of return on Retiree Medical Plan 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 OPEB Plan 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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>	
		<b>Arithmetic</b>	<b>Weighted Average</b>
Large Cap Equity (Domestic)	26.00%	11.39%	2.96%
Small Cap Equity (Domestic)	10.00%	12.68%	1.27%
International Equity (Developed)	13.00%	12.39%	1.61%
Emerging Markets	5.00%	13.74%	0.69%
Private Equity	5.00%	14.03%	0.70%
Core Bonds	7.00%	6.40%	0.45%
Core Plus	14.00%	6.67%	0.93%
Diversified Hedge Funds	10.00%	9.92%	0.99%
Private Core Real Estate	5.00%	9.11%	0.46%
Private Value Add Real Estate	2.00%	10.28%	0.21%
Commodities	3.00%	7.50%	0.23%
Cash	0.00%	4.53%	0.00%
Total	<u>100.00%</u>		<u>10.49%</u>
		Inflation	<u>3.60%</u>
		*Expected arithmetic nominal return	<u>14.09%</u>

Benefits will be financed through a combination of accumulated trust funds and on a pay as you go basis until sufficient funds are accumulated in the OPEB trust. Therefore, the discount rate of

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3.13% used to measure the total OPEB liability is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2017.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** – The following presents the Retiree Medical Plan's net OPEB liability using the discount rate of 3.13%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current rate:

	<b>1.00% Decrease</b> (2.13%)	<b>Current Rate</b> (3.13%)	<b>1.00% Increase</b> (4.13%)
Net OPEB Liability	\$ 16,956,087	\$ 14,997,036	\$ 13,294,321

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate** – The following presents the Retiree Medical Plan's net OPEB liability using the health care cost rate of 8.0% decreasing to 5% over 6 years, as well as what it would be if it were calculated using a healthcare cost rate that is one percentage point lower (7.0% decreasing to 4.0% over 6 years) or one percentage point higher (9.0% decreasing to 6.0% over 10 years) than the current rate:

	<b>1.00% Decrease</b> (7.0% grading to 4.0% over 6 years)	<b>Current Rate</b> (8.0% grading to 5.0% over 6 years)	<b>1.00% Increase</b> (9.0% grading to 6.0% over 6 years)
Net OPEB Liability	\$ 13,130,255	\$ 14,997,036	\$ 17,282,569

**Other Postemployment Benefits – Retiree Medical Plan Disclosures – Schools**

The GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in June 2015. This GASB Statement requires the School System to report extensive note disclosures and required supplementary information (RSI) about the Retiree Medical Plan itself because since the plan does not issue a separate financial report. Information for these required disclosures and RSI are based on the June 30, 2018 actuarial valuation date with measurement dates of June 30, 2018. Given this, the information for the Retiree Medical Plan below is one year subsequent to the required Employer Disclosures of the Plan as recognized in the Statement of Net Position and discussed in Note 12.

**Employees Covered by Benefit Terms** – As of the valuation and measurement date of June 30, 2018, the following employees were covered by the benefit terms in the Retiree Medical Plan:

Inactive employees or beneficiaries currently receiving benefits	147
Active employees	1,382
Total covered employees	<u>1,529</u>

**Contributions** – As of the valuation and measurement date of June 30, 2018, the School System's average contribution rate was 1.59% of covered employee payroll. The total amount contributed was \$846,172.

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**Net OPEB Liability and OPEB Expense** – As of the valuation and measurement date of June 30, 2018, the Retiree Medical Plan reported a net OPEB liability of \$10,012,145. For the valuation and measurement date ended June 30, 2018, the School System recognized OPEB expense of \$597,085.

<b>Change in OPEB Liability</b>	<b>Total OPEB Liability</b>	<b>Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
	(a)	(b)	(a) - (b)
<b>Balances at June 30, 2017</b>	\$ 15,677,364	\$ 680,328	\$ 14,997,036
<b>Changes for the year:</b>			
Service cost	977,606	-	977,606
Interest	471,102	-	471,102
Changes of assumptions	(3,035,172)	-	(3,035,172)
Difference between expected and actual experience	(2,488,407)	-	(2,488,407)
Contributions - employer		846,172	(846,172)
Contributions - member	939,187	939,187	-
Net investment income		65,111	(65,111)
Benefit payments, including refunds of contributions	(1,785,359)	(1,785,359)	-
Administrative expense		(1,263)	1,263
Net changes	(4,921,043)	63,848	(4,984,891)
<b>Balances at June 30, 2018</b>	<b>\$ 10,756,321</b>	<b>\$ 744,176</b>	<b>\$ 10,012,145</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – As of the valuation and measurement date of June 30, 2018, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference in prior year's contribution	\$ 443,622	\$ -
Differences between expected and actual experience	-	2,157,936
Change in assumptions	-	2,601,576
Net difference between projected and actual earnings on OPEB plan investments	-	37,000
Amortization of or change in beginning balances	-	(9,998)
<b>Total</b>	<b>\$ 443,622</b>	<b>\$ 4,786,514</b>

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2019	\$	(358,286)
2020		(801,908)
2021		(801,906)
2022		(795,482)
2023		(792,657)
Thereafter		(792,653)
	<u>\$</u>	<u>(4,342,892)</u>

**Actuarial Assumptions** – The total OPEB liability was based on an actuarial valuation and measurement date as of June 30, 2018, using the Entry Age normal actuarial cost method and the following assumptions.

Inflation.....This is implicitly included in the investment rate of return and healthcare cost trend rates.  
Discount rate .....2.98% per annum  
Salary increases.....3.0% per annum  
Investment rate of return .....7.5% per annum

**Healthcare cost trend rates**

Medical.....7.5% graded down to 5.0% over 10 years beginning in 2018

**Mortality rates**

Professionals Pre-Retirement .....RP-2000, Males setback 3 years, Females setback 5 years, projected to 2020 with Scale AA

Professionals Post-Retirement.....RP-2000, Males setback 2 years, Females setback 3 years, projected to 2020 with Scale AA

Professionals Disability .....RP-2000, Males setback 1 year, no future mortality improvements

Non-Professionals Pre-retirement..RP-2000, Males set forward 2 years, Females setback 3 years, projected to 2020 with Scale AA

Non-Professionals Post-retirement RP-2000, Females setback 1 years (no setback for Males), projected to 2020 with Scale AA

Non-Professionals Disability .....RP-2000, Males setback 3 years, no future mortality improvements

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The following changes were made to the actuarial assumptions and methods effective June 30, 2018:

- The percentage of future eligible retirees electing medical coverage was updated from 45.89% to 42.50%.
- The percentage of future eligible retirees electing medical coverage for a spouse was updated from 9.48% to 8.80%.
- The mortality, disability, withdrawal, and retirement assumptions were updated to the assumptions listed in the most recently published VRS Comprehensive Annual Financial Report, which was the 2017 report.

**Net OPEB Liability** – The net OPEB liability (NOL) for the Retiree Medical Plan represents its total OPEB liability calculated by the actuary in accordance with GASB Statement No. 74 less the fiduciary net position. As of the valuation and measurement date of June 30, 2018, NOL amounts are as follows:

Total OPEB Liability	\$ 10,756,321
Fiduciary Net Position	<u>744,176</u>
Net OPEB Liability	<u><u>\$ 10,012,145</u></u>

Fiduciary Net Position as a	
Percentage of Total Pension Liability	6.92%

**Long-Term Expected Rate of Return** – The long-term expected rate of return on Retiree Medical Plan 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 OPEB Plan 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:

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<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Large Cap Equity (Domestic)	26.00%	11.01%	2.86%
Small Cap Equity (Domestic)	10.00%	12.27%	1.23%
International Equity (Developed)	13.00%	11.99%	1.56%
Emerging Markets	5.00%	13.28%	0.66%
Private Equity	5.00%	13.64%	0.68%
Core Bonds	7.00%	6.22%	0.44%
Core Plus	14.00%	6.49%	0.91%
Diversified Hedge Funds	10.00%	9.74%	0.97%
Private Core Real Estate	5.00%	9.39%	0.47%
Private Value Add Real Estate	2.00%	10.63%	0.21%
Commodities	3.00%	5.66%	0.17%
Total	<u>100.00%</u>		<u>10.16%</u>
		Inflation	3.48%
		*Expected arithmetic nominal return	<u>13.64%</u>

Benefits will be financed through a combination of accumulated trust funds and on a pay as you go basis until sufficient funds are accumulated in the OPEB trust. Therefore, the discount rate of 2.48% used to measure the total OPEB liability is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** – The following presents the Retiree Medical Plan's net OPEB liability using the discount rate of 2.98%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) than the current rate:

	<b>1.00% Decrease</b>	<b>Current Rate</b>	<b>1.00% Increase</b>
	(1.98%)	(2.98%)	(3.98%)
Net OPEB Liability	\$ 11,280,867	\$ 10,012,145	\$ 8,904,978

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate** – The following presents the Retiree Medical Plan's net OPEB liability using the health care cost rate of 7.5% decreasing to 5.0% over 10 years, as well as what it would be if it were calculated using a healthcare cost rate that is one percentage point lower (6.5% decreasing to 4.0% over 10 years) or one percentage point higher (8.5% decreasing to 6.0% over 10 years) than the current rate:

	<b>1.00% Decrease</b>	<b>Current Rate</b>	<b>1.00% Increase</b>
	(6.5% grading to 4.0% over 10 years)	(7.5% grading to 5.0% over 10 years)	(8.5% grading to 6.0% over 10 years)
Net OPEB Liability	\$ 8,936,360	\$ 10,012,145	\$ 11,310,959



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**(14) Fire and Rescue Pension Trust Length of Service Awards Program**

**Plan Description**

The County established a Length of Service Awards Program (the LOSAP) on January 1, 1989, to recognize the service the volunteers for the County Fire and Rescue provide to the County. LOSAP is a single employer, noncontributory defined benefit plan. It is owned by the County and governed by the Volunteer Fireman's Insurance Services, Inc. (the VFIS). The plan's fiscal year follows the calendar year January 1 through December 31. It was active until December 31, 2005, at which time the County Board froze all member benefits in the program. LOSAP was open to any volunteer member over 18 years of age who met specific eligibility and service requirements. No assets are accumulated in a trust that meets the reporting and disclosure criteria of GAAP. Plan assets are accumulated in a revocable trust reported in the General Fund.

*Benefits provided.* The Plan provides a benefit of \$12 for each year of credited fire or rescue service completed after January 1, 1989, plus \$12 for each year of credited fire or rescue service completed between January 1, 1979 and January 1, 1989. No participant receives credit for more than a total of 20 years of fire or rescue service. The maximum per month benefit under this plan is \$240. The plan does not provide for post-retirement increases. Members vested over a ten year period in accordance with the following vesting schedule:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 5 years	0%
5 years	50%
6 years	60%
7 years	70%
8 years	80%
9 years	90%
10 years	100%

**Volunteers Covered by Benefit Terms** - As of the most recent actuarial report, the program membership consisted of the following:

Vested-Terminated	249
Members	
Retired and Beneficiaries	<u>195</u>
Total	<u>444</u>

The program is closed to new entrants.

**Total Pension Liability**

The County's total LOSAP pension liability of \$9,502,709 was measured as of July 31, 2017 and was determined by an actuarial valuation as of that date.

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**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of July 31, 2016 rolled forward to July 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.0 percent
Salary increases	Not applicable
Investment rate of return	3.5 percent, net of pension plan investment expense, including inflation
Mortality	No pre-retirement mortality; post retirement GAR94
Retirement	First eligible
Turnover	None
Disability	None

The discount rate was based on the 20-year, AA tax-exempt general obligation bond rate of 3.5%.

**Changes in the Total Pension Liability**

	<u>Total Pension Liability</u>
Balance at July 31, 2016	\$ 8,003,243
Charges for the year:	
Service cost	6,050
Interest	354,080
Changes of assumptions	1,562,137
Benefit payments	<u>(422,801)</u>
Net changes	<u>1,499,466</u>
Balance at July 31, 2017	\$ <u><u>9,502,709</u></u>

Changes in assumptions reflect change in the discount rate from 2.99% to 3.50% and changes in the mortality tables used.

**Sensitivity of the Total Pension Liability to Changes in the Discount Rate**

The following presents the total pension liability of the County as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current discount rate:

	<u>1% Decrease (2.5%)</u>	<u>Discount Rate (3.5%)</u>	<u>1% Increase (4.5%)</u>
Total pension liability	\$ 10,195,350	\$ 9,502,709	\$ 8,794,723

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At July 31, 2017, there were no deferred outflows of resources nor deferred inflows of resources related to LOSAP pensions.

**(15) Unearned and Unavailable Revenues**

Unearned revenues, representing amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, was comprised of the following as of June 30, 2018:

	<u>County</u>	<u>School System</u>
Grant Revenue	\$ 59,938	\$ 112,261
Prepaid Adult and Student Food	-	120,816
Registration and Other Fees	1,828,514	-
Contractor Escrows	983,657	-
Other State Revenue	-	26,861
Rental Income	18,243	-
Total	<u>\$ 2,890,352</u>	<u>\$ 259,938</u>

Unavailable revenues in the fund financial statements at June 30, 2018 were comprised of the following:

	<u>General Fund</u>
Sales Tax	\$ 951,622
Other local tax	290,349
Total	<u>\$ 1,241,971</u>

**(16) Commitments, Contingencies, and Other Information**

*Encumbrances* – The County had \$1,966,720 of encumbrances reported as restricted and committed under the general governmental funds and \$4,265,486 for capital projects.

*Litigation* – Various claims are pending against the County. In the opinion of County management, after consulting with legal counsel, the potential loss on all claims will not materially affect the County's financial position or activities.

*Grant Programs* – Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement of the grantor agencies. County management believes disallowances, if any, would not be material to the financial position of the County at June 30, 2018.

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

*Other Commitments –*

- In August 1999, the Board adopted a resolution to enter into a Local Participation Agreement with Virginia's First Regional Industrial Facility Authority, and to purchase 10,000 shares of a 150,000 share pool for the financing of the initial phase of the New River Valley Commerce Park Project. The County's annual required payment for the shares and the administrative costs are currently \$34,255 per year.
- In November 2007, the Board approved a three party agreement between the Western Virginia Water Authority (WVWA), Franklin County, and the County. The agreement is to provide for the construction of a water line in the Route 220 corridor from Clearbrook in the County to the Wirtz Plateau in Franklin County. The WVWA will design, construct, and issue revenue bonds for this \$5.5 million project. The County's contribution to this project is approximately \$2.3 million payable over 20 years, beginning in FY 2009. The County's contribution to the WVWA for the year ended June 30, 2018 totaled \$180,633.
- The Authority entered into an agreement with R.R. Donnelley and Sons Company, Inc. in February 2006 to assume any maintenance obligations for the Valley TechPark stormwater facilities, under existing uniform local policies and ordinances. In the unlikely event that the County adopts an ordinance or policy imposing a stormwater fee on property owned by R.R. Donnelley, the County of Roanoke will appropriate to the Authority a sum sufficient to pay R.R. Donnelley's pro rata share of this fee, for a period of ten years from the imposition of the fee. After ten years, any such fees shall be paid by R.R. Donnelley.

Although obligation under the revenue bonds issued to date through the Authority is secured by lease proceeds and the underlying properties and the Authority retains no liability on pass through leases, the Authority and the County may choose at their option to assume responsibility for the bonds in the event of default by lessees to preserve the credit rating of the Authority for future issues.

- The Roanoke Valley Broadband Authority (RVBA), formed by the County, City of Roanoke, City of Salem, and Botetourt County, will construct a core fiber network of approximately 25 miles to service Roanoke County. The County's contribution to this project is expected to be approximately \$3.85 million payable over 10 years. The County's contribution to the RVBA for the year ended June 30, 2018 totaled \$713,291, which included contributions for debt related principal and interest payments of \$386,093 and operating support of \$327,198.
- The Western Virginia Regional Industrial Facility Authority was formed in 2014 and includes the County, Franklin County, Botetourt County, Town of Vinton, City of Salem and City of Roanoke. The purpose of the Authority was to provide a mechanism for local jurisdictions to engage in partnerships that would facilitate economic growth and development in the Roanoke Valley. The County, City of Salem and Roanoke City entered into a partnership agreement for the acquisition of the Wood haven Property. The County's contribution to this project is approximately \$4.4 million payable over 20 years, beginning in FY 2018. The County's debt related payments for the year ended June 30, 2018 totaled \$165,952.

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**(17) Jointly Governed Organizations**

The following entities are considered to be jointly governed. The County has no ongoing financial responsibility or interest in jointly governed organizations.

Roanoke Valley Resource Authority

The Roanoke Valley Resource Authority (the RVRA) was established on October 23, 1991 under a user agreement between the County, City of Roanoke, Virginia (the City), and the Town of Vinton, Virginia (the Town) to develop a regional solid waste disposal facility. The old regional sanitary landfill operated by the Roanoke Valley Regional Solid Waste Management Board was closed on September 30, 1993. The City of Salem became a member of the RVRA, effective November 1, 2016.

RVRA is presently governed by a nine member board appointed by the governing bodies of the Charter Members. The County has control over the budget and financing of the RVRA only to the extent of representation by the board members appointed. For the fiscal year ended June 30, 2018, the County remitted \$1,901,379 to RVRA for services. Participating localities are responsible for their pro-rata share, based on population, of any year-end deficit. RVRA is currently self-supporting and is expected to remain as such in the future. The County is the fiscal agent for RVRA and reports its assets and liabilities in an agency fund.

Roanoke Regional Airport Commission

The Roanoke Regional Airport Commission (the Commission) was established on July 1, 1987 by legislative act of the Commonwealth of Virginia to own and operate the Roanoke Regional Airport. The Commission is composed of five members.

Two members are appointed by the County Board and three by City Council. The County and the City are each responsible for their pro-rata share, based on population, of any year-end operating deficit or capital expenditures if any additional funding is required. The Commission is responsible for paying all outstanding debt. No subsidy has been required since inception.

Roanoke Valley Detention Commission

The Counties of Botetourt, Craig, and Roanoke, and the Cities of Roanoke and Salem formed the Roanoke Valley Detention Commission (the RVDC) to renovate, expand, and operate a detention facility for juveniles. RVDC is governed by a six member board. Each locality's financial obligation is based on the number of juveniles housed at the facility. The County's contribution for the year ended June 30, 2018 was \$250,250. RVDC has the authority to issue debt and such debt is the responsibility of RVDC.

Blue Ridge Behavioral Healthcare

The Counties of Botetourt, Craig, and Roanoke, and the Cities of Roanoke and Salem formed Blue Ridge Community Services (the Blue Ridge) to provide a system of comprehensive community mental health, mental retardation, and substance abuse services. Blue Ridge is governed by a sixteen member board. Each locality's financial obligation is based on the type and amount of services performed for individuals in the locality. The annual contribution for the year ended June 30, 2018 was \$210,000.

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

Fifth Planning District Disability Services Board

The Counties of Allegheny, Botetourt, Craig, and Roanoke, the Town, and the Cities of Roanoke, Salem, Covington, and Clifton Forge jointly participate in the Fifth Planning District Disability Services Board, which provides input to state and local agencies on service needs and priorities with physical and sensory disabilities.

Regional Center for Animal Care and Protection

The Regional Center for Animal Care and Protection (the Regional Pound) was created by an intergovernmental agreement dated December 11, 2012 between the charter members of the County, the City, the Town, and Botetourt County pursuant to code section 3.26546 of the Code of Virginia which requires the governing body of each county, town, or city to maintain or cause a “pound” to be maintained and allows one or more local governing bodies to operate a single “pound” in conjunction with one another. This agreement established a format to transition the management of the “pound” from the Roanoke Valley Society for the Prevention of Cruelty to Animals to the governing localities and also established the County as the fiscal agent effective July 1, 2013. Participating localities are responsible for their pro-rata share of the operating budget, which is billed on a monthly basis. For the year ended June 30, 2018, the County’s share was \$271,291.

In addition, the City issued \$1,829,500 on November 1, 2013 to purchase the property and equipment from the Roanoke Valley Society for the Prevention of Cruelty to Animals on behalf of the Regional Pound. Participating localities are responsible for their pro-rata share of the outstanding debt, which is billed on a quarterly basis. For the year ended June 30, 2018, the County’s share of principal and interest was \$49,845.

Western Virginia Water Authority

The WVWA was created by the County and the City on July 1, 2004. The WVWA is a full service authority that provides water and wastewater treatment to both County and City citizens. The WVWA is governed by a seven member board of which two are appointed by the County Board. The County has no financial responsibility for the debt issued by the WVWA.

Western Virginia Regional Jail Authority

The Counties of Roanoke, Franklin, Montgomery, and the City of Salem formed the Western Virginia Regional Jail Authority (the WVRJA) in June 2005 for the purpose of developing and operating a regional jail authority for the benefit of the Member Jurisdictions. The Board consists of three representatives from each of the Member Jurisdictions. The Member Jurisdictions will each be responsible for a per diem cost based on their prisoner days used. For the year ended June 30, 2018, the County’s share was approximately \$2,547,034.

Roanoke Valley Broadband Authority

In 2011, the regional business community initiated a work group to examine the region’s broadband infrastructure. Based on the findings of the work group, the County of Roanoke, City of Roanoke, City of Salem, and Botetourt County concurrently took action to form the Roanoke Valley Broadband Authority (RVBA) for the purpose of bringing

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

enhanced broadband services to the Roanoke Valley. In 2015, the City of Salem and the City of Roanoke, through the RVBA, initiated construction of approximately 47 miles of fiber network in their respective jurisdictions, which became operational in early 2016.

In May 2016, the Roanoke County Board of Supervisors authorized an expansion of the RVBA fiber network to include construction of approximately 25 miles of broadband infrastructure in Roanoke County. As a result, RVBA issued a revenue bond on June 17, 2016 in the amount of \$3,000,000 (plus amounts for a required Local Debt Service Reserve Fund, administrative costs, and costs of issuance) to design, construct, and operate the expanded network. The County is responsible for the amount of debt service on the Series 2016 Local Bond. Additionally, the County of Roanoke, City of Roanoke, and City of Salem will each be responsible for one-third of the operation and maintenance expenses related to the expansion. The County's contribution to the RVBA for the year ended June 30, 2018 totaled \$713,291, which included contributions for debt-related payments of \$386,093 and operating support of \$327,198.

Western Virginia Regional Industrial Facility Authority

The Western Virginia Regional Industrial Facility Authority (WVRIFA) was formed in 2014, and includes the Counties of Roanoke, Franklin, and Botetourt, the Town of Vinton, and the Cities of Roanoke and Salem. The purpose of the WVRIFA is to provide a mechanism for local jurisdictions to engage in partnerships that would facilitate economic growth and development in the Roanoke Valley.

Through the WVRIFA, the County entered into a partnership agreement with the Cities of Salem and Roanoke for the acquisition of the Wood Haven Property, which consists of several tracts of land comprising over 100 acres of developable land situated at the intersection of Interstate 81 and 581. According to the terms of the Partnership Agreement, the costs of acquisition and site development will be shared by the County (44.2%), City of Roanoke (44.2%), and the City of Salem (11.6%). The County's contribution to this project is expected to be approximately \$4.4 million payable over 20 years, beginning in FY 2018. For the year ended June 30, 2018, the County share of principal and interest was \$165,952.

**(18) Incentive Agreements and Tax Abatements**

The County, along with the Economic Development Authority of Roanoke County, which is reported as discretely presented component unit, provides economic development incentive grants as permitted by Virginia State Code section 15.2-4905, Powers of authorities. During the fiscal year ended June 30, 2018, the County abated property taxes and provided infrastructure funding totaling \$771,778 through such agreements. A summary of the key provisions of each agreement follows.

The Authority, in conjunction with the County, approved an agreement with Edward Rose Development Company, L.L.C., on May 5, 2011, which was subsequently amended on April 22, 2014. Under the terms of the agreement, as amended, the Company agreed to construct a new mixed use commercial development by December 31, 2019, along with certain public infrastructure improvements. The agreement calls for the Authority, with funds provided by the County, to pay not more than \$300,000 in the form of an Economic Development Incentive Grant, based on new commercial real estate tax revenues in any two calendar years of the Company's choice from 2013 through 2019. The Authority, in

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

conjunction with the County, also agreed to reimburse up to \$100,000, with a matching \$100,000 to be reimbursed by the Western Virginia Water Authority (WVWA), upon completion and acceptance by the WVWA of water line extension construction. No reimbursement has been made pursuant to this agreement.

On August 13, 2013, the Authority, in conjunction with the County, approved an agreement with Ardagh Metal Packaging USA Inc., whereby the Company acquired 56 acres of land and acquired, renovated, and equipped an existing 524,600 approximate square foot industrial facility by December 31, 2014. The agreement also anticipated that the Company would create and maintain 96 new jobs which it has done. The agreement provided for funding of \$750,000 from a Commonwealth of Virginia Governor's Opportunity Fund Grant which was received by the County and paid to the Company during the year ended June 30, 2014. The agreement included repayment obligations for this grant should certain requirements not be met, however the Company has met its requirements. The agreement also provides for the Authority, with funds from the County, to provide an Economic Development Incentive Grant not to exceed \$2.3 million based on new local tax revenues in calendar years 2015 through 2017. Accordingly, funding of \$633,360 was provided to the Company during the year ended June 30, 2018. This was the final repayment under this agreement.

On August 26, 2014, the Authority, in conjunction with the County, approved an agreement with Allstate Insurance Company, whereby the Company agreed to construct an approximately 70,000 square foot new office and call center building by January 1, 2016. After construction, the Company is committed to employing approximately 515 full-time employees at the property. The agreement provides for the Authority, with funds provided by the County, to provide an Economic Development Incentive Grant not to exceed \$300,000 based on new local tax revenues collected during the eighteen month period January 1, 2016 to June 30, 2017. Payments are to be made in two annual installments. The County also agreed to pay up to \$30,000 toward the costs of a new water line to the property, which was paid during the year ended June 30, 2017. In accordance with these contract terms, local tax revenues in the amount of \$114,557 were reimbursed to the Company in the form of an Economic Development Incentive Grant during the year ended June 30, 2018. This was the final repayment under this agreement.

On August 11, 2015, the Authority, in conjunction with the County, approved an agreement with Old School Partners, LLC, whereby the Company shall acquire from the County and redevelop the old Roland E. Cook Elementary School building for the Company's use that will contain twenty-one (21) apartments, including a complete restoration, while maintaining the historic character of the building and incorporating modern conveniences. This agreement provides for the Authority, with funds provided by the County, to grant funds not to exceed \$150,000 for the Economic Development Incentive Grant, based on new local tax revenues collected in calendar years 2017 through 2026. The agreement also calls for reimbursement by the Authority of certain permitting and other fees imposed by the County and of utility connection fees imposed by the Town of Vinton. In accordance with the terms of this agreement, permit fees totaling \$4,451 and local tax revenues in the amount of \$19,410 were reimbursed to the Company in the form of an Economic Development Incentive Grant during the year ended June 30, 2018.

On April 7, 2016, the Authority, in conjunction with the County, approved an agreement with Waukeshaw Development, Inc., whereby the Company shall acquire from the County the Old William Byrd High School building and associated acreage for the Company's use. The Company will convert the building to market rate apartments, at a density and unit



**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

mix to be determined by the Town of Vinton's zoning requirements and the Company's sole discretion. In accordance with the agreement, the Company was required to deposit \$200,000 in escrow payable to the County or the Authority prior to commencing any renovation or construction. The agreement provides for the Authority, with funds provided by the County, to provide an Economic Development Incentive Grant not to exceed \$1 million based on new real estate tax revenues collected in calendar years 2018 through 2027. No reimbursement has been made under this agreement.

**(19) Special Assessment – Component Unit**

On February 8, 2012, the CDA approved the issuance of the Series 2012 bonds by resolution to finance the infrastructure improvements and facilities for approximately 62.5 acres of land within the County as mixed-use commercial and residential development. The Series 2012 bonds were issued in December 2012 in the amount of \$7,000,000 with maturation in 20 years. Neither the faith nor credit of the Commonwealth of Virginia nor the County is pledged to the payment of the principal or interest of the Series 2012 bonds. By memorandum of understanding dated February 1, 2011, the County will collect and pay to the CDA or Trustee the incremental tax revenues generated by the District. In addition, the County will levy a special assessment on property owners in the district as approved annually by the CDA. A special assessment of \$24,000 was levied for tax year 2017. The County collected \$12,000.50 the first half of the special assessment, in June 2017 and the second half of assessment in the amount of \$11,999.50 in December 2017. A special assessment of \$10,054 was levied for tax year 2018. The County collected \$5,027, the first half of the special assessment, in June 2018 and the second half of assessment in the amount of \$5,027 will be due in December 2018.

**(20) Accounting Changes and Restatements**

The County implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 required the County to report the total liability related to all Postemployment Benefits Other than Pensions. The implementation of this statement resulted in the restatement of the Governmental Activities' net position as of June 30, 2017 as follows:

		Governmental Activities
Net position, June 30, 2017, as previously reported	\$	102,963,803
Adoption of GAAP		<u>(11,844,358)</u>
Net position, June 30, 2017, restated	\$	<u><u>91,119,445</u></u>

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**(21) Subsequent Event**

The County participated in the Virginia Public School Authority's 2018 Fall Pool Bonds which closed on November 6, 2018. The County issued bonds with a par amount of \$27,875,000, which sold at a premium of \$2,201,943. The proceeds will be used to renovate the Cave Spring High School.

# REQUIRED SUPPLEMENTARY INFORMATION

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

	Original Budget	Final Budget, as Amended	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 127,691,905	\$ 115,462,048	\$ 115,702,743	\$ 240,695
Other local taxes	35,217,014	34,892,014	35,427,976	535,962
Permits, fees, and licenses	735,475	735,475	722,265	(13,210)
Fines and forfeitures	409,500	409,500	478,764	69,264
Use of money and property	277,800	286,843	403,627	116,784
Charges for services	9,658,159	9,859,884	8,944,984	(914,900)
Intergovernmental revenues	20,161,464	48,743,285	36,577,000	(12,166,285)
Miscellaneous	3,128,726	3,866,656	3,912,952	46,296
Total revenues	197,280,043	214,255,705	202,170,311	(12,085,394)
Expenditures:				
General government:				
Board of Supervisors	331,954	383,374	356,191	27,183
County Administrator	355,827	380,860	406,690	(25,830)
Community Relations	189,275	207,601	195,754	11,847
Internal Auditor	114,528	121,897	116,043	5,854
Human resources	839,443	928,413	947,884	(19,471)
County Attorney	571,113	612,156	660,078	(47,922)
Commissioner of Revenue	774,293	854,618	819,954	34,664
Assessor	812,371	877,175	873,224	3,951
Treasurer	838,725	927,470	925,145	2,325
Assistant County Administrator -				
Management services	203,076	217,776	208,138	9,638
Finance	1,516,995	1,681,792	1,575,664	106,128
Management and budget	331,168	358,001	356,576	1,425
Procurement	380,599	423,604	421,559	2,045
Electoral Board and officials	370,955	403,229	484,374	(81,145)
Judicial administration:				
Circuit Court	287,972	287,972	297,878	(9,906)
General District Court	95,440	95,440	92,740	2,700
Special magistrates	1,590	1,590	1,668	(78)
Juvenile and Domestic Relations Court	47,086	47,086	33,213	13,873
Clerk of the Circuit Court	1,102,764	1,131,751	1,125,423	6,328
Law library	11,025	11,025	324	10,701
Commonwealth's Attorney	1,192,716	1,427,032	1,354,919	72,113
Public safety:				
Sheriff and police	13,691,561	17,020,781	16,243,200	777,581
E911 maintenance	3,038,481	3,038,481	3,116,970	(78,489)
Fire and rescue services	14,923,366	19,063,552	18,717,763	345,789
Confinement and care of prisoners	7,557,264	7,773,208	8,062,406	(289,198)
Court service unit	280,500	280,500	276,002	4,498
VJCCA grant	271,866	257,472	237,255	20,217
Animal control	663,488	723,689	612,687	111,002

(continued)

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

	Original Budget	Final Budget, as Amended	Actual	Variance with Final Budget Positive (Negative)
Public works:				
General services administration	\$ 566,556	\$ 684,910	\$ 687,625	\$ (2,715)
Refuse disposal	4,748,593	4,828,283	4,811,770	16,513
Maintenance of general buildings and grounds	4,562,157	5,130,514	5,222,290	(91,776)
Engineering	2,183,709	3,334,046	2,252,572	1,081,474
Inspections	1,045,394	1,069,057	1,130,062	(61,005)
Health and welfare:				
Public health	500,358	500,358	494,776	5,582
Social services administration	6,433,373	7,254,695	7,047,924	206,771
Comprehensive Services Act	7,250,176	7,250,176	6,993,575	256,601
Public assistance	4,195,666	4,195,666	4,342,790	(147,124)
Social services organizations	208,850	208,850	34,600	174,250
Parks, recreation and cultural:				
Assistant County Administrator - Human Services	194,807	210,432	209,141	1,291
Parks and recreation	7,117,431	18,703,034	7,229,093	11,473,941
Library	4,045,221	5,007,449	4,802,369	205,080
Cultural enrichment	52,350	52,350	54,700	(2,350)
Community development:				
Planning and zoning	1,016,258	3,785,929	3,288,070	497,859
Cooperative extension program	87,097	87,097	77,577	9,520
Economic development	520,006	574,320	531,024	43,296
Public transportation	420,000	420,000	689,368	(269,368)
Contribution to human service organizations	87,450	87,450	86,700	750
Nondepartmental	12,143,002	6,377,832	6,054,333	323,499
Total Expenditures	<u>108,173,895</u>	<u>129,299,993</u>	<u>114,560,081</u>	<u>14,739,912</u>
Excess of revenues over expenditures	89,106,148	84,955,712	87,610,230	2,654,518
Other Financing Sources (Uses):				
Transfers in	-	1,314,545	1,314,545	-
Transfers out	<u>(90,629,525)</u>	<u>(90,389,917)</u>	<u>(90,189,519)</u>	<u>200,398</u>
Total other financing uses, net	<u>(90,629,525)</u>	<u>(89,075,372)</u>	<u>(88,874,974)</u>	<u>200,398</u>
Net change in fund balances	(1,523,377)	(4,119,660)	(1,264,744)	2,854,916
Fund balances at beginning of the year	<u>37,683,254</u>	<u>31,982,350</u>	<u>35,699,110</u>	<u>3,716,760</u>
Fund balances at end of year	<u>\$ 36,159,877</u>	<u>\$ 27,862,690</u>	<u>\$ 34,434,366</u>	<u>\$ 6,571,676</u>

See accompanying notes to required supplementary information.  
See accompanying independent auditors' report.

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

	2018			2017			2016			2015		
	County of Roanoke Employees	School System Non-Professional Employees	County of Roanoke Employees	School System Non-Professional Employees	County of Roanoke Employees	School System Non-Professional Employees	County of Roanoke Employees	School System Non-Professional Employees	County of Roanoke Employees	School System Non-Professional Employees	County of Roanoke Employees	School System Non-Professional Employees
<b>Virginia Retirement System</b>												
Total pension liability:												
Service Cost	\$ 5,358,767	\$ 318,248	\$ 5,283,828	\$ 326,990	\$ 5,207,280	\$ 590,031	\$ 5,273,706	\$ 642,968				
Interest	15,156,698	2,177,707	14,606,824	2,219,068	14,176,909	2,164,578	13,590,501	2,114,246				
Changes in assumptions between expected and actual experience	(504,631)	(66,597)	-	-	-	-	-	-				
Differences between expected and actual experience	283,025	(496,773)	156,418	(1,113,216)	(3,178,877)	76,137	-	-				
Impact in change on proportion	(1,732,097)	-	(182,776)	-	(1,384,013)	-	-	-				
Benefit payments, including refunds of employee contributions	(10,824,191)	(2,054,245)	(10,095,057)	(1,993,180)	(9,686,752)	(2,111,460)	(8,539,110)	(1,964,916)				
Net change in total pension liability	7,737,371	(121,660)	9,769,236	(560,338)	5,154,547	719,286	10,325,097	792,298				
Total pension liability - beginning	223,668,447	32,137,224	213,899,211	32,697,562	208,744,662	31,978,276	198,419,565	31,185,978				
Total pension liability - ending (a)	231,406,018	32,015,564	223,668,447	32,137,224	213,899,209	32,697,562	208,744,662	31,978,276				
Plan fiduciary net position:												
Impact in change on proportion	(1,393,043)	-	(154,093)	-	(1,171,025)	-	-	-				
Contributions -- employer	4,812,332	144,668	4,697,194	209,100	4,589,017	206,447	4,090,698	306,710				
Contributions -- employee	2,219,705	150,511	2,136,523	152,767	2,064,188	152,195	2,061,935	293,796				
Net investment income	21,594,685	3,725,620	3,083,905	525,814	8,008,131	1,454,882	24,311,664	4,569,047				
Benefit payments, including refunds of employee contributions	(10,824,191)	(2,054,245)	(10,095,057)	(1,993,180)	(9,686,752)	(2,111,460)	(8,539,110)	(1,964,916)				
Administrative expense	(125,909)	(22,797)	(112,789)	(20,892)	(110,989)	(21,377)	(131,901)	(25,570)				
Other	(19,169)	(3,259)	(1,320)	(231)	(1,682)	(305)	1,281	241				
Net change in plan fiduciary net position	16,264,410	1,940,498	(445,637)	(1,126,622)	3,710,888	(319,618)	21,794,567	3,179,308				
Plan fiduciary net position -- beginning	179,885,909	31,407,833	180,331,546	32,534,455	176,620,656	32,854,073	154,826,089	29,674,765				
Plan fiduciary net position -- ending (b)	196,150,319	33,348,331	179,885,909	31,407,833	180,331,544	32,534,455	176,620,656	32,854,073				
Total net pension liability -- beginning	43,782,538	729,391	33,567,665	163,107	32,124,006	(875,797)	43,593,476	1,511,213				
Total net pension liability (asset) -- ending (a - b)	\$ 35,255,699	\$ (1,332,767)	\$ 43,782,538	\$ 729,391	\$ 33,567,665	\$ 163,107	\$ 32,124,006	\$ (875,797)				
Plan fiduciary net position as a percentage of total pension liability (asset)	84.76%	104.16%	80.43%	97.73%	84.31%	99.50%	84.61%	102.74%				
Covered payroll	\$ 43,733,860	\$ 3,068,829	\$ 42,627,702	\$ 3,081,526	\$ 41,432,034	\$ 3,027,639	\$ 40,544,179	\$ 5,875,694				
Net pension liability (asset) as a percentage of covered payroll	80.61%	-43.43%	102.71%	23.67%	81.02%	5.39%	79.23%	-14.91%				

Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, only three additional years of data are available. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplemental Information**  
**Schedule of Employer's Proportionate Share of Net Pension Liability**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

	<b>School System Teacher Retirement Plan</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b><u>Virginia Retirement System</u></b>				
Schools System's proportion of the net pension liability	0.97725%	0.94772%	0.94973%	0.97506%
Schools System's proportionate share of the net pension liability	\$ 120,182,000	\$ 132,815,000	\$ 119,536,000	\$ 117,833,000
Schools System's covered payroll	\$ 76,745,715	\$ 72,258,672	\$ 70,615,294	\$ 71,286,776
Schools System's proportionate share of the net pension liability as a percentage of its covered payroll	156.60%	183.80%	169.28%	165.29%
Plan fiduciary net position as a percentage of the total pension liability	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, only three additional years of data are available. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplemental Information**  
**Schedule of Contributions**  
**Last 10 Fiscal Years**  
**(Unaudited)**

	2018		2017		2016		2015
<b><u>County of Roanoke Retirement Plan:</u></b>							
Contractually required contribution	\$ 5,081,170	\$	4,893,436	\$	4,638,384	\$	4,090,698
Contributions recognized in relation to the actuarially determined contribution	5,081,170		4,893,436		4,638,384		4,090,698
Contribution (excess)	\$ -	\$	-	\$	-	\$	-
Covered Payroll	\$ 45,263,004	\$	43,733,860	\$	42,627,702	\$	41,432,034
Contributions as a percentage of covered payroll	11.23%		11.19%		10.88%		9.87%

**School System Teacher Retirement Plan:**

Contractually required contribution	\$ 12,575,093	\$	11,097,430	\$	10,159,569	\$	10,239,218
Contributions recognized in relation to the contractually required contribution	12,566,803		11,251,117		10,159,568		10,238,755
Contribution deficiency (excess)	\$ (8,290)	\$	153,687	\$	(1)	\$	(463)
Covered Payroll	\$ 77,053,264	\$	76,745,715	\$	72,258,672	\$	70,615,294
Contributions as a percentage of covered payroll	16.31%		14.66%		14.06%		14.50%

**School System Non-Professional Retirement Plan:**

Contractually required contribution	\$ 150,332	\$	148,224	\$	210,776	\$	210,776
Contributions recognized in relation to the actuarially determined contribution	153,066		148,080		210,558		207,090
Contribution (excess)	\$ 2,734	\$	(144)	\$	(218)	\$	(3,686)
Covered Payroll	\$ 3,112,471	\$	3,068,829	\$	3,081,526	\$	3,027,639
Contributions as a percentage of covered payroll	4.92%		4.83%		6.83%		6.84%

**Notes to the Schedule of Contributions:**

Actuarial Valuation Date:	June 30, 2016	June 30, 2016	June 30, 2014	June 30, 2014
Methods and assumptions used to determine contribution rates:				
Actuarial cost method	Entry-age	Entry-age	Entry-age	Entry-age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Payroll growth	3.00%	3.00%	3.00%	3.00%
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Salary increases*	3.50 - 5.35%	3.50 - 5.35%	3.50 - 5.35%	3.50 - 5.35%
Investment rate of return*	7%	7%	7%	7%
*Includes inflation at	2.50%	2.50%	2.50%	2.50%
Cost of living adjustments	2.25 - 2.5%	2.25 - 2.5%	2.25 - 2.5%	2.25 - 2.5%

Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, only three additional years of data are available. However, additional years will be included as they become available.



**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplementary Information**  
**Schedules of Changes in Total Pension Liability and Related Ratios**  
**Fire and Rescue Pension Trust Length of Service Awards Program**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

## A. Schedule of Changes in the Total Pension Liability

	Actuarial Valuation Date 7/31/2017	Actuarial Valuation Date 7/31/2018
Total pension liability:		
Service cost	\$ 5,613	\$ 6,050
Interest on total pension liability	295,965	354,080
Changes of assumptions	(574,306)	1,562,137
Benefit payments	(347,975)	(422,801)
Net change in total pension liability	(620,703)	1,499,466
 Total pension liability - beginning	 \$ 8,623,946	 8,003,243
Total pension liability - ending	<u>\$ 8,003,243</u>	<u>\$ 9,502,709</u>

## B. Schedule of the Total Pension Liability and Related Ratios

Fiscal Year Ended	Total Pension Liability	Covered Payroll	Total Pension Liability as a Percent of Covered Payroll
June 30, 2017	\$ 8,003,243	\$ -	N/A
June 30, 2018	9,502,709	-	N/A

## Notes to schedules:

Changes in assumptions. Changes of assumptions reflect change in the discount rate from 2.99% to 3.50% and changes in the mortality tables used.

There is no covered employee payroll since this plan provides benefits for volunteers.

This schedule is intended to show information for 10 years. Since this is the second year for this presentation, only one additional year is shown. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplementary Information**  
**Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios**  
**For the Year Ended June 30, 2018\***  
(Unaudited)

	2017		2018	
	County of Roanoke Members	School System	County of Roanoke Members	School System
Total OPEB liability:				
Service Cost	\$ 849,141	\$ 931,053	\$ 891,598	\$ 977,606
Interest	943,357	476,676	1,024,059	471,102
Differences between expected and actual experience	(56,957)	(28,590)	(5,174,702)	(2,488,407)
Changes of assumptions	-	-	3,453,025	(3,035,172)
Contributions -- employee	470,020	94,298	502,321	939,187
Benefit payments, including refunds of employee contributions	(1,493,500)	(684,162)	(1,204,285)	(1,785,359)
Net change in total OPEB liability	712,061	789,275	(507,984)	(4,921,043)
Total OPEB liability - beginning	12,752,426	14,888,089	13,464,487	15,677,364
Total OPEB liability - ending (a)	13,464,487	15,677,364	12,956,503	10,756,321
Plan fiduciary net position:				
Contributions -- employer	1,219,282	682,154	823,789	846,172
Contributions -- employee	470,020	94,298	502,321	939,187
Net investment income	661,110	74,106	560,627	65,111
Benefit payments, including refunds of employee contributions	(1,493,500)	(684,162)	(1,204,285)	(1,785,359)
Administrative expense	(6,596)	(1,169)	(7,071)	(1,263)
Net change in plan fiduciary net position	850,316	165,227	675,381	63,848
Plan fiduciary net position -- beginning	5,005,911	515,101	5,856,227	680,328
Plan fiduciary net position -- ending (b)	5,856,227	680,328	6,531,608	744,176
Total net OPEB liability -- beginning	7,746,515	14,372,988	7,608,260	14,997,036
Total net OPEB liability -- ending (a - b)	\$ 7,608,260	\$ 14,997,036	\$ 6,424,895	\$ 10,012,145
Plan fiduciary net position as a percentage of total OPEB liability	43.49%	4.34%	50.41%	6.92%
Covered payroll	\$ 39,941,319	\$ 65,279,124	\$ 33,955,725	\$ 53,150,640
Net OPEB liability as a percentage of covered payroll	19.05%	22.97%	18.92%	18.84%

The County of Roanoke has fiscal entities who participate in the Retiree Medical OPEB plan. The above information reflects the total plan liability and related ratios. However, the "Retiree Medical Program - Employer Recognition of the OPEB Plan" section of footnote 13 only reflects the County employer portion.

Schedule is intended to show information for 10 years. Since 2018 is the second year for this presentation, only two years of data are available. However, additional years will be included as they become available.

\*This information is presented as of the measurement date.

See accompanying independent auditor's report.

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplemental Information**  
**Schedule of Employer Contributions**  
**Other Postemployment Benefits Plan**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

	2017		2018	
	County of Roanoke Members	School System Members	County of Roanoke Members	School System Members
Actuarially determined contribution	\$ 1,219,282	\$ 682,154	\$ 1,644,235	\$ 1,997,378
Contributions in relation to the actuarially determined contribution	1,415,084	682,154	823,789	846,172
Contribution deficiency (excess)	<u>\$ (195,802)</u>	<u>\$ -</u>	<u>\$ 820,446</u>	<u>\$ 1,151,206</u>
Percentage contributed	116.06%	100.00%	50.10%	42.36%
Employer's covered payroll	\$ 39,941,319	\$ 65,279,124	\$ 33,955,725	\$ 53,150,640
Contributions as a percentage of covered payroll	3.54%	1.04%	2.43%	1.59%

**Notes to the Schedule of Contributions:**

Actuarial Valuation Date:

June 30, 2016

June 30, 2016

June 30, 2018

June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method  
 Remaining amortization period  
 Asset valuation method  
 Inflation

Entry Age Normal  
 20 years  
 Market Value  
 Included in the  
 investment rate of  
 return and  
 healthcare cost  
 trend rates  
 2.00%  
 7.50%  
 8.0% graded down  
 to 5.0% over 6  
 years, beginning in  
 2018

Entry Age Normal  
 20 years  
 Market Value  
 Included in the  
 investment rate of  
 return and  
 healthcare cost  
 trend rates  
 3.00%  
 7.50%  
 8.0% graded down  
 to 5.0% over 6  
 years, beginning in  
 2018

Entry Age Normal  
 20 years  
 Market Value  
 Included in the  
 investment rate of  
 return and  
 healthcare cost  
 trend rates  
 2.00%  
 7.50%  
 7.5% graded down  
 to 5.0% over 10  
 years, beginning in  
 2018

Entry Age Normal  
 20 years  
 Market Value  
 Included in the  
 investment rate of  
 return and  
 healthcare cost  
 trend rates  
 3.00%  
 7.50%  
 7.5% graded down  
 to 5.0% over 10  
 years, beginning in  
 2018

Salary increases  
 Investment rate of return

Healthcare cost trend rate

Schedule is intended to show information for 10 years. Since 2018 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

See accompanying independent auditors' report.

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplementary Information**  
**Schedule of Investment Returns**  
**Other Postemployment Benefits Plan**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

	2017		2018	
	County of Roanoke	School System	County of Roanoke	School System
Annual money-weighted rate of return, net of investment expense:	13.04%	13.04%	9.52%	9.52%

This schedule is intended to show information for 10 years. Since this is the second year for this presentation, only one additional year is shown. However, additional years will be included as they become available.

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplementary Information**  
**Virginia Retirement System Health Insurance Credit Program**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

	<u>2018</u>
Total OPEB liability:	
Service Cost	\$ 32,415
Interest	107,974
Changes of assumptions	(42,521)
Benefit payments, including refunds of employee contributions	(81,531)
Net change in total OPEB liability	<u>16,337</u>
Total OPEB liability - beginning	<u>1,583,262</u>
Total OPEB liability - ending (a)	<u><u>1,599,599</u></u>
Plan fiduciary net position:	
Contributions -- employer	135,458
Net investment income	50,806
Benefit payments, including refunds of employee contributions	(81,531)
Administrative expense	(905)
Other changes	<u>2,370</u>
Net change in plan fiduciary net position	<u>106,198</u>
Plan fiduciary net position -- beginning	<u>410,017</u>
Plan fiduciary net position -- ending (b)	<u><u>516,215</u></u>
Total net OPEB liability -- beginning	<u>1,173,245</u>
Total net OPEB liability -- ending (a - b)	<u><u>\$ 1,083,384</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	32.27%
Covered payroll	\$ 43,733,860
Net OPEB liability as a percentage of covered payroll	2.48%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

See accompanying independent auditor's report.

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplementary Information**  
**Virginia Retirement System Health Insurance Credit Program**  
**Schedule of Employer Contributions**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

County of Roanoke Employees:

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution (Deficiency) Excess	Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2009	\$ -	\$ -	\$ -	\$ -	- %
June 30, 2010	61,426	61,426	-	19,814,931	0.31
June 30, 2011	122,293	122,293	-	39,449,375	0.31
June 30, 2012	94,223	94,223	-	39,259,763	0.24
June 30, 2013	92,999	92,999	-	38,749,497	0.24
June 30, 2014	103,865	103,865	-	41,545,798	0.25
June 30, 2015	80,354	80,354	-	40,544,179	0.20
June 30, 2016	95,257	95,257	-	41,432,034	0.23
June 30, 2017	106,244	106,244	-	42,627,702	0.25
June 30, 2018	135,906	135,906	-	43,733,860	0.31

School System Employees:

June 30, 2009	\$ 834,138	\$ 834,138	\$ -	\$ 77,235,026	1.08 %
June 30, 2010	742,921	528,292	214,629	71,434,717	0.74
June 30, 2011	405,912	405,912	-	67,652,004	0.60
June 30, 2012	412,070	412,070	-	68,678,251	0.60
June 30, 2013	801,954	801,962	(8)	72,248,134	1.11
June 30, 2014	791,283	791,284	(1)	71,286,776	1.11
June 30, 2015	748,522	748,490	32	70,615,294	1.06
June 30, 2016	765,942	765,995	(53)	72,258,672	1.06
June 30, 2017	851,877	851,887	(10)	76,745,715	1.11
June 30, 2018	947,755	947,188	567	77,053,264	1.23

See accompanying notes to required supplementary information.  
See accompanying independent auditors' report.

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplemental Information**  
**Virginia Retirement System Group Life Insurance Program**  
**Schedule of Employer's Proportionate Share of Net OPEB Liability**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

	<u>2018</u>
Employer's proportion of the Net GLI OPEB Liability	0.25093%
Employer's proportionate share of the Net GLI OPEB Liability	\$ 3,776,000
Employer's covered payroll	\$ 44,698,860
Employer's proportionate share of the Net GLI OPEB Liability as a percentage of its covered payroll	8.45%
Plan Fiduciary Net Position as a percentage of the Total GLI OPEB Liability	48.86%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

**COUNTY OF ROANOKE, VIRGINIA**  
**Required Supplementary Information**  
**Virginia Retirement System Group Life Insurance Program**  
**Schedule of Employer Contributions**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

County of Roanoke Employees:

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2009	\$ 153,359	\$ 153,359	\$ -	\$ 38,339,874	0.40 %
June 30, 2010	143,631	107,723	35,908	39,897,565	0.27
June 30, 2011	142,183	80,001	62,182	39,495,312	0.20
June 30, 2012	173,072	110,136	62,936	39,334,458	0.28
June 30, 2013	171,259	108,983	62,276	38,922,453	0.28
June 30, 2014	221,837	200,909	20,928	41,855,983	0.48
June 30, 2015	225,194	203,949	21,245	42,489,422	0.48
June 30, 2016	229,672	208,005	21,667	43,334,385	0.48
June 30, 2017	230,974	230,974	-	44,698,860	0.52
June 30, 2018	237,653	237,653	-	46,284,675	0.51

School System Employees:

June 30, 2009	\$ 276,960	\$ 276,960	\$ -	\$ 84,416,560	0.33 %
June 30, 2010	175,154	175,154	-	77,772,281	0.23
June 30, 2011	82,540	82,540	-	73,695,601	0.11
June 30, 2012	83,684	83,684	-	74,623,028	0.11
June 30, 2013	374,671	374,671	-	78,569,574	0.48
June 30, 2014	367,834	367,834	-	77,162,470	0.48
June 30, 2015	351,815	351,815	-	73,642,933	0.48
June 30, 2016	359,464	359,464	-	75,340,198	0.48
June 30, 2017	419,387	419,387	-	79,814,544	0.53
June 30, 2018	420,490	420,490	-	80,165,735	0.52

See accompanying notes to required supplementary information.  
See accompanying independent auditors' report.



COUNTY OF ROANOKE, VIRGINIA  
Required Supplemental Information  
Roanoke County Public Schools  
Schedule of Employer's Proportionate Share of Net OPEB Liability  
For the Year Ended June 30, 2018  
(Unaudited)

2018

**VRS Health Insurance Credit Program**

Employer's proportion of the Net GLI OPEB Liability	0.97245%
Employer's proportionate share of the Net GLI OPEB Liability	\$ 12,337,000
Employer's covered payroll	\$ 76,745,715
Employer's proportionate share of the Net GLI OPEB Liability as a percentage of its covered payroll	16.08%
Plan Fiduciary Net Position as a percentage of the Total GLI OPEB Liability	7.04%

**VRS Group Life Insurance Program - Teacher Plan**

Employer's proportion of the Net GLI OPEB Liability	0.41724%
Employer's proportionate share of the Net GLI OPEB Liability	\$ 6,279,000
Employer's covered payroll	\$ 76,745,715
Employer's proportionate share of the Net GLI OPEB Liability as a percentage of its covered payroll	8.18%
Plan Fiduciary Net Position as a percentage of the Total GLI OPEB Liability	48.86%

**VRS Group Life Insurance Program - Non-Professional Plan**

Employer's proportion of the Net GLI OPEB Liability	0.01666%
Employer's proportionate share of the Net GLI OPEB Liability	\$ 250,000
Employer's covered payroll	\$ 3,068,829
Employer's proportionate share of the Net GLI OPEB Liability as a percentage of its covered payroll	8.15%
Plan Fiduciary Net Position as a percentage of the Total GLI OPEB Liability	48.98%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

**1. Budgetary Accounting and Control**

*Annual Budget Adoption* - Annual budgets are legally adopted for the General, Debt Service, and School Board Component Unit Operating Funds. The Debt Service Fund is budgeted for principal and interest payments to be paid. Capital Projects Fund is budgeted on a project basis. The County follows these procedures in establishing the budgetary data reflected in the required supplementary information. The Code of Virginia requires adoption of a balanced budget by June 30 of each year. The County Board of Supervisors formally adopted the fiscal year 2017-2018 budget appropriation on May 23, 2017.

*Budgetary Basis of Accounting* - The General and Debt Service Fund budgets are adopted on the modified accrual basis of accounting, a basis of accounting consistent with accounting principles generally accepted in the United States of America.

*Budgetary Process* - At least sixty days prior to June 30, the County Administrator submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments. Prior to June 30, the budget is legally enacted through an ordinance passed by the County Board of Supervisors.

*Budgetary Controls* - Legal budgetary control is maintained at the fund level. However, for management purposes, the budget is segregated into three categories: personnel, operating, and capital expenditures by department. The Department Head may use discretion to transfer from one category to another as long as the departmental total does not change. County debt is segregated into a separate fund for budgetary purposes. The County Administrator may authorize or delegate the authorization of a transfer of any unencumbered balance or portion thereof from one department to another within a fund. All other transfers require approval of the Board of Supervisors. Formal budgetary integration into the financial accounting system is employed as a management control device during the year for the governmental type funds. Management control is maintained at the category level (i.e. personnel, operating, capital) and supplemental appropriations during the year-end cannot exceed the undesignated fund balance. Actual expenditures and operating transfers out may not legally exceed budget appropriations at the fund level. Unspent appropriations lapse at year-end for legally adopted budgets. The Board of Supervisors must approve any budget amendments increasing or decreasing appropriations. Major amendments are budget amendments that exceed one percent of the original budget, which is \$2.1 million for fiscal year 2017-2018. These major amendments must go through the same public hearing requirements as the original budget.

**COUNTY OF ROANOKE, VIRGINIA**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

**2. Other Postemployment Benefits Plan - VRS Health Insurance Credit (HIC) and Group Life Insurance (GLI) Programs**

*Changes of benefit terms* – There have been no actuarially material changes to the benefit provisions since the prior actuarial valuation.

*Changes of assumptions* – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change

**3. Other Postemployment Benefits Plan - Retiree Medical**

*Changes of benefit terms* – There have been no actuarially material changes to the benefit provisions since the prior actuarial valuation.

*Changes of assumptions* – The following changes in actuarial assumptions and methods were made effective for measurement date June 30, 2018:

- The percentage of future eligible retirees electing medical coverage was updated from 64.6% to 61.4%.
- The percentage of future eligible retirees electing medical coverage for a spouse was updated from 29.8% to 27.5%.
- The mortality, disability, withdrawal, and retirement assumptions were updated to the assumptions listed in the most recent published VRS Comprehensive Annual Financial Report, which was the 2017 report.
- Actives hired on or after July 1, 2016 are not eligible for the plan.



# SUPPLEMENTARY INFORMATION

## GOVERNMENTAL FUNDS

The **General Fund** is the general operating fund of the County which is used to account for all of the financial resources, except those required to be accounted for in another fund.

The **Debt Service Fund** is the fund used to account for the financial resources for, and the payment of, general long-term debt principal, interest, and related costs.

The **Capital Projects Fund** is the fund used to account for the financial resources to be used for the acquisition or construction of capital activities.



**COUNTY OF ROANOKE, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**For the Year Ended June 30, 2018**

	Original Budget	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Locality Compensation Payment	\$ 125,284	\$ 125,284	\$ 125,284	\$ -
Interest Income	-	-	477	477
Miscellaneous	-	111,825	111,825	-
Total Revenues	<u>125,284</u>	<u>237,109</u>	<u>237,586</u>	<u>477</u>
<b>Expenditures</b>				
Principal Payments				
General Obligation Bonds				
General Government	875,760	875,760	875,760	-
Schools Virginia Public Schools Authority Bonds	8,107,624	8,107,624	8,107,624	-
Total General Obligation Bonds	<u>8,983,384</u>	<u>8,983,384</u>	<u>8,983,384</u>	<u>-</u>
Lease Revenue Bonds				
General Government	3,005,000	3,005,000	3,005,000	-
Total Lease Revenue Bonds	<u>3,005,000</u>	<u>3,005,000</u>	<u>3,005,000</u>	<u>-</u>
Total Principal Payments	<u>11,988,384</u>	<u>11,988,384</u>	<u>11,988,384</u>	<u>-</u>
Interest Payments				
General Obligation Bonds				
General Government	86,654	86,654	86,654	-
Schools Virginia Public Schools Authority Bonds	3,643,291	3,643,291	3,643,291	-
Total General Obligation Bonds	<u>3,729,945</u>	<u>3,729,945</u>	<u>3,729,944</u>	<u>-</u>
Lease Revenue Bonds				
General Government	2,982,282	3,112,571	3,112,571	-
Total Lease Revenue Bonds	<u>2,982,282</u>	<u>3,112,571</u>	<u>3,112,571</u>	<u>-</u>
Total Interest Payments	<u>6,712,227</u>	<u>6,842,516</u>	<u>6,842,516</u>	<u>-</u>
Miscellaneous Costs	95,089	40,000	34,020	5,980
Total Expenditures	<u>18,795,700</u>	<u>18,870,900</u>	<u>18,864,920</u>	<u>5,980</u>
Excess (deficit) of revenues over (under) expenditures	(18,670,416)	(18,633,791)	(18,627,334)	6,457
Other financing sources (uses):				
Transfers				
Transfer from County General Fund	14,575,266	14,449,982	14,449,982	-
Transfer from School General Fund	4,125,345	4,125,345	4,125,345	-
Transfer from County Capital Fund	-	130,290	130,290	-
Transfer (to) County Capital Fund	(55,913)	(141,524)	(141,524)	-
Transfer (to) School Capital Fund	-	(163,560)	(163,560)	-
Total other financing sources, net	<u>18,644,698</u>	<u>18,400,533</u>	<u>18,400,533</u>	<u>-</u>
Net change in fund balance	(25,718)	(233,258)	(226,801)	6,457
Fund balance at beginning of year	<u>294,603</u>	<u>288,685</u>	<u>288,685</u>	<u>-</u>
Fund balance at end of year	<u>\$ 268,885</u>	<u>\$ 55,427</u>	<u>\$ 61,884</u>	<u>\$ 6,457</u>

See accompanying independent auditors' report

**COUNTY OF ROANOKE, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2018**

	Original Budget	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Use of money and property	\$ -	\$ 140,459	\$ 140,459	\$ -
Charges for services	212,981	838,075	639,755	(198,320)
Intergovernmental revenue	(32,064)	1,831,311	1,401,136	(430,175)
Miscellaneous	838,000	247,753	27,753	(220,000)
Total revenues	<u>1,018,917</u>	<u>3,057,598</u>	<u>2,209,103</u>	<u>(848,495)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>27,058,206</u>	<u>38,924,035</u>	<u>12,312,499</u>	<u>26,611,536</u>
Total expenditures	<u>27,058,206</u>	<u>38,924,035</u>	<u>12,312,499</u>	<u>26,611,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,039,289)</u>	<u>(35,866,437)</u>	<u>(10,103,396)</u>	<u>25,763,041</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of land, buildings, and equipment	2,205,000	105,000	219,762	(114,762)
Proceeds from sale of bonds	8,675,000	6,440,000	6,440,000	-
Premium on bonds	-	857,521	857,521	-
Transfers in	6,840,041	7,260,366	7,185,253	75,113
Transfers out	<u>-</u>	<u>(1,334,717)</u>	<u>(1,444,835)</u>	<u>110,118</u>
Total other financing sources, net	<u>17,720,041</u>	<u>13,328,170</u>	<u>13,257,701</u>	<u>70,469</u>
Net change in fund balance	<u>(8,319,248)</u>	<u>(22,538,267)</u>	<u>3,154,305</u>	<u>25,692,572</u>
Fund balance at beginning of year	<u>8,319,248</u>	<u>22,538,267</u>	<u>22,538,267</u>	<u>-</u>
Fund balance at end of year	<u>-</u>	<u>\$ -</u>	<u>\$ 25,692,572</u>	<u>\$ 25,692,572</u>



**COUNTY OF ROANOKE, VIRGINIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2018**

	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
From local sources:			
General property taxes:			
Real property taxes	\$ 90,849,867	\$ 91,039,399	\$ 189,532
Real and personal public service corporation property taxes	3,050,000	3,210,977	160,977
Payments in lieu of taxes	174,000	179,700	5,700
Personal property taxes	20,467,569	20,506,521	38,952
Penalties and interest	920,612	766,146	(154,466)
Total general property taxes	115,462,048	115,702,743	240,695
Other local taxes:			
Local sales and use taxes	10,106,639	10,173,941	67,302
Business license taxes	6,200,775	6,675,410	474,635
Motor vehicle licenses	2,280,883	2,371,464	90,581
Bank franchise taxes	600,000	820,907	220,907
Taxes on recordation and wills	1,509,509	1,492,681	(16,828)
Utility license tax	510,000	552,751	42,751
Communications sales and use tax	3,686,255	3,614,158	(72,097)
Consumer utility tax	3,789,450	3,792,647	3,197
E911 tax	258,534	265,221	6,687
Hotel and motel tax	1,310,803	1,211,448	(99,355)
Tax on prepared food	4,545,166	4,366,848	(178,318)
Admissions tax	94,000	90,500	(3,500)
Total other local taxes	34,892,014	35,427,976	535,962
Permits, fees, and licenses:			
Animal licenses	44,500	39,843	(4,657)
Permits and other licenses	690,975	682,422	(8,553)
Total permits, fees, and licenses	735,475	722,265	(13,210)
Fines and forfeitures	409,500	478,764	69,264
Use of money and property	286,843	403,627	116,784
Charges for services:			
Refuse costs	17,200	16,726	(474)
Court costs	121,450	80,708	(40,742)
Charges for correction and detention	237,400	237,400	-
Charges for parks and recreation	5,477,764	4,778,218	(699,546)
Rescue fees	3,362,698	3,196,177	(166,521)
Other charges	643,372	635,755	(7,617)
Total charges for services	9,859,884	8,944,984	(914,900)
Miscellaneous:			
Reimbursements - shared programs	1,412,308	1,587,922	175,614
Miscellaneous	1,154,711	1,021,544	(133,167)
Legal services	10,000	11,250	1,250
Jail	578,700	482,888	(95,812)
Welfare department	86,074	174,735	88,661
Resource Authority	60,185	64,545	4,360
WVWA	71,590	62,390	(9,200)
WVRJA	143,088	157,678	14,590
Host locality fee	350,000	350,000	-
Total miscellaneous	3,866,656	3,912,952	46,296
Total revenue from local sources	165,512,420	165,593,311	80,891

(continued)

**COUNTY OF ROANOKE, VIRGINIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2018**

	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
From the Commonwealth:			
Non-categorical aid:			
Motor vehicles carriers tax	\$ 29,000	\$ 17,447	\$ (11,553)
Trailer tax	384,000	356,754	(27,246)
Personal property tax relief	12,229,857	12,229,857	-
Total non-categorical aid	12,642,857	12,604,058	(38,799)
Categorical aid:			
Shared expenditures:			
Commonwealth's Attorney	693,436	688,648	(4,788)
Sheriff	3,205,914	3,301,908	95,994
Commissioner of the Revenue	243,426	245,955	2,529
Treasurer	212,575	254,626	42,051
Registrar/Electoral Board	47,700	47,458	(242)
Clerk of Court	556,633	571,420	14,787
Total shared expenditures	4,959,684	5,110,015	150,331
Other categorical aid:			
EMS	97,825	107,853	10,028
Recovered costs - welfare	3,868,865	3,348,163	(520,702)
Confiscated goods	8,294	8,294	-
VJCCCA grant	232,828	212,611	(20,217)
Library	157,095	159,407	2,312
Comprehensive Services Act	3,487,314	3,410,939	(76,375)
Police department grant	1,851,631	1,851,632	1
Other state grants	3,278,811	793,017	(2,485,794)
Total other categorical aid	12,982,663	9,891,916	(3,090,747)
Total categorical aid	17,942,347	15,001,931	(2,940,416)
Total from the Commonwealth	30,585,204	27,605,989	(2,979,215)
From the Federal government:			
Categorical aid:			
Seized goods	4,301	4,301	-
Greenways	8,817,905	112,133	(8,705,772)
Welfare reimbursement	4,512,294	5,112,166	599,872
Other federal grants	4,823,581	3,742,411	(1,081,170)
Total categorical aid	18,158,081	8,971,011	(9,187,070)
Total from the Federal government	18,158,081	8,971,011	(9,187,070)
Total Intergovernmental revenues	48,743,285	36,577,000	(12,166,285)
Total revenues	214,255,705	202,170,311	(12,085,394)

(continued)

**COUNTY OF ROANOKE, VIRGINIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2018**

	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Expenditures:			
General government administration:			
Legislative:			
Board of Supervisors	\$ 383,374	\$ 356,191	\$ 27,183
General and financial administration:			
County Administrator	380,860	406,690	(25,830)
Community relations	207,601	195,754	11,847
Internal Auditor	121,897	116,043	5,854
Human resources	928,413	947,884	(19,471)
County Attorney	612,156	660,078	(47,922)
Commissioner of Revenue	854,618	819,954	34,664
Assessor	877,175	873,224	3,951
Treasurer	927,470	925,145	2,325
Assistant County Administrator - management services	217,776	208,138	9,638
Finance	1,681,792	1,575,664	106,128
Management and Budget	358,001	356,576	1,425
Procurement	423,604	421,559	2,045
Total general and financial administration	7,591,363	7,506,709	84,654
Electoral Board and officials	403,229	484,374	(81,145)
Total general government administration	8,377,966	8,347,274	30,692
Judicial administration			
Courts:			
Circuit Court	287,972	297,878	(9,906)
General District Court	95,440	92,740	2,700
Special magistrates	1,590	1,668	(78)
Juvenile and Domestic Relations Court	47,086	33,213	13,873
Clerk of the Circuit Court	1,131,751	1,125,423	6,328
Total courts	1,563,839	1,550,922	12,917
Law library	11,025	324	10,701
Commonwealth's Attorney	1,427,032	1,354,919	72,113
Total judicial administration	3,001,896	2,906,165	95,731
Public safety:			
Law enforcement and traffic control:			
Sheriff and Police	17,020,781	16,243,200	777,581
E911 maintenance	3,038,481	3,116,970	(78,489)
Total law enforcement and traffic control	20,059,262	19,360,170	699,092
Fire and rescue services:			
Fire and rescue services	19,063,552	18,717,763	345,789
Total fire and rescue services	19,063,552	18,717,763	345,789

(continued)

**COUNTY OF ROANOKE, VIRGINIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2018**

	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Correction and detention:			
Confinement and care of prisoners	\$ 7,773,208	\$ 8,062,406	\$ (289,198)
Court service unit	280,500	276,002	4,498
VJCCCA grant	257,472	237,255	20,217
Total correction and detention	<u>8,311,180</u>	<u>8,575,663</u>	<u>(264,483)</u>
Animal control	723,689	612,687	111,002
Total public safety	<u>48,157,683</u>	<u>47,266,283</u>	<u>891,400</u>
Public Works:			
General services administration	684,910	687,625	(2,715)
Refuse disposal	4,828,283	4,811,770	16,513
Maintenance of general buildings and grounds	5,130,514	5,222,290	(91,776)
Engineering	3,334,046	2,252,572	1,081,474
Inspections	1,069,057	1,130,062	(61,005)
Total public works	<u>15,046,810</u>	<u>14,104,319</u>	<u>942,491</u>
Health and welfare:			
Public health	500,358	494,776	5,582
Social services administration	7,254,695	7,047,924	206,771
Comprehensive Services Act	7,250,176	6,993,575	256,601
Public assistance	4,195,666	4,342,790	(147,124)
Social services organizations	208,850	34,600	174,250
Total health and welfare	<u>19,409,745</u>	<u>18,913,665</u>	<u>496,080</u>
Parks, recreation and cultural:			
Assistant County Administrator - Human Services	210,432	209,141	1,291
Parks and recreation	18,703,034	7,229,093	11,473,941
Library	5,007,449	4,802,369	205,080
Cultural enrichment	52,350	54,700	(2,350)
Total parks, recreation and cultural	<u>23,973,265</u>	<u>12,295,303</u>	<u>11,677,962</u>

(continued)

**COUNTY OF ROANOKE, VIRGINIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2018**

	Final Budget as Amended	Actual	Variance with Final Budget Positive (Negative)
Community development:			
Planning and zoning	\$ 3,785,929	\$ 3,288,070	\$ 497,859
Cooperative extension program	87,097	77,577	9,520
Economic development	574,320	531,024	43,296
Public transportation	420,000	689,368	(269,368)
Contribution to human service organizations	87,450	86,700	750
Total community development	4,954,796	4,672,739	282,057
Nondepartmental:			
Employee benefits	662,796	778,986	(116,190)
Dixie Caverns landfill cleanup	57,000	35,105	21,895
Miscellaneous	4,722,696	4,220,818	501,878
Tax relief for the elderly and handicapped	825,000	909,424	(84,424)
Refuse credit - Town of Vinton	110,000	110,000	-
Board contingency	340	-	340
Total nondepartmental	6,377,832	6,054,333	323,499
Total expenditures	129,299,993	114,560,081	14,739,912
Excess of revenues over expenditures	84,955,712	87,610,230	2,654,518
Other financing uses:			
Transfer to internal service fund	(1,115,380)	(1,115,380)	-
Transfer to debt service fund	(6,949,696)	(6,824,412)	125,284
Payment to school board	(75,205,998)	(75,205,998)	-
Transfer to capital projects fund	(5,804,298)	(5,729,184)	75,114
Total other financing uses	(89,075,372)	(88,874,974)	200,398
Net change in fund balance	(4,119,660)	(1,264,744)	2,854,916
Fund balance at beginning of year	31,982,350	35,699,110	3,716,760
Fund balance at end of year	\$ 27,862,690	\$ 34,434,366	\$ 6,571,676

See accompanying independent auditors' report.

## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of services, provided by one department to other departments of the County, on a cost reimbursement basis.

The **Health Insurance Fund** is a self-insured fund used to account for health care costs and other postemployment benefits.

The **Dental Insurance Fund** is a fully insured fund used to account for dental care costs.

The **Risk Management Fund** is a self-insured fund used to account for workers' compensation costs for employees injured on the job.



**COUNTY OF ROANOKE, VIRGINIA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2018**

	Internal Service Funds			
	Health Insurance	Dental Insurance	Risk Management	Total Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 88,836	\$ 60,883	\$ 666,920	\$ 816,639
Investments	-	-	2,360,197	2,360,197
Accounts receivable	491,969	5,984	1,251	499,204
Prepaid expenses	3,510	60,680	-	64,190
Total current assets	584,315	127,547	3,028,368	3,740,230
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	992,113	-	2,891	995,004
Claims payable	935,431	-	560,547	1,495,978
Total current liabilities	1,927,544	-	563,438	2,490,982
Noncurrent liabilities:				
Claims payable	-	-	1,538,094	1,538,094
Total noncurrent liabilities	-	-	1,538,094	1,538,094
Total liabilities	1,927,544	-	2,101,532	4,029,076
<b>NET POSITION</b>				
Unrestricted (deficit)	(1,343,229)	127,547	926,836	(288,846)
Total net position (deficit)	\$ (1,343,229)	\$ 127,547	\$ 926,836	\$ (288,846)

See accompanying independent auditors' report.

**COUNTY OF ROANOKE, VIRGINIA**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2018**

	Internal Service Funds			
	Health Insurance	Dental Insurance	Risk Management	Total Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 9,265,556	\$ 725,825	\$ 2,015,724	\$ 12,007,105
Total operating revenues	9,265,556	725,825	2,015,724	12,007,105
<b>OPERATING EXPENSES</b>				
Purchased services	1,674,568	-	766,021	2,440,589
Personal services	-	-	76,615	76,615
Claims	9,437,672	721,558	792,568	10,951,798
Total operating expenses	11,112,240	721,558	1,635,204	13,469,002
Operating income (loss)	(1,846,684)	4,267	380,520	(1,461,897)
<b>NONOPERATING REVENUES</b>				
Investment income	-	965	18,294	19,259
Total nonoperating revenues	-	965	18,294	19,259
Net income (loss) before transfers	(1,846,684)	5,232	398,814	(1,442,638)
Transfers in	765,380	-	350,000	1,115,380
Change in net position	(1,081,304)	5,232	748,814	(327,258)
Total net position (deficit) at beginning of year	(261,925)	122,315	178,022	38,412
Total net position (deficit) at end of year	\$ (1,343,229)	\$ 127,547	\$ 926,836	\$ (288,846)

See accompanying independent auditors' report.



**COUNTY OF ROANOKE, VIRGINIA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2018**

	Internal Service Funds			
	Health Insurance	Dental Insurance	Risk Management	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from interfund services provided	\$ 9,265,556	\$ 725,825	\$ 2,015,724	\$ 12,007,105
Payments to suppliers	(790,174)	-	(765,436)	(1,555,610)
Payments to employees	-	-	(76,615)	(76,615)
Claims paid	(9,353,359)	(721,558)	(1,027,792)	(11,102,709)
Other (payments) receipts	(29,568)	(57,344)	6,023	(80,889)
Net cash provided by (used in) operating activities	<u>(907,545)</u>	<u>(53,077)</u>	<u>151,904</u>	<u>(808,718)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	765,380	-	350,000	1,115,380
Net cash provided by noncapital financing activities	<u>765,380</u>	<u>-</u>	<u>350,000</u>	<u>1,115,380</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	-	(2,360,197)	(2,360,197)
Interest and dividends received	-	965	18,294	19,259
Net cash provided by (used in) investing activities	<u>-</u>	<u>965</u>	<u>(2,341,903)</u>	<u>(2,340,938)</u>
Net decrease in cash and cash equivalents	(142,165)	(52,112)	(1,839,999)	(2,034,276)
Cash and cash equivalents at beginning of the year	231,001	112,995	2,506,919	2,850,915
Cash and cash equivalents at end of the year	<u>\$ 88,836</u>	<u>\$ 60,883</u>	<u>\$ 666,920</u>	<u>\$ 816,639</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (1,846,684)	\$ 4,267	\$ 380,520	\$ (1,461,897)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Change in assets and liabilities:				
Accounts receivable	(133,750)	3,336	6,023	(124,391)
Due from other governmental units	104,182	-	-	104,182
Prepaid expenses	56,821	(60,680)	-	(3,859)
Accounts payable	827,573	-	585	828,158
Claims payable	84,313	-	(235,224)	(150,911)
Net cash provided by (used in) operating activities	<u>\$ (907,545)</u>	<u>\$ (53,077)</u>	<u>\$ 151,904</u>	<u>\$ (808,718)</u>



## AGENCY FUNDS

The **Roanoke Valley Resource Authority Fund** reflects cash held by the County as fiscal agent for the Roanoke Valley Resource Authority.

The **Commonwealth Fund** reflects activity related to monies collected in the County for the Commonwealth of Virginia.

The **Special Welfare Fund** reflects the receipt and disbursement of monies maintained in individual agency accounts for certain County welfare recipients.

The **Cable TV Fund** reflects cash held by the County as fiscal agent for the Cable TV Committee.

The **Roanoke Valley Greenway Commission Fund** reflects cash held by the County as fiscal agent for Roanoke Valley Greenway Commission.

The **Regional Fire Training Center Fund** reflects the receipts and disbursements to fund the operating costs of the Regional Fire Training Center.

The **Virginia Recreational Facilities Authority Fund** reflects cash held by the County as fiscal agent for the Virginia Recreation Facilities Authority.

The **Western Virginia Regional Jail Authority Fund** reflects cash held by the County as fiscal agent for the Western Virginia Regional Jail Authority.

The **Regional Center for Animal Care and Protection Fund** reflects cash held by the County as fiscal agent for the Regional Center for Animal Care and Protection.

**COUNTY OF ROANOKE, VIRGINIA**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2018**

	<b>Roanoke Valley Resource Authority</b>	<b>Common- wealth Fund</b>	<b>Special Welfare Fund</b>	<b>Cable TV</b>
<b>ASSETS</b>				
Equity in cash and cash equivalents	\$ 10,092,843	\$ 204,382	\$ 193,805	\$ 1,104,904
Equity in investments	10,272,971	-	-	-
Total assets	<u>\$ 20,365,814</u>	<u>\$ 204,382</u>	<u>\$ 193,805</u>	<u>\$ 1,104,904</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 20,365,814	\$ 204,382	\$ 193,805	\$ 1,104,904
Total liabilities	<u>\$ 20,365,814</u>	<u>\$ 204,382</u>	<u>\$ 193,805</u>	<u>\$ 1,104,904</u>

See accompanying independent auditors' report.

## Schedule 7

<b>Roanoke Valley Greenway Commission</b>	<b>Regional Fire Training Center</b>	<b>Virginia Recreational Facilities Authority</b>	<b>Western Virginia Regional Jail Authority</b>	<b>Regional Center For Animal Care and Protection</b>	<b>Total</b>
\$ 76,438	\$ 41,585	\$ 5,597	\$ 21,424,018	\$ 261,588	\$ 33,405,160
-	-	-	-	-	10,272,971
<u>\$ 76,438</u>	<u>\$ 41,585</u>	<u>\$ 5,597</u>	<u>\$ 21,424,018</u>	<u>\$ 261,588</u>	<u>\$ 43,678,131</u>
\$ 76,438	\$ 41,585	\$ 5,597	\$ 21,424,018	\$ 261,588	\$ 43,678,131
<u>\$ 76,438</u>	<u>\$ 41,585</u>	<u>\$ 5,597</u>	<u>\$ 21,424,018</u>	<u>\$ 261,588</u>	<u>\$ 43,678,131</u>

**COUNTY OF ROANOKE, VIRGINIA**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2018**

Schedule 8

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<b>Roanoke Valley Resource Authority :</b>				
<b>Assets:</b>				
Equity in Cash, Cash Equivalents and Investments	\$ 30,342,250	\$ 44,375,537	\$ 54,351,973	\$ 20,365,814
<b>Total Assets</b>	<b>\$ 30,342,250</b>	<b>\$ 44,375,537</b>	<b>\$ 54,351,973</b>	<b>\$ 20,365,814</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 30,342,250	\$ 44,375,537	\$ 54,351,973	\$ 20,365,814
<b>Total Liabilities</b>	<b>\$ 30,342,250</b>	<b>\$ 44,375,537</b>	<b>\$ 54,351,973</b>	<b>\$ 20,365,814</b>
<b>Commonwealth Fund :</b>				
<b>Assets:</b>				
Equity in Cash And Cash Equivalents	\$ 199,110	\$ 4,130,747	\$ 4,125,475	\$ 204,382
<b>Total Assets</b>	<b>\$ 199,110</b>	<b>\$ 4,130,747</b>	<b>\$ 4,125,475</b>	<b>\$ 204,382</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 199,110	\$ 4,130,747	\$ 4,125,475	\$ 204,382
<b>Total Liabilities</b>	<b>\$ 199,110</b>	<b>\$ 4,130,747</b>	<b>\$ 4,125,475</b>	<b>\$ 204,382</b>
<b>Special Welfare Fund :</b>				
<b>Assets:</b>				
Equity in Cash And Cash Equivalents	\$ 312,035	\$ 341,025	\$ 459,255	\$ 193,805
<b>Total Assets</b>	<b>\$ 312,035</b>	<b>\$ 341,025</b>	<b>\$ 459,255</b>	<b>\$ 193,805</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 312,035	\$ 341,025	\$ 459,255	\$ 193,805
<b>Total Liabilities</b>	<b>\$ 312,035</b>	<b>\$ 341,025</b>	<b>\$ 459,255</b>	<b>\$ 193,805</b>
<b>Cable TV :</b>				
<b>Assets:</b>				
Equity in Cash And Cash Equivalents	\$ 1,110,744	\$ 439,913	\$ 445,753	\$ 1,104,904
<b>Total Assets</b>	<b>\$ 1,110,744</b>	<b>\$ 439,913</b>	<b>\$ 445,753</b>	<b>\$ 1,104,904</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 1,110,744	\$ 439,913	\$ 445,753	\$ 1,104,904
<b>Total Liabilities</b>	<b>\$ 1,110,744</b>	<b>\$ 439,913</b>	<b>\$ 445,753</b>	<b>\$ 1,104,904</b>
<b>Roanoke Valley Greenway Commission :</b>				
<b>Assets:</b>				
Equity in Cash And Cash Equivalents	\$ 68,756	\$ 114,961	\$ 107,279	\$ 76,438
<b>Total Assets</b>	<b>\$ 68,756</b>	<b>\$ 114,961</b>	<b>\$ 107,279</b>	<b>\$ 76,438</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 68,756	\$ 114,961	\$ 107,279	\$ 76,438
<b>Total Liabilities</b>	<b>\$ 68,756</b>	<b>\$ 114,961</b>	<b>\$ 107,279</b>	<b>\$ 76,438</b>

(continued)

**COUNTY OF ROANOKE, VIRGINIA**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2018**

**Schedule 8**

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<b>Regional Fire Training Center :</b>				
<b>Assets:</b>				
Equity in Cash And Cash Equivalents	\$ 35,817	\$ 101,383	\$ 95,615	\$ 41,585
<b>Total Assets</b>	<b>\$ 35,817</b>	<b>\$ 101,383</b>	<b>\$ 95,615</b>	<b>\$ 41,585</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 35,817	\$ 101,383	\$ 95,615	\$ 41,585
<b>Total Liabilities</b>	<b>\$ 35,817</b>	<b>\$ 101,383</b>	<b>\$ 95,615</b>	<b>\$ 41,585</b>
<b>Virginia Recreational Facilities Authority :</b>				
<b>Assets:</b>				
Equity in Cash And Cash Equivalents	\$ 5,189	\$ 9,065	\$ 8,657	\$ 5,597
<b>Total Assets</b>	<b>\$ 5,189</b>	<b>\$ 9,065</b>	<b>\$ 8,657</b>	<b>\$ 5,597</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 5,189	\$ 9,065	\$ 8,657	\$ 5,597
<b>Total Liabilities</b>	<b>\$ 5,189</b>	<b>\$ 9,065</b>	<b>\$ 8,657</b>	<b>\$ 5,597</b>
<b>Western Virginia Regional Jail Authority :</b>				
<b>Assets:</b>				
Equity in Cash And Cash Equivalents	\$ 19,374,311	\$ 31,421,844	\$ 29,372,137	\$ 21,424,018
<b>Total Assets</b>	<b>\$ 19,374,311</b>	<b>\$ 31,421,844</b>	<b>\$ 29,372,137</b>	<b>\$ 21,424,018</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 19,374,311	\$ 31,421,844	\$ 29,375,137	\$ 21,421,018
<b>Total Liabilities</b>	<b>\$ 19,374,311</b>	<b>\$ 31,421,844</b>	<b>\$ 29,375,137</b>	<b>\$ 21,421,018</b>
<b>Regional Center for Animal Care and Protection:</b>				
<b>Assets:</b>				
Equity in Cash And Cash Equivalents	\$ 408,646	\$ 1,721,520	\$ 1,868,578	\$ 261,588
<b>Total Assets</b>	<b>\$ 408,646</b>	<b>\$ 1,721,520</b>	<b>\$ 1,868,578</b>	<b>\$ 261,588</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 408,646	\$ 1,721,520	\$ 1,868,578	\$ 261,588
<b>Total Liabilities</b>	<b>\$ 408,646</b>	<b>\$ 1,721,520</b>	<b>\$ 1,868,578</b>	<b>\$ 261,588</b>

See accompanying independent auditors' report.

## Component Units

Component units are organizations for which the primary government is financially accountable. The component units represent the financial data for the Roanoke County Public School System, the Economic Development Authority of Roanoke County, Virginia, and the South Peak Community Development Authority.





## Schedule 9

**COUNTY OF ROANOKE, VIRGINIA**  
**Component Unit**  
**Roanoke County Public Schools**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 16,355,687
Investments	19,321,030
Accounts receivable	1,131,587
Due from other governments	3,535,803
Inventory	419,478
Prepaid and other assets	127,131
Net asset from pension	1,332,767
Capital assets:	
Land and construction in progress	7,347,065
Other capital assets, net	39,596,379
Capital assets, net	<u>46,943,444</u>
Total assets	<u>89,166,927</u>
<b>Deferred outflows of resources</b>	
Pension	17,787,869
Other postemployment benefit provided by Virginia Retirement System	1,849,678
Other postemployment benefit provided by Roanoke County Public Schools	831,012
Total Deferred outflows of resources	<u>20,468,559</u>
<b>Liabilities</b>	
Accounts payable	1,087,161
Accrued liabilities	2,707,304
Unearned revenues	259,938
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	831,887
Claims payable	2,041,280
Portion due or payable after one year:	
Compensated absences	1,932,591
Claims payable	598,546
Net pension liability	120,182,000
Net OPEB liability	33,863,036
Total liabilities	<u>163,503,743</u>
<b>Deferred inflows of resources</b>	
Pension	16,271,356
Other postemployment benefit provided by Virginia Retirement System	884,000
Other postemployment benefit provided by Roanoke County Public Schools	50,710
Total deferred inflows of resources	<u>17,206,066</u>
<b>Net Position</b>	
Net investment in capital assets	46,943,444
Restricted for:	
Instructional grants	86,568
Emergency contingency	2,000,000
Unrestricted	(120,104,335)
Total net position	<u>\$ (71,074,323)</u>

**COUNTY OF ROANOKE, VIRGINIA**  
**Component Unit**  
**Roanoke County Public Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Instruction	\$ 117,622,278	\$ 1,599,270	\$ 28,876,057	\$ 3,483,645	\$ (83,663,306)
Support Services:					
Administration	3,328,192	-	-	-	(3,328,192)
Attendance and health	2,359,421	-	-	-	(2,359,421)
Transportation	5,431,735	-	-	-	(5,431,735)
Operations and maintenance	13,860,087	108,385	-	30,309	(13,721,393)
Technology	6,256,710	-	-	-	(6,256,710)
Nutrition	5,233,734	2,855,676	2,800,876	-	422,818
Debt Service	6,325,345	-	-	-	(6,325,345)
Total governmental activities	<u>\$ 160,417,502</u>	<u>\$ 4,563,331</u>	<u>\$ 31,676,933</u>	<u>\$ 3,513,954</u>	<u>(120,663,284)</u>
General revenues:					
Payments from Roanoke County					69,307,937
Non-categorical state aid					53,896,466
Gain on sale of assets					145,912
Miscellaneous					<u>577,648</u>
Total general revenues					<u>123,927,963</u>
Change in net position					3,264,679
Total net position at beginning of year, restated					<u>(74,339,002)</u>
Total net position at end of year					<u>\$ (71,074,323)</u>

See accompanying independent auditors' report.

**COUNTY OF ROANOKE, VIRGINIA**  
**Component Unit**  
**Roanoke County Public Schools**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General	Grant	Nutrition	Capital Projects	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,993,838	\$ -	\$ 802,911	\$ 3,888,411	\$ 6,685,160
Investments	5,762,464	-	2,320,523	11,238,043	19,321,030
Accounts receivable	548,000	118,041	9,401	-	675,442
Due from other governments	1,999,804	1,526,299	9,700	-	3,535,803
Due from other fund	1,395,654	-	-	-	1,395,654
Inventory	156,687	-	262,791	-	419,478
Total assets	<u>\$ 11,856,447</u>	<u>\$ 1,644,340</u>	<u>\$ 3,405,326</u>	<u>\$ 15,126,454</u>	<u>\$ 32,032,567</u>
<b>Liabilities</b>					
Accounts payable	\$ 397,716	\$ 4,903	\$ 23,709	\$ 420,560	\$ 846,888
Accrued liabilities	2,649,421	44,954	12,143	-	2,706,518
Unearned revenues	26,861	112,261	120,816	-	259,938
Due to other fund	-	1,395,654	-	-	1,395,654
Total liabilities	<u>3,073,998</u>	<u>1,557,772</u>	<u>156,668</u>	<u>420,560</u>	<u>5,208,998</u>
<b>Deferred inflows of resources</b>					
Unavailable sales tax	<u>603,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>603,538</u>
Total deferred inflows of resources	<u>603,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>603,538</u>
<b>Fund balances</b>					
Nonspendable:					
Inventory	156,687	-	262,791	-	419,478
Restricted for:					
Emergency contingency	2,000,000	-	-	-	2,000,000
School grants	-	86,568	-	-	86,568
Committed to:					
School capital projects	4,082,735	-	-	14,705,894	18,788,629
School vehicles	1,861,420	-	-	-	1,861,420
School textbooks	21,531	-	-	-	21,531
School nutrition	-	-	2,985,867	-	2,985,867
Assigned to:					
Instruction	28,450	-	-	-	28,450
Administration	28,088	-	-	-	28,088
Transportation	-	-	-	-	-
Technology	-	-	-	-	-
Facilities	-	-	-	-	-
Total fund balances	<u>8,178,911</u>	<u>86,568</u>	<u>3,248,658</u>	<u>14,705,894</u>	<u>26,220,031</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,856,447</u>	<u>\$ 1,644,340</u>	<u>\$ 3,405,326</u>	<u>\$ 15,126,454</u>	

## Reconciliation to the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. 46,943,444

Internal service funds are used by the School Board to charge the cost of health, dental, and workers' compensation insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 7,372,918

Revenues earned but not considered available are not current financial resources and, therefore, are not reported in the governmental funds. 603,538

Long-term assets or liabilities are not due and payable in the current period and, therefore, are not reported as assets or liabilities in the governmental funds. Balances at June 30, 2018 are:

Net asset from pension	1,332,767
Compensated absences	(2,764,478)
Net liability from pension	(120,182,000)
Net liability from other postemployment benefits	(33,863,036)

Deferred outflows an inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:

Deferred outflows of resources related to pensions	17,787,869
Deferred outflows of resources related to other postemployment benefits	2,680,690
Deferred inflows of resources related to pensions	(16,271,356)
Deferred inflows of resources related to other postemployment benefits	(934,710)

Total net position of governmental activities	<u>\$ (71,074,323)</u>
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**COUNTY OF ROANOKE, VIRGINIA**  
**Component Unit**  
**Roanoke County Public Schools**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	<b>General</b>	<b>Grant</b>	<b>Nutrition</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Intergovernmental:					
Roanoke County	\$ 69,307,937	\$ -	\$ -	\$ 2,705,645	\$ 72,013,582
Commonwealth of Virginia	76,700,495	1,809,658	114,132	52,000	78,676,285
Federal government	1,461,217	5,055,124	2,698,573	-	9,214,914
Investment income	213,315	-	32,812	-	246,127
Charges for services	1,021,073	-	2,855,676	72,476	3,949,225
Miscellaneous	163,286	12,252	13,871	50,000	239,409
Total revenues	<u>148,867,323</u>	<u>6,877,034</u>	<u>5,715,064</u>	<u>2,880,121</u>	<u>164,339,542</u>
<b>Expenditures</b>					
Current:					
Instruction	108,104,845	6,141,775	-	37,107	114,283,727
Administration	3,047,674	-	-	-	3,047,674
Attendance and health	2,395,337	-	-	-	2,395,337
Transportation	6,965,079	-	-	-	6,965,079
Operations and maintenance	11,560,625	-	-	1,699,775	13,260,400
Technology	6,348,558	726,000	-	384,552	7,459,110
School nutrition	2,440	-	5,183,617	-	5,186,057
Capital outlay:					
Facilities	165,145	-	-	4,628,387	4,793,532
Debt Service	6,325,345	-	-	-	6,325,345
Total expenditures	<u>144,915,048</u>	<u>6,867,775</u>	<u>5,183,617</u>	<u>6,749,821</u>	<u>163,716,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,952,275</u>	<u>9,259</u>	<u>531,447</u>	<u>(3,869,700)</u>	<u>623,281</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of property	67,715	-	2,642	6,170	76,527
Transfers in	852,114	-	-	4,003,064	4,855,178
Transfers out	(4,043,150)	-	-	(262,500)	(4,305,650)
Total other financing sources (uses), net	<u>(3,123,321)</u>	<u>-</u>	<u>2,642</u>	<u>3,746,734</u>	<u>626,055</u>
Net change in fund balances	828,954	9,259	534,089	(122,966)	1,249,336
Total fund balances at beginning of year	<u>7,349,957</u>	<u>77,309</u>	<u>2,714,569</u>	<u>14,828,860</u>	<u>24,970,695</u>
Total fund balances at end of year	<u>\$ 8,178,911</u>	<u>\$ 86,568</u>	<u>\$ 3,248,658</u>	<u>\$ 14,705,894</u>	<u>\$ 26,220,031</u>

See accompanying independent auditors' report.

**COUNTY OF ROANOKE, VIRGINIA**  
**Component Unit**  
**Roanoke County Public Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2018**

Net change in fund balances - total governmental funds	\$ 1,249,336
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Amounts reported for governmental activities in the Statement of Activities are different due to:

Internal service funds are used to charge the costs of health, dental, and workers' compensation insurance to individual funds. The change in net position of the internal service funds are reported with governmental activities.	(2,087,080)
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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 assets.

Capital outlay	6,380,194
Capital donated	30,309
Depreciation expense	(6,192,782)
Loss on sale of assets	(39,656)

Revenues reported in the Statement of Activities, such as certain unearned revenues, are not considered available current financial resources and, therefore, are not reported as revenues in governmental funds. This is the amount by which the current year unearned amount exceeds the prior year available resources.	(943,766)
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Expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	56,652
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Governmental funds report 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.

Deferred outflows of resources	(2,006,834)
Cost of benefits earned net of employee contributions	7,141,802

Governmental funds report other postemployment benefit provided by Virginia Retirement System contributions as expenditures. However, in the Statement of Activities, the cost of other postemployment benefit provided by Virginia Retirement System benefits earned net of employee contributions is reported as pension expense.

Deferred outflows of resources	578,404
Cost of benefits earned net of employee contributions	(376,000)

Governmental funds report other postemployment benefit provided by Roanoke County Public Schools contributions as expenditures. However, in the Statement of Activities, the cost of other postemployment benefit provided by Roanoke County Public Schools benefits earned net of employee contributions is reported as pension expense.

Deferred outflows of resources	148,858
Cost of benefits earned net of employee contributions	(674,758)

Change in net position of governmental activities	\$ 3,264,679
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See accompanying independent auditors' report.

**COUNTY OF ROANOKE, VIRGINIA**  
**Component Unit**  
**Economic Development Authority of Roanoke County, Virginia**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2018**

**Assets**

Cash and cash equivalents	\$ 694,692
Interest receivable	1,340
Land held for resale	<u>4,680,024</u>
 Total assets	 \$ <u><u>5,376,056</u></u>

**Liabilities and Fund Balances**

## Liabilities:

Accrued liabilities	\$ <u>269</u>
Total liabilities	<u>269</u>

## Fund balances:

Unassigned	<u>5,375,787</u>
Total fund balances	<u><u>5,375,787</u></u>

Total liabilities and fund balances	\$ <u><u>5,376,056</u></u>
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See accompanying independent auditors' report.

**COUNTY OF ROANOKE, VIRGINIA**  
**Component Unit**  
**Economic Development Authority of Roanoke County, Virginia**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**  
**For the Year Ended June 30, 2018**

**REVENUES**

Bondholders' assessments	\$ 475
Roanoke County contributions:	
Allstate Insurance	114,557
Ardagh	633,360
Roland E Cook Project	23,860
Vinton Façade Grant	5,000
Other projects	4,860
Town of Vinton contributions:	
Vinton Façade Grant	5,000
Investment income	7,944
Miscellaneous	13,237
Total revenues	<u>808,293</u>

**EXPENDITURES**

Professional fees	2,900
Miscellaneous	1,914
Vinton Façade Grant	6,444
Project disbursements:	
Allstate Insurance	114,557
Ardagh	633,360
Roland E Cook Project	23,860
Total operating expenditures	<u>783,035</u>
 Excess of revenues over expenditures	 <u>25,258</u>
 Net change in fund balance	 25,258
 Fund balance at beginning of year	 <u>5,350,529</u>
Fund balance at end of year	<u><u>\$ 5,375,787</u></u>

**COUNTY OF ROANOKE, VIRGINIA**  
**Component Unit**  
**Economic Development Authority of Roanoke County, Virginia**  
**Schedule of Revenue Bonds and Notes Outstanding**  
**For the Year Ended June 30, 2018**

	<u>Date Issued</u>	<u>Original Issue</u>	<u>Balance June 30, 2018</u>	<u>Type of Project</u>
<b>Bondholders/Noteholders</b>				
Roanoke County	3/27/2008	58,595,000	4,250,000	Public Facility Projects
Richfield Retirement Community	10/20/2008	4,415,000	2,775,000	Alzheimer's Center
		<u>\$ 63,010,000</u>	<u>\$ 7,025,000</u>	

See accompanying independent auditors' report.



**COUNTY OF ROANOKE, VIRGINIA**  
**Component Unit**  
**South Peak Community Development Authority**  
**Statement of Net (Deficit) Position**  
**June 30, 2018**

**Schedule 17**

**ASSETS**

Current assets:

Due from Primary Government	\$ 812,172
Total current assets	<u>812,172</u>

Noncurrent assets:

Capital assets	5,330,063
Total noncurrent assets	<u>5,330,063</u>

Total assets	<u>6,142,235</u>
--------------	------------------

**LIABILITIES**

Current liabilities:

Accrued interest payable	145,852
Current portion of long-term debt	196,000
Total current liabilities	<u>341,852</u>

Noncurrent liabilities:

Bonds payable	6,480,000
Total noncurrent liabilities	<u>6,480,000</u>

Total liabilities	<u>6,821,852</u>
-------------------	------------------

**NET (DEFICIT) POSITION**

Net investment in capital assets	(1,345,937)
Unrestricted	666,320
Total net (deficit) position	<u>\$ (679,617)</u>

See accompanying independent auditors' report

**COUNTY OF ROANOKE, VIRGINIA**  
**Component Unit**  
**South Peak Community Development Authority**  
**Statement of Revenues, Expenses, and Changes in Net (Deficit) Position**  
**For the Year Ended June 30, 2018**

**Schedule 18**

**OPERATING REVENUES**

Incremental tax revenues	\$ 649,648
Special assessment revenues	<u>17,027</u>
Total operating revenues	<u>666,675</u>

**OPERATING EXPENSES**

Administrative fees	12,329
Legal fees	4,675
Insurance expenses	<u>1,475</u>
Total operating expenses	<u>18,479</u>

Operating income	648,196
------------------	---------

**NON-OPERATING EXPENSE**

Note Interest Expense	<u>(444,762)</u>
Total Non-Operating Expenses	<u>(444,762)</u>

Change in net position	<u>203,434</u>
------------------------	----------------

Total net (deficit) position at beginning of year	<u>(883,051)</u>
Total net (deficit) position at end of year	<u>\$ (679,617)</u>

See accompanying independent auditors' report

**COUNTY OF ROANOKE, VIRGINIA**  
**Component Unit**  
**South Peak Community Development Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

**Schedule 19**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	\$ <u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	\$ <u><u>-</u></u>

**Reconciliation of operating income to net cash used in operating activities:**

Operating income	\$ 648,196
Adjustments to reconcile operating income to net cash used in operating activities	
Change in assets and liabilities:	
Accrued revenues	(648,196)
Net cash used in operating activities	\$ <u><u>-</u></u>

See accompanying independent auditors' report



# Statistical Section Tab

# Statistical Section (Unaudited)

This part of the County 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 says about the County's overall financial health.

## Contents

### **Financial Trends**

#### **Page**

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time. 181

### **Revenue Capacity Information**

These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes. 188

### **Debt Capacity Information**

These schedules contain information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future. 192

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments. 195

### **Operating Information**

These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs. 197

Table 1

COUNTY OF ROANOKE, VIRGINIA  
 Net Position by Component,  
 Last Ten Fiscal Years  
 (unaudited)  
 (accrual basis of accounting)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets										
Restricted	\$ 105,115,723	\$ 111,249,469	\$ 117,285,621	\$ 130,671,059	\$ 127,038,171	\$ 125,321,272	\$ 124,727,913	\$ 120,640,542	\$ 101,462,327	\$ 93,288,117
Unrestricted	4,018,119	3,558,562	5,228,778	6,302,613	7,106,651	9,514,571	9,651,709	8,807,540	-	-
	(26,872,479)	(11,844,228)	(1,370,979)	(4,712,743)	36,965,323	35,148,307	34,348,766	32,380,363	39,007,905	38,023,432
Total governmental activities net position	\$ 82,261,363	\$ 102,963,803	\$ 121,143,420	\$ 132,260,929	\$ 171,110,145	\$ 169,984,150	\$ 168,728,388	\$ 161,828,445	\$ 140,470,232	\$ 131,311,549

Table 2

**COUNTY OF ROANOKE, VIRGINIA**  
**Changes in Net Position, Last Ten Fiscal Years**  
(unaudited)  
(accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental activities:										
General government	\$ 15,949,396	\$ 14,712,459	\$ 12,313,823	\$ 12,397,721	\$ 16,914,828	\$ 12,834,641	\$ 12,593,044	\$ 12,767,696	\$ 13,759,638	\$ 11,764,472
Judicial administration	2,992,631	3,044,106	2,956,266	2,749,238	2,700,700	2,679,794	2,684,829	2,677,709	2,694,185	2,750,265
Public safety	50,515,864	48,191,825	48,014,484	48,719,989	47,455,066	44,950,933	44,176,676	44,716,348	43,937,823	42,210,181
Public works	16,380,951	17,411,621	20,913,459	18,065,834	15,520,933	14,996,985	13,691,054	14,433,587	13,749,180	15,487,202
Library	5,847,052	6,803,503	5,296,128	4,757,017	5,211,675	3,779,294	3,976,041	4,207,795	3,328,486	3,192,012
Health and welfare	19,567,589	19,624,895	19,481,808	15,240,781	15,716,422	15,369,139	15,215,796	17,157,554	17,245,746	16,386,768
Parks, recreation, and culture	9,494,015	8,487,614	9,673,809	9,782,293	6,640,738	9,320,763	9,219,851	8,843,246	6,611,041	4,763,745
Community development	8,367,931	3,796,642	3,030,851	2,793,445	3,011,776	2,368,102	2,878,957	2,694,899	3,741,964	3,289,302
Education	80,977,546	83,509,170	85,645,780	77,890,528	75,386,420	74,001,766	69,625,724	69,593,033	65,673,860	65,254,173
Interest and other charges	8,314,005	8,594,638	6,325,692	7,787,622	7,243,036	8,189,147	8,592,219	8,956,954	9,316,330	8,542,365
Total governmental activities' expenses	\$ 218,406,980	\$ 214,176,473	\$ 213,652,100	\$ 200,184,468	\$ 195,801,584	\$ 188,490,564	\$ 182,654,191	\$ 186,048,821	\$ 180,058,253	\$ 173,640,485
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,136,666	\$ 844,265	\$ 675,994	\$ 569,654	\$ 439,139	\$ 491,777	\$ 551,590	\$ 297,785	\$ 364,757	\$ 521,821
Judicial administration	957,315	884,334	1,058,476	1,110,870	1,131,167	1,374,270	1,429,817	1,492,024	1,414,831	1,727,976
Public safety	4,449,517	4,862,372	4,321,703	5,066,198	4,729,349	4,517,466	4,008,320	3,677,631	3,734,382	3,700,948
Public works	367,506	367,076	328,883	316,412	325,220	315,511	317,366	317,459	349,825	317,203
Library	366,911	383,560	53,919	59,325	74,108	61,909	-	-	-	212,252
Health and welfare	1,601,167	673,735	854,523	717,266	801,325	746,537	1,379,369	1,536,402	1,264,060	967,118
Parks, recreation, and culture	4,778,218	4,915,280	4,942,739	4,976,079	4,730,172	4,731,114	5,311,248	4,920,779	2,699,633	1,833,379
Community development	445,432	468,198	474,818	509,108	454,035	468,892	347,766	347,766	504,289	487,159
Operating grants and contributions	30,095,411	27,434,634	27,784,548	27,090,413	30,515,001	24,218,404	23,185,995	45,488,815	30,487,857	25,365,244
Total governmental activities' revenues	\$ 44,198,143	\$ 40,833,454	\$ 40,495,603	\$ 40,415,325	\$ 43,199,516	\$ 36,925,880	\$ 36,531,471	\$ 58,078,661	\$ 40,819,634	\$ 35,123,100
<b>Net (Expense)/Revenue</b>	\$ (174,208,837)	\$ (173,343,019)	\$ (173,156,497)	\$ (159,769,143)	\$ (152,602,068)	\$ (151,564,684)	\$ (146,122,720)	\$ (127,970,160)	\$ (139,238,619)	\$ (138,517,385)
Governmental activities										



**COUNTY OF ROANOKE, VIRGINIA**  
**Changes in Net Position, Last Ten Fiscal Years**  
(unaudited)  
(accrual basis of accounting)

	2018	2017	2016	2015	2014	Fiscal Year 2013	2012	2011	2010	2009
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Real estate and personal property	\$ 115,215,532	\$ 113,049,822	\$ 110,987,417	\$ 108,825,422	\$ 106,338,649	\$ 105,819,996	\$ 105,800,481	\$ 105,068,835	\$ 104,367,304	\$ 102,820,602
Local share of sales tax	10,273,373	10,708,955	10,060,910	9,900,197	9,869,029	9,410,322	9,351,254	8,782,444	8,345,658	8,489,571
Other local taxes	25,942,685	25,689,973	25,144,513	24,461,049	24,450,249	23,444,438	22,340,305	22,638,322	21,562,986	21,604,036
Non-categorical state aid	12,229,857	12,229,857	12,229,857	12,229,857	12,229,857	12,229,857	12,229,857	12,229,857	12,229,857	12,229,857
Gain on sale of capital assets	219,762	792,488	1,618,880	123,232	90,862	160,337	56,408	95,553	102,850	166,245
Capital contribution	-	-	-	-	-	-	-	(1,077,603)	-	(5,171,236)
Investment earnings	1,189,032	1,121,537	1,664,589	1,582,887	1,355,822	1,547,328	1,553,498	1,548,862	1,762,425	3,285,667
Miscellaneous	280,514	194,716	332,822	79,381	115,337	208,168	1,690,860	42,103	29,222	23,697
Total governmental activities	<u>165,350,755</u>	<u>163,787,348</u>	<u>162,038,988</u>	<u>157,202,025</u>	<u>154,449,805</u>	<u>152,820,446</u>	<u>153,022,663</u>	<u>149,328,373</u>	<u>148,400,302</u>	<u>143,448,439</u>
<b>Change in Net Position</b>	<u>\$ (8,858,082)</u>	<u>\$ (9,555,671)</u>	<u>\$ (11,117,509)</u>	<u>\$ (2,567,118)</u>	<u>\$ 1,847,737</u>	<u>\$ 1,255,762</u>	<u>\$ 6,899,943</u>	<u>\$ 21,358,213</u>	<u>\$ 9,161,683</u>	<u>\$ 4,931,054</u>
Governmental activities										

Table 3

**COUNTY OF ROANOKE, VIRGINIA**  
**Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
**(unaudited)**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 944,832	\$ 513,502
Unreserved	-	-	-	-	-	-	-	-	35,757,184	32,580,041
Nonspendable	400,304	182,259	283,984	189,474	239,384	217,648	164,378	380,491	-	-
Restricted	3,205,947	2,773,044	4,521,364	5,907,985	6,961,640	9,514,571	9,651,709	8,807,540	-	-
Committed	6,583,134	7,976,704	8,818,598	10,876,727	12,243,948	10,646,747	10,687,402	3,929,813	-	-
Assigned	1,084,220	1,046,647	1,108,425	1,801,280	1,951,749	2,065,969	1,052,100	725,925	-	-
Unassigned	23,160,761	23,720,456	22,950,883	22,224,946	21,799,195	21,266,557	20,572,318	25,105,706	-	-
Total General Fund	\$ 34,434,366	\$ 35,699,110	\$ 37,683,254	\$ 41,000,412	\$ 43,195,916	\$ 43,711,492	\$ 42,127,907	\$ 38,949,475	\$ 36,702,016	\$ 33,093,543
All Other Governmental Funds:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,128,848	\$ 19,018,884
Unreserved, reported in:	-	-	-	-	-	-	-	-	33,862,753	83,584,672
Capital projects fund	-	-	-	-	-	-	-	-	252,762	237,688
Debt service fund	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	36,000	-	-	-	-
Restricted	1,633,267	1,223,632	1,399,111	3,855,709	6,972,721	583,510	439,867	1,590,715	-	-
Committed	24,933,361	22,388,838	20,997,219	30,762,309	27,589,865	22,571,058	29,809,261	51,711,936	-	-
Total all other governmental funds	\$ 26,566,628	\$ 23,612,470	\$ 22,396,330	\$ 34,618,018	\$ 34,562,586	\$ 23,190,568	\$ 30,249,128	\$ 53,302,651	\$ 63,244,363	\$ 102,841,244

The County implemented GASB Statement No. 54 in fiscal year 2011, which expanded fund balances. Previous years information is not available.



Table 4

**COUNTY OF ROANOKE, VIRGINIA**  
**Changes in Fund Balances**  
**Governmental Funds**  
**(unaudited)**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>REVENUES</b>										
General property taxes	\$ 115,981,678	\$ 113,850,872	\$ 111,878,323	\$ 109,715,187	\$ 107,236,063	\$ 106,612,790	\$ 106,577,030	\$ 105,757,875	\$ 105,039,725	\$ 103,464,014
Other local taxes	35,815,717	35,978,018	34,806,191	34,248,528	33,777,424	32,867,664	31,953,379	31,965,165	30,067,742	30,526,768
Permits, fees, and licenses	722,265	710,051	796,474	743,224	713,047	706,560	670,373	642,732	829,674	770,289
Fines and forfeitures	478,764	452,348	497,757	549,582	567,686	803,636	793,542	888,995	810,241	824,001
Use of money and property	544,563	388,978	836,201	726,956	714,616	801,931	820,663	883,689	1,062,082	2,390,998
Charges for services	9,584,739	9,282,927	8,566,239	9,173,010	8,836,231	8,260,131	8,681,856	7,905,937	5,794,055	4,947,080
Intergovernmental revenue	42,103,481	39,900,415	40,121,358	39,375,596	42,167,620	36,630,966	34,969,934	56,345,534	42,248,109	37,285,281
Locality compensation payments	125,284	124,301	124,624	124,568	124,459	124,251	125,469	125,119	124,676	520,749
Miscellaneous	4,052,530	3,229,658	3,391,456	2,904,696	3,555,382	3,099,981	4,817,465	4,053,395	2,943,226	3,133,116
Total revenues	209,409,021	203,917,588	201,018,623	197,561,347	197,692,528	189,907,910	189,409,711	208,568,441	188,919,530	183,862,296
<b>EXPENDITURES</b>										
General government	14,401,607	13,564,460	12,405,928	12,680,566	11,377,635	11,951,092	11,312,307	11,208,849	11,319,789	11,155,637
Judicial administration	2,906,165	2,809,515	2,786,803	2,675,518	2,714,526	2,559,864	2,518,735	2,535,222	2,563,138	2,606,389
Public safety	47,266,283	44,876,375	43,753,458	44,001,157	44,006,263	43,147,408	40,967,084	42,170,041	40,436,054	38,606,968
Public works	14,104,319	14,622,163	16,639,108	16,526,594	14,058,502	13,420,416	12,802,861	13,078,780	12,716,367	14,161,590
Library	4,802,369	4,887,940	4,216,532	3,826,494	3,752,433	3,402,388	3,333,501	3,171,140	2,967,222	3,367,133
Health and welfare	18,913,665	18,244,195	18,623,203	17,272,394	15,352,905	14,979,463	14,615,516	16,614,818	16,779,169	15,884,722
Parks, recreation, and culture	7,492,934	7,484,888	8,070,880	8,151,576	8,161,222	7,564,437	7,704,845	7,351,415	5,757,057	4,789,372
Community development	4,691,220	2,373,565	2,146,072	2,142,359	2,033,821	2,091,085	2,288,881	2,554,430	2,644,744	2,827,306
Education	67,580,428	67,666,376	66,637,354	65,947,374	67,132,105	64,332,561	64,339,603	62,819,511	61,180,665	61,025,007
Debt service:										
Principal	12,161,384	11,906,869	13,104,653	11,389,614	10,593,023	13,129,978	12,534,407	12,269,095	9,964,540	10,323,075
Interest and other charges	7,574,249	7,736,239	7,891,500	8,090,015	8,168,073	8,952,723	9,050,745	9,563,362	9,437,308	8,799,841
Capital outlay	12,226,887	8,698,654	21,503,018	30,473,036	8,568,487	11,867,812	38,029,888	34,135,287	52,178,280	42,835,534
Total expenditures	214,121,510	204,871,239	217,778,509	223,176,697	195,918,995	197,399,027	219,498,373	217,471,950	227,944,333	216,382,574
(Deficiency) excess of revenues over (under) expenditures	(4,712,489)	(953,671)	(16,759,886)	(25,615,350)	1,773,533	(7,491,117)	(30,088,662)	(8,903,509)	(39,024,803)	(32,520,278)

Table 4 (continued)

**COUNTY OF ROANOKE, VIRGINIA**  
**Changes in Fund Balances**  
**Governmental Funds**  
**(unaudited)**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from lease purchase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,148,037	\$ -	47,695,156
Issuance of bonds	6,440,000	-	44,175,000	17,835,000	32,898,586	-	9,080,000	-	-	-
Premium on bonds	857,521	-	2,331,690	2,204,864	1,888,404	-	954,878	-	-	-
Refunded escrow agent payment	-	-	(46,237,048)	-	(26,219,862)	-	-	-	-	-
Debt issuance costs	-	-	-	-	(227,809)	-	-	-	-	-
Proceeds from sale of land, machinery and equipment	219,762	792,488	1,618,880	123,232	90,862	160,337	56,408	95,553	102,850	166,245
Transfers in	23,080,070	22,345,552	24,408,165	21,161,659	24,684,884	22,493,225	19,620,902	19,166,458	22,453,787	30,683,567
Transfers out	(24,195,450)	(22,952,373)	(25,075,647)	(21,070,157)	(24,032,156)	(20,637,420)	(19,498,617)	(19,200,792)	(19,520,242)	(29,881,446)
Total other financing sources, net	6,401,903	185,667	1,221,040	20,254,598	9,082,909	2,016,142	10,213,571	1,209,256	3,036,395	48,663,522
Net change in fund balances	\$ 1,689,414	\$ (768,004)	\$ (15,538,846)	\$ (5,360,752)	\$ 10,856,442	\$ (5,474,975)	\$ (19,875,091)	\$ (7,694,253)	\$ (35,988,408)	\$ 16,143,244
Debt service as a percentage of noncapital expenditures	9.6%	9.8%	10.2%	9.9%	11.7%	11.8%	11.7%	10.8%	10.9%	8.0%

Table 5

**COUNTY OF ROANOKE, VIRGINIA**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**(Unaudited)**  
**Last Ten Fiscal Years**

Fiscal Year	Real Property	Personal Property	Public Service Corporation	Total Taxable Assessed Value	Real Property Total Direct Tax Rate	Personal Property Tax Rate	Estimated Actual Taxable Value
2009	\$ 7,929,156,898	\$ 766,339,671	\$ 224,653,310	\$ 8,920,149,879	\$1.09	\$3.50/3.00	\$ 10,494,293,975
2010	8,020,716,300	780,689,905	233,127,850	9,034,534,055	1.09	3.50/3.00	10,151,161,860
2011	8,053,281,600	782,346,945	223,646,000	9,059,274,545	1.09	3.50/3.00	9,847,037,549
2012	7,968,030,200	814,156,400	233,411,860	9,015,598,460	1.09	3.50/3.00	9,391,248,396
2013	7,798,171,500	835,361,990	247,863,410	8,881,396,900	1.09	3.50/3.00	9,062,649,898
2014	7,850,267,000	855,450,240	257,490,630	8,963,207,870	1.09	3.50/3.00	9,146,130,480
2015	7,972,937,500	889,550,760	267,613,790	9,130,102,050	1.09	3.50/3.00	9,712,874,521
2016	8,098,986,500	899,232,061	277,724,570	9,275,943,131	1.09	3.50/2.95	9,868,024,607
2017	8,254,177,800	916,529,122	275,690,440	9,446,397,362	1.09	3.50/2.90	10,157,416,518
2018	8,448,729,500	927,786,840	293,523,830	9,670,040,170	1.09	3.50/2.85	10,287,276,777

**Source:** Roanoke County Real Estate Land Books

**Notes:** Property in Roanoke County is assessed annually and is assessed at approximately 93% of actual value for 2017-2018

and at approximately 93.2% for years 2009 - 2017. Estimated actual taxable value is calculated by dividing taxable assessed

value by those percentages. Tax rates are per \$100 of assessed value. Personal Property Tax Rates = \$3.50 for Personal Property; \$2.85 for Machinery and Tools. Real Estate Tax Rate = \$1.09

Table 6

**COUNTY OF ROANOKE, VIRGINIA**  
**Direct and Overlapping Property Tax Rates**  
**(Unaudited)**  
**Last Ten Fiscal Years**

Fiscal Year	Direct Rates			Overlapping Rates	
	County of Roanoke			Town of Vinton	
		Real Property <sup>(1)</sup>	Personal Property <sup>(1)(2)</sup>	Real Property <sup>(1)</sup>	Personal Property <sup>(1)(2)</sup>
	<u>First Half</u>	<u>Second Half</u>	<u>Total</u>		
2009	\$ 0.545	\$ 0.545	\$ 1.09	\$ 0.03	\$ 1.00
2010	0.545	0.545	1.09	0.03	1.00
2011	0.545	0.545	1.09	0.03	1.00
2012	0.545	0.545	1.09	0.03	1.00
2013	0.545	0.545	1.09	0.03	1.00
2014	0.545	0.545	1.09	0.03	1.00
2015	0.545	0.545	1.09	0.07	1.00
2016	0.545	0.545	1.09	0.07	1.00
2017	0.545	0.545	1.09	0.07	1.00
2018	0.545	0.545	1.09	0.07	1.00

<sup>(1)</sup> All tax rates per \$100 of assessed value.

<sup>(2)</sup> Applies to tangible personal property, machinery and tools.

<sup>(3)</sup> Tangible personal property - \$3.50; Machinery and tools - \$3.00.

<sup>(4)</sup> Tangible personal property - \$3.50; Machinery and tools - \$2.95.

<sup>(5)</sup> Tangible personal property - \$3.50; Machinery and tools - \$2.90.

<sup>(6)</sup> Tangible personal property - \$3.50; Machinery and tools - \$2.85.

**Source:** Roanoke County Real Estate Land Books

**Notes:** The County's tax rates are determined each year by the Roanoke County Board of Supervisors.

Overlapping rates are those of the Town of Vinton, which is located in the County of Roanoke. Only those residents living in Vinton are subject to the Town of Vinton's tax, in addition to the County of Roanoke's tax.

Table 7

**COUNTY OF ROANOKE, VIRGINIA**  
**Principal Property Tax Payers**  
**(unaudited)**  
**Fiscal Years 2018 and 2009**

Taxpayer	2018			2009		
	Taxable Assessed Value (Millions)	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value (Millions)	Rank	Percentage of Total County Taxable Assessed Value
Appalachian Power Company	\$ 168	1	1.74 %	\$ 102	1	1.15 %
Kroger Limited Partnership	41	2	0.42	41	3	0.47
Walmart Real Estate Business	29	3	0.30	-	-	-
Roanoke Owner 1 LLC (Formerly Pebble Creek, LLC)	28	4	0.29	-	-	-
Celco Partnership dba Verizon Wireless	26	5	0.27	15	10	0.17
Roanoke Gas Company	26	5	0.27	16	9	0.18
Tanglewood Venture LLC (Formerly Roanoke Tanglewood LLC)	23	7	0.24	42	2	0.46
Norfolk and Western Railway Company	23	8	0.23	-	-	-
Verizon Virginia LLC	21	9	0.22	39	4	0.44
Mikeone EK Roanoke LLC	20	10	0.21	-	-	-
Integrity Windows, Inc.				19	5	0.22
Carilion Hospital, Inc.				17	7	0.19
Lowes				17	7	0.19
First States Investors 3300 LLC				18	6	0.20
<b>Total</b>	<b>\$ 405</b>		<b>4.18 %</b>	<b>\$ 326</b>		<b>3.67 %</b>

Source: County Real Estate Assessment Department



Table 8

**COUNTY OF ROANOKE, VIRGINIA**  
**Property Tax Levies and Collections**  
**(Unaudited)**  
**Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 116,316,521	\$ 111,054,250	95.48 %	\$ 2,972,938	\$ 114,027,188	98.03 %
2010	116,489,107	111,980,936	96.13	3,835,301	115,816,237	99.42
2011	118,335,928	113,612,208	96.01	3,996,061	117,608,269	99.39
2012	118,634,364	113,978,854	96.08	4,189,309	118,168,163	99.61
2013	118,489,124	113,917,134	96.14	3,787,503	117,704,637	99.34
2014	118,192,461	113,964,831	96.42	3,121,349	117,086,180	99.06
2015	120,224,376	116,398,283	96.82	2,990,369	119,388,652	99.30
2016	123,023,949	118,615,971	96.42	3,595,885	122,211,856	99.34
2017	123,991,274	120,899,417	97.51	3,275,580	124,174,997	100.15
2018	126,405,991	123,195,790	97.46	-	123,195,790	-

**Source:** Roanoke County Commissioner of Revenue and Treasurer's Department

Table 9

COUNTY OF ROANOKE, VIRGINIA  
Ratios of Outstanding Debt by Type  
(Unaudited)  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities										(3) Total	Component Unit		Percentage of		Per Capita				
	General Obligation Debt	Lease Revenue Bonds	VPSA School Bonds		State Literary Bonds	Capital Leases	Primary Government	Capital Lease	Assessed Value of Taxable Property	Percentage Of Personal Income										
2009	\$	14,560,238	\$	80,954,308	\$	120,748,501	\$	4,524,181	\$	-	\$	220,787,228	\$	3,161,076	2.51	%	4.91	%	\$	2,448
2010		12,645,130		78,700,454		115,035,423		4,064,860		-		210,445,867		2,835,505	2.36		4.56		2,312	
2011		10,655,022		76,376,966		107,150,919		3,617,042		1,148,037		198,947,986		2,488,325	2.22		4.21		2,177	
2012		8,584,914		73,969,030		109,290,686		3,169,225		1,052,372		196,066,227		2,114,385	2.20		3.98		2,138	
2013		6,416,798		71,455,422		100,944,620		2,721,409		952,889		182,491,138		1,750,401	2.07		3.70		1,976	
2014		6,150,390		79,182,582		92,638,652		2,273,592		849,437		181,094,653		1,358,518	2.04		3.66		1,968	
2015		5,332,236		76,949,408		104,311,123		1,825,775		741,516		189,160,058		937,225	2.08		3.68		2,032	
2016		4,497,704		81,150,705		95,149,806		-		-		180,798,215		484,939	1.95		3.33		1,933	
2017		3,640,935		78,183,655		86,485,636		-		-		168,310,226		-	1.78		2.92		1,792	
2018		2,765,175		77,970,000		72,194,043		-		-		152,929,218		-	1.58		2.64		1,632	

(1) Population from VaStat, a service of the Weldon Cooper Center for Public Service.

(2) Per capita personal income and personal income from the Bureau of Economic Analysis.

(3) Amounts starting in Fiscal Year 17-18 do not include premiums

Table 10

COUNTY OF ROANOKE, VIRGINIA  
Ratios of General Bonded Debt Outstanding  
(Unaudited)  
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding - Governmental Activities						Percentage of Actual Value of Taxable Property		Per Capita
	General Obligation Debt	Lease Revenue Bonds	VPSA School Bonds	State Literary Bonds	(5) Total		%	\$	
2009	\$ 14,560,238	\$ 80,954,308	\$ 120,748,501	\$ 4,524,181	\$ 220,787,228		2.10	\$	2,430
2010	12,645,130	78,700,454	115,035,423	4,064,860	210,445,867		2.07		2,312
2011	10,655,022	76,376,966	107,150,919	3,617,042	197,799,949		2.01		2,138
2012	8,584,914	73,969,030	109,290,686	3,169,225	195,013,855		2.08		2,104
2013	6,416,798	71,455,422	100,944,620	2,721,409	181,538,249		2.00		1,947
2014	6,150,390	79,182,582	92,638,652	2,273,592	180,245,216		1.97		1,944
2015	5,332,236	76,949,408	104,311,123	1,825,775	188,418,542		1.94		2,014
2016	4,497,704	81,150,705	95,149,806	-	180,798,215		1.83		1,928
2017	3,640,935	78,183,655	86,485,636	-	168,310,226		1.66		1,792
2018	2,765,175	77,970,000	72,194,043	-	152,929,218		1.49		1,632

(1) Population from VaStat, a service of the Weldon Cooper Center for Public Service.

(2) Per capital personal income from the Bureau of Economic Analysis.

(3) Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(4) All debt listed above is to be repaid with general government resources.

(5) Amounts starting in Fiscal Year 17-18 do not include premiums

Table 11

**COUNTY OF ROANOKE, VIRGINIA**  
**Debt Policy Information**  
**(Unaudited)**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General bonded debt outstanding										
General Obligation Bonds	\$ 2,765,175	\$ 3,640,935	\$ 4,497,704	\$ 5,332,236	\$ 6,150,390	\$ 6,416,798	\$ 8,584,914	\$ 10,655,022	\$ 12,645,130	\$ 14,560,238
Lease Revenue Bonds	77,970,000	78,183,655	81,150,705	76,949,408	79,182,582	71,455,422	73,969,030	76,376,966	78,700,454	80,954,238
VPSA School Bonds	72,194,043	86,485,636	95,149,806	104,311,123	92,638,652	100,944,620	109,290,686	107,150,919	115,035,423	120,748,501
State Literary Bonds	-	-	-	1,825,775	2,273,592	2,721,409	3,169,225	3,617,042	4,064,860	4,524,181
Total net debt applicable to debt limits	\$ 152,929,218	\$ 168,310,226	\$ 180,798,215	\$ 188,418,542	\$ 180,245,216	\$ 181,538,249	\$ 195,013,855	\$ 197,799,949	\$ 210,445,867	\$ 220,787,158
Ratio of net debt to assessed taxable property value	1.58%	1.78%	1.95%	2.06%	2.01%	2.04%	2.16%	2.18%	2.33%	2.48%
Debt limit per policy for property value	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Per capita	\$ 1,632	\$ 1,792	\$ 1,928	\$ 2,014	\$ 1,944	\$ 1,947	\$ 2,104	\$ 2,138	\$ 2,281	\$ 2,413
Debt limit per policy for per capita	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Debt service to general governmental expenditures	6.57%	6.78%	7.57%	7.14%	7.20%	8.51%	8.29%	8.51%	7.79%	7.30%
Debt limit per policy for general governmental expenditures	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

(1) Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(2) Property value data can be found on Table 5. Per capita data can be found on Table 12.

(3) General governmental expenditures include the Governmental Fund expenditures, the School Board component unit expenditures, and County and School transfer to Capital Projects and Proprietary funds.

(4) The County does not have any Constitutional or Statutory Debt Limits.

(5) Amounts starting in Fiscal Year 2018 do not include premiums

Table 12

**COUNTY OF ROANOKE, VIRGINIA**  
**Demographic Statistics**  
**Last Ten Fiscal Years**  
**(Unaudited)**  
**June 30, 2018**

Fiscal Year	Population <sup>(1)</sup>	Personal Income (thousands of dollars) <sup>(2)</sup>	Per Capita Personal Income <sup>(2)</sup>	School Enrollment <sup>(3)</sup>	Unemployment Rate % <sup>(4)</sup>
2009	91,494	\$ 4,561,791	\$ 39,315	14,650	4.6 %
2010	92,253	4,672,291	39,315	14,474	6.3
2011	92,524	4,789,030	40,688	14,259	5.7
2012	92,687	4,984,547	42,288	14,081	5.6
2013	93,256	5,159,100	42,288	13,958	5.5
2014	92,703	5,435,865	45,577	13,929	5.2
2015	93,569	5,758,037	48,047	13,909	4.5
2016	93,775	5,785,780	48,384	13,982	3.5
2017	93,924	5,785,780	48,384	13,830	3.6
2018	93,735	5,785,780	48,384	13,779	3.1

## Sources:

<sup>(1)</sup> Weldon Cooper Center for Public Service, Demographics Research Group, [www.coopercenter.org/demographics](http://www.coopercenter.org/demographics)

<sup>(2)</sup> Personal Income & Per Capita Personal Income from the Bureau of Economic Analysis. Latest information available is for 2016. The figures for 2017 and 2018 have not been updated.

<sup>(3)</sup> Roanoke County Public School's Administration Department

<sup>(4)</sup> Virginia Employment Commission and the U.S. Bureau of Labor Statistics

Table 13

**COUNTY OF ROANOKE, VIRGINIA**  
**Principal Employers**  
**(unaudited)**  
**Fiscal Years 2018 and 2009**

Employer	2018			2009		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Roanoke County Schools	1	Local Govt.	2,000+	1	Local Govt.	1,000+
Wells Fargo Operations Center (Wachovia division)	2	Private	2,000+	2	Private	1,000+
County of Roanoke	3	Local Govt.	1,000+	4	Local Govt.	1,000+
Kroger	4	Private	500-999	5	Private	500-999
Friendship Manor	5	Private	500-999	6	Private	500-999
Richfield Recovery & Care Center	6	Private	500-999	-	-	-
Allstate Insurance Company	7	Private	500-999	3	Private	1,000+
ITT Exelis-Harris Corporation	8	Private	500-999	10	Private	250-499
Wal-mart	9	Private	250-499	7	Private	250-499
Integrity Windows & Doors	10	Private	250-499	-	-	-
Courtland Health Care Center	-	-	-	8	Private	250-499
Hollins University	-	-	-	9	Private	250-499
Verizon Virginia, Inc.	-	-	-	-	Private	250-499

Source: Roanoke County Economic Development Department

Table 14

**COUNTY OF ROANOKE, VIRGINIA**  
**Full-time Equivalent County Government Employees by Function/Program**  
(unaudited)  
**Last Ten Fiscal Years**

<b>Function/Program</b>	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government										
Legislative	6.5	6	7	7	7	7	7	7	8	8
General and financial administration	70.5	72	69	70	69	71	72	72	74	74
Other	62	61	61	61	57	53	53	54	58	57
Judicial administration										
Courts	16	16	16	16	16	16	16	16	16	16
Commonwealth attorney	14	14	14	14	14	14	14	14	13	13
Public safety										
Sheriff	87	86	86	85	84	84	84	84	84	103
Police	156	156	154	154	154	154	153	153	188	194
Emergency Communication Center	42	42	42	42	44	44	43 *	43	-	-
Fire & rescue	168	164	164	159	153	153	153	153	149	143
Public works										
General services administration	3	3	3	3	3	3	3	3	3	3
Refuse disposal	34	34	34	34	34	34	35	34	35	35
Maintenance of general buildings and grounds	19	19	18	18	21	21	21	21	21	20
Garage	12	12	11	11	11	11	11	12	11	11
Engineering and inspections	33	33	32	32	32	32	34	36	36	39
Library	43	43	42	39	41	40	40	38	35	35
Health and welfare	103	103	101	99	98	98	95	95	95	95
Parks, recreation, and culture	69	69	69	69	69	67	68	66	63	61
Community development	19	19	19	19	19	23	23	24	28	31
<b>Total</b>	<b>957</b>	<b>952</b>	<b>942</b>	<b>932</b>	<b>926</b>	<b>925</b>	<b>925</b>	<b>925</b>	<b>917</b>	<b>938</b>

Source: Roanoke County Payroll Office

\* Effective July 1, 2010 the Emergency Communication Center department was moved out of the Police department. Previous years' FTE's are not available

Table 15

**COUNTY OF ROANOKE, VIRGINIA**  
**Operating Indicators by Function/Program**  
**(Unaudited)**  
**Last Ten Fiscal Years**

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General government</b>											
Number of sales	1,183	1,114	1,029	938	953	748	636	800	932	1,332	1,725
Median assessment/sales ratio	91.86%	92.23%	92.73%	92.87%	94.00%	98.00%	98.00%	95.00%	92.10%	92.10%	92.33%
Coefficient of dispersion	7.20%	6.82%	6.62%	6.44%	7.18%	7.37%	6.23%	6.76%	7.09%	7.23%	7.28%
<b>Judicial administration</b>											
Circuit Court civil cases concluded	743	649	834	883	998	1,121	973	939	940	1,058	993
General District Court concluded	21,032	22,025	23,045	24,118	26,029	27,238	27,984	33,138	33,316	31,268	32,094
Juvenile and Domestic cases concluded	2,391	4,902	5,313	5,038	4,940	5,487	5,706	5,389	6,563	6,594	6,222
<b>Public safety</b>											
Physical arrests	3,818	3,710	3,633	3,403	3,611	4,676	3,948	4,224	4,109	3,855	3,598
Calls for service police	74,200	76,100	79,600	79,200	75,500	71,600	69,500	75,300	77,000	84,499	84,476
Calls for service fire	16,060	15,502	15,177	14,770	13,857	14,164	14,014	13,293	11,373	10,964	11,306
Fire inspections	1,137	1,194	1,109	1,218	1,158	1,293	1,245	984	473	836	960
<b>Public works</b>											
New business licenses	834	465	475	690	785	741	643	762	591	596	608
New prospect Inquires Econ Dev	44	77	56	54	40	40	40	28	30	30	29
Waste tonnage to RVRA	39,268	37,970	39,070	40,070	40,003	42,922	40,046	40,570	40,536	41,469	43,361
<b>Library</b>											
Patrons registered	90,917	84,374	75,067	76,847	70,670	65,069	59,185	76,581	73,339	68,247	64,084
Total circulation	1,088,190	1,250,670	1,349,997	1,352,031	1,330,625	1,298,834	1,315,015	1,235,094	1,227,716	1,194,267	1,141,375
<b>Health and welfare</b>											
Individuals enrolled in Medicaid	14,783	14,699	14,167	12,795	11,158	12,453	9,881	8,676	8,568	11,187	8,727
Households receiving Supplemental Nutrition Assistance	3,113	3,199	3,503	3,736	4,087	4,001	3,800	3,404	3,157	2,771	2,184
Number of children in foster care	89	92	98	165	144	132	120	109	119	119	147
<b>Community development</b>											
Building permits issued	1,111	1,075	1,011	1,110	1,097	1,067	1,025	1,089	1,283	1,145	1,600

Source: Various County departments



Table 16

County of Roanoke  
Capital Asset Statistics by Function/Program  
(unaudited)  
Last Ten Fiscal Years

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Administration Buildings	8	8	8	9	9	9	9	7	7	6
Judicial Administration										
Courthouses	1	1	1	1	1	1	1	1	1	1
Public Safety										
Fire Stations	12	12	12	12	12	12	12	12	12	11
Rescue Stations	11	11	11	11	11	11	11	11	11	11
Fire Units	28	28	28	27	28	27	27	27	27	28
Ambulances	20	24	24	24	24	24	23	24	24	23
Jails	1	1	1	1	1	1	1	1	1	1
Law Enforcement Vehicles	156	153	145	145	143	137	143	141	146	145
Public Works										
Refuse Collection Trucks	28	26	25	24	23	23	23	20	19	19
Libraries	6	6	6	6	6	6	6	6	6	6
Parks, Recreation, and Tourism*										
Parks	31	31	30	30	30	29	29	28	28	28
Park Acreage	2,090	2,090	2,160	2,160	2,160	1,092	1,092	1,075	1,061	1,061
Recreation Centers	3	3	3	3	3	3	3	3	3	2
Park District Maintenance Centers	3	3	3	3	3	3	3	3	3	3
Education										
Elementary Schools	16	16	16	16	16	16	16	16	16	17
Middle/Junior High Schools	5	5	5	5	5	5	5	5	5	5
High Schools	5	5	5	5	5	5	5	5	5	5
Vocational-Technical Schools	2	2	1	1	1	1	1	1	1	1
Career Centers	-	-	-	-	-	-	-	-	-	1

Source: Various County departments



# SINGLE AUDIT SECTION

**COUNTY OF ROANOKE, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For The Period Ended June 30, 2018**

Federal Granting Agency/ Recipient State Agency/ Grant Program	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Catalogue Number	Subtotals	Subtotal By Program	Total Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE:</b>						
Pass Through Payments:						
Department of Agriculture:						
Forest Service: Schools and Roads- Grants to States	-		10.665		\$	1,987
Food and Nutrition Service:						
State Administrative Matching Grants for the Nutrition Assistance Program	201717N253341		10.561			950,101
State Administrative Expenses for Child Nutrition	201717N109941		10.560	\$		350
School Breakfast Program	201817N109941		10.553	76,284		
School Breakfast Program	201818N109941		10.553	8,692		
School Breakfast Program				462,094	\$ 547,070	
National School Lunch Program - USDA Commodities	-		10.555	315,047		
National School Lunch Program	201717N109941		10.555	286,832		
National School Lunch Program	201817N109941		10.555	17,362		
National School Lunch Program	201818N109941		10.555	1,522,211	2,141,452	
Summer Food Service Program for Children	201818N109941		10.559	9,700		
Child Nutrition Cluster				2,698,222		2,698,222
<b>DEPARTMENT OF DEFENSE:</b>						
Direct Payments:						
Selected Reserve Educational Assistance Program (ROTC)	-		12.609		61,165	61,165
<b>ENVIRONMENTAL PROTECTION AGENCY</b>						
Direct Payments:						
National Clean Diesel Emissions Reduction Program	-		66.039		180,000	180,000
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>						
Pass Through Payments:						
Administration for Children and Families:						
Promoting Safe and Stable Families	-		93.556			50,097
Temporary Assistance for Needy Families	-		93.558			513,439
Refugee and Entrant Assistance-State Administered Programs	-		93.566			1,702
Low-Income Home Energy Assistance	-		93.568			56,292
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-		93.596			66,433
Chafee Education and Training Vouchers Program	-		93.599			4,759
Adoptive Incentive Payments	-		93.603			1,078
Stephanie Tubbs Jones Child Welfare Services Program	-		93.645			1,378
Foster Care - Title IV-E	-		93.658			1,059,865
Adoption Assistance	-		93.659			931,246
Social Services Block Grant	-		93.667			473,509
Chafee Foster Care Independence Program	-		93.674			9,491
Centers for Medicare and Medicaid Services:						
Children's Health Insurance Program	-		93.767			36,099
Medical Assistance Program	-		93.778			1,550,724
<b>EXECUTIVE OFFICE OF THE PRESIDENT:</b>						
Pass Through Payments:						
High Intensity Drug Trafficking Areas Program (HIDTA)	-		95.001		38,601	38,601

COUNTY OF ROANOKE, VIRGINIA  
Schedule of Expenditures of Federal Awards  
For The Period Ended June 30, 2018

Federal Granting Agency/ Recipient State Agency/ Grant Program	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Catalogue Number	Subtotals	Subtotal By Program	Total Federal Expenditures
<b>DEPARTMENT OF JUSTICE:</b>						
Direct Payments:						
Bureau of Justice Assistance:						
Bulletproof Vest Partnership Program	-		16.607			18,899
Pass Through Payments:						
Edward Byrne/Justice Assistance Grant Program	18-A4285AD12		16.738			107,189
Edward Byrne Memorial Competitive Grant Program	2015-WY-BX-0007	\$ 85,277	16.751			58,445
Pass Through Payments:						
Office of Victims Crime:						
Crime Victim Assistance	18-X8561VG16		16.575		123,929	123,929
<b>DEPARTMENT OF TRANSPORTATION:</b>						
Pass Through Payments:						
National Highway Traffic Safety Administration:						
State and Community Highway Safety	SC-2017-57055-6704		20.600	1,442		
State and Community Highway Safety	OP-2017-57058-6707		20.600	5,649		
State and Community Highway Safety	SC-2018-58075-8075		20.600	19,358		
State and Community Highway Safety	FOP-2018-58076-8076		20.600	9,728	36,177	36,177
Total Highway Safety Cluster						
Alcohol Impaired Driving Countermeasures Incentive	K8-2018-58496-8496		20.601		15,406	15,406
Alcohol Open Container Requirements						
Alcohol Open Container Requirements	154AL-2017-57031-6680		20.607	20,882		
Alcohol Open Container Requirements	154AL-2018-58073-8073		20.607	54,784		
Alcohol Open Container Requirements	154AL-2017-57059-6708		20.607	32,773		
Alcohol Open Container Requirements	154AL-2018-58095-8095		20.607	83,753	192,192	192,192
Federal Highway Administration:						
Transportation Enhancement Program-Roanoke River Greenway Eastern Section	EN08-080-105		20.205	5,886		
Regional Surface Transportation Program - Greenway Eastern Section	EN08-080-105		20.205	1,547		
Eastern Federal Lands Access Program _East Greenway	UPC 110155		20.205	40,479		
Roanoke River Greenway West - RSTP	EN08-080-108		20.205	64,221		
Transportation Enhancement Grants - Plantation Road	UPC 103607		20.205	341,000		
Regional Surface Transportation Program - Plantation Road	UPC 103607		20.205	1,343,602		
MAP-21 Transportation Alternatives Program - Plantation Road	UPC 103607		20.205	109,168		
Secondary System Yearly Program - Plantation Road	UPC 103607		20.205	37,361	1,943,264	1,943,264
Total Highway Planning and Construction Cluster						

**COUNTY OF ROANOKE, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For The Period Ended June 30, 2018**

Federal Granting Agency/ Recipient State Agency/ Grant Program	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Catalogue Number	Subtotals	Subtotal By Program	Total Federal Expenditures
<b>DEPARTMENT OF HOMELAND SECURITY:</b>						
Pass Through Payments:						
Federal Emergency Management Agency:						73,590
Emergency Management Performance Grants	-		97.042			860,455
Assistance to Firefighters Grant	EMW-2016-FO-01099		97.044			276,597
Staffing for Adequate Fire & Emergency Response (SAFER)	EMW-2016-FH-00387		97.083			
<b>NATIONAL ENDOWMENT FOR THE ARTS:</b>						
Pass Through Payments:					2,700	2,700
Promotion of the Arts Partnership Agreement -Local Government Challenge Grant	-		45.025			
<b>DEPARTMENT OF EDUCATION:</b>						
Pass Through Payments:						
Direct Aid to Public Education:						
Office of Elementary and Secondary Education:						
2015 Title I - Local Education Agency	S010A150046		84.010	696		
2016 Title I - Local Education Agency	S010A160046		84.010	431,510		
2017 Title I - Local Education Agency	S010A170046		84.010	1,072,802	1,505,008	1,505,008
2015 Language Acquisition State Grants	S365A150046		84.365	2,210		
2016 Language Acquisition State Grants	S365A160046		84.365	7,147		
2017 Language Acquisition State Grants	S365A170046		84.365	18,549	27,906	27,906
2015 Title II - Part A	S367A150044		84.367	1,523		
2016 Title II - Part A	S367A160044		84.367	165,730		
2017 Title II - Part A	S367A170044		84.367	165,283	332,536	332,536
2017 Title IV Part A LEA	S424A170048		84.424		27,046	27,046
Office of Special Education and Rehabilitative Services:						
2015 Instructional Support Tech Asst	H027A150107		84.027	15,000		
2016 Instructional Support Tech Asst	H027A160107		84.027	10,000		
2016 IDEA 611 Flow-through	H027A160107		84.027	123,897		
2017 IDEA 611 Flow-through	H027A170107		84.027	2,924,600	3,073,497	
2017 Preschool Handicapped Allocations	H173A170112		84.173	87,342	87,342	
Total Special Education Cluster				3,160,839	3,160,839	3,160,839
Office of Vocational and Adult Education:						
Vocational Education Basic Grants to States -						
2015 Perkins Secondary Programs Reserve	V048A150046		84.048	3,048		
2017 Perkins CTE Secondary Programs	V048A170046		84.048	141,516	144,564	144,564
<b>Total Federal Expenditures</b>						
		\$ 85,277			\$ 17,593,280	

See accompanying notes to schedule of expenditures of federal awards.  
See accompanying independent auditor's report.

County of Roanoke, Virginia  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

- 1) Basis of Accounting - Federal Programs are accounted for on the modified accrual basis of accounting.
- 2) Reporting Entity - The Schedule of Expenditures of Federal Awards includes all grants awarded to the County of Roanoke, Virginia (the County). The reporting entity is defined in Note 1 of the County's basic financial statements.
- 3) In-Kind Contributions - The County received \$315,047 in food and food stamps from the U.S. Department of Agriculture during fiscal year 2018. These in-kind contributions are included in the basic financial statements.
- 4) Indirect Costs – The agency has adopted the Department of Education methodology for calculating the Local Educational Agency indirect costs. The restricted rate is used each year to calculate indirect costs for Federal Programs. The 10% de minimus rate was not utilized.

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

To the Honorable Members of the Board of Supervisors  
County 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Roanoke, Virginia (the "County"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the South Peak Community Development Authority (the "CDA"), a discretely presented component unit of the County. 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. That report recognizes that the County implemented a new accounting standard effective July 1, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and three instances of noncompliance required to be reported under the *Specifications for Audits of Counties, Cities, and Towns*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001, 2018-002, and 2018-003.



**County's Responses to Findings**

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**Purpose of this Report**

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

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

Roanoke, Virginia  
November 30, 2018

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

To the Honorable Members of the Board of Supervisors  
County of Roanoke, Virginia

### **Report on Compliance for Each Major Federal Program**

We have audited the County of Roanoke, Virginia's (the "County") 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 County's major federal programs for the year ended June 30, 2018. The County'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 County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 County'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 County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the County, 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, 2018.

### **Report on Internal Control over Compliance**

Management of the County 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 County'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 County's internal control over compliance.

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

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

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

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

Roanoke, Virginia  
November 30, 2018

**County of Roanoke, Virginia**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2018**

**A. Summary of Auditor's Results**

1. The type of report issued on the basic financial statements: **Unmodified Opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **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:

<b><u>CFDA Number</u></b>	<b><u>Name of Federal Program and Cluster</u></b>
20.205	Highway Planning and Construction Cluster
84.027 and 84.173	Special Education (IDEA) Cluster
97.044	Assistance to Firefighter Grant

10. Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
11. The County of Roanoke, Virginia was determined to be a low-risk auditee under Section 530 of Uniform Guidance

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

None reported

**C. Findings and Questioned Costs Relating to Federal Awards:**

None reported

**County of Roanoke, Virginia**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2018**

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

**2018-001 Conflicts of Interest – Non-material Non-compliance (Repeat Finding 2017-001)**

**Criteria:** Section 2.2-3115 of the *Code of Virginia* requires local government officials to file a Statement of Economic Interest (“SOEI”) with the local body annually by February 1. The Ethics Advisory Council requires that the local official may not sign, date, or submit a disclosure form for the regular annual filing prior to January 1 each year. Section 2.2-3124 of the *Code of Virginia* assesses a civil penalty on any officer or employee who knowingly violates the Conflict of Interests Act. Specifically, an officer or employee required to file the disclosure form prescribed by Section 2.2-3117 who fails to file such form within the time period prescribed shall be assessed a civil penalty in an amount equal to \$250. The Clerk of the County Board of Supervisors shall notify the attorney for the Commonwealth of Virginia for the locality in which the officer or employee was elected or is employed of any local officer's or employee's failure to file the required form and the attorney for the Commonwealth of Virginia shall assess and collect the civil penalty.

**Condition:** We noted the following:

- One (1) instance where a local government official filed a completed SOEI, but not by the deadline.
- One (1) instance where a newly hired local government official did not complete the SOEI prior to assuming office.

**Cause:** Unknown.

**Effect:** Non-compliance may result in action by the Commonwealth of Virginia.

**Recommendation:** Local government officials should complete the SOEI in accordance with prescribed requirements.

**Views of Responsible Officials and Planned Corrective Action:** The Clerk to the Board has implemented additional steps to ensure the timely filing of the conflicts of interest forms since this is a repeat finding. These steps include second letters, phone calls, and a final letter from the County Attorney. While these steps have been taken, the Clerk's office has no other enforcement ability to ensure all forms are filed timely.

**2018-002 Virginia Initiative for Employment not Welfare (“VIEW”) – Non-material Non-compliance**

**Criteria:** Purchased service transactions must be in accordance with the local government's policy and must be appropriate based on the individual VIEW Participant's Activity and Service Plan.

**Condition:** Of the twenty five (25) purchased service transactions selected for testing, we noted one (1) selection in which the service was miscoded to the VIEW program rather than to the Foster Care Prevention program.

**Cause:** Controls in place were not followed over the VIEW expenditure review process.

**Effect:** Non-compliance may result in action by the Commonwealth of Virginia.

**Recommendation:** The County should ensure that all expenditures related to the County Department of Social Services are recorded to the appropriate account coding in the accounting system.

**County of Roanoke, Virginia**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2018**

**Views of Responsible Officials and Planned Corrective Action:** During the month of May there will be a credit to BL844 and the expenditure will be reported in BL829. For all Purchase of Services budget lines (of which SNAPET/BL 844 is one), each month we send a report listing all expenditures for that budget line to the Supervisor. The report lists the client, the vendor and the amount. If there is a discrepancy, it is usually caught by the Supervisor at that time and an adjustment entered. We will continue to send these reports monthly. When the pre-check list is reviewed, a second staff member reviews the vendor and amount and they have been advised to pay particular attention to the category code to make sure it is correct.

**2018-003 Continuity of Operations – Non-material Non-compliance**

**Criteria:** The County Department of Social Services' Continuity of Operations Plan ("COOP") must be updated within the previous twelve months.

**Condition:** The COOP plan was finalized and provided on August 8, 2018. The most recently updated version was dated June 1, 2017, which was outside the required timeframe.

**Cause:** Unknown.

**Effect:** Non-compliance may result in action by the Commonwealth of Virginia.

**Recommendation:** The County should ensure that the COOP plan is updated at least every twelve months.

**Views of Responsible Officials and Planned Corrective Action:** The Roanoke County Department of Social Services will review the COOP every April for updates to occur by June 30th to ensure annual compliance.

**E. Resolution of Prior Year Findings**

**2017-001 – Conflicts of Interest** – repeated, see Finding 2018-001.

**2017-002 – Children's Services Act (CSA)** – not repeated in 2018.

