



# Comprehensive Annual Financial Report



City of Roanoke, Virginia

Fiscal Year Ended June 30, 2015

Cover image is an inside view of the City's newly renovated Main Library located adjacent to Elmwood Park.

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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year July 1, 2014 to June 30, 2015**



**DEPARTMENT OF FINANCE**  
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## ***INTRODUCTORY SECTION***

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**December 31, 2015**

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

We are pleased to present the City of Roanoke, Virginia (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015 in accordance with Section 25.1(f) of the Roanoke City Charter. The Charter requires the City to issue an annual report on its financial position and activity and that the financial statements included in the report be audited by an independent firm of certified public accountants. This report was prepared by the Department of Finance in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and the financial statements included in the report were audited by Cherry Bekaert LLP.

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

The City engaged Cherry Bekaert LLP, licensed certified public accountants and advisors, to independently audit the City's financial statements. The goal of the audit is to provide reasonable assurance that the financial statements found herein are free from material misstatement. Tests of the City's internal control structure and of its compliance with applicable laws and regulations were conducted. The auditor's review regarding the City's internal control structure and concomitant compliance is included in this report.

The CAFR is presented in the following three sections:

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

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

## **Profile of the Government**

Roanoke, the largest city in the Commonwealth of Virginia (Commonwealth) west of Richmond, is located at the southern end of the Shenandoah Valley, approximately 170 miles west of Richmond and 235 miles southwest of Washington, DC. Its position in the southeastern United States gives the City ready access, within a day's drive, to nearly one-half of the total population of the United States. In addition, the City lies at the region's crossroads of major rail and highway systems, making it the principal trade, industrial, transportation, medical and cultural center of western Virginia.

Chartered by the Commonwealth of Virginia as a city in 1884, Roanoke encompasses a land area of forty-three square miles and operates under a council-manager form of government. The City's 2015 estimated population, 99,320 accounts for 31% of the population in its Metropolitan Statistical Area (MSA), which includes the neighboring City of Salem, Town of Vinton, and the Counties of Roanoke, Botetourt, Craig, and Franklin.

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

Annually, the City adopts a budget which provides the basis for financial planning and control, the purpose of which is to ensure compliance with the legal provisions established by the City Council approved, appropriated budget. The budget process begins with a strategic planning session with City Council in October of each year.

Based on the planning session strategy, the City develops its annual budget using Budgeting For Outcomes, a process that supports established priorities whereby departments submit requests for appropriations in support of these priorities to priority teams. The priority teams review, rate and recommend funding of departmental requests for inclusion in the annual budget to the Budget Committee. The Budget Committee, which includes the City Manager, considers funding recommendations and ultimately balances the budget. The City Manager then presents the balanced budget as a recommendation to City Council in April for review and deliberation. It is the recommended budget that is presented at the public hearing. Pursuant to the public hearing, the Budget Committee incorporates Council and Public comments and requests as appropriate for further deliberation in May. Changes and amendments are incorporated into the final budget ordinance for adoption no later than May 15th of each year.

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

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

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

## **Economic Condition and Outlook**

### Local Economy

The average unemployment in the Roanoke MSA for fiscal year 2015 was 4.9%, according to the Bureau of Labor Statistics, down from an average of 5.5% in the prior fiscal year. Comparatively, average unemployment in fiscal year 2015 was 4.9% for the Commonwealth and 5.7% at the national level. Roanoke's economy is strengthened by the diversity of employment opportunities, with representation from every major type of business as defined by the U.S. Census Bureau.

## **Economic Development**

Roanoke is the center of a strong region, boasting a creative, diverse, sustainable economy. The City stimulates and supports economic development for the purpose of attracting new businesses and encouraging the expansion of existing businesses. The City's Economic Development Department's strategy continues to focus efforts on several core initiatives: business retention/expansion/attraction, asset development, asset promotion/marketing and staff development. The City's marketing materials were updated this year to publicize and create awareness of Roanoke's ever increasing assets and amenities. A new economic development website is under development with new design to be launched this fall. Roanoke's Facebook page continues to attract "friends" and staff remain dedicated to the business community. As a result of this focused approach, fiscal year 2014-2015 yielded announcements from businesses in the industrial, healthcare, automotive sales and service, residential housing, hospitality and craft brewing sectors totaling over \$45 million in new investment and creating more than 450 new jobs. Some highlights of the year include:

- Hampton Inn & Suites at Valley View opened, offering 127 rooms; an \$11 million investment.
- Two shopping plazas were completely redeveloped, incorporating the new concept of Walmart Neighborhood Grocery stores as key anchor tenants. Combined, these developments produced nearly \$20 million in investment for the City of Roanoke and created approximately 200 full-time and part-time jobs.
- New food and beverage businesses opened; Mission BBQ at Towers Mall and Starbucks at The Bridges, as well as the long awaited Krispy Kreme on Hershberger Road.
- Brandon Oaks Health and Rehabilitation Center, with an \$8.3 million investment, opened its doors with a state-of-the-art facility including the finest in orthopedic equipment to expedite recovery for ortho patients.

An important part of the City's economic development initiative is its two Enterprise Zones. Businesses located within the boundaries of Enterprise Zones may qualify for State or local incentives. This year, Façade Grant funding of approximately \$145,000 leveraged approximately \$487,000 in private investment for building façade improvements.

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

### **Downtown**

Downtown Roanoke keeps improving. More and more people are vying to live in the heart of Downtown where they can walk to the many amenities the City's urban core has to offer. As a result, downtown resident population is fast approaching the 2,000 mark, and the City of Roanoke has proven to be a trendy place to live.

This year the City of Roanoke launched its first new-build apartment project in many years in collaboration with a local Roanoke developer. Located at the corner of Williamson Road and Tazewell Avenue, the project is underway and will offer 69 new apartments and nearly 9,000 SF of retail space on the first floor. An additional

56 apartments will also become available this fall with the completion of The Locker Room, the former YMCA renovation.

Downtown Roanoke, offering the oldest continuously operating farmer's market in the Commonwealth, continues to be a landmark destination for visitors to the City and a regular shopping venue for residents. Roanoke restaurants, shops, and art galleries flourish with increased activity in the downtown district and reap the advantages of attractions such as the Historic City Market Building, O. Winston Link Museum, Center in the Square with its many museums and attractions, the Virginia Transportation Museum, Hotel Roanoke, award winning entertainment at Jefferson Center and the newly named Berglund Center, and multiple concerts and events held at Elmwood Park and on the Market Square.

Listed below are a few of the construction projects and new businesses which have been completed during the past year:

- Rock, Paper Beauty Lounge opened in the newly completed Ponce de Leon building.
- Chocolatepaper expanded and fulfilled a long-term goal of doubling its space to meet customer demand with increased product lines.
- Susan Adams Interiors opened last fall at 24 Campbell Avenue in the former Woolworth building and brings an additional twist of creativity downtown.
- Windsor-Aughtry, a Greenville, South Carolina based development company, is nearing completion of its 127-room Hampton Inn and Suites on top of the City's Market Garage. This \$17 million hotel at the intersection of Church Avenue and Market Street will support Roanoke's Conference Centers, assist in building Roanoke's brand as a tourist destination, and bring new customers to our downtown restaurants and retailers.
- Broadening the City's urban feel and embracing its multicultural status, two new Hookah lounges opened downtown.
- The new Carilion Clinic Children's Hospital Playground, east of the newly renovated Main Library in downtown opened; a collaborative effort between Roanoke's Department of Parks and Recreation, Roanoke Public Libraries, and Carilion Clinic. The Peter Pan themed playground came to fruition with Carilion donating most of the funding for the \$265,000 project with the goal of keeping children healthy.
- An expansion of the CoLab occurred this year. With over 100 members now, the CoLab opened a downtown location at the Kirk Avenue Music Hall in November. Then, driven by increasing demand from downtown entrepreneurs for a larger space, the CoLab expanded once again relocating from Kirk Avenue to the Patrick Henry Hotel on Jefferson Street.

#### The Riverside Centre for Research & Technology

Health care employment in Roanoke remains strong with Carilion Clinic remaining as the City's top employer. The Riverside for Research and Technology (RCRT), headquarters of several medical science entities, is a 110-acre technology park located along Jefferson Street and Reserve Avenue. Within RCRT, the Carilion Clinic offers an office and laboratory complex headquarters, a 250,000 square-foot outpatient medical clinic, a 1,600-plus parking deck, a research institute, and a medical school. For visitors with friends or family seeking treatment at these facilities, there is a 127-room Cambria Suites hotel located on the campus.

The Virginia Tech-Carilion School of Medicine and Research Institute, founded in 2007, and opened in 2010, brings an economic impact on Roanoke which is significant. The School of Medicine receives 3,000 applications annually with only 42 students accepted each year. The first graduating class in May 2014 resulted in 11 graduates opting for Carilion residencies in Roanoke. The Research Institute continues to attract the finest researchers from around the world and in its first three years has spent approximately \$75 million on research expenditures. Thus, the multiplier effect in Roanoke, estimated at 2.21, indicates that a healthy added revenue impact of more than \$165 million is experienced as a result of this investment, which continues to grow each year. The Research Institute has 24 research teams, soon to expand to 30, and in 2014 started a new program, Translational Biology, Medicine and Health which is a research-intensive, multidisciplinary Ph.D. program in the biomedical and health sciences that emphasizes the concept of “translational science” across multiple levels of inquiry. It brings together students from the life, behavioral, physical, engineering, and computational sciences to consider today’s major health challenges. This four-year program admits 30 new students annually.

#### The Roanoke Centre for Industry & Technology

The Roanoke Centre for Industry and Technology (RCIT) is a 496-acre City developed business park located just minutes from Interstates 581 and 81. This industrial park was acquired, developed and marketed by the City. The City continues its excellent record of attracting top corporations, enhancing the tax base, and creating jobs for its citizens. One hundred forty acres, including four ready-to-go sites, ranging in size from seven to thirty-one acres, are now available. Fifty-six acres remain to be developed for future prospects. Revenue generated from the corporations located in the RCIT exceeds the cost incurred by the City for the original site acquisition and improvements to the park for infrastructure and the extension of Blue Hills Drive. Present and future tax revenue will be used to continue this type of economic development.

The corporations located in the RCIT employ in excess of 2,200 persons, have a combined investment in the Centre in excess of \$163 million, and occupy over 2.1 million square feet of space. Corporations currently in the Centre include EATON Corporation, Advance Auto Parts, AT&T Communications Systems, SEMCO, Elizabeth Arden, Orvis, InfoSeal, Virginia Utility Protection Services, Maple Leaf Bakery, and FedEx Ground.

Heritage Point (a historic area located within RCIT) acquired by Roanoke Natural Foods Co-Op, continues to put down roots and grow into their new space. RCIT is perhaps the only industrial and technology park in the country, if not the world, which is home to an organic urban farm and is one of the largest contiguous organic urban farms in the nation. The farm supplies products to its City of Roanoke stores; the Natural Food Co-op on Grandin Road and the Co-op on the City Market.

#### Roanoke River District

The approximately 22-acre development, named The Bridges, is located east of South Jefferson Street and adjacent to the Roanoke River. The Bridges is a mixed use development of commercial, office, retail and residential buildings and amenities and in 2014 became the City’s latest historic district designated as the Roanoke River & Railroad District. The City provided an initial economic development grant of \$2 million to fund the installation of public infrastructure on the site. The City will also provide subsequent annual economic development grants based on a portion of amounts of actual designated local taxes received by the



City on the property. The project is expected to grow for the next 10-plus years and is expected to exceed well over \$100 million in total investment. Fiscal Year 2015 witnessed the completion of the initial residential structure, a 157-unit apartment, which boasts over 95% tenant occupancy. Construction to renovate the former Trolley Barn has been completed and potential tenants are being marketed for this modern 25,000 SF office/Research & Development suite. The former stable building has been completed and is now home to a new Starbucks Café and a soon to be announced restaurant.

### Valley View Mall Area

The Valley View Mall, built during the 1980s, is a dominant regional shopping center of nearly 900,000 square feet of retail space. The District at Valley View was built in 2007 to enhance the mall area. It offers eye-catching storefronts, extensive landscaping and pedestrian-friendly walkways. The two areas, combined, offer six anchor stores, over 100 specialty shops and many restaurants. Valley View Mall is owned and operated by CBL & Associates Properties Inc. which continues to display confidence in the Roanoke retail market. One of Roanoke's strong economic indicators is its strength in retail sales per capita, as the City has historically performed very well at both the State and national level due to its regional draw for shoppers. In 2015, the Mall welcomed national retailers Sephora within JC Penney, Pandora, and Altar'd State. The long sought after I-581 exchange to access the Evans Spring property is well underway with an estimated completion in the fall of 2016 at a total project cost of \$64 million. Several retail developers have inquired about this site.

### Tourism

Roanoke as "Star City of the South" is recognized as the recreational, cultural and business hub of Virginia's Blue Ridge Mountains and the entire western half of the Commonwealth. Roanoke and the surrounding cities and counties that comprise the Roanoke Valley host more festivals and cultural events than any place west of Richmond. Multiple travel articles have publicized Roanoke, enticing readers to Virginia's Blue Ridge. As a result of hosting over 90 travel journalists, the Roanoke Valley Convention & Visitors Bureau's public relations initiative has generated over \$2 million in national publicity in just three years. This has created a positive economic impact for the City of Roanoke with lodging tax revenues reaching an all-time high. In addition, hosting meetings and sports groups have drawn a record number of visitors as measured by the number of rooms sold in the City of Roanoke's lodging properties. Restoration of the Norfolk & Western Class J611 Passenger Locomotive attracted visitors from around the globe this spring, as did Roanoke's Black Dog Salvage which attracts hundreds of "Salvage Dawgs" fans as they move into DIY Network's 4<sup>th</sup> season. Events around craft breweries, vineyards, rail, and outdoor adventure and youth sports coupled with Virginia Tech football, the Miss Virginia Pageant, and other remarkable "happenings" have put Roanoke and Virginia's Blue Ridge on the map. These groups bring many youth and families to the area, and with the re-opened Center in the Square and growing list of amenities, the City of Roanoke offers an even more attractive package to entice visitors to lengthen their stay. Also, in October 2014, The Small Cities Movement launched the fourth annual CityWorks (X)po in downtown Roanoke, an event seeking to enhance connectivity between smaller cities to explore exponential impact across major themes: Capital & Social Entrepreneurship, Leadership & Good Government, Arts & Design, Food & Drink, Outdoors & Recreation and Knowledge & New Media. Over 500 individuals attended the conference from Roanoke, the US, and beyond. This event, along with other festivals throughout the year, continue to bring visitors to the City of Roanoke to experience exceptional cultural venues, numerous and diverse festivals and events, and multiple outdoor recreational amenities.

## **Long-Term Financial Planning**

### Comprehensive Plan

The City continues to plan for its future and provide the necessary funds to not only protect its current assets, but also to create new opportunities. The City of Roanoke's Comprehensive Plan, Vision 2001-2020, provides goals for development of the City over a 20-year period which began in 2001. The plan supports leadership's conviction that Roanoke's sustainability is measured not only by the health of its economy but also by its quality of life. Economic prosperity can continue and be enhanced by supporting the City's cultural and entertainment amenities, education, and other services. Protecting the natural environment, supporting a wide range of amenities, maintaining a first-class educational system, and providing ongoing educational opportunities will be the building blocks for attracting new residents and businesses. This planned and visionary approach has served the City well and will continue to be the basis for additional growth.

### Budgeting for Outcomes

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

### Long Term Financial Planning

The City designed the implementation of long-term financial planning during the development of the fiscal year 2015 operating budget. The planning process will facilitate City Council and City management efforts towards a long-term strategy ensuring economic growth and stability and meeting the needs of the City's citizen and business partners.

### Capital Improvement Program (CIP)

In conjunction with the preparation of an annual operating budget, the City prepares a five-year Capital Improvement Program Update. This serves as a planning tool for efficient, effective and equitable distribution of public improvement resources throughout the City. The CIP represents a balance between finite funding and competing community priorities. The CIP specifies the capital improvement and construction projects over the upcoming five-year period in order to maintain or enhance the City's \$623 million in capital assets. Detailed project descriptions, cost estimates, and funding sources are included in the CIP. The City's Capital Improvement Program for FY 2015 through FY 2019 represents \$136 million of public improvements to the City's schools, infrastructure, parks, public buildings, passenger rail, technology, and Roanoke's civic center (the Berglund Center).

## **Relevant Financial Policies**

Financial policies serve as the framework for the financial operation of city government as well as the basis for budget development. The City's financial policy statements in their entirety can be located in the City's Resource Allocation Plan. Policies are in place to provide guidance in the areas of budget, expenditures, reserves, revenues, and debt management. In November 2013, City Council adopted revisions to its Reserve and Debt Management Policies to reflect the progress of funding reserves, reference the newly established Post Issuance Compliance Procedures, and incorporate other changes. Reserves may only be used upon appropriation of City Council, and the reserve policies contain stipulations regarding reserve usage and replenishment.

## **Major Initiatives and Accomplishments**

### Education

Roanoke City Council places education as the top priority of the government and its citizens, providing more funding toward education than any other area of the government. Roanoke Schools have demonstrated significant performance improvements in recent years. The 2015 on-time graduation rate was 85%, up 2% from the prior year. The majority of schools within the system are now academically accredited. School maintenance and capital improvement projects are underway as part of an updated Capital Improvement Program. More information regarding the important achievements of Roanoke City Public Schools is available in the separately published School CAFR.

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

### Public Safety

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

The Roanoke Police Department has been accredited by the Commission on Accreditation for Law Enforcement Agencies (CALEA) since July 30, 1994, and is the only law enforcement agency in the Commonwealth of Virginia to attain accreditation in two CALEA programs – Law Enforcement and Training Academies.

Roanoke Fire-EMS has been an accredited agency with the Commission on Fire Accreditation International Inc. (CFAI) since 2002, meeting the criteria established through the CFAI's voluntary self-assessment and accreditation program. Roanoke retained its Class 2 ISO Rating, a distinction held by only seven Virginia communities and less than six hundred localities nationwide. The Fire-EMS Department is also partnered with

Roanoke County, the Town of Vinton, and the City of Salem in a Regional Fire-EMS Training Center, a regional hiring process, and has automatic and enhanced mutual aid response agreements in place to ensure the closest and most efficient response of Fire-EMS resources. Fire-EMS increased its emphasis on recruiting a diverse workforce, which included the launch of a new website.

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

### Human Services

Roanoke's status as the largest city west of the state capitol means that there is a high demand for human services from the community. Human Services unites public and private institutions to encourage and support caring communities by assisting individuals and families to achieve self-sufficiency and healthy lives with a variety of financial and employment programs. This 2015 fiscal year the Department of Human/Social Services provided the Juvenile Court with professional services and assisted in the development of new programs within the youth-serving agencies in Roanoke. The department was invited to participate with localities and Virginia Department of Social Services in a Learning Collaborative to improve child welfare services.

### Neighborhoods

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

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

The City leverages federal, local and in-kind contributions from public and private sources with the utilization of Community Development Block Grant (CDBG) funding. Neighborhood projects include wide ranging elements such as infrastructure, housing, community gardening and recording of oral histories. The City's Lead Safe program removed lead hazards in 84 low-and-moderate income homes and received a grant to continue the program another three years. The City continues to encourage individuals and neighborhood organizations to enhance their neighborhood's quality of life.

### Recreational and Outdoor Opportunities

The City is branded by its unique combination of urban amenities surrounded by significant natural beauty and outdoor and recreational activities. The Appalachian Trail and Blue Ridge Parkway surround the city.

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

### Libraries

The City of Roanoke supports and promotes lifelong learning for all citizens. The Library Master Plan includes projects to enhance the delivery of programs and services throughout the community. The City's libraries provide many resources to citizens including free computer training, free internet and free wireless access at all locations. The Main Library received a complete makeover with new features including an active play children's learning area; a dedicated preschool area with new board books; a teen center; new computers and laptops. In addition, a reading and front screened-in porch was constructed and connects to Elmwood Park. Renovation of the Raleigh Court Branch Library is underway and is expected to be completed in early 2016. There are plans to continue expanding and renovating other library branches.

Libraries support the public education programs of Roanoke City Public Schools through the All-America City Star City Reads initiative, Blue Ridge Literacy, and the joint Summer Reading Camp. Roanoke Public Libraries and Valley Metro launched "Books on Buses," a program to promote young children to read in the City of Roanoke. The Libraries continue to promote education for all of the Roanoke Valley with relevant programs for children, teens, and adults.

### Transportation and Parking

Economic activity is directly associated with the City's position as the major trade and transportation center in Western Virginia. The City is located at the intersection of major rail and highway routes. Current developments relate to proposals by the Virginia Department of Transportation for construction of improvements at two interchanges along Interstate 581. Improvements at Elm Avenue will add capacity to both interstate exit ramps and is expected to relieve congestion during several hours of each day in the heart of the City's downtown. The project started during 2013, and work is expected to be completed by 2015.

Improvements at the existing Valley View Boulevard interchange will complete the existing partial interchange improving access to and from the north to the retail area housing Best Buy, Target, PetSmart and other stores. This project will also provide access to approximately 150 acres to the south of Interstate 581 for new development.

The City has worked diligently to address the transportation and parking needs of citizens and visitors in the downtown area. Valley Metro transports Medicare card holders, persons age 65 or older, disabled persons, and youth ages 11 to 18 with a school-issued identification card at a discount rate of one-half the regular fare. Youth ages 10 and younger ride free when accompanied by a paying adult passenger.

The City-owned transit company, Valley Metro, implemented transportation initiatives which included regional connections. The Smart Way Bus is a regional transportation service operated by Valley Metro which links the Roanoke Valley and the New River Valley. The Smart Way Connector is a regional transportation

service which links the Roanoke Valley and New River Valley to the Amtrak Passenger Rail Station in Lynchburg. Reservations for the Smart Way Connector can now be made using the Amtrak reservation system.

The City has entered the design phase of its Passenger Rail project to connect Roanoke with the Amtrak Passenger Rail Station in Lynchburg. Construction is expected to begin in the Spring of 2016 with initial passenger service becoming available in 2017.

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

### Environmental Leadership

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

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

### **Future Challenges**

The U.S. economy continues to recover at a moderate pace but stock market performance has been erratic in recent periods. Unemployment continues to decline. On the national scene, housing activity has improved and in 2015, the City realized an increase in assessed values. Given the importance of real estate tax revenues to the City's budget, this is a positive trend as general property taxes provide the resources needed to continue to provide services to citizens and funding for education.

Local taxes as adjusted posted modest growth in fiscal 2015, including gains in the Real Property tax area. Federal and State governments continue to mandate service provisions to localities with less financial support. The challenge for local governments is how to maintain, and in some cases increase, service levels with reduced available funding. The City regularly assesses the influence of economic factors to minimize the impact to key services and ensure that the City continues to remain financially sound.

### **Awards and Acknowledgements**

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roanoke, Virginia, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June

30, 2014. In order to be awarded a Certificate of Achievement, a government unit must publish an informational and efficiently organized CAFR, whose content conforms to program standards. The CAFR must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory section of the CAFR. A Certificate of Achievement is valid for a period of one year. The City of Roanoke has received a Certificate of Achievement for 42 years. This report was prepared in conformity with the Certificate of Achievement program requirements and standards, and it will be submitted to the GFOA to determine eligibility for another certificate.

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2015. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communication device. The City has been a recipient of the Distinguished Budget Presentation Award for the last 30 consecutive years.

#### Other Awards and Recognitions

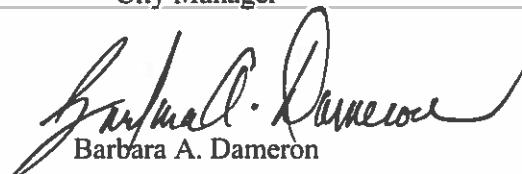
- Roanoke's Star City Reads program was recognized by the National Campaign for Grade Level Reading as a National 2014 Pacesetter for making measurable progress on student readiness outcomes.
- The 100 Best Fleets in North America Contest selected the city's Fleet Management Division as one of the Top 100 Fleets in North America and recognized as a Notable Fleet by Government Fleet magazine
- Roanoke was again named a Top 10 Digital City (Center for Digital Government).

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

Respectfully submitted,



Christopher P. Morrill  
City Manager



Barbara A. Dameron  
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Roanoke  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Executive Director/CEO



**CITY OF ROANOKE**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**JUNE 30, 2015**

**Members of City Council**

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

*Mayor*  
*Vice-Mayor*

**Constitutional Officers**

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

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

**City Council Appointed Officials**

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

*City Manager*  
*Director of Finance*  
*City Attorney*  
*City Clerk*  
*Municipal Auditor*

**Other City Officials**

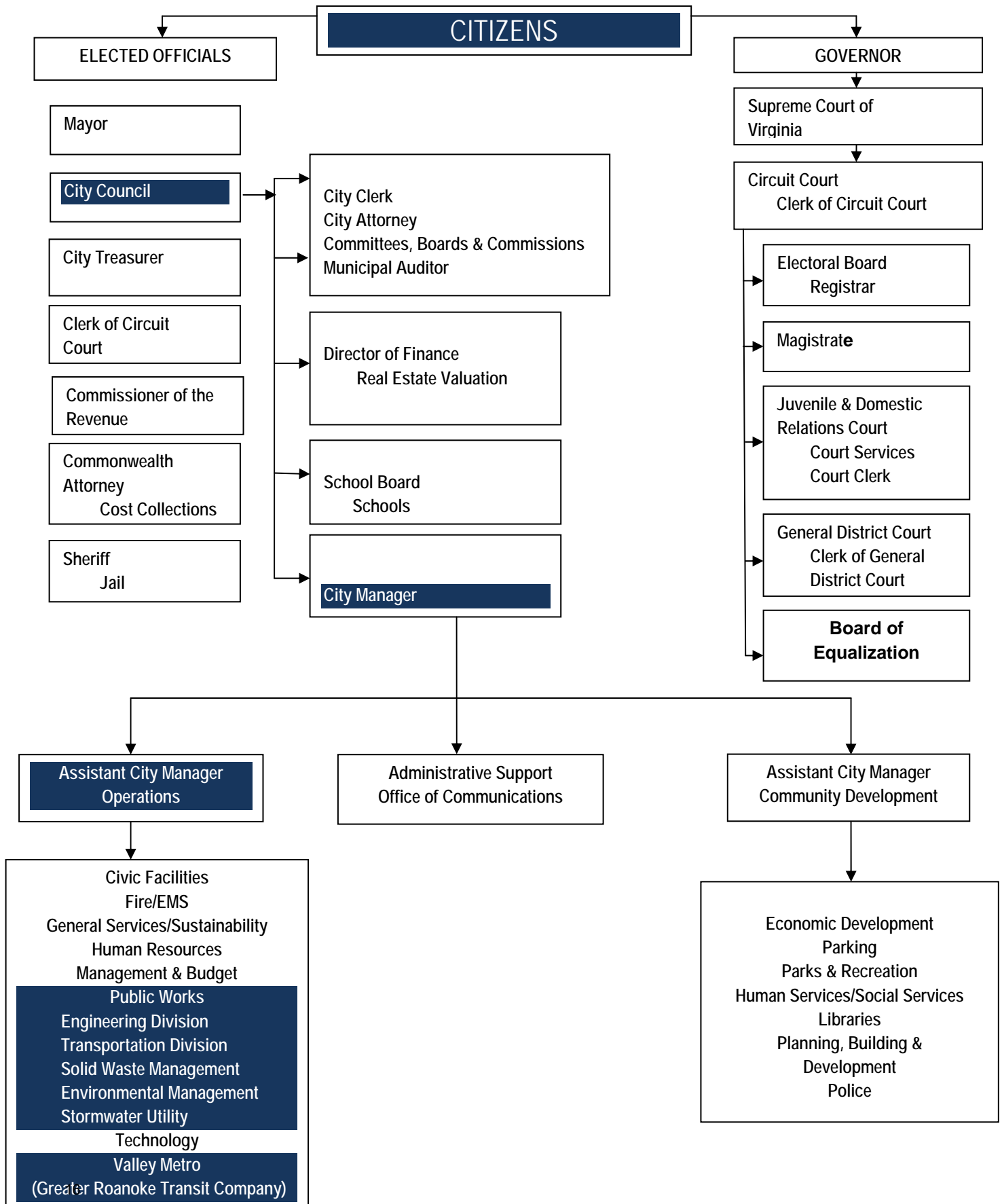
Sherman M. Stovall  
R. Brian Townsend

*Assistant City Manager*  
*Assistant City Manager*

# CITY OF ROANOKE, VIRGINIA

## Organizational Chart

FY2014 – 2015



## ***FINANCIAL SECTION***

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## **Report of Independent Auditor**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the School Board of the City of Roanoke, Virginia (the "School Board"), a discretely presented component unit of the City, which represents 75.3%, 94.6%, and 114.1%, respectively, of the total assets, revenues, and net position of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia, as of June 30, 2015, 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**

#### **Implementation of GAAP**

As discussed in Note 2 and presented in Note 12 to the basic financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective July 1, 2014. As a result, related net position as of June 30, 2014 has been restated. Our opinions are not modified with respect to this matter.

#### **Correction of Error**

As discussed in Note 2 to the basic financial statements, the fund balance of the City's Capital Projects Fund as of June 30, 2014 has been restated from the previously issued financial statements to reflect the correction of an error. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, infrastructure modified approach and pension and other postemployment benefits information and notes on pages 23-34, 121-124, 125, 126-138, and 139, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplementary Information as listed in the Table of Contents 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Roanoke, Virginia  
December 31, 2015

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**CITY OF ROANOKE, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

This section of the City of Roanoke, Virginia (City's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2015. The MD&A should be read in conjunction with the preceding transmittal letter and the City's financial statements.

**FINANCIAL HIGHLIGHTS**

- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The effect of the adoption of these standards resulted in a restatement of the City's fiscal year ending June 30, 2014 net position to reflect the reporting of net pension liability and concomitant deferred inflows of resources and deferred outflows of resources and pension expense in accordance with the provisions of the Statements. As a result, Primary Government net position on the government-wide financial statements as of June 30, 2014 decreased by \$132.3 million. See Note 2 of the Notes to Basic Financial Statements for additional information.
- At the end of the fiscal year, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$310.3 million. This amount represents an increase of \$25.5 million, or 9.1%, over the prior year's ending balance of \$284.8 million, as restated. Net position was comprised of \$406.2 million, attributable to the City's net investment in capital assets, \$1.5 million restricted for debt service offset by a negative unrestricted amount of (\$97.4) million related to the implementation of GASB Statements No. 68 and 71.
- Net position for governmental activities increased \$24.0 million. For the fiscal year, \$298.7 million, which was generated in taxes and other revenues for governmental programs exceeded expenses by \$27.3 million (before transfers), an improvement over the prior year of \$10.1 million.
- In the City's business-type activities, net position increased by \$1.5 million compared to the prior year, an improvement of \$0.9 million.
- The City's governmental funds reported a combined ending fund balance of \$45.8 million, a 7.6% decrease compared to prior year, as restated. Of the total fund balance, 25.7% was restricted, 13.0% was committed (mainly for projects in the capital improvement program), and 61.2% remained available for spending at the government's discretion as unassigned.
- The City has maintained its bond rating of AA+ from Standard & Poor's and Fitch Ratings.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The City's financial statements present two types of statements, each with a different focus on the City's finances. The focus is on both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both short-term and long-term information about the City's overall financial status. The fund financials focus on the individual parts of City government, reporting the City's operations in more detail than the government-wide statements, which present a

longer-term view. Presentation of both perspectives provides the user a broader overview, enhances the basis for comparisons, and better reflects the City's accountability.

## **Government-Wide Financial Statements**

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

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

The City's enterprise funds, one type of proprietary fund, are accounted for in the same manner as the government-wide business-type activities; however, the fund financial statements provide more detail and additional information, such as cash flows. The City's enterprise funds include the Stormwater Utility, Civic Facilities and Parking.

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

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

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

## FINANCIAL ANALYSIS OF THE PRIMARY GOVERNMENT

A comparative analysis of government-wide information as follows:

<b>Summary of Net Assets</b> <b>(Net Position Restated)</b> <b>as of June 30, 2015 and 2014</b> <b>(In Millions)</b>						
	<b>Governmental</b> <b>Activities</b> <b>(Restated)*</b>		<b>Business-type</b> <b>Activities</b> <b>(Restated)*</b>		<b>Total</b> <b>Primary</b> <b>Government</b> <b>(Restated)*</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 110.9	\$ 110.9	\$ 6.3	\$ 5.0	\$ 117.2	\$ 115.9
Capital assets, net	562.8	545.0	60.2	59.1	623.0	604.1
<b>Total assets</b>	<b>673.7</b>	<b>655.9</b>	<b>66.5</b>	<b>64.1</b>	<b>740.2</b>	<b>720.0</b>
<b>Deferred outflows of resources</b>	<b>22.2</b>	<b>7.0</b>	<b>1.6</b>	<b>1.5</b>	<b>23.8</b>	<b>8.5</b>
Other liabilities	25.9	21.9	2.1	1.4	28.0	23.3
Long-term liabilities	363.3	391.7	29.0	28.7	392.3	420.4
<b>Total liabilities</b>	<b>389.2</b>	<b>413.6</b>	<b>31.1</b>	<b>30.1</b>	<b>420.3</b>	<b>443.7</b>
<b>Deferred inflows of resources</b>	<b>33.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33.4</b>	<b>-</b>
Net Position:						
Net investment in capital assets	371.1	344.4	35.1	33.8	406.2	378.2
Restricted	1.5	7.1	-	-	1.5	7.1
Unrestricted (deficit)	(99.3)	(102.2)	1.9	1.7	(97.4)	(100.5)
<b>Total net position</b>	<b>\$ 273.3</b>	<b>\$ 249.3</b>	<b>\$ 37.0</b>	<b>\$ 35.5</b>	<b>\$ 310.3</b>	<b>\$ 284.8</b>

\* Restated in accordance with GASB statement No. 68 and 71

## Net Position:

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$310.3 million at the close of the fiscal year. The City's combined net position, (the City's bottom line) increased by \$25.5 million from prior year's ending balance of \$284.8 million, as restated. Net position from governmental activities increased by \$24.0 million. Business-type activities resulted in an increase in net position of \$1.5 million.

The largest component of the City's net position (\$406.2 million) was the investment in capital assets (e.g., land, buildings, infrastructure improvements, machinery, and equipment, net of accumulated depreciation) less any related outstanding debt used to acquire those assets. The increase in the City's net position was a result of increases in capital asset investment and restricted debt funding, partially offset by a reduction of unrestricted net position. Net position is reported as restricted when constraints on its use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation. Restricted net position related to governmental activities totaled \$1.5 million and was restricted for debt service. The City's unrestricted net position, which is used to finance the day-to-day operations of the City, totaled a negative \$97.4 million, a decrease of \$3.1 from 2014 net position restated for the impact of the implementation of GASB Statements No. 68 and No. 71.

## Summary of Changes in Net Position:

The following table summarizes the changes in net position:

**Summary of Changes in Net Position**  
(Net Position Restated)  
For the Years Ended June 30, 2015 and 2014  
(In Millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 14.3	\$ 14.4	\$ 5.2	\$ 5.5	\$ 19.5	\$ 19.9
Operating grants and contributions	66.9	62.8	-	-	66.9	62.8
Capital grants and contributions	5.7	6.1	0.8	0.5	6.5	6.6
General Revenues:						
Property taxes	108.2	107.2	-	-	108.2	107.2
Local portion of state sales tax	20.6	19.2	-	-	20.6	19.2
Business and professional occupational license taxes	12.7	12.3	-	-	12.7	12.3
Utility taxes	9.9	10.0	-	-	9.9	10.0
Prepared food and beverage taxes	13.9	13.2	-	-	13.9	13.2
Commonwealth share-personal property taxes	8.1	8.1	-	-	8.1	8.1
Cigarette taxes	2.3	2.3	-	-	2.3	2.3
Transient room taxes	4.2	3.9	-	-	4.2	3.9
Telecommunications taxes	6.9	7.0	-	-	6.9	7.0
Motor vehicle license tax	2.1	2.0	-	-	2.1	2.0
Local Aid to the Commonwealth	(0.7)	-	-	-	(0.7)	-
Stormwater Fee	-	-	2.0	-	2.0	-
Other	7.3	6.5	-	1.0	7.3	7.5
Payment from Component Unit	14.6	15.5	-	-	14.6	15.5
Interest and investment income	1.7	1.5	0.2	-	1.9	1.5
<b>Total Revenues</b>	<b>\$ 298.7</b>	<b>\$ 292.0</b>	<b>\$ 8.2</b>	<b>\$ 7.0</b>	<b>\$ 306.9</b>	<b>\$ 299.0</b>

(Continued)

**Summary of Changes in Net Position**  
**(Net Position Restated)**  
**For the Years Ended June 30, 2015 and 2014**  
(In Millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>(Restated)*</b>		<b>(Restated)*</b>		<b>(Restated)*</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Expenses</b>						
General Government	\$ 14.3	\$ 14.0	\$ -	\$ -	\$ 14.3	\$ 14.0
Judicial Administration	8.6	8.7	-	-	8.6	8.7
Public Safety	64.5	66.9	-	-	64.5	66.9
Public Works	27.8	29.7	-	-	27.8	29.7
Health and Welfare	38.4	39.1	-	-	38.4	39.1
Parks, Recreation and Cultural	11.4	11.1	-	-	11.4	11.1
Community Development	11.9	11.3	-	-	11.9	11.3
Greater Roanoke Transit Company	1.8	1.5	-	-	1.8	1.5
Education	81.4	79.4	-	-	81.4	79.4
Economic Development	1.2	0.4	-	-	1.2	0.4
Interest and Fiscal Charges	10.1	12.7	-	-	10.1	12.7
Stormwater Utility	-	-	1.8	0.1	1.8	0.1
Civic Facilities	-	-	4.8	4.6	4.8	4.6
Parking	-	-	3.4	3.8	3.4	3.8
<b>Total Expenses</b>	<b>271.4</b>	<b>274.8</b>	<b>10.0</b>	<b>8.5</b>	<b>281.4</b>	<b>283.3</b>
Increase (Decrease) in Net Position before Transfers	27.3	17.2	(1.8)	(1.5)	25.5	15.7
Transfers	(3.3)	(2.1)	3.3	2.1	-	-
Increase in Net Position	24.0	15.1	1.5	0.6	25.5	15.7
<b>Total Net Position, Beginning, as restated</b>	<b>249.3</b>	<b>234.2</b>	<b>35.5</b>	<b>34.9</b>	<b>284.8</b>	<b>269.1</b>
<b>Total Net Position, Ending, as restated</b>	<b>\$ 273.3</b>	<b>\$ 249.3</b>	<b>\$ 37.0</b>	<b>\$ 35.5</b>	<b>\$ 310.3</b>	<b>\$ 284.8</b>

\* Restated in accordance with GASB Statements No. 68 & 71

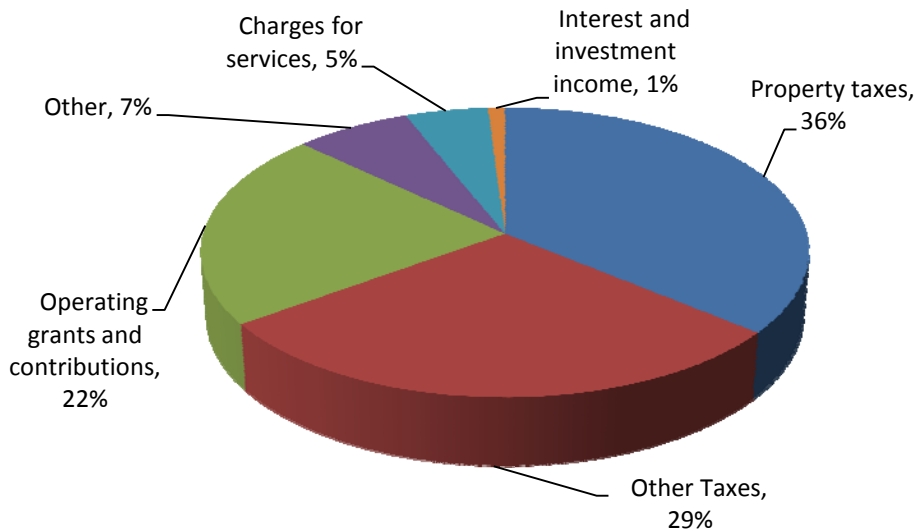
### Governmental Activities

The net position of governmental activities increased \$24.0 million as compared to the \$15.1 million increase in prior year. Significant current year activities affecting net position include:

- General revenues increased 1.5% and were mainly due to an 8.9% increase in personal property tax. Other local taxes, in its entirety, increased 3.3% compared to the prior year. Many local taxes performed very well such as Sales, Business License, Transient Occupancy and Prepared Food and Beverage.
- The City continued to maintain and implement financial controls to ensure that the expenses of general government programs were contained within budget. Staffing was at the appropriate levels based on ongoing program activities and departments maintained fiscal restraint.
- The City funded the OPEB Trust (including Line of Duty) at an amount above the minimum required contribution and thus recognized an asset in the governmental Statement of Net Position of \$0.5 million.

Revenues generated for governmental activities are presented below by category:

**Revenue by Source – Primary Government for the year ended June 30, 2015**



The property tax classification was approximately 36% of the total revenue generated by governmental activities and included real estate tax, the local portion of personal property tax, and public service corporation taxes. Real estate tax revenue, the largest source of revenue for the City, totaled \$80.0 million. The assessed value of real property in the City increased 0.4% for the 2015 calendar year mainly due to new construction.

Personal property tax revenue, including the Commonwealth share, totaled \$38.5 million. The revenue received locally from citizens totaled \$30.4 million. Funding from the Commonwealth under its amended Personal Property Tax Relief Act (PPTRA) program provided revenue totaling \$8.1 million. Revenue from the Commonwealth provided relief of 49.0% on the first \$20,000 in vehicle value for the current fiscal year and is included in the other taxes category.

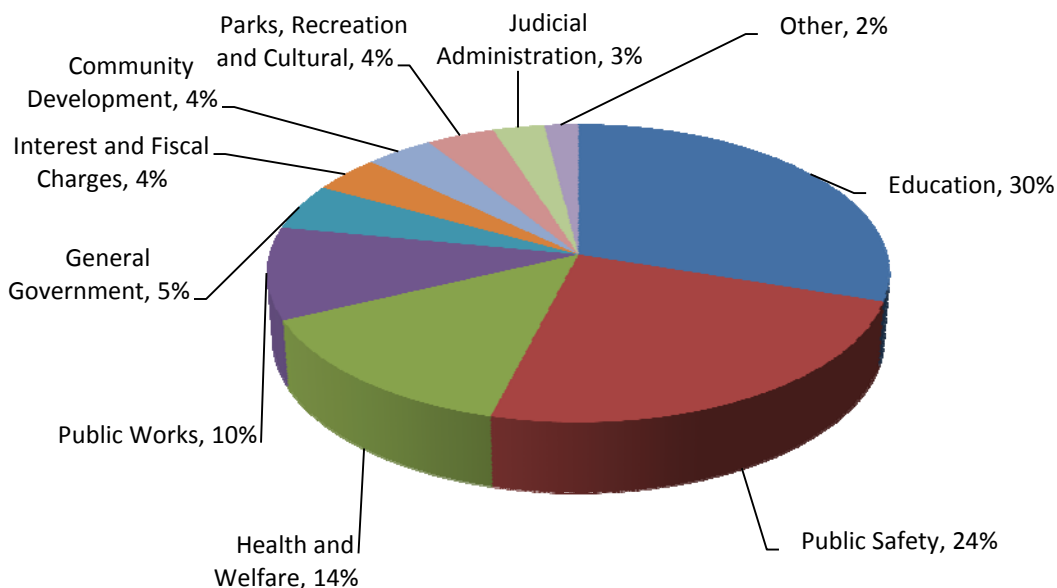
Sales, prepared food and beverage, business and professional occupational license, utility, telecommunication, transient room and cigarette taxes as well as funding from the Commonwealth under PPTRA comprised the majority of other local taxes collected by the City. Other taxes equated to approximately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

Operating grants and contributions was approximately 22% of governmental activities revenues. Social service programs, street maintenance funds, reimbursement for shared expenses of constitutional officers, reimbursement for funding received under House Bill 599 for law enforcement, and jail per diems are some of the major sources of revenue included in this category.

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

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

**Expenses – Primary Government for the year ended June 30, 2015**



Education expenses comprised 30% of governmental activities. Funding of \$76.4 million was provided to the Roanoke City School Board to support School operations and debt service.

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

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

**Business-type Activities**

The net position of business-type activities increased the City's net position by \$1.5 million, primarily related to general revenue of Stormwater fee.

Expenses for the City's business-type activities totaled \$10.0 million. The increase was mainly related to the City's stormwater utility operation, which was established in fiscal year 2014.

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

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

***Governmental funds*** - For the fiscal year ended June 30, 2015, the governmental funds reported a combined ending fund balance of \$45.8 million, a decrease of \$3.8 million from the prior year, as

restated. Approximately 61% of this total (\$28.0 million) constitutes unassigned fund balance and consists of the Unassigned General Fund Reserve. The Reserve provides the City with sufficient working capital and a margin of financial safety to address unforeseen, one-time expenditure emergencies or declines in revenues for which there is no other budgetary resource or other designations of fund balance available to satisfy the funding need. Committed fund balance of approximately \$6.0 million consisted of funding for outstanding purchase commitments and future years' capital project expenditures. The remaining fund balance of approximately \$11.8 million is restricted and consists of funds, provided by bonded debt, for future capital project expenditures and funds restricted to debt service.

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

The General Fund is the primary operating fund of the City. The total fund balance increased by \$1.1 million (revenue of \$265.4 million less expenditures of \$244.6 million and other financing uses of \$19.7 million net transfers), and the unassigned fund balance increased by \$1.3 million to \$28.0 million.

Local taxes increased by 2.7% compared to last year, indicating a growing local economy. Personal property, sales, business license and lodging taxes all increased more than 5.0% over fiscal year 2014. Real Estate taxes, the City's largest single source of revenue, increased 0.4% due to reassessments related to new construction.

Intergovernmental revenue is the second largest source of General Fund revenues accounting for \$66.9 million in fiscal year 2015. The Commonwealth is the primary source of Intergovernmental revenue by providing revenues for social services programs, street maintenance funds, and law enforcement funding received under House Bill 599.

In fiscal year 2015, the total increase in funding from the Commonwealth in fiscal year 2015 compared to fiscal year 2014 was approximately \$1.4 million or 2.2%. The funding from the Commonwealth for street maintenance increased \$1.9 million or 14.9% compared to fiscal year 2014. This increase in revenue is primarily the result of an increase in the number of lane miles shared by the Virginia Department of Transportation.

The Capital Projects Fund balance decreased \$5.0 million primarily related to increased expenditures for building renovations and infrastructure capital projects.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

Actual General Fund revenues were \$5.4 million or 2.0% higher than the original adopted fiscal year 2015 revenues estimates and slightly exceeded the final revenue estimates by \$0.7 million or 0.3%. The General Fund revenue increase was driven by strong local tax revenue performance, primarily personal property, sales, current business license, prepared food and beverage and lodging taxes.

In the local tax area, real estate, public service, sales, transient occupancy, prepared food and beverage and communications taxes exceeded the original adopted budget, while motor vehicle license, admission and cigarette taxes were under budget. The strong results indicated a good recovery of the local economy



and as a result, led to a projected moderate growth in real estate and other local tax revenue estimates in fiscal year 2016.

The intergovernmental revenue performance as compared to budget was driven by the increased street paving and maintenance activities during fiscal year 2015. Accordingly, as reimbursable street maintenance expenditures were increased, associated street maintenance revenues were also increased.

General Fund expenditures and transfers were higher than the original budget by \$4.2 million or 1.6% partially due to increased funding to Roanoke City Public Schools during the year, but were lower than the final amended budget by \$2.3 million or 0.9%. LEAN methodology continues to be a focus for the City to continually improve efficiencies for the benefit of Roanoke citizens. Spending at the departmental level was closely monitored during the fiscal year, and policies centered on maximizing savings were continued.

During fiscal year 2015, City Council amended the budget several times. These budget amendments or supplemental appropriation ordinances were primarily for the following purposes:

- To reappropriate funds to pay commitments in the form of encumbrances established prior to June 30, 2014, but not paid by that date. Encumbrances for General Fund purchase orders authorized and issued, but for which goods and services were not received or paid by June 30, 2014 totaled \$1.9 million.
- To appropriate excess local revenues over expenditures to capital funding.

## CAPITAL ASSETS

As of June 30, 2015, the City's capital assets for its governmental and business-type activities amounted to \$623.0 million net of accumulated depreciation. This investment includes land, historical treasures, construction in progress, land improvements, buildings and structures, equipment and infrastructure. Also, in fiscal year ended June 30, 2015, the City recorded a restatement of the prior year's Construction in Progress (\*) in the amount of \$0.99 million. The City's capital assets increased year over year by \$18.0 million or 3.0% related to the increase of assets in the infrastructure and construction in progress categories, when compared to fiscal year ended 2014 as restated.

The following table shows summarized balances of major categories of capital assets as of June 30, 2015 and 2014.

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

	Governmental Activities		Business-type Activities		Total	
	Balance June 30, 2015	Balance June 30, 2014	Balance June 30, 2015	Balance June 30, 2014	Balance June 30, 2015	Balance June 30, 2014
Land and Improvements	\$ 49.8	\$ 49.4	\$ 4.7	\$ 4.6	\$ 54.5	\$ 54.0
Buildings and Improvements	260.6	257.4	54.5	53.5	315.1	310.9
Equipment	25.4	26.6	0.4	0.5	25.8	27.1
Infrastructure	200.2	190.7	-	-	200.2	190.7
Construction in Progress	26.2	21.3 *	0.6	0.4	26.8	21.7 *
Historical Treasures	0.6	0.6	-	-	0.6	0.6
Total	\$ 562.8	\$ 546.0	\$ 60.2	\$ 59.0	\$ 623.0	\$ 605.0

\* Restated

The City uses the Modified Approach for certain infrastructure assets deemed ‘inexhaustible’ as defined by GAAP, and is required to conduct a semi-annual (January and July) assessment of the condition level of 100% of the Flood Reduction infrastructure asset. The assessment is based on the United States Army Corps of Engineers (USACE) ‘Inspection, Maintenance and Operational Report’. City and USACE policy require the condition level to be maintained at or above a Fair (2) rating. As of June 30, 2015, the infrastructure had an average assessment rating of 2.6, which is above the required minimum rating of 2. The fiscal year 2015 Budget (estimated) of \$116,000 included costs for debris removal after a high water event. The anticipated event did not occur resulting in expenditures significantly under budget.

#### **Comparison of Estimated to Actual Maintenance Costs**

	<u>2014</u>	<u>2015</u>
Estimated	\$131,833	\$116,000
Actual	\$107,512	\$ 49,384

Detailed information regarding capital assets is disclosed in Note 6 of the Notes to the financial statements.

#### **LONG-TERM DEBT**

At June 30, 2015, the City’s long-term liabilities, excluding compensated absences and claims payable, totaled \$254.1 million, comprised of \$225.5 million related to governmental activities and \$28.6 million related to business-type activities. Total debt decreased by \$2.9 million during the fiscal year. Interest and fiscal charges for 2015 were \$9.4 million, or 3.0% of total governmental funds’ expenditures. Changes in long-term debt during fiscal year 2015 resulted from payment of principal on existing debt, and issuance of General Obligation Public Improvement and Refunding Bonds, Series 2015 (Tax Exempt).

Series 2015 Improvement bonds were used to finance a portion of the costs of school improvement projects, public libraries projects, parks and recreation improvement projects, public bridge renovation projects, stormwater management projects, civic center improvement projects, curbs, gutter and sidewalk improvement projects, streetscape improvement projects, rail passenger infrastructure improvements, and new fire facilities and emergency center projects. Series 2015 Refunding bonds were used to refund portions of outstanding Series 2008 bonds, Series 2008A Virginia Resource Authority bonds and Series 2012A bonds. The refunding portion of the bond series was undertaken to take advantage of interest savings and resulted in an economic gain of \$390,353. Additionally, the Virginia Public School Authority (VPSA) refunded Series 2007A and 2008B, VPSA Refunding Series 2015A, which resulted in an economic gain for the City of \$678,822.

The City’s most recent ratings obtained in March 2015 were AA+ from both Fitch Ratings and Standard & Poor’s (S&P) Ratings Services. The City’s strong bond ratings will translate into reduced borrowing costs related to its capital improvement projects.

The *Charter of the City* and *Code of Virginia* limits the City’s net debt to 10% of the assessed valuation of real estate within the City limits. The limit applies to tax supported debt paid by the governmental funds. Long-term liabilities of business-type funds will be met by revenues generated by those funds. The City considers long-term debt of its Parking Enterprise Fund to be self-supporting. Additionally, in accordance with its contractual agreement with the Western Virginia Water Authority, the City will receive funding from the Authority toward \$10.0 million of general obligation debt. The City’s tax-

supported debt of \$218.6 million less the Debt Service Fund Balance of \$1.5 million designated for the repayment of debt service is well below the legal debt limit of \$669.0 million.

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

Detailed information concerning the City's long-term liabilities is presented in Notes 9, 10, 12 and 13 of the Notes to Basic Financial Statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's unemployment rate, not seasonally adjusted, was 5.6 % as of June 30, 2015. Consistent with trends at the state level, this represents a decrease of 0.6% from the prior year. The City's unemployment rate was above the state unemployment rate of 4.9% and national unemployment rate of 5.3%. Employment in Roanoke is diverse with representation within the area of all census-defined industries. The industries providing the largest number of jobs in the region are health care and social assistance.

Roanoke's income levels trail the state and national averages; however, they compare quite well when adjusted for the cost of living. Fiscal year 2015 financial performance was indicative of an improving local economy. However, the City anticipates lingering effects of economic uncertainties as weak economic conditions abroad, incomplete fixes to the financial system and disappointing national employment reports remain challenges.

The City's General Fund revenues increased in 2015 by 2.3% primarily due to personal property, sales, business license, meals, lodging and State aid income. With strategic expenditure controls, the City was able to fund additional capital projects in the public safety and public works areas as well as increase funding to Roanoke City Public Schools. In addition, the General Fund unassigned fund balance was increased by \$1.3 million maintaining the unassigned balance above the requisite funding level according to the City's reserve policy.

Important economic indicators for the City during the past year included a decrease in unemployment and an increase in consumer spending that affected many areas of the local economy. City management expects that the local economy will continue to improve in the next fiscal year with the strong consumer spending trend.

Housing values have started to increase slightly after declining for the past three years, including fiscal year 2015. The average assessed value of single-family housing unit fell slightly to \$125,165 in fiscal year 2015 from \$125,545 in fiscal year 2014. The volume of commercial construction permits decreased 8.2% although the value of permits issued in 2015 increased by 6.0% compared to 2014. Both the value and volume of residential construction permits decreased in 2015 compared to 2014.

Fiscally responsible budgeting for 2015 provided for expanded programming levels for services compared to prior years despite the reduction in real estate tax revenues. Programming levels remained stable.

General Fund fiscal year 2016 estimated revenues increased 4.6% compared to the fiscal year 2015 adopted budget. The increase was attributable to economic growth and tax rate increases in several local taxes. General property taxes increased \$3.7 million and Intergovernmental revenues increased \$3.1 million, both positive economic indicators. Local taxes comprise 69.1% of all budgeted fiscal year 2016 General Fund revenues.

In fiscal year 2016, the City increased the real estate tax rate from \$1.19 per \$100 of assessed value to \$1.22, resulting in a 3.4% revenue increase in fiscal year 2016. The city also increased the meals tax rate from 5.0% to 5.5% and motor vehicle license tax from \$20 to \$28 for each license, effective July 1, 2015. For fiscal year 2016, total local tax revenues are estimated to grow moderately. Funding from the Commonwealth is projected to increase by 7.7%, mainly in street maintenance, as well as in the public safety categories. Funding to Schools is projected to increase 2.4%.

The City's Pension Plan experienced a modest positive investment performance for the fiscal year ended June 30, 2015, which is reflective of slow worldwide economic growth, large domestic and international deficits, geopolitical concerns and significant market volatility. While the investment rate of return fell short of the actuarial expected rate of return, the funded ratio increased from 67.8% to 70.4% as a result of the recognition of returns in excess of the expected rate of return in prior years. The outlook is guarded given the expectation of modest returns in both the equity and fixed income markets and continuing market volatility.

As the City looks ahead toward fiscal 2017, budgetary pressures continue, but are less impactful than in previous years due to local economic growth. Strategic focus areas include providing capital investment to maintain City assets and operations, increased local funding of state mandated programs as state funding is reduced and funding of employee health care and compensation costs. The priorities are challenging given competition for finite resources.

The real estate market in the City has started to grow at a slow pace. The City is monitoring the situation carefully and expects information prior to the beginning of the budgeting process for fiscal year 2017. The real estate assessment process aligns well with the budgeting process in that real estate assessments are established in January of each year with an effective date of July 1<sup>st</sup> of the same year. This allows the City to plan and revise programs as needed to maintain a balanced budget as real estate tax revenues are known and defined.

The Roanoke economy appears to be recovering from the recession. Local taxes indicate increased economic activity. Management believes that the current fiscal 2016 revenue estimates will be met. Challenges exist in predicting the timing and rate of improvement moving forward. It continues to be difficult to anticipate the level of funding from the Commonwealth and federal governments in upcoming years. There will continue to be significant pressure on local governments to fund programs previously funded by these government entities in areas such as public education and social services.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**CITY OF ROANOKE, VIRGINIA  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	GRTC
<b>Assets</b>					
Cash and Cash Equivalents	\$ 71,701,528	\$ 5,923,184	\$ 77,624,712	\$ 27,374,064	\$ 461,155
Interest and Dividends Receivable	6,960	-	6,960	-	-
Due from City of Roanoke	-	-	-	2,040,334	-
Due from Other Governments	21,383,095	-	21,383,095	8,436,929	839,182
Internal Balances	80,606	(80,606)	-	-	-
Taxes and Accounts Receivable, Net	16,666,624	361,847	17,028,471	494,028	103,129
Inventory	63,306	-	63,306	-	509,237
Prepays and Other Assets	532,565	32,251	564,816	316,495	108,497
Net Pension Asset	-	-	-	920,814	-
OPEB/LODA Prepayment	501,000	-	501,000	270,656	-
Capital Assets:					
Land, Construction in Progress,					
Right-of-Way, and Historical Treasures	139,664,227	5,301,361	144,965,588	-	720,724
Other Capital Assets, Net	423,094,087	54,933,983	478,028,070	3,016,131	11,284,678
Capital Assets, Net	562,758,314	60,235,344	622,993,658	3,016,131	12,005,402
<b>Total Assets</b>	<b>\$ 673,693,998</b>	<b>\$ 66,472,020</b>	<b>\$ 740,166,018</b>	<b>\$ 42,869,451</b>	<b>\$ 14,026,602</b>
<b>Deferred Outflows of Resources</b>					
Deferred Charges on Refunding of Debt	\$ 6,366,756	\$ 1,426,945	\$ 7,793,701	\$ -	\$ -
Deferred Outflows for Pension Contributions	15,145,322	189,783	15,335,105	12,479,404	-
Deferred Outflows for Pension Changes	740,156	1,632	741,788	843,867	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 22,252,234</b>	<b>\$ 1,618,360</b>	<b>\$ 23,870,594</b>	<b>\$ 13,323,271</b>	<b>\$ -</b>
<b>Liabilities</b>					
Accounts Payable and Accrued Expenses	\$ 18,759,978	\$ 1,183,294	\$ 19,943,272	\$ 4,430,102	\$ 1,106,489
Accrued Interest Payable	2,578,180	336,989	2,915,169	-	-
Due to Component Unit	2,040,334	-	2,040,334	-	-
Due to Other Governments	259,863	87,034	346,897	-	-
Unearned Revenue	2,248,473	441,653	2,690,126	1,183,077	248,418
Other Liabilities	20,136	7,880	28,016	6,354,372	-
Net Pension Liability	108,395,759	223,071	108,618,830	122,935,291	-
Long-term Liabilities Due Within					
One Year	32,099,803	2,271,790	34,371,593	975,084	-
Long-term Liabilities Due in More					
Than One Year, Net	222,874,032	26,460,571	249,334,603	3,668,440	-
<b>Total Liabilities</b>	<b>\$ 389,276,558</b>	<b>\$ 31,012,282</b>	<b>\$ 420,288,840</b>	<b>\$ 139,546,366</b>	<b>\$ 1,354,907</b>
<b>Deferred Inflows of Resources</b>					
Deferred Inflows for Pension Changes	\$ 33,382,806	\$ 66,965	\$ 33,449,771	\$ 19,006,898	\$ -
<b>Total Deferred Inflows of Resources</b>	<b>\$ 33,382,806</b>	<b>\$ 66,965</b>	<b>\$ 33,449,771</b>	<b>\$ 19,006,898</b>	<b>\$ -</b>
<b>Net Position</b>					
Net Investment in Capital Assets	\$ 371,085,207	\$ 35,092,265	\$ 406,177,472	\$ 3,016,131	\$ 12,005,402
Restricted for:					
Debt Service	1,508,122	-	1,508,122	-	-
Unrestricted (deficit)	(99,306,461)	1,918,868	(97,387,593)	(105,376,673)	666,293
<b>Total Net (deficit) Position</b>	<b>\$ 273,286,868</b>	<b>\$ 37,011,133</b>	<b>\$ 310,298,001</b>	<b>\$ (102,360,542)</b>	<b>\$ 12,671,695</b>

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 14,277,141	\$ 4,404,474	\$ 1,099,449	\$ 63,392
Judicial Administration	8,581,552	3,547,051	8,427,642	-
Public Safety	64,530,235	5,080,861	8,876,617	-
Public Works	27,794,564	340,693	14,752,428	4,928,742
Health and Welfare	38,466,658	26,363	28,275,470	-
Parks, Recreation and Cultural	11,427,529	578,905	1,647,695	681,104
Community Development	11,853,575	299,571	3,850,495	-
Transportation	1,754,105	-	-	-
Education	81,406,796	-	-	-
Economic Development	1,167,670	-	-	-
Other	3,056	-	-	-
Interest and Fiscal Charges	10,131,984	-	-	-
<b>Total Governmental Activities</b>	<b>271,394,865</b>	<b>14,277,918</b>	<b>66,929,796</b>	<b>5,673,238</b>
<b>Business-Type Activities:</b>				
Civic Facilities	4,843,800	2,238,759	-	375,000
Parking	3,362,282	2,987,015	-	436,558
Stormwater Utility	1,802,924	-	-	-
<b>Total Business-Type Activities</b>	<b>10,009,006</b>	<b>5,225,774</b>	<b>-</b>	<b>811,558</b>
<b>Total Primary Government</b>	<b>\$ 281,403,871</b>	<b>\$ 19,503,692</b>	<b>\$ 66,929,796</b>	<b>\$ 6,484,796</b>
<b>Component Units:</b>				
School Board of the City of Roanoke	\$ 187,959,090	\$ 7,944,511	\$ 42,055,561	\$ -
Greater Roanoke Transit Company	11,362,645	2,156,886	-	1,188,167

**General Revenues:**

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

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	GRTC
\$ (8,709,826)	\$ -	\$ (8,709,826)	\$ -	\$ -
3,393,141	-	3,393,141	-	-
(50,572,757)	-	(50,572,757)	-	-
(7,772,701)	-	(7,772,701)	-	-
(10,164,825)	-	(10,164,825)	-	-
(8,519,825)	-	(8,519,825)	-	-
(7,703,509)	-	(7,703,509)	-	-
(1,754,105)	-	(1,754,105)	-	-
(81,406,796)	-	(81,406,796)	-	-
(1,167,670)	-	(1,167,670)	-	-
(3,056)	-	(3,056)	-	-
(10,131,984)	-	(10,131,984)	-	-
<b>(184,513,913)</b>	<b>-</b>	<b>(184,513,913)</b>	<b>-</b>	<b>-</b>
-	(2,230,041)	(2,230,041)	-	-
-	61,291	61,291	-	-
-	(1,802,924)	(1,802,924)	-	-
-	(3,971,674)	(3,971,674)	-	-
<b>\$ (184,513,913)</b>	<b>\$ (3,971,674)</b>	<b>\$ (188,485,587)</b>	<b>\$ -</b>	<b>\$ -</b>
\$ -	\$ -	\$ -	\$ (137,959,018)	\$ -
-	-	-	-	(8,017,592)

\$ 108,241,653	\$ -	\$ 108,241,653	\$ -	\$ -
20,564,044	-	20,564,044	-	-
12,731,564	-	12,731,564	-	-
9,870,443	-	9,870,443	-	-
13,857,569	-	13,857,569	-	-
8,075,992	-	8,075,992	-	-
2,256,249	-	2,256,249	-	-
4,162,522	-	4,162,522	-	-
6,933,071	-	6,933,071	-	-
2,123,181	-	2,123,181	-	-
-	2,049,963	2,049,963	-	-
1,311,803	-	1,311,803	-	-
5,405,839	-	5,405,839	-	241,089
-	-	-	57,517,691	-
-	-	-	76,437,785	-
14,621,813	-	14,621,813	-	-
-	-	-	-	6,922,184
1,634,045	170,634	1,804,679	49,049	-
-	-	-	703,547	-
-	-	-	-	-
(3,290,944)	3,290,944	-	-	-
<b>\$ 208,498,844</b>	<b>\$ 5,511,541</b>	<b>\$ 214,010,385</b>	<b>\$ 134,708,072</b>	<b>\$ 7,163,273</b>
23,984,931	1,539,867	25,524,798	(3,250,946)	(854,319)
<b>249,301,937</b>	<b>35,471,266</b>	<b>284,773,203</b>	<b>(99,109,596)</b>	<b>13,526,014</b>
<b>\$ 273,286,868</b>	<b>\$ 37,011,133</b>	<b>\$ 310,298,001</b>	<b>\$ (102,360,542)</b>	<b>\$ 12,671,695</b>

**CITY OF ROANOKE, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 23,311,746	\$ 1,543,461	\$ 851,640	\$ 19,847,834	\$ 45,554,681
Interest and Dividends Receivable	6,960	-	-	-	6,960
Due from Component Unit	202,522	-	-	-	202,522
Due from Other Governments	9,694,411	-	1,579,887	127,636	11,401,934
Due from Other Funds	515,686	39,813	265,712	2,397,926	3,219,137
Taxes Receivable, net of Allowance	17,819,421	-	-	-	17,819,421
Accounts Receivable	5,866,011	-	118,313	-	5,984,324
Allowance for Uncollectible Receivables	(7,307,982)	-	-	-	(7,307,982)
Prepays and Other	47,891	-	-	-	47,891
<b>Total Assets</b>	<b>\$ 50,156,666</b>	<b>\$ 1,583,274</b>	<b>\$ 2,815,552</b>	<b>\$ 22,373,396</b>	<b>\$ 76,928,888</b>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Expenditures	\$ 10,976,334	\$ 43,000	\$ 617,435	\$ 5,562,633	\$ 17,199,402
Due to Other Governments	259,863	-	-	-	259,863
Due to Other Funds	4,556,336	-	5,007	61,348	4,622,691
Due to Component Unit	-	-	-	2,242,856	2,242,856
Unearned Revenue	-	32,152	2,193,110	-	2,225,262
<b>Total Liabilities</b>	<b>15,792,533</b>	<b>75,152</b>	<b>2,815,552</b>	<b>7,866,837</b>	<b>26,550,074</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Uncollected taxes	4,563,159	-	-	-	4,563,159
<b>Total Deferred Inflows of Resources</b>	<b>4,563,159</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,563,159</b>
<b>FUND BALANCES</b>					
Restricted	-	1,508,122	-	10,280,674	11,788,796
Committed	1,750,624	-	-	4,225,885	5,976,509
Unassigned	28,050,350	-	-	-	28,050,350
<b>Total Fund Balances</b>	<b>29,800,974</b>	<b>1,508,122</b>	<b>-</b>	<b>14,506,559</b>	<b>45,815,655</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 50,156,666</b>	<b>\$ 1,583,274</b>	<b>\$ 2,815,552</b>	<b>\$ 22,373,396</b>	<b>\$ 76,928,888</b>

See Notes to Basic Financial Statements



**Exhibit D**

**CITY OF ROANOKE, VIRGINIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Total Fund Balance - Governmental Funds \$ 45,815,655

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

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

Governmental capital assets, at cost	794,166,668	
Less: accumulated depreciation	<u>(252,888,839)</u>	541,277,829

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

Deferred charge on refunding of debt	15,007,731	
Less: accumulated amortization	(8,646,791)	
OPEB and Line of Duty prepayment	501,000	
Receivable from Western Virginia Water Authority	<u>9,968,500</u>	16,830,440

Property taxes receivable which are expected to be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds.

4,563,159

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

Governmental bonds and loans payable	(203,318,022)	
Capital lease obligation	(3,919,231)	
Bond premium	(18,602,037)	
Accumulated amortization of bond premium	6,890,376	
Compensated absences payable	(7,291,560)	
Accrued interest payable	<u>(2,578,180)</u>	(228,818,654)

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

Deferred outflows of resources for 2015 employer contributions	14,457,966	
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(31,781,738)	
Deferred outflows of resources due to changes in position and differences between employer contributions and proportionate share of contributions	701,139	
Net pension liability	<u>(103,062,332)</u>	(119,684,965)

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

13,303,404

Total Net Position of Governmental Activities

\$ 273,286,868

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local Taxes	\$ 184,464,956	\$ -	\$ -	\$ -	\$ 184,464,956
Permits, Fees and Licenses	1,140,606	-	-	-	1,140,606
Fines and Forfeitures	1,188,103	-	-	-	1,188,103
Rental Income	165,925	-	-	100	166,025
Investment Income	67,061	-	880	24,506	92,447
Intergovernmental	66,953,796	16,169,422	8,301,726	6,924,649	98,349,593
Charges for Services	10,812,015	-	-	-	10,812,015
Miscellaneous	616,568	273,758	78,362	117,857	1,086,545
<b>Total Revenues</b>	<b>265,409,030</b>	<b>16,443,180</b>	<b>8,380,968</b>	<b>7,067,112</b>	<b>297,300,290</b>
<b>EXPENDITURES</b>					
Current Operating:					
General Government	14,355,648	-	42,278	-	14,397,926
Judicial Administration	8,331,541	-	289,895	-	8,621,436
Public Safety	65,707,214	-	1,651,293	-	67,358,507
Public Works	24,328,878	-	-	-	24,328,878
Health and Welfare	36,237,594	-	2,539,645	-	38,777,239
Parks, Recreation and Cultural	10,040,249	-	122,712	-	10,162,961
Community Development	7,440,272	-	4,204,791	-	11,645,063
Greater Roanoke Transit Company	1,754,105	-	-	-	1,754,105
Education	76,371,925	-	-	-	76,371,925
Debt Service:					
Principal Retirement	-	20,348,785	-	-	20,348,785
Interest and Other Charges	-	8,593,585	-	-	8,593,585
Bond Issuance Cost	-	823,289	-	-	823,289
Capital Outlays	-	-	-	32,624,252	32,624,252
<b>Total Expenditures</b>	<b>244,567,426</b>	<b>29,765,659</b>	<b>8,850,614</b>	<b>32,624,252</b>	<b>315,807,951</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>20,841,604</b>	<b>(13,322,479)</b>	<b>(469,646)</b>	<b>(25,557,140)</b>	<b>(18,507,661)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Bonds	-	-	-	17,420,000	17,420,000
Issuance of Refunding Bonds	-	12,870,000	-	-	12,870,000
Payment to Refunded Bond Escrow Agent	-	(12,655,000)	-	-	(12,655,000)
Premium on Sale of Bonds	-	806,190	-	473,000	1,279,190
Transfers In	104,439	12,403,263	620,550	3,109,363	16,237,615
Transfers Out	(19,807,933)	-	(150,904)	(467,652)	(20,426,489)
<b>Total Other Financing Sources (Uses), Net</b>	<b>(19,703,494)</b>	<b>13,424,453</b>	<b>469,646</b>	<b>20,534,711</b>	<b>14,725,316</b>
Change in Fund Balance	1,138,110	101,974	-	(5,022,429)	(3,782,345)
<b>Fund Balance at Beginning of Year, as Restated</b>	<b>28,662,864</b>	<b>1,406,148</b>	<b>-</b>	<b>19,528,988</b>	<b>49,598,000</b>
<b>Fund Balance at End of Year</b>	<b>\$ 29,800,974</b>	<b>\$ 1,508,122</b>	<b>\$ -</b>	<b>\$ 14,506,559</b>	<b>\$ 45,815,655</b>

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balance - Governmental Funds \$ (3,782,345)

Amounts reported for Governmental Activities in the Statement of Activities are different due to:

Governmental Funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate the cost of those assets over the life of the asset.

Expenditures for capital assets	33,583,493	
Less current year depreciation expense	<u>(15,744,858)</u>	17,838,635

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

Net change in deferred revenue related to taxes	1,224,397	
Net principal reimbursed by Western Virginia Water Authority	<u>(1,021,400)</u>	202,997

Bond and other long term debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Bond and other long term debt proceeds	(30,094,371)	
Bond premium	(960,511)	
Amortization of current year bond premium	1,138,624	
Amortization of current year bond costs and deferred amounts	(852,226)	
Principal payments	<u>33,003,785</u>	2,235,301

Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense

Pension contribution	14,457,966	
Pension expense	<u>(8,625,162)</u>	5,832,804

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in long-term compensated absences	(1,079,969)	
Change in accrued interest payable	386,084	
OPEB and Line of Duty assets	501,000	(192,885)

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

1,850,424

Change in Net Position - Governmental Activities \$ 23,984,931

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Enterprise Funds				Internal Service Funds
	Civic Facilities	Parking	Stormwater	Total	
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,998,911	\$ 1,753,555	\$ 2,170,718	\$ 5,923,184	\$ 26,146,847
Due from Other Governments	-	-	-	-	12,661
Due from Other Funds	-	2,115	1,602	3,717	1,909,205
Accounts Receivable	94,659	24,335	242,853	361,847	170,861
Inventory	-	-	-	-	63,306
Other Assets	30,207	-	-	30,207	330,000
<b>Total Current Assets</b>	<b>2,123,777</b>	<b>1,780,005</b>	<b>2,415,173</b>	<b>6,318,955</b>	<b>28,632,880</b>
Capital Assets:					
Land and Land Improvements	1,215,005	3,431,514	87,250	4,733,769	-
Buildings and Structures	40,787,791	48,466,833	-	89,254,624	-
Equipment and Other Capital Assets	2,173,192	168,882	-	2,342,074	66,173,604
Construction in Progress	177,491	26,794	437,003	641,288	512,743
Less Accumulated Depreciation	(18,925,115)	(17,811,102)	(194)	(36,736,411)	(45,205,862)
<b>Capital Assets, Net</b>	<b>25,428,364</b>	<b>34,282,921</b>	<b>524,059</b>	<b>60,235,344</b>	<b>21,480,485</b>
<b>Total Assets</b>	<b>\$ 27,552,141</b>	<b>\$ 36,062,926</b>	<b>\$ 2,939,232</b>	<b>\$ 66,554,299</b>	<b>\$ 50,113,365</b>
<b>Deferred Outflows of Resources</b>					
Deferred Outflow for Pension Contributions	\$ -	\$ 9,868	\$ 179,915	\$ 189,783	\$ 687,356
Deferred Outflow for Pension Changes	-	1,558	74	1,632	39,017
Deferred Charges on Refunding of Debt	425,563	1,001,382	-	1,426,945	5,817
<b>Total Deferred Outflows of Resources</b>	<b>\$ 425,563</b>	<b>\$ 1,012,808</b>	<b>\$ 179,989</b>	<b>\$ 1,618,360</b>	<b>\$ 732,190</b>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 525,224	\$ 180,248	\$ 477,822	\$ 1,183,294	\$ 1,560,576
Accrued Interest Payable	187,399	140,149	9,441	336,989	-
Due to Other Governments	87,015	19	-	87,034	-
Due to Other Funds	30,573	2,978	56,608	90,159	290,508
Unearned Revenue	441,653	-	-	441,653	23,211
Long-Term Liabilities Due Within One Year	1,173,948	1,014,400	83,442	2,271,790	3,969,122
<b>Total Current Liabilities</b>	<b>2,445,812</b>	<b>1,337,794</b>	<b>627,313</b>	<b>4,410,919</b>	<b>5,843,417</b>
Long-Term Liabilities:					
Compensated Absences Payable	-	20,676	64,105	84,781	412,129
Claims Payable	-	-	-	-	21,761,064
General Obligation Bonds Payable, Net	14,081,063	13,417,718	1,131,292	28,630,073	6,222,750
Capital Lease Obligations	17,507	-	-	17,507	337,418
Net Pension Liability	-	212,931	10,140	223,071	5,333,427
Less Current Maturities	(1,173,948)	(1,014,400)	(83,442)	(2,271,790)	(3,969,122)
<b>Total Long-Term Liabilities</b>	<b>12,924,622</b>	<b>12,636,925</b>	<b>1,122,095</b>	<b>26,683,642</b>	<b>30,097,666</b>
<b>Total Liabilities</b>	<b>\$ 15,370,434</b>	<b>\$ 13,974,719</b>	<b>\$ 1,749,408</b>	<b>\$ 31,094,561</b>	<b>\$ 35,941,083</b>
<b>Deferred Inflows of Resources</b>					
Deferred Inflow for Pension Changes	\$ -	\$ 63,921	\$ 3,044	\$ 66,965	\$ 1,601,068
<b>Total Deferred Inflows of Resources</b>	<b>\$ -</b>	<b>\$ 63,921</b>	<b>\$ 3,044</b>	<b>\$ 66,965</b>	<b>\$ 1,601,068</b>
<b>Net Position</b>					
Net Investment in Capital Assets	\$ 12,824,061	\$ 21,866,585	\$ 401,619	\$ 35,092,265	\$ 15,289,897
Unrestricted (deficit)	(216,791)	1,170,509	965,150	1,918,868	(1,986,493)
<b>Total Net Position</b>	<b>\$ 12,607,270</b>	<b>\$ 23,037,094</b>	<b>\$ 1,366,769</b>	<b>\$ 37,011,133</b>	<b>\$ 13,303,404</b>

See Notes to Basic Financial Statements

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Civic Facilities</b>	<b>Parking</b>	<b>Stormwater</b>	<b>Total</b>	
<b><u>Operating Revenues</u></b>					
Charges for Services	\$ 2,238,759	\$ 2,987,015	\$ -	\$ 5,225,774	\$ 29,134,687
Stormwater Fees	-	-	2,049,963	2,049,963	-
Other Revenue	375,000	436,558	-	811,558	187,906
<b>Total Operating Revenues</b>	<b>2,613,759</b>	<b>3,423,573</b>	<b>2,049,963</b>	<b>8,087,295</b>	<b>29,322,593</b>
<b><u>Operating Expenses</u></b>					
Personal Services	1,162,946	48,866	1,049,805	2,261,617	3,093,428
Other Services and Charges	2,175,963	1,303,450	480,337	3,959,750	15,732,121
Materials and Supplies	-	467,188	251,656	718,844	4,455,754
Depreciation	946,506	963,018	194	1,909,718	4,865,975
<b>Total Operating Expenses</b>	<b>4,285,415</b>	<b>2,782,522</b>	<b>1,781,992</b>	<b>8,849,929</b>	<b>28,147,278</b>
<b>Operating Income (Loss)</b>	<b>(1,671,656)</b>	<b>641,051</b>	<b>267,971</b>	<b>(762,634)</b>	<b>1,175,315</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>					
Loss on Disposal of Assets	(3,698)	-	-	(3,698)	(23,235)
Investment Income	94,684	74,582	1,368	170,634	49,381
Interest Expense	(554,687)	(579,760)	(20,932)	(1,155,379)	(248,967)
<b>Net Nonoperating Expenses</b>	<b>(463,701)</b>	<b>(505,178)</b>	<b>(19,564)</b>	<b>(988,443)</b>	<b>(222,821)</b>
<b>Income (Loss) Before Transfers</b>	<b>(2,135,357)</b>	<b>135,873</b>	<b>248,407</b>	<b>(1,751,077)</b>	<b>952,494</b>
<b><u>Transfers</u></b>					
Transfers In	2,141,109	125,000	1,324,690	3,590,799	909,717
Transfers Out	-	(80,817)	(219,038)	(299,855)	(11,787)
<b>Net Transfers</b>	<b>2,141,109</b>	<b>44,183</b>	<b>1,105,652</b>	<b>3,290,944</b>	<b>897,930</b>
Change in Net Position	5,752	180,056	1,354,059	1,539,867	1,850,424
<b>Total Net Position at Beginning of Year, as Restated</b>	<b>12,601,518</b>	<b>22,857,038</b>	<b>12,710</b>	<b>35,471,266</b>	<b>11,452,980</b>
<b>Total Net Position at End of Year</b>	<b>\$ 12,607,270</b>	<b>\$ 23,037,094</b>	<b>\$ 1,366,769</b>	<b>\$ 37,011,133</b>	<b>\$ 13,303,404</b>

See Notes to Basic Financial Statements

**CITY OF ROANOKE, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Civic Facilities</b>	<b>Parking</b>	<b>Stormwater</b>	<b>Total</b>	
<b>Cash Flow From Operating Activities</b>					
Cash Received from Customers	\$ 2,104,280	\$ 2,970,399	\$ -	\$ 5,074,679	\$ 28,423,047
Cash Received from Customers Outside Parties	-	-	-	-	761,610
Cash Payments to Suppliers for Goods and Services	(2,012,395)	(1,620,123)	(409,822)	(4,042,340)	(6,318,644)
Cash Payments to Other Funds for Interfund Services	(10,208)	(121,791)	(165,232)	(297,231)	(88,518)
Cash Payments to Employees	(1,133,021)	(83,912)	(1,166,857)	(2,383,790)	(3,698,519)
Cash Payments for Claims	-	-	-	-	(15,662,864)
Cash Payments for Stormwater Fees	-	-	1,894,459	1,894,459	-
Cash Received from Other Operating Revenues	375,000	436,558	-	811,558	187,906
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(676,344)</b>	<b>1,581,131</b>	<b>152,548</b>	<b>1,057,335</b>	<b>3,604,018</b>
<b>Cash Flow From Noncapital Financing Activities:</b>					
Operating Grant Received	-	-	-	-	-
Transfers In	2,141,109	125,000	1,324,690	3,590,799	909,717
Transfers Out	-	(80,817)	(219,038)	(299,855)	(11,787)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>2,141,109</b>	<b>44,183</b>	<b>1,105,652</b>	<b>3,290,944</b>	<b>897,930</b>
<b>Cash Flow From Capital and Related Financing Activities:</b>					
Acquisition and Construction of Capital Assets	(1,941,164)	(496,284)	(208,583)	(2,646,031)	(3,178,653)
Capital Contributions	-	-	-	-	-
Loss on Sale of Capital Assets	-	-	-	-	-
Proceeds from Issuance of Bonds	1,050,000	-	1,090,000	2,140,000	100,494
Proceeds from Sale of Refunding Bonds	-	160,000	-	160,000	-
Principal Paid to Refunded Bond Escrow Agent	(70,000)	(165,000)	-	(235,000)	-
Principal Paid on Bonds and Capital Lease Obligations	(978,238)	(807,000)	-	(1,785,238)	(1,343)
Interest Paid on Bonds and Capital Lease Obligations	(596,032)	(561,478)	50,733	(1,106,777)	(254,897)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(2,535,434)</b>	<b>(1,869,762)</b>	<b>932,150</b>	<b>(3,473,046)</b>	<b>(3,334,399)</b>
<b>Cash Flow From Investing Activities:</b>					
Interest Received	94,610	74,961	1,300	170,871	54,758
Sale of Investments	-	-	-	-	-
Net Purchase of Investments	-	-	(20,932)	(20,932)	-
<b>Cash Provided by (Used in) Investing Activities</b>	<b>94,610</b>	<b>74,961</b>	<b>(19,632)</b>	<b>149,939</b>	<b>54,758</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(976,059)</b>	<b>(169,487)</b>	<b>2,170,718</b>	<b>1,025,172</b>	<b>1,222,307</b>
<b>Cash and Cash Equivalents at July 1</b>	<b>2,974,970</b>	<b>1,923,042</b>	<b>-</b>	<b>4,898,012</b>	<b>24,924,540</b>
<b>Cash and Cash Equivalents at June 30</b>	<b>\$ 1,998,911</b>	<b>\$ 1,753,555</b>	<b>\$ 2,170,718</b>	<b>\$ 5,923,184</b>	<b>\$ 26,146,847</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>					
Operating Income (Loss)	\$ (1,671,656)	\$ 641,051	\$ 267,971	\$ (762,634)	\$ 1,175,315
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	946,506	963,018	194	1,909,718	4,865,975
Changes in Assets and Liabilities:					
Increase in Due From Other Governments	-	-	-	-	(2,120)
(Increase) Decrease in Due From Other Funds	222	(2,494)	91,265	88,993	112,731
Increase in Accounts Receivable	(44,207)	(14,122)	(242,853)	(301,182)	(60,641)
Decrease in Inventory	-	-	-	-	6,963
Increase in Other Assets	-	(11,426)	(179,989)	(191,415)	(726,373)
Increase in Accounts Payable and Accrued Expenses	127,053	62,311	141,951	331,315	472,925
Increase in Due to Other Governments	29,925	-	-	29,925	-
Increase (Decrease) in Due to Other Funds	26,307	(59,815)	55,657	22,149	36,542
Increase in Other Liabilities	-	18,755	894	19,649	469,793
Increase (Decrease) in Compensated Absences Payable	-	(16,147)	17,458	1,311	61,308
Decrease in Unearned Revenue	(90,494)	-	-	(90,494)	-
Decrease in Claims Payable	-	-	-	-	(2,808,400)
<b>Total Adjustments</b>	<b>995,312</b>	<b>940,080</b>	<b>(115,423)</b>	<b>1,819,969</b>	<b>2,428,703</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (676,344)</b>	<b>\$ 1,581,131</b>	<b>\$ 152,548</b>	<b>\$ 1,057,335</b>	<b>\$ 3,604,018</b>

**Noncash Capital and Financing Activities:**

Civic Facilities Fund noncash activities in fiscal year 2015 consisted of capital asset acquisitions of \$97,330 recorded as accounts payable at June 30, 2015.

Parking Fund noncash activities in fiscal 2015 consisted of capital asset acquisitions of \$48,084 recorded as accounts payable at June 30, 2015.

Stormwater Fund noncash activities in fiscal year 2015 consisted of capital asset acquisitions of \$315,670 recorded as accounts payable at June 30, 2015.

Internal Service Fund noncash activities in fiscal year 2015 consisted of capital asset acquisitions of \$469,623 recorded as accounts payable at June 30, 2015.

See Notes to Basic Financial Statements

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 881,705	\$ -	\$ 3,353,692
Investments	-	-	1,000,000
Receivables:			
Employer Contributions	135,613	-	-
Employee Contributions	211,034	-	-
Accrued Interest	731,754	-	21,978
Receivable for Security Transactions	375,890	-	-
Total Receivables	1,454,291	-	21,978
Investments Held by Trustee, at Fair Value:			
Cash Equivalents	4,097,515	-	-
Government Securities	24,503,029	-	-
Corporate Bonds	18,573,735	-	-
Convertible Bond Mutual Funds	17,739,506	-	-
Common Stocks	74,753,635	-	-
Domestic Mutual Funds	145,149,076	-	-
International Mutual Funds	86,554,219	-	-
Real Estate Mutual Funds	11,227,627	-	-
Infrastructure Funds	11,496,878	-	-
Investment in Pooled Funds	-	4,045,371	-
Total Investments	394,095,220	4,045,371	-
<b>Total Assets</b>	<b>\$ 396,431,216</b>	<b>\$ 4,045,371</b>	<b>\$ 4,375,670</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 428,068	\$ -	\$ -
Payable for Security Transactions	1,109,808	-	-
Due to Other Governments	-	-	4,375,670
<b>Total Liabilities</b>	<b>\$ 1,537,876</b>	<b>\$ -</b>	<b>\$ 4,375,670</b>
<b>NET POSITION RESTRICTED FOR BENEFITS</b>	<b>\$ 394,893,340</b>	<b>\$ 4,045,371</b>	<b>\$ -</b>

See Notes to Basic Financial Statements

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>
<b><u>Additions/(Reductions)</u></b>		
Contributions from Employer	\$ 15,130,044	\$ 1,352,900
Contributions from Employee	329,048	-
Investment Income:		
Net Appreciation in Fair Value of Investments	7,893,446	76,975
Interest and Dividends	7,700,562	-
Other	6,147	-
Total Investment Income	15,600,155	76,975
Less Investment Expenses	(1,278,303)	(5,029)
Net Investment Income	14,321,852	71,946
Securities Lending Income		
Securities Lending Income	572	-
Less Securities Lending Expenses	(172)	-
Net Securities Lending Income	400	-
<b>Total Additions</b>	<b>29,781,344</b>	<b>1,424,846</b>
<b><u>Deductions</u></b>		
Benefit Payments	32,487,715	828,200
Administrative Expenses	473,194	-
<b>Total Deductions</b>	<b>32,960,909</b>	<b>828,200</b>
<b>Change in Net Position</b>	<b>(3,179,565)</b>	<b>596,646</b>
<b>Fiduciary Net Position at Beginning of Year</b>	<b>398,072,905</b>	<b>3,448,725</b>
<b>Fiduciary Net Position at End of Year</b>	<b>\$ 394,893,340</b>	<b>\$ 4,045,371</b>

See Notes to Basic Financial Statements.



**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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

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

**A. Reporting Entity**

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

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

**Discretely Presented Component Units**

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

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

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

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

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**B. Financial Statement Presentation**

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

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

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

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

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

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

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

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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

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

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

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

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

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

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

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

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

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

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

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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

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

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

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

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

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

**OPEB Trust Fund** – Accounts for the assets held for, and costs of, other postemployment benefits (OPEB), which is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net position.

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

**C. Basis of Accounting**

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

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

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

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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

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

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

**D. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve the applicable appropriation, is employed as an extension of formal budgetary integration mainly in the governmental funds. Encumbrances outstanding at year-end are reported as Committed Fund Balance since they do not constitute current year expenditures or liabilities and as such, are approved by Council for inclusion in the next fiscal year budget. Encumbrances are reported as expenditures using the budgetary basis of accounting. Unspent appropriations lapse at year-end. These encumbrances are subject to re-appropriation by City Council in the succeeding fiscal year. For fiscal year ended June 30, 2015, significant encumbrances in the General Fund totaled \$1.7 million related to employee health services, audit and social services, prisoner sustenance and street and other maintenance contracts. In the Capital Projects fund, \$12.4 million was related to various capital improvement construction contracts and \$2.4 million was encumbered in Proprietary funds also related to capital projects.

**E. Deposits and Investments**

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

Investments are recorded at fair value. Mutual fund and common stock fair values are based on quotations obtained from national security exchanges. The fair value of underlying assets held in the Pension Trust Fund's real estate fund is based upon independent appraisal conducted

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

periodically throughout the year, but not less than annually. Investments of the Capital Projects Fund consist of government securities and certificates of deposits with original maturities greater than three months. Investments of the Pension Trust Fund consist of overnight investments in bank common trust funds, government securities, certificates of deposits with original maturities greater than three months, corporate bonds, stocks, and mutual funds.

**F. Interfund Receivables and Payables**

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

**G. Allowance for Uncollectible Taxes and Accounts Receivable**

The City calculates its allowance for uncollectible receivables based on historical collection data and specific account analyses. At June 30, 2015, the allowance for General Fund uncollectible taxes and accounts receivable was \$7,307,982 or 31% of the outstanding balance of taxes receivable and accounts receivable.

**H. Property Taxes**

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

Personal property tax is due on or before May 31 during the year of assessment. The personal property tax rate was \$3.45 per \$100 of assessed value for the year. The Commonwealth funds localities for a portion of the personal property taxes billed to property tax owners. The Personal Property Tax Relief Act as amended provides a flat amount of reimbursement to localities, such as the City of Roanoke, thereby altering the percent of tax relief provided. The Commonwealth's share of the tax was 49.0% for tax year 2015. A penalty of 10% of unpaid real estate and personal property tax is due for late payment. Interest on unpaid taxes is 10% in the first year. Thereafter, the interest is calculated using the Internal Revenue Service rate, which at June 30, 2015, was 3%.

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

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**I. Inventory**

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

**J. Pension Trust Fund**

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

**K. Other Postemployment Benefits Trust Fund**

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

**L. Capital Assets**

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

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

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The City has adopted the modified approach under GAAP for certain assets determined 'inexhaustible'. Assets in this category are characterized as those whose economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. Assets of this nature are not depreciated, but are required to be maintained at a certain condition level. See note 6 for additional information regarding the City's application of the modified approach.

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

**M. Compensated Absences Payable**

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

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are paid. Current and non-current portions of compensated absences totaling \$7,291,560 are recorded for governmental activities in the government-wide statements and represent a reconciling item between the government-wide and governmental fund presentations.

**N. Net Position**

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

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

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

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

**Fund Balances – Governmental Funds**

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

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



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

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

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

***Unassigned*** fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a net deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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

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

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

Once the Unassigned and Risk Management Reserves are fully funded, an Economic Downturn Reserve will be created to smooth the City's financial operations in the event of an economic downturn. The Economic Downturn Reserve will be maintained in an amount up to 5% of the General Fund Expenditure budget. As of June 30, 2015, this reserve had not been created as the Risk Management Reserve has not yet been fully funded which triggers the establishment of this reserve.

The Economic and Community Development Reserve is in the Capital Projects Fund and is intended to demonstrate a commitment to financial planning for economic and community development projects which may provide future growth opportunities and expansion of the tax base in Roanoke. The reserve is funded from interest earnings and the proceeds from the sale of general government property, and the reserve floor is \$1 million.

The fund balance reserves may only be used upon appropriation by City Council and the reserve policies contain stipulations regarding reserve usage and replenishment.

**O. Use of Estimates**

Management of the City has made use of estimates and assumptions relating to the reporting of assets, liabilities, deferred inflows and outflows of resources, revenues, expenditures/expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

**P. Deferred Inflows/Outflows of Resources**

Deferred Inflows and Outflows of Resources represent the acquisition and consumption, respectively, of net position that applies to a future period. At June 30, 2015, the Primary Government had \$7.8 million in deferred outflows of resources representing deferred charges on refunding of debt and \$16.1 million in deferred charges related to Pension contributions and proportionate share changes. The Primary Government also had \$33.5 million in deferred inflows of resources related to changes in the Pension expected versus actual investment returns.

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**Q. New GASB Pronouncements**

GASB pronouncements are reviewed upon issuance to determine applicability and adoption. The following pronouncements have been analyzed by the City and were adopted in the fiscal year ending June 30, 2015. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* was issued to improve the accounting and financial reporting by state and local government pensions. GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, was issued to establish accounting and financial reporting standards related to government combinations and disposals of government operations. GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* was issued to address an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. For the City, the implementation of GASB Statements No. 68 and No. 71 resulted in a restatement of the prior year net position of \$132.3 million for the Primary Government and \$130.3 million for the School Board Component Unit. See Note 2 in the Notes to Basic Financial Statements for additional information of the impact of this restatement.

**R. Future GASB Pronouncements**

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued to improve the accounting and financial reporting by state and local government for investments.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued to identify the hierarchy of generally accepted accounting principles (GAAP).

The City will adopt these pronouncements in the fiscal year ending June 30, 2016.

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**(2) Accounting Changes and Restatements**

Occasionally events transpire, such as technical guidance or error identification, that require the restatement of previously presented or prior period information. Effective fiscal year ending June 30, 2015, the City had two such restatements. The first restatement was due to the underreporting of the City's Construction in Progress assets and related liability for contract retainage as of the fiscal year ended June 30, 2014. The second adjustment was a result of the implementation of new pension GAAP and the changes to the related accounting and financial reporting. Details of the effects of both restatements are shown in the tables that follow.

**A. Restatement of Construction in Progress**

The City's capital policy does not address contract retainage for financial reporting purposes. As a result, the City had not previously accrued for retainage for ongoing construction projects. The City identified the amount of retainage applicable to fund balance for fiscal year ended June 30, 2014, which resulted in a restatement of prior period fund balance and also Construction in Progress as shown in footnote 6 on page 71. The City included retainage in fiscal year ending June 30, 2015 and will incorporate the inclusion of retainage into its capital policy in accordance with GAAP.

**Primary Government - Governmental Activities**

	June 30, 2014		June 30, 2014
	As Previously Reported	Restatement	As Restated
<b>Capital Asset Change</b>			
Capital assets, not being depreciated:			
Construction in Progress - Footnote 6	\$ 20,312,863	\$ 992,704	\$ 21,305,567

**B. Implementation of GASB 68 and 71**

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71), effective July 1, 2014. Implementation of GASB 68 and GASB 71 recognized the City's net pension liability and deferred outflows of resources for contributions made subsequent to the pensions plan's actuarial measurement date and created deferred inflows in recognition of future pension earnings and changes; therefore, the implementation of these statements resulted in the restatement of prior period net position for fiscal year ended June 30, 2014.

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**Fiscal Year 2014 Fund Balance and Net Position balance net adjustments are as follows:**

	<b>Primary Government</b>		<b>Component Unit</b>	<b>Governmental Fund</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>School Board</b>	<b>Capital Projects</b>
Balance as previously reported	\$ 381,284,408	\$ 35,741,653	\$ 31,161,945	\$ 20,521,692
Restatements:				
A) GASB 68 and 71 Implementation	(131,982,471)	(270,387)	(130,271,541)	-
B) Capital Asset Restatement	-	-	-	(992,704)
Balance as adjusted	<u>\$ 249,301,937</u>	<u>\$ 35,471,266</u>	<u>\$ (99,109,596)</u>	<u>\$ 19,528,988</u>

	<b>Enterprise Funds</b>			
	<b>Total</b>	<b>Civic Facilities</b>	<b>Parking</b>	<b>Stormwater</b>
Balance as previously reported	\$ 35,741,653	\$ 12,601,518	\$ 23,115,135	\$ 25,000
Restatements:				
A) GASB 68 and 71 Implementation	(270,387)	-	(258,097)	(12,290)
Balance as adjusted	<u>\$ 35,471,266</u>	<u>\$ 12,601,518</u>	<u>\$ 22,857,038</u>	<u>\$ 12,710</u>

	<b>Internal Service Funds</b>			
	<b>Total</b>	<b>Department of Technology</b>	<b>Fleet Management</b>	<b>Risk Management</b>
Balance as previously reported	\$ 17,917,682	\$ 10,024,032	\$ 12,570,125	\$ (4,676,475)
Restatements:				
A) GASB 68 and 71 Implementation	(6,464,702)	(4,277,027)	(1,880,417)	(307,258)
Balance as adjusted	<u>\$ 11,452,980</u>	<u>\$ 5,747,005</u>	<u>\$ 10,689,708</u>	<u>\$ (4,983,733)</u>

**CITY OF ROANOKE, VIRGINIA**  
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**(3) Deposits and Investments**

**Governmental Funds**

The City maintains a consolidated account that is available for use by all funds, including fiduciary funds. Each fund's portion of this account is presented in the basic financial statements as "Cash and Cash Equivalents". The School Board component unit maintains separate cash and investment accounts with a combined balance as of June 30, 2015 of \$28,409,809, which includes \$1,035,745 held on behalf of a fiduciary fund. The GRTC component unit maintains separate cash and investment accounts consisting of cash and overnight repurchase agreements collateralized by government securities. Investments for GRTC and the School Board are presented in conjunction with City investments. The City Civic Center Facilities are managed by Spectra Venue Management, which holds a portion of cash in the amount of \$751,018 on the City's behalf. The City acts as one of the fiscal agents for the Hotel Roanoke Conference Center Commission (HRCCC) and holds total cash and investments of \$4,375,670 on HRCCC's behalf. Investments and related disclosures for the City of Roanoke Pension Plan and the OPEB Trust Fund, which are fiduciary funds, are presented separately.

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments as of June 30, 2015 consisted of the following:

	Total Primary Government	School Board Component Unit	GRTC Component Unit	Fiduciary Funds
Investment in pooled funds, including Virginia LGIP & VIP	\$ 14,394,750	\$ 15,507,528	\$ -	\$ 3,210,449
Certificates of Deposit	-	-	-	1,000,000
Money Market Accounts	22,181,931	5,100,954	-	-
Repurchase Agreements	-	-	178,004	-
Mutual Funds (SNAP)	17,136,956	-	-	-
Total	<u>\$ 53,713,637</u>	<u>\$ 20,608,482</u>	<u>\$ 178,004</u>	<u>\$ 4,210,449</u>

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

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

As of June 30, 2015, investment holdings as a percentage of total investments, excluding OPEB Trust Fund investments, were as follows:

Investment Type	Primary Government	School Board Component Unit	GRTC Component Unit	Fiduciary Fund	Credit Rating
Repurchase Agreements	0.0%	0.0%	100.0%	0.0%	NR
Mutual Funds (SNAP)	54.3%	0.0%	0.0%	0.0%	AAAm
Virginia Investment Pool	15.7%	0.0%	0.0%	0.0%	AAAm
Virginia LGIP	30.0%	100.0%	0.0%	100.0%	AAAm
Total Investment Percentage	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

**CITY OF ROANOKE, VIRGINIA**  
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*Custodial Credit Risk - Investments.* For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments as of June 30, 2015 were held in the name of the City. The City's investment policy requires all Purchase Securities, Money Market instruments and Certificates of Deposit with maturity dates less than thirty (30) days to be held by the Bank or Securities Dealer through which they were purchased. Securities with maturity dates exceeding thirty days are electronically transferred and held by a third party.

Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent, but not in the City's name. As of June 30, 2015, the City did not hold any investments considered to be exposed to custodial credit risk. The School Board and GRTC component units do not hold any investments exposed to custodial credit risk.

*Custodial Credit Risk – Deposits.* In the case of a deposit, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The carrying value of the City's deposits was \$49,553,606, including Fiduciary HRCCC Funds of \$461,413. The City's bank balance of deposits was \$49,475,934. The City's investment policy requires all deposits to be federally secured or held in accordance with the Virginia Security for Public Deposits Act. In agreement with the policy, the entire balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

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

As of June 30, 2015, the portions of the City's debt securities that exceed 5% of the total value, excluding certificates of deposit, which were fully insured by Federal Deposit Insurance Corporation (FDIC) and the Virginia LGIP, were as follows:

Issuer	Percent of Portfolio
	Primary Government
State Non-Arbitrage Program (SNAP)	54.3%

As of June 30, 2015, of the School Board's investment portfolio was invested in the Virginia LGIP \$15,507,528, and a Valley Bank Public Funds money market account, \$5,100,954.

*Interest Rate Risk.* The City's investment policy limits maturities to a maximum of five years as a means of managing its exposure to fair value losses arising from increasing interest rates. However, as a means of limiting its exposure to an even higher degree, the City's investments are highly concentrated in investments of less than one year, and the City holds no investments with a maturity date of greater than three years.



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As of June 30, 2015, the Primary Government had the following investments and maturities:

	<u>Investment Maturity</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
Mutual Funds (SNAP)	\$ 17,136,956	\$ 17,136,956
Virginia LGIP & VIP	14,394,750	14,394,750
<b>TOTAL</b>	<b>\$ 31,531,706</b>	<b>\$ 31,531,706</b>

As of June 30, 2015, the School Board Component Unit had the following investments and maturities:

	<u>Fair Value</u>	<u>Less than 1 year</u>
Virginia LGIP	\$ 15,507,528	\$ 15,507,528

As of June 30, 2015, the Hotel Roanoke Conference Center Commission, a fiduciary fund, had the following investments and maturities:

	<u>Investment Maturity</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
Non-negotiable Certificates of Deposits	\$ 1,000,000	\$ 1,000,000
Virginia LGIP & VIP	3,210,449	3,210,449
<b>TOTAL</b>	<b>\$ 4,210,449</b>	<b>\$ 4,210,449</b>

**Separately Presented Fiduciary Funds**

**Pension Trust Fund**

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

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Plan Investments as of June 30, 2015 consisted of the following:

Cash Equivalents (held by Investment Agent)	\$ 83,481
Investment in pooled funds, including Virginia LGIP & VIP *	4,332,203
U.S Government Securities	15,096,360
Municipal and Agency Bonds	9,406,669
Corporate Bonds	18,573,735
Convertible Bond Mutual Funds	17,739,506
Common Stocks	74,753,635
Domestic Mutual Funds	145,149,076
International Mutual Funds	86,554,219
Real Estate Mutual Funds	11,227,627
Infrastructure Funds	11,496,878
Total Investments	<u>\$ 394,413,389</u>

\* Exhibit J Cash Equivalents, as investments held by trustee, of \$4,097,515 includes Cash Equivalents held by investment agent and excludes \$318,169 Cash and Cash Equivalents.

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

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As of June 30, 2015, the Plan's pooled and fixed income investments consisted of the following:

	<u>S&amp;P Rating</u>	<u>Fair Value</u> 2015
Municipal and Agency Bonds		
	AA	\$ 783,483
	A	1,373,234
	NR (1)	7,249,952
		<u>\$ 9,406,669</u>
Corporate Bonds		
	AAA	\$ 623,005
	AA	2,105,396
	A	9,313,764
	BBB	6,531,570
		<u>\$ 18,573,735</u>
Domestic Bond Mutual Funds		
	Aa2 (2)	\$ 346,024
	BB	17,059,295
		<u>\$ 17,405,319</u>
Investment in Pooled Funds		
	AAAm	\$ 318,169
	A-1	4,014,034
		<u>\$ 4,332,203</u>

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

(2) Moody's credit rating.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan's Policy does not specifically address custodial credit risk. The City maintains a cash and investment pool, in which the Plan is a participant. On June 30, 2015, the carrying amount and bank balance of the Plan's deposits were of equal value at \$4,661,051. Of the bank balance at June 30, 2015, \$563,536 was covered by Federal depository insurance or collateralized pursuant to agreements with all participating financial institutions to pledge assets on a pooled basis to secure public deposits according to the Virginia Security for Public Deposits Act Regulations of the *Code of Virginia* (Act).

Such collateralization qualifies as state depository insurance. Accordingly, the bank balance of \$563,536 is considered to be insured. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. The remaining bank balance of \$4,097,515 is uninsured and uncollateralized. The uninsured and uncollateralized deposits are held by Comerica Bank.

**CITY OF ROANOKE, VIRGINIA**  
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*Custodial Credit Risk – Investments.* The Plan held the following investments as of June 30, 2015: cash equivalents; investments in pooled funds; U.S. government securities; agency and municipal bonds; corporate bonds; convertible bond mutual funds; common stocks; domestic, international, and real estate mutual funds; and infrastructure commingled funds. Investments in external investment pools and in open-end mutual funds are not considered to be exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent but not in the Plan's name. The Plan's investment policy does not specifically address custodial credit risk. As of June 30, 2015, the Plan's investments considered to be exposed to custodial credit risk consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>
U.S Government Bonds	\$ 15,096,360
Municipal and Agency Bonds	9,406,669
Corporate Bonds	18,573,735
Common Stocks	74,753,635
Total	<u><u>\$ 117,830,399</u></u>

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

*Concentration of Credit Risk.* The Plan's investment policy prohibits the investment of more than 5% of plan assets in either fixed income or equity securities of any single issuer based on cost. Securities of the U.S. government and investment company shares (mutual funds) are exempted from this limitation. As of June 30, 2015, the Plan did not own securities of a single organization, other than positions in mutual funds, representing 5% or more of the Plan's net assets.

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

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

The fair value of the Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2015:

Original Investment Maturities (In Years)				
Investment Type	Fair Value	<5	5-10	>10
U.S. Government Securities	\$ 15,096,360	\$ 3,131,996	\$ 2,259,221	\$ 9,705,143
Municipal and Agency Bonds	9,406,669	1,629,473	5,212,471	2,564,725
Corporate Bonds	18,573,735	-	3,391,919	15,181,816
Bond Mutual Funds	17,405,319	-	17,405,319	-
<b>TOTAL</b>	<b>\$ 60,482,083</b>	<b>\$ 4,761,469</b>	<b>\$ 28,268,930</b>	<b>\$ 27,451,684</b>

The City maintains a cash and investment pool, in which the Plan is a participant. The fair value of the Plan's investment that were a result of participating in that cash and investment pool as of June 30, 2015:

Investment Type	Fair Value	<1
Virginia LGIP	\$ 210,374	\$ 210,374
VIP	107,795	107,795
<b>TOTAL</b>	<b>\$ 318,169</b>	<b>\$ 318,169</b>

*Foreign Currency Risk.* The Plan's investment policy prohibits investment in securities that are not denominated in U.S. dollars and/or that are traded solely on exchanges outside the U.S., with the exception of international commingled funds. As of June 30, 2015, the Plan had no investments that were not denominated in U.S. dollars or that were traded solely on exchanges outside the U.S.

*Securities Lending Arrangements.* The Plan terminated its securities lending agreement with Comerica Bank on June 23, 2014 and there were no outstanding investment loans at June 30, 2015. Fiscal year 2015 activity involved resolution of the investments on loan at June 30, 2014.

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

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**OPEB Trust Fund**

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

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

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

*Credit Risk.* State law (*Code of Virginia*, Chapter 3, Title 26) limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the LGIP. As of June 30, 2015, the City's OPEB Trust Fund was exclusively invested in the Virginia Pooled OPEB Trust.

*Custodial Credit Risk - Investments.* For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent but not in the City's name. As of June 30, 2015, the OPEB Trust Fund did not hold any investments considered to be exposed to custodial credit risk.

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

As of June 30, 2015, the OPEB Trust Fund did not own securities other than the Virginia Pooled OPEB Trust, which has no credit rating.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

The market value of the OPEB Trust Fund's fixed income holdings within the Virginia Pooled OPEB Trust consisted of the following investments and maturities as of June 30, 2015:

	Investment Maturity		
	Fair Value	< 5 years	5 - 10 years
Bond Mutual Funds	\$ 954,377	\$ -	\$ 954,377
Short Term Investment Funds	71,462	71,462	-
	<u>\$ 1,025,839</u>	<u>\$ 71,462</u>	<u>\$ 954,377</u>

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

**(4) Receivables and Due From Other Governments**

Balances as of June 30, 2015 consisted of the following:

**Governmental Funds**

	General	Debt Service	Special Revenue	Capital Projects	Internal Service	Total Governmental Activities	School Board Component Unit	GRTC Component Unit
<u>Receivables</u>								
Interest and Dividends	\$ 6,960	\$ -	\$ -	\$ -	\$ -	\$ 6,960	\$ -	\$ -
Federal Government	\$ -	\$ -	\$ 1,382,998	\$ 105,625	\$ 4,325	\$ 1,492,948	\$ 5,129,741	\$ 467,798
State Government	9,623,350	-	196,889	22,011	-	9,842,250	3,307,188	333,600
City of Roanoke	-	-	-	-	-	-	2,040,334	-
Other Governments	10,039,561	-	-	-	8,336	10,047,897	-	37,784
Total Governments	<u>\$ 19,662,911</u>	<u>\$ -</u>	<u>\$ 1,579,887</u>	<u>\$ 127,636</u>	<u>\$ 12,661</u>	<u>\$ 21,383,095</u>	<u>\$ 10,477,263</u>	<u>\$ 839,182</u>
Taxes	\$ 17,819,421	\$ -	\$ -	\$ -	\$ -	\$ 17,819,421	\$ -	\$ -
Accounts	5,866,011	-	118,313	-	170,861	6,155,185	494,028	103,129
Less: Allowance for Uncollectible Accounts	(7,307,982)	-	-	-	-	(7,307,982)	-	-
Total	<u>\$ 16,377,450</u>	<u>\$ -</u>	<u>\$ 118,313</u>	<u>\$ -</u>	<u>\$ 170,861</u>	<u>\$ 16,666,624</u>	<u>\$ 494,028</u>	<u>\$ 103,129</u>

**Business-type**

	Civic Facilities	Parking	Stormwater	Total Enterprise Funds
<u>Receivables</u>				
Accounts	\$ 94,659	\$ 24,335	\$ 242,853	\$ 361,847
Total Receivables	<u>\$ 94,659</u>	<u>\$ 24,335</u>	<u>\$ 242,853</u>	<u>\$ 361,847</u>

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

Net taxes and accounts receivable, as reported on the government-wide Statement of Net Position, include taxes receivable of approximately \$4.6 million that are not available to pay for current period expenditures and are accordingly recorded as a deferred inflow of resources in the governmental funds balance sheet. A \$9,968,500 receivable from the Western Virginia Water Authority (WVWA) related to long-term liabilities is reported on the Statement of Net Assets.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**(5) Interfund Balances and Transfers**

Interfund balances consisted of the following for the year ended June 30, 2015:

DUE FROM (FUND)									
	General	Special Revenue	Capital Projects	Stormwater Utility	Civic Facilities	Parking	Internal Services	Pension Trust	Total
DUE TO (FUND)									
General Fund	\$ -	\$ 3,227	\$ 39,508	\$ 11,859	\$ 24,175	\$ 2,954	\$ 288,514	145,449	\$ 515,686
Debt Service	17,973	-	21,840	-	-	-	-	-	39,813
Special Revenue	265,712	-	-	-	-	-	-	-	265,712
Capital Projects	2,388,576	-	-	9,350	-	-	-	-	2,397,926
Stormwater Utility	68	1,534	-	-	-	-	-	-	1,602
Parking	72	-	-	-	-	-	-	2,043	2,115
Internal Service	1,863,800	246	-	27,519	6,398	24	1,994	9,224	1,909,205
Pension Trust	20,135	-	-	7,880	-	-	-	-	28,015
<b>TOTAL</b>	<b>\$ 4,556,336</b>	<b>\$ 5,007</b>	<b>\$ 61,348</b>	<b>\$ 56,608</b>	<b>\$ 30,573</b>	<b>\$ 2,978</b>	<b>\$ 290,508</b>	<b>156,716</b>	<b>\$ 5,160,074</b>

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

Interfund transfers consisted of the following for the year ended June 30, 2015:

TRANSFER FROM (FUND)							
	General	Special Revenue	Capital Projects	Stormwater Utility	Parking	Internal Service	Total
TRANSFER TO (FUND)							
General	\$ -	\$ -	\$ 92,652	\$ -	\$ -	\$ 11,787	\$ 104,439
Debt Service	12,133,575	60,000	-	209,688	-	-	12,403,263
Special Revenue	520,550	-	100,000	-	-	-	620,550
Capital Projects	3,009,109	90,904	-	9,350	-	-	3,109,363
Stormwater Utility	1,249,690	-	75,000	-	-	\$ -	1,324,690
Civic Facilities	2,141,109	-	-	-	-	-	2,141,109
Parking	-	-	125,000	-	-	-	125,000
Internal Service	753,900	-	75,000	-	80,817	-	909,717
<b>TOTAL</b>	<b>\$ 19,807,933</b>	<b>\$ 150,904</b>	<b>\$ 467,652</b>	<b>\$ 219,038</b>	<b>\$ 80,817</b>	<b>\$ 11,787</b>	<b>\$ 20,738,131</b>

Transfers are used (1) to move revenues from the funds that are required by statute or budget to collect them to the funds that are required by statute or budget to spend them, (2) to move receipts restricted for debt service from the funds collecting them to the Debt Service Fund as debt service payments become due, and (3) to move unrestricted revenues collected in the General Fund, which finance various programs accounted for in other funds in accordance with budgetary authorizations. In fiscal year 2015, in addition to debt service, the City transferred funding for an annual operating subsidy for the Civic Center, stormwater utility, capital projects, internal services provided as well as required/matching funding for grants in the Special Revenue fund.



**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**(6) Changes in Capital Assets**

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

**Primary Government:**

Changes in capital assets for the year ended June 30, 2015 consisted of the following:

	Balance June 30, 2014 As Restated	Increases	Decreases	Balance June 30, 2015
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 44,453,031	\$ 356,000	\$ -	\$ 44,809,031
Infrastructure - Right of Way	20,035,826	17,180	-	20,053,006
Infrastructure - Inexhaustible	47,995,346	-	-	47,995,346
Construction in Progress *	21,305,567	31,312,724	(26,446,745)	26,171,546
Historical Treasures	635,298	-	-	635,298
<b>Total Capital assets, not being depreciated</b>	<b>134,425,068</b>	<b>31,685,904</b>	<b>(26,446,745)</b>	<b>139,664,227</b>
<b>Capital assets, being depreciated:</b>				
Land Improvements	7,439,957	635,600	-	8,075,557
Accumulated Depreciation	(2,626,956)	(483,129)	-	(3,110,085)
<b>Net Land Improvements</b>	<b>4,813,001</b>	<b>152,471</b>	<b>-</b>	<b>4,965,472</b>
Building and Structures	379,492,820	10,740,526	(440,712)	389,792,634
Accumulated Depreciation	(122,044,159)	(7,541,931)	340,664	(129,245,426)
<b>Net Building and Structures</b>	<b>257,448,661</b>	<b>3,198,595</b>	<b>(100,048)</b>	<b>260,547,208</b>
Infrastructure	224,743,035	16,315,524	-	241,058,559
Accumulated Depreciation	(102,061,388)	(6,799,807)	-	(108,861,195)
<b>Net Infrastructure</b>	<b>122,681,647</b>	<b>9,515,717</b>	<b>-</b>	<b>132,197,364</b>
Equipment	83,797,819	4,575,391	(6,111,172)	82,262,038
Accumulated Depreciation	(57,155,506)	(5,785,966)	6,063,477	(56,877,995)
<b>Net Equipment</b>	<b>26,642,313</b>	<b>(1,210,575)</b>	<b>(47,695)</b>	<b>25,384,043</b>
Total Capital Assets Being Depreciated	695,473,631	32,267,041	(6,551,884)	721,188,788
Less: Accumulated Depreciation	(283,888,009)	(20,610,833)	6,404,141	(298,094,701)
<b>Net Total Capital Assets Being Depreciated</b>	<b>411,585,622</b>	<b>11,656,208</b>	<b>(147,743)</b>	<b>423,094,087</b>
<b>Governmental activities' capital assets, net</b>	<b>\$ 546,010,690</b>	<b>\$ 43,342,112</b>	<b>\$ (26,594,488)</b>	<b>\$ 562,758,314</b>
<b>General Capital Assets, Net</b>				\$ 538,277,829
<b>Internal Service Funds' Capital Assets, Net</b>				24,480,485
<b>Total</b>				<b>\$ 562,758,314</b>

\* See Note 2 in the Notes to Basic Financial Statements for discussion of restatement

Capital assets used for educational purposes totaled \$186,344,554 and are included with the Governmental Activities capital assets of the Primary Government. The depreciation on these assets was recorded as an Education expense in the current fiscal year.

The beginning balance as of June 30, 2014 includes a restated amount of \$992,704 in Construction in Process applicable to retainage. The City had not previously included retainage on open construction contracts, but determined that the inclusion of retainage would more accurately reflect the use of resources. The amount of retainage included in Construction in Process as of fiscal year ending June 30, 2015 was \$1,033,573.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

Changes in capital assets for Business-type activities for the year ended June 30, 2015 consisted of the following:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
<b><u>Business-type activities:</u></b>				
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 4,578,073	\$ 82,000	\$ -	\$ 4,660,073
Construction in Progress	474,188	3,110,204	(2,943,104)	641,288
<b>Total Capital assets, not being depreciated</b>	<b>5,052,261</b>	<b>3,192,204</b>	<b>(2,943,104)</b>	<b>5,301,361</b>
<b><u>Capital assets, being depreciated:</u></b>				
Land Improvements	68,446	5,250	-	73,696
Accumulated Depreciation	(64,138)	(1,482)	-	(65,620)
<b>Net Land Improvements</b>	<b>4,308</b>	<b>3,768</b>	<b>-</b>	<b>8,076</b>
Building and Structures	86,426,764	2,827,860	-	89,254,624
Accumulated Depreciation	(32,934,143)	(1,799,618)	-	(34,733,761)
<b>Net Building and Structures</b>	<b>53,492,621</b>	<b>1,028,242</b>	<b>-</b>	<b>54,520,863</b>
Equipment	2,350,410	24,905	(33,241)	2,342,074
Accumulated Depreciation	(1,857,955)	(108,618)	29,543	(1,937,030)
<b>Net Equipment</b>	<b>492,455</b>	<b>(83,713)</b>	<b>(3,698)</b>	<b>405,044</b>
Total Capital Assets Being Depreciated	88,845,620	2,858,015	(33,241)	91,670,394
Less: Accumulated Depreciation	(34,856,236)	(1,909,718)	29,543	(36,736,411)
<b>Net Total Capital Assets Being Depreciated</b>	<b>53,989,384</b>	<b>948,297</b>	<b>(3,698)</b>	<b>54,933,983</b>
<b>Business-type activities' capital assets, net</b>	<b>\$ 59,041,645</b>	<b>\$ 4,140,501</b>	<b>\$ (2,946,802)</b>	<b>\$ 60,235,344</b>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**Changes in Capital Assets (Continued)**

**Depreciation was charged to functions as follows:**

**Governmental activities:**

General Government	\$ 600,208
Judicial Administration	255,568
Public Safety	1,355,733
Public Works	6,662,404
Health and Welfare	309,549
Parks, Recreation and Cultural	1,366,817
Community Development	150,239
Economic Development	9,469
Education	5,034,871
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	4,865,975
<b>Total</b>	<b><u>\$ 20,610,833</u></b>

**Business-type activities:**

Stormwater	\$ 194
Civic Facilities	946,506
Parking	963,018
<b>Total</b>	<b><u>\$ 1,909,718</u></b>

**School Board Component Unit:**

	<b>Balance June 30, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2015</b>
Equipment	\$ 6,882,799	\$ 833,704	\$ (202,122)	\$ 7,514,381
Accumulated Depreciation	(4,142,442)	(534,636)	178,828	(4,498,250)
<b>Net Equipment</b>	<b>2,740,357</b>	<b>299,068</b>	<b>(23,294)</b>	<b>3,016,131</b>
<b>Component unit capital assets, net</b>	<b><u>\$ 2,740,357</u></b>	<b><u>\$ 299,068</u></b>	<b><u>\$ (23,294)</u></b>	<b><u>\$ 3,016,131</u></b>

**GRTC Component Unit:**

	<b>Balance June 30, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2015</b>
Capital assets, not being depreciated:				
Land	\$ 720,724	\$ -	\$ -	\$ 720,724
Capital assets, being depreciated:				
Building and Structures	10,798,651	396,964	-	11,195,615
Equipment	21,784,505	841,196	(2,732,408)	19,893,293
Less: Accumulated Depreciation	(20,545,673)	(1,990,965)	2,732,408	(19,804,230)
<b>Subtotal</b>	<b>12,037,483</b>	<b>(752,805)</b>	<b>-</b>	<b>11,284,678</b>
<b>Component unit capital assets, net</b>	<b><u>\$ 12,758,207</u></b>	<b><u>\$ (752,805)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 12,005,402</u></b>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**(7) Construction in Progress and Contract Commitments**

A summary of Construction in Progress by function and contract commitments (encumbrances) at June 30, 2015 is as follows:

<b>Primary Government:</b>		<b>Expended/Expensed</b>	<b>Contract</b>	<b>Required</b>
	<b>Project</b>	<b>as of</b>	<b>Commitments</b>	<b>Future</b>
<b>Governmental Activities:</b>	<b>Authorizations</b>	<b>June 30, 2015</b>	<b>(Encumbrances)</b>	<b>Financing</b>
<b>Function</b>				
General Government	\$ 378,068	\$ 123,027	\$ 48,276	None
Parks, Recreation and Cultural	8,128,151	2,105,995	994,393	None
Economic Development	316,980	177,268	-	None
Community Development	11,105,200	3,497,280	2,861,362	None
Public Safety	380,000	158,323	86,403	None
Public Works	27,596,757	12,151,174	4,059,083	None
Education	12,232,273	7,445,737	-	\$ 5,500,000
Department of Technology	1,443,147	505,242	580,968	None
Fleet	531,716	7,500	-	None
<b>Subtotal</b>	<b>62,112,292</b>	<b>26,171,546</b>	<b>8,630,485</b>	
Non-Capitalized Projects	26,922,079	21,572,424	720,779	None
<b>Total</b>	<b>\$ 89,034,371</b>	<b>\$ 47,743,970</b>	<b>\$ 9,351,264</b>	

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

**(8) Unearned Revenue**

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue for the Civic Center proprietary fund (shown as Business-Type activities in the table below) is reported as such on the face of the statements (see Exhibit G). Unearned revenue as reported in the governmental and proprietary funds financial statements was related to interest subsidies and grant awards at June 30, 2015, and consisted of the following:

<b>Governmental activities:</b>				
	<b>Debt</b>	<b>Special</b>	<b>Internal</b>	
	<b>Service Fund</b>	<b>Revenue Fund</b>	<b>Service Funds</b>	<b>Total</b>
Other receivables for which revenue				
recognition criteria have not been met	\$ 32,152	\$ 2,193,110	\$ 23,211	\$ 2,248,473
<b>Total</b>	<b>\$ 32,152</b>	<b>\$ 2,193,110</b>	<b>\$ 23,211</b>	<b>\$ 2,248,473</b>

<b>Business-type activities:</b>	
	<b>Civic</b>
	<b>Facilities Fund</b>
Unearned Ticket and Other Event Revenue	\$ 441,653

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**(9) Long-Term Liabilities**

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The fund balance of the Debt Service Fund at June 30, 2015 of \$1,508,122 was committed for future retirement of long-term debt. The City Charter limits the legal debt to 10% of the assessed valuation of real estate within the City limits. The City's legal debt margin at June 30, 2015 was \$669,387,435. The City has no overlapping debt. The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. Outstanding long-term liabilities, gross of governmental activities deferred refunding amounts, as of June 30, 2015, were comprised of the following:

**Details of Long-Term Indebtedness**

At June 30, 2015 the long-term indebtedness of the City consisted of the following:

	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
<b><u>General Obligation Bonds</u></b>					
2004 Refunding Bonds	2.00% - 5.00%	2/25/2004	10/1/2015	\$ 46,030,000	\$ 2,025,000
2004A Refunding Bonds	2.00% - 3.63%	3/11/2004	8/1/2016	7,935,000	1,310,000
2006A Public Improvement Bonds	3.50% - 4.50%	2/8/2006	2/1/2016	20,550,000	900,000
2006B Public Improvement Bonds (Subject to AMT)	4.00% - 5.00%	2/8/2006	2/1/2026	5,500,000	1,100,000
2008 Public Improvement Bonds	3.25% - 5.00%	2/5/2008	2/1/2033	43,445,000	18,600,000
2008A VRA Public Improvement Bonds	3.13% - 5.13%	12/10/2008	10/1/2018	6,910,000	1,400,000
2010A Refunding Bonds	2.00% - 5.00%	3/11/2010	10/1/2021	32,792,400	28,717,700
2010B Public Improvement Bonds	1.25% - 5.80%	3/11/2010	10/1/2029	2,680,000	2,100,000
2010C Refunding Bonds	3.00%	8/11/2010	7/15/2015	1,786,500	1,786,500
2010C Public Improvement Bonds	2.00% - 4.00%	8/11/2010	7/15/2030	2,605,000	2,160,000
2010D Public Improvement Bonds (Market Bldg.)	2.00% - 4.00%	8/11/2010	7/15/2030	5,470,000	4,560,000
2010E Public Improvement Bonds	2.00% - 4.00%	8/11/2010	7/15/2030	5,665,000	5,665,000
2012A Public Improvement Bonds	2.00% - 5.00%	3/14/2012	2/1/2032	6,925,000	5,190,000
2012B Refunding Bonds	0.43% - 2.96%	3/14/2012	10/1/2023	6,880,000	5,145,000
2012C Refunding Bonds	4.00% - 5.00%	3/14/2012	2/1/2025	11,140,000	11,140,000
2013A Public Improvement Bonds	1.00% - 5.00%	2/27/2013	7/15/2033	10,906,800	10,361,000
2013A Refunding Bonds	0.37% - 2.73%	2/27/2013	7/15/2025	9,520,000	9,520,000
2013B Refunding Bonds	0.37% - 2.73%	2/27/2013	7/15/2024	15,350,000	14,800,000
2013C RCACP	2.46%	11/1/2013	9/30/2022	1,829,500	1,502,000
2014A Public Improvement Bonds	3.00% - 5.00%	3/5/2014	4/1/2034	11,073,200	10,515,400
2015 Public Improvement Bonds New Money	2.00% - 4.00%	3/25/2015	4/1/2035	17,420,000	17,420,000
2015 Public Improvement Bonds Refunding	2.00% - 4.00%	3/25/2015	4/1/2029	6,130,000	6,130,000
					<u>\$ 162,047,600</u>
<b><u>General Obligation Bonds - Western Virginia Water Authority</u></b>					
2010A Refunding Bonds - Water (WVWA)	2.00% - 5.00%	3/4/2010	10/1/2021	3,263,800	\$ 2,632,400
2010C Refunding Bonds - Water (WVWA)	3.00%	8/11/2010	7/15/2015	231,100	231,100
2012B Refunding Bonds - Water (WVWA)	0.43% - 2.96%	3/14/2012	10/1/2023	7,105,000	7,105,000
					<u>\$ 9,968,500</u>
<b><u>Lease Obligations</u></b>					
Social Services Building Lease	11.80%	2/1/2004	1/1/2024	4,857,000	\$ 3,376,510
Xerox Lease - General, Department of Technology and Fleet	12.00%	11/1/2013	10/31/2018	775,016	566,064
Net App Capital Solution Lease	3.72%	12/1/2014	11/30/2019	400,036	314,076
					<u>\$ 4,256,650</u>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**Details of Long-Term Indebtedness (continued)**

	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
<b>School Fund Bonds and Loans (1)</b>					
1995C VPSA Subsidized Wasena & Jackson	5.10% - 6.10%	12/21/1995	7/15/2015	4,400,000	\$ 218,820
1996B VPSA Subsidized Breckinridge	5.10% - 6.10%	11/14/1996	7/15/2016	5,000,000	494,107
1997 VPSA Subsidized Woodrow Wilson	4.35% - 5.35%	11/1/1997	7/15/2017	5,000,000	736,976
1998A VPSA Subsidized Addison	3.60% - 5.10%	11/19/1998	7/15/2018	5,000,000	1,000,000
1998B VPSA Subsidized Huff Lane	3.60% - 5.10%	11/19/1998	7/15/2018	1,200,000	244,865
1999A VPSA Subsidized Governor's School	5.10% - 6.10%	11/18/1999	7/15/2019	3,250,000	775,000
1999B VPSA Subsidized Hurt Park	5.10% - 6.10%	11/18/1999	7/15/2019	1,250,000	297,666
2000B VPSA Subsidized Garden City	4.98% - 5.85%	11/16/2000	7/15/2020	2,750,000	800,381
2000B VPSA Subsidized Grandin Court	4.98% - 5.85%	11/16/2000	7/15/2020	1,900,000	552,990
2000B VPSA Subsidized Preston Park	4.98% - 5.85%	11/16/2000	7/15/2020	1,900,000	552,990
2001B VPSA Subsidized Fairview	3.10% - 5.35%	11/15/2001	7/15/2021	2,750,000	942,617
2001B VPSA Subsidized Fishburn Park	3.10% - 5.35%	11/15/2001	7/15/2021	2,500,000	856,923
2003C VPSA Subsidized Roanoke Academy	3.10% - 5.35%	11/6/2003	7/15/2023	5,000,000	2,156,536
2004B VPSA Subsidized Lincoln Terrace	4.10% - 5.60%	11/1/2004	7/15/2024	1,300,000	604,529
2005D VPSA Subsidized Fallon Park	4.60% - 5.10%	11/10/2005	7/15/2025	1,160,900	582,163
2005D VPSA Subsidized Westside	4.60% - 5.10%	11/10/2005	7/15/2025	3,850,000	1,930,680
2006B VPSA Subsidized Patrick Henry	4.23% - 5.10%	11/9/2006	7/15/2026	7,500,000	4,158,954
2008B VPSA Subsidized William Fleming	3.60% - 5.35%	12/11/2008	7/15/2028	7,500,000	4,599,175
2010 VPSA Qualified School Construction Bonds (QSCB) Elementary S	0.00%	7/8/2010	6/1/2027	1,135,000	810,000
2014B VPSA Refunding	4.22% - 5.10%	11/9/2006	7/15/2026	1,245,000	1,145,000
2015A VPSA Refunding	3.60% - 5.35%	2/17/2015	7/15/2028	9,555,000	9,555,000
Literary Fund Loan-Morningside Elementary School	4.00%	8/1/1995	9/1/2015	2,200,000	110,000
Literary Fund Loan-Lucy Addison Middle School	4.00%	10/1/1999	10/1/2019	5,000,000	1,250,000
Qualified Zone Academy Bond-Lincoln Terrace	0%	11/1/2002	10/31/2016	800,000	136,506
Qualified Zone Academy Bond-Fallon Park	0%	12/29/2004	12/29/2020	439,100	193,753
Qualified Zone Academy Bond-Patrick Henry High School	0%	12/27/2006	12/27/2022	1,097,571	625,879
Qualified Zone Academy Bond-Schools Capital Projects 2012	0%	10/31/2012	12/1/2034	2,014,104	1,831,002
					\$ 37,162,512
Subtotal Government Activities					\$ 213,435,262

	Interest Rates	Issue Date	Maturity	Issue Amount	Business-Type Activities
<b>Enterprise Fund Bonds</b>					
2006A Civic Facilities Bonds	3.50% - 4.50%	2/8/2006	2/1/2016	6,405,000	\$ 300,000
2010A Civic Facilities Refunding Bonds	2.00% - 5.00%	3/4/2010	10/1/2021	4,382,700	4,124,700
2010C Civic Facilities Refunding Bonds	3.00%	8/11/2010	7/15/2015	91,500	91,500
2012A Civic Facilities Bonds	2.00% - 5.00%	3/14/2012	2/1/2032	685,000	535,000
2012C Civic Facilities Refunding Bonds	4.00% - 5.00%	3/14/2012	2/1/2025	3,345,000	3,345,000
2013A Civic Facilities Bonds	1.00% - 5.00%	2/27/2013	7/15/2033	883,200	839,000
2013A Civic Facilities Refunding Bonds	1.00% - 5.00%	2/27/2013	7/15/2025	2,015,000	2,015,000
2014A Civic Facilities Bonds	3.00% - 5.00%	3/5/2014	4/1/2034	936,800	889,600
2015 Civic Facilities Bonds	2.00% - 4.00%	3/25/2014	4/1/2035	980,000	980,000
2015 Civic Facilities Refunding Bonds	2.00% - 4.00%	3/25/2014	4/1/2025	70,000	70,000
2006A Parking Bonds-Campbell Avenue	3.50% - 4.50%	2/8/2006	2/1/2016	2,600,000	120,000
2008 Parking Bonds-Campbell Avenue	3.25% - 5.00%	2/5/2008	2/1/2028	2,545,000	875,000
2010A Parking Refunding Bonds-Gainsboro & Campbell Ave.	2.00% - 5.00%	3/4/2010	10/1/2021	2,861,100	2,570,200
2010C Parking Refunding Bonds-Gainsboro	3.00%	8/11/2010	7/15/2015	105,900	105,900
2012C Parking Refunding Bonds-Campell Avenue	4.00% - 5.00%	3/14/2012	2/1/2025	900,000	900,000
2013A Parking Refunding Bonds	1.00% - 5.00%	2/27/2013	7/15/2025	1,255,000	1,255,000
2014B Parking Refunding Bonds	1.00% - 4.25%	3/5/2014	4/1/2032	7,110,000	6,770,000
2015 Parking Refunding Bonds	2.00% - 4.00%	3/25/2014	4/1/2025	160,000	160,000
2015 Stormwater Utility Fund Bonds	2.00% - 4.00%	3/25/2014	4/1/2035	1,090,000	1,090,000
					\$ 27,035,900
<b>Lease Obligations</b>					
Xerox Lease - Civic Facilities	12.00%	11/1/2013	10/31/2018	23,970	\$ 17,507
Subtotal Business-type Activities					\$ 27,053,407

(1) VPSA = Virginia Public School Authority

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

The Annual Requirements to amortize primary government debt outstanding as of June 30, 2015 are as follows:

FISCAL YEAR	GENERAL OBLIGATION SERIAL BONDS *		WESTERN VIRGINIA WATER AUTHORITY GENERAL OBLIGATION SERIAL BONDS		VPSA/LITERARY FUND LOANS		TOTAL GOVERNMENTAL ACTIVITIES DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2015-16	\$ 16,772,586	\$ 5,739,686	\$ 562,700	\$ 258,364	\$ 4,131,639	\$ 1,640,149	\$ 21,466,925	\$ 7,638,199
2016-17	14,527,123	5,241,782	1,191,900	237,875	3,824,330	1,442,866	19,543,353	6,922,523
2017-18	14,376,219	4,877,095	1,210,700	216,643	3,596,024	1,258,395	19,182,943	6,352,133
2018-19	13,651,065	4,391,464	1,233,400	189,759	3,369,402	1,087,731	18,253,867	5,668,954
2019-20	13,483,363	3,987,100	1,263,200	156,823	3,079,258	929,986	17,825,821	5,073,909
2021-25	47,462,285	13,912,128	4,506,600	249,408	11,021,975	2,847,658	62,990,860	17,009,194
2026-30	28,013,750	6,484,639	-	-	5,352,744	570,564	33,366,494	7,055,202
2031-35	16,548,349	1,783,775	-	-	-	-	16,548,349	1,783,775
TOTAL	<u>\$ 164,834,740</u>	<u>\$ 46,417,669</u>	<u>\$ 9,968,500</u>	<u>\$ 1,308,872</u>	<u>\$ 34,375,372</u>	<u>\$ 9,777,349</u>	<u>\$ 209,178,612</u>	<u>\$ 57,503,889</u>

\* Includes QZAB obligations

The following general obligation debt is issued to support business-type activities. The annual requirements to amortize business-type activities debt outstanding as of June 30, 2015 are as follows:

FISCAL YEAR	CIVIC FACILITIES FUND SERIAL BONDS		PARKING FUND SERIAL BONDS		STORMWATER FUND SERIAL BONDS		TOTAL BUSINESS-TYPE DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2015-16	\$ 1,079,800	\$ 512,024	\$ 938,500	\$ 452,054	\$ 38,400	\$ 36,425	\$ 2,056,700	\$ 1,000,503
2016-17	1,036,300	468,362	853,300	427,083	39,600	35,060	1,929,200	930,505
2017-18	1,060,200	436,904	876,500	404,517	41,200	33,476	1,977,900	874,897
2018-19	1,104,700	397,808	905,100	373,428	42,800	31,828	2,052,600	803,064
2019-20	1,094,900	364,958	928,600	346,446	44,400	30,116	2,067,900	741,520
2021-25	5,689,900	1,127,856	4,489,100	1,215,356	249,200	124,372	10,428,200	2,467,584
2026-30	1,360,000	259,998	2,835,000	492,238	294,000	79,254	4,489,000	831,490
2031-35	764,000	73,185	930,000	53,550	340,400	33,080	2,034,400	159,815
TOTAL	<u>\$ 13,189,800</u>	<u>\$ 3,641,095</u>	<u>\$ 12,756,100</u>	<u>\$ 3,764,672</u>	<u>\$ 1,090,000</u>	<u>\$ 403,611</u>	<u>\$ 27,035,900</u>	<u>\$ 7,809,378</u>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**CHANGES IN GENERAL LONG-TERM LIABILITIES**

	Balance June 30, 2014 (Restated)	Increases	Decreases	Balance June 30, 2015	Amounts Due Within One Year
<b>Primary Government - Governmental Activities:</b>					
General Obligation Serial Bonds:					
General Obligation Serial Bonds	\$ 162,176,629	\$ 23,360,000	\$ 20,701,889	\$ 164,834,740	\$ 16,772,586
General Obligation Serial Bonds - WVWA	10,989,900	-	1,021,400	9,968,500	562,700
Deferred Amounts:					
Add Bond Premiums **	12,547,354	1,299,460	1,772,995	12,073,819	1,112,453
Subtotal General Obligation Serial Bonds	185,713,883	24,659,460	23,496,284	186,877,059	18,447,739
State Literary Fund Loans	1,720,000	-	360,000	1,360,000	360,000
VPSA School Bonds	36,860,061	6,930,000	10,774,689	33,015,372	3,771,639
Capital Lease Obligations	4,287,946	400,036	431,332	4,256,650	462,955
Claims Payable	24,569,464	118,600	2,927,000	21,761,064	3,446,064
Compensated Absences Payable	6,562,413	7,458,798	6,317,521	7,703,690	5,611,406
Net Pension Liability *	131,982,471	24,941,416	48,528,128	108,395,759	-
Subtotal Governmental Activities:	\$ 391,696,238	\$ 64,508,310	\$ 92,834,954	\$ 363,369,594	\$ 32,099,803
<b>Primary Government - Business-type Activities:</b>					
General Obligation Serial Bonds:					
General Obligation Serial Bonds	\$ 26,680,000	\$ 2,300,000	\$ 1,944,100	\$ 27,035,900	\$ 2,056,700
Deferred Amounts:					
Add Bond Premiums	1,675,051	99,006	179,884	1,594,173	161,808
Subtotal General Obligation Serial Bonds	\$ 28,355,051	\$ 2,399,006	\$ 2,123,984	\$ 28,630,073	\$ 2,218,508
Capital Lease Obligation	93,645		76,138	17,507	4,542
Compensated Absences Payable	83,470	91,413	90,102	84,781	48,740
Net Pension Liability *	270,387	209,432	256,748	223,071	-
Subtotal Business-type Activities:	\$ 28,802,553	\$ 2,699,851	\$ 2,546,972	\$ 28,955,432	\$ 2,271,790
<b>Total Primary Government Long-Term Liabilities</b>	<b>\$ 420,498,791</b>	<b>\$ 67,208,161</b>	<b>\$ 95,381,926</b>	<b>\$ 392,325,026</b>	<b>\$ 34,371,593</b>
<b>School Board Component Unit:</b>					
Claims Payable	\$ 6,677,964	\$ 17,639,772	\$ 16,944,686	\$ 7,373,050	\$ 6,354,372
Compensated Absences Payable	3,492,627	3,417,655	3,285,436	3,624,846	975,084
Net Pension Liability *	130,949,854	23,471,739	31,486,302	122,935,291	-
Other Postemployment Benefit Obligation	30,307	234,239	535,202	(270,656)	-
<b>Total School Board Component Unit</b>	<b>\$ 141,150,752</b>	<b>\$ 44,763,405</b>	<b>\$ 52,251,626</b>	<b>\$ 133,662,531</b>	<b>\$ 7,329,456</b>

\* Restated for implementation of GASB Statement No. 68 and No. 71

\*\* Includes Internal Service Fund premium

During fiscal year 2015, the Debt Service Fund was used to account for the repayment of most long-term liabilities of governmental activities as shown in the tables preceding this paragraph. However, a portion of capital lease obligations, claims payable and compensated absences were liquidated by Internal Service Funds. The remaining portion of compensated absences was liquidated by the General Fund.

On March 10, 2015, the City issued \$25,850,000 principal amount of General Obligation Public Improvement and Refunding Bonds (Bonds) consisting of \$19,490,000 principal amount of improvement bonds and \$6,360,000 principle amount of refunding bonds.



**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

The Series 2015 Improvement portion of the Bonds were issued for the purpose of providing funds to finance a portion of the costs of school improvement projects, public libraries projects, parks and recreation improvement projects, public bridge renovation projects, stormwater management projects, civic center improvement projects, curbs, gutter and sidewalk improvement projects, rail passenger infrastructure improvements, fire facility improvement projects and an 911 Center project.

The Series 2015 Refunding portion of the Bonds were used to advance refund \$1,940,000 from the General Obligation Public Improvement Bond, Series 2008, dated February 5, 2008, \$3,450,000 from the Virginia Resource Authority (VRA) Improvement Bonds, Series 2008A, dated December 10, 2008 and \$760,000 from the General Obligation Public Improvement Bond, Series 2012A, dated March 14, 2012. The Series 2015 Bonds were issued with a true interest cost of 2.747%. The 2015 refunding transactions resulted in an economic gain of approximately \$390,353 and an increase of approximately \$402,300 in future debt service payments.

A portion of the net proceeds of sale of the Series 2015 Bonds were applied to refunding in advance of its stated maturity \$3,450,000 outstanding principal amount of the Virginia Resources Authority Infrastructure Revenue Bonds (Virginia Pooled Financing Program) Senior Series 2008B and Subordinated Series 2008B (the VRA Bonds) allocable to the Refunded Series 2008A Bonds, which is to be paid or prepaid in installments of principal through and including November 1, 2018. This portion of the refunding proceeds for Series 2015 was deposited with U.S. Bank National Association, as Trustee for the VRA and as Escrow Agent for the VRA (the VRA's Trustee and Escrow Agent) under an Escrow Deposit Agreement, dated March 25, 2015. Such proceeds were invested in Government Securities (as defined in the VRA's Escrow Deposit Agreement). The Government Securities will mature and bear interest payable at such times and in such amounts as shall be sufficient (i) to pay the interest, when due, on the VRA Bonds allocable to the Refunded Series 2008A Bonds to November 1, 2018, (ii) to prepay on November 1, 2018 the installments of principal of the VRA Bonds allocable to the Refunded Series 2008A Bonds due after November 1, 2018.

The Series 2008A bonds mature annually through November 1, 2033. The stated interest rates ranged from 3.00% to 5.25%. The amounts maturing on November 1 in each of the years 2014 through 2031 were subject to redemption and were to be redeemed on November 1, 2018.

A portion of the net proceeds of sale of the Bonds was applied to the refunding and defeasance of (i) \$1,940,000 outstanding principal amount of the Refunded Series 2008 Bonds, which are to be called for redemption on February 1, 2018 at a redemption price equal to 100% of the principal of the Refunded Series 2008 Bonds to be redeemed, together with the interest accrued thereon to the date fixed for the redemption thereof, and (ii) \$760,000 outstanding principal amount of the Refunded Series 2012A Bonds, which are to be called for redemption on February 1, 2020 at a redemption price equal to 100% of the principal amount of the Refunded Series 2012A Bonds to be redeemed, together with the interest accrued thereon to date fixed for the redemption thereof.

This portion of the proceeds was deposited with Wilmington Trust, National Association, as Escrow Agent for the City (the "City's Escrow Agent") under an Escrow Deposit Agreement, dated March 25, 2015. Such proceeds will be invested in Government Securities (as defined in the City's Escrow Deposit Agreement). The Government Securities will mature and bear interest payable at such times and in such amounts as shall be sufficient (i) to pay the interest, when due, on the Refunded Series 2008 Bonds to February 1, 2018, (ii) to pay the redemption prices of the Refunded Series 2008 Bonds upon the redemption thereof on February 1, 2018, (iii) to pay, when due, interest on the Refunded Series 2012A

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Bonds to February 1, 2020, and (iv) to pay redemption prices of the Refunded Series 2012A Bonds upon the redemption thereof on February 1, 2020.

The City typically refunds and defeases debt for several reasons including generating interest rate cost savings with a present value of 3% or greater, if the nature of use or circumstances change, or if the City is involved in a pooled financing situation whereby it is subject to the refunding initiatives of the issuer of the pooled funds, which may have a positive or negative impact. As of June 30, 2015, the amount of defeased debt outstanding was \$6,150,000 and consisted of maturities from the City's 2008, 2008A VRA and 2012A series.

In February 2015, the Virginia Public School Authority (VPSA) refunded VPSA bond series 2007A and 2008B, (VPSA Refunding Series 2015A). There were no changes to the principal or maturities for the City's outstanding debt. Instead, VPSA is passing the refunding savings through as an interest subsidy. The VPSA refunding resulted in an economic gain for the City of \$678,822.

On July 1, 2004, the Western Virginia Water Authority commenced operations. In conjunction with its formation, the Authority assumed certain indebtedness of the City, and it agreed to pay the City amounts equal to debt service on Water and Water Pollution Control debt to be retained by the City. As of June 30, 2015, the City had \$9,968,500 in outstanding general obligation debt, which will contractually be repaid by the Water Authority over the remaining 10 year amortization of the bonds. Further details are presented in notes 4 and 16.

**(10) Capital Leases**

**Blue Eagle Partnership**

During 2004, the City entered into an agreement with Blue Eagle Partnership to rent the third floor of a building to house the City's Social Services Department. Under the lease agreement, the City paid monthly rent in the range of \$52,300 to \$57,200 to Blue Eagle, representing principal and interest payments with interest at 11.8%. After 2006, the rent increase is a maximum of 2% or 50% of CPI, whichever is lower. The lease term is 20 years. Ownership of the building is retained by Blue Eagle Partnership. Capital lease accounting is required due to the net present value of payments through the term of the lease.

The building lease asset and obligation are accounted for as Governmental Activities. At June 30, 2015, the original cost of the building under the capital lease totaled \$4,857,000 and accumulated depreciation on the building totaled \$2,670,496.

**Xerox, Inc.**

In November 2013, the City entered into an agreement with Xerox, Inc. to lease copy machines and related equipment. Under the lease agreement, the City pays \$17,773 monthly to Xerox, Inc., representing principal and interest with interest at 12.0%. The lease term is 5 years. Ownership of the equipment does not transfer to the City at the completion of the lease term. Capital lease accounting is required due to the net present value of payments through the term of the lease.

**CITY OF ROANOKE, VIRGINIA**  
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The Xerox lease asset and obligation are accounted for as Governmental Activities and in various proprietary funds. At June 30, 2015, the original cost of the equipment under the capital lease totaled \$798,986 and there was \$265,307 of accumulated depreciation on the assets.

**NetApp Capital Solutions**

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

The NetApp lease asset and obligation are accounted for as Governmental Activities. At June 30, 2015, the original cost of the equipment under the capital lease totaled \$400,036 and there was \$46,251 of accumulated depreciation on the assets.

**(11) Fund Balances**

All classifications of Governmental Fund balances reflect City Code requirements or City Council action in the context of adoption of the City's budget except for those required to comply with accounting standards. Reserve policies include a required review every two years to ensure adequacy and appropriateness in light of economic changes. The next bi-annual review will be in November, 2015. Additional information regarding these reserve policies may be found in the City's Reserve and Debt Management Policies.

All fiscal year 2015 outstanding purchase commitments were re-appropriated to the 2015-16 fiscal year by City Council on May 11, 2015.

The General Fund balance of \$29,800,974 is categorized as committed or unassigned. The City committed funds of \$1,750,624 for outstanding purchase commitments for goods and services ordered, but not received by June 30, 2015. The remaining fund balance of \$28,050,350 is unassigned.

The Debt Service Fund balance of \$1,508,122 is restricted for future debt service payments.

The Capital Projects Fund balance of \$14,506,559 is comprised of \$10,280,674, related to outstanding bond proceeds and is categorized as restricted and committed funds of 1) \$1,777,062 for outstanding purchase commitments for goods and services ordered, but not received by June 30, 2015 and 2) \$2,448,823 committed for the Economic Community Development Reserve.

**(12) Pensions and Deferred Compensation Plan**

City employees participate in one of two different pension plans and may participate in a deferred compensation plan. The first plan is primarily for City employees, the City of Roanoke Pension Plan (Pension Plan). Sheriff's employees participate in the second plan, the Virginia Retirement System (VRS). All City employees may also participate in an Internal Revenue Code Section 457 deferred compensation plan.

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Disclosure concerning these plans is as follows:

**City of Roanoke Pension Plan - Plan Description**

The Pension Plan is a cost-sharing multiple-employer defined benefit plan established by City Council and is included in the City's basic financial statements as a Pension Trust Fund. The Pension Plan was established by City Ordinance No. 8559 dated May 27, 1946, effective July 1, 1946. The Pension Plan covers substantially all employees of the City, all employees of the Roanoke Regional Airport Commission, and the Roanoke Valley Juvenile Detention Center, as well as certain employees of the City of Roanoke School Board, the Roanoke Valley Resource Authority, and the Western Virginia Water Authority. The City is the major contributor of employer contributions to the Pension Plan. City Council appoints members of the Pension Plan Board of Trustees to administer the Pension Plan. The Pension Plan is not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

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

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

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

Employees who are members of the ESRS, hired prior to July 1, 2014, with 5 years or more of credited service and age 65 or over, general employees who have attained age 50 with age plus service equal to 80, and deputized police officers and firefighters who have attained age 45 with age plus service equal to 70, are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.1% of their final average compensation for each year of credited service up to a maximum of 63%. Final average compensation is the employee's average salary, excluding overtime, over the highest 36 consecutive months of credited service. Employees with 5 years of credited service may retire at age 55 and receive a reduced retirement benefit. Employees may elect to receive their retirement benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees

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

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

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

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

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

The Internal Revenue Code Section 401(h) health savings account operates similarly to a defined contribution plan. Employees eligible to participate in the Pension Plan are required to contribute 1% of earnable compensation in their health savings account. Employees hired after June 30, 2013 and employees hired prior to July 1, 2014, who made an irrevocable election to forego eligibility for the

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

**Contributions**

The Pension Plan is noncontributory for employees hired prior to July 1, 2014. Employees hired on or after July 1, 2014, contribute 5% of earnable compensation into the pension trust if participating as a traditional defined benefit member or into a defined contribution plan member account if Hybrid membership is elected. Employer contributions to the Pension Plan are based on a percentage of the earnable compensation of the active members. The City's contribution rate for the fiscal year ended June 30, 2015 was 22.23% for employees hired prior to July 1, 2014. For employees hired on or after July 1, 2014, the City's contribution rate was 17.23%, which, when combined with the required employee contribution of 5%, totaled 22.23%. For fiscal year 2015, the total contribution rate of 22.23% of earnable compensation, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$13,403,555 for fiscal year ended June 30, 2015.

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

At June 30, 2015, the City reported a liability of \$101,395,947 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the Pension Plan relative to the projected contributions of all Pension Plan participating employers, actuarially determined. At June 30, 2014, the City's proportion was 86.38%, which was an increase of 0.63% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$8,189,654. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on retirement plan investments	\$ -	\$ 30,438,565
Changes in proportion and differences between City contributions and proportionate share of contributions	741,788	-
City contributions subsequent to the measurement date	13,403,555	-
	<u>\$ 14,145,343</u>	<u>\$ 30,438,565</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to the net pension liability to be recognized in future periods.

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

Year Ending June 30	Amount
2016	\$ (7,362,377)
2017	(7,362,377)
2018	(7,362,378)
2019	(7,609,645)
2020	-
Total	<u>\$ (29,696,777)</u>

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013, updated to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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**Investment Rate of Return**

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

	Allocation	Expected Long-Term Rates of Return
Large Cap	34%	8.49%
Mid Cap	7%	9.17%
Small Cap	7%	9.24%
International Developed Markets	18%	9.24%
Emerging Markets	4%	11.50%
Core	3%	4.35%
Core Plus	5%	4.60%
Long Duration	8%	5.18%
Distressed Debt (e.g. High Yield)	4%	6.75%
Convertible Securities	4%	7.79%
Real Estate	3%	6.67%
Infrastructure	3%	7.97%

**Discount Rate**

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



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

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

	1 % Decrease 6.75%	Current Rate 7.75%	1 % Increase 8.75%
City's proportionate share of the net pension plan liability	<u>\$ 150,436,331</u>	<u>\$ 101,395,947</u>	<u>\$ 59,999,017</u>

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

**Virginia Retirement System - Plan Description**

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

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Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at the following address: <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

### **VRS Contributions**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. Prior to July 1, 2012, this 5% member contribution may be assumed by the employer. Effective July 1, 2012 employers may assume up to 4% of the required employee contribution, reducing by at least an additional 1% per year until 2016 or until the member's contribution equal 5% of creditable compensation. The City elected to implement the 5% required employee contribution effective July 1, 2012. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended June 30, 2015 was 17.55% of annual covered payroll. Contributions to the VRS from the City were \$1,931,550 for the fiscal year ended June 30, 2015.

### **VRS Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2013, updated to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

### **VRS Investment Rate of Return**

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

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

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

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

#### **VRS Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rates contributed by the City for the plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, entities 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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at June 30, 2013</b>	\$ 53,787,875	\$ 42,977,816	\$ 10,810,059
<i><b>Changes for the year:</b></i>			
Service cost	1,333,127	-	1,333,127
Interest	3,680,676	-	3,680,676
Contributions – employer	-	1,460,269	(1,460,269)
Contributions – employee	-	424,175	(424,175)
Net investment income	-	6,752,670	(6,752,670)
Benefit payments, including refunds of employee contributions	(2,413,588)	(2,413,588)	-
Administrative expenses	-	(36,491)	36,491
Other changes	-	356	(356)
<i><b>Net changes</b></i>	<u>2,600,215</u>	<u>6,187,391</u>	<u>(3,587,176)</u>
<b>Balances at June 30, 2014</b>	<u>\$ 56,388,090</u>	<u>\$ 49,165,207</u>	<u>\$ 7,222,883</u>

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

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

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net pension liability	<u>\$ 14,827,300</u>	<u>\$ 7,222,883</u>	<u>\$ 901,011</u>

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

At June 30, 2015 the City reported a liability of \$7,222,883 for its related net pension liability for employees covered under the VRS. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2015, the City recognized pension expense of \$884,299 for employees covered under the VRS. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in

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investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on retirement plan investments	\$ -	\$ 3,011,206
City contributions subsequent to the measurement date	1,931,550	-
	<u>\$ 1,931,550</u>	<u>\$ 3,011,206</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods.

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

Year Ending June 30	Amount
2016	\$ (752,802)
2017	(752,802)
2018	(752,802)
2019	(752,800)
2020	-
Total	<u>\$ (3,011,206)</u>

**School Board Component Unit**

**Defined Benefit Pension Plans**

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

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to the amount of the increase in the employee-paid member contribution. Disclosure concerning these three plans is as follows:

**Virginia Retirement System Plans' Description**

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

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

**Actuarial Assumptions**

**Long-Term Expected Rate of Return**

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

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

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

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

**Discount Rate**

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

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expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The VRS issues a publicly available comprehensive annual financial report that includes basic financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at the following address:

<http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

**Contributions**

Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$11,825,296 and \$8,384,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

**Actuarial Assumptions**

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.95%
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 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.



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Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table.
- Adjustments to the rates of service retirement.
- Decrease in rates of withdrawals for 3 through 9 years of service.
- Decrease in rates of disability.
- Reduce rates of salary increase by 0.25% per year.

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

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School Board's proportionate share of the VRS teacher employee retirement plan net pension liability	<u>\$ 174,268,000</u>	<u>\$ 118,679,000</u>	<u>\$ 72,911,000</u>

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

At June 30, 2015, the School Board reported a liability of \$118,679,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014, relative to the total of the actuarially determined employer contributions for all participating employers.

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At June 30, 2014, the School Board's proportion was 0.982% as compared to 0.971% June 30, 2013.

For the year ended June 30, 2015, the School Board recognized pension expense of \$9,660,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on retirement plan investments	\$ -	\$ 17,613,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,231,000	-
Employer contributions subsequent to the measurement date	11,825,296	-
	<u>\$ 13,056,296</u>	<u>\$ 17,613,000</u>

\$11,825,296 is reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (4,131,000)
2017	(4,131,000)
2018	(4,131,000)
2019	(4,131,000)
2020	142,000
Total	<u>\$ (16,382,000)</u>

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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**Virginia Retirement System – Nonprofessional Employees – School Board**

**Employees Covered by Benefit Terms**

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Number</b>
Inactive members or their beneficiaries currently receiving benefits	5
Inactive members:	
Vested inactive members	2
Non-vested inactive members	121
Inactive members active elsewhere in VRS	11
Total inactive members	134
Active members	106
Total covered employees	245

**Contributions**

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

The School Board's contractually required contribution rate for the year ended June 30, 2015 was 8.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the political subdivision's plan was 7.46%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$126,993 and \$167,937 for the years ended June 30, 2015 and June 30, 2014, respectively.

**Net Pension Asset**

The School Board's net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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**Actuarial Assumptions**

The total pension asset for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
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 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related.

**Largest 10 – Non-LEOS:**

**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

**Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

**Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

**All Others (Non 10 Largest) – Non-LEOS:**

**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

**Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

**Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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**Largest 10 – Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**All Others (Non 10 Largest) – Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**Changes in Net Pension Asset**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Asset (a) - (b)</b>
<b>Balances at June 30, 2013</b>	\$ 833,355	\$ 1,511,668	\$ (678,313)
<b><i>Changes for the year:</i></b>			
Service cost	238,778	-	238,778
Interest	57,278	-	57,278
Contributions – employer	-	167,937	(167,937)
Contributions – employee	-	112,035	(112,035)
Net investment income	-	259,744	(259,744)
Benefit payments, including refunds of employee contributions	(30,199)	(30,199)	-
Administrative expenses	-	(1,173)	1,173
Other changes	-	14	(14)
<b><i>Net changes</i></b>	<u>265,857</u>	<u>508,358</u>	<u>(242,501)</u>
<b>Balances at June 30, 2014</b>	<u><u>\$ 1,099,212</u></u>	<u><u>\$ 2,020,026</u></u>	<u><u>\$ (920,814)</u></u>

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

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Net pension asset	\$ (748,048)	\$ (920,814)	\$ (1,058,836)

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

For the year ended June 30, 2015, the School Board recognized pension expense of \$41,617. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 116,181
Employer contributions subsequent to the measurement date	126,993	-
Total	<u>\$ 126,993</u>	<u>\$ 116,181</u>

The asset reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016.

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

<b>Year Ending June 30</b>	<b>Amount</b>
2016	\$ (29,045)
2017	(29,045)
2018	(29,045)
2019	(29,046)
2020	-
Total	<u>\$ (116,181)</u>

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**City of Roanoke Pension Plan – School Board**

**Plan Description**

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

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

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

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

	<b>1.0% Decrease (6.75%)</b>	<b>Current Rate (7.75%)</b>	<b>1.0% Increase (8.75%)</b>
Net Pension Liability – June 30, 2014	<u>\$ 6,314,855</u>	<u>\$ 4,256,291</u>	<u>\$ 2,518,575</u>

At June 30, 2015, the School Board reported a liability of \$4,526,291 for its proportionate share of the Collective Net Pension Liability of the City's Pension Plan. The Collective Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Collective Net Pension Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Collective Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for the City Plan's participating employers. At June 30, 2014, the School Board's proportion was 3.6259% as compared to 3.9561% at June 30, 2013.

At June 30, 2015, the School Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,277,717
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	387,133
Employer contributions subsequent to the measurement date	527,115	-
Total	<u>\$ 527,115</u>	<u>\$ 1,664,850</u>

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\$527,115 is reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ (416,213)
2017	(416,213)
2018	(416,213)
2019	(416,211)
2020	-
Total	<u>\$ (1,664,850)</u>

**(13) Other Postemployment Benefit Plans**

**Primary Government – OPEB Employees' Post-Retirement Health Plan**

**A. Plan Description**

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

**B. Funding Policies**

The contribution requirements of the City healthcare plan members and the City are established and may be amended by City Council. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health insurance, the employees retiring prior to January 1, 2010, contribute 100% of the blended premium payment. For the fiscal year ended June 30, 2015, the retirees contributed \$732,000 to the City healthcare plan for health insurance. The City contributed \$250,000 to a qualified trust to fund the annual required contribution of \$982,000 for fiscal year 2015. The City overfunded the plan in fiscal year 2015 by \$3,000 which includes a net adjustment of \$3,000 for the requisite ARC actuarial adjustment and interest. It is the City's intent to fully fund the annual required contribution each year. Effective January 1, 2010, retirees began paying the blended rate plus an additional contribution based on their selected benefit tier.



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**C. Annual OPEB Cost and Net OPEB Obligation**

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

The plan contains both active employees and retirees. Although the City's annual payments were for combined participants, the share of claims related to retirees represents a higher percentage of the total claim per covered retiree. Accordingly, contributions reflected in the OPEB calculations have been adjusted to reflect that a portion of contributions for active employees are subsidizing the retiree claims. As of the July 1, 2014 actuarial valuation, there were 1,587 active participants, 135 retired participants, and 34 spouses of retired participants in the plan.

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

	<u><b>City of Roanoke Healthcare Plan</b></u>
Annual Required Contribution	\$ 982,000
Less interest on beginning Net OPEB asset	(24,000)
Add ARC adjustment	<u>21,000</u>
Annual OPEB Cost	979,000
Contributions made	<u>(982,000)</u>
Increase in Net OPEB asset	(3,000)
Net OPEB Asset at July 1, 2014	<u>(340,000)</u>
Net OPEB Asset at June 30, 2015 (Overfunded)	<u><u>\$ (343,000)</u></u>

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

<u><b>Ended</b></u>	<u><b>OPEB Cost</b></u>	<u><b>Cost Contributed</b></u>	<u><b>Asset</b></u>
June 30, 2015	\$ 979,000	100%	\$ 343,000
June 30, 2014	953,000	100%	340,000
June 30, 2013	874,000	100%	336,000

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

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**D. Funded Status and Funding Progress**

As of July 1, 2014, the most recent biannual actuarial valuation date, the City healthcare plan was 24.0% funded. The actuarial accrued liability for benefits was \$10,667,000, and the actuarial value of assets was \$2,607,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,060,000. The covered payroll (annual payroll of active employees covered by the City plan) was \$70,052,000, and the ratio of the UAAL to the covered payroll was 11.5%.

**E. Actuarial Valuations**

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

**F. Actuarial Methods and Assumptions**

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

In the July 1, 2014 valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7.0% rate of return (net of administrative expenses). Because the City has begun funding the plan, the rate of return was based on the projected returns of the Virginia Pooled OPEB Trust. The healthcare trend rate is based on historical claims experience and census records with cost distributed based on the current covered population using the actuaries standard age curves, which vary by age and gender. The rates are trended forward using an annual trend assumption of 8.7% for medical, pharmacy and re-insurance and 3.0% for administrative expense. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2014 was 24 years.

**Primary Government – OPEB Line of Duty Benefits**

**A. Plan Description**

The Line of Duty Act (LODA) provides benefits to local government employees who hold specified hazardous duty positions (*Code of Virginia §9.1-400 et seq.*). By statute, LODA benefits must be provided. The Virginia Department of Accounts administers the benefit. As of July 1, 2011, the General Assembly shifted the financial responsibility from the state government

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to local governments. The Line of Duty plan is a single employer OPEB plan to provide a death benefit of \$100,000 to beneficiaries of public safety officers who die in the line of duty and a death benefit of \$25,000 to beneficiaries of public safety employees who die within five years of becoming disabled as a result of a qualifying illness as defined in the LODA. A medical benefit is also provided to the disabled public safety employees, their surviving spouses and their dependents. The Commonwealth of Virginia has the authority to establish and amend Line of Duty Plan benefits. The City Line of Duty plan does not issue a stand-alone financial report.

**B. Funding Policies**

The contribution requirements of the City public safety plan members and the City are established and may be amended by the Commonwealth of Virginia. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For the fiscal year ended June 30, 2015, members of the plan did not contribute. The City contributed \$96,200 to the Line of Duty plan for death benefits and health insurance based on projected pay-as-you-go financing. The City also contributed \$274,700 to a qualified trust to fund the annual required contribution of \$370,900 for fiscal year 2015. The City overfunded the plan in fiscal year 2015 by \$1,200, which includes a net adjustment of \$1,200 for the requisite ARC actuarial adjustment and interest. It is the City's intent to fully fund the annual required contribution each year.

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

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

The plan contains public safety employees, their surviving spouses, and their dependent children. As of the July 1, 2014 actuarial valuation, there were 700 active participants, 5 retirees, 5 spouses and surviving spouses, and 2 lifetime dependent children in the plan.

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

	<u><b>City of Roanoke Line of Duty</b></u>
Annual Required Contribution	\$ 370,900
Less interest on beginning Net OPEB asset	(11,000)
Add ARC adjustment	<u>9,800</u>
Annual OPEB Cost	369,700
Contributions made	<u>(370,900)</u>
Increase in Net OPEB asset	(1,200)
Net OPEB Asset at July 1, 2014	<u>(156,800)</u>
Net OPEB Asset at June 30, 2015 (Overfunded)	<u><u>\$ (158,000)</u></u>

**CITY OF ROANOKE, VIRGINIA**  
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The City's annual Line of Duty cost, the percentage of annual Line of Duty cost contributed to the plan, and the net Line of Duty obligation for the current year was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Overfunded Net OPEB Asset</u>
June 30, 2015	\$ 369,700	100%	\$ 158,000
June 30, 2014	347,700	100%	156,800
June 30, 2013	247,000	134%	155,400

**D. Funded Status and Funding Progress**

As of July 1, 2014, the most recent biannual actuarial valuation date, the City Line of Duty plan had actuarially valued assets of \$841,700 and was 23.9% funded. The actuarial accrued liability and unfunded actuarial accrued liability (UAAL) for benefits were \$3,518,200 and \$2,676,500, respectively. The required annual contribution as a cost per active member was \$530. The UAAL as a cost per active member was \$3,824. The covered payroll (annual payroll of active employees covered by the City plan) was \$33,055,600, and the ratio of the UAAL to the covered payroll was 8.1%.

**E. Actuarial Valuations**

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

**F. Actuarial Methods and Assumptions**

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

**CITY OF ROANOKE, VIRGINIA**  
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In the July 1, 2014 valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7.0% rate of return (net of administrative expenses). Because the City has begun funding the plan, the rate of return was based on the projected returns of the Virginia Pooled OPEB Trust. The healthcare trend rate is based on historical claims experience and census records with cost distributed based on the current covered population using the actuaries standard age curves, which vary by age and gender. The rates are trended forward using an annual trend assumption of 8.7% for medical, pharmacy and re-insurance and 3.0% for administrative expense. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2014 was 24 years.

**Primary Government – Health Insurance Credit Program**

**G. Plan Description**

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

**H. Funding Policies**

The contribution rate of the City for the fiscal year ended June 30, 2015 was .22% of annual covered payroll.

**I. Annual Health Insurance Credit Cost and Net Health Insurance Credit Obligation**

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

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

<u>Fiscal Year Ended</u>	<u>Annual Health Insurance Credit Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual Credit Cost Contributed</u>	<u>Net Health Credit Obligation</u>
June 30, 2015	\$ 14,836	\$ 14,836	100%	-
June 30, 2014	9,845	9,845	100%	-
June 30, 2013	9,846	9,846	100%	-
June 30, 2012	11,134	11,134	100%	-
June 30, 2011	11,233	11,233	100%	-

**CITY OF ROANOKE, VIRGINIA**  
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**J. Funded Status and Funding Progress**

As of June 30, 2014, the most recent actuarial valuation date, the City health insurance credit plan was 23.88% funded. The actuarial accrued liability for benefits was \$346,691 and actuarial value of assets was \$82,801, resulting in an unfunded actuarial accrued liability (UAAL) for benefits of \$263,890. The covered payroll (annual payroll of active employees covered by the City plan) was \$8,430,964, and the ratio of the UAAL to the covered payroll was 3.13%.

**K. Actuarial Valuations**

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

**L. Actuarial Methods and Assumptions**

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

In the June 30, 2013 valuation, the entry age normal cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7% rate of return, which includes inflation at 2.5%. The UAAL is being amortized as a level percentage of pay on an open basis. The remaining amortization period at June 30, 2013 was 30 years.

**CITY OF ROANOKE, VIRGINIA**  
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**School Board Component Unit**

**A. Plan Descriptions**

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

**B. Funding Policies**

The contribution requirements of the Healthcare Plan members and the School Board are established and may be amended by the Roanoke City School Board. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health and dental insurance, the School Board contributes 0% of all premium payments, and the retirees contribute 100%. Employees who retired on or before July 1, 2010, participate in the plan at a School Board's rate which is blended with that of active employees. Employees who retire after that date will pay an unblended group rate. For the fiscal year ended June 30, 2015, the School Board's retirees contributed \$553,489 to the Roanoke City Public Schools Healthcare Plan. The retiree's claims amounted to \$1,042,544 for the same time period.

**C. Annual OPEB Cost and Net OPEB Obligation**

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

The following table shows the components of the School Board's annual OPEB cost, the amounts contributed to the Plan, and changes in the City's net OPEB obligation for the fiscal year ended June 30, 2015:

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	<b>School Board Healthcare Plan</b>
Annual Required Contribution	\$ 236,620
Interest on net OPEB Obligation	1,212
Adjustment to annual required contribution	<u>(3,593)</u>
Annual OPEB Cost	234,239
Contributions made	<u>(535,202)</u>
Decrease in net OPEB obligation	(300,963)
Net OPEB obligation at July 1, 2014	<u>30,307</u>
Net OPEB asset at June 30, 2015	<u><u>\$ (270,656)</u></u>

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

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation/ (Asset)</b>
June 30, 2015	\$ 234,239	228.5%	\$ (270,656)
June 30, 2014	191,319	374.6%	30,307
June 30, 2013	193,701	120.3%	555,693

**D. Funded Status and Funding Progress**

As of June 30, 2014, the most recent actuarial valuation date, the School Board's Healthcare Plan was 0.0% funded. The actuarial accrued liability for benefits was \$1,919,200, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,919,200. The covered payroll was \$0. The plan does not have separately issued financial statements.

**E. Actuarial Valuations**

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



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

The actuarial valuation of the liabilities as of June 30, 2015 is based on a closed group. Current retirees only are considered; no provision is made for future hires as they are not eligible to enter the plan. For the five-year projection, the actuarial valuation has assumed no new entrants. Therefore, the active population will decline each year as the exiting group ages out of coverage.

**F. Actuarial Methods and Assumptions**

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

In the June 30, 2014 valuation, the projected unit credit actuarial cost method was used. Past service liability is amortized over a level dollar, open 20 year period that declines year per year. The remaining amortization period at July 1, 2015 was 10 years.

The actuarial assumptions included a 4.0% discount rate and a general inflation rate of 2.5%. Annual medical rates are expected to increase at an annual trend rate of 8.0% for the year ending June 30, 2015. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

**(14) Risk Management**

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

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

The City self insures general liability and automotive liability insurance with a self insured retention of \$1,000,000 per occurrence; worker's compensation has a self-insured retention of \$1,250,000 per occurrence. The City purchases excess liability and worker's coverage to protect against settlements that exceed the amount of the self insured retention. The amount of settlements did not exceed insurance coverage for each of the past 7 years.

The City has property insurance coverage that includes boiler and machinery with a \$25,000 per occurrence deductible for property, and a \$1,000 per occurrence deductible for boiler and machinery. Flood insurance is purchased through the National Flood Insurance Program which is administered by the

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

The City purchases a liability policy and an accidental injury medical policy to protect up to 100 active volunteers who perform tasks on behalf of the City. The amount of settlements did not exceed insurance coverage for each of the past 7 years. The City is self-insured for employee health insurance and worker's compensation with stop loss provisions to limit catastrophic claims exceeding \$1,250,000 for worker's compensation and \$300,000 for health insurance.

Included in long-term liabilities at June 30, 2015 were claims payables of \$21,761,064 as a provision for unasserted claims. Other risks insured through the City's self-insurance program adequately covered any claims incurred over each of the past six years.

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

	<u>2014-15</u>	<u>2013-14</u>
Claims liability at July 1	\$ 24,569,464	\$ 25,358,298
Claims incurred	10,046,064	12,611,562
Claims payments	<u>(12,285,464)</u>	<u>(13,400,396)</u>
Claims liability at June 30	<u>\$ 21,761,064</u>	<u>\$ 24,569,464</u>

Surety Bond coverage is as follows:

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

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

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

The minimum funding level for The Risk Management Reserve is:

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

The Risk Management Reserve has a deficit balance as of June 30, 2015 of \$2,650,648 and is underfunded by \$7,495,621 compared to the computed minimum funding level of \$4,844,973. This is a result of a significant increase in liabilities in a prior year. While the reserve is in a deficit position, the City continues to add to the reserve on an annual basis.

**School Board Component Unit**

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

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

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

	2014-15	2013-14
Claims liability at July 1	\$ 6,677,964	\$ 7,761,765
Claims incurred	17,639,772	14,977,940
Claims payments	(16,944,686)	(16,061,741)
Claims liability at June 30	<u>\$ 7,373,050</u>	<u>\$ 6,677,964</u>

**CITY OF ROANOKE, VIRGINIA  
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**(15) Joint Ventures**

**Hotel Roanoke Conference Center Commission**

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

The intention of the HRCCC is to be self-supporting through its user fees. The City and Virginia Tech share equally in any operating deficit or if additional funding is needed for capital expenditures. The City has no equity interest in the HRCCC; however, as previously mentioned, additional funding or subsidies may be necessary to support on going operations. For the fiscal year ended June 30, 2015, the City contributed \$80,000 to the HRCCC. Financial statements may be obtained from the Hotel Roanoke Conference Center Commission, 106 Shenandoah Avenue, Roanoke, Virginia 24016.

**Roanoke Valley Regional Fire-EMS Training Center**

The City along with the County of Roanoke, City of Salem, and Town of Vinton jointly operate a Fire-EMS training center (Center). The Center is governed by a committee of eight members, designated by the participating jurisdictions. New Fire-EMS recruits are required to take a 17 week training course at the facility before being assigned to a station. Upon completion of the training, the new recruits are state certified. Each jurisdiction is responsible for a percentage of the annual operating costs of the facility. The City is responsible for 44% of the annual operating costs. For the fiscal year ended June 30, 2015, the City paid \$48,500 of the total annual operating costs and \$60,000 to the Debt Service Fund for principal and interest on an inter-fund loan related to the construction of the facility. Financial statements may be obtained from the Roanoke Valley Regional Fire-EMS Training Center, 1220 Kessler Mill Road, Salem, Virginia 24153.

**(16) Jointly Governed Organizations**

**Roanoke Valley Resource Authority**

The City, the County of Roanoke, and the Town of Vinton jointly participate in the Roanoke Valley Resource Authority (Authority), which operates the regional sanitary landfill, waste collection and transfer station, and related treatment facilities. The Authority is governed by a board composed of seven members designated by the participating jurisdictions. Roanoke City Council appoints two members. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. The participating localities are each responsible for their pro rata share, based on population, of any year-end operating deficit. For the fiscal year ended June 30, 2015, the City remitted approximately \$1,918,000 to the Authority for services.

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**Roanoke Regional Airport Commission**

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

**Regional Center for Animal Care and Protection**

The City along with the Counties of Roanoke and Botetourt, and the Town of Vinton jointly participate on the Advisory Board which is responsible for the general fiscal and management policies for the Regional Center for Animal Care and Protection (RCACP). The regional care center is comprised of an animal control and animal education facilities that are adjacent to each other and are owned and operated by the Roanoke Valley Society for the Prevention of Cruelty to Animals, Inc. (RVSPCA). The animal control facility was financed by bonds in the amount of \$3.5 million which were issued by the RVSPCA. This debt was defeased and reissued by the participating localities in connection with the purchase and operations of the control facility. Each participating locality pays monthly amounts for its share of operating costs, debt service, and to fund reserves for operating and maintenance needs of the RCACP based on the locality's average use of the facility. During the year ended June 30, 2015, the City's share was 58%, and the City remitted approximately \$832,000 for its share of RCACP expenses.

**Roanoke Valley Regional Board**

The Counties of Botetourt, Craig, and Franklin, and the Cities of Roanoke and Salem jointly participate in a regional education program for severely disabled students operated by the Roanoke Valley Regional Board (Regional Board). The Regional Board is composed of five members, one from each participating locality. The City has control over budget and financing only to the extent of representation by the one board member appointed. Each locality's financial obligation is based on its proportionate share of students attending the regional program. For the fiscal year ended June 30, 2015, the City of Roanoke School Board, a component unit of the City, remitted \$5,302,357 to the Regional Board for services.

**Roanoke Valley Detention Commission**

The Counties of Botetourt, Franklin and Roanoke and the Cities of Roanoke and Salem formed the Roanoke Valley Detention Commission (Commission) in 1998 to renovate, expand and operate a detention facility for juveniles. The Commission is governed by a six member board. Roanoke City Council appoints two members. Localities using the facility are guaranteed a number of beds according to the terms of the agreement. Each locality's financial obligation is based on the number of juveniles housed at the 81 bed facility. The Commission has the authority to issue debt, and such debt is the responsibility of the Commission. For the fiscal year ended June 30, 2015, the City remitted approximately \$946,000 to the Roanoke Valley Detention Commission in per diem charges for juveniles housed by the Commission.

**CITY OF ROANOKE, VIRGINIA**  
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**Blue Ridge Behavioral Healthcare**

The Counties of Botetourt, Craig and Roanoke, and the Cities of Roanoke and Salem formed Blue Ridge Behavioral Health Care (BRBH), a community services board, to provide a system of comprehensive community mental health, intellectual disability and substance abuse services. BRBH is governed by a 16 member board. Roanoke City Council appoints three members. Each locality's financial obligation is based on the type and amount of services performed for individuals in the locality. For the fiscal year ended June 30, 2015, the City remitted approximately \$541,000 to BRBH.

**Western Virginia Water Authority**

The City and the County of Roanoke combined its water and water pollution control functions to form the Western Virginia Water Authority (WVWA). The WVWA is responsible for the supply, treatment, distribution, and transmission of water and the collection and treatment of wastewater. In November 2009, Franklin County joined the WVWA to provide services to the western side of the County. The WVWA is governed by a seven member board consisting of three City of Roanoke appointees, three County of Roanoke appointees, and one Franklin County appointee. The City has control over the budget and financing for the WVWA only to the extent of representation by the board members appointed. Upon formation of the WVWA, the City retained \$38 million of general obligation bonds, which are to be repaid contractually by the WVWA in accordance with its operating agreement. During fiscal year 2015, the WVWA paid \$1.3 million to the City in principal and interest payments on the bonds. As of June 30, 2015, the remaining principal balance of these bonds was approximately \$10.0 million and this amount was recorded as a receivable Due from Other Governments in the Statement of Net Assets of the basic financial statements.

**Virginia's First Regional Industrial Facility Authority**

The Cities of Radford, Roanoke and Salem; the Counties of Bland, Craig, Giles, Montgomery, Pulaski, Roanoke and Wythe; and the Towns of Christiansburg, Dublin, Narrows, Pearisburg and Pulaski all participate in the Virginia's First Regional Industrial Facility Authority (Authority). The Authority's purpose is to enhance the member localities economic base in Virginia's First Region. The Authority is governed by a board composed of twenty-nine members, two of which are appointed by Roanoke City Council. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. Each locality is obligated to annual dues of \$5,000. Authority member localities, who are also participants in the Regional Commerce Park like the City, are obligated to an annual amount based on the number of shares owned. The City owns 10,000 shares and has an annual obligation of \$27,500. For the fiscal year ended June 30, 2015, the City remitted \$32,500 to Virginia's First Regional Industrial Facility Authority.

**Roanoke Valley Broadband Authority**

The Roanoke Valley Broadband Authority (Authority) was created under the Virginia Wireless Services Facilities Act by the Cities of Roanoke and Salem, and the counties of Botetourt and Roanoke. The Authority was formed in order to provide quality affordable access to broadband technologies. The Board of the Authority consists of five members of which the City appoints one member for a four year term. The Authority is in the process of engineering a 46 mile network in the Valley that will serve business parks, large institutions, government facilities, and businesses. For the fiscal year ended June 30, 2015, the City remitted \$100,000 to Roanoke Valley Broadband Authority.

**CITY OF ROANOKE, VIRGINIA**  
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**(17) Related Organizations**

**Economic Development Authority**

The Economic Development Authority issues low-interest, tax-free industrial revenue bonds in its name for the construction or renovation of properties sold or leased to enterprises locating to or remaining in the City. City Council is responsible for appointing the seven member board; however, the City, the state, and any political subdivision thereof are not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2015, there were ten series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$471 million.

**Roanoke Redevelopment and Housing Authority**

The Roanoke Redevelopment and Housing Authority (Housing Authority) is a political subdivision of the Commonwealth of Virginia created to provide low income and subsidized housing, promote self-sufficiency and foster economic development. Commissioners of the Housing Authority are appointed by City Council. The Housing Authority is financially independent of the City and has administrative control of its operations, but its overall housing plans require the approval of City Council. The City provides a financial benefit through federal pass-through grant funds awarded to the Housing Authority on a contractual basis to implement certain grant programs. The Housing Authority also directly receives other federal and state subsidies and rents for operating its housing programs. During the year ended June 30, 2015, the City remitted approximately \$20,000 to the Housing Authority.

**(18) Subsequent Events**

The Roanoke Blacksburg Regional Airport is attempting to obtain its own Municipal Separate Storm Sewer System (MS4) permit. Currently, the City charges a stormwater fee to the Airport. If successful in obtaining its own permit, the Airport will no longer be subject to the fee charged by the City.

**(19) Commitments, Contingencies and Other Matters**

**Litigation**

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

**Grants**

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

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**Other Matters**

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



## ***REQUIRED SUPPLEMENTARY INFORMATION***

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**CITY OF ROANOKE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(UNAUDITED)**

**(1) Budgetary Comparison Schedule - General Fund**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance from Final Budget Over/(Under)</b>
<b>Budgetary Fund Balance, July 1</b>	\$ 28,662,864	\$ 28,662,864	\$ 28,662,864	\$ -
<b>Resources (Inflows):</b>				
General Property Taxes	\$ 106,079,000	\$ 107,625,000	\$ 108,639,136	\$ 1,014,136
Other Local Taxes	73,803,000	75,719,000	75,825,820	106,820
Permits, Fees, and Licenses	1,136,000	1,194,097	1,140,606	(53,491)
Fines and Forfeitures	1,276,000	1,276,000	1,188,103	(87,897)
Revenue from Use of Money and Property	185,000	185,000	232,986	47,986
Charges for Services	10,426,000	10,560,000	10,812,015	252,015
Intergovernmental	66,638,000	67,476,487	66,953,796	(522,691)
Miscellaneous	604,000	654,000	616,568	(37,432)
Transfers from Other Funds	-	104,439	104,439	-
<b>Amounts Available for Appropriation</b>	<b>\$ 288,809,864</b>	<b>\$ 293,456,887</b>	<b>\$ 294,176,333</b>	<b>\$ 719,446</b>

**Charges to Appropriations (Outflows):**

General Government

City Treasurer	\$ 1,357,729	\$ 1,283,937	\$ 1,283,927	\$ (10)
Commissioner of the Revenue	1,113,976	1,154,408	1,151,665	(2,743)
City Council	236,886	57,295	52,865	(4,430)
City Council - Mayor Bowers	12,347	40,516	40,446	(70)
City Council - Council Member Trinkle	2,335	26,273	26,188	(85)
City Council - Council Member Lea	3,690	23,956	23,727	(229)
City Council - Council Member Bestpitch	1,500	29,229	29,149	(80)
City Council - Council Member Ferris	1,375	29,082	29,074	(8)
City Council - Council Member Price	5,875	27,138	27,081	(57)
City Council - Vice Mayor Rosen	2,165	28,784	28,257	(527)
City Attorney	1,097,953	1,010,686	1,010,626	(60)
City Clerk	475,975	492,171	492,089	(82)
Municipal Auditing	687,843	751,280	742,729	(8,551)
Department of Finance	2,540,351	2,651,191	2,651,048	(143)
Real Estate Valuation	1,149,651	1,142,730	1,139,888	(2,842)
Board of Equalization	11,533	6,733	6,277	(456)
Electoral Board	370,473	346,460	335,056	(11,404)
Office of Communications	377,336	495,640	488,572	(7,068)
City Manager	860,765	881,771	881,731	(40)
Human Resources	1,180,567	1,650,545	1,650,532	(13)
Employee Health Services	631,372	1,022,592	1,022,517	(75)
Department of Management and Budget	567,443	565,660	565,261	(399)
Purchasing	501,425	463,278	463,178	(100)
Director of General Services	241,992	279,292	279,166	(126)
Environmental Management	195,601	234,958	234,922	(36)

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

(Continued)

**CITY OF ROANOKE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(UNAUDITED)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance from Final Budget Over/(Under)</b>
<b>Judicial Administration</b>				
Clerk of Circuit Court	\$ 1,587,574	\$ 1,642,174	\$ 1,633,216	\$ (8,958)
Juvenile and Domestic Relations Court Service	1,008,686	1,042,286	1,042,235	(51)
Juvenile and Domestic Relations Court Clerk	32,326	28,557	26,024	(2,533)
Magistrates Office	6,841	6,841	5,127	(1,714)
General District Court	28,872	25,823	25,028	(795)
Circuit Court	556,022	585,609	585,554	(55)
Sheriff	2,880,154	3,087,753	3,087,656	(97)
Commonwealth's Attorney	1,712,710	1,718,684	1,718,604	(80)
Cost Collection Unit	88,705	89,005	86,787	(2,218)
Law Library	125,403	123,461	123,054	(407)
<b>Public Safety</b>				
Jail	15,018,111	15,150,304	15,150,303	(1)
E911	2,520,635	2,332,119	2,330,076	(2,043)
E911 - Wireless	601,657	444,496	444,465	(31)
Fire - Administration	661,655	744,660	726,116	(18,544)
Fire - Support	963,920	1,184,170	1,176,668	(7,502)
Fire - Operations	18,264,859	19,252,744	19,252,672	(72)
Fire - Airport Rescue	-	42,750	42,740	(10)
Emergency Management	106,901	132,201	124,836	(7,365)
Building Inspections	913,256	867,436	861,769	(5,667)
Outreach Detention	266,325	281,026	274,928	(6,098)
Youth Haven I	579,178	579,130	579,108	(22)
Police - Administration	878,434	2,083,425	2,082,384	(1,041)
Police - Investigation	4,161,090	3,029,008	3,028,991	(17)
Police - Patrol	12,873,846	15,105,023	15,104,965	(58)
Police - Services	2,932,492	2,674,236	2,663,983	(10,253)
Police - Training	684,032	643,131	636,114	(7,017)
Police - Animal Control	1,333,409	1,347,826	1,347,779	(47)
<b>Public Works</b>				
Custodial Services	683,446	624,640	607,686	(16,954)
Building Maintenance	4,301,302	4,368,740	4,365,056	(3,684)
Director of Public Works	166,026	174,140	174,075	(65)
Transportation - Streets and Traffic	4,128,340	4,287,155	4,282,585	(4,570)
Transportation - Paving Program	3,157,679	3,810,480	3,810,475	(5)
Transportation - Snow Removal	110,826	498,326	488,732	(9,594)
Transportation - Street Lighting	1,133,989	1,282,466	1,282,447	(19)
Transportation - Engineering and Operations	1,928,432	1,993,890	1,993,871	(19)
Solid Waste Management	6,277,854	6,627,997	6,627,981	(16)
Engineering	1,357,331	1,388,244	1,377,587	(10,657)

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

(Continued)

**CITY OF ROANOKE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(UNAUDITED)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance from Final Budget Over/(Under)</b>
Health and Welfare				
Human Services Support	\$ 286,728	\$ 275,550	\$ 270,082	\$ (5,468)
Health Department	1,475,000	1,475,000	1,475,000	-
Blue Ridge Behavioral Health Care	448,890	448,890	448,890	-
Human Services Committee	409,052	409,052	409,052	-
Social Services	24,965,333	23,736,828	23,736,708	(120)
Comprehensive Services Act	9,785,000	10,061,248	10,061,247	(1)
Parks, Recreation and Cultural				
Roanoke Arts Commission	269,220	269,220	269,220	-
Recreation	1,834,405	1,912,789	1,833,823	(78,966)
Parks	3,020,666	2,981,557	2,981,542	(15)
Parks & Recreation - Administration	1,317,759	1,567,250	1,567,250	-
Libraries	3,460,511	3,516,820	3,516,773	(47)
Community Development				
Memberships and Affiliations	2,912,007	3,143,757	3,143,686	(71)
Economic Development	1,557,766	1,590,803	1,557,894	(32,909)
Planning, Building and Development	1,286,419	1,405,262	1,380,857	(24,405)
Neighborhood Support	116,974	120,069	115,948	(4,121)
Neighborhood Services	1,293,692	1,297,927	1,286,727	(11,200)
Virginia Cooperative Extension	67,267	67,267	67,267	-
Nondepartmental				
Residual Fringe Benefits	3,427,733	135,803	135,803	-
Transfers to Other Funds	5,994,510	7,979,521	7,743,615	(235,906)
Transfers to Debt Service Fund	11,773,339	12,133,575	12,133,575	-
Transfers to Component Unit	76,295,305	78,126,030	78,126,030	-
Miscellaneous	50,000	50,000	37,346	(12,654)
Personnel Lapse	(2,078,633)	-	-	-
Funding for Reserves	875,000	-	-	-
Contingency	1,642,581	57	-	(57)
<b>Total Charges to Appropriations</b>	<b>260,147,000</b>	<b>266,699,836</b>	<b>266,125,983</b>	<b>(573,853)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 28,662,864</b>	<b>\$ 26,757,051</b>	<b>\$ 28,050,350</b>	<b>\$ 1,293,299</b>

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

(Continued)

**CITY OF ROANOKE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(UNAUDITED)**

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

**Sources/Inflows of Resources:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 294,176,333
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes (Exhibit E).	(28,662,864)
Transfers from other funds are a budgetary resource but not a revenue for financial reporting purposes (Exhibit E)	<u>(104,439)</u>
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 265,409,030</u></u>

**Uses/Outflows of Resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 266,125,983
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (Exhibit E).	(19,807,933)
Encumbrances for goods and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year goods and services are received for GAAP purposes (Exhibit C).	<u>(1,750,624)</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 244,567,426</u></u>

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

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

**(2) Infrastructure Assets Under Modified Approach**

**INFRASTRUCTURE – FLOOD REDUCTION**

With the adoption of the modified approach for certain infrastructure assets, the City is required to conduct a semi-annual (January and July) assessment of the condition level of 100% of the Flood Reduction infrastructure asset. The assessment is based on the United States Army Corps of Engineers (USACE) 'Inspection, Maintenance and Operational Report' and is conducted twice a year by City personnel based on criteria contained within the inspection report. The individual components assessed are the bench cuts (14) and training walls (2), which directly impact the level of flood reduction the asset provides. These are evaluated by examining the number of obstructions or damage observed, and to what extent. These individual assessments are then used to determine an overall condition rating as defined below. Independent evaluations are conducted periodically by the USACE using the same assessment criteria. City and USACE policy require the condition level to be maintained at or above a Fair (2) rating. Any deficiencies discovered by either party that would cause the condition level to fall below Fair (2), are the responsibility of the City and will be addressed prior to the next July assessment.

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

**Assessment Ratings of Infrastructure Components**

	<u>Number Assessed</u>	<u>2012 Rating</u>	<u>2013 Rating</u>	<u>2014 Rating</u>	<u>2015 Rating</u>
Training Walls	2	3	3	3	2.5
Bench Cuts	14	3	3	3	2.6

The overall assessment of the infrastructure asset decreased slightly in fiscal year 2015 from the prior year. This can be primarily attributed to debris issues, some of which could not be removed as the access point was blocked by Norfolk Southern, as well as some erosion that occurred in both the bench cuts and training walls. Additionally, there was some destruction of vegetation and shifting on one of the training walls that affected the rating. Management is in the process of addressing these issues and will continue to monitor the progress until resolved.

**Comparison of Estimated to Actual Maintenance Costs**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Estimated	\$97,370	\$75,126	\$131,833	\$116,000
Actual	\$97,370	\$75,126	\$107,512	\$ 49,384

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(UNAUDITED)**

**(3) Schedule of City Pension Contributions - City Plan**

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

**Notes to Schedule**

Valuation Date: June 30, 2013 June 30, 2013

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

Methods and assumptions used to determine contribution rates:

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

Other information:

The Plan changed actuarial cost methods to entry age normal with the valuation effective June 30, 2014 in accordance with Generally Accepted Accounting Principles (GAAP)

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

See Accompanying Report of Independent Auditor



CITY OF ROANOKE, VIRGINIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (UNAUDITED)

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

	2015
City's proportion of the net pension liability	86.38%
City's proportionate share of the net pension liability	\$ 101,395,947
Covered-employee payroll	\$ 60,633,287
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	167.23%
Plan fiduciary net position as a percentage of the total net pension liability	77.23%

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

CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

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

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

**Notes to Schedule**

Valuation Date: June 30, 2013

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

Methods and assumptions used to determine contribution rates:

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

Other information:

The Plan changed actuarial cost methods to entry age normal with the valuation effective June 30, 2014 in accordance with Generally Accepted Accounting Principles (GAAP)

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

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (UNAUDITED)

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

	2015
School Board's proportion of the net pension liability	3.63%
School Board's proportionate share of the net pension liability	\$ 4,526,291
Covered-employee payroll	\$ 2,690,735
School Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.22%
Plan fiduciary net position as a percentage of the total net pension liability	77.23%

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

CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

(7) Schedule of City's Contributions for Employees Covered Under VRS

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

**Notes to Schedule**

Valuation Date: June 30, 2013

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

Methods and assumptions used to determine contribution rates:

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

Other information:

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

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

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

(8) Schedule of School Board's Contributions for Employees Covered Under VRS - Non-professionals Plan

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

**Notes to Schedule**

Valuation Date: June 30, 2013

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

Methods and assumptions used to determine contribution rates:

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

Other information:

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

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

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2015**  
**(UNAUDITED)**

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

	<b>2015</b>
<b>Total Pension Liability</b>	
Service Cost	\$ 1,333,127
Interest	3,680,676
Benefit payments, including refunds of employee contributions	(2,413,588)
<b>Net change in total pension liability</b>	<b>2,600,215</b>
<b>Total pension liability - Beginning</b>	<b>53,787,875</b>
<b>Total pension liability -- Ending</b>	<b>\$ 56,388,090</b>
<b>Plan fiduciary net position</b>	
Contributions--employer	\$ 1,460,269
Contributions -- employee	424,175
Net investment income	6,752,670
Benefit payments, including refunds of employee contributions	(2,413,588)
Administrative expense	(36,491)
Other	356
<b>Net change in plan fiduciary net position</b>	<b>6,187,391</b>
<b>Plan fiduciary net position -- beginning</b>	<b>42,977,816</b>
<b>Plan fiduciary net position -- ending</b>	<b>\$ 49,165,207</b>
Total net pension liability -- beginning	\$ 10,810,059
<b>Total Net Pension Liability -- ending</b>	<b>\$ 7,222,883</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>87.19%</b>
<b>Covered Employee Payroll</b>	<b>\$ 8,430,964</b>
<b>Net Pension Liability as a percentage of covered employee payroll</b>	<b>85.67%</b>

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

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

(10) Schedule of Pension Contributions - School Board Teacher Plan

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

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

See Accompanying Report of Independent Auditor

(11) Schedule of Proportionate Share of the Net Pension Liability - School Board Teacher Plan

	2015
Employer's proportion of the net pension liability	0.98%
Employer's proportionate share of the net pension liability	\$ 118,679,000
Covered-employee payroll	\$ 69,016,143
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	171.95%
Plan fiduciary net position as a percentage of the total net pension liability	70.88%

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



**CITY OF ROANOKE, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(UNAUDITED)**

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

	<u>2015</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 238,778
Interest	57,278
Benefit payments, including refunds of employee contributions	(30,199)
<b>Net change in total pension liability</b>	<u>265,857</u>
<b>Total pension liability - Beginning</b>	<u>833,355</u>
<b>Total pension liability -- Ending</b>	<u><u>\$ 1,099,212</u></u>
<b>Plan fiduciary net position</b>	
Contributions--employer	\$ 167,937
Contributions -- employee	112,035
Net investment income	259,744
Benefit payments, including refunds of employee contributions	(30,199)
Administrative expense	(1,173)
Other	14
<b>Net change in plan fiduciary net position</b>	<u>508,358</u>
<b>Plan fiduciary net position -- beginning</b>	<u>1,511,668</u>
<b>Plan fiduciary net position -- ending</b>	<u><u>\$ 2,020,026</u></u>
Total net pension liability -- beginning	\$ (678,313)
<b>Total Net Pension Liability -- ending</b>	<u><u>\$ (920,814)</u></u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>183.77%</b>
<b>Covered Employee Payroll</b>	<b>\$ 2,220,265</b>
<b>Net Pension Liability as a percentage of covered employee payroll</b>	<b>(41.47%)</b>

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

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

**(13) Schedules of Funding Progress - OPEB**

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

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
7/1/2014	\$ 2,607,000	\$ 10,667,000	\$ 8,060,000	24.4%	\$ 70,052,000	11.5%
7/1/2013	2,099,000	10,399,000	8,300,000	20.2%	66,641,000	12.5%
7/1/2012 <sup>(1)</sup>	1,877,000	9,728,000	7,851,000	19.3%	68,086,000	11.5%
7/1/2011 <sup>(1)</sup>	1,639,000	13,190,000	11,551,000	12.4%	68,086,000	17.0%
7/1/2010 <sup>(1)</sup>	1,141,000	12,816,000	11,675,000	8.9%	69,600,000	16.8%
7/1/2009	793,000	16,958,000	16,165,000	4.7%	69,600,000	23.2%

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

	(a)	(b)	(b-a)	(a/b)		
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered</b>
7/1/2014	\$ 841,700	\$ 3,518,200	\$ 2,676,500	23.9%	33,055,600	8.1%
7/1/2013	509,600	3,147,700	2,638,100	16.2%	31,425,600	8.4%
7/1/2011	-	2,119,200	2,119,200	0.0%	29,618,000	7.2%

<sup>(1)</sup> Based on the July 1, 2010 and 2012 actuarial valuations, there was a significant decrease in the actuarial accrued liability. The liability was reduced by retirement trends that changed slightly upon implementation of policy and workforce reductions in the past several fiscal years due to budgetary constraints. Other Policy changes following implementation of GASB 45 limited retirees' ability to make healthcare plan changes after initial date of retirement which also contributed to a decline in the liability.

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

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) -</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
6/30/2014	-	\$ 1,919,200	\$ 1,919,200	0.0%	N/A	N/A
6/30/2013	-	2,015,639	2,015,639	0.0%	N/A	N/A
6/30/2012	-	2,166,661	2,166,661	0.0%	N/A	N/A
6/30/2011	-	2,437,419	2,437,419	0.0%	N/A	N/A
6/30/2010	-	4,083,544	4,083,544	0.0%	N/A	N/A
6/30/2009	-	7,964,432	7,964,432	0.0%	\$ 85,979,029	9.3%
6/30/2008	-	20,074,254	20,074,254	0.0%	83,474,785	24.0%

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

**(14) Schedules of Employer Contributions - OPEB**

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

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2015	\$ 982,000	100.3%
2014	957,000	100.4%
2013	877,000	100.0%
2012	1,278,000	105.0%
2011	1,235,000	106.0%
2010	1,528,000	113.0%

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

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

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

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

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

**(15) Schedule of Funding Progress - Health Insurance Credit**

**City - Health Insurance Credit Program Schedule of Funding Progress**

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered</b>
6/30/2014	\$ 82,801	\$ 346,691	\$ 263,890	23.9%	\$ 8,430,964	3.1%
6/30/2013	77,352	324,054	246,702	23.9%	8,665,556	2.8%
6/30/2012	73,236	160,477	87,241	45.6%	7,892,701	1.1%
6/30/2011	76,808	158,267	81,459	48.5%	7,975,869	1.0%
6/30/2010	67,213	167,493	100,280	40.1%	8,031,938	1.2%
6/30/2009	71,592	150,405	78,813	47.6%	8,483,464	0.9%

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

**(16) Note to Budgetary Comparison Schedule – General Fund**

**(A) Budgets and Budgetary Accounting**

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

- 1. Proposal** – At least sixty days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. Projects and Grants** – The capital projects budget is prepared on a project length basis under which the total outlay for each project is estimated for the length of the project. The Special Revenue Fund budget is adopted on a grant length basis as grants are received by the City. Grant budgets are not legally enacted on an annual period basis; therefore, a budgetary comparison statement is not presented for the Special Revenue Fund.
- 3. Adoption** – Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to May 15, the budget is legally adopted at the departmental level through passage of an appropriation ordinance by City Council.
- 4. Amendment** – The City Manager is authorized to transfer amounts not exceeding \$75,000 between departments beginning July through March and to transfer any amount between departments beginning April through June. The City Manager also has the authority to make transfers of any amount within a given department. All other transfers or supplemental appropriations must be approved by City Council. During the year, \$6,552,836 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of restricted, committed or assigned fund balance, and the appropriation of additional intergovernmental grants received during the year.
- 5. Integration** – Formal budgetary integration is employed as a management control device during the year for the General and Capital Projects Funds. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through budgeted transfers from the General Fund to the Debt Service Fund for debt payments.
- 6. Legal Compliance** – Actual expenditures and operating transfers out may not legally exceed budget appropriations for each department. City Council legally adopts an annual budget for the General Fund. Its budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America except for the recognition of encumbrances, the classification of certain transfers as expenditures, and the consideration of beginning fund balance as a budgetary resource. A reconciliation of the actual General Fund uses of financial resources presented in accordance with generally accepted accounting principles is presented as part of the Budgetary Comparison Schedule located in the Required Supplementary Information.

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## ***SUPPLEMENTARY INFORMATION***

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**CITY OF ROANOKE, VIRGINIA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2015**

	<b>Department of Technology</b>	<b>Fleet Management</b>	<b>Risk Management</b>	<b>Total Internal Service Funds</b>
<b><u>Assets</u></b>				
Current Assets:				
Cash and Cash Equivalents	\$ 5,406,783	\$ 2,534,865	\$ 18,205,199	\$ 26,146,847
Due from Other Governments	8,336	4,325	-	12,661
Due from Other Funds	172,860	610,980	1,125,365	1,909,205
Accounts Receivable (net of allowance for uncollectibles)	74,543	9,985	86,333	170,861
Inventory	-	63,306	-	63,306
Other Assets	-	-	330,000	330,000
<b>Total Current Assets</b>	<b>5,662,522</b>	<b>3,223,461</b>	<b>19,746,897</b>	<b>28,632,880</b>
Capital Assets:				
Equipment and Other Capital Assets	30,108,515	36,065,089	-	66,173,604
Construction in Progress	505,243	7,500	-	512,743
Less Accumulated Depreciation	(19,348,714)	(25,857,148)	-	(45,205,862)
<b>Capital Assets, Net</b>	<b>11,265,044</b>	<b>10,215,441</b>	<b>-</b>	<b>21,480,485</b>
<b>Total Assets</b>	<b>\$ 16,927,566</b>	<b>\$ 13,438,902</b>	<b>\$ 19,746,897</b>	<b>\$ 50,113,365</b>
<b>Deferred Outflows of Resources</b>				
Deferred Outflow for Pension Contributions	\$ 448,896	\$ 209,976	\$ 28,484	\$ 687,356
Deferred Outflow for Pension Changes	25,814	11,349	1,854	39,017
Deferred Charges on Refunding of Debt	5,817	-	-	5,817
<b>Total Deferred Outflows of Resources</b>	<b>\$ 480,527</b>	<b>\$ 221,325</b>	<b>\$ 30,338</b>	<b>\$ 732,190</b>
<b><u>Liabilities</u></b>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 481,476	\$ 1,025,507	\$ 53,593	\$ 1,560,576
Due to Other Funds	8,426	4,551	277,531	290,508
Unearned Revenue	23,211	-	-	23,211
Long-Term Liabilities Due Within One Year	463,852	53,097	3,452,173	3,969,122
<b>Total Current Liabilities</b>	<b>976,965</b>	<b>1,083,155</b>	<b>3,783,297</b>	<b>5,843,417</b>
Long-Term Liabilities:				
Compensated Absences Payable	320,049	85,971	6,109	412,129
Claims Payable	-	-	21,761,064	21,761,064
General Obligation Bonds Payable, Net	6,222,750	-	-	6,222,750
Capital Lease Obligations	331,582	5,836	-	337,418
Net Pension Liability	3,528,579	1,551,358	253,490	5,333,427
Less Current Maturities	(463,852)	(53,097)	(3,452,173)	(3,969,122)
<b>Total Long-Term Liabilities</b>	<b>9,939,108</b>	<b>1,590,068</b>	<b>18,568,490</b>	<b>30,097,666</b>
<b>Total Liabilities</b>	<b>\$ 10,916,073</b>	<b>\$ 2,673,223</b>	<b>\$ 22,351,787</b>	<b>\$ 35,941,083</b>
<b>Deferred Inflows of Resources</b>				
Deferred Inflow for Pension Changes	\$ 1,059,262	\$ 465,710	\$ 76,096	\$ 1,601,068
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,059,262</b>	<b>\$ 465,710</b>	<b>\$ 76,096</b>	<b>\$ 1,601,068</b>
<b><u>Net Position</u></b>				
Net Investment in Capital Assets	\$ 5,080,292	\$ 10,209,605	\$ -	\$ 15,289,897
Unrestricted (deficit)	352,466	311,689	(2,650,648)	(1,986,493)
<b>Total Net Position</b>	<b>\$ 5,432,758</b>	<b>\$ 10,521,294</b>	<b>\$ (2,650,648)</b>	<b>\$ 13,303,404</b>

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<b><u>Operating Revenues</u></b>				
Charges for Services Other Funds	\$ 5,557,296	\$ 5,913,925	\$ 16,899,736	\$ 28,370,957
Charges for Services Outside Parties	634,325	129,405	-	763,730
Other Revenue	72,251	115,655	-	187,906
<b>Total Operating Revenues</b>	<b>6,263,872</b>	<b>6,158,985</b>	<b>16,899,736</b>	<b>29,322,593</b>
<b><u>Operating Expenses</u></b>				
Personal Services	1,680,719	1,252,949	159,760	3,093,428
Other Services and Charges	1,389,293	864,581	13,478,247	15,732,121
Materials and Supplies	893,987	2,612,181	949,586	4,455,754
Depreciation	2,802,505	2,063,470	-	4,865,975
<b>Total Operating Expenses</b>	<b>6,766,504</b>	<b>6,793,181</b>	<b>14,587,593</b>	<b>28,147,278</b>
<b>Operating Income/(Loss)</b>	<b>(502,632)</b>	<b>(634,196)</b>	<b>2,312,143</b>	<b>1,175,315</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Loss on Disposal of Assets	(2,747)	(20,488)	-	(23,235)
Investment Income	25,768	2,671	20,942	49,381
Interest Expense	(248,178)	(789)	-	(248,967)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(225,157)</b>	<b>(18,606)</b>	<b>20,942</b>	<b>(222,821)</b>
<b>Income/(Loss) Before Transfers</b>	<b>(727,789)</b>	<b>(652,802)</b>	<b>2,333,085</b>	<b>952,494</b>
<b><u>Transfers</u></b>				
Transfers In	425,329	484,388	-	909,717
Transfers Out	(11,787)	-	-	(11,787)
<b>Net Transfers</b>	<b>413,542</b>	<b>484,388</b>	<b>-</b>	<b>897,930</b>
Change in Net Position	(314,247)	(168,414)	2,333,085	1,850,424
<b>Total Net Position - Beginning of Year , as restated</b>	<b>5,747,005</b>	<b>10,689,708</b>	<b>(4,983,733)</b>	<b>11,452,980</b>
<b>Total Net Position - End of Year</b>	<b>\$ 5,432,758</b>	<b>\$ 10,521,294</b>	<b>\$ (2,650,648)</b>	<b>\$ 13,303,404</b>

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Department of Technology</b>	<b>Fleet Management</b>	<b>Risk Management</b>	<b>Total Internal Service Funds</b>
<b>Cash Flows From Operating Activities:</b>				
Cash Received from Customers Other Funds	\$ 5,701,156	\$ 5,976,357	\$ 16,745,534	\$ 28,423,047
Cash Received from Customers Outside Parties	633,274	128,336	-	761,610
Cash Payments to Suppliers for Goods and Services	(1,981,953)	(2,838,039)	(1,498,652)	(6,318,644)
Cash Payments from (to) Other Funds for Interfund Services	(8,700)	(135,601)	55,783	(88,518)
Cash Payments to Employees	(2,070,469)	(1,439,654)	(188,396)	(3,698,519)
Cash Payments for Claims	-	-	(15,662,864)	(15,662,864)
Cash Received From Other Operating Revenue	72,251	115,655	-	187,906
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>2,345,559</b>	<b>1,807,054</b>	<b>(548,595)</b>	<b>3,604,018</b>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfers In	425,329	484,388	-	909,717
Transfers Out	(11,787)	-	-	(11,787)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>413,542</b>	<b>484,388</b>	<b>-</b>	<b>897,930</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets	(2,035,450)	(1,143,203)	-	(3,178,653)
Principal Paid on Bonds and Capital Lease Obligations	-	(1,343)	-	(1,343)
Proceeds from Issuance of Debt	100,494	-	-	100,494
Interest Paid on Bonds and Capital Lease Obligations	(254,108)	(789)	-	(254,897)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(2,189,064)</b>	<b>(1,145,335)</b>	<b>-</b>	<b>(3,334,399)</b>
<b>Cash Flows From Investing Activities:</b>				
Interest Received	26,613	2,993	25,152	54,758
Purchase of Investments	-	-	-	-
<b>Cash Provided by Investing Activities</b>	<b>26,613</b>	<b>2,993</b>	<b>25,152</b>	<b>54,758</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>596,650</b>	<b>1,149,100</b>	<b>(523,443)</b>	<b>1,222,307</b>
<b>Cash and Cash Equivalents at July 1</b>	<b>4,810,133</b>	<b>1,385,765</b>	<b>18,728,642</b>	<b>24,924,540</b>
<b>Cash and Cash Equivalents at June 30</b>	<b>\$ 5,406,783</b>	<b>\$ 2,534,865</b>	<b>\$ 18,205,199</b>	<b>\$ 26,146,847</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating Income/(Loss)	\$ (502,632)	\$ (634,196)	\$ 2,312,143	\$ 1,175,315
Depreciation	2,802,505	2,063,470	-	4,865,975
Changes in Assets and Liabilities:	-	-	-	-
Increase in Due From Other Governments	(1,051)	(1,069)	-	(2,120)
(Increase) Decrease in Due From Other Funds	205,745	61,188	(154,202)	112,731
(Increase) Decrease in Accounts Receivable	(61,885)	1,244	-	(60,641)
Decrease in Inventory	-	6,963	-	6,963
(Increase) in Other Assets	(474,710)	(221,325)	(30,338)	(726,373)
Increase in Other Liabilities	310,814	136,651	22,328	469,793
Increase in Accounts Payable and Accrued Expenses	23,171	406,671	43,083	472,925
Increase (Decrease) in Due to Other Funds	1,198	(29,433)	64,777	36,542
Increase in Compensated Absences Payable	42,404	16,890	2,014	61,308
Decrease in Claims Payable	-	-	(2,808,400)	(2,808,400)
<b>Total Adjustments</b>	<b>2,848,191</b>	<b>2,441,250</b>	<b>(2,860,738)</b>	<b>2,428,703</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 2,345,559</b>	<b>\$ 1,807,054</b>	<b>\$ (548,595)</b>	<b>\$ 3,604,018</b>

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**JUNE 30, 2015**

	<b>Hotel Roanoke Conference Center Commission</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 3,353,692
Investments	1,000,000
Accrued Interest Receivable	21,978
<b>Total Assets</b>	<b>\$ 4,375,670</b>
<b><u>Liabilities</u></b>	
Due to Other Governments	\$ 4,375,670
<b>Total Liabilities</b>	<b>\$ 4,375,670</b>

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 1,774,287	\$ 3,783,582	\$ 2,204,177	\$ 3,353,692
Investments	3,013,998	1,000,000	3,013,998	1,000,000
Accrued Interest Receivable	24,368	21,978	24,368	21,978
Due from Other Governments	-	98,395	98,395	-
<b>Total Assets</b>	<b><u>\$ 4,812,653</u></b>	<b><u>\$ 4,903,955</u></b>	<b><u>\$ 5,340,938</u></b>	<b><u>\$ 4,375,670</u></b>
<b><u>Liabilities</u></b>				
Due to Other Governments	\$ 4,812,653	\$ 4,903,955	\$ 5,340,938	\$ 4,375,670
<b>Total Liabilities</b>	<b><u>\$ 4,812,653</u></b>	<b><u>\$ 4,903,955</u></b>	<b><u>\$ 5,340,938</u></b>	<b><u>\$ 4,375,670</u></b>

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## STATISTICAL SECTION (UNAUDITED)

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	151
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity</b>	158
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
<b>Debt Capacity</b>	161
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Indicators</b>	164
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
<b>Operating Information</b>	166
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

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

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

	2014-15	2013-14 (2)	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 371,085,207	\$ 344,420,223	\$ 335,651,602	\$ 329,493,504	\$ 269,948,200	\$ 260,869,253	\$ 238,461,969	\$ 225,501,044	\$ 200,914,327	\$ 190,962,494
Restricted for:										
Capital Projects	-	5,669,959	-	-	-	46,777	70,914	105,323	139,732	205,752
Debt Service	1,508,122	1,406,148	1,493,056	-	-	-	-	-	-	-
Other Purposes	-	-	6,746,307	-	-	-	-	-	-	-
Unrestricted	(99,306,461)	(102,194,393)	22,261,350	29,219,419	44,235,521	25,539,839	41,697,432	45,552,401	56,691,884	52,348,145
<b>Total Governmental Activities Net Position</b>	<b>\$ 273,286,868</b>	<b>\$ 249,301,937</b>	<b>\$ 366,152,315</b>	<b>\$ 358,712,923</b>	<b>\$ 314,183,721</b>	<b>\$ 286,455,869</b>	<b>\$ 280,230,315</b>	<b>\$ 271,158,768</b>	<b>\$ 257,745,943</b>	<b>\$ 243,516,391</b>
<b>Business-type Activities</b>										
Invested in Capital Assets, Net of										
Related Debt	\$ 35,092,265	\$ 33,828,819	\$ 33,675,512	\$ 34,264,716	\$ 33,964,073	\$ 51,750,741	\$ 52,067,081	\$ 51,594,498	\$ 50,696,302	\$ 38,113,702
Unrestricted	1,918,868	1,642,447	1,446,904	840,542	1,109,365	4,678,494	2,213,388	3,180,872	4,454,864	11,034,165
<b>Total Business-type Activities Net Position</b>	<b>\$ 37,011,133</b>	<b>\$ 35,471,266</b>	<b>\$ 35,122,416</b>	<b>\$ 35,105,258</b>	<b>\$ 35,073,438</b>	<b>\$ 56,429,235</b>	<b>\$ 54,280,469</b>	<b>\$ 54,775,370</b>	<b>\$ 55,151,166</b>	<b>\$ 49,147,867</b>
<b>Primary Government</b>					(1)	(1)				
Net Investment in Capital Assets	\$ 406,177,472	\$ 378,249,042	\$ 369,327,114	\$ 363,758,220	\$ 303,912,273	\$ 312,619,994	\$ 290,529,050	\$ 277,095,542	\$ 251,610,629	\$ 229,076,196
Restricted for:										
Capital Projects	-	5,669,959	-	-	-	46,777	70,914	105,323	139,732	205,752
Debt Service	1,508,122	1,406,148	1,493,056	-	-	-	-	-	-	-
Other Purposes	-	-	6,746,307	-	-	-	-	-	-	-
Unrestricted	(97,387,593)	(100,551,946)	23,708,254	30,059,961	45,344,886	30,218,333	43,910,820	48,733,273	61,146,748	63,382,310
<b>Total Primary Government Net Position</b>	<b>\$ 310,298,001</b>	<b>\$ 284,773,203</b>	<b>\$ 401,274,731</b>	<b>\$ 393,818,181</b>	<b>\$ 349,257,159</b>	<b>\$ 342,885,104</b>	<b>\$ 334,510,784</b>	<b>\$ 325,934,138</b>	<b>\$ 312,897,109</b>	<b>\$ 292,664,258</b>

Information is presented on a full accrual basis of accounting.

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

Table 2  
Unaudited

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

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 14,277,141	\$ 13,994,522	\$ 14,036,094	\$ 15,192,371	\$ 13,934,968	\$ 12,224,830	\$ 13,859,060	\$ 14,951,184	\$ 11,273,712	\$ 13,060,424
Judicial Administration	8,581,552	8,718,527	8,704,405	8,777,516	7,644,774	7,786,140	9,167,289	8,881,939	8,696,783	7,759,108
Public Safety	64,530,235	66,886,151	66,852,582	69,882,446	63,287,015	63,976,863	66,448,271	67,457,297	63,824,918	60,338,648
Public Works	27,794,564	29,671,503	27,835,679	28,672,051	18,654,587	28,126,031	31,174,272	29,493,501	29,322,095	25,396,344
Health and Welfare	38,466,658	39,093,358	37,453,267	41,124,917	42,111,631	45,995,109	45,756,887	45,287,639	39,755,942	36,851,200
Parks, Recreation and Cultural	11,427,529	11,090,084	10,908,904	13,301,508	11,420,919	10,559,350	12,018,560	11,718,909	12,328,684	10,671,914
Community Development	11,853,575	11,305,174	11,398,126	9,452,579	10,706,299	10,010,970	9,752,877	13,009,501	11,847,813	10,388,248
Transportation	1,754,105	1,527,146	1,654,105	1,654,105	1,177,324	-	-	-	-	-
Education	81,406,796	79,397,641	79,011,455	83,072,419	74,772,599	67,945,097	66,604,559	65,494,065	61,335,067	57,899,575
Economic Development	1,167,670	414,274	3,079,428	2,022,694	3,904,121	3,510,831	1,535,584	657,348	613,075	3,046,343
Other	3,056	58,700	83,466	4,595	98,494	-	15,329	13,470	31,575	66,967
Interest and Fiscal Charges	10,156,610	12,654,695	12,047,146	11,551,668	12,002,689	13,538,201	13,124,928	10,710,840	11,916,375	11,588,440
Total Governmental Activities Expenses	271,419,491	274,811,775	273,064,657	284,708,869	259,715,420	263,673,422	269,457,616	267,675,693	250,946,039	237,067,211
Business-type Activities:										
Transit Company	-	-	-	-	-	9,474,181	9,545,470	9,195,709	8,403,369	7,850,064
Civic Facilities	4,843,800	4,587,589	4,581,203	4,509,327	4,511,711	4,302,258	7,138,833	5,259,155	4,694,186	5,066,942
Parking	3,362,282	3,809,369	3,454,022	3,483,658	2,755,253	3,030,494	2,806,984	2,396,330	2,894,630	2,036,575
Stormwater Utility	1,802,924	69,525	-	-	-	-	-	-	-	-
Market Building	-	-	-	-	163,992	384,331	649,874	379,828	390,098	368,090
Total Business-type Activities Expenses	10,009,006	8,466,483	8,035,225	7,992,985	7,430,956	17,191,264	20,141,161	17,231,022	16,382,283	15,321,671
Total Primary Government Expenses	281,428,497	283,278,258	281,099,882	292,701,854	267,146,376	280,864,686	289,598,777	284,906,715	267,328,322	252,388,882
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	4,404,474	4,188,317	4,408,777	3,700,916	6,035,893	4,152,979	4,511,088	4,467,706	4,228,015	3,234,836
Judicial Administration	3,547,051	3,928,176	3,820,609	3,782,588	3,755,301	3,734,589	4,823,817	4,594,962	5,445,812	5,132,780
Public Safety	5,080,861	5,255,890	4,952,127	4,702,979	5,323,523	6,203,883	6,453,285	6,632,394	5,894,930	5,086,196
Public Works	340,693	266,683	381,886	340,438	2,168,980	347,422	386,445	445,191	523,344	458,882
Health and Welfare	26,363	32,356	40,111	93,991	131,520	127,834	146,338	196,110	172,703	584,149
Parks, Recreation and Cultural	578,905	543,186	342,005	414,693	399,968	367,143	308,446	155,799	132,728	413,090
Community Development	299,571	190,372	146,061	154,041	167,314	166,176	161,228	165,144	199,255	170,493
Economic Development	-	-	-	-	-	-	4,974	83,541	-	-
Operating Grants and Contributions	66,929,796	62,762,426	64,201,295	64,457,688	68,572,662	70,252,704	70,986,646	69,257,682	63,164,087	59,245,639
Capital Grants and Contributions	5,673,238	6,056,338	2,168,673	3,677,359	5,665,618	718,580	265,005	3,975,312	289,043	102,934
Total Governmental Activities Program Revenues	86,880,952	83,223,744	80,461,544	81,324,693	92,220,779	86,071,310	88,047,272	89,973,841	80,049,917	74,428,999
Business-type Activities:										
Charges for Services:										
Transit Company	-	-	-	-	-	2,046,752	2,097,420	2,033,024	1,819,053	1,779,619
Civic Facilities	2,238,759	2,460,384	2,701,142	2,559,400	2,405,370	1,966,484	4,312,359	2,248,649	2,413,877	2,995,440
Parking	2,987,015	3,074,017	3,365,930	3,316,277	2,840,685	2,733,270	2,804,755	2,809,958	2,686,301	2,683,159
Stormwater Utility	-	-	-	-	-	-	-	-	-	-
Market Building	-	-	-	-	10,452	198,022	224,637	255,476	268,340	277,886
Operating Grants and Contributions	-	-	-	-	-	4,139,626	4,393,415	4,071,749	3,896,866	3,395,701
Capital Grants and Contributions	811,558	480,815	-	-	-	2,348,098	1,115,208	769,852	5,783,634	1,357,967
Total Business-type Activities Program Revenues	6,037,332	6,015,216	6,067,072	5,875,677	5,256,507	13,432,252	14,947,794	12,188,708	16,868,071	12,489,772
Total Primary Government Program Revenues	92,918,284	89,238,960	86,528,616	87,200,370	97,477,286	99,503,562	102,995,066	102,162,549	96,917,988	86,918,771
Net (Expense)/Revenue:	(184,538,539)	(191,588,031)	(192,603,113)	(203,384,176)	(167,494,641)	(177,602,112)	(181,410,344)	(177,701,852)	(170,896,122)	(162,638,212)
Governmental Activities	(3,971,674)	(2,451,267)	(1,968,153)	(2,117,308)	(2,174,449)	(3,759,012)	(5,193,367)	(5,042,314)	485,788	(2,831,899)
Business-type Activities	(188,510,213)	(194,039,298)	(194,571,266)	(205,501,484)	(169,669,090)	(181,361,124)	(186,603,711)	(182,744,166)	(170,410,334)	(165,470,111)
Total Primary Government Net Expense										

Table 2  
Unaudited  
Continued

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

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes										
General Property - Real Estate and Personal Property	\$ 108,241,653	\$ 107,151,665	\$ 103,429,235	\$ 105,653,485	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861	\$ 98,714,420	\$ 93,361,362	\$ 86,651,722
Local Portion of State Sales	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376
Business and Professional Occupational License	12,731,564	12,317,760	12,063,755	11,769,433	11,276,263	11,588,503	12,479,698	12,536,783	12,690,668	12,893,280
Utility	9,870,443	9,981,896	9,812,703	9,584,366	9,937,596	9,557,889	9,735,948	9,825,738	11,409,106	13,234,488
Prepared Food and Beverage	13,857,569	13,231,279	13,737,840	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894
Commonwealth Share - Personal Property	8,075,992	8,076,000	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,121,547	7,962,068
Cigarette	2,256,249	2,332,536	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150
Transient Room	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,253	2,666,253	2,529,645
Telecommunications	6,933,071	6,994,183	7,115,248	7,096,425	7,247,911	7,383,848	7,145,256	7,978,786	3,421,394	-
Motor Vehicle License Tax	2,123,181	2,046,686	2,069,531	2,130,312	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689
Other	6,717,642	5,246,978	3,154,317	3,011,116	2,810,326	4,344,857	6,071,290	7,412,254	11,727,231	7,359,754
State Aid Not Restricted to a Specific Program	14,621,813	15,502,968	15,928,396	16,373,216	9,752,655	-	8,930,898	7,752,288	1,300,000	-
Payment from Component Unit	-	-	-	-	2,880	11,226	8,379	3,372	3,107	-
Grants and Contributions Not Restricted to Specific Program	-	-	-	-	960,375	1,246,826	1,618,541	2,644,762	3,737,732	3,187,105
Interest and Investment Income	1,658,671	1,450,625	1,380,818	1,071,384	-	130,702	-	-	4,471,167	4,005,203
Miscellaneous	-	1,394,408	-	-	-	-	-	-	-	(1,575,776)
Special Item	-	-	-	43,322,018	(3,492,982)	-	-	-	-	(3,062,423)
Transfers	(3,290,944)	(2,117,439)	(1,985,311)	(1,978,226)	(569,468)	(5,693,020)	(4,493,091)	(4,339,261)	(5,030,413)	(1,726,651)
Transfers - Capital Assets	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	208,523,470	206,720,124	200,042,505	247,913,378	195,222,489	183,827,666	190,481,891	191,114,677	185,125,674	174,424,956
Business-type Activities:										
Stormwater Fee	2,049,963	-	-	-	-	-	-	-	-	-
Interest and Investment Income	170,634	-	-	170,902	112,028	80,077	87,552	140,247	228,058	163,638
Gain (Loss) on Sale of Assets	-	-	-	-	-	-	-	-	-	(293,213)
Miscellaneous	-	-	-	-	-	134,681	117,823	187,010	259,040	401,378
Special Item	-	-	-	-	(3,204,514)	-	-	-	-	-
Transfers	3,290,944	2,117,439	1,985,311	1,978,226	569,468	5,693,020	4,493,091	4,339,261	5,030,413	3,062,423
Transfers - Capital Assets	-	953,065	-	-	-	-	-	-	-	1,726,651
Total Business-type Activities	5,511,541	3,070,504	1,985,311	2,149,128	(2,523,018)	5,907,778	4,698,466	4,666,518	5,517,511	5,060,877
Total Primary Government	\$ 214,035,011	\$ 209,790,628	\$ 202,027,816	\$ 250,062,506	\$ 192,699,471	\$ 189,735,444	\$ 195,180,357	\$ 195,781,195	\$ 190,643,185	\$ 179,485,833
<b>Change in Net Position</b>										
Governmental Activities	\$ 23,984,931	\$ 15,132,093	\$ 7,439,392	\$ 44,529,202	\$ 27,727,848	\$ 6,225,554	\$ 9,071,547	\$ 13,412,825	\$ 14,229,552	\$ 11,786,744
Business-type Activities	1,539,867	619,237	17,158	31,820	(4,697,467)	2,148,766	(494,901)	(375,796)	6,003,299	2,228,978
Total Primary Government	\$ 25,524,798	\$ 15,751,330	\$ 7,456,550	\$ 44,561,022	\$ 23,030,381	\$ 8,374,320	\$ 8,576,646	\$ 13,037,029	\$ 20,232,851	\$ 14,015,722

Information is presented on a full accrual basis of accounting.

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

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
General Property Tax-Real Estate and Personal Property	\$ 108,241,653	\$ 107,151,667	\$ 103,429,235	\$ 105,653,485	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861	\$ 98,714,420	\$ 93,361,362	\$ 86,651,722	\$ 81,071,535
Sales Tax	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376	19,663,577
Business License Tax	12,731,564	12,317,760	12,063,755	11,769,433	11,276,263	11,588,503	12,479,698	12,536,783	12,174,159	12,893,280	11,335,221
Utility Consumer Tax	9,870,443	9,981,896	9,812,703	9,584,366	9,937,596	9,557,889	9,735,948	9,825,738	11,925,615	13,234,488	13,857,552
Prepared Food & Beverage Tax (1)	13,857,569	13,231,279	13,737,840	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894	7,995,551
Commonwealth Share Personal Property Tax	8,075,992	8,076,000	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,121,547	7,962,068	8,325,821
Cigarette Tax	2,256,249	2,332,535	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419
Transient Room Tax (2)	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,253	2,666,253	2,529,645	2,250,249
Telecommunications (3)	6,933,071	6,994,183	7,115,248	7,096,425	7,247,911	7,383,848	7,145,256	7,978,786	3,421,394	-	-
Motor Vehicle License Tax	2,123,181	2,046,686	2,069,531	2,130,312	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745
Other Taxes	6,717,642	5,246,978	3,154,317	3,011,116	2,810,326	4,344,857	6,071,290	7,412,254	11,727,231	7,359,754	7,111,634
<b>Total Governmental Activities Tax Revenues</b>	<b>\$ 195,533,930</b>	<b>\$ 190,489,562</b>	<b>\$ 184,718,602</b>	<b>\$ 189,124,986</b>	<b>\$ 188,569,029</b>	<b>\$ 178,111,883</b>	<b>\$ 184,417,164</b>	<b>\$ 185,053,516</b>	<b>\$ 180,644,081</b>	<b>\$ 165,821,066</b>	<b>\$ 155,262,304</b>

Information is presented on a full accrual basis of accounting.

(1) Effective July 1, 2010, the Prepared Food and Beverage Tax increased from 5% to 7%. The tax rate reverted to 5% on July 1, 2012.

(2) Effective January 1, 2013, the Transient Room Tax increased from 7% to 8%.

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

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

	2014-15	2013-14 (2)	2012-13	2011-12	2010-11 (1)	2009-10	2008-09	2007-08	2006-07	2005-06
General Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	1,750,624	1,905,812	1,562,056	1,084,361	1,379,076	-	-	-	-	-
Assigned	-	-	-	-	1,407,485	-	-	-	-	-
Unassigned	28,050,350	26,757,052	26,060,594	26,000,436	25,535,754	-	-	-	-	-
Reserved	-	-	-	-	-	598,753	1,028,676	1,318,997	743,092	1,219,270
Unreserved	-	-	-	-	-	24,361,867	21,352,928	19,723,710	21,347,881	22,121,582
Total General Fund	\$ 29,800,974	\$ 28,662,864	\$ 27,622,650	\$ 27,084,797	\$ 28,322,315	\$ 24,960,620	\$ 22,381,604	\$ 21,042,707	\$ 22,090,973	\$ 23,340,852
All Other Governmental Funds										
Restricted	\$ 11,788,796	\$ 7,076,107	\$ 8,239,363	\$ 4,686,212	\$ 3,465,004	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	4,225,885	13,859,029	15,544,610	17,131,452	16,368,501	-	-	-	-	-
Reserved	-	-	-	-	-	6,146,088	17,529,842	36,500,585	14,814,335	22,669,544
Unreserved, reported in:										
Debt Service Fund	-	-	-	-	-	1,213,260	1,161,895	1,143,782	1,021,667	1,063,737
Capital Projects Fund	-	-	-	-	-	6,121,743	31,685,558	27,455,399	26,591,510	37,744,826
Total All Other Governmental Funds	\$ 16,014,681	\$ 20,935,136	\$ 23,783,973	\$ 21,817,664	\$ 19,833,505	\$ 13,481,091	\$ 50,377,295	\$ 65,099,766	\$ 42,427,512	\$ 61,478,107

Information is presented on a modified accrual basis of accounting.

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

**Table 5**  
**Unaudited**

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

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

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

Information is presented on an modified accrual basis of accounting.

**Table 5**  
**Unaudited**  
**Continued**

<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>
\$ 171,185,553	\$ 173,518,576	\$ 172,769,022	\$ 164,871,887	\$ 156,259,656
880,347	1,053,443	1,475,370	1,142,724	1,469,016
1,615,265	1,558,517	1,558,039	1,540,598	1,444,566
550,191	845,373	968,975	1,032,990	1,462,840
251,970	1,211,719	2,241,720	3,460,986	1,978,325
93,250,211	93,064,316	96,691,241	85,531,788	79,661,592
10,834,925	11,616,042	10,955,336	11,611,220	11,142,081
703,626	1,536,704	1,336,850	2,897,616	2,543,147
<u>\$ 279,272,088</u>	<u>\$ 284,404,690</u>	<u>\$ 287,996,553</u>	<u>\$ 272,089,809</u>	<u>\$ 255,961,223</u>
\$ 12,671,590	\$ 13,094,420	\$ 13,614,281	\$ 12,782,063	\$ 12,214,535
7,503,476	8,735,663	8,441,872	8,438,366	7,347,752
61,821,748	63,808,641	64,859,294	61,964,362	58,192,222
23,860,980	24,841,431	23,663,876	23,900,264	22,798,347
45,439,356	45,128,533	44,626,860	39,290,415	36,105,373
9,192,283	10,753,820	11,165,097	10,724,981	9,697,644
9,931,020	9,559,518	11,473,754	9,074,244	9,701,539
-	-	-	-	-
63,443,415	62,856,641	62,392,633	58,669,043	55,789,730
23,566,295	22,157,734	19,822,282	19,119,311	17,140,653
12,768,787	12,286,166	11,343,116	11,103,323	11,270,985
317,494	79,082	-	-	141,334
40,276,382	44,299,810	35,471,132	44,308,692	38,370,611
<u>\$ 310,792,826</u>	<u>\$ 317,601,459</u>	<u>\$ 306,874,197</u>	<u>\$ 299,375,064</u>	<u>\$ 278,770,725</u>
(31,520,738)	(33,196,769)	(18,877,644)	(27,285,255)	(22,809,502)
\$ 2,661,171	\$ 23,912,613	\$ 43,967,698	\$ 12,961,171	\$ 31,708,923
36,056,200	-	-	-	10,631,826
(39,056,309)	-	-	-	(10,705,136)
3,669,899	706,843	1,199,155	407,950	705,605
25,536,867	27,214,121	26,430,553	25,211,822	30,811,378
(31,664,278)	(32,020,382)	(31,095,774)	(31,596,162)	(36,757,368)
<u>(2,796,450)</u>	<u>19,813,195</u>	<u>40,501,632</u>	<u>6,984,781</u>	<u>26,395,228</u>
(34,317,188)	(13,383,574)	21,623,988	(20,300,474)	3,585,726
72,758,899	86,142,473	64,518,485	84,818,959	81,233,233
<u>\$ 38,441,711</u>	<u>\$ 72,758,899</u>	<u>\$ 86,142,473</u>	<u>\$ 64,518,485</u>	<u>\$ 84,818,959</u>

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

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
General Property Tax	\$ 108,639,136	\$ 106,192,008	\$ 105,475,896	\$ 105,846,418	\$ 104,463,578	\$ 103,019,671	\$ 102,177,312	\$ 98,983,976	\$ 93,084,689	\$ 86,447,295
Sales Tax	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376
Utility Consumer Tax (1)	9,386,233	9,486,778	9,325,645	9,115,344	9,433,181	9,072,887	9,245,881	9,317,726	11,409,106	13,234,488
Cigarette Tax	2,256,249	2,332,535	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150
Recordation and Probate Tax	961,270	863,485	947,178	880,865	740,733	781,542	777,182	1,243,373	1,416,300	1,314,804
Business, Professional, and Occupational License Tax	13,215,775	12,812,877	12,550,814	12,238,455	11,780,678	12,073,505	12,969,765	13,044,796	12,690,668	12,893,280
Transient Room Tax (2)	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683	2,814,252	2,666,253	2,529,645
Admissions Tax	443,116	439,693	417,015	433,952	422,279	442,030	476,491	443,664	457,454	456,048
Telecommunications/Telephone Surcharge - E911 (1)	6,933,071	6,994,183	7,115,248	7,096,448	7,247,927	7,383,848	7,145,256	7,979,032	4,127,361	1,431,406
Motor Vehicle License Tax	2,123,181	2,046,686	2,069,552	2,130,313	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689
Franchise Tax (1)	338,193	485,678	479,215	447,420	474,064	579,288	483,724	504,370	1,000,718	1,456,085
Prepared Food and Beverage Tax (3)	13,856,899	13,225,652	12,874,902	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894
Bank Stock Tax	1,585,268	1,586,786	1,558,030	1,463,718	1,853,502	1,473,670	960,846	740,011	772,818	1,306,496
<b>Total Local Taxes</b>	<b>\$ 184,464,956</b>	<b>\$ 179,576,940</b>	<b>\$ 178,073,456</b>	<b>\$ 181,456,770</b>	<b>\$ 178,308,587</b>	<b>\$ 171,185,553</b>	<b>\$ 173,518,576</b>	<b>\$ 172,769,022</b>	<b>\$ 164,871,887</b>	<b>\$ 156,259,656</b>

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

(2) Effective January 1, 2013, the Transient Room Tax increased from 7% to 8%.

(3) Effective July 1, 2010, the Prepared Food and Beverage Tax increased from 5% to 7%. The tax rate reverted to 5% on July 1, 2012.

Table 7  
UnauditedCITY OF ROANOKE, VIRGINIA  
GENERAL PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN YEARS

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Total Tax Levies</b>	<b>\$ 115,885,506</b>	<b>\$ 113,183,821</b>	<b>\$ 113,209,446</b>	<b>\$ 112,485,925</b>	<b>\$ 112,560,131</b>	<b>\$ 110,098,047</b>	<b>\$ 110,034,071</b>	<b>\$ 106,316,893</b>	<b>\$ 101,301,039</b>	<b>\$ 94,754,245</b>
Current Tax Collections	105,842,394	103,746,942	103,902,153	103,693,219	102,130,123	100,833,008	98,726,769	95,621,945	89,761,174	83,902,929
Current Tax Collections - State Share (1)	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,089,164	7,789,896
Collections in Subsequent Years (2)	-	3,629,185	4,596,077	2,856,241	2,702,672	2,363,329	3,542,803	3,388,147	3,330,336	2,545,790
Delinquent Tax Collections - State Share (1)	-	-	-	-	-	-	-	-	32,383	172,172
<b>Total Tax Collections</b>	<b>\$ 113,918,386</b>	<b>\$ 115,452,119</b>	<b>\$ 116,474,222</b>	<b>\$ 114,625,452</b>	<b>\$ 112,908,787</b>	<b>\$ 111,272,329</b>	<b>\$ 110,345,564</b>	<b>\$ 107,083,552</b>	<b>\$ 101,213,057</b>	<b>\$ 94,410,787</b>
<b>Current Tax Collections As</b>										
<b>Percent of Levies</b>	<b>98.30%</b>	<b>98.80%</b>	<b>98.82%</b>	<b>99.36%</b>	<b>97.91%</b>	<b>98.92%</b>	<b>97.06%</b>	<b>97.53%</b>	<b>96.59%</b>	<b>96.77%</b>
<b>Total Tax Collections As</b>										
<b>Percent of Levies (2)</b>	<b>98.30%</b>	<b>102.00%</b>	<b>102.88%</b>	<b>101.90%</b>	<b>100.31%</b>	<b>101.07%</b>	<b>100.28%</b>	<b>100.72%</b>	<b>99.91%</b>	<b>99.64%</b>

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

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



Table 8  
Unaudited

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

Year	REAL PROPERTY				PERSONAL PROPERTY				PUBLIC SERVICE CORPORATIONS				Total	
	Assessed Value	Percentage Growth (Decline)	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth (Decline)	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth (Decline)	Estimated Actual Value	Assessment Ratio	Assessed Value	Estimated Actual Value
2006	\$ 5,351,633,570	8.94%	\$ 5,351,633,570	1.00	\$ 762,403,478	4.28%	\$ 1,270,672,463	0.60	\$ 303,859,616	(8.88%)	\$ 308,722,893	0.984	\$ 6,417,896,664	\$ 6,931,028,926
2007	5,834,424,939	9.02%	5,834,424,939	1.00	818,058,932	7.30%	1,363,431,553	0.60	310,606,990	2.22%	316,097,815	0.983	6,963,090,861	7,513,954,307
2008	6,256,495,314	7.23%	6,256,495,314	1.00	836,674,524	2.28%	1,394,457,540	0.60	314,604,888	1.29%	321,271,916	0.979	7,407,774,726	7,972,224,770
2009	6,564,294,962	4.92%	6,564,294,962	1.00	809,722,606	(3.22%)	1,349,537,677	0.60	335,086,164	6.51%	341,586,222	0.981	7,709,103,732	8,255,418,861
2010	6,698,391,113	2.04%	6,698,391,113	1.00	758,872,026	(6.28%)	1,264,786,710	0.60	359,212,368	7.20%	360,848,221	0.995	7,816,475,507	8,324,026,044
2011	6,801,971,286	1.55%	6,801,971,286	1.00	769,951,558	1.46%	1,283,252,597	0.60	353,515,462	(1.59%)	357,281,499	0.989	7,925,438,306	8,442,505,382
2012	6,794,772,298	(0.11%)	6,794,772,298	1.00	816,148,651	6.00%	1,360,247,752	0.60	360,309,314	1.92%	360,309,314	1.000	7,971,230,263	8,515,329,364
2013	6,725,168,858	(1.02%)	6,725,168,858	1.00	840,633,111	3.00%	1,401,055,185	0.60	416,800,579	15.68%	418,303,022	0.996	7,982,602,548	8,544,527,065
2014	6,679,969,872	(0.67%)	6,679,969,872	1.00	859,809,462	2.28%	1,433,015,770	0.60	414,953,913	(0.44%)	413,969,355	1.002	7,954,733,247	8,526,954,997
2015	6,693,874,349	0.21%	6,693,874,349	1.00	899,096,367	4.57%	1,498,493,945	0.60	437,573,144	5.45%	441,997,287	0.990	8,030,543,860	8,634,365,581

Table 9  
Unaudited

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

Year	REAL PROPERTY			PERSONAL PROPERTY			PUBLIC SERVICE CORPORATIONS			Total	
	Direct Tax Rate Per \$100	Levy	Year	Direct Tax Rate Per \$100	Levy	Year	Direct Tax Rate Per \$100	Levy	Year	Total Tax Levies	Direct Rate
2006	1.21	\$ 64,754,545	2006	3.45	\$ 26,302,920	(1)	1.21	\$ 3,696,780	2006	\$ 94,754,245	1.83
2007	1.19	(2) 69,429,439	2007	3.45	28,163,083	(1), (3)	1.19	(2) 3,708,517	2007	101,301,039	1.82
2008	1.19	74,451,741	2008	3.45	28,100,133	(1)	1.19	3,765,019	2008	106,316,893	1.79
2009	1.19	78,114,892	2009	3.45	27,925,972	(1)	1.19	3,993,207	2009	110,034,071	1.76
2010	1.19	79,710,636	2010	3.45	26,141,385	(1)	1.19	4,246,026	2010	110,098,047	1.73
2011	1.19	80,943,458	2011	3.45	27,385,166	(1)	1.19	4,231,507	2011	112,560,131	1.74
2012	1.19	80,857,790	2012	3.45	27,311,532	(1)	1.19	4,316,603	2012	112,485,925	1.74
2013	1.19	80,029,509	2013	3.45	28,188,385	(1)	1.19	4,991,552	2013	113,209,446	1.75
2014	1.19	79,491,642	2014	3.45	28,709,212	(1)	1.19	4,982,967	2014	113,183,821	1.76
2015	1.19	79,600,752	2015	3.45	31,024,476	(1)	1.19	5,260,278	2015	115,885,506	1.80

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

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

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

Table 10  
Unaudited

CITY OF ROANOKE, VIRGINIA  
PRINCIPAL PROPERTY TAXPAYERS  
COMPARISON OF JUNE 30, 2015 AND JUNE 30, 2006

Taxpayer	Description	2015			2006		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Carilion Clinic	Healthcare Provider	\$ 230,380,441	1	2.87%	\$ 74,978,128	4	1.17%
Norfolk Southern Corporation	Transportation	162,966,307	2	2.03%	76,754,245	2	1.20%
Appalachian Power	Public Utility	153,885,557	3	1.92%	87,968,378	1	1.37%
Valley View Mall LLC (Formerly Hersh, Ltd)	Shopping Mall	75,059,000	4	0.93%	58,558,242	5	0.91%
Roanoke Gas Company	Public Utility	43,980,937	5	0.55%	27,297,611	7	0.43%
Steel Dynamics Roanoke Division	Primary Metals	39,239,851	6	0.49%	19,536,944	10	0.30%
Verizon Virginia, Inc	Communications	33,902,802	7	0.42%	76,710,940	3	1.20%
Faison Roanoke Office Limited	Office Building	29,885,900	8	0.37%	28,016,400	6	0.44%
H R Foundation, Inc. (Hotel Roanoke)	Hotel	24,961,200	9	0.31%	-	-	-
Advance Auto Parts	Auto Parts	23,385,103	10	0.29%	-	-	-
Maple Leaf Bakery	Bakery	-	-	-	22,730,326	8	0.35%
Times World Corporation	Newspaper	-	-	-	21,999,571	9	0.34%
		<b>\$ 817,647,098</b>		<b>10.18%</b>	<b>\$ 494,550,785</b>		<b>7.71%</b>

Source: City of Roanoke, Commissioner of the Revenue

Table 11  
Unaudited

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

Calendar Year	Total Retail Sales (1)
2006 .....	\$ 1,876,508,609
2007 .....	1,900,930,872
2008 .....	1,925,487,309
2009 .....	1,692,267,903
2010 .....	1,676,331,018
2011 .....	1,649,614,469
2012 .....	1,732,017,118
2013 .....	1,746,710,461
2014 .....	1,785,467,436
2015 thru June .....	913,374,115

(1) Source: State Department of Taxation. Data excludes prescription drug sales.

Table 12  
Unaudited

**CITY OF ROANOKE, VIRGINIA**  
**RATIO OF GENERAL BONDED DEBT TO**  
**TOTAL ESTIMATED ACTUAL VALUE AND BONDED DEBT PER CAPITA**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Population (A)	Total Estimated Actual Value	Governmental Activities Gross Bonded Debt (D)	Business Activities Gross Bonded Debt (D)	Gross Bonded Debt	Less Bonds Supported By Western Virginia Water Authority	Less Bonds Supported By Hotel Roanoke, LLC (C)	Less Amount Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Total Estimated Actual Value	Net Bonded Debt Per Capita
2006	92,994	\$ 6,931,028,926	\$ 255,708,015	\$ 26,100,802	\$ 281,808,817	\$ 31,315,992	-	\$ 1,063,737	\$ 249,429,088	3.60%	\$ 2,682.21
2007	93,048	7,513,954,307	249,451,409	24,575,142	274,026,551	28,924,766	-	1,021,667	244,080,118	3.25%	2,623.16
2008	93,734	7,972,224,770	272,991,207	25,784,761	298,775,968	26,596,538	-	1,143,782	271,035,648	3.40%	2,891.54
2009	94,482	8,255,418,861	274,721,495	29,350,308	304,071,803	24,255,948	-	1,161,895	278,653,960	3.38%	2,949.28
2010	97,032	8,324,026,044	254,789,731	28,812,906	283,602,637	21,987,683	-	1,213,260	260,401,694	3.13%	2,683.67
2011	97,206 (est.)	8,442,505,382	250,315,325	27,342,979	277,658,304	19,875,450	1,355,000	1,133,011	255,294,843	3.02%	2,626.33
2012	97,206 (est.)	8,515,329,364	234,279,293	26,311,567	260,590,860	17,558,082	910,000	1,317,554	240,805,224	2.83%	2,477.27
2013	98,641 (est.)	8,544,527,065	225,402,117	26,944,093	252,346,210	13,389,900	-	1,493,056	237,463,254	2.78%	2,407.35
2014	98,913 (est.)	8,526,954,997	217,261,926	26,817,066	244,078,992	10,989,900	-	1,406,148	231,682,944	2.72%	2,342.29
2015	99,320 (est.)	8,634,365,581	214,885,676	27,203,128	242,088,804	9,968,500	-	1,508,122	230,612,182	2.67%	2,321.91

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

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

(C) Effective FY12, Hotel Roanoke, LLC debt was excluded from total bonded debt as a result of a change in the reporting of the Hotel Roanoke, LLC Note Receivable at the entity-wide level

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

Table 13  
Unaudited

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds (3)	Capital Leases	General Obligation Bonds (3)	Capital Leases			
2005-06	\$258,928,015	\$ 4,643,001	\$ 26,096,945	\$ -	\$289,667,961	9.29%	\$ 3,074
2006-07	252,341,409	4,551,467	24,782,063	-	281,674,939	8.18%	2,968
2007-08	275,531,207	5,279,002	25,955,524	477,865	307,243,598	8.38%	3,207
2008-09	276,891,495	5,113,998	29,484,914	416,578	311,906,985	8.57%	3,215
2009-10	256,564,731	4,838,541	29,667,886	352,473	291,423,631	7.81%	3,009
2010-11	250,315,325	4,528,184	28,121,356	285,366	283,250,231	7.59%	2,924
2011-12	234,279,293	4,178,505	26,771,200	215,083	265,444,081	7.11%	2,741
2012-13	225,402,117	3,782,784	26,944,093	141,434	256,270,428	6.59%	2,650
2013-14	217,261,927	4,287,946	26,817,066	93,645	248,460,584	6.16%	2,549
2014-15	214,885,676	4,256,650	27,203,128	17,507	246,362,961	5.81%	2,502

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

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

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

Table 14  
Unaudited

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

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Debt Limit	\$669,387,435	\$667,996,987	\$672,516,886	\$679,477,230	\$680,197,128	\$669,839,111	\$656,429,496	\$625,649,531	\$583,442,494	\$535,163,357
Total Net Debt Applicable to Limit	217,064,553	218,489,528	224,003,579	227,263,512	240,667,032	244,769,119	263,493,652	260,060,887	234,919,976	239,565,221
Legal Debt Margin	\$452,322,882	\$449,507,459	\$448,513,307	\$452,213,718	\$439,530,096	\$425,069,992	\$392,935,844	\$365,588,644	\$348,522,518	\$295,598,136
Total Net Debt										
Applicable to Limit as a Percentage of Debt Limit	32.43%	32.71%	33.31%	33.45%	35.38%	36.54%	40.14%	41.57%	40.26%	44.76%

**Table 15**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**JUNE 30, 2015**

The Charter of the City of Roanoke limits the Legal Debt to 10% of the Assessed Valuation of Real Estate within the City limits. The City has no overlapping debt.

Total Assessed Value of Real Estate, 2015 (1)		<u>\$ 6,693,874,349</u>
Legal Debt Limit: 10% of \$6,679,969,872		669,387,435
Debt applicable to limitation:		
General Obligation Serial Bonds - Governmental Activities	\$ 162,047,600	
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)	9,968,500	
Premium on Bonds - Governmental Activities	12,073,819	
Deferred Bond Costs - Governmental Activities	(6,366,756)	
Qualified Zone Academy Bonds (QZAB)	2,787,140	
State Literary Fund Loans	1,360,000	
Virginia Public School Authority (VPSA) School Bonds	33,015,372	
Civic Facilities Enterprise Fund - Business-Type Activities	13,189,800	
Premium on Bonds - Civic Facilities Enterprise Fund Debt	891,263	
Deferred Bond Costs - Civic Facilities Enterprise Fund Debt	(425,563)	
Parking Enterprise Fund Supported Debt - Business-Type Activities	12,756,100	
Premium on Bonds - Parking Enterprise Fund Supported Debt	661,618	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	(1,001,382)	
Stormwater Enterprise Fund Supported Debt - Business-Type Activities	1,090,000	
Premium on Bonds - Stormwater Enterprise Fund Supported Debt	41,292	
Total Debt	242,088,803	
Less: Available in Debt Service Fund	(1,508,122)	
WVWA Supported Debt	(9,968,500)	
Parking Enterprise Fund Supported Debt	(12,756,100)	
Premium on Bonds - Parking Enterprise Fund Supported Debt	(661,618)	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	1,001,382	
Stormwater Enterprise Fund Supported Debt	(1,090,000)	
Premium on Bonds - Stormwater Enterprise Fund Supported Debt	(41,292)	217,064,553
<b>Legal Debt Margin</b>		<u><b>\$ 452,322,882</b></u>

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

**Table 16**  
**Unaudited**

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

<b>Fiscal Year</b>	<b>Principal (1)</b>	<b>Interest (1)</b>	<b>Total Debt Service</b>	<b>Total General Expenditures (2)</b>	<b>Percent of Debt Service to General Expenditures</b>
2005-06	(3) \$ 14,765,894	\$ 9,357,973	\$ 24,123,867	\$ 298,166,075	8.1%
2006-07	17,493,085	10,549,172	28,042,257	318,422,477	8.8%
2007-08	18,181,973	9,880,643	28,062,616	334,448,507	8.4%
2008-09	20,480,823	11,121,043	31,601,866	340,360,591	9.3%
2009-10	21,869,664	11,436,671	33,306,335	324,345,350	10.3%
2010-11	19,093,669	10,346,300	29,439,969	314,114,285	9.3%
2011-12	21,033,664	10,338,250	31,371,914	318,343,912	9.9%
2012-13	22,234,068	9,209,934	31,444,002	330,390,756	9.5%
2013-14	22,092,341	8,888,882	30,981,223	340,700,280	9.1%
2014-15	20,591,147	8,898,421	29,489,568	355,808,118	8.3%

- (1) Principal and interest payments include all general long term debt payments supported by tax revenues of the City. Debt payments made on behalf of the Roanoke Civic Center are included. Debt payments made by the Roanoke City Parking Fund, Western Virginia Water Authority and the Hotel Roanoke Conference Center Commission are excluded. The interest payment excludes federal interest subsidies for Recovery Zone Economic Development (RZED) bonds and Qualified School Construction Bonds (QSCB).
- (2) Includes expenditures of the General Funds of the City and School Board less the transfer from the General Fund to the School Board.
- (3) Excludes Bond Anticipation Note of \$5,000,000 which was both issued and repaid during fiscal year 2006.

Table 17  
Unaudited

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

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Debt Service:										
Principal Retirement	\$ 20,348,785	\$ 23,529,050	\$ 24,523,873	\$ 23,426,997	\$ 20,778,546	\$ 23,566,295	\$ 22,157,734	\$ 19,822,282	\$ 19,119,311	\$ 17,140,653
Interest and Paying Agent Charges	8,593,585	8,611,669	9,522,590	10,936,143	11,372,995	12,768,787	12,286,166	11,189,318	11,103,323	11,270,985
Total Debt Service Payments	28,942,370	32,140,719	34,046,463	34,363,140	32,151,541	36,335,082	34,443,900	31,011,600	30,222,634	28,411,638
Total Government Funds Expenditures	315,807,951	302,963,853	291,715,338	293,852,640	283,033,781	310,792,826	317,601,459	306,874,197	299,375,064	278,770,725
Capital Outlays	(33,583,493)	(22,588,742)	(13,855,461)	(10,456,003)	(17,436,961)	(37,764,765)	(40,930,978)	(31,895,657)	(40,817,148)	(37,032,175)
Total Noncapital Expenditures	\$ 282,224,458	\$ 280,375,111	\$ 277,859,877	\$ 283,396,637	\$ 265,596,820	\$ 273,028,061	\$ 276,670,481	\$ 274,978,540	\$ 258,557,916	\$ 241,738,550
Percentage of Noncapital Expenditures	10.26%	11.46%	12.25%	12.13%	12.11%	13.31%	12.45%	11.28%	11.69%	11.75%

Information is presented on the modified accrual basis of accounting.

Table 18  
Unaudited

**CITY OF ROANOKE, VIRGINIA**  
**DEMOGRAPHIC STATISTICS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Population (1)	Per Capita Income (2)	Personal Income	School Enrollment (3)	Local Unemployment Rate (4)	National Unemployment Rate (5)
2005-06	92,994	33,398 (est.)	3,147,681,000	12,587	3.3%	4.6%
2006-07	93,048	36,909 (est.)	3,477,315,000	12,256	3.2%	4.6%
2007-08	93,734	38,370 (est.)	3,645,705,000	12,286	3.9%	5.6%
2008-09	94,482	37,929 (est.)	3,636,678,000	12,303	7.7%	9.5%
2009-10	97,032	38,713 (est.)	3,747,025,000	12,266	7.4%	9.4%
2010-11	97,061	40,517 (est.)	3,919,337,000	12,261	6.9%	9.1%
2011-12	97,206 (est.)	42,452 (est.)	4,150,305,000	13,006	6.5%	8.4%
2012-13	98,641 (est.)	43,053 (est.)	4,239,197,000	13,192	6.4%	7.8%
2013-14	98,913 (est.)	43,053 (est.)	4,239,197,000	13,390	5.7%	6.3%
2014-15	99,320 (est.)	43,053 (est.)	4,239,197,000	13,513	5.6%	5.5%

(1) Source: Weldon - Cooper Center for Public Service, except as noted

(2) Source: Bureau of Economic Analysis

(3) Source: Roanoke City Public Schools

(4) Source: Virginia Employment Commission (Roanoke Metropolitan Statistical Area & USA)-Month of June only

(5) Source: Bureau of Labor Statistics

(6) Source: U.S. Census

**Table 19**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**CONSTRUCTION STATISTICS**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>COMMERCIAL CONSTRUCTION</b>		<b>RESIDENTIAL CONSTRUCTION</b>	
	<b>Number of Permits</b>	<b>Value</b>	<b>Number of Permits</b>	<b>Value</b>
2005-06	512	\$ 193,157,052	673	\$ 30,206,738
2006-07	465	109,104,902	697	24,079,265
2007-08	456	233,358,448	754	29,442,647
2008-09	419	103,604,031	663	23,814,449
2009-10	467	92,266,288	709	25,004,592
2010-11	533	80,571,667	686	15,535,733
2011-12	538	69,398,478	678	14,628,255
2012-13	567	123,146,541	693	20,764,757
2013-14	583	107,120,600	709	21,150,152
2014-15	535	113,585,224	610	17,416,192

Source: City of Roanoke, Planning, Building and Development Department

**Table 20**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**PRINCIPAL EMPLOYERS**  
**COMPARISON AS OF DECEMBER 31, FISCAL YEARS 2014 AND 2005**

<b>Employer</b>	<b>December 31, 2014</b>			<b>December 31, 2005</b>		
	<b>Rank</b>	<b>Ownership</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Ownership</b>	<b>Number of Employees</b>
Carilion	1	Private	1000+	1	Private	1000+
Roanoke City Public Schools	2	Local Govt.	1000+	2	Local Govt.	1000+
City of Roanoke	3	Local Govt.	1000+	3	Local Govt.	1000+
Advance Auto Parts	4	Private	1000+	4	Private	1000+
Norfolk Southern	5	Private	1000+	-	Private	1000+
United Parcel Service	6	Private	1000+	6	Private	1000+
Walmart	7	Private	500-999	5	Private	500-999
Virginia Western Community College	8	State Govt.	500-999	-	State Govt.	500-999
United States Postal Service	9	Federal Govt.	500-999	9	Federal Govt.	500-999
Triad Laboratory Alliance	10	Private	500-999	-	Private	500-999
Anthem (Blue Cross & Blue Shield)	-	Private	500-999	8	Private	500-999
Kroger	-	Private	500-999	10	Private	500-999

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

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

Function:	Full-time Equivalent Employees as of December 31										
	2014	2013	2012	2011	(2)	2010	2009	2008	2007	2006	2005
General Government	213	211	218	218		159	178	195	193	184	184
Judicial Administration:											
Sheriff	38	35	34	35		33	32	35	31	31	31
Other	54	53	53	58		55	58	57	59	58	54
Public Safety:											
Police	306	305	305	305		284	309	312	305	309	304
Jail	170	173	171	171		161	159	164	165	165	173
Fire	254	254	253	258		259	250	268	270	266	264
Other	71	81	76	75		62	81	76	83	84	79
Public Works:											
Engineering	13	14	16	18		20	20	19	19	17	20
Maintenance	114	112	111	114		127	126	132	144	150	151
Transportation	65	69	83	91		86	79	86	92	82	85
Other/Stormwater	28	22	-	-		-	1	2	2	2	1
Health and Welfare	225	225	221	231		220	224	226	224	224	217
Parks, Recreation and Cultural	102	102	98	118		92	97	112	112	110	102
Community Development	51	51	52	50		42	46	47	47	48	41
Civic Facilities	-	-	-	-	(1)	-	-	(1)	25	36	35
Total	1,704	1,707	1,691	1,742		1,600	1,660	1,756	1,777	1,766	1,741

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

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

Source: City of Roanoke, Department of Finance



Table 22  
Unaudited

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

Function	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
General Government										
Levied property taxes	\$ 31,719,207	\$ 30,244,961	\$ 30,301,304	\$ 30,005,358	\$ 29,197,629	\$ 28,773,772	\$ 28,765,002	\$ 30,005,699	\$ 30,487,405	\$ 28,355,143
Number of business licenses issued	7,156	7,253	7,400	7,129	7,458	7,121	7,481	7,369	7,427	7,200
Number of property & building permits*	4,127	4,170	4,234	4,038	4,145	3,158	3,575	3,685	3,433	5,000
Police										
Number of traffic summons	11,787	22,069	22,314	24,111	27,425	21,997	22,592	20,777	18,626	18,766
Number of assistance call responses	85,307	85,393	88,154	93,670	89,498	89,172	90,840	89,131	88,022	89,176
Number of hours of training conducted**	39,990	42,415	47,584	48,230	34,916	19,266	10,238	28,888	47,089	62,500
Fire										
Number of emergency call responses	25,715	25,299	25,251	23,805	23,941	23,630	23,231	23,369	23,686	22,203
Highways and Streets										
Number of lane miles resurfaced	58	61	25	24	19	41	43	46	51	57
Number of street lights added	15	27	16	10	14	52	73	7	52	90
Judicial Administration										
Number of criminal cases	7,702	9,585	10,225	11,792	11,562	12,671	14,917	14,516	12,790	13,103
Number of traffic cases	21,435	27,353	26,557	27,975	30,555	30,335	32,377	29,199	25,613	28,544
Number of civil cases	19,750	20,947	20,624	20,919	20,292	20,668	26,635	31,585	32,391	37,587
Parks & Recreation										
Number of participants served	151,673	133,179	188,101	140,220	130,755	117,484	135,000	160,000	200,000	231,000
Education										
Number of instructional personnel	1,123	1,120	1,115	1,101	1,073	1,113	1,220	1,188	1,193	1,157
Number of students	13,513	13,390	13,192	13,006	12,261	12,266	12,303	12,286	12,256	12,587
Libraries										
Number of volumes	289,979	245,241	341,741	311,495	319,014	402,827	410,216	273,897	320,249	378,734
Number of audio materials	14,524	13,490	12,553	12,120	11,660	12,128	10,923	11,255	10,958	13,481
Number of video materials	29,359	24,813	24,813	21,307	18,791	16,469	16,690	12,358	9,799	12,078
Number of annual library visits	530,295	509,963	686,196	660,559	659,672	707,467	669,511	650,881	548,436	375,000
Economic Development										
Number of business contacts made	996	838	841	840	504	537	645	349	332	200
Housing and Neighborhood Services										
Total housing units	47,356	45,416	45,378	45,340	45,665	45,720	45,710	45,442	47,087	45,978
Average assessed value of single-family housing units	\$ 125,165	\$ 125,545	\$ 127,244	\$ 129,932	\$ 133,340	\$ 133,276	\$ 132,798	\$ 132,170	\$ 132,778	\$ 124,709

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

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

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

Table 23  
Unaudited

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

Function	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Police										
Number of vehicular units	156	157	160	158	165	162	157	175	165	142
Fire										
(1)	11	11	11	11	11	12	12	12	12	13
Number of stations	28	28	27	27	28	26	24	24	23	23
Number of fire trucks										
Highways and Streets										
Miles of streets (lane miles)	1,067	1,067	998	998	998	997	997	997	997	997
Number of street lights	9,942	9,927	9,900	9,960	9,950	9,936	9,884	9,811	9,804	9,800
Parks and Recreation										
Parks, plazas and recreation sites	71	70	69	69 (2)	72	72	68	69	69	71
Playgrounds/play areas	94	94	94	94 (3)	39	39	37	37	37	39
Football/soccer fields	24	24	24	24	26	26	24	24	24	21
Baseball/softball fields	29	29	29	29	31	31	30	30	30	32
Olympic-size swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	6	6	6	6	6	6	6	6	6	8
Education										
Elementary schools	17	17	17	17	17	18	19	20	21	21
Middle schools	5	5	5	5	5	5	6	6	6	6
High schools	2	2	2	2	2	2	2	2	2	2
Libraries										
Libraries	7	7	7	7	7	7	7	7	7	7
Bookmobile	-	-	-	-	-	-	1	1	1	1
Kiosks	2	2	2	2	2	2	2	2	1	-

(1) Excludes non-staffed fire stations

(2) Prior to fiscal year 2012, certain separate facilities located within parks were counted as individual sites. Effective fiscal year 2012, these facilities are now included as part of the park site and not a separate site.

(3) Prior to fiscal year 2012, multiple play structures were considered a single unit. Effective fiscal year 2012, each play structure is now considered an individual unit.

Source: City of Roanoke - various departments and Roanoke City Public Schools

## ***COMPLIANCE SECTION***

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**CITY OF ROANOKE, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
<b><u>Department of Agriculture</u></b>			
Passed Through Commonwealth of Virginia			
Department of Agriculture:			
Food Distribution - Commodities (1)	-	10.555	\$ 2,261
<b>Subtotal Food Distribution - Commodities</b>			<u>2,261</u>
Passed Through Commonwealth of Virginia			
Department of Health:			
Summer Food Service Program for Children FY15	58745-14	10.559	33,000
Summer Food Service Program for Children FY16	58745-15	10.559	27,983
<b>Subtotal Summer Food Service Program for Children</b>			<u>60,983</u>
<b>Total Child Nutrition Cluster</b>			<u>63,244</u>
Passed Through Commonwealth of Virginia			
Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program	-	10.561	1,814,314
<b>Subtotal Matching Grants for Food Stamp Program</b>			<u>1,814,314</u>
Passed Through Commonwealth of Virginia			
Department of Forestry:			
Urban and Community Forestry FY14-Projects	13UCF08	10.675	2,731
Urban and Community Forestry FY15-Projects	14UCF02	10.675	12,423
<b>Subtotal Urban and Community Forestry</b>			<u>15,154</u>
<b>Subtotal Passed Through Commonwealth of Virginia</b>			<u>1,892,712</u>
<b>Total Department of Agriculture</b>			<u>1,892,712</u>
<b><u>Department of Housing and Urban Development</u></b>			
Direct Programs:			
Community Development Block Grant FY12 (2)	B-11-MC-51-0020	14.218	162,616
Community Development Block Grant FY13 (2)	B-12-MC-51-0020	14.218	24,388
Community Development Block Grant FY14 (2)	B-13-MC-51-0020	14.218	608,970
Community Development Block Grant FY15 (2)	B-14-MC-51-0020	14.218	2,016,355
Community Development Block Grant FY16 (2)	B-15-MC-51-0020	14.218	600
<b>Subtotal Community Development Block Grant</b>			<u>2,812,929</u>
Emergency Shelter Grant FY15 (3)	S-14-MC-51-0006	14.231	124,502
<b>Subtotal Emergency Shelter Grant</b>			<u>124,502</u>
Supportive Housing Program 2014	VA0031L3F021306	14.235	90,863
Supportive Housing Program 2015	VA0031L3F021407	14.235	47,336
<b>Subtotal Supportive Housing Program</b>			<u>138,199</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
<b><u>Department of Housing and Urban Development (continued):</u></b>			
Shelter Plus Care 2012 Rural Highlands (4)	VA0169C3F021000	14.238	\$ 19,210
Shelter Plus Care 2014 (4)	VA0032L3F021205	14.238	64,268
Shelter Plus Care 2015 (4)	VA0032L3F021306	14.238	124,196
<b>Subtotal Shelter Plus Care</b>			<b>207,674</b>
HOME Investment in Affordable Housing 10 (5)	M-09-MC-51-0206	14.239	(2,340)
HOME Investment in Affordable Housing 14 (5)	M-13-MC-51-0206	14.239	423,052
HOME Investment in Affordable Housing 15 (5)	M-14-MC-51-0206	14.239	157,643
HOME Investment in Affordable Housing 16 (5)	M-15-MC-51-0206	14.239	23,856
<b>Subtotal HOME Investment in Affordable Housing</b>			<b>602,211</b>
Continuum of Care Planning Grant FY14	VA0207L3F021200	14.267	9,030
Continuum of Care Planning Grant FY15	VA0238L3F021300	14.267	6,514
<b>Subtotal Continuum of Care</b>			<b>15,544</b>
Lead Hazard Control FY12	VALHB0510-11	14.900	120,071
Lead Hazard Control FY15	VALHB0580-14	14.900	67,440
HUD Pilot Database Project FY15	HUD-OLHCHH	N/A	4,498
<b>Subtotal Lead Hazard Control</b>			<b>192,009</b>
<b>Subtotal Department of Housing and Urban Development Direct Programs</b>			<b>4,093,068</b>
<b>Total Department of Housing and Urban Development</b>			<b>4,093,068</b>
<b><u>Department of Justice</u></b>			
Direct Programs:			
Safe Havens Visitation Program FY14	2013-FL-AX-K016	16.527	134,664
<b>Subtotal Safe Havens Visitation Program</b>			<b>134,664</b>
State Criminal Alien Assistance Program FY15	2014APBX0837	16.606	11,705
<b>Subtotal SCAAP Program</b>			<b>11,705</b>
Bulletproof Vests FY13 (Police & Sheriff)	2012BUBX12061530	16.607	6,214
Bulletproof Vests FY14 (Police & Sheriff)	2013BUBX13068334	16.607	12,815
Bulletproof Vests FY15 (Police & Sheriff)	2015BUBX15077100	16.607	1,413
<b>Subtotal Bulletproof Vests</b>			<b>20,442</b>
Justice Assistance Grant FY12 (Bike Patrol/Tech Improve)	2011-DJ-BX-2868	16.738	17,986
Justice Assistance Grant FY13 (Bike Patrol/Tech Improve)	2012-DJ-BX-0588	16.738	20,053
Justice Assistance Grant FY14 (Bike Patrol/Tech Improve)	2013-DJ-BX-0840	16.738	33,017
Justice Assistance Grant FY15 (Bike Patrol/Tech Improve)	2013-DJ-BX-0840	16.738	4,796
<b>Subtotal Justice Assistance</b>			<b>75,852</b>
<b>Subtotal Department of Justice Direct Programs</b>			<b>242,663</b>
Passed Through Commonwealth of Virginia			
Department of Criminal Justice Services:			
Project Back on Track FY14	13-C2242JJ11	16.540	(64)
Project Back on Track FY15	15-A3163JB11	16.540	25,001
<b>Subtotal Juvenile Justice</b>			<b>24,937</b>

(Continued)

**CITY OF ROANOKE, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
Passed Through Commonwealth of Virginia			
Department of Criminal Justice Services (continued):			
Victim Witness Assistance FY15	15-U8554VW14	16.575	\$ 90,707
<b>Subtotal Victim Witness Assistance</b>			<u>90,707</u>
Police Domestic Violence Unit CY14	14-P3153VA13	16.588	11,564
Police Domestic Violence Unit CY15	15-Q3153VA14	16.588	16,645
<b>Subtotal Police Domestic Violence</b>			<u>28,209</u>
Intensive Supervision Juvenile Supervision FY14	14-D2134AD12	16.592	3,321
<b>Subtotal Intensive Supervision</b>			<u>3,321</u>
Justice Assistance Grant FY15 (Drug Market Initiative)	15-C2629AD13	16.738	21,063
<b>Subtotal Drug Market Initiative</b>			<u>21,063</u>
<b>Subtotal Passed Through Commonwealth of Virginia</b>			<u>168,237</u>
<b>Total Department of Justice</b>			<u>410,900</u>
<b><u>Department of Labor</u></b>			
Passed Through Commonwealth of Virginia			
Virginia Community College System/USDOL:			
Workforce Investment Act PY2013 - Adult Program	LWA 3-13-03	17.258	458,108
Workforce Investment Act PY2014 - Adult Program	LWA 3-14-03	17.258	47,156
<b>Subtotal Workforce Investment Act Adult</b>			<u>505,264</u>
Workforce Investment Act PY2011 - Exemplary Performance	LWA 03-12-INC01	17.259	
Workforce Investment Act PY2013 - Youth Activities	LWA 3-13-03	17.259	331,218
Workforce Investment Act PY2014 - Youth Activities	LWA 3-14-03	17.259	78,070
<b>Subtotal Workforce Investment Act Youth</b>			<u>409,288</u>
Workforce Investment Act PY2012 Incentive Award	LWA 03-14-INC01	17.278	2,500
Workforce Investment Act Business Services - Disl. Worker	LWA 03-13-01RR	17.278	11,902
Workforce Investment Act PY2013 - Dislocated Worker	LWA 3-13-03	17.278	399,748
Workforce Investment Act PY2014 - Dislocated Worker	LWA 3-14-03	17.278	30,770
<b>Subtotal Workforce Investment Dislocated Worker</b>			<u>444,920</u>
<b>Subtotal Passed Through Commonwealth of Virginia</b>			<u>1,359,472</u>
<b>Total Department of Labor</b>			<u>1,359,472</u>
<b>Total Workforce Investment Cluster</b>			<u>1,359,472</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
<b><u>Department of Transportation</u></b>			
Passed Through Commonwealth of Virginia			
Department of Motor Vehicles:			
Speed Enforcement FY14	SC-2014-54417-5665	20.600	\$ 8,794
Speed Enforcement FY15	SC-2015-55336-6075	20.600	8,564
<b>Subtotal Highway Safety</b>			<u>17,358</u>
Occupant Protection FY14	M2HVE-2014-54416-5664	20.616	4,306
Occupant Protection FY15	OP-2015-55365-6104	20.616	3,930
<b>Subtotal Occupant Protection</b>			<u>8,236</u>
Alcohol Enforcement FY14	154AL-2014-54386-5634	20.607	9,319
Alcohol Enforcement FY15	K8-2015-55358-6097	20.607	13,619
<b>Subtotal Alcohol Enforcement</b>			<u>22,938</u>
Passed Through Commonwealth of Virginia			
Department of Transportation:			
Roanoke River Greenway - Bridge the Gap	UPC 102769/105439	20.205	118,488
Safe Routes to Schools - Garden City Project	UPC 102856	20.205	53,709
Virginian Railway Passenger Station TEA21 (6)	UPC 78217	20.205	26,059
Transportation Alternative Grant - Garden City Greenway	UPC 106265	20.205	1,072
Regional Surface Transportation Program FY14	UPC 105015	20.205	178,411
<b>Subtotal Highway Planning and Construction</b>			<u>377,739</u>
Virginia Recreation Trails FY13	NRT-10FY(001)-VRT-262	20.219	43,454
<b>Subtotal Recreation Trails Programs</b>			<u>43,454</u>
<b>Total Highway Planning and Construction Cluster</b>			<u>421,193</u>
VDEM Haz Mat Preparedness FY15	HM-HMP-0421-14-01-00	20.703	9,495
<b>Subtotal Hazardous Materials Training and Planning Programs</b>			<u>9,495</u>
<b>Subtotal Passed Through Department of Transportation</b>			<u>430,688</u>
<b>Total Department of Transportation</b>			<u>479,220</u>
<b><u>Environmental Protection Agency</u></b>			
Direct Programs:			
Brownfield Assessment Hazardous Materials FY09	BF97370501-0	66.818	3,365
Brownfield Assessment Hazardous Substances FY11	BF97398001-0	66.818	120,386
<b>Subtotal Brownfield Remedial Programs</b>			<u>123,751</u>
<b>Subtotal Environmental Protection Agency Direct Programs</b>			<u>123,751</u>
<b>Total Department of Environmental Protection Agency</b>			<u>123,751</u>

(Continued)



**CITY OF ROANOKE, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
<b><u>Substance Abuse Mental Health Services Administration</u></b>			
Passed Through Commonwealth of Virginia			
Virginia Commonwealth University (VCU)			
Strategic Prevention Framework State Incentive Grant FY13	SAMHSA SPF-SIG BRBH	93.243	\$ (2,878)
Strategic Prevention Framework State Incentive Grant FY15	PT107960-SC106015	93.243	14,990
<b>Subtotal Strategic Prevention Framework' Program</b>			<u>12,112</u>
<b>Subtotal Passed Through Commonwealth of Virginia</b>			<u>12,112</u>
<b>Total Substance Abuse Mental Health Services Administration</b>			<u>12,112</u>
<b><u>Department of Homeland Security</u></b>			
Direct Programs:			
Assistance To Firefighters FY13	EMW-2013-FO-03539	97.044	<u>138,601</u>
<b>Subtotal Assistance to Firefighters Programs</b>			<u>138,601</u>
<b>Subtotal Department of Homeland Security Direct Programs</b>			<u>138,601</u>
Passed Through Commonwealth of Virginia			
Department of Homeland Security:			
Emergency Management Assistance	-	97.042	53,387
Emergency Management Performance Grant - EOC FY15	2013-EP-00052	97.042	<u>25,000</u>
<b>Subtotal Emergency Management Assistance Programs</b>			<u>78,387</u>
Emergency Management Flood Plain - Mitigation FY15	PDMC-03VA-2013	97.047	<u>93,475</u>
<b>Subtotal Pre-Disaster Mitigation</b>			<u>93,475</u>
State Homeland Security FY14	2013 SHSP LOCAL	97.067	257,130
State Homeland Security Heavy Tactical Rescue Team FY14	FY2014-SHSP HTR/SWR	97.067	<u>3,560</u>
<b>Subtotal Homeland Security Grant Programs</b>			<u>260,690</u>
State Homeland Security Haz-Mat Team Equip FY11	2010 SHSP HAZ-MAT	97.073	8,557
State Homeland Security Haz-Mat Team Equip FY14	2013 SHSP HAZ-MAT	97.073	12,088
State Homeland Security Rescue FY14	2013 SHSP TATICAL	97.073	<u>17,509</u>
<b>Subtotal State Homeland Security Programs</b>			<u>38,154</u>
<b>Subtotal Passed Through Commonwealth of Virginia</b>			<u>470,706</u>
<b>Total Department of Homeland Security</b>			<u>609,307</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
<b><u>Department of Health and Human Services</u></b>			
Passed Through Commonwealth of Virginia			
Department of Social Services:			
Promoting Safe and Stable Families	-	93.556	\$ 77,823
Temporary Assistance for Needy Families	-	93.558	2,087,008
Refugee & Entrant Assistance-State Administered Program	-	93.566	12,511
Low-Income Home Energy Assistance	-	93.568	183,357
Child Care and Development Block Grant	-	93.575	(1,627)
Child Care Mandatory-Child Care and Development Fund	-	93.596	244,012
<b>Total CCDF Cluster</b>			<u>242,385</u>
Education & Training Vouchers Program	-	93.599	11,108
Adoption Incentive Payments	-	93.603	2,500
Child Welfare Services	-	93.645	11,242
Foster Care Title IV-E	-	93.658	1,546,040
Adoption Assistance	-	93.659	2,901,038
Social Services Block Grant	-	93.667	1,562,234
Foster Care Independence Program	-	93.674	46,384
Children's Insurance Program	-	93.767	61,307
Medical Assistance Program	-	93.778	2,072,664
<b>Subtotal Passed Through Commonwealth of Virginia</b>			<u>10,817,601</u>
<b>Total Department of Health and Human Services</b>			<u>10,817,601</u>
<b>Grand Total Federal Financial Assistance</b>			<b><u>\$ 19,798,143</u></b>

Notes:

Federal Programs are accounted for on the modified accrual basis of accounting.

- (1) The value reported for disbursements, with respect to commodities distributed by the Federal government, fair market value as furnished by the respective department of the Federal government.
- (2) The amount of federal funds passed through to subgrantees totals \$2,812,929.
- (3) The amount of federal funds passed through to subgrantees totals \$124,502
- (4) The amount of federal funds passed through to subgrantees totals \$207,674
- (5) The amount of federal funds passed through to subgrantees totals \$602,211
- (6) The amount of federal funds passed through to subgrantees totals \$26,059

**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 City Council  
City of Roanoke, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 31, 2015. Our report recognizes that the City implemented two new accounting standards effective July 1, 2014. Our report includes a reference to other auditors who audited the financial statements of the School Board of the City of Roanoke, Virginia, a component unit of the City. 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. Our report included an emphasis paragraph indicating that the fund balance of the Capital Projects Fund as of June 30, 2014 has been restated.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be material weaknesses.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs as item 2015-003 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and disclosed one instance of noncompliance to be reported under the *Specifications for Audits of Counties, Cities and Towns*, which is described in the accompanying schedule of findings and questioned costs as item 2015-006.

**Management's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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  
December 31, 2015

**Report of Independent Auditor on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Roanoke, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Roanoke, Virginia's (the "City") major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. The City's basic financial statements include the operations of the School Board of the City of Roanoke, Virginia (the "School Board") and the Greater Roanoke Transit Company (the "GRTC"), discretely presented component units of the City, which received \$18,551,477 and \$3,906,407, respectively, in federal awards which are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2015. Our audit, described below, did not include the operations of the School Board and the GRTC because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-004 and 2015-005. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-004 and 2015-005 to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 Cheryl Behrman CP

Roanoke, Virginia  
December 31, 2015

## City of Roanoke, Virginia

### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

#### A. Summary of Auditor's Results

1. The type of report issued on the financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **Yes, finding 2015-003**
3. Material weaknesses: **Yes, findings 2015-001 and 2015-002**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **Yes, findings 2015-004 and 2015-005**
6. Material weaknesses: **No**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes**
9. The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
Community Development Block Grant	14.218
Workforce Investment Act Cluster	17.258, 17.259, 17.278
Highway Planning and Construction Cluster	20.205, 20.219
Foster Care Title IV-E	93.658
Adoption Assistance	93.659
Medicaid Assistance Program	93.778

10. Dollar threshold to distinguish between Type A and Type B Programs: **\$593,944**
11. The City of Roanoke, Virginia was determined to be a high risk auditee.

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

##### **2015-001: Internal Control over Financial Reporting – Accounts Payable (Material Weakness)**

**Criteria:** In order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), to ensure an accurate and complete cut-off of expenditures, expenses and payables at year end, all invoices received after fiscal year end for services or goods received during the year should be considered for accrual.

**Condition and Effect:** The City's accrual policy for accounts and retainage payables was not in accordance with GAAP and, as a result, the prior year financial statements were restated to record expenditures related to prior periods. This restatement corrected fund balance of the Capital Projects Fund as of June 30, 2014, in the amount of \$992,704. In addition, the City recorded current year adjustments to ensure an accurate and complete accrual cut-off at June 30, 2015.

**Cause:** Internal control policies and procedures were not in place to monitor related account activities to ensure that appropriate cut-off procedures were applied to accrue all material balances at fiscal yearend.

**Recommendation:** We suggest City policy be modified to properly record and report payables accurately and completely at fiscal yearend.

**Views of Responsible Officials:** Previously, Accounting staff did not record retainage or, after a specified time period, additional payables. The assumption was that the net change from year to year was immaterial. However, Management does agree that the current accrual process for retainage and unrecorded payables is not in accordance with GAAP. Accordingly, Management is in the process of implementing changes to Accounts Payable procedures to ensure retainage is recorded as incurred and to ensure a subsequent review of unrecorded payables is conducted after the cut-off period for recording payments for payables to ensure accurate recording of relevant expenditures.

#### **2015-002: Internal Control over Financial Reporting – Stormwater Revenues and Receivables (Material Weakness)**

**Criteria:** In order to prepare financial statements in accordance with GAAP, the City must prepare and reconcile revenue and receivable ledgers in order to ensure accurate and timely reporting.

**Condition and Effect:** In addition to recording revenue inconsistent with GAAP for proprietary funds, the City's accounts receivable subsidiary ledgers did not reconcile to the General Ledger. Related revenues were understated by approximately \$280,000.

**Cause:** Internal control processes were not in place to monitor the application of appropriate accounting principles for the fair presentation of financial statements as of yearend.

**Recommendation:** We suggest the implementation of procedures to review Stormwater reporting on an ongoing basis to ensure accurate reporting is achieved.

**Views of Responsible Officials:** Fiscal year 2015 was the first year of actual Stormwater operations. Revenues generated during this first year were erroneously treated as if the Stormwater fee were a tax. As such, an entry would not have been necessary as the reporting of the revenue would have been in accordance with GAAP. Subsequent to the initiation of Stormwater operations, it was determined that Stormwater revenues are a fee versus a tax. Fees require a different standard of revenue recognition that was not completed prior to the beginning of the audit. Accounting staff have implemented appropriate procedures to correctly record revenues in accordance with GAAP. In addition, Accounting staff did not have information readily available to properly reconcile Stormwater receivables. Management determined that it was a more conservative approach to record a \$40,000 adjustment until such reconciling information became available. This required assistance from technology staff to obtain information at the transaction level. The \$40,000 adjustment was a result of implementation and human errors. Management is working with technology personnel to ensure receivable reporting is available at the transaction level and has incorporated a reconciliation of receivables and revenue into the financial reporting process.

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

**Criteria:** In order to prepare financial statements in accordance with GAAP, the City must prepare and reconcile revenue and receivable ledgers in order to ensure accurate and timely reporting.

**Condition and Effect:** The City did not record revenue related activities using the modified accrual basis of accounting in accordance with GAAP. Specifically, the City's calculations related to the determination of fund level revenue were not properly prepared resulting in audit adjustments to fairly state revenues. Due to City policy and underlying agreements with a component unit, the resulting increase in revenues resulted in an increase in liabilities due to the component unit. Specifically, revenues were understated by approximately \$950,000 along with the related accrued liability of approximately \$380,000.

**Cause:** Internal control processes in place did not function effectively to monitor the application of appropriate accounting principles for the fair presentation of financial statements as of yearend.

**Recommendation:** We suggest the implementation of procedures to review the proper reporting of revenues at the fund level as well as entity-wide level as of yearend.



**Views of Responsible Officials:** Management has controls in place to ensure revenues are reviewed at the fund and the entity wide levels. The personal property revenue adjustment was questioned by Management, but staffing issues prevented follow up prior to the commencement of the audit. Management is implementing a check list to ensure controls are effective in identification and subsequent correction of reporting errors.

### C. Findings and Questioned Costs Relating to Federal Awards:

#### **2015-004: Non-compliance and Significant Deficiency: Period of Availability**

**Program:** Community Development Block Grant (CFDA Number 14.218 – U.S. Department of Housing and Urban Development – Federal Award Numbers B-11-MC-51-0020, B-12-MC-51-0020, B-13-MC-51-0020, B-14-MC-51-0020, and B-15-MC-51-0020)

**Criteria:** Per CFR Section 570.902, each grantee as of sixty days prior to the end of the current program year is required to have drawn down from the U.S. Treasury at least 1.5 times the entitlement grant funds amount available to the grantee.

**Condition:** The City had an unspent funds ratio of current year entitlement funds of 1.7, which is above the 1.5 limit for the use of funds each year.

**Cause:** Non-compliance was the result of a number of project delays.

**Effect:** The City was granted a one year extension to remedy the condition by bringing funding levels to the outlined requirement levels or be forced to payback funds in excess of the entitlement grant requirement.

**Questioned Cost:** None reported.

**Recommendation:** We suggest periodic meetings that emphasize the status of open projects and work to be completed in order to identify risks that could create a shortfall in the compliance requirement.

**Views of Responsible Officials:** Due to the delays encountered on several key projects, the largest of which is the 13th Street Infrastructure Improvements project, the City did not meet the required 1.5 timeliness ratio on May 2, 2015. As a result, the City has put in place several measures to ensure this does not occur again. All contracts with Subrecipients are now executed prior to July 1 of each year in order to allow the Subrecipient ample time to begin work and start invoicing for work completed. This was implemented in 2015 and has been effective. In addition the contractor, Inland Construction, has begun work on the 13th Street Infrastructure Improvements project. This project should be completed prior to the May 2, 2016, deadline for the next timeliness check. The Division Manager downloads and reviews with all staff the PR56 Timeliness Report from the Integrated Disbursement and Information System ("IDIS") monthly. Risk assessments are being completed for every activity prior to its start to ensure that the activity is viable and where additional monitoring may be necessary. The City also submitted a corrective action plan to the Department of Housing and Urban Development ("HUD") which was accepted for the current period.

#### **2015-005: Non-Compliance and Significant Deficiency: Subrecipient Monitoring**

**Program:** Workforce Investment Act ("WIA") Cluster (CFDA Numbers 17.258, 17.259, and 17.278 – U.S. Department of Labor – Commonwealth of Virginia – Federal Award Numbers LWA 03-12-INC01, LWA 3-13-03, LWA 03-13-01RR, LWA 3-14-03, and LWA 03-14-INC01)

**Criteria:** Per CFR Section 667.400 (c), each recipient must conduct regular oversight of its subrecipients and contractors in order to determine whether or not there is compliance with provisions of the Act and applicable laws and regulations and provide technical assistance as necessary and appropriate.

**Condition:** The City, as the prime recipient, provides WIA pass-through grants to the Western Virginia Workforce Development Board ("WVWDB"), as its subrecipient, who in turn contracts solely with Goodwill Industries to perform the operational functions of the grant. During our testing over subrecipient monitoring, it was noted that reviews of eligibility determinations were not being completed as part of the City's monitoring of WVWDB.

**Cause:** Internal control processes were not in place to ensure the effective and complete monitoring of subrecipient activities in accordance with the grant requirements.

**Effect:** Without procedures in place to monitor the controls over eligibility, ineligible determinations could be made resulting unallowable charges to the grant.

**Questioned Cost:** Undeterminable.

**Recommendation:** We suggest a clear and concise outline be prepared each year that dictates monitoring procedures to be applied in each period of monitoring throughout the fiscal year.

**Views of Responsible Officials:** Management agrees that appropriate level sub-recipient monitoring relating to eligibility was not conducted as part of the City's quarterly financial audits and annual certification process in fiscal year 2015. Effective fiscal year 2016, the City has contracted with the Roanoke Valley-Alleghany Regional Commission ("Commission") as fiscal agent. One of the responsibilities of the Commission is monitoring eligibility. Accounting staff will include a review and test for eligibility in conjunction with the Commission process to ensure adequate sub-recipient monitoring controls are in place and effective.

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

##### **2015-006: Non-Compliance: Highway Maintenance**

**Criteria:** Per the Commonwealth of Virginia's Auditor of Public Accounts' *Specifications for Audits of Counties, Cities, and Towns*, the City is required to verify that streets and charges are eligible to be included within the Weldon Cooper Survey, as defined by the *Urban Manual*.

**Condition:** The City reported expenditures within the Weldon Cooper Survey that were determined to be ineligible in relation to electricity charges and paving costs. In addition, an instance was noted where an individual's maintenance services were not properly supported by a description of the street where services were provided.

**Cause:** The absence of ineligible street segment compliance controls at the transaction level allows for the opportunity of ineligible costs to be charged and reported within the Weldon Cooper Survey.

**Effect:** Expenditures related to ineligible street segments were not excluded from the Weldon Cooper Survey.

**Questioned Cost:** Approximately \$90,000, based on sampling procedures. The full extent of questioned costs was not determinable.

**Recommendation:** We suggest implementing procedures to review and approve expenditures to be reported as eligible on a transactional basis, as well as in comparison to the Commonwealth's eligible street listing.

**Views of Responsible Officials:** Currently, the City accounts for all street maintenance activities. The City does not have a mechanism within its work order and cost accounting systems that identifies eligible and ineligible streets. With approximately 1,300 lane miles of streets, the implementation of a mechanism or process that identifies eligible or ineligible streets at the transactional level would be cumbersome. The City will work with the Virginia Department of Transportation on an acceptable methodology to justify charges for work done on eligible streets. One such methodology may be use of a percentage of all eligible activity costs, as appropriate, based on the percentage of eligible lane miles compared to total lane miles per VDOT's approved inventory listing. In the interim, further procedural training will be provided to staff responsible for coding and review of maintenance tasks.

## **E. Summary Schedule of Prior Audit Findings**

**Finding 2014-01** – Subrecipient Monitoring - Workforce Investment Act (“WIA”) Cluster (CFDA Numbers 17.258, 17.259, and 17.278)

***Current Status:***

Monitoring of eligibility requirements remains applicable as part of finding 2015-005.

**Finding 2014-02** – Cash Management - Workforce Investment Act (“WIA”) Cluster (CFDA Numbers 17.258, 17.259, and 17.278)

***Current Status:***

Corrective action was taken in fiscal year 2015, no similar findings were noted.

**Finding 2014-03** – Program Income - Community Development Block Grant (CFDA Number 14.218)

***Current Status:***

Corrective action was taken in fiscal year 2015, no similar findings were noted.

**Finding 2014-04** – Subrecipient Monitoring - Community Development Block Grant (CFDA Number 14.218)

***Current Status:***

Corrective action was taken in fiscal year 2015, no similar findings were noted.

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