ROANOKE

Comprehensive Annual Financial Report

City of Roanoke, Virginia

Fiscal Year Ended June 30, 2012

On July 2, 2012, the National Civic League announced the selection of Roanoke, Virginia as a 2012 All-America City. This marks the sixth time Roanoke has earned this distinction – a feat achieved by no other city. Other years the city has won include 1952, 1979, 1982, 1988, and 1996. Roanoke was one of 32 finalists selected through a peer review process from a field of more than 100 entries across the country selected. In all, the National Civic League named 14 communities All-America Cities for 2012.

Each of the recognized communities submitted a “Community Solutions Action Plan” that included a broad cross-section of local partners, including schools, foundations, community service organizations, businesses and faith groups detailing how they would address school readiness, attendance and summer learning. The city’s entry was the “Star City Reads” campaign, a plan to ensure that more Roanoke children are reading at grade level by the end of third grade.

The National League of Cities (NLC) is the nation’s oldest and largest organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. The NLC is a resource and advocate for 19,000 cities, towns and villages, representing more than 218 million Americans.

City of Roanoke, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year July 1, 2011 to June 30, 2012

Prepared by the City of Roanoke Department of Finance

THIS PAGE INTENTIONALLY BLANK

Table of Contents

Page Number

INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal *1*

Certificate of Achievement for Excellence in Financial Reporting *21*

Directory of Principal Officials *22*

Organizational Chart *23*

FINANCIAL SECTION

Independent Auditors' Report *25*

Management's Discussion and Analysis (Required Supplementary Information) (Unaudited) *29*

Basic Financial Statements

Government-Wide Financial Statements

Exhibit A *Statement of Net Assets* *45*

Exhibit B *Statement of Activities* *46*

Fund Financial Statements

Governmental Funds Financial Statements

Exhibit C *Balance Sheet* *48*

Exhibit D *Reconciliation of the Balance Sheet to the Statement of Net Assets* *49*

Exhibit E *Statement of Revenues, Expenditures, and Changes in Fund Balances* *50*

Exhibit F *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities* *51*

Proprietary Funds Financial Statements

Exhibit G *Statement of Net Assets* *52*

Exhibit H *Statement of Revenues, Expenses, and Changes in Fund Net Assets* *54*

Exhibit I *Statement of Cash Flows* *56*

Fiduciary Fund Financial Statements

Exhibit J *Statement of Fiduciary Net Assets* *58*

Exhibit K *Statement of Changes in Fiduciary Net Assets* *59*

Notes to Basic Financial Statements *61*

Page Number

Required Supplementary Information (Unaudited)

Budgetary Comparison Schedule – General Fund *125*

Infrastructure Assets Under Modified Approach *129*

Schedules of Funding Progress - Pension *130*

Schedules of Funding Progress – OPEB *131*

Schedules of Employer Contributions – OPEB *132*

Note to Budgetary Comparison Schedule – General Fund *133*

Supplementary Information

Combining and Individual Fund Financial Statements

Exhibit L-1 *Combining Statement of Net Assets – Internal Service Funds* *137*

Exhibit L-2 *Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds* *138*

Exhibit L-3 *Combining Statement of Cash Flows – Internal Service Funds* *139*

Exhibit M-1 *Statement of Fiduciary Assets and Liabilities – Agency Fund* *140*

Exhibit M-2 *Statement of Changes in Fiduciary Assets and Liabilities – Agency Fund* *141*

STATISTICAL SECTION (Unaudited)

Table 1 *Net Assets by Component* *145*

Table 2 *Changes in Net Assets* *146*

Table 3 *Governmental Activities Tax Revenues by Source* *148*

Table 4 *Fund Balances of Governmental Funds* *149*

Table 5 *Changes in Fund Balances of Governmental Funds* *150*

Table 6 *Local Tax Revenues by Source* *152*

Table 7 *General Property Tax Levies and Collections* *152*

Table 8 *Assessed and Estimated Actual Value of Taxable Property* *153*

Table 9 *Property Tax Rates and Levies* *153*

Table 10 *Principal Property Taxpayers* *154*

Table 11 *Taxable Retail Sales* *154*

Table 12 *Ratio of General Bonded Debt to Total Assessed Value and Bonded Debt Per Capita* *155*

Table 13 *Ratios of Outstanding Debt by Type* *156*

Page Number

Table 14 *Legal Debt Margin Information* *156*

Table 15 *Computation of Legal Debt Margin* *157*

Table 16 *Ratio of Annual Debt Service Expenditures for General Long-Term Debt to Total General Expenditures* *157*

Table 17 *Debt Service as a Percentage of Non-Capital Expenditures* *158*

Table 18 *Demographic Statistics* *158*

Table 19 *Construction Statistics* *159*

Table 20 *Principal Employers* *159*

Table 21 *Full-Time Equivalent City Government Employees by Function* *160*

Table 22 *Operating Indicators by Function* *161*

Table 23 *Capital Asset Statistics by Function* *162*

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards *165*

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

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....

Independent Auditors' Report on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants .....

Schedule of Findings and Questioned Costs .....

Summary Schedule of Prior Year Audit Findings and Questioned Costs .....

THIS PAGE INTENTIONALLY BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY BLANK

CITY OF ROANOKE
DEPARTMENT OF FINANCE
215 Church Avenue, SW, Suite 461
PO Box 1220
Roanoke, Virginia 24011-1220
Telephone: (540) 853-2821
Fax: (540) 853-6142

ANN H. SHAWVER, CPA
Director of Finance

ANDREA F. TRENT
Assistant Director of Finance

November 30, 2012

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

In accordance with Section 25.1(f) of the Roanoke City Charter, we are pleased to present the City of Roanoke (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The Charter requires the City to issue an annual report on its financial position and activity and that the financial statements included in the report be audited by an independent firm of certified public accountants. This report was prepared by the Department of Finance in conformity with U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and the financial statements included in the report were audited by KPMG LLP.

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

The CAFR is presented in the following three sections:

(1) Introductory Section – This section is unaudited and includes this letter of transmittal, the City's Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting, a list of the City's principal officials and an organizational chart;

(2) Financial Section – This section includes the independent auditors' report on the basic financial statements, management's discussion and analysis (MD&A), basic financial statements, notes to the basic financial statements, 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 1882, Roanoke encompasses a land area of forty-three square miles and operates under a council-manager form of government. The City's 2012 estimated population, 97,206 accounts for just under 31 percent 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 garage and surface lots.

The financial reporting entity reflected in the CAFR, which is more fully described in Note 1 to the basic financial statements, conforms to the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39. The accounting and reporting principles of the GASB are based on the fundamental concept that publicly elected officials are accountable to their constituents and the financial statements should emphasize the primary government and enable financial statement users to distinguish between the primary government and its component units. There are several commissions and authorities where the City's accountability is limited to appointments to, or seats on, the respective boards. The City does not exercise financial or administrative control over these entities, so they are excluded from this report.

The City's reporting entity includes two discretely presented component units. A component unit is a legally separate entity which meets one of three conditions: the governing board is appointed by the primary government, the entity is fiscally dependent on the primary government, or excluding the entity could potentially result in misleading financial reporting. A component unit should be blended with the primary government if the entities share a governing body and if the component unit almost exclusively provides services or benefits to the primary government; otherwise, it must be presented discretely.

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

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

Economic Condition and Outlook

Local Economy

Fiscal year 2012 performance reflected continuing economic recovery for the City of Roanoke. The City reported local tax growth for the second year in a row, indicative of continued economic recovery. General Property taxes increased 1.3% while other local taxes increased 2.4%. The major contributors to local tax growth were Sales tax up nearly 3.0%, Business License tax which increased 3.9% and Prepared Food and Beverage tax which sustained strong growth of 7.4%. General Fund revenues from the Commonwealth and Federal governments declined 3.1%, mainly in the Social Services area where the Commonwealth has assumed responsibility for making direct payments for certain expenditures that were previously made by the City and reimbursed. Adjusted for this change, General Fund revenues increased 0.8%.

On the expenditure side, in fiscal year 2012, the General Fund expenditures increased only 0.9% compared to a targeted increase of 1.0% over the prior fiscal year. Almost all categories came in under budget including Health and Welfare expenditures which declined primarily due to the change in payment methodology by the

Commonwealth. This level of controlled spending reflects City Leadership's commitment to sound fiscal policies and judicious budgetary control.

Unemployment remained elevated during fiscal year 2012, but levels improved compared to the prior year. The average unemployment in the Roanoke MSA for fiscal year 2012 was 6.3%, according to the Virginia Employment Commission, down from an average 7.0% in the prior fiscal year and 7.5% in fiscal year 2010. Comparatively, average unemployment in fiscal year 2012 was 6.0% at the State level and 8.5% at the national level. Roanoke's economy is strengthened by the diversity of employment opportunities, with representation from every major type of business as defined by the U.S. Census Bureau.

Economic Development

Roanoke is the center of a strong region, boasting a creative, diverse, sustainable economy. The City stimulates and supports economic development for the purpose of attracting new businesses and encouraging the expansion of existing businesses. The City's Economic Development Department's strategy continues to focus efforts on four core initiatives; marketing, business retention - expansion services, data collection and intelligence, and staff development. New marketing materials were created to tout Roanoke's ever increasing assets and amenities, web-based data collection tools were implemented, and continue to be upgraded, a new real estate search program was implemented, a Facebook page implemented and staff is dedicated to teamwork and honing every skill necessary to assist the business community. As a result of this focused approach, retention, expansion and attraction efforts in fiscal year 2011-2012 yielded announcements from businesses in the industrial, information technology, healthcare, insurance and hospitality sectors totaling over $57 million in new investment and more than 450 new jobs. Some highlights include:

- Advance Auto's expansion of $4.5 million created 55 full-time positions with an additional 20 positions planned later.
- New Horizons Health Care Center broke ground in the fall of 2011 with a total investment of nearly $11 million and 20 new full-time positions
- Kohl's department store opened a facility in Roanoke in the fall of 2011 in the site vacated by Walmart. Though the loss of one of the City's two Walmarts was a negative factor for the economy, the replacement by Kohl's brings a destination store that is being patronized by shoppers from all over the region. Kohls' investment was approximately $3 million.
- The Lofts at West Station were completed with over 70 new apartments on Salem Avenue following an investment of over $7.5 million

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. Façade grant

funding of approximately $253,000 in fiscal year 2012 leveraged approximately $1.3 million in private investment for building façade improvements in the Enterprise Zones during the year.

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

Downtown

The pulse in downtown Roanoke is livelier than it has been in over 40 years. Over 1,200 residents now reside in the core of the City as a result of the conversion of grand historic buildings into apartments and condominiums. Downtown Roanoke offers the oldest continuous farmer's market in the Commonwealth which has become a landmark for visitors to the City and a regular shopping venue for residents. Roanoke restaurants, shops, and art galleries continue to open in the downtown district to compliment the newly renovated Historic City Market Building and the nearly finished cultural arts center, Center in the Square, under going a $21 million renovation. Since the $7 million Roanoke City Market Building Renovation was completed a year ago, 10 local dining establishments have opened in downtown Roanoke for residents and visitors to the City.

Key construction projects culminated during the past year includes:

- Sixteen West - this restoration and renovation project is now complete and the home to the former S&W cafeteria is serving food once again! Renovations retained some of the art deco style of the building and now are home to several apartments, a chiropractic office and a food court which currently houses Café 16. Soon more food vendors and a grocery store will open.
- The Justice Company - this prominent family-owned business, Southern Coal Corporation, and owners of The Greenbrier Resort in White Sulpher Springs, WV, is now headquartered in the City of Roanoke. The company purchased the 28,000 square foot building at 302 Jefferson Avenue, in which Bank of America is a prime tenant, and is in the process of renovating the upper floors. The Justice Company has settled into downtown Roanoke with a total investment of $3.0 million.

The downtown area also has many cultural amenities such as The Taubman Museum of Art, Center in the Square, O. Winston Link Museum, Virginia Museum of Transportation and the Jefferson Center for Performing Arts.

Riverside Centre for Research and Technology

The Riverside Centre for Research and Technology (RCRT), headquarters of several medical science entities, is a 110-acre technology park located along Jefferson Street and Reserve Avenue. Within RCRT,

the Carilion Clinic completed its 110,000-square-foot office and laboratory complex headquarters building at a cost of $15 million in 2007. The $70 million, 250,000-square-foot outpatient medical clinic, opened to patients in September 2009.

The Virginia Tech-Carilion School of Medicine (VTC) has accepted the third class at the school, adding 42 new students in August of 2012, bringing total enrollment to 126 students. The school will be at full capacity in August 2013. The Virginia Tech-Carilion Research Institute continues to bring in new research teams and reported the following progress in the first 21 months of operation ending June 30, 2012:

- 20 research team leaders hired (6 senior, 5 mid-career, 9 early career researchers); plus 135 employees from 18 states and 11 countries; a payroll of $10.3 million with average annual salary of $65,000
- 39 current active research grants with an annual value of $12.4 million; a multi-year portfolio of $44.1 million pending; VTC start up investment of $50 million; 1 bio-technology start-up company established in Roanoke and 3 in process of starting
- Creation of a well attended Distinguished Visiting Scholars and Public Lecture Series for Roanoke community and southwest Virginia
- Collaborations with the Salem VA Hospital, the U.K., Norway, Korea, China, Germany, Princeton, Cal Tech, Emory, Duke, Wake Forest, UCLA and the Children's National Medical Center
- Roanoke recognized as a hub of world wide functional brain imaging per scan network and home to the world's largest brain study

Additionally, Riverside Center continues to be conveniently serviced by an on-site hotel. Cambria Suites Hotel is a 127-room limited-service, all-suite hotel. The 1,500-space parking garage is centrally located to accommodate all present activities of the development with ample spaces to serve future tenants.

Roanoke Centre for Industry and Technology

The Roanoke Centre for Industry and Technology (RCIT) is a 496-acre City-developed business park located just minutes from Interstates 581 and 81. This industrial park was acquired, developed and marketed by the City. The City continues its excellent record of attracting top corporations, enhancing the tax base and creating jobs for its citizens. One hundred forty acres with five 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 exceed 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 2,100 persons, have a combined investment in the

Centre in excess of $151 million, and occupy over 2 million square feet of space. Corporations currently in the Centre include Crouse-Hinds, a division of Cooper Industries, R&K Engineering, Advance Auto, BellSouth Communications Systems, SEMCO, Elizabeth Arden, Orvis, InfoSeal, Virginia Utility Protection Services, and Maple Leaf Bakery. Heritage Point is a historic area also located within RCIT and hosts a restored 19th-Century cabin.

Roanoke River District

The City has entered into a Performance Agreement with Roanoke River Associates, LLC (RRA) and the Economic Development Authority for the City of Roanoke (EDA) for the development of approximately 22 acres located east of South Jefferson Street and adjacent to the Roanoke River. The Roanoke River District is envisioned to be a mixed-use development consisting of commercial, office, retail and residential buildings and amenities. The City will provide 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 amounts of actual designated revenues received by the City on the property. The project is expected to take between 15-20 years to complete and will likely exceed $100 million in investment.

Valley View Mall Area

The Valley View Mall, built during the 1980s, is a dominant regional shopping center of nearly 900,000 square feet of retail space. The District at Valley View was built in 2007 to enhance the mall area. It offers eye-catching storefronts, extensive landscaping and pedestrian-friendly walkways. The two areas, combined, offer six anchor stores, over 100 specialty shops, and many restaurants. Valley View Mall is owned and operated by CBL & Associates Properties Inc. which continues to display confidence in the Roanoke retail market. One of Roanoke's strong economic indicators is its strength in retail sales per capita, as the City has historically performed very well at both the State and national level due to its regional draw for shoppers. In 2012, Valley View Mall added a major retailer, Plow & Hearth, with over 6,700 square feet of shopping space. In addition to Plow & Hearth favorites like UGG Australia and Dansko footwear, Life is Good clothing and accessories, and hearth and garden products, the store also carries a excellent selection of toolsets, fire screens and hearth rugs. More great products include delicious assortments of gourmet foods and regional favorites. Founded in 1980 in Madison, Virginia, Plow & Hearth has grown to a trusted national catalog, retail, and internet company specializing in unique, enduring home and lifestyle products that are quality-built and guaranteed to meet customer expectations.

Grandin Village

Another important retail hub is the City's Grandin Village area. This area serves residents in the south and

southwest portions of Roanoke and is a draw for downtown workers. A revitalization effort took place in recent years that increased the area's diversity of offerings and vitality. The Grandin Village is home to the Grandin Theatre as well as numerous local restaurants and specialty shops. After 16 years in the Grandin Village, Reid's Fine Furnishings expanded, adding 3,300 square-feet to the Roanoke showroom and further establishing presence as an anchor in the revitalized neighborhood.

Tourism

Roanoke is increasingly becoming a premiere tourist destination. The region offers strong facilities for recreational tournaments in softball, soccer and other sports. Roanoke has been the longtime host of the Commonwealth Games and the Miss Virginia Pageant, important statewide events that draw numerous visitors to the city annually. These events bring many youth and families to the area, and the amenities of Roanoke are very attractive even to those staying in other areas.

In October 2011, The Small Cities Movement launched the inaugural CityWorks (X)po in downtown Roanoke, an event exploring six spheres of exponential impact: Leadership & Good Government, Arts & Design, Capital & Social Entrepreneurship, Food & Drink, Outdoors & Recreation and Knowledge & New Media. Over 500 individuals attended the conference from all parts of Roanoke, the U.S. and beyond. The second CityWorks (X)po was held in October 2012. This, along with other new festivals, continues to bring visitors to the City of Roanoke to experience the best in cultural and outdoor 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.

Capital Improvement Program (CIP)

In conjunction with the preparation of an annual operating budget, the City prepares a five-year Capital

Improvement Program Update. This serves as a planning tool for efficient, effective and equitable distribution of public improvements throughout the City. The CIP represents a balance between finite resources and competing community priorities. The CIP specifies the capital improvement and construction projects that will be funded over the upcoming five-year period in order to maintain or enhance the City's $608 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 2013 through FY 2017 represents $99 million of public improvements to the City's schools, infrastructure (streets, sidewalks, bridges and storm drains), parks, public buildings, technology, the Civic Center and various economic development projects. Resources accumulated to meet these priority needs are accounted for in the City's Capital Projects and Proprietary Funds.

Budgeting for Outcomes

Roanoke was the first city in Virginia to implement the "budgeting for outcomes" process in the development of its fiscal year 2012 budget. Budgeting for Outcomes (BFO) was designed to facilitate the alignment of resources with prioritized programs and services. City Council identified seven priority areas which guided the allocation of resources – economy, education, good government, human services, infrastructure, livability, and safety. The BFO process emphasized the allocation of resources to obtain specified outcomes. Innovation and collaboration with department and agency partners helped the organization to realize efficiencies and potentially improved services without additional resources. Improvements were monitored by performance measures and priority indicators. City leadership presented the process at the Government Finance Officers Association (GFOA) annual spring conference in fiscal year 2012 and conducted several local and regional presentations. The budget system was designed by the city's Department of Technology (DoT) to support the BFO process. DoT was presented with the Governor's Technology Award for Innovative Use of Technology in Local Government at the 2012 Commonwealth of Virginia's Innovative Technology Symposium (COVITS). The award recognized the budgeting for outcomes system as an innovative solution for achieving organizational goals and objectives.

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 January 2012, City Council adopted revisions to its Reserve and Debt Management Policies to incorporate changes promulgated by the Government Accounting Standards Board (GASB) relating to fund balance.

Reserve Policies

Key components of the reserve policies are as follows:

- The Unassigned General Fund Reserve target will be 10% of the budget to provide the City with sufficient working capital and margin of financial safety to address unforeseen, one-time expenditure emergencies or significant unforeseen declines in revenues in a specific fiscal year. As of June 30, 2012, the Unassigned General Fund Reserve was 10% of actual expenditures. The Unassigned General Fund Reserve is reported in the General Fund Balance Sheet in the unassigned category.
- A Risk Management Reserve serves to cover some of the risk exposure the City has due to its self-insurance program. The minimum funding level for the Risk Management Reserve is:
    - 25% of the three-year average of self-insured claims costs,
    - plus 10% of the three-year average of fully insured premiums,
    - plus a $1 million catastrophic reserve.

  The City's reserve policies call for this reserve to receive the highest priority for funding once the General Fund Unassigned Reserve met its 10% target. While this reserve is in a deficit position at June 30, 2012, as a result of increased liabilities on several large workers' compensation claims, funding of $1.5 million was added to the reserve in fiscal year 2012. City management is carefully monitoring the liabilities associated with the risk management area and intends to continue adding increasing amounts of funding in future years until the reserve goal is met.
- Once revenues return to pre-recessionary levels of fiscal year 2009, an Economic Downturn Reserve will be created to smooth financial operations in the event of an economic downturn. The Economic Downturn Reserve will be maintained in an amount up to 5% of the General Fund Expenditure budget. This reserve has not yet been established as revenues have not returned to the requisite level to trigger the funding of the 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. The reserve floor is $1 million. As of June 30, 2012, the balance of this reserve was approximately $3.4 million. The Economic and Community Development Reserve is reported in the Capital Projects Fund Balance Sheet as Committed fund balance.

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

Debt Management Policies

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

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

- Net tax-supported debt as a percentage of the total taxable assessed value in the City (including real, personal property, and public service corporations) will not exceed 4%. As of June 30, 2012, net tax supported debt was 2.7%.
- Net tax-supported general obligation debt service shall not exceed 10% of General Fund expenditures. As of June 30, 2012, net tax-supported general obligation debt service was 9.9% of General Fund expenditures.
- Net tax-supported debt will be structured in a manner such that not less than 60% of the aggregate outstanding tax-supported debt will be retired within 10 years. As of fiscal year 2012, 88% of outstanding debt will be retired within 10 years.

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

Major Initiatives and Accomplishments

Education

Roanoke City Council places education as the top priority of the government and its citizens. On July 1, 2010, City Council increased the prepared food and beverage tax from 5% to 7% for the two-year period July 1, 2010, to June 30, 2012, with the resulting revenue being solely dedicated to Roanoke Schools. This provided additional funding of $4.9 million to the school system in fiscal year 2012 and a total of $9.5 million for the entire two-year program. The resultant increase significantly offset state funding reductions allowing important programs such as summer school and early reading to continue, despite a loss of state funds.

The City of Roanoke was named 2012 All-American City for its Community Action Plan, a collaborative

program that addresses readiness for kindergarten, absenteeism, and summer learning. This marks the sixth time Roanoke has earned this distinction. The City's entry was the "Star City Reads" campaign, a plan to ensure that more Roanoke children are reading at grade level by the end of third grade.

Roanoke Schools have demonstrated significant performance improvements in recent years. The 2012 on-time graduation rate was 76.5%, up significantly from 59.1% in 2008. The majority of schools within the system are now academically accredited. School maintenance and capital improvement projects are underway as part of an updated Capital Improvement Program.

More information regarding the important achievements of Roanoke City Public Schools is available in the separately published School CAFR.

Virginia Western Community College is a two year public institution of higher learning established in 1966 that serves a current enrollment population of over 12,000 students. In 2013, Virginia Western will open the Center for Science and Health Professions building, the first new academic building to be constructed on campus in more than a decade. The $27.5 million project will result in a 68,000 square-foot state of the art teaching facility. Courses to be housed include nursing, dental hygiene and basic lab sciences. Enrollment is expected to increase by 500 students as a result.

Jefferson College of Health Science is a professional health science college offering masters degrees in Nursing, Physician Assistant and Occupational Therapy and ten baccalaureate and associate healthcare programs. Approximately 1,000 undergraduate and 80 graduate students are enrolled. Jefferson College of Health Science is located in the downtown area.

Public Safety

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

In 2011, the Police Department formed the Community Integration and Services Enhancement (CISE) unit. One of the responsibilities of the CISE unit is community involvement and crime prevention through the use of social media. During fiscal year 2012, Part One crimes were reduced by 1% compared to the prior year. Violent offenses declined significantly while property offenses remained relatively flat. The Roanoke Police Department has been accredited by the Commission on Accreditation for Law Enforcement Agencies

(CALEA) since July 30, 1994 and is the only law enforcement agency in the Commonwealth of Virginia to attain accreditation in two CALEA programs – Law Enforcement and Training Academies.

To make the most effective use of technology in its firefighting activities, Roanoke Fire-EMS is installing mobile data units in all front-line fire engines, ladder trucks, and ambulances. Roanoke Fire-EMS has been an accredited agency with the Commission on Fire Accreditation International Inc. (CFAI) since 2002, meeting the criteria established through the CFAI's voluntary self-assessment and accreditation program. The department is one of 113 fire departments to receive international accreditation. In 2011, Fire-EMS met established response time targets which lead to a 32% reduction in the number of working fires.

In 2010, the Roanoke City Sheriff's Office launched a Citizens' Academy, a six-week interactive program that helps participants gain an understanding of the responsibilities of the Sheriff's Office and how the department operates. The Citizens' Academy is designed to develop positive relations between deputies and the community to create a growing nucleus of responsible, well-informed citizens familiar with the services Roanoke City Sheriff's Office provides to the community. In 2011, the academy was held in the spring and 12 citizens participated in a graduation ceremony. The Roanoke City Sheriff's Office is accredited by the Commission on Accreditation for Corrections (ACA) and received its current accreditation in April of 2012.

Human Services

Roanoke's status as the largest city west of the state capitol means that there is a high demand for human services from the community. Human Services unites public and private institutions to encourage and support caring communities by assisting individuals and families to achieve self-sufficiency and healthy lives with a variety of financial and employment programs. Human Services is committed to providing information about and creating access to fair, equitable and timely services. The focus is on prevention, reducing the need for future services, intervention and offering direct services when an individual or family is in need. Typically, services provided are paid for by the City and in part, reimbursed by various federal, state and local agencies, businesses and institutions. During fiscal year 2012, the Commonwealth began making certain service payments directly. While this change did not affect the services the City provided, it did have a negative financial impact on the amount of reimbursements for expenditures the City received.

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 enforcement initiatives play

an important role in preventing neighborhoods from becoming environments for crime, blight and other kinds of deterioration. Residents participating in these organizations are often more in tune, 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 live in them.

The City also continues to create opportunities for civic groups to enhance their neighborhood's quality of life by providing them with financial resources to undertake self-help projects through the Neighborhood Development Grant Program. In 2012, various neighborhood groups throughout the City submitted grant applications to undertake a variety of projects, including the purchase and installation of neighborhood recycling receptacles, roofing, signage, and picnic shelters. Through the Neighborhood Development Grant Program, neighborhood organization volunteers have the opportunity to build community spirit, develop leaders within the neighborhood, and actively participate in the enhancement of the quality of life within the community.

To support its neighborhoods, the City has adopted policies and programs that focus on revitalization and increasing homeownership opportunities. A revitalization effort has housing, economic, human and neighborhood development dimensions. In the Hurt Park revitalization effort, over $6.0 million in Community Development Block Grant (CDBG) funds leveraged more than $3.0 million in cash and in-kind contributions from other public and private sources. Beginning in 2007 and winding down to completion in 2012, the Hurt Park project included such wide ranging elements as infrastructure, housing, community gardening and recording the oral history of the neighborhood. While work remains in Hurt Park, the City has named the West End neighborhood as the next target area, and in July of 2012, the City’s efforts transitioned from the one target area to the other. As the City looks ahead to the new target area and supporting its neighborhoods, staff will continue to take into account existing neighborhood plans, conditions and needs, and seek to involve residents into the decision-making and evaluation processes.

The City recognizes the need to provide for a variety of City wide projects with federal and other resources. During the most recently completed fiscal year, the City's Down Payment Assistance Program enabled 42 more families to become homeowners in neighborhoods of their choosing. CDBG funds also assisted local neighborhood organizations to conduct numerous community betterment projects such as period lighting, gateway signs, and home and community center improvements. CDBG and local City resources have contributed to neighborhood crime reduction, enhanced human services and other needs of residents.

Recreational and Outdoor Opportunities

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

Roanoke was selected as a "Bicycle Friendly Community" by the League of American Bicyclists. There has been a diverse and growing number of cyclists and interest in bicycling in Roanoke. Bike shops in the community reported rising bike sales as miles of pathways increase. A group of cyclists sponsored the City's first Ciclovia event last summer, and the City will sponsor a second and expanded Ciclovia as part of Bike Month. There are also numerous support organizations involved in biking education. RIDE Solutions (alternative transportation), National Mountain Bike Patrol, Pathfinders for Greenways and the Blue Ridge Bicycle Club sponsor weekly rides, competitive cycling events including a Junior Racing Team, commuter information, and involvement in trail maintenance and development and safety support.

Arts and Cultural Activities

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

The Roanoke Civic Center continues to reach new successes each year under management by Global Spectrum which has been operating the City-owned facility since 2009. Highlights for fiscal year 2012 included return performances of Cirque du Soleil and the Harlem Globetrotters as well as the Blue Man Group and several sold-out country singer concerts.

For more than 100 years, Elmwood Park has evolved from the distinguished home and gardens of P. L. Terry, one of Roanoke's founding citizens, to downtown's premier green space. Today, over 50 groups use the park with events scheduled throughout much of the year. The City has moved forward with the Elmwood Park improvement plan – A Playground for All Ages - which incorporates adult and child friendly features as well as cultural and environmental aspects. The plan includes an enhanced performance venue

and concessions plaza, terraced 'green' seating, Art Walk and Rain Garden as well as interactive children's areas and fountain. The Park is scheduled to re-open in the summer of 2013.

Roanoke's public art program is overseen by the Roanoke Arts Commission (RAC). The art program enhances the quality of life for Roanoke's citizens by creating a heightened sense of place and community identity and visually enhanced public space. Currently, the RAC is working to develop a virtual walking tour of the City's collection of nearly 100 pieces of art.

Libraries

The City of Roanoke promotes lifelong learning for all citizens. The Library Master Plan includes projects to enhance the delivery of programs and services throughout the community. In recent years, the City has completed expansion and renovation of the Gainsboro and Jackson Park branch libraries. The City's libraries provide many resources to citizens including free internet and free wireless access at all locations. In 2011, Libraries hosted approximately 1,500 adult programs, over 800 programs for young people between the ages of 5 and 17 and Early Literacy programs for children under the age of 5. Libraries are an important way the City supports the public education programs of Roanoke City Schools.

Transportation and Parking

Economic activity is directly associated with the City's position as the major trade and transportation center in Western Virginia. The City is located at the intersection of major rail and highway routes. Current developments relate to proposals by the Virginia Department of Transportation for construction of improvements at two interchanges along I-581. Improvements at Elm Avenue will add capacity to both interstate exit ramps and is expected to relieve congestion during several hours of each day. The project was awarded in July of 2012 to American Infrastructure-VA Inc. Work is expected to be completed by 2015. Improvements at the existing Valley View Boulevard interchange will complete the existing partial interchange. This will improve access to and from the north to the retail area housing Best Buy, Target, PetSmart and other stores as well as provide access to more than 100 acres of undeveloped property on the west side of the interstate. The master planning process and coordination with adjacent neighborhood groups was initiated in the summer of 2011 using citizen input sessions to begin planning the future of this area, referred to as Evans Spring. The project is moving forward and construction could begin in 2013. This work is also expected to be completed in 2015.

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 under 18 who present a school-issued identification card at a discount rate of one half the regular

fare. Younger students are free, but must be accompanied by a paying adult passenger. The Star Line Trolley is public transportation initiated in 2008 that serves the corridor of retail businesses, schools, libraries, restaurants, and lodging along Jefferson Street between the downtown area and Carilion Roanoke Memorial Hospital.

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

The City's public parking system includes seven garages and five surface lots. The parking systems offer competitive daily, weekly and monthly rates, and, at many locations, free after hours and weekend parking. Windsor-Aughtry, a Greenville, South Carolina based development company has purchased the first floor and upper story air rights to the City Market Garage to build a 132 room Hampton Inn. This new hotel in downtown Roanoke will support the Convention Center and build Roanoke's brand as a tourist destination.

Environmental Leadership

The City's position of environmental leadership continues as evidenced by the receipt of a 'Platinum Certification' from the Virginia Municipal League Green Government Challenge 2012. 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 carbon footprint, reduction of solid and hazardous waste and improving the environmental management system are components of this program.

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

In May of 2012, the City finalized the Roanoke River Flood Reduction project, a twenty year collaboration with the United States Army Corps of Engineers. This extensive project combining structural, environmental and recreational components will enable the City to reduce annual flood damage along the Roanoke River during severe weather. This was a $63.0 million dollar project of which the City contributed $19.7 million in an effort to ensure the safety and well being of citizens, the environment and native flora and fauna.

The City has embarked on a brownfield revitalization effort for the reuse of a rail corridor. The City was awarded a $175,000 EPA Brownfields Area-Wide Planning Pilot Program grant for Roanoke's "Rail Corridor Planning Area". The grant funding will be directed to brownfield-impacted sites within the corridor. The grant funding will result in an area-wide plan which will determine the issues, identify potentially interested businesses and then reclaim the brownfield properties to EPA standards. The City expects the reclamation to promote area-wide revitalization. The EPA selected 23 pilot projects across the country and the City of Roanoke is proud to be one of the recipients of this award.

Regional Cooperation

City leadership appreciates the importance of regional cooperation in promoting economic development. The Roanoke Valley has numerous successful regional ventures in place as detailed in the footnotes to these financial statements. These initiatives provide services to citizens in the areas of utilities, animal control and protection, public safety, transportation and others. In May of 2012, the Roanoke Regional Partnership launched a $3 million private sector campaign with an anticipatory $3 million private sector match. The campaign goals include creating over 3,200 higher wage jobs and bringing $200 million in capital investment to the area. The Roanoke Valley Consortium obtains dental insurance for a large pool of valley employees and works collaboratively to explore purchasing opportunities for new benefit programs and/or services.

Future Challenges

Current economic trends for the U.S. economy reflect continuing unemployment rates that exceed historic averages, limited housing activity and decreases in values of residential properties. These economic conditions have and will continue to provide challenges to the City. For the first time in its history, the City experienced a slight decline of 1.2% in the assessed value of real property effective with fiscal year 2013. Assessed values may experience little or no growth in the near term. Given the importance of real estate tax revenues to the City's budget, this will pose challenges for the City and School Board as a significant portion of school funding is derived from general property taxes.

Challenges exist at the Federal and State levels as budget balancing and deficit management continues to impact funding to localities. The specter of the Federal sequester with its mandatory $1.2 trillion in cuts over the next ten years will have an impact on the economic recovery and unemployment. Funding at the Federal level will continue to be diverted to support increasing health care costs and debt service. More and more, Federal and State governments are imposing mandates to local governments. Localities continue to be asked to do more with less. The challenge for local governments is how to maintain service levels with reduced available funding. The City regularly assesses the influence of economic factors and makes budgetary adjustments as necessary to minimize the impact to key services and ensure that the City continues to remain

financially sound.

Awards and Acknowledgements

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roanoke, Virginia, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose content conforms to program standards. The CAFR must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory section of the CAFR.

A Certificate of Achievement is valid for a period of one year. The City of Roanoke has received a Certificate of Achievement for the last 37 consecutive years (fiscal years ended 1974 - 2011). It is believed this report conforms to the Certificate of Achievement program requirements and standards, and will be submitted to the GFOA to determine its 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, 2012. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device. The City has been a recipient of the Distinguished Budget Presentation Award for the last 27 consecutive years.

<u>Other Awards and Recognitions</u>

- Six time recipient of the All America City award – no other city has achieved this distinction.
- Selected as one of "America's Most Livable Communities" by the national non-profit organization Partners for Livable Communities.
- The City's "Eat for Education" campaign received three awards from the Public Relations Society of America.
- The City's historic Market Building renovation received the Public Works Project of the Year award, a national recognition from the American Public Works Association (APWA).
- Roanoke ranked in the Top 10 Digital Cities for the tenth consecutive year.
- Roanoke's Fleet Management department was recognized as one of the best 100 fleets in North America.
- Roanoke City Manager Chris Morrill was elected President of the Government Finance Officers Association of the U.S. and Canada.

- Patrick Henry High School was named "One of Top High Schools in the United States" by Newsweek magazine for the second consecutive year.

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 the preparation of this report. Appreciation is also expressed to City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Christopher P. Morrill
City Manager

Ann H. Shawver, CPA
Director of Finance

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

CITY OF ROANOKE
DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2012

Members of City Council

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

Constitutional Officers

Brenda L. Hamilton	*Clerk of Circuit Court*
Octavia L. Johnson	*Sheriff*
Donald S. Caldwell	*Commonwealth's Attorney*
Evelyn W. Powers	*Treasurer*
Sherman A. Holland	*Commissioner of the Revenue*

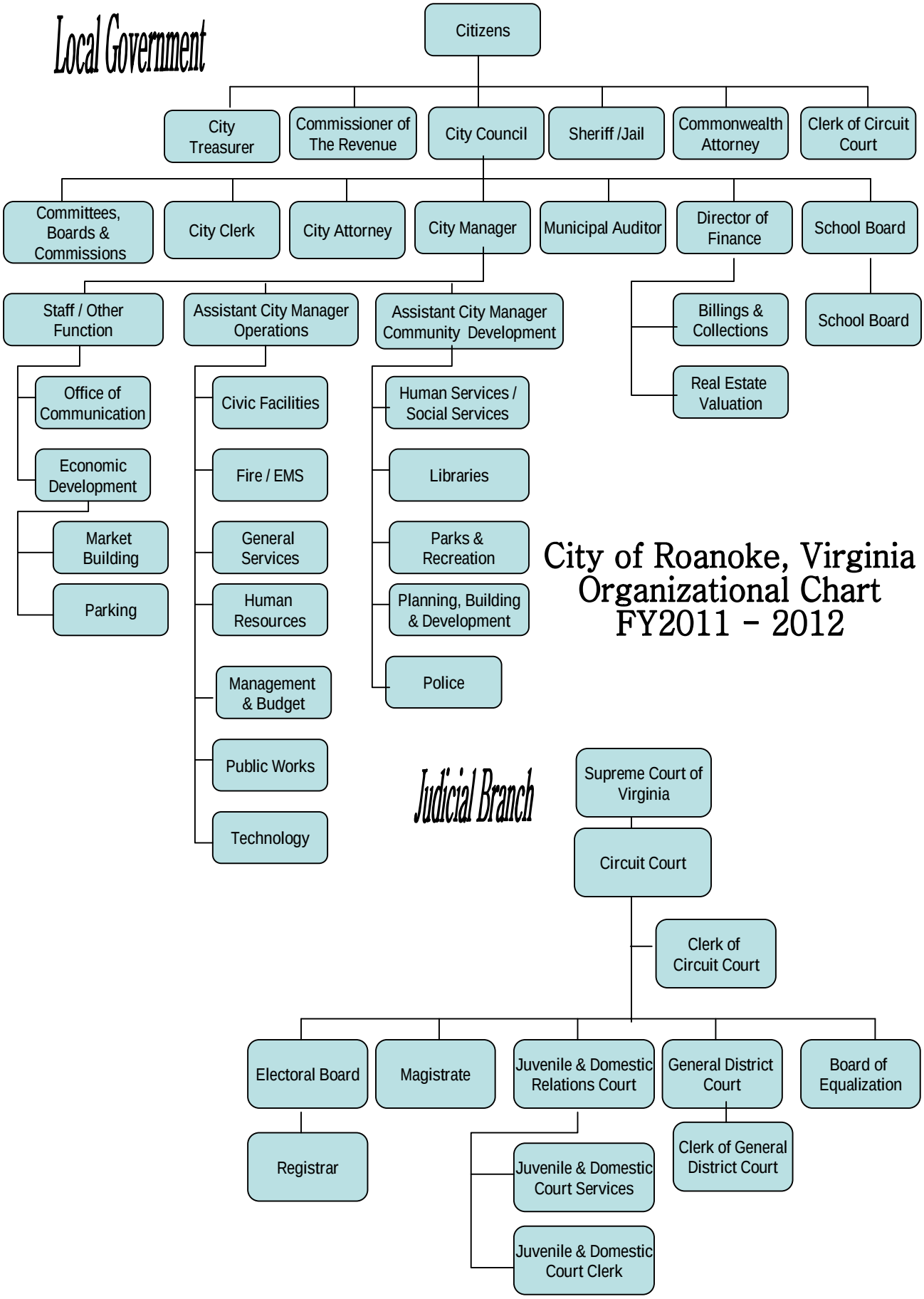
City Council Appointed Officials

Christopher P. Morrill	*City Manager*
Ann H. Shawver, CPA	*Director of Finance*
Timothy R. Spencer	*Acting City Attorney*
Stephanie M. Moon	*City Clerk*
Troy A. Harmon, CPA	*Municipal Auditor*

Other City Officials

Sherman M. Stovall	*Assistant City Manager*
R. Brian Townsend	*Assistant City Manager*

City of Roanoke, Virginia Organizational Chart FY2011 - 2012



THIS PAGE INTENTIONALLY BLANK

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

Independent Auditors' Report

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. 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, constituting 100% of the total assets, net assets, revenues and expenses of the discretely presented component unit as of and for the year ended June 30, 2012. We also did not audit certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, constituting 6.4% and 2.7% of total assets, 3.6% and 1.8% of total liabilities, 53.0% and 42.3% of total revenues, and 65.1% and 36.8% of total expenses of the Civic Facilities fund and business-type activities, respectively, as of and for the year ended June 30, 2012. The financial statements of the School Board and certain operations of the Civic Facilities fund were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the School Board and the amounts included for the Civic Facilities fund audited by other auditors are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 29 through 44, the Budgetary Comparison Schedule – General Fund, the Infrastructure Assets Under Modified Approach, the Schedules of Funding Progress, the Schedules of Employer Contributions, and the Notes to Budgetary Comparison Schedule – General Fund on pages 127 through 136 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements (Exhibits L-1, L-2, L-3, M-1 and M-2) and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements (Exhibits L-1, L-2, L-3, M-1 and M-2) and the Schedule of Expenditures of Federal Awards have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements (Exhibits L-1, L-2, L-3, M-1 and M-2) and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and the Statistical Section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

KPMG LLP

November 30, 2012

FINANCIAL SECTION

THIS PAGE INTENTIONALLY BLANK

CITY OF ROANOKE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
YEAR ENDED JUNE 30, 2012

The following discussion and analysis of the City of Roanoke, Virginia's (the City's) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the preceding transmittal letter and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets, excluding those of its component units, on the government-wide basis, totaled $393,818,181 at June 30, 2012. Of this amount, $30,059,961 may be used to meet ongoing obligations to citizens and creditors, and $363,758,220 is invested in capital assets, net of related debt.
- Governmental activities of the City had expenses net of program revenues of $203,384,176 which totaled $44,529,202 less than the general revenues, net of transfers of $247,913,378.
- At June 30, 2012, the City's governmental funds balance sheet reported total ending fund balances of $48,902,461.

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 Assets (Exhibit A) and the Statement of Activities (Exhibit B). These statements provide information about the City as a whole using the full accrual basis of accounting, which is the method used by most private-sector enterprises. All current year revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid. These statements allow readers to answer the question, "Is the City's financial position, as a whole, better or worse as a result of the year's activities?" One of the main goals of these two statements is to report the City's net assets and changes that affected net assets during the fiscal year. The change in the City's net assets, the difference between assets and liabilities, is one way to measure the City's financial position. Increases or decreases in net assets are indicators of whether the City's financial position is improving or deteriorating. Other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure should also be considered in assessing the overall financial position of the City.

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

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

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

Component units – The City includes two discretely presented component units in this report, the School Board of the City of Roanoke (School Board) and the Greater Roanoke Transit Company (GRTC). Although legally separate, the component units are important because the City is financially accountable for them.

Fund Financial Statements

The fund financial statements begin on page 45 and provide detailed information about the most significant funds, not the City as a whole. The City has three types of funds:

Governmental funds – Most of the City's basic services are included in governmental funds. Fund based statements focus on how resources flow into and out of those funds and the balances left at year-end that are available for future spending. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term overview that helps the reader determine the financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities as reported in the government-wide and fund financial statements are reconciled in Exhibits D and F on pages 49 and 51, respectively.

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

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

Summary of Net Assets
as of June 30, 2012 and 2011
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Current and other assets	$ 108.1	$ 112.9	$ 3.2	$ 2.5	$ 111.3	$ 115.4
Capital assets, net	540.0	498.1	60.8	62.5	600.8	560.6
Total assets	**648.1**	**611.0**	**64.0**	**65.0**	**712.1**	**676.0**
Other liabilities	50.8	48.4	2.7	2.9	53.5	51.3
Long-term liabilities	238.6	248.4	26.2	27.0	264.8	275.4
Total liabilities	**289.4**	**296.8**	**28.9**	**29.9**	**318.3**	**326.7**
Net assets:						
Invested in capital assets, net of related debt	329.5	270.0	34.2	34.0	363.7	304.0
Unrestricted	29.2	44.2	0.9	1.1	30.1	45.3
Total net assets	**$ 358.7**	**$ 314.2**	**$ 35.1**	**$ 35.1**	**$ 393.8**	**$ 349.3**

The City's Primary Government combined net assets increased from $349.3 million to $393.8 million as a result of the increase in net assets of governmental activities of $44.5 million related to capital assets. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the City, totaled $30.1 million. Net assets invested in capital assets, net of related debt, totaled $363.7 million and represents the amount of capital assets owned by the City, including infrastructure, net of accumulated depreciation and any outstanding debt issued to fund the asset purchase or construction. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation. As of June 30, 2012 and 2011, the City did not have any restricted net assets as presented in the governmental-wide financial statements.

Summary of Changes in Net Assets:

The following tables show the revenues and expenses of the government:

Summary of Changes in Net Assets
For the Years Ended June 30, 2012 and 2011
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Revenues						
Program Revenues:						
Charges for services	$ 13.2	$ 18.0	$ 5.9	$ 5.3	$ 19.1	$ 23.3
Operating grants and contributions	64.5	68.6	-	-	64.5	68.6
Capital grants and contributions	3.7	5.7	-	-	3.7	5.7
General Revenues:						
Property taxes	105.6	107.3	-	-	105.6	107.3
Local portion of state sales tax	19.1	18.6	-	-	19.1	18.6
Business and professional occupational license taxes	11.8	11.3	-	-	11.8	11.3
Utility taxes	9.6	9.9	-	-	9.6	9.9
Prepared food and beverage taxes	17.2	16.0	-	-	17.2	16.0
Commonwealth share-personal property taxes	8.1	8.1	-	-	8.1	8.1
Cigarette taxes	2.5	2.3	-	-	2.5	2.3
Transient room taxes	3.0	2.9	-	-	3.0	2.9
Telecommunications taxes	7.1	7.2	-	-	7.1	7.2
Motor vehicle license tax	2.1	2.0	-	-	2.1	2.0
Local Aid to the Commonwealth	(1.4)	(1.4)	-	-	(1.4)	(1.4)
Other	4.3	4.2	-	-	4.3	4.2
Payment from Component Unit	16.4	9.8	-	-	16.4	9.8
Interest and investment income	1.1	1.0	0.1	0.1	1.2	1.1
Special Item - Donated Assets	43.3	-	-	-	43.3	-
Total Revenues	**$ 331.2**	**$ 291.5**	**$ 6.0**	**$ 5.4**	**$ 337.2**	**$ 296.9**

(Continued)

Summary of Changes in Net Assets - Continued
For the Years Ended June 30, 2012 and 2011
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Expenses						
General Government	$ 15.2	$ 13.9	$ -	$ -	$ 15.2	$ 13.9
Judicial Administration	8.8	7.7	-	-	8.8	7.7
Public Safety	69.9	63.3	-	-	69.9	63.3
Public Works	28.7	18.7	-	-	28.7	18.7
Health and Welfare	41.1	42.1	-	-	41.1	42.1
Parks, Recreation and Cultural	13.3	11.4	-	-	13.3	11.4
Community Development	9.5	10.7	-	-	9.5	10.7
Transit Co	1.7	1.2	-		1.7	1.2
Education	83.1	74.8	-	-	83.1	74.8
Economic Development	2.0	3.9	-	-	2.0	3.9
Interest and Fiscal Charges	11.6	12.0	-	-	11.6	12.0
Civic Facilities	-	-	4.5	4.5	4.5	4.5
Parking	-	-	3.5	2.8	3.5	2.8
Market Building	-	-	-	0.2	-	0.2
Total Expenses	**284.7**	**259.7**	**8.0**	**7.5**	**292.7**	**267.2**
Increase (Decrease) in Net Assets before Transfers	**46.5**	**31.8**	**(2.0)**	**(2.1)**	**44.5**	**29.7**
Transfers	(2.0)	(0.6)	2.0	0.6	(0.0)	-
Special Items	-	(3.5)	-	(3.2)	-	(6.7)
Increase in Net Assets	**44.5**	**27.7**	**-**	**(4.7)**	**44.4**	**23.0**
Net Assets, Beginning	314.2	286.5	35.1	39.8	349.3	326.3
Net Assets, Ending	$ 358.7	$ 314.2	$ 35.1	$ 35.1	$ 393.8	$ 349.3

The net assets of governmental activities increased $44.5 million during fiscal year 2012. Significant current year activities affecting net assets include:

• A $43.3 million donation from the United States Army Corps of Engineers resulting in an increase in capital assets net of related debt, related to Infrastructure – the capitalization of the Roanoke River Flood Reduction project.

• Growth in the prepared food and beverage tax and personal property tax led performance of local tax revenues. Total property tax revenues increased 1.3%. The remaining local taxes such as sales tax, business license, transient occupancy, and cigarette tax revenues increased as the result of local improvement in economic conditions. As a whole, the City's local taxes increased 1.8%.

• The City continued to maintain and implement financial controls to ensure expenditures of general government programs were contained within budget. Staffing levels were reduced based on program changes, planned departmental budget reductions were maintained and minimized investment in certain capital assets enabled the City to complete the year well within the budget.

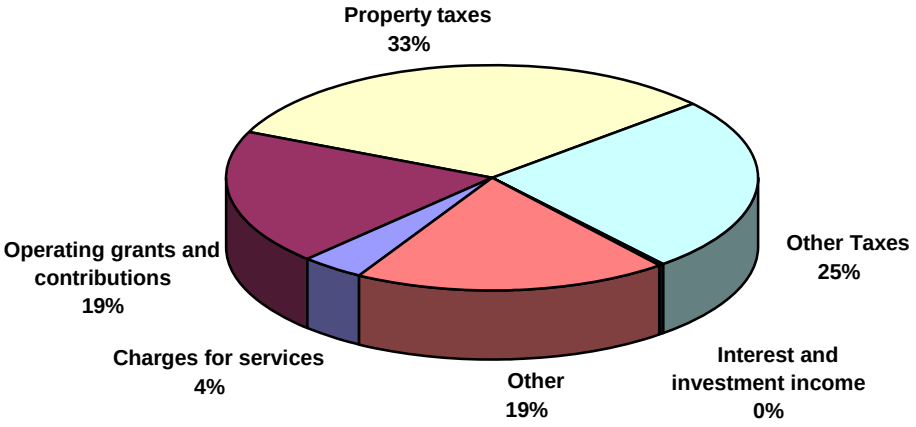
• The City overfunded the OPEB Trust and thus recognized an asset in the governmental Statement of Net Assets of $0.4 million.

• The net assets of business-type activities remained relatively flat during fiscal year 2012. Current year activities affecting net assets include:

- The Parking Fund net assets remained relatively stable with a slight decrease in operating income.

- The Civic Center Fund net assets remained stable due to a transfer from the General Fund of $2.0 million.

Revenues generated for governmental activities are presented below by category:



The property tax classification, which comprises approximately 33% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, and public service corporation taxes. Real estate tax revenue, the largest source of revenue for the City, totaled $80.8 million. The assessed value of real property in the City decreased slightly for the 2012 calendar year as a result of reassessments. The reduction in assessed value was offset by lower allowable real estate tax credits.

Personal property tax revenue, including the Commonwealth share, totaled $32.9 million. The revenue received locally from citizens totaled $24.8 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 64.75% on the first $20,000 in vehicle value for the current fiscal year and is included in the other taxes category.

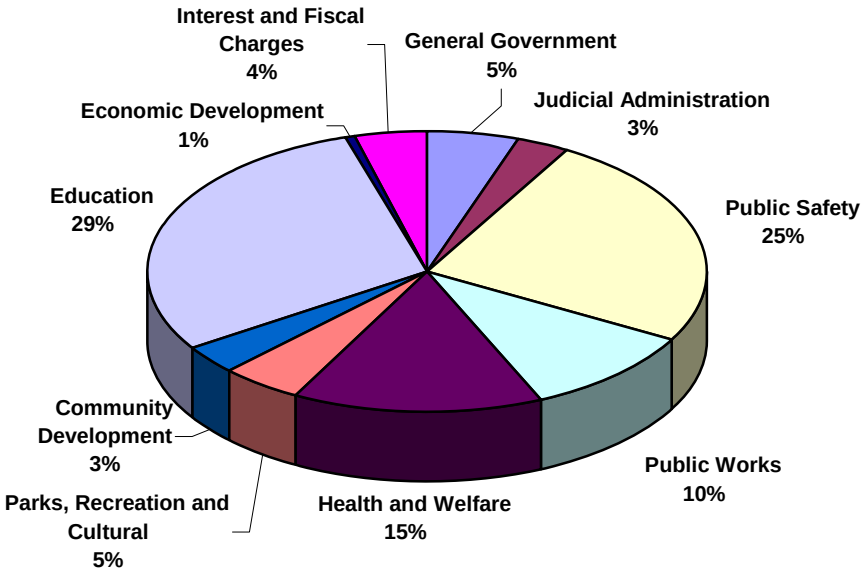
Sales taxes, prepared food and beverage taxes, business and professional occupational license taxes, utility taxes, funding from the Commonwealth under PPTRA, telecommunication taxes, transient room taxes and cigarette taxes comprise the majority of other local taxes collected by the City. Other taxes comprise approximately 25% of total revenues generated for governmental activities.

Operating grants and contributions comprise approximately 19% 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.

Other of 19% includes donated assets to the City from the U.S. Army Corps of Engineers of $43.3 million for the Roanoke River Flood Reduction project.

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

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



Education expenses comprise 29% of governmental activities. Funding of $78.4 million was provided to the Roanoke City School Board to support School operations and debt service.

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

Public Works and Health and Welfare expenses comprised approximately 10% and 15%, respectively, of governmental activities expenses. Expenses for Solid Waste Management, Building Maintenance, Street Paving, and Street Maintenance are included in the Public Works category. The Comprehensive Services Act and social services programs were the majority of expenses reported in the Health and Welfare category.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2012, the governmental funds reflect a total fund balance of $48,902,461. Approximately $26.0 million of this amount constitutes unassigned fund balance and consists of the Unassigned General Fund Reserve. The Reserve provides the City with sufficient working capital and margin of financial safety to address unforeseen, one-time expenditure emergencies or declines in revenues for which there is no other budgetary resource or other designations of fund balance available to satisfy the funding need. Committed fund balance of approximately $18.2 million consists of funding for outstanding purchase commitments, future debt service, and future years' capital project expenditures. The remaining fund balance of approximately $4.7 million is restricted and consists of funds, provided by bonded debt, for future capital project expenditures.

During fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The new standard replaces the prior reporting fund balance categories with five classifications based upon constraints placed on the use of resources as well as revised fund type definitions. See note 1 for additional information on the fund balance categories.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund unassigned fund balance was $26.0 million while the total fund balance was $27.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 10.0% of the total General Fund expenditures and other financing uses, while total fund balance represents 10.5% of that same amount.

The General Fund begins each fiscal year with budgeted revenue and expenditure amounts that are equal. During the year, encumbrances unpaid at the end of the prior year are liquidated, increasing expenditures. Other budgetary adjustments are made to recognize additional sources and uses of funding or to accept donations. During the fiscal year ended June 30, 2012, the fund balance of the General Fund increased by $0.2 million. The committed balance to cover outstanding purchase commitments at the end of the year decreased from 2011 to 2012 while the unassigned fund balances grew as a result of revenues in excess of expenditures.

Local taxes generated 70% of General Fund revenue, totaling approximately $181.5 million. The most significant portion of the current year growth was attributable to the food and beverage tax followed by personal property taxes. Real estate taxes, the City's largest single

source of revenue, also increased by 0.3%. Current real estate tax revenues actually increased 0.8% but were offset by reduced delinquent tax collections.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately $63.6 million in fiscal year 2012. The Commonwealth is the primary source of Intergovernmental revenue; providing revenue for social services programs, street maintenance funds, and law enforcement funding received under House Bill 599.

In fiscal year 2012, reductions in Commonwealth supported social service revenues declined as a result of changes in payment methodology whereby the Commonwealth paid for some services directly instead of reimbursing the City. The total reduction in funding from the Commonwealth in fiscal year 2012 compared to fiscal year 2011 was approximately $2.6 million or 8.7%. This reduction in revenue resulted in a corresponding decrease in expenditures as the City was no longer paying for these services as a result of the change.

The Capital Projects Fund balance increased $0.4 million. Contributing to the increase of the fund were revenues from the Economic Development Authority relating to unused Market Building renovation funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual General Fund Revenues were slightly lower than original budgeted revenues by $0.2 million or 0.06% and fell short of the final budgeted revenues by $0.1 million or 0.03%. Changes to the revenue budget late in the year narrowed the gap between actual revenue performance and the final budget estimate. The General Fund revenue decrease was driven by lower reimbursement-based intergovernmental revenues.

In the local tax area, real estate, personal property, business license, sales, meals and transient occupancy taxes exceeded budget. The economic recession of 2008-2010 negatively impacted the prior year results and led to the development of a conservative 2012 budget. The performance of local taxes improved throughout the year as economic conditions improved.

The intergovernmental revenue performance was driven by a change in payment methodology by the Commonwealth whereby the Commonwealth began making certain social services related payments directly instead of reimbursing the City. This eliminated the necessity of the City making these payments and as a result, correspondingly reduced Social Services expenditures.

General Fund expenditures and transfers were greater than the original budget by $0.7 million or 0.3% due to supplemental appropriations, but were less than the final amended budget by $0.6 million or 0.2%. Efforts continued to manage the City's expenditures. Spending at the departmental level was closely monitored during the fiscal year, and policies centered on maximizing savings were continued.

During fiscal year 2012, City Council amended the budget several times. These budget amendments or supplemental appropriation ordinances were primarily for the following purposes:

- To re-appropriate funds to pay commitments in the form of encumbrances established prior to June 30, 2012 but not paid by that date. Encumbrances for General Fund purchase orders authorized and issued, but for which goods and services were not received or paid by June 30, 2012 totaled $1.1 million.

- To appropriate excess local revenues to increase funding for Roanoke City Public Schools in the amount of $0.6 million.

- To de-appropriate funding from the Commonwealth of Virginia for Social Services payments now made directly by the Commonwealth of $1.9 million.

CAPITAL ASSETS

As of June 30, 2012, the City's capital assets for its governmental and business-type activities amounted to $600,804,541, net of accumulated depreciation. This investment includes land, historical treasures, construction in progress, land improvements, buildings and structures, equipment and infrastructure. The City's capital assets increased year over year by $40.2 million or 7.2%. The primary driver of this increase was a donation of a portion of the Roanoke River Flood Reduction project from the federal government of $43.3 million.

In fiscal year 2012, the City adopted the Modified Approach as outlined in GASB Statement No. 34 for certain infrastructure assets deemed inexhaustible. Under the Modified Approach, inexhaustible assets are not depreciated but are required to be maintained at a specified condition level through the use of structured and periodic assessments. The Roanoke River Flood Reduction project, a collaborative effort between the City and the United States Army Corps of Engineers (USACE) was completed in May of 2012. The infrastructure assets of the project, which totaled $48.1 million, were capitalized under the Modified Approach. It is the City's policy to conduct bi-annual assessments ensuring a minimum condition rating level of two (Fair) or higher on a scale of one (Poor) to three (Good), through the use of a USACE provided assessment report. Every three years, the USACE will conduct an independent assessment ensuring the City is maintaining the asset at the agreed upon condition level. The USACE initial assessment which was conducted in conjunction with City personnel indicated the condition level of the flood reduction infrastructure assets was Good. In fiscal year 2012, the City incurred $97,370 in preservation costs to maintain the flood reduction infrastructure assets at the current condition level.

The following table shows summarized balances of major categories of capital assets as of June 30, 2012. The changes in each category of Capital Assets are presented in detail in note 5 to the Basic Financial Statements.

Capital Assets
Net of Depreciation
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	Balance June 30, 2012	Balance June 30, 2011	Balance June 30, 2012	Balance June 30, 2011	Balance June 30, 2012	Balance June 30, 2011
Land and Improvements	$ 46.7	$ 45.6	$ 3.6	$ 3.6	$ 50.3	$ 49.2
Buildings and Improvements	263.2	261.6	56.6	49.9	319.8	311.5
Equipment	27.4	21.2	0.6	0.7	28.0	21.9
Infrastructure	189.7	124.8	-	-	189.7	124.8
Construction in Progress	13.0	44.9	-	8.3	13.0	53.2
Total	$ 540.0	$ 498.1	$ 60.8	$ 62.5	$ 600.8	$ 560.6

Major capital asset additions during the fiscal year included the following:

- The Roanoke River Flood Reduction project, finalized in May 2012, was capitalized at $63.0 million and included infrastructure, recreational and equipment assets.

- A Digital Radio project, a collaborative effort with surrounding localities, was capitalized at a cost of $5.8 million

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

LONG-TERM DEBT

At June 30, 2012, the City's long-term liabilities, excluding compensated absences and claims payable, totaled $267,919,570, comprised of $240,314,557 related to governmental activities, and $27,605,013 related to business-type activities. Total debt decreased by $16,981,235 during the fiscal year. Changes in long-term debt during fiscal year 2012 resulted from payment of principal on existing debt, issuance of the General Obligation Public Improvement Bonds, Series 2012A, General Obligation Public Improvement and Refunding Bonds, Series 2012B and General Obligation Public Improvement and Refunding Bonds, Series 2012C. Series 2012A bonds were used to finance capital improvements for school improvement projects, parks and recreation improvement projects, storm drain improvement projects, public bridge renovation projects, renovations to the Roanoke Civic Center, and the Digital Radio Project. Series 2012B bonds were used to refund a portion of outstanding Series 2002B bonds and Series 2003 bonds. Series 2012C bonds were used to refund a portion of outstanding Series 2004B bonds and Series 2006A bonds. The City realized present value savings from the issuance of Series 2012B Refunding bonds and Series 2012C Refunding Bonds which were used in the refinancing of outstanding Series 2002B bonds, Series 2003 bonds, Series 2004B bonds and Series 2006A bonds.

Detailed information regarding these changes in long-term debt is disclosed in Notes 8 and 9 to the Basic Financial Statements.

The City's most recent ratings obtained in February 2012 were AA+ and AA from Fitch Ratings and Standard & Poor's Ratings Services, respectively.

The Charter of the City of Roanoke and Code of Virginia limits the City's net debt to 10% of the assessed valuation of real estate within the City limits. The limit applies to tax supported debt paid by the governmental funds. Long-term liabilities of business-type funds will be met by revenues generated by those funds. The City considers long-term debt of its Parking Enterprise Fund to be self-supporting. Additionally, in accordance with its contractual agreement with the Western Virginia Water Authority, the City will receive funding from the Authority toward $17,558,082 of general obligation debt. The City's tax-supported debt of $228,581,066 less the Debt Service Fund Balance of $1,317,554 designated for the repayment of debt service is well below the legal debt limit of $679,477,230.

The School Board Component Unit relies upon the City to provide full faith and credit for any debt obligations incurred. Therefore, the City reports School Board Component Unit long-term liabilities, other than claims payable and compensated absences, as its own. In addition to bonded debt and capital lease obligations, the City's long-term obligations include compensated absences and claims payable. Additional information concerning the City's long-term liabilities is presented in notes 8 and 9 to the Basic Financial Statements.

Interest and fiscal charges for 2012 were $11,737,801, or 4.0% of total governmental funds' expenditures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's Metropolitan Statistical Area (MSA) unemployment rate, not seasonally adjusted, was 6.5% as of June 30, 2012. Consistent with trends at the state level, this represents a decrease of 0.4% from the prior year. The City's MSA unemployment rate was above the state unemployment rate of 6.0% but below the national unemployment rate of 8.4%. Employment in Roanoke is diverse with representation within the MSA of all census-defined industries. The industries providing the largest number of jobs in the region are health care and social assistance.

Roanoke's income levels trail the state and national averages, however they compare quite well when adjusted for the cost of living. Fiscal year 2012 financial performance was indicative of an improving local economy. However, the City anticipates lingering effects of the economic downturn as the local real estate market remains depressed and the volume of property sales remains at lower than normal levels.

The City's General Fund revenue increased in fiscal year 2012 by 0.2% primarily due to increases in a number of local taxes. The growth in local taxes offset declines driven by a decrease in Social Services reimbursements from the Commonwealth. The Roanoke economy is less volatile than other areas of the Commonwealth. The City experienced modest growth in many local taxes and, with tight expenditure controls, was able to fund additional capital projects in the public safety and economic development areas as well as add to the risk management reserve. In addition, the General Fund unassigned fund balance increased by $0.4 million maintaining the required 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 our local economy. The fact that unemployment remains at a heightened level is a continuing concern.

Housing values have remained stable for Roanoke longer than other localities around the state but in fiscal year 2012, fell almost 2.6% to an average assessed value of $129,900. The volume of commercial construction permits remained flat although the value of permits issued decreased in 2012 by 13.9% compared to 2011. The value of residential construction permits declined only 5.8% in 2012 compared to 2011. Construction efforts have been strained by tight credit markets in both commercial and residential sectors.

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

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

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

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

In fiscal year 2012, the City increased funding of education by 11.6%. This increase was a result of a change in the funding formula to 40% of local tax revenues. In fiscal year 2011, the funding formula was a combination of a percent of a derived tax base, specific funding and the 2% food and beverage tax increase. The change in formula did not increase funding overall to the Schools in that the Schools became responsible for reimbursing the City for debt service

that was previously paid by the City on the Schools behalf. However, funding to the Schools increased $1.6 million from the fiscal year 2012 adopted budget. The increase was provided by the improved performance in local taxes primarily in the food and beverage and property and taxes.

Fiscally responsible budgeting for fiscal year 2012 provided for expanded programming levels for services compared to fiscal year 2011 and resulted in slightly higher expenditures in fiscal year 2012. Increases in the priorities for Safety and Infrastructure were the primary drivers offset by the expected decrease in Social Services for payments now made directly by the Commonwealth.

The General Fund adopted budget for fiscal year 2013 decreased by 2.2% compared to the fiscal year 2012 adopted budget. The decrease was primarily related to the reduction in the food and beverage tax rate from 7% to 5% effective July 1, 2012 as well as the reduction of reimbursements from the Commonwealth related to a change in payment methodology. Adjusted for these changes, budgeted revenues increased 0.7%. Local taxes comprise 69.2% of all budgeted fiscal year 2013 General Fund revenues, and the budget for this category decreased approximately 1.6% compared to the fiscal year 2012 adopted budget. Despite the overall reduction, growth is projected in sales, business license, transient occupancy and, adjusted for the change in tax rate, food and beverage taxes. Funding to Schools, related to the food and beverage tax rate reduction effective July 1, 2012, will also decrease.

As the City looks further ahead toward fiscal 2014, another difficult budget process is anticipated. The City expects it will be several years before economic performance returns to previous growth levels. Strategic focus areas include providing capital investment to maintain City assets and operations, funding of the School Board for education of students, increased local funding of state mandated programs as state funding is reduced and funding of employee compensation to motivate and retain a quality workforce. The priorities are challenging given the potential of lower local revenues due in part, to reduced assessments of real estate property.

The real estate market in the City has continued to lag during the past year. In addition, the ratio of assessed value to sales price has continued to rise which indicates a potential need to lower assessed values of real property in some areas again for the second consecutive year. The City is monitoring the situation carefully and expects information early in the budgeting process for fiscal year 2014. The real estate assessment process aligns well with the budgeting process in that real estate assessments are established in January of each year with an effective date of July 1st of the same year. This allows the City to plan and revise programs as needed to maintain a balanced budget as real estate tax revenues are known and defined.

The Roanoke economy appears to be slowly rebounding from the recession. Local taxes indicate increased economic activity. Management believes that the current fiscal year 2013 revenue estimates will be met. Challenges exist in predicting the timing and rate of improvement moving forward. With state budget constraints and uncertainties, and the looming specter of federal sequestration, it is difficult to anticipate the level of funding from the Commonwealth and federal governments in upcoming years. There will continue to be significant pressure on local governments to fund programs previously funded by these government entities in areas such as public education and social services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			School Board Component Unit	GRTC Component Unit
	Governmental Activities	Business-Type Activities	Total		
Assets					
Cash and Cash Equivalents	$ 34,568,629	$ 2,312,420	$ 36,881,049	$ 36,965,385	$ 792,068
Investments	26,895,796	604,837	27,500,633	-	-
Interest and Dividends Receivable	28,517	609	29,126	-	-
Due from City of Roanoke	-	-	-	910,419	-
Due from Other Governments	27,522,315	-	27,522,315	8,027,667	480,629
Internal Balances	133,176	(133,176)	-	-	-
Taxes and Accounts Receivable, Net	16,635,278	96,690	16,731,968	39,595	155,511
Note Receivable	1,433,046	-	1,433,046	495,000	-
Inventory	61,068	-	61,068	-	458,677
Other Assets	483,756	289,342	773,098	1,043,259	65,490
OPEB Overfunding	404,400	-	404,400	-	-
Capital Assets:					
Land, Construction in Progress, Right-of-Way, and Historical Treasures	125,558,086	3,638,674	129,196,760	-	720,724
Other Capital Assets, Net	414,413,269	57,194,512	471,607,781	2,787,940	11,806,305
Capital Assets, Net	539,971,355	60,833,186	600,804,541	2,787,940	12,527,029
Total Assets	**648,137,336**	**64,003,908**	**712,141,244**	**50,269,265**	**14,479,404**
Liabilities					
Accounts Payable and Accrued Expenses	11,330,924	342,781	11,673,705	2,015,007	902,953
Accrued Interest Payable	3,640,373	348,048	3,988,421	-	-
Due to Component Unit	900,292	-	900,292	-	-
Due to Other Governments	1,502,160	42,040	1,544,200	-	-
Unearned Revenue	666,833	-	666,833	1,019,232	149,088
Other Liabilities	404,400	560,769	965,169	-	-
Long-term Liabilities Due Within One Year	32,348,249	1,395,356	33,743,605	5,834,320	-
Long-term Liabilities Due in More Than One Year, Net	238,631,182	26,209,656	264,840,838	5,735,242	-
Total Liabilities	**289,424,413**	**28,898,650**	**318,323,063**	**14,603,801**	**1,052,041**
Net Assets					
Invested in Capital Assets, Net of Related Debt	329,493,504	34,264,716	363,758,220	2,787,940	12,527,029
Unrestricted	29,219,419	840,542	30,059,961	32,877,524	900,334
Total Net Assets	**$ 358,712,923**	**$ 35,105,258**	**$ 393,818,181**	**$ 35,665,464**	**$ 13,427,363**

See Notes to Basic Financial Statements.

Exhibit B

CITY OF ROANOKE, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
General Government	$ 15,192,371	$ 3,700,916	$ 996,079	$ 336,120
Judicial Administration	8,777,516	3,782,588	8,040,967	-
Public Safety	69,882,446	4,702,979	8,930,578	-
Public Works	28,672,051	340,438	12,355,511	1,902,751
Health and Welfare	41,124,917	93,991	29,916,683	-
Parks, Recreation and Cultural	13,301,508	414,693	620,545	1,438,488
Community Development	9,452,579	154,041	3,597,325	-
Greater Roanoke Transit Company	1,654,105	-	-	-
Education	83,072,419	-	-	-
Economic Development	2,022,694	-	-	-
Other	4,595	-	-	-
Interest and Fiscal Charges	11,551,668	-	-	-
Total Governmental Activities	**284,708,869**	**13,189,646**	**64,457,688**	**3,677,359**
Business-Type Activities:				
Civic Facilities	4,509,327	2,559,400	-	-
Parking	3,483,658	3,316,277	-	-
Total Business-Type Activities	**7,992,985**	**5,875,677**	**-**	**-**
Total Primary Government	**$ 292,701,854**	**$ 19,065,323**	**$ 64,457,688**	**$ 3,677,359**
Component Unit:				
Greater Roanoke Transit Company	$ 10,701,358	$ 2,131,743	$ -	$ -
School Board of the City of Roanoke	$ 170,989,194	$ 4,908,968	$ 50,542,428	$ -

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

Net Assets at Beginning of Year
Net Assets at End of Year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			School Board Component Unit	GRTC Component Unit
Governmental Activities	Business-Type Activities	Total		
$ (10,159,256)	$ -	$ (10,159,256)	$ -	$ -
3,046,039	-	3,046,039	-	-
(56,248,889)	-	(56,248,889)	-	-
(14,073,351)	-	(14,073,351)	-	-
(11,114,243)	-	(11,114,243)	-	-
(10,827,782)	-	(10,827,782)	-	-
(5,701,213)	-	(5,701,213)	-	-
(1,654,105)	-	(1,654,105)	-	-
(83,072,419)	-	(83,072,419)	-	-
(2,022,694)	-	(2,022,694)	-	-
(4,595)	-	(4,595)	-	-
(11,551,668)	-	(11,551,668)	-	-
(203,384,176)	**-**	**(203,384,176)**	**-**	**-**
-	(1,949,927)	(1,949,927)	-	-
-	(167,381)	(167,381)	-	-
-	**(2,117,308)**	**(2,117,308)**	**-**	**-**
$ (203,384,176)	**$ (2,117,308)**	**$ (205,501,484)**	**$ -**	**$ -**
$ -	$ -	$ -	$ -	$ (8,569,615)
$ -	$ -	$ -	$ (115,537,798)	$ -
$ 105,653,485	$ -	$ 105,653,485	$ -	$ -
19,147,211	-	19,147,211	-	-
11,769,433	-	11,769,433	-	-
9,584,366	-	9,584,366	-	-
17,216,380	-	17,216,380	-	-
8,075,992	-	8,075,992	-	-
2,456,680	-	2,456,680	-	-
2,983,586	-	2,983,586	-	-
7,096,425	-	7,096,425	-	-
2,130,312	-	2,130,312	-	-
798,839	-	798,839	-	-
2,212,277	-	2,212,277	-	351,026
-	-	-	49,125,626	-
-	-	-	78,351,405	-
16,373,216	-	16,373,216	-	-
-	-	-	18,695	6,183,264
1,071,384	170,902	1,242,286	35,626	-
-	-	-	1,253,544	-
-	-	-	-	389,023
43,322,018	-	43,322,018	-	-
(1,978,226)	1,978,226	-	-	-
$ 247,913,378	**$ 2,149,128**	**$ 250,062,506**	**$ 128,784,896**	**$ 6,923,313**
44,529,202	31,820	44,561,022	13,247,098	(1,646,302)
314,183,721	**35,073,438**	**349,257,159**	**22,418,366**	**15,073,665**
$ 358,712,923	**$ 35,105,258**	**$ 393,818,181**	**$ 35,665,464**	**$ 13,427,363**

Exhibit C

CITY OF ROANOKE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 10,661,099	$ 1,502,452	$ 1,190,805	$ 12,142,933	$ 25,497,289
Investments	9,870,040	-	-	7,183,403	17,053,443
Interest and Dividends Receivable	11,391	-	-	7,226	18,617
Due from Other Governments	9,399,580	-	545,829	-	9,945,409
Due from Other Funds	170,418	76,090	5,479	2,672,945	2,924,932
Taxes Receivable	17,549,179	-	-	-	17,549,179
Accounts Receivable	4,623,297	-	73,771	62,066	4,759,134
Allowance for Uncollectible Receivables	(5,746,184)	-	-	-	(5,746,184)
Deferred Charges	37,020	-	-	46,152	83,172
Total Assets	**$ 46,575,840**	**$ 1,578,542**	**$ 1,815,884**	**$ 22,114,725**	**$ 72,084,991**
LIABILITIES					
Accounts Payable and Accrued Expenditures	$ 8,579,907	$ 189,759	$ 635,175	$ 994,762	$ 10,399,603
Due to Other Governments	534,395	-	967,765	-	1,502,160
Due to Other Funds	5,906,292	71,229	2,108	66,247	6,045,876
Due to Component Unit	346,686	-	-	553,606	900,292
Deferred Revenue	4,123,763	-	210,836	-	4,334,599
Total Liabilities	**19,491,043**	**260,988**	**1,815,884**	**1,614,615**	**23,182,530**
FUND BALANCES					
Restricted	-	-	-	4,686,212	4,686,212
Committed	1,084,361	1,317,554	-	15,813,898	18,215,813
Unassigned	26,000,436	-	-	-	26,000,436
Total Fund Balances	27,084,797	1,317,554	-	20,500,110	48,902,461
Total Liabilities and Fund Balances	**$ 46,575,840**	**$ 1,578,542**	**$ 1,815,884**	**$ 22,114,725**	**$ 72,084,991**

See Notes to Basic Financial Statements

Exhibit D

CITY OF ROANOKE, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balances - Governmental Funds		$ 48,902,461
Amounts reported for governmental activities in the Statement of Net Assets 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	724,874,855	
Less: accumulated depreciation	(209,504,647)	515,370,208
Other assets used in governmental activities are not considered current financial resources and therefore are not reported in the governmental funds.		
Bond issuance costs and deferred amounts on refunding	15,083,588	
Less: accumulated amortization	(6,655,803)	
Note Receivable - Hotel Roanoke, LLC	1,433,046	
Receivable from Western Virginia Water Authority	17,558,082	27,418,913
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.		3,792,457
Long-term liabilities, including bonds payable with related accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Governmental bonds payable	(229,885,814)	
Capital lease obligation	(4,103,485)	
Bond premium	(13,905,642)	
Accumulated amortization of bond premium	3,621,097	
Compensated absences payable	(6,357,302)	
Accrued interest payable	(3,565,804)	(254,196,950)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, liabilities and net assets of the internal service funds are included with governmental activities in the Statement of Net Assets.		17,425,834
Total Net Assets of Governmental Activities		$358,712,923

See Notes to Basic Financial Statements.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Local Taxes	$ 181,456,770	$ -	$ -	$ -	$ 181,456,770
Permits, Fees and Licenses	857,561	-	-	-	857,561
Fines and Forfeitures	1,531,145	-	-	-	1,531,145
Rental Income	117,154	-	-	-	117,154
Investment Income	94,987	-	2,115	39,175	136,277
Intergovernmental	63,605,284	19,489,423	9,506,768	3,341,239	95,942,714
Charges for Services	10,262,192	-	-	-	10,262,192
Miscellaneous	587,977	102,570	10,839	1,200,651	1,902,037
Total Revenues	**258,513,070**	**19,591,993**	**9,519,722**	**4,581,065**	**292,205,850**
EXPENDITURES					
Current Operating:					
General Government	13,108,728	-	311,913	-	13,420,641
Judicial Administration	7,699,377	-	376,369	-	8,075,746
Public Safety	60,624,597	-	2,129,297	-	62,753,894
Public Works	23,696,320	-	-	-	23,696,320
Health and Welfare	36,883,907	-	2,799,830	-	39,683,737
Parks, Recreation and Cultural	9,165,589	-	467,226	-	9,632,815
Community Development	5,854,596	-	3,190,767	-	9,045,363
Greater Roanoke Transit Company	1,654,105	-	-	-	1,654,105
Education	78,351,405	-	-	-	78,351,405
Debt Service:					
Principal Retirement	-	23,426,997	-	-	23,426,997
Interest and Paying Agent Charges	-	10,936,143	-	-	10,936,143
Bond Issuance Cost	-	801,658	-	-	801,658
Capital Outlays	-	-	-	12,373,816	12,373,816
Total Expenditures	**237,038,624**	**35,164,798**	**9,275,402**	**12,373,816**	**293,852,640**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**21,474,446**	**(15,572,805)**	**244,320**	**(7,792,751)**	**(1,646,790)**
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	-	-	-	5,533,829	5,533,829
Issuance of Refunding Bonds	-	25,125,000	-	-	25,125,000
Payment to Refunded Bond Escrow Agent	-	(27,734,307)	-	-	(27,734,307)
Premium on Sale of Bonds	-	3,371,482	-	-	3,371,482
Transfers In	7,752	14,995,425	313,713	2,771,513	18,088,403
Transfers Out	(21,312,231)	(252)	(558,033)	(120,460)	(21,990,976)
Total Other Financing Sources (Uses)	**(21,304,479)**	**15,757,348**	**(244,320)**	**8,184,882**	**2,393,431**
Net Change in Fund Balances	169,967	184,543	-	392,131	746,641
Fund Balances--Beginning of Year	**26,914,830**	**1,133,011**	**-**	**20,107,979**	**48,155,820**
Fund Balances--End of Year	**$ 27,084,797**	**$ 1,317,554**	**$ -**	**$ 20,500,110**	**$ 48,902,461**

See Notes to Basic Financial Statements.

Exhibit F

CITY OF ROANOKE, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds		$ 746,641
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	10,456,003	
Donation of capital assets	43,322,018	
Less current year depreciation expense	(16,706,919)	37,071,102
Revenues in the Statement of Activites that do not provide current financial resources are not reported as revenues in the Governmental Funds.		
Net change in deferred revenue related to taxes	(192,933)	
Note Receivable - Hotel Roanoke, LLC	(441,007)	
Net principal reimbursed by Western Virginia Water Authority	(2,317,368)	(2,951,308)
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 Assets. Repayment of bond principal is an expenditure in the Governmental Funds but the repayment reduces long-term liabilities in the Statement of Net Assets		
Bond and other long term debt proceeds	(30,150,000)	
Bond premium	(3,488,047)	
Amortization of current year bond premium	838,196	
Bond costs and deferred amounts	2,909,694	
Amortization of current year bond costs and deferred amounts	(800,381)	
Principal payments	48,366,996	17,676,458
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	(512,883)	
Change in accrued interest payable	593,086	80,203
Internal service funds are used by management to charge the costs of certain services to individual funds. The change in net assets of the internal service funds is reported with Governmental Activities.		(8,093,894)
Total Change in Net Assets of Governmental Activities		$ 44,529,202

See Notes to Basic Financial Statements.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Enterprise Funds	
Assets	**Civic Facilities**	**Parking**
Current Assets:		
Cash and Cash Equivalents	$ 1,730,883	$ 581,537
Investments	8,688	596,149
Interest and Dividends Receivable	9	600
Due from Other Governments	-	-
Due from Other Funds	48,191	-
Accounts Receivable	87,344	9,346
Inventory	-	-
Other Assets	127,195	162,147
Total Current Assets	**2,002,310**	**1,349,779**
Capital Assets:		
Land and Land Improvements	1,215,005	2,466,514
Buildings and Structures	38,004,406	47,947,494
Equipment and Other Capital Assets	2,434,201	115,444
Construction in Progress	-	18,719
Less Accumulated Depreciation	(16,468,256)	(14,900,340)
Capital Assets, Net	**25,185,356**	**35,647,831**
Total Assets	**27,187,666**	**36,997,610**
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Expenses	233,931	108,850
Accrued Interest Payable	172,208	175,840
Due to Other Governments	42,040	-
Due to Other Funds	82,264	99,104
Deferred Revenue	560,769	-
Long-Term Liabilities Due Within One Year	730,874	664,482
Total Current Liabilities	**1,822,086**	**1,048,276**
Long-Term Liabilities:		
Compensated Absences Payable	-	-
Claims Payable	-	-
General Obligation Bonds Payable, Net	13,292,092	14,097,837
Capital Lease Obligations	215,083	-
Less Current Maturities	(730,874)	(664,482)
Total Long-Term Liabilities	**12,776,301**	**13,433,355**
Total Liabilities	**14,598,387**	**14,481,631**
Net Assets		
Invested in Capital Assets, Net of Related Debt	12,552,577	21,712,139
Unrestricted	36,702	803,840
Total Net Assets	**$ 12,589,279**	**$ 22,515,979**

See Notes to Basic Financial Statements

Exhibit G

Enterprise Funds Total	Internal Service Funds
$ 2,312,420	$ 9,071,340
604,837	9,842,353
609	9,900
-	18,824
48,191	3,492,261
96,690	73,150
-	61,068
289,342	397,805
3,352,089	22,966,701
3,681,519	-
85,951,900	-
2,549,645	63,541,056
18,719	1,712,913
(31,368,596)	(40,652,822)
60,833,187	24,601,147
64,185,276	47,567,848
342,781	931,321
348,048	74,569
42,040	-
181,368	235,362
560,769	-
1,395,356	3,013,858
2,870,362	4,255,110
-	315,591
-	23,991,979
27,389,929	4,518,171
215,083	75,021
(1,395,356)	(3,013,858)
26,209,656	25,886,904
29,080,018	30,142,014
34,264,716	19,940,419
840,542	(2,514,585)
$ 35,105,258	$ 17,425,834

Exhibit H

CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds	
	Civic Facilities	**Parking**
Operating Revenues		
Charges for Services	$ 2,559,400	$ 2,898,872
Other Revenue	-	417,405
Total Operating Revenues	**2,559,400**	**3,316,277**
Operating Expenses		
Personal Services	1,221,552	-
Other Services and Charges	1,825,626	1,113,511
Materials and Supplies	-	476,704
Depreciation	910,086	1,153,121
Total Operating Expenses	**3,957,264**	**2,743,336**
Operating Income (Loss)	**(1,397,864)**	**572,941**
Nonoperating Revenues (Expenses)		
Loss on Disposal of Assets	-	-
Investment Income	95,602	75,300
Interest Expense	(552,063)	(740,322)
Net Nonoperating Expenses	**(456,461)**	**(665,022)**
Income (Loss) Before Transfers and Contributions	**(1,854,325)**	**(92,081)**
Transfers and Contributions		
Transfers In	2,032,022	6,154
Transfers Out	(42,450)	(17,500)
Net Transfers and Contributions	**1,989,572**	**(11,346)**
Change in Net Assets	135,247	(103,427)
Net Assets - Beginning of Year	**12,454,032**	**22,619,406**
Net Assets - End of Year	**$ 12,589,279**	**$ 22,515,979**

See Notes to Basic Financial Statements

Exhibit H

Enterprise Funds	
Total	**Internal Service Funds**
$ 5,458,272	$ 27,134,939
417,405	313,113
5,875,677	27,448,052
1,221,552	3,897,382
2,939,137	23,277,059
476,704	4,890,204
2,063,207	5,303,944
6,700,600	37,368,589
(824,923)	(9,920,537)
-	(22,894)
170,902	39,414
(1,292,385)	(114,224)
(1,121,483)	(97,704)
(1,946,406)	(10,018,241)
2,038,176	1,924,347
(59,950)	-
1,978,226	1,924,347
31,820	(8,093,894)
35,073,438	25,519,728
$ 35,105,258	$ 17,425,834

Exhibit I

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds	
	Civic Facilities	**Parking**
Cash Flow From Operating Activities		
Cash Received from Customers	$ 2,883,033	$ 2,897,180
Cash Payments to Suppliers for Goods and Services	(1,729,260)	(1,581,636)
Cash Received from Other Funds for Interfund Services	-	-
Cash Payments to Other Funds for Interfund Services	(88,308)	(88,557)
Cash Payments to Employees	(1,244,584)	-
Cash Payments for Claims	-	-
Cash Received from Other Operating Revenues	-	417,405
Net Cash Provided (Used) by Operating Activities	**(179,119)**	**1,644,392**
Cash Flow From Noncapital Financing Activities:		
Transfers In	2,032,022	6,154
Transfers Out	(42,450)	(17,500)
Net Cash Provided (Used) by Noncapital Financing Activities	**1,989,572**	**(11,346)**
Cash Flow From Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(348,838)	(51,621)
Proceeds from Issuance of Bonds	685,000	-
Proceeds from Sale of Refunding Bonds	3,345,000	900,000
Principal Paid to Refunded Bond Escrow Agent	(3,505,000)	(950,000)
Principal Paid on Bonds and Capital Lease Obligations	(760,283)	(1,133,985)
Interest Paid on Bonds and Capital Lease Obligations	(414,024)	(665,773)
Net Cash Used by Capital and Related Financing Activities	**(998,145)**	**(1,901,379)**
Cash Flow From Investing Activities:		
Interest Received	95,476	75,990
Purchase of Investments	44,939	77,121
Cash Provided (Used) by Investing Activities	**140,415**	**153,111**
Net Increase/(Decrease) in Cash and Cash Equivalents	**952,723**	**(115,222)**
Cash and Cash Equivalents at July 1	**778,160**	**696,759**
Cash and Cash Equivalents at June 30	**$ 1,730,883**	**$ 581,537**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ (1,397,864)	$ 572,941
Depreciation	910,086	1,153,121
Increase in Due From Other Governments	-	-
(Increase) Decrease in Due From Other Funds	94,433	(690)
(Increase) Decrease in Accounts Receivable	(1,923)	(1,002)
Decrease in Inventory	-	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	27,482	(27,139)
Increase in Due to Other Governments	(23,032)	-
Increase (Decrease) in Due to Other Funds	(19,424)	(52,839)
Increase in Compensated Absences Payable	-	-
Increase in Deferred Revenue	231,123	-
Decrease in Claims Payable	-	-
Total Adjustments	**1,218,745**	**1,071,451**
Net Cash Provided (Used) by Operating Activities	**$ (179,119)**	**$ 1,644,392**

Noncash Capital and Financing Activities:

Civic Facilities Fund noncash activities in fiscal year 2012 consisted of capital asset acquisitions of $12,469 recorded as accounts payable at June 30, 2012.

Internal Service Funds noncash activities in fiscal year 2012 consisted of capital asset acquisitions of $185,904 recorded as accounts payable at June 30, 201

See Notes to Basic Financial Statements

Exhibit I

Enterprise Funds Total	Internal Service Funds
$ 5,780,213	$ 27,533,570
(3,310,896)	(6,478,763)
-	241,993
(176,865)	(148,894)
(1,244,584)	(3,862,390)
-	(14,092,846)
417,405	313,113
1,465,273	**3,505,783**
2,038,176	1,924,347
(59,950)	-
1,978,226	**1,924,347**
(400,459)	(10,092,333)
685,000	2,027,149
4,245,000	-
(4,455,000)	-
(1,894,268)	(68,714)
(1,079,797)	(201,290)
(2,899,524)	**(8,335,188)**
171,466	51,410
122,060	2,070,517
293,526	**2,121,927**
837,501	**(783,131)**
1,474,919	**9,854,471**
$ 2,312,420	**$ 9,071,340**
$ (824,923)	$ (9,920,537)
2,063,207	5,303,944
-	(8,491)
93,743	261,098
(2,925)	146,024
-	(6,033)
343	310,700
(23,032)	-
(72,263)	136,980
-	7,614
231,123	-
-	7,274,484
2,290,196	**13,426,320**
$ 1,465,273	**$ 3,505,783**

12.

Exhibit J

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Pension Trust Fund	OPEB Trust Fund	Agency Funds
ASSETS			
Cash and Cash Equivalents	$ 1,062,668	$ -	$ 1,207,961
Investments	-	-	4,003,246
Receivables:			
Employer Contributions (Includes Net Due To Other Funds of $2,778)	71,654	-	-
Accrued Interest	719,910	-	24,330
Due from Other Governments	-	-	18
Total Receivables	791,564	-	24,348
Investments Held by Trustee, at Fair Value:			
Cash Equivalents	3,787,455	-	-
Government Securities	9,074,879	-	-
Municipal and Agency Bonds	4,901,277	-	-
Corporate Bonds	17,587,845	-	-
Convertible Bond Mutual Funds	12,230,878	-	-
Common Stocks	61,519,151	-	-
Domestic Mutual Funds	133,968,485	-	-
International Mutual Funds	58,460,022	-	-
Real Estate Mutual Funds	7,815,248	-	-
Infrastructure Funds	9,769,970	-	-
Investment in Pooled Funds	-	2,115,317	-
Total Investments	319,115,210	2,115,317	-
Total Assets	320,969,442	2,115,317	5,235,555
LIABILITIES			
Accounts Payable and Accrued Expenses	423,942	-	-
Due to Other Governments	-	-	5,235,555
Total Liabilities	423,942	-	5,235,555
NET ASSETS			
Held in Trust for Pension and Other Postemployment Benefits	**$ 320,545,500**	**$ 2,115,317**	**$ -**

See Notes to Basic Financial Statements

Exhibit K

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Pension Trust Fund	OPEB Trust Fund
Additions/(Reductions)		
Contributions from Employer	$ 12,273,266	$ 1,648,200
Investment Income		
Net Appreciation in Fair Value of Investments	1,556,862	(18,984)
Interest and Dividends	7,244,489	-
Other	7,828	-
Total Investment Income	8,809,179	(18,984)
Less Investment Expenses	(1,240,760)	(2,380)
Net Investment Income	7,568,419	(21,364)
Securities Lending Income		
Securities Lending Income	182,295	-
Less Securities Lending Expenses	(100,655)	-
Net Securities Lending Income	81,640	-
Total Additions	**19,923,325**	**1,626,836**
Deductions		
Benefit Payments	29,426,310	1,150,400
Administrative Expenses	367,624	-
Total Deductions	**29,793,934**	**1,150,400**
Net Increase/(Decrease) in Plan Net Assets	**(9,870,609)**	**476,436**
Net Assets Held in Trust for Pension and Other Postemployment Benefits - July 1	**330,416,109**	**1,638,881**
Net Assets Held in Trust for Pension and Other Postemployment Benefits - June 30	**$ 320,545,500**	**$ 2,115,317**

See Notes to Basic Financial Statements.

THIS PAGE INTENTIONALLY BLANK

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Units

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

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

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

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

B. Financial Statement Presentation

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

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

The effect of interfund activity, other than service provided and used, has been eliminated from these statements. Excess revenues or expenses of the internal service funds are allocated to the appropriate governmental functional activity. The City does not allocate indirect expenses. The government-wide 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 Assets – presents both governmental and business-type activities on the full accrual, economic resource basis of accounting, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has selected one of the two options available for proprietary fund reporting. The City applies all appropriate GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

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

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

OPEB Trust Fund – Accounts for the assets held for, and costs of, other post-employment benefits (OPEBs). It is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net assets and financial 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 revenues. Interest income and intergovernmental receivables (state and federal grants to the extent of allowable expenditures) are considered susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

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 assets as reported on the Statement of Net Assets (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 assets as reported on the Statement of Activities (Exhibit B) and the total net change in fund balances as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit E).

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as Committed Fund Balance since they do not constitute current year expenditures or liabilities and as such, are approved by Council for inclusion in the next fiscal year budget. Encumbrances are reported as expenditures using the budgetary basis of accounting. Unspent appropriations lapse at year-end. These encumbrances are subject to re-appropriation by City Council in the succeeding fiscal year.

E. Deposits and Investments

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

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

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, 2012, the allowance for General Fund uncollectible taxes and accounts receivable was $5,746,184 or 25% of the outstanding balance of taxes receivable and accounts receivable.

H. Property Taxes

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

Personal property tax is due on or before May 31 during the year of assessment. The personal property tax rate was $3.45 per $100 of assessed value for the year. The Commonwealth funds localities for a portion of the personal property taxes billed to property tax owners. The Personal Property Tax Relief Act as amended provides a flat amount of reimbursement to localities, such as the City of Roanoke, thereby altering the percent of tax relief provided. The Commonwealth's share of the tax was 64.75% for tax year 2012. A penalty of 10% of unpaid real estate and personal property tax is due for late payment. Interest on unpaid taxes is 10% in the first year. Thereafter, the interest is calculated using the Internal Revenue Service (IRS) rate. At June 30, 2012, the IRS rate was 3%.

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

I. Inventory

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

J. Pension Trust Fund

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

K. Other Postemployment Benefits Trust Fund

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

L. Capital Assets

Capital assets acquired or constructed by the City with a value in excess of $5,000 are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets belonging to proprietary funds are also reported in the applicable fund financial statements. Capital assets are recorded at historical cost or estimated historical cost. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each depreciable 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 depreciable 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

In fiscal year 2012, the City adopted the Modified Approach under GASB statement No. 34 for certain infrastructure capital assets determined to be ‘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 instead are required to be maintained at a certain condition level. See note 5 for additional information regarding the City’s application of the Modified Approach.

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

M. Compensated Absences Payable

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

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are paid. Current and non-current portions of compensated absences totaling $6,357,302 are recorded for governmental activities in the government-wide statements and represent a reconciling item between the government-wide and governmental fund presentations.

N. Fund Balances

In fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Under this statement, fund balance is divided into five classifications based upon the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

Committed The committed fund balance classification includes amounts that can be used only for specific purposes imposed by formal action such as ordinance or resolution 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 in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

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

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

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

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

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

Once revenues return to pre-recessionary levels of fiscal year 2009, as adjusted for inflation, 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, 2012, this reserve had not been created since revenues had not returned to the level to trigger establishment of the reserve.

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

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

O. Use of Estimates

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

P. Future Accounting Pronouncements

GASB pronouncements are reviewed upon issuance to determine applicability and adoption. The following pronouncements have been analyzed by the City and will be adopted in the fiscal year ending June 30, 2013. GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* was issued to improve financial reporting by addressing issues related to service concession arrangements (SCAs) which are a type of public-private or public-public partnership. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No.34*, was issued to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* was issued to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements of the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* was issued to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* was issued to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities, as outflows and deferred outflows of resources or inflows and deferred inflows of resources, GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicted guidance that resulted from the issuance of GASB Statements Nos. 54 and 62.

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

(2) Deposits and Investments

Governmental Funds

The City maintains a consolidated account that is available for use by all funds, including fiduciary funds. Each fund's portion of this account is presented in the basic financial statements as "Cash and Cash Equivalents". The School Board component unit maintains separate cash and investment accounts with a combined balance as of June 30, 2012 of $36,965,385. The GRTC component unit maintains separate cash and investment accounts consisting of cash and overnight repurchase agreements collateralized by government securities. Investments for GRTC and the School Board are presented in conjunction with City investments. The City Civic Center Facilities are managed by Global Spectrum which holds a portion of cash in the amount of $940,668 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 $5,235,537 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: Shall be rated by the Moody's Investors Service, Inc., within its NCO/Moody's rating of prime 1 and by Standard & Poor's, Inc., within its rating of A-1.
Corporate and Municipal Bonds: High quality corporate notes with a rating of at least Aa by Moody's and a rating of at least AA by S & P.
Banker's Acceptances: Must have a rating of B/C or better in the Keefe, Bruyette & Woods, Inc. ratings.
Savings Accounts, Certificate of Deposits, Demand and Time Deposits: Shall not exceed the maximum Security for Public Deposits Act.
Obligations of the Commonwealth: Those unconditionally guaranteed as to payment by the Commonwealth of Virginia.
Obligations of the United States, etc.: Those unconditionally guaranteed as to payment by the United States.
Repurchase Agreements: Collateralized by United States Treasury agency securities, shall at all times, be no less than 110% of the value of term and open repurchase agreements and 102% of the value of overnight repurchase agreements.
Money Market Funds: One or more open-end investment funds, provided that the funds are registered under the Securities Act of the Commonwealth of Virginia or, the federal investment of such funds is restricted to investments otherwise permitted by law as set forth in Chapter 18 of Title 2.1, Code of Virginia (1950), as amended.

Investments as of June 30, 2012 consisted of the following:

	Total Primary Government	School Board Component Unit	GRTC Component Unit	Fiduciary Funds
Investment in pooled funds, including Virginia LGIP	$ 14,512,194	$ 36,240,701	$ -	$ 3,454,525
Certificates of Deposit	34,511,575	-	-	4,003,246
Money Market Accounts	792,944	-	-	-
Repurchase Agreements	-	-	465,277	-
Mutual Funds	10,127,809	-	-	-
Federal Agency Bonds/Notes	5,998,888	-	-	-
Total	$ 65,943,410	$ 36,240,701	$ 465,277	$ 7,457,771

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

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

As of June 30, 2012, 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	33.0%	0.0%	0.0%	0.0%	AAAm
Federal Agency Bond/Notes	19.8%	0.0%	0.0%	0.0%	Aaa
Virginia LGIP	47.2%	100.0%	0.0%	100.0%	AAAm
Total Investment Percentage	100.0%	100.0%	100.0%	100.0%	

Custodial Credit Risk - Investments. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments as of June 30, 2012 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, 2012, 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 $3,054,968, including Fiduciary HRCCC Funds of $866,323. The City's bank balance of deposits was $3,140,104. The City's investment policy requires all deposits to be federally secured or held in accordance with the Virginia Security for Public Deposits Act. In agreement with the policy, the entire balance was covered by federal depository insurance or collateralized in accordance with Virginia Security for Public Deposits Act.

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

As of June 30, 2012, the portions of the City's debt securities that exceed 5% of the total value, excluding certificates of deposit which were fully insured by Federal Deposit Insurance Corporation (FDIC) and the Virginia LGIP, were as follows:

Issuer	Percent of Portfolio Primary Government
Commonwealth Cash Reserve Fund	32.6%
Federal Home Loan Bank	12.8%

As of June 30, 2012, 100% of the School Board's investment portfolio was invested in the Virginia LGIP.

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

As of June 30, 2012, the Primary Government had the following investments and maturities:

	Investment Maturity		
	Fair Value	Less than 1 year	1-3 years
Non-negotiable Certificates of Deposits	$ 34,511,575	$ 34,511,575	$ -
Repurchase Agreements	-	-	-
Mutual Funds	10,127,809	10,127,809	-
Federal Agency Bonds/Notes	5,998,888	-	5,998,888
Virginia LGIP	14,512,194	14,512,194	-
TOTAL	$ 65,150,466	$ 59,151,578	$ 5,998,888

As of June 30, 2012, the School Board Component Unit had the following investments and maturity:

	Investment Maturity	
	Fair Value	Less than 1 year
Virginia LGIP	$ 36,240,701	$ 36,240,701
TOTAL	$ 36,240,701	$ 36,240,701

As of June 30, 2012, the Hotel Roanoke Conference Center Commission, a fiduciary fund, had the following investments and maturities:

	Investment Maturity		
	Fair Value	Less than 1 year	1-3 years
Non-negotiable Certificates of Deposits	$ 4,003,246	$ 3,003,246	$ 1,000,000
Virginia LGIP	341,638	341,638	-
TOTAL	$ 4,344,884	$ 3,344,884	$ 1,000,000

Separately Presented Fiduciary Funds

Pension Trust Fund

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

Investments as of June 30, 2012 consisted of the following:

Cash Equivalents	$	3,787,455
Investment in pooled funds, including Virginia LGIP		997,570
U.S Government Securities		9,074,879
Municipal and Agency Bonds		4,901,277
Corporate Bonds		17,587,845
Convertible Bond Mutual Funds		12,230,878
Common Stocks		61,519,151
Domestic Mutual Funds		133,968,485
International Mutual Funds		58,460,022
Real Estate Mutual Funds		7,815,248
Infrastructure Funds		9,769,970
Total Investments	$	320,112,780

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.

As of June 30, 2012, the Plan's pooled and fixed income investments consisted of the following:

	S&P Rating		Market Value 2012
Muncipal and Agency Bonds			
	AAA		$ 713,789
	AA		1,655,910
	A		494,697
	NR		2,036,881
			$ 4,901,277
Corporate Bonds			
	AAA		$ 263,231
	AA		3,815,189
	A		8,939,671
	BBB		4,068,372
	BB		501,382
			$ 17,587,845
Domestic Bond Mutual Funds			
	Aa2	1	$ 2,269,544
	B1	1,2	14,239,278
	NA	3	22,092,011
			$ 38,600,833
Investment in Pooled Funds	AAAm		$ 997,570
	A-1		3,488,532
			$ 4,486,102

1 Moody's credit rating
2 This domestic mutual fund is an alternative asset within the Plan. Alternative assets must meet additional investment criteria under the Plan's investment policy.
3 This category includes a domestic mutual fund passive investment that emulates the Barclays Capital Aggregate Bond Index and other mutual funds that are not rated on an individual fund basis.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan's investment policy does not specifically address custodial credit risk. The City maintains a cash and investment pool, in which the Plan is a participant. On June 30, 2012, the carrying amount and bank balance of the Plan's deposits were $3,852,553 and $3,854,553, respectively. Of the bank balance at June 30, 2012, $67,098 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 $67,068 is considered to be insured. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. The remaining bank balance of $3,787,455 is uninsured and uncollateralized.

Custodial Credit Risk – Investments. The Plan has ten types of investments as of June 30, 2012: cash equivalents; 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, 2012, the Plan's investments considered to be exposed to custodial credit risk consisted of the following:

Investment Type	Market Value
U.S Government Bonds	$ 9,074,879
Municipal and Agency Bonds	4,901,277
Corporate Bonds	17,587,845
Common Stocks	61,519,151
Total	$ 93,083,152

State Street Bank & Trust Company has a blanket insurance policy to secure Trust Funds for every account they hold and also pledges to the Federal Reserve Bank to cover funds on deposit with their bank. State Street Boston Corporation, the parent company, also carries a corporate blanket insurance policy. 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, 2012, 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 investment policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy defines the investment objectives for both the passive and actively managed segments of the fixed income portfolio. The objective of the passive segment is to replicate the return of the Barclays Aggregate Bond Index thus providing broad diversification that would be impractical to achieve in an actively managed portfolio. The objective of the actively managed fixed income portfolio is to outperform the Barclays Aggregate Bond Index over a moving 3 – 5 year range, with the exception of long duration fixed income, which has an object of outperforming the Barclays Capital Long Government/Credit Index over a moving 3 – 5 year range.

The market value of the Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2012:

		Orginal Investment Maturities (In Years)		
Investment Type	Fair Value	<5	5-10	>10
U.S. Government Securities	$ 9,074,879	$ 139,619	$ -	$ 8,935,260
Municipal and Agency Bonds	4,901,277	-	995,558	3,905,719
Corporate Bonds	17,587,845	-	5,001,998	12,585,847
Bond Mutual Funds	38,600,833	-	38,600,833	-
TOTAL	$ 70,164,834	$ 139,619	$ 44,598,389	$ 25,426,826

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, 2012:

	Fiscal Year Ended June 30, 2012	
Investment Type	Fair Value	<5
Virginia LGIP	$ 997,570	$ 997,570
TOTAL	$ 997,570	$ 997,570

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, 2012 the Plan had no investments that were not denominated in U.S. dollars or that were traded solely on exchanges outside the U.S.

Securities Lending Arrangements. The Plan's Board of Trustees approved a Securities Lending Authorization Agreement allowing State Street Bank & Trust Company (Custodian) to lend the Plan's available securities to broker-dealers and banks pursuant to a form of loan agreement. During the period of July 1, 2011 through May 31, 2012, the Plan's securities held by the Custodian were available for securities lending, except those securities which the Plan specifically identified in notices to the Custodian as not being available. During the fiscal year ended June 30, 2012, the Plan did not exclude any securities from securities lending.

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

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

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

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

OPEB Trust Fund

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

Investment Policy. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to achieve a compound annualized total rate of return over a market cycle, including current income and capital appreciation, in excess of 5% after inflation, in a manner consistent with prudent risk-taking. Investment decisions for the funds' assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. The Board of Trustees also monitors the investments to ensure adherence to the adopted policies and guidelines. In addition, the Trustees review, monitor, and evaluate the performance of the investments and the Board's investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance.

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

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

Credit Risk. State law (Code of Virginia, Chapter 3, Title 26) limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the Virginia LGIP. As of June 30, 2012, the OPEB Trust Fund was exclusively invested in the Virginia Pooled OPEB Trust.

Custodial Credit Risk - Investments. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent but not in the City's name. As of June 30, 2012, 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, 2012, the OPEB Trust Fund did not own securities other than the Virginia Pooled OPEB Trust. As of June 30, 2012, investment holdings as a percentage of total investments for the OPEB Trust were as follows:

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

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, 2012:

	Investment Maturity		
	Fair Value	< 5 years	5 - 10 years
Virginia Pooled OPEB Trust			
Bond Mutual Funds	$ 773,411	$ -	$ 773,411
Short Term Investment Funds	107,649	107,649	-
	$ 881,060	$ 107,649	$ 773,411

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

(3) Receivables

Receivables as of June 30, 2012 consisted of the following:

Governmental Funds

Receivables	General	Special Revenue	Capital Projects	Internal Service	Total Governmental Activities	School Board Component Unit	GRTC Component Unit
Interest and Dividends	$ 11,391	$ -	$ 7,226	$ 9,900	$ 28,517	$ -	$ -
Federal Government	-	263,622	-	-	263,622	5,502,947	241,080
State Government	9,014,680	282,207	-	-	9,296,887	2,524,720	203,951
City of Roanoke	-	-	-	-	-	910,419	-
Other Governments	384,900	-	-	18,824	403,724	-	35,598
Subtotal Governments	9,399,580	545,829	-	18,824	9,964,233	8,938,086	480,629
Taxes	17,549,179	-	-	-	17,549,179	-	-
Accounts	4,623,297	73,771	62,066	73,150	4,832,284	39,595	155,511
Less: Allowance for Uncollectible Accounts	(5,746,184)	-	-	-	(5,746,184)	-	-
Subtotal	16,426,292	73,771	62,066	73,150	16,635,279	39,595	155,511
Governmental Fund Receivables	25,837,263	619,600	69,292	101,874	26,628,029	8,977,681	636,140
Enterprise Fund Receivables	-	-	-	-	96,690	-	-
Due from WVWA	-	-	-	-	17,558,082	-	-
Note Receivable	-	-	-	-	1,433,046	495,000	-
Total Receivables	$ 25,837,263	$ 619,600	$ 69,292	$ 101,874	$ 45,715,847	$ 9,472,681	$ 636,140

Business-Type

Receivables	Civic Facilities	Parking	Total Enterprise Funds
Accounts	$ 87,344	$ 9,346	$ 96,690
Total Receivables	$ 87,344	$ 9,346	$ 96,690

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 Assets, include taxes receivable of approximately $3.8 million that are not available to pay for current period expenditures and are accordingly recorded as deferred revenue in the governmental funds balance sheet. A $17,558,082 receivable from the Western Virginia Water Authority (WVWA) related to long-term liabilities is reported on the Statement of Net Assets.

Similarly, the City carries a Note Receivable from the Hotel Roanoke, LLC with a balance as of June 30, 2012 of $1,433,046 which is related to a long term Section 108 loan. Principal is payable in nineteen annual installments with interest on the unpaid principal balance of the note at a fixed rate of 4.0% per annum. Installments of principal and interest in the amount of $496,757 are due and payable on June 30 of each year until June 30, 2014. If, in any one year, full payment of principal and interest is not made, that unpaid amount is payable on any subsequent annual installment payment date. In this event, no additional interest would accrue. At June 30, 2012, unpaid installments totaling $496,757 are due from the Hotel Roanoke, LLC. This amount is comprised of unpaid principal of $441,007 and interest of $55,750. Further details are presented in note 8.

(4) Interfund Balances and Transfers

Interfund balances consisted of the following for the year ended June 30, 2012:

DUE TO (FUND)	DUE FROM (FUND)								
	General	Civic Facilities	Capital Projects	Debt Service	Internal Services	Special Revenue	Pension Trust	Parking	**Total**
General Fund	$ -	$ 74,800	$ -	$ -	$ -	$ -	$ 1,695	$ 93,923	$ 170,418
Civic Facilities	-	-	-	48,191	-	-	-	-	48,191
Capital Projects	2,438,947	-	-	-	233,998	-	-	-	2,672,945
Debt Service	56,259	-	16,171	-	-	-	-	3,660	76,090
Internal Service	3,405,607	7,464	50,076	23,038	1,364	2,108	1,083	1,521	3,492,261
Special Revenue	5,479	-	-	-	-	-	-	-	5,479
Pension Trust	-	-	-	-	-	-	-	-	-
TOTAL	$ 5,906,292	$ 82,264	$ 66,247	$ 71,229	$ 235,362	$ 2,108	$ 2,778	$ 99,104	$ 6,465,384

All interfund balances represent timing differences resulting from the difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments are made. As of the fiscal year end, the City has a reported Due To Component Unit (School Board) balance of $900,292. In comparison, the School Board has a Due From Primary Government balance of $910,419 (see Exhibit A). The $10,127 Due To/Due From difference is related to timing differences in the recording of transactions by the City and the School Board.

Interfund transfers consisted of the following for the year ended June 30, 2012:

TRANSFER TO (FUND)	TRANSFER FROM (FUND): General	Civic Facilities	Parking	Capital Projects	Debt Service	Internal Service	Special Revenue	**Total**
General	$ -	$ -	$ -	$ 7,752	$ -	$ -	$ -	$ 7,752
Civic Facilities	1,977,100	-	-	54,922	-	-	-	2,032,022
Parking	-	-	-	6,154	-	-	-	6,154
Capital Projects	2,771,261	-	-	-	252	-	-	2,771,513
Debt Service	14,394,942	42,450	-	-	-	-	558,033	14,995,425
Internal Service	1,855,215	-	17,500	51,632	-	-	-	1,924,347
Special Revenue	313,713	-	-	-	-	-	-	313,713
TOTAL	$ 21,312,231	$ 42,450	$ 17,500	$ 120,460	$ 252	$ -	$ 558,033	$ 22,050,926

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 2012, in addition to debt service, the City transferred funding for an annual operating subsidy for the Civic Center, capital projects, internal services provided as well as required /matching funding for grants in the Special Revenue fund.

(5) Changes in Capital Assets

Primary Government:

Changes in capital assets for the year ended June 30, 2012 consisted of the following:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 43,450,131	$ -	$ -	$ 43,450,131
Infrastructure - Right of Way	20,035,826	-	-	20,035,826
Infrastructure - Inexhaustible	-	47,995,346	-	47,995,346
Construction in Process	44,918,091	16,157,696	(48,106,070)	12,969,717
Historical Treasures	635,298	-	-	635,298
Total Capital assets, not being depreciated	**109,039,346**	**64,153,042**	**(48,106,070)**	**125,086,318**
Capital assets, being depreciated:				
Land Improvements	2,998,634	2,209,681	-	5,208,315
Accumulated Depreciation	(854,078)	(1,122,607)	-	(1,976,685)
Net Land Improvements	**2,144,556**	**1,087,074**	**-**	**3,231,630**
Building and Structures	374,724,012	10,767,758	(13,444,467)	372,047,303
Accumulated Depreciation	(113,108,255)	(7,104,236)	11,402,455	(108,810,036)
Net Building & Structures	**261,615,757**	**3,663,522**	**(2,042,012)**	**263,237,267**
Infrastructure	186,501,021	24,254,459	-	210,755,480
Accumulated Depreciation	(81,751,783)	(7,323,745)	-	(89,075,528)
Net Infrastructure	**104,749,238**	**16,930,714**	**-**	**121,679,952**
Equipment	64,819,575	12,651,671	(439,838)	77,031,408
Accumulated Depreciation	(44,233,712)	(6,460,275)	398,767	(50,295,220)
Net Equipment	**20,585,863**	**6,191,396**	**(41,071)**	**26,736,188**
Total Capital Assets Being Depreciated	629,043,242	49,883,569	(13,884,305)	665,042,506
Less: Accumulated Depreciation	(239,947,828)	(22,010,863)	11,801,222	(250,157,469)
Net Total Capital Assets Being Depreciated	**389,095,414**	**27,872,706**	**(2,083,083)**	**414,885,037**
Governmental activities capital assets, net	**$ 498,134,760**	**$ 92,025,748**	**$ (50,189,153)**	**$ 539,971,355**
General Capital Assets, Net				$ 515,370,208
Internal Service Fund Capital Assets, Net				24,601,147
Total				**$ 539,971,355**

Capital assets used for educational purposes totaling $193,784,345 are included with the Governmental Activities capital assets of the primary government. Depreciation expense on these assets was recorded as Education expense in the current fiscal year.

In fiscal year 2012, the City, in collaboration with the United States Army Corps of Engineers (USACE), completed the Roanoke River Flood Reduction project, which was subsequently added as a capital asset. The project was capitalized at $63.0 million, of which $19.7 million was paid by the City and $43.3 million was paid and donated by the USACE. The project was capitalized as flood reduction infrastructure of $48.0 million, greenway trails of $12.7 million, parking lots of $2.2 million and equipment at $0.1 million. Each asset type was capitalized in accordance with the City's Fixed Asset Policy and depreciated over the assets' associated useful lives with the exception of the flood reduction infrastructure asset.

The flood reduction infrastructure asset was determined to have an extraordinarily long useful life defined as "inexhaustible" per the GASB *Comprehensive Implementation Guide*. As a result, the asset was capitalized using the Modified Approach, as outlined in GASB Statement No. 34, and is not being depreciated. A requirement of this guidance is that the asset be evaluated periodically to ensure that it is being maintained at or above its current condition level. For more information regarding the assessment requirement, see Required Supplementary Information (RSI) table two.

Changes in capital assets for Business-type activities for the year ended June 30, 2012 consisted of the following:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 3,613,073	$ -	$ -	$ 3,613,073
Construction in Process	8,272,817	400,459	(8,654,557)	18,719
Total Capital assets, not being depreciated	**11,885,890**	**400,459**	**(8,654,557)**	**3,631,792**
Capital assets, being depreciated:				
Land Improvements	68,446	-	-	68,446
Accumulated Depreciation	(60,238)	(1,326)	-	(61,564)
Net Land Improvements	**8,208**	**(1,326)**	**-**	**6,882**
Building and structures	77,325,609	8,626,291	-	85,951,900
Accumulated Depreciation	(27,425,470)	(1,952,476)	-	(29,377,946)
Net Building & Structures	**49,900,139**	**6,673,815**	**-**	**56,573,954**
Equipment	2,538,905	28,268	(17,528)	2,549,645
Accumulated Depreciation	(1,837,210)	(109,404)	17,528	(1,929,086)
Net Equipment	**701,695**	**(81,136)**	**-**	**620,559**
Total Capital Assets Being Depreciated	79,932,960	8,654,559	(17,528)	88,569,991
Less: Accumulated Depreciation	(29,322,917)	(2,063,207)	17,528	(31,368,596)
Net Total Capital Assets Being Depreciated	**50,610,043**	**6,591,352**	**-**	**57,201,395**
Business-type activities capital assets, net	**$ 62,495,933**	**$ 6,991,811**	**$ (8,654,557)**	**$ 60,833,187**

Depreciation was charged to functions as follows:

Governmental activities:

General Government	$ 831,208
Judicial Administration	254,738
Public Safety	1,389,391
Public Works	6,214,695
Health and Welfare	327,188
Parks, Recreation and Cultural	2,856,876
Community Development	104,848
Economic Development	6,961
Education	4,721,014
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	5,303,944
Total	$ 22,010,863

Business-type activities:

Civic Facilities	$ 910,086
Parking	1,153,121
Total	$ 2,063,207

School Board Component Unit:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Equipment	$ 7,592,531	$ 654,810	$ (815,953)	$ 7,431,388
Accumulated Depreciation	(4,793,205)	(614,204)	763,961	(4,643,448)
Net Equipment	**2,799,326**	**40,606**	**(51,992)**	**2,787,940**
Component unit capital assets, net	**$ 2,799,326**	**$ 40,606**	**$ (51,992)**	**$ 2,787,940**

GRTC Component Unit:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	$ 720,724	$ -	$ -	$ 720,724
Capital assets, being depreciated:				
Building and Structures	10,562,254	92,783	-	10,655,037
Equipment	18,170,965	321,268	(426,017)	18,066,216
Less: Accumulated Depreciation	(15,404,160)	(1,936,805)	426,017	(16,914,948)
Subtotal	**13,329,059**	**(1,522,754)**	**-**	**11,806,305**
Component unit capital assets, net	**$ 14,049,783**	**$ (1,522,754)**	**$ -**	**$ 12,527,029**

(6) Construction in Progress and Contract Commitments

A summary of construction in progress by function and contract commitments (encumbrances) at June 30, 2012 is as follows:

Primary Government:				
Governmental Activities:	**Project Authorizations**	**Expended/Expensed as of June 30, 2012**	**Contract Commitments (Encumbrances)**	**Required Future Financing**
Function				
General Government	$ 378,949	$ 83,745	$ 71,650	None
Parks, Recreation and Cultural	8,393,880	3,815,744	389,837	$ 4,925,000
Flood Reduction	-	-	-	None
Economic Development	316,980	177,268	-	None
Community Development	230,000	8,784	8,515	$ 210,000
Public Safety	101,000	67,757	34,905	None
Public Works	15,880,152	4,782,920	1,160,843	$ 3,120,000
Education	5,121,950	2,318,368	2,502,854	$ 2,000,000
Department of Technology	2,381,004	1,695,100	33,946	$ 1,612,167
Subtotal	32,803,915	12,949,686	4,202,550	
Non-Capitalized Projects	41,261,368	40,522,381	268,627	None
Total	$ 74,065,283	$ 53,472,067	$ 4,471,177	
Business-Type Activities:				
Fund				
Civic Facilities	$ -	$ -	$ -	$ 1,000,000
Parking	340,914	18,720	7,280	None
Total	$ 340,914	$ 18,720	$ 7,280	

(7) Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue as reported in the governmental and proprietary funds financial statements at June 30, 2012 consisted of the following:

Governmental activities:

	General Fund	**Special Revenue Fund**	**Total**
Deferred Property and Other Tax Revenue	$ 4,123,763	$ -	$ 4,123,763
Other receivables for which revenue recognition criteria have not been met	-	210,836	210,836
Total	$ 4,123,763	$ 210,836	$ 4,334,599

Business-type activities:

	Civic Facilities Fund
Deferred Ticket and Other Event Revenue	$ 560,769
Total	$ 560,769

(8) Long-Term Liabilities

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The fund balance of the Debt Service Fund at June 30, 2012 of $1,317,554 was committed for future retirement of long-term debt. The Charter of the City of Roanoke limits the legal debt to 10% of the assessed valuation of real estate within the City limits. The City's legal debt margin at June 30, 2012 was $679,477,230. 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, 2012 were comprised of the following:

Details of Long - Term Indebtedness
At June 30, 2012, the long-term indebtedness of the City consisted of the following:

	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
General Obligation Bonds					
2002A Public Improvement Bonds	3.00% - 5.25%	2/21/2002	10/1/2021	34,130,000	$ 1,855,000
2002B Public Improvement Bonds	4.00% - 5.00%	2/21/2002	10/1/2012	12,000,000	655,000
2003 Refunding Bonds	2.00% - 5.00%	7/1/2003	8/1/2024	12,075,000	4,200,000
2004 Refunding Bonds	2.00% - 5.00%	2/25/2004	10/1/2019	46,030,000	23,460,000
2004A Refunding Bonds	2.00% - 3.63%	3/11/2004	8/1/2017	7,935,000	3,990,000
2004B Public Improvement Bonds	3.00% - 5.25%	11/23/2004	2/1/2015	36,105,000	5,415,000
2005 Public Improvement Bonds (Taxable)	6.25%	12/15/2005	12/1/2020	3,975,000	2,385,000
2006A Public Improvement Bonds	3.50% - 5.00%	2/8/2006	2/1/2026	17,950,000	8,075,000
2006B Public Improvement Bonds (Subject to AMT)	4.00% - 5.00%	2/8/2006	2/1/2026	5,500,000	3,850,000
2006C Public Improvement Bonds	3.50% - 4.23%	5/4/2006	8/1/2012	2,975,834	711,817
2008 Public Improvement Bonds	3.25% - 5.00%	2/5/2008	2/1/2033	43,445,000	31,025,000
2008A VRA Public Improvement Bonds	3.12% - 5.37%	12/10/2008	10/1/2028	6,910,000	5,900,000
2010A Refunding Bonds	2.00% - 5.00%	3/11/2010	10/1/2021	32,792,400	32,792,400
2010B Public Improvement Bonds	1.25% - 5.80%	3/11/2010	10/1/2029	2,680,000	2,535,000
2010C Refunding Bonds	2.00% - 4.00%	8/11/2010	7/15/2015	1,786,500	1,786,500
2010C Public Improvement Bonds	2.00% - 4.00%	8/11/2010	7/15/2030	2,605,000	2,550,000
2010D Public Improvement Bonds (Market Bldg.)	2.00% - 4.00%	8/11/2010	7/15/2030	5,470,000	5,360,000
2010E Public Improvement Bonds	2.90% - 5.70%	8/11/2010	7/15/2030	5,665,000	5,665,000
2012A Public Improvement Bonds	2.00% - 5.00%	3/14/2012	2/1/2032	6,925,000	6,925,000
2012B Refunding Bonds	0.43% - 2.96%	3/14/2012	10/1/2023	6,880,000	6,880,000
2012C Refunding Bonds	4.00% - 5.00%	3/14/2012	2/1/2025	11,140,000	11,140,000
					$ 167,155,717
Section 108 Loan					
Section 108 Loan-Hotel Roanoke Project	3.43% - 6.91%	March, 1994	8/1/2013	6,000,000	$ 910,000
General Obligation Bonds-Western Virginia Water Authority					
2002A Public Improvement Bonds - Water (WVWA)	3.00% - 5.25%	2/1/2002	10/1/2012	5,445,000	$ 270,000
2003 Refunding Bonds - Water (WVWA)	2.00% - 5.00%	7/1/2003	8/1/2024	14,310,000	3,805,000
2006C Refunding Bonds - Water (WVWA)	3.50% - 4.65%	5/4/2006	8/1/2013	7,655,992	2,883,182
2010A Refunding Bonds - Water (WVWA)	2.00% - 5.00%	3/4/2010	10/1/2021	3,263,800	3,263,800
2010C Refunding Bonds - Water (WVWA)	3.00%	8/11/2010	7/15/2015	231,100	231,100
2012B Refunding Bonds - Sewer (WVWA)	1.15% - 2.96%	3/14/2012	10/1/2023	7,105,000	7,105,000
					$ 17,558,082
Lease Obligations					
Social Services Building Lease	11.80%	2/1/2004	1/1/2024	4,857,000	$ 3,952,828
Xerox Lease - General, Department of Technology and Fleet	12.10%	6/30/2008	6/30/2014	892,965	225,677
					$ 4,178,505

Details of Long-Term Indebtedness (continued)

	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
School Fund Bonds and Loans (1)					
1992A VPSA Subsidized Forest Park	4.90% - 6.35%	12/10/1992	7/15/2012	2,500,000	$ 123,480
1994B VPSA Subsidized Virginia Heights	6.25% - 6.75%	11/1/1994	7/15/2014	2,000,000	289,071
1995C VPSA Subsidized Wasena & Jackson	5.10% - 6.10%	12/21/1995	7/15/2015	4,400,000	861,925
1996B VPSA Subsidized Breckenridge	5.10% - 6.10%	11/14/1996	7/15/2016	5,000,000	1,214,897
1997 VPSA Subsidized Woodrow Wilson	4.35% - 5.35%	11/1/1997	7/15/2017	5,000,000	1,450,834
1998A VPSA Subsidized Addison	3.60% - 5.10%	11/19/1998	7/15/2018	5,000,000	1,750,000
1998B VPSA Subsidized Huff Lane	3.60% - 5.10%	11/19/1998	7/15/2018	1,200,000	423,079
1999A VPSA Subsidized Governor's School	5.10% - 6.10%	11/18/1999	7/15/2019	3,250,000	1,240,000
1999B VPSA Subsidized Hurt Park	5.10% - 6.10%	11/18/1999	7/15/2019	1,250,000	464,468
2000B VPSA Subsidized Garden City	4.97% - 5.85%	11/16/2000	7/15/2020	2,750,000	1,184,670
2000B VPSA Subsidized Grandin Court	4.97% - 5.85%	11/16/2000	7/15/2020	1,900,000	818,498
2000B VPSA Subsidized Preston Park	4.97% - 5.85%	11/16/2000	7/15/2020	1,900,000	818,498
2001B VPSA Subsidized Fairview	3.10% - 5.35%	11/15/2001	7/15/2021	2,750,000	1,329,629
2001B VPSA Subsidized Fishburn Park	3.10% - 5.35%	11/15/2001	7/15/2021	2,500,000	1,208,753
2003C VPSA Subsidized Roanoke Academy	3.10% - 5.35%	11/6/2003	7/15/2023	5,000,000	2,839,271
2004B VPSA Subsidized Lincoln Terrace	4.10% - 5.60%	11/1/2004	7/15/2024	1,300,000	768,032
2005D VPSA Subsidized Fallon Park	4.60% - 5.10%	11/10/2005	7/15/2025	992,464	724,208
2005D VPSA Subsidized Westside	4.60% - 5.10%	11/10/2005	7/15/2025	3,291,459	2,401,754
2006B VPSA Non-Subsidized Monterey	4.22% - 5.10%	11/9/2006	7/15/2026	1,945,000	1,445,000
2006B VPSA Subsidized Patrick Henry	4.22% - 5.10%	11/9/2006	7/15/2026	7,500,000	5,099,603
2007A VPSA Non-Subsidized Patrick Henry	4.10% - 5.10%	5/10/2007	7/15/2027	3,345,000	2,665,000
2008B VPSA Subsidized William Fleming	3.60% - 5.35%	12/11/2008	7/15/2028	6,350,705	5,481,627
2008B VPSA Non-Subsidized William Fleming/Roofs	3.60% - 5.35%	12/11/2008	7/15/2028	10,580,000	8,990,000
2010 VPSA Qualified School Construction Bonds (QSCB)	0.00%	7/8/2010	6/1/2027	1,135,000	1,005,000
Literary Fund Loan-Morningside Elementary School	4.00%	8/1/1995	9/1/2015	2,200,000	440,000
Literary Fund Loan-Lucy Addison Middle School	4.00%	10/1/1999	10/1/2019	5,000,000	2,000,000
Qualified Zone Academy Bond-Roanoke Academy	0%	12/20/2000	12/20/2013	1,291,618	198,710
Qualified Zone Academy Bond-Lincoln Terrace	0%	11/1/2002	10/31/2016	800,000	333,460
Qualified Zone Academy Bond-Fallon Park	0%	12/29/2004	12/29/2020	439,100	272,574
Qualified Zone Academy Bond-Patrick Henry High School	0%	12/27/2006	12/27/2022	1,097,571	813,453
					$ 48,655,494
Subtotal Governmental Activities					$ 238,457,798

	Interest Rates	Issue Date	Maturity	Issue Amount	Business-Type Activities
Enterprise Fund Bonds:					
2002A Civic Facilities Bonds	3.00% - 5.25%	2/1/2002	10/1/2012	2,170,000	$ 105,000
2004B Civic Facilities Bonds	3.00% - 5.25%	11/23/2004	2/1/2015	7,895,000	1,060,000
2006A Civic Facilities Bonds	3.50% - 5.00%	2/8/2006	2/1/2026	6,405,000	3,235,000
2010A Civic Facilities Refunding Bonds	2.00% - 5.00%	3/4/2010	10/1/2021	4,382,700	4,382,700
2010C Civic Facilities Refunding Bonds	2.00% - 4.00%	8/11/2010	7/15/2015	91,500	91,500
2012A Civic Facilities Bonds	4.00% - 5.00%	3/14/2012	2/1/2032	685,000	685,000
2012C Civic Facilities Refunding Bonds	4.00% - 5.00%	3/14/2012	2/1/2025	3,345,000	3,345,000
2002A Parking Bonds-Gainsboro	3.00% - 5.25%	2/1/2002	10/1/2012	2,500,000	120,000
2004B Parking Bonds-Campbell Avenue	3.00% - 5.25%	11/23/2004	2/1/2015	2,000,000	270,000
2006A Parking Bonds-Campbell Avenue	3.50% - 5.00%	2/8/2006	2/1/2026	2,600,000	1,320,000
2008 Parking Bonds-Campbell Avenue	3.25% - 5.00%	2/5/2008	2/1/2028	2,545,000	1,795,000
2008A VRA Parking Bonds-Market	3.12% - 5.37%	12/10/2008	10/1/2031	5,040,000	5,040,000
2010A Parking Refunding Bonds-Gainsboro & Campbell Ave.	2.00% - 5.00%	3/4/2010	10/1/2021	2,861,100	2,861,100
2010A Parking Bonds-Market	2.00% - 5.00%	3/4/2010	10/1/2029	1,625,000	1,455,000
2010C Parking Refunding Bonds-Gainsboro	2.00% - 4.00%	8/11/2010	7/15/2015	105,900	105,900
2012C Parking Refunding Bonds-Campbell Avenue	4.00% - 5.00%	3/14/2012	2/1/2025	900,000	900,000
					$ 26,771,200
Lease Obligations					
Ovations Lease	3.93%	7/1/2008	6/30/2015	449,988	208,087
Xerox Lease - Civic Facilities	12.10%	6/30/2008	6/30/2014	27,877	6,996
					$ 215,083
Subtotal Business-Type Activities					$ 26,986,283
Total Primary Governmental Bonded Debt					$ 265,444,081

(1) VPSA = Virginia Public School Authority

The annual Requirements to amortize governmental activities debt outstanding as of June 30, 2012 are as follows:

FISCAL YEAR	GENERAL OBLIGATION SERIAL BONDS		WESTERN VIRGINIA WATER AUTHORITY (WVWA) GENERAL OBLIGATION SERIAL BONDS		VPSA/LITERARY FUND LOANS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2012-13	$ 16,740,986	$ 6,434,427	$ 2,373,182	$ 542,035	$ 4,278,713	$ 2,241,011
2013-14	16,817,554	5,876,172	2,400,000	431,282	4,178,523	2,041,293
2014-15	13,310,038	5,308,504	1,021,400	356,653	4,204,689	1,840,473
2015-16	13,744,435	4,741,237	1,302,700	312,589	4,131,639	1,640,149
2016-17	12,284,972	4,262,432	1,191,900	280,075	3,824,330	1,442,866
2017-22	52,988,993	14,816,831	6,343,900	968,871	15,004,692	4,734,638
2022-27	27,146,937	6,589,968	2,925,000	160,262	9,464,879	1,864,271
2027-32	14,150,000	1,983,800	-	-	1,949,831	95,425
2032-37	1,590,000	66,780	-	-	-	-
TOTAL	$ 168,773,915	$ 50,080,151	$ 17,558,082	$ 3,051,767	$ 47,037,296	$ 15,900,126

The following general obligation debt is issued to support business-type activieis. The annual requirements to amortize business-type activies debt outstanding as of June 30, 2012 are as follows:

FISCAL YEAR	CIVIC FACILITIES FUND SERIAL BONDS		PARKING FUND SERIAL BONDS		TOTAL BUSINESS-TYPE DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2012-13	$ 745,000	$ 499,440	$ 655,000	$ 584,885	$ 1,400,000	$ 1,084,325
2013-14	787,300	493,682	703,900	566,056	1,491,200	1,059,738
2014-15	810,700	466,478	722,000	543,176	1,532,700	1,009,654
2015-16	953,400	422,936	843,500	511,189	1,796,900	934,125
2016-17	910,300	384,245	768,300	478,450	1,678,600	862,695
2017-22	4,977,500	1,437,459	4,304,300	1,902,205	9,281,800	3,339,664
2022-27	3,500,000	428,785	3,675,000	981,560	7,175,000	1,410,345
2027-32	220,000	34,250	2,195,000	260,131	2,415,000	294,381
TOTAL	$ 12,904,200	$ 4,167,275	$ 13,867,000	$ 5,827,652	$ 26,771,200	$ 9,994,927

FISCAL YEAR	SECTION 108 LOAN		TOTAL GOVERNMENTAL ACTIVITIES DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2012-13	$ 470,000	$ 32,203	$ 23,862,881	$ 9,249,676
2013-14	440,000	10,626	23,836,077	8,359,373
2014-15	-	-	18,536,127	7,505,630
2015-16	-	-	19,178,774	6,693,975
2016-17	-	-	17,301,202	5,985,373
2017-22	-	-	74,337,585	20,520,340
2022-27	-	-	39,536,816	8,614,501
2027-32	-	-	16,099,831	2,079,225
2032-37	-	-	1,590,000	66,780
TOTAL	$ 910,000	$ 42,829	$ 234,279,293	$ 69,074,873

CHANGES IN GENERAL LONG-TERM LIABILITIES

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Amounts Due Within One Year
Primary Government - Governmental Activities:					
General Obligation Serial Bonds	$ 181,468,118	$ 24,945,000	$ 33,867,204	$ 172,545,914	$ 16,740,985
General Obligation Serial Bonds - WVWA	19,875,450	7,105,000	9,422,368	17,558,082	2,373,182
Hotel Roanoke Section 108 Loan	1,355,000	-	445,000	910,000	470,000
State Literary Fund Loans	2,800,000	-	360,000	2,440,000	360,000
VPSA School Bonds	44,816,757	-	3,991,460	40,825,297	3,918,713
Capital Lease Obligations	4,525,356	-	346,851	4,178,505	393,986
Total Bonds, Loans and Leases Payable before Deferred Amounts and Premiums	254,840,681	32,050,000	48,432,883	238,457,798	24,256,866
Deferred Amount on Refunding and Premiums	1,316,220	819,334	278,795	1,856,759	83,622
Total Bonds, Loans and Leases Payable	256,156,901	32,869,334	48,711,678	240,314,557	24,340,488
Claims Payable	16,717,495	7,276,062	1,578	23,991,979	2,577,571
Compensated Absences Payable	6,152,769	6,606,713	6,086,588	6,672,894	5,430,190
Subtotal Governmental Activities:	$ 279,027,165	$ 46,752,109	$ 54,799,844	$ 270,979,430	$ 32,348,249
Primary Government - Business-Type Activities:					
General Obligation Serial Bonds	$ 28,121,356	$ 4,930,000	$ 6,280,156	$ 26,771,200	$ 1,400,000
Capital Lease Obligations	285,366	-	70,283	215,083	73,649
Deferred Amount on Refunding and Premiums	337,182	419,174	137,626	618,730	78,293
Total Bonds, Loans and Leases Payable	28,743,904	5,349,174	6,488,065	27,605,013	1,551,942
Compensated Absences Payable	-	-	-	-	-
Subtotal Business-Type Activities:	$ 28,743,904	$ 5,349,174	$ 6,488,065	$ 27,605,013	$ 1,551,942
Total Primary Government Long-Term Liabilities	$ 307,771,069	$ 52,101,283	$ 61,287,909	$ 298,584,443	$ 33,900,191
School Board Component Unit:					
Claims Payable	$ 7,404,325	$ 15,361,351	$ 14,861,070	$ 7,904,606	$ 5,008,506
Compensated Absences Payable	3,165,328	2,873,821	2,969,213	3,069,936	825,814
Other Post-Employment Benefit Obligations	1,129,105	-	534,085	595,020	-
Total School Board Component Unit	$ 11,698,758	$ 18,235,172	$ 18,364,368	$ 11,569,562	$ 5,834,320

During fiscal year 2012, 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 14, 2012, the City issued $36,980,000 principal amount of General Obligation Public Improvement Bonds consisting of $7,610,000 principal amount of General Obligation Public Improvement Bonds, Series 2012A (Tax-Exempt), $13,985,000 principal amount of General Obligation Public Improvement Refunding Bonds, Series 2012B (Taxable Bonds) and $15,385,000 principal amount of General Obligation Public Improvement Bonds, Series 2012C (Tax-Exempt).

The Series 2012A Bonds were issued for the purpose of providing funds to finance a portion of the costs of school improvement projects, parks and recreation improvement projects, storm drain improvement projects, public bridge renovation projects, renovations to the Roanoke Civic Center, and the Digital Radio Project (comprised of an 800 MHz radio system for public safety purposes).

The Series 2012B Bonds were issued with a true interest cost of 2.1638%. The bond proceeds were used to advance refund on a current basis $13,215,000 outstanding principal amount of the City's General Obligation Public Improvement Bonds, Series 2002B, dated February 1, 2002, and Series 2003, dated July 1, 2003 (of which $7,065,000 were the ultimate responsibility of the Western Virginia Water Authority).

The proceeds committed from the Series 2012B Bonds of $13,985,000 were applied to refund on a current basis the Refunded Series 2002B Bonds, which are to be paid at their call date on October 1, 2012, and the Refunded Series 2003 Bonds, which are to be paid on their call date on August 1, 2013.

The proceeds of the Refunding Series 2012B Bonds were deposited with Regions Bank, Richmond, Virginia, as Escrow Agent (the "Escrow Agent"), under an Escrow Deposit Agreement, dated March 14, 2012, by and between the City and the Escrow Agent. The proceeds were invested in Government Securities (as defined in the Escrow Deposit Agreement). The Government Securities will mature and bear interest payable at times and in amounts sufficient to pay (i) interest due on the Refunded Series 2002B Bonds to October 1, 2012, (ii) the principal due of the Refunded Series 2002B Bonds on October 1, 2012, (iii) interest on the Refunded Series 2003 Bonds to August 1, 2013, and (iv) the principal due of the Refunded Series 2003 Bonds on August 1, 2013. The City undertook the refunding of the Refunded Series 2002B Bonds and the Refunded Series 2003 Bonds described above in order to achieve debt service savings.

The Series 2002B bonds mature annually through October 1, 2021. The stated interest rates ranged from 4.75% to 5.00%. The amounts maturing on October 1 in each of the years 2013 through 2021 were subject to redemption and are to be redeemed on October 1, 2012.

The Series 2003 bonds mature annually through August 1, 2024. The stated interest rates ranged from 3.50% to 4.00%. The amounts maturing on August 1 in each of the years 2016 through 2024 were subject to redemption and are to be redeemed on August 1, 2013.

The Series 2012C Bonds were issued with a true interest cost of 2.3127%. The bond proceeds were used to advance refund $16,180,000 from General Obligation Public Improvement Bonds Series 2004B, dated on November 15, 2004, and Series 2006A bonds, dated on February 8, 2006.

The proceeds committed from the Series 2012C Bonds of $15,385,000 were applied to refund on a current basis the Refunded Series 2004B Bonds, which are to be paid at their call date on February 1, 2015, and the Refunded Series 2006A Bonds, which are to be paid on their call date on February 1, 2016.

The proceeds of the Refunding Series 2012C Bonds were deposited with the Escrow Agent under an Escrow Deposit Agreement dated March 14, 2012. Such proceeds were invested in Government Securities (as defined in the Escrow Deposit Agreement). The Government Securities will mature and bear interest payable at times and in amounts sufficient to pay (i) interest due on the Refunded Series 2004B bonds to February 1, 2015, (ii) the principal due of the Refunded Series 2004B bonds on February 1, 2015, (iii) interest on the Refunded Series 2006A bonds to February 1, 2016, and (iv) the principal due of the Refunded Series 2006A bonds on February 1, 2016. The City undertook the refunding of the Refunded Series 2004B bonds and the Refunded Series 2006A bonds described above in order to achieve debt service savings.

The Series 2004B bonds mature annually through February 1, 2025. The stated interest rates ranged from 4.00% to 5.00%. The amounts maturing on February 1 in each of the years 2020 through 2025 were subject to redemption and are to be redeemed on February 1, 2015.

The Series 2006A bonds mature through February 1, 2022. The stated interest rate was 4.125%. The amount maturing on February 1, 2022 was subject to redemption and is to be redeemed on February 1, 2016.

In prior years, the City defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. Government Securities that were placed in these trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt was considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2012, the amount of defeased debt outstanding was $71,685,000 and consisted of maturities from the City's 2002A, 2002B, 2003, 2004B, 2006A and 2008 bond series.

The City advance refunded the Series 2002B, 2004B, and 2006A bonds for the purpose of realizing interest savings due to the decline in municipal bond interest rates. The final maturity of the bonds was not extended as a result of this refunding. Principal payments on the refunding bonds range from $880,000 to $3,745,000 and are due annually through 2025.

The transactions also resulted in an economic gain of approximately $2,102,200 and a reduction of approximately $2,376,000 in future debt service payments.

On July 1, 2004, the Western Virginia Water Authority commenced operations. In conjunction with its formation, the Authority assumed certain indebtedness of the City, and it agreed to pay the City amounts equal to debt service on Water and Water Pollution Control debt to be retained by the City. As of June 30, 2012, the City had $17,558,082 in outstanding general obligation debt which will contractually be repaid by the Water Authority over the remaining twelve year amortization of the bonds. Further details are presented in notes 3 and 15.

The Hotel Roanoke LLC assumed certain indebtedness of the City and agreed to pay the City amounts equal to debt service on Hotel Roanoke LLC debt retained by the City. As of June 30, 2012, the City had $910,000 in outstanding debt which will contractually be repaid by the Hotel Roanoke, LLC. The note originally provided $6 million of the $27.5 million expended for the rehabilitation and restoration of the Hotel Roanoke. The Hotel Roanoke, LLC, is obligated to repay, in priority order, certain first mortgage loans held by banks and is then obligated to repay the note receivable and other debt. Funding for repaying this debt is available from resources of the Hotel Roanoke, LLC, generated by the operations of the Hotel Roanoke.

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

(9) Capital Leases

Blue Eagle Partnership

During 2004, the City entered into an agreement with Blue Eagle Partnership to rent the third floor of a building to house the City's Social Services Department. Under the lease agreement, the City pays monthly rent in the range of $52,300 to $53,300 to Blue Eagle, representing principal and interest payments with interest at 11.80%. After 2006, the rent increase is a maximum of 2% or 50% of CPI, whichever is lower. The lease term is twenty years. Ownership of the building is retained by Blue Eagle Partnership.

Lease assets and obligations are accounted for as Governmental Activities. At June 30, 2012, the original cost of the building under the capital lease totaled $4,857,000 and accumulated depreciation on the building totaled $1,942,329.

Ovations, Inc.

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

Lease assets and obligations are accounted for in the Civic Facilities Fund. At June 30, 2012, the original cost of the kitchen renovations, including equipment, under the capital lease totaled $449,988, and there was $179,995 of accumulated depreciation on the assets.

Xerox, Inc.

In June 2008, the City entered into an agreement with Xerox, Inc. to lease copy machines and related equipment. Under the current lease agreement, the City pays $38,954 monthly to Xerox, Inc. representing principal and interest with interest at 12.1%. The lease term is 5 years. Ownership of the equipment does not transfer to the City at the completion of the lease term.

Lease assets and obligations are accounted for as Governmental Activities and in various proprietary funds. At June 30, 2012, the original cost of the equipment under the capital lease totaled $920,842 and there was $721,026 of accumulated depreciation on the assets.

Future Lease Obligations for all capital leases are as follows:

Future Minimum Lease Payments:	Governmental Funds	Internal Serivice Funds	Total Governmental Activities	Enterprise Funds	Total (Memo Only)
2013	$ 842,916	$ 79,907	$ 922,823	$ 82,464	$ 1,005,287
2014	698,960	145	699,105	75,000	774,105
2015	711,301	-	711,301	75,000	786,301
2016	725,527	-	725,527	-	725,527
2017	740,037	-	740,037	-	740,037
2018-2022	3,928,207	-	3,928,207	-	3,928,207
2023-2027	1,326,809	-	1,326,809	-	1,326,809
Minimum lease payments	$ 8,973,757	$ 80,052	$ 9,053,809	$ 232,464	$ 9,286,273
Less: Amounts representing interest	(4,870,272)	(5,032)	(4,875,304)	(17,381)	(4,892,685)
Present value of minimum lease payments	4,103,485	75,020	4,178,505	215,083	4,393,588
Less: Current portion	(319,109)	(74,877)	(393,986)	(73,649)	(467,635)
Long-Term Lease Obligation at Jun 30, 2012	$ 3,784,376	$ 143	$ 3,784,519	$ 141,434	$ 3,925,953

(10) Fund Balances

All classifications of Governmental Fund balances reflect City Code requirements or City Council action in the context of adoption of the City's budget except for those required to comply with accounting standards. The City Council approved changes to financial policies in November of 2011 which reorganized and strengthened prior policies. The policies were revised again in January of 2012. The January revisions included policies on the classification of fund balances which were implemented in fiscal year 2011. Additional information regarding these reserve policies may be found in the City of Roanoke's Reserve and Debt Management Policies.

As discussed in Note 1 (N), the City implemented GASB Statement No. 54 for fund balance reporting purposes in fiscal year 2011.

All fiscal year 2012 outstanding purchase commitments were re-appropriated to the 2012-13 fiscal year by City Council on May 14, 2012.

The General Fund balance of $27,084,797 is categorized as committed or unassigned. The City committed funds of $1,084,361 for outstanding purchase commitments for goods and services ordered but not received by June 30, 2012. The remaining fund balance of $26,000,436 is unassigned.

The Debt Service Fund balance of $1,317,554 is committed for future debt service payments.

The Capital Projects Fund balance of $20,500,110 is comprised of $4,686,212, related to outstanding bond proceeds and is categorized as restricted; committed funds of $4,675,001 for outstanding purchase commitments for goods and services ordered but not received by June 30, 2012; $7,709,820 committed for Future Years' Expenditures; $3,429,077 committed for the Economic Community Development Reserve.

(11) Pensions and Deferred Compensation Plan

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

Disclosure concerning these plans is as follows:

City of Roanoke Pension Plan - Plan Description

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

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

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

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

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

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

City of Roanoke Pension Plan - Funding Policy

The Pension Plan is noncontributory for employees. Employer contributions to the Pension Plan are based on a percentage of the annual compensation of the active members. The City's contribution rate for the fiscal year ended June 30, 2012 was equal to the required contribution of 18.04%.

City of Roanoke Pension Plan - Annual Pension Cost

For fiscal year 2012, the City's annual pension cost of $10,337,831 was equal to the City's required and actual contributions. As stipulated by City Code, the required contribution was determined as part of the June 30, 2010 actuarial valuation using the projected unit credit actuarial cost method. Any unfunded/(overturned) actuarial liability is amortized using the level percentage of pay amortization method over a 25 year closed amortization period. The actuarial assumptions included (a) 7.75% investment rate of return, and (b) projected salary increases ranging from 3.0% to 5.5% per year. Projected salary increases include an inflation component of 2.5%. The actuarial value of the assets is determined using a method designed to smooth the impact of market fluctuations. The actuarial value recognizes annual appreciation and depreciation over a five-year period. The following information is provided related to trend information.

Trend Information
City of Roanoke, Virginia

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	$10,337,831	100%	-0-
June 30, 2011	9,427,062	103%	-0-
June 30, 2010	8,576,364	107%	-0-

Virginia Retirement System - Plan Description

The City contributes to the Virginia Retirement System, an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (VRS or the System). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with five years of service for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service, and 1.85% of their average final salary (AFS) for each year of credited service for elected Sheriffs. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. Average final compensation is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at the following address: http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Virginia Retirement System - Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. The City has assumed the employee's 5% contribution. 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, 2012 was 12.12% of annual covered payroll.

Virginia Retirement System – Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 77.97% funded. The actuarial accrued liability for benefits was $50.5 million, and the actuarial value of assets was $39.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of $11.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $8.0 million, and the ratio of the UAAL to the covered payroll was 139.56%.

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

Virginia Retirement System - Annual Pension Cost

For fiscal year 2012, the City's annual pension cost of $971,795 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. Any unfunded actuarial liability is amortized as a level percentage of payroll on an open basis within a period of 20 years. The actuarial value of the City's assets is determined based upon a five year smoothed market value designed to smooth the impact of market fluctuations. This method utilizes techniques which recognize the excess (shortfall) between expected and actual investment income over a five-year period.

The following information related to trend information is provided.

Fiscal Year Ended		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	$	971,795	100%	-0-
June 30, 2011		980,415	100%	-0-
June 30, 2010		917,884	100%	-0-

School Board Component Unit

Defined Benefit Pension Plans

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

Virginia Retirement System – Statewide Professional Cost-Sharing Pool

A. Plan Description

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

The VRS issues a publicly available comprehensive annual financial report that includes basic financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at the following address: http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policies

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. Effective July 1, 2012, all employees must pay at least 1% of the employee 5% contribution amount. The Roanoke City School Board has assumed the employee's 5% contribution in full for the year ended June 30, 2012. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees.

The School Board's contribution rate for the fiscal year ended June 30, 2012, was 11.33% (for the period of July of 2011 through June of 2012) of covered payroll including the employee share of 5% paid by their employer. The following table shows total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School System for the prior three years:

	Total Contributions	Percentage of Annual Covered Payroll	Annual Covered Payroll
June 30, 2012	$ 7,531,647	11.33%	$ 66,367,331
June 30, 2011	6,052,585	9.00%	67,221,089
June 30, 2010	7,803,829	11.28%	69,128,529

C. Annual Required Contribution

Public School Division professional employees participate in a VRS statewide teacher cost-sharing pool. For fiscal year 2012, the School Board's annual required contribution was $7,531,647. The required contribution was based on an actuarial valuation. The contribution requirements for the School Board were equal to the actual contributions for 2012. Total School Board payroll for 2012 was $83,137,834. Payroll covered by VRS for School Board employees was $66,367,331. The following table related to trend information is provided:

Fiscal Year Ended		Annual Required Contributions (ARC)	Percentage of ARC Contributed
June 30, 2012	$	7,531,647	100%
June 30, 2011		6,052,585	100%
June 30, 2010		7,803,829	100%

Virginia Retirement System – Non-Professional's Agent Plan

A. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 133.4% funded. The actuarial accrued liability for benefits was $710,365 and the actuarial value of assets was $947,844, resulting in an unfunded (over-funded) actuarial accrued liability (UAAL) of ($237,479). The covered payroll (annual payroll of active employees covered by the plan) was $1,225,391, and the ratio of the over funded actuarial accrued liability to the covered payroll was (19.4%).

The valuation reflects the following changes in benefit provisions:

Effective June 30, 2010, all new members on and after this date participate in Plan 2. The provisions of Plan 2 that differ from Plan1 are noted throughout this footnote. There were no changes in the benefit provisions since the last actuarial valuation that had a financial impact on the Plan.

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

B. Annual Pension Cost

Public School Division non-professional employees hired after July 1, 2006 participate in an agent multiple-employee retirement plan. For fiscal year 2012, the School Board's contributions to the plan were equal to the annual required contribution and annual pension cost for each year. The annual and required contribution was determined through a June 30, 2009 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included a) an investment return rate of 7.5%, b) an annual cost-of-living adjustment of 2.5% for Plan 1 members and 2.25% for Plan 2 members, and c) salary increases ranging between 3.75% and 5.6% depending on the member's service and classification. Both the investment rate of return and the projected salary increases also include an inflation component of 2.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2009 actuarial valuation was 20 years. Total School Board payroll for 2012 was $83,137,834. Payroll covered by VRS for School Board non-professional employees was $1,225,391.

City of Roanoke Pension Plan

A. Plan Description

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

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

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

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

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

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

B. Funding Policy

School Board employees do not contribute to the Pension Plan. The School Board's contribution is based on a percentage of the annual compensation of the active members. The contribution rate was 15.4% of annual covered payroll for the year ended June 30, 2012.

C. Annual Required Contribution

For fiscal year 2012, the School Board's annual required contribution was $598,352. The required contribution was based on an actuarial valuation. The School Board's actual contribution was $587,437. Total School Board payroll for 2012 was $83,137,834. Payroll covered by City Retirement for School Board employees was $3,885,403. Information related to trend information is provided below.

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed
June 30, 2012	$ 598,352	98.2%
June 30, 2011	572,600	100%
June 30, 2010	562,315	109%

(12) Other Postemployment Benefit Plans

Primary Government – OPEB Employees' Post-Retirement Health Plan

A. Plan Description

Employees with 15 years of active service and under the age of 65 who retire from the City of Roanoke may participate in the Employees' Post-Retirement Health Plan and benefit from a lower insurance rate as a result of inclusion in the plan with active City employees. This lower rate results in an implicit benefit that qualifies as an Other Post-employment Benefit (OPEB) as defined by GASB Statement No. 45. The City plan is a single employer OPEB plan and is administered by the City of Roanoke to provide medical insurance to eligible retirees. The OPEB for City retirees was authorized by the City Council. The City of Roanoke healthcare plan does not issue a stand alone financial report.

B. Funding Policies

The contribution requirements of the City of Roanoke healthcare plan members and the City are established and may be amended by City Council. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health insurance, the employees retiring prior to January 1, 2010, contribute 100% of the retirees' premium payment. For the fiscal year ended June 30, 2012, the retirees contributed $1,078,000 to the City of Roanoke healthcare plan for health insurance. The City contributed $259,000 to a qualified trust as defined by GASB Statement No. 45, to fund the annual required contribution of $1,278,000 for fiscal year 2012. The City overfunded the plan in fiscal year 2012 by $62,000 which includes a net adjustment of $3,000 for the requisite ARC actuarial adjustment and interest as per GASB Statement No. 45.

It is the City's intent to fully fund the annual required contribution each year. Effective January 1, 2010, retirees began paying the blended rate plus an additional contribution based on their selected benefit tier.

C. Annual OPEB Cost and Net OPEB Obligation

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

The plan contains both active employees and retirees. Although the City's annual payments were for combined participants, the share of claims related to retirees represents a higher percentage of the total claims. Accordingly, contributions reflected in the OPEB calculations have been adjusted to reflect that a portion of contributions for active employees are subsidizing the retiree claims. As of the June 30, 2012 actuarial valuation, there were 1,644 active participants, 161 retired participants, and 25 spouses of retired participants in the plan.

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

	City of Roanoke Healthcare Plan
Annual Required Contribution	$ 1,278,000
Less interest on beginning Net OPEB asset	(19,000)
Add ARC adjustment	16,000
Annual OPEB Cost	1,275,000
Contributions made	(1,337,000)
Increase in Net OPEB asset	(62,000)
Net OPEB Asset at July 1, 2011	(270,000)
Net OPEB Asset at June 30, 2012	$ (332,000)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Overfunded Net OPEB Asset
June 30, 2012	$ 1,275,000	105%	$ 332,000
June 30, 2011	1,235,000	106%	267,000
June 30, 2010	1,528,000	113%	196,000

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent biannual actuarial valuation date, the City of Roanoke healthcare plan was 19.3% funded. The actuarial accrued liability for benefits was $9,728,000, and the actuarial value of assets was $1,877,000, resulting in an unfunded actuarial accrued liability (UAAL) of $7,851,000. The covered payroll (annual payroll of active employees covered by the City plan) was $68,086,000, 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, 2010 valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7% rate of return (net of administrative expenses). Because the City has begun funding the plan, the rate of return was based on the projected returns of the Virginia Pooled OPEB Trust. The healthcare trend rate is based on the Getzen Trend Model and projects increases from 8.3% graded to 4.4% over an eighty five year period. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2012 was 26 years.

Primary Government – OPEB Line of Duty Benefits

A. Plan Description

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

B. Funding Policies

The contribution requirements of the City of Roanoke public safety plan members and the City are established and may be amended by the Commonwealth of Virginia. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For the fiscal year ended June 30, 2012, members of the plan did not contribute. The City contributed $72,400 to the Line of Duty plan for death benefits and health insurance based on projected pay-as-you-go financing. The City also contributed $238,800 to a qualified trust as defined by GASB Statement No. 45, to fund the annual required contribution of $238,800 for fiscal year 2012. 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 GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The plan contains public safety employees, their surviving spouses, and their dependent children. As of the June 30, 2011 actuarial valuation, there were 700 active participants, 2 retirees, 1 eligible terminated participant, 5 spouses and surviving spouses, and 2 lifetime dependent children in the plan.

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

	City of Roanoke Healthcare Plan
Annual Required Contribution	$ 238,800
Annual OPEB Cost	238,800
Contributions made	(311,200)
Increase in Net OPEB asset	(72,400)
Net OPEB Asset at July 1, 2011	-
Net OPEB Asset at June 30, 2012	$ (72,400)

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

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

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

D. Funded Status and Funding Progress

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

E. Actuarial Valuations

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

F. Actuarial Methods and Assumptions

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

In the July 1, 2011 valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7% rate of return (net of administrative expenses). Because the City has begun funding the plan, the rate of return was based on the projected returns of the Virginia Pooled OPEB Trust. The healthcare trend rate is based on the Getzen Trend Model and projects increases from 8.3% graded to 4.4% over an eighty five year period. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2012 was 26 years.

School Board Component Unit

A. Plan Descriptions

Roanoke City Public Schools currently provides medical and dental insurance benefits to its retirees and their eligible dependents that elect to stay in the plan. The plan is a single employer defined benefit plan. Retirees who retired prior to July 1, 2010 as of July 1, 2011 may choose from three plan options, Traditional PPO, Health Reimbursement Account or a Health Savings Account which offers both provider and prescription drug coverage. Eligible dependents may remain on the plan as long as the retiree still subscribes and is eligible. Retirees and their spouses may be covered by the plan until age 65 or until they become eligible for Medicare. The dental plan is a comprehensive plan offered by the Schools through Delta Dental.

Retirees and their spouses may stay in this plan for a period of up to 18 months after separation from the school system or for a period of 60 months if they retire under the Early Retirement Opportunity Program (EROP). If the retiree dies before age 65, their covered dependents may stay in the plan for a period up to 36 months through the Consolidated Omnibus Budget Reconciliation Act (COBRA).

B. Funding Policies

The contribution requirements of the Roanoke City Public Schools Healthcare Plan members and the Roanoke City Public Schools are established and may be amended by the Roanoke City School Board. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health and dental insurance, the School Board contributes 0 percent of all premium payments, and the retirees contribute 100 percent. Employees who retired on or before July 1, 2010, participate in the plan at a group rate which is blended with that of active employees. Employees who retire after that date will pay an unblended group rate. For the fiscal year ended June 30, 2012, the Roanoke City Public Schools retirees contributed $1,049,480 to the Roanoke City Public Schools Healthcare Plan. The retiree's claims amounted to $1,643,778 for the same time period.

C. Annual OPEB Cost and Net OPEB Obligation

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

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

	Roanoke City Public Schools Healthcare Plan
Annual Required Contribution	$ 244,094
Interest on net OPEB Obligation	45,164
Adjustment to annual required contribution	(108,724)
Annual OPEB Cost	180,534
Contributions made	(714,619)
Decrease in net OPEB obligation	(534,085)
Net OPEB obligation at July 1, 2011	1,129,105
Net OPEB obligation at June 30, 2012	$ 595,020

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 180,534	395.8%	$ 595,020
June 30, 2011	289,043	209.6%	1,129,105
June 30, 2010	684,706	55.8%	1,445,797

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the Roanoke City Public Schools' Healthcare Plan was 0.0% funded. The actuarial accrued liability for benefits was $2,166,661, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $2,166,661. The covered payroll was $0. The plan does not have separately issued financial statements.

E. Actuarial Valuations

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

The actuarial valuation of the liabilities as of June 30, 2012 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

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 valuation, the projected unit credit actuarial cost method was used. Past service liability is amortized over a level, open 25 year period as of July 1, 2009, that declines one per year. The remaining amortization period at July 1, 2012 was 22 years.

The actuarial assumptions included a 4% discount rate. Annual medical rates are expected to increase at an annual trend rate of 9.50% for the year ending June 30, 2012. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

(13) Risk Management

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

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

The City self insures general liability and automotive liability insurance with a self insured retention of $1,000,000 per occurrence. The City purchases excess coverage to cover settlements that exceed the amount of the self insured retention. The amount of settlements did not exceed insurance coverage for each of the past four years.

The City has property insurance coverage that includes boiler and machinery with a $50,000 per occurrence deductible. This coverage also includes the property (building and contents) coverage. Effective January 1, 2009, the Civic Center has been managed by Global Spectrum, Incorporation. As a part of its contract with the City, Global Spectrum is responsible for securing the liability coverage to address the unique exposures of this facility and its many events. Flood insurance is purchased through the Federal Emergency Management Agency (FEMA) to protect properties that are located in designated flood zones. Pollution legal liability coverage is purchased and provides coverage of up to $5 million over a three-year period with a $100,000 deductible per occurrence. The amount of insurance claims did not exceed coverage limits for each of the past four years.

The City purchases a liability policy and an accidental injury medical policy to protect up to 268 volunteers who perform tasks on behalf of the City. Due to the high cost of malpractice insurance, the Nurses and Nurse Practitioner of the City's Employee Health Clinic, purchase their own malpractice insurance. The City pays the premium. The amount of settlements did not exceed insurance coverage for each of the past four years. The City is self-insured for employee health insurance and worker's compensation with stop loss provisions to limit catastrophic claims exceeding $1,000,000.

Included in long-term liabilities at June 30, 2012 were claims payables of $23,991,979 as a provision for unasserted claims. Other risks insured through the City's self-insurance program adequately covered any claims incurred over each of the past four years.

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

	2011-12	2010-11
Claims liability at July 1	$ 16,717,495	$ 17,368,281
Claims incurred	28,641,814	12,963,400
Claims payments	(21,367,330)	(13,614,186)
Claims liability at June 30	$ 23,991,979	$ 16,717,495

Surety Bond coverage is as follows (unaudited):

Company:	Amount
Travelers Property Casualty Insurance Company:	
Public Employee Pension/Crime/Dishonesty	$1,000,000
NGM Insurance Company:	
Treasurer – Public Official Bond	1,000,000
Self-insurance program through Commonwealth of Virginia Division of Risk Management	
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

Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* addresses the requirements for reporting liabilities related to cleaning up pollution and/or contamination. The City evaluated the impact of GASB Statement No. 49 as of June 30, 2012 and determined the City had no outstanding liability.

During fiscal year 2011, the City adopted financial policies, effective November 1, 2011, that included a Risk Management Reserve. The purpose of the reserve is to cover risk exposure of the City due to its self-insurance program. The City is currently self insured for health insurance, workers' compensation, general liability and automotive claims.

The minimum funding level for The Risk Management Reserve is:

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

The Risk Management Reserve has a deficit balance as of June 30, 2012 of $6,162,642 and is underfunded by $10,802,193 compared to the computed minimum funding level of $4,639,551. This is a result of a significant increase in liabilities during the current fiscal year. While the reserve is in a deficit position, the City added funding of $1.5 million during fiscal year 2012.

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.

In previous years, the School Board changed health care providers from Anthem to United Healthcare. At the end of fiscal year 2011, there was a balance of $99,699 remaining with Anthem for unreported claims. As of June 30, 2012, all claims have been reported and there is no balance remaining for unpaid claims.

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

	2011-12	2010-11
Claims liability at July 1	$ 7,404,325	$ 6,941,228
Claims incurred	15,361,351	14,855,846
Claims payments	(14,861,070)	(14,392,749)
Claims liability at June 30	$ 7,904,606	$ 7,404,325

(14) Joint Ventures

Hotel Roanoke Conference Center Commission

The City is a participant with Virginia Polytechnic Institute and State University (Virginia Tech) in a joint venture to establish and operate a publicly-owned Conference Center in the City of Roanoke in conjunction with the Hotel Roanoke, which is adjacent to the Conference Center. The Hotel Roanoke Conference Center Commission (HRCCC) is composed of six members, three of whom are appointed by City Council and three of whom are appointed by Virginia Tech. The HRCCC has the authority to issue debt, and such debt is the responsibility of the HRCCC. The City has issued general obligation bonds in its name for its share of the Conference Center construction costs and is obligated to repay this debt.

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, 2012, 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 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, 2012, the City paid $39,000 of the total annual operating costs and $60,000 to the Debt Service Fund for principal and interest on an inter-fund loan related to the construction of the facility. Financial statements may be obtained from the Roanoke Valley Regional Fire-EMS Training Center, 1220 Kessler Mill Road, Salem, Virginia 24153.

(15) Jointly Governed Organizations

Regional Center for Animal Control and Protection

The City of Roanoke along with the Counties of Roanoke and Botetourt, and the Town of Vinton jointly participate on the Advisory Board, which is responsible for the general fiscal and management policies for the Regional Center for Animal Control and Protection (RCACP). The regional control center is comprised of an animal control and animal education facility that are adjacent to each other and are owned and operated by the Roanoke Valley Society for the Prevention of Cruelty to Animals, Inc. (RVSPCA). The animal control facility was financed by bonds in the amount of $3.5 million which were issued by the RVSPCA. Each participating locality pays monthly amounts for its share of operating costs, debt service, and to fund reserves for operating and maintenance needs of the RCACP based on the locality's average use of the facility. During the year ended June 30, 2012, the City's share was 59%, and the City remitted approximately $567,000 for its share of RCACP expenses. In the event total net expenses, for a fiscal year, exceed the total amounts collected from the participating localities, each participating locality shall pay an amount equal to the excess of the net expenses multiplied by the use percentage for that locality.

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, 2012, the City of Roanoke School Board, a component unit of the City, remitted $2,983,683 to the Regional Board for services.

Roanoke Valley Resource Authority

The City of Roanoke, the County of Roanoke, and the Town of Vinton jointly participate in the Roanoke Valley Resource Authority (Authority), which operates the regional sanitary landfill, waste collection and transfer station, and related treatment facilities. The Authority is governed by a board composed of seven members designated by the participating jurisdictions. Roanoke City Council appoints two members. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. The participating localities are each responsible for their pro rata share, based on population, of any year-end operating deficit. For the fiscal year ended June 30, 2012, the City remitted approximately $1,971,000 to the Authority for services.

Roanoke Regional Airport Commission

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

Roanoke Valley Detention Commission

The Counties of Botetourt, Franklin and Roanoke and the Cities of Roanoke and Salem formed the Roanoke Valley Detention Commission (Commission) in 1998 to renovate, expand and operate a detention facility for juveniles. The Commission is governed by a six member board. Roanoke City Council appoints two members. Each locality's financial obligation is based on the number of juveniles housed at the facility. The Commission has the authority to issue debt, and such debt is the responsibility of the Commission. For the fiscal year ended June 30, 2012, the City remitted approximately $932,000 to the Roanoke Valley Detention Commission in per diem charges for juveniles housed by the Commission.

Blue Ridge Behavioral Healthcare

The Counties of Botetourt, Craig and Roanoke, and the Cities of Roanoke and Salem formed Blue Ridge Behavioral Health Care (BRBH) to provide a system of comprehensive community mental health, mental retardation and substance abuse services. BRBH is governed by a sixteen member board. Roanoke City Council appoints three members. Each locality's financial obligation is based on the type and amount of services performed for individuals in the locality. For the fiscal year ended June 30, 2012, the City remitted approximately $578,000 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 2012, $3.1 million in locality compensation payments were paid by the WVWA to the City to cover principal and interest payment on the bonds. As of June 30, 2012, the remaining principal balance of these bonds was approximately $17.6 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 promotes economic development in Virginia's First Region and is governed by a board composed of twenty-nine members, two of which are appointed by Roanoke City Council. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. Each locality is obligated to annual dues of $5,000. Authority member localities, who are also participants in the Regional Commerce Park like the City, are obligated to an annual amount based on the number of shares owned. The City owns 10,000 shares and has an annual obligation of $27,500. For the fiscal year ended June 30, 2012, the City remitted $27,500 to Virginia's First Regional Industrial Facility Authority.

(16) Related Organizations

Economic Development Authority of the City of Roanoke, Virginia

The Economic Development Authority issues low-interest, tax-free industrial revenue bonds in its name to acquire and improve property that is sold or leased to enterprises locating to or remaining in the City. City Council is responsible for appointing the seven member board; however, the City, the state, and any political subdivision thereof are not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, there were ten series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately $494 million.

Roanoke Redevelopment and Housing Authority

The Roanoke Redevelopment and Housing Authority (Housing Authority) is a political subdivision of the State created to provide low income and subsidized housing. Commissioners of the Housing Authority are appointed by City Council. The Housing Authority is financially independent of the City and has administrative control of its operations, but its overall housing plans require the approval of City Council. The City provides a financial benefit through federal pass-through grant funds awarded to the Housing Authority on a contractual basis to implement certain grant programs. The Housing Authority also directly receives other federal and state subsidies and rents for operating its housing programs. During the year ended June 30, 2012, the City remitted approximately $9,064 to the Housing Authority.

(17) Subsequent Events

Bond Issuance - On October 31, 2012, the City issued Qualified Zone Academy Bonds (QZAB) through the Virginia Public School Authority (VPSA). These bonds are School Tax Credit Bonds and were issued under the American Recovery and Reinvestment Act of 2009 (ARRA), in the amount of $2,014,104 on behalf of Roanoke City Public Schools. These bonds were issued for qualified school rehabilitation capital projects. There are no interest costs to the City on these bonds.

In November of 2012, the City, along with the Counties of Roanoke and Botetourt and the Town of Vinton announced the intention to operate the Regional Center for Animal Control and Protection (RCACP) which is currently owned by the Roanoke Valley Society for the Prevention of Cruelty to Animals (RVSPCA) and operated by Animal Control Services (ACS). ACS is a wholly owned subsidiary of the RVSPCA. The intention is for the participating municipalities to assume operational responsibility of the animal control facility.

(18) Commitments, Contingencies and Other Matters

Litigation

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

Grants

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

Other Matters

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

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY BLANK

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

(1) Budgetary Comparison Schedule - General Fund

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Budgetary Fund Balance, July 1	$ 26,914,830	$ 26,914,830	$ 26,914,830	$ -
Resources (Inflows):				
General Property Taxes	$ 103,575,000	$ 104,146,212	$ 105,846,418	$ 1,700,206
Other Local Taxes	74,365,000	74,365,000	75,610,352	1,245,352
Permits, Fees, and Licenses	1,053,000	1,057,000	857,561	(199,439)
Fines and Forfeitures	1,171,000	1,171,000	1,531,145	360,145
Revenue from Use of Money and Property	172,000	174,000	212,141	38,141
Charges for Services	10,080,000	10,683,000	10,262,192	(420,808)
Intergovernmental	67,722,000	66,424,973	63,605,284	(2,819,689)
Miscellaneous	559,000	559,000	587,977	28,977
Transfers from Other Funds	-	7,752	7,752	-
Amounts Available for Appropriation	$ 285,611,830	$ 285,502,767	$ 285,435,652	$ (67,115)
Charges to Appropriations (Outflows):				
General Government				
City Treasurer	$ 1,018,560	$ 1,097,960	$ 1,097,943	$ (17)
Commissioner of the Revenue	1,000,133	1,040,733	1,040,720	(13)
City Council	216,085	245,976	233,342	(12,634)
City Council - Mayor Bowers	13,875	13,875	9,129	(4,746)
City Council - Vice Mayor Trinkle	4,516	5,010	4,897	(113)
City Council - Council Member Lea	4,516	6,211	5,794	(417)
City Council - Council Member Bestpitch	4,516	4,564	1,204	(3,360)
City Council - Council Member Ferris	4,516	4,516	1,089	(3,427)
City Council - Council Member Price	9,942	10,060	5,738	(4,322)
City Council - Council Member Rosen	4,691	4,691	1,986	(2,705)
City Council - Council Member Cutler	-			-
City Attorney	972,042	986,058	968,918	(17,140)
City Clerk	481,940	479,085	469,946	(9,139)
Municipal Auditing	646,929	667,713	667,577	(136)
Department of Finance	2,085,575	2,214,168	2,214,152	(16)
Office of Billings and Collections	817,429	817,481	817,470	(11)
Real Estate Valuation	1,006,404	1,004,885	1,004,883	(2)
Board of Equalization	11,569	10,869	10,081	(788)
Electoral Board	327,016	504,533	485,050	(19,483)
Office of Communications	418,978	411,053	407,509	(3,544)
City Manager	782,505	794,065	794,033	(32)
Human Resources	981,303	1,045,858	1,045,823	(35)
Employee Health Services	592,000	580,904	580,789	(115)
Department of Management and Budget	471,157	527,111	527,102	(9)
Purchasing	381,136	399,096	399,055	(41)
Director of General Services	168,535	191,905	191,904	(1)
Management Services	61,675	37,635	31,502	(6,133)
Environmental Management	184,699	219,408	213,245	(6,163)

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

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Judicial Administration				
Clerk of Circuit Court	$ 1,531,706	$ 1,557,106	$ 1,555,784	$ (1,322)
Juvenile and Domestic Relations Court Services	1,389,286	1,139,832	1,132,755	(7,077)
Juvenile and Domestic Relations Court Clerk	30,136	28,359	26,940	(1,419)
Magistrates Office	4,735	4,735	4,359	(376)
General District Court	31,519	29,250	29,234	(16)
Circuit Court	532,537	562,711	562,664	(47)
Sheriff	2,607,059	2,643,866	2,637,287	(6,579)
Commonwealth's Attorney	1,577,800	1,579,100	1,578,370	(730)
Cost Collection Unit	83,305	84,305	83,368	(937)
Law Library	117,684	117,907	117,255	(652)
Public Safety				
Jail	13,795,612	13,891,232	13,888,746	(2,486)
E911	2,311,038	2,265,594	2,256,246	(9,348)
E911 - Wireless	608,000	330,991	327,384	(3,607)
Fire - Administration	636,669	634,073	634,049	(24)
Fire - Support	1,033,649	1,072,621	1,072,597	(24)
Fire - Operations	15,166,912	16,252,323	16,252,319	(4)
Fire - Airport Rescue	-	67,700	67,640	(60)
Emergency Management	102,665	111,817	105,762	(6,055)
Emergency Medical Services	1,506,675	1,496,600	1,492,019	(4,581)
Building Inspections	722,024	752,360	751,044	(1,316)
Outreach Detention	249,502	264,091	263,792	(299)
Youth Haven I	625,645	640,811	640,811	-
Crisis Intervention	-	-	-	-
Police - Administration	660,163	669,863	663,484	(6,379)
Police - Investigation	3,534,647	4,004,515	3,985,539	(18,976)
Police - Patrol	13,011,752	13,902,441	13,902,441	-
Police - Services	2,506,285	2,664,839	2,632,433	(32,406)
Police - Training	521,436	660,486	644,405	(16,081)
Police - Animal Control	1,106,408	1,183,762	1,178,858	(4,904)
Public Works				
Custodial Services	703,588	659,439	656,281	(3,158)
Building Maintenance	4,564,171	4,378,767	4,370,895	(7,872)
Director of Public Works	150,911	151,418	151,417	(1)
Transportation - Streets and Traffic	4,989,869	5,288,390	5,285,152	(3,238)
Transportation - Paving Program	2,882,111	2,906,668	2,906,667	(1)
Transportation - Snow Removal	110,281	80,413	79,992	(421)
Transportation - Street Lighting	1,155,989	1,163,126	1,162,944	(182)
Transportation - Engineering and Operations	1,776,378	1,744,747	1,744,320	(427)
Solid Waste Management	6,405,052	6,394,643	6,394,638	(5)
Engineering	1,450,437	1,473,703	1,463,211	(10,492)

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

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Health and Welfare				
Human Services Support	$ 280,546	$ 329,464	$ 322,507	$ (6,957)
Health Department	1,412,257	1,344,319	1,344,109	(210)
Blue Ridge Behavioral Health Care	448,890	448,890	448,890	-
Human Services Committee	430,582	430,582	430,582	-
Social Services - Administration	1,869,128	1,923,037	1,863,343	(59,694)
Social Services - Benefits	5,574,468	5,505,902	5,498,884	(7,018)
Social Services - Services	18,075,801	14,968,489	14,965,499	(2,990)
Social Services - ARRA	-	-	-	-
Employment Services	1,578,029	1,493,329	1,478,512	(14,817)
Foster Parent Training	135,458	143,258	129,219	(14,039)
VISSTA	-	27,571	27,506	(65)
Comprehensive Services Act	10,676,087	10,294,087	10,292,810	(1,277)
Comprehensive Services Act - Administration	165,497	155,997	134,342	(21,655)
Parks, Recreation and Cultural				
Roanoke Arts Commission	280,437	280,437	275,971	(4,466)
Roanoke Arts Festival - 125th Anniversary	-	-	-	-
Recreation	1,467,631	1,591,774	1,573,311	(18,463)
Parks	2,874,002	2,919,384	2,910,610	(8,774)
Parks & Recreation - Administration	1,265,274	1,197,059	1,193,760	(3,299)
Parks & Recreation - Youth Services	-	-	-	-
School Playground Maintenance	114,433	108,033	106,168	(1,865)
Libraries	3,189,466	3,212,118	3,186,576	(25,542)
Community Development				
Memberships and Affiliations	1,530,536	1,728,746	1,727,446	(1,300)
Economic Development	1,699,418	1,469,793	1,469,316	(477)
Planning, Building and Development	1,213,562	1,146,265	1,146,221	(44)
Neighborhood Support	97,031	105,342	105,342	-
Citizens Service Center	-	150	138	(12)
Neighborhood Services	1,252,067	1,460,273	1,452,327	(7,946)
Virginia Cooperative Extension	68,300	70,501	53,325	(17,176)
Nondepartmental				
Residual Fringe Benefits	2,816,666	-	-	-
Transfers to Other Funds	4,195,240	5,417,289	5,417,289	-
Transfers to Debt Service Fund	14,191,207	14,552,573	14,394,942	(157,631)
Transfers to Component Unit	78,425,019	80,005,510	80,005,510	-
Miscellaneous	100,000	46,858	46,778	(80)
Personnel Lapse	(1,812,526)	-	-	-
Funding for Reserves	500,000	1,500,000	1,500,000	-
Contingency	1,716,616	-	-	-
Total Charges to Appropriations	258,697,000	260,057,057	259,435,216	(621,841)
Budgetary Fund Balance, June 30	$ 26,914,830	$ 25,445,710	$ 26,000,436	$ 554,726

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

(Continued)

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.	285,435,652
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).	(26,914,830)
Transfers from other funds are a budgetary resource but not a revenue for financial reporting purposes (Exhibit E)	7,752
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	$ 258,513,070
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	$ 259,435,216
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (Exhibit E).	(21,312,231)
Encumbrances for goods and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year goods and services are received for GAAP purposes (Exhibit C).	(1,084,361)
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	$ 237,038,624

(2) Infrastructure Assets Under Modified Approach

INFRASTRUCTURE – FLOOD REDUCTION

Effective fiscal year 2012, with the adoption of the modified approach for certain infrastructure assets, the City is required to conduct an biannual (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 on 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.

Condition	Rating
Good	3
Fair	2
Poor	1

Assessment Ratings of Infrastructure Components

	Number Assessed	2012 Rating
Training Walls	2	3
Bench Cuts	14	3

As of June 30, 2012, the infrastructure as a whole had an assessment rating of 3 (Good).

Comparison of Estimated to Actual Maintenance Costs

	2012
Estimated	$97,370
Actual	$97,370

See Accompanying Independent Auditors' Report

(3) Schedules of Funding Progress - Pension

City - Virginia Retirement System Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	**Actuarial Value of Assets**	**Actuarial Accrued Liability (AAL)**	**Unfunded AAL**	**Funded Ratio Assets as a % of AAL**	**Annual Covered Payroll**	**UAAL as a % of Covered Payroll**
6/30/2011	$ 39,390,635	$ 50,522,039	$ 11,131,404	77.97%	$ 7,975,869	139.56%
6/30/2010	38,578,435	48,126,459	9,548,024	80.16%	8,031,938	118.88%
6/30/2009	38,685,812	43,883,043	5,197,231	88.16%	8,483,464	61.26%
6/30/2008	38,079,256	42,499,150	4,419,894	89.60%	8,586,861	51.47%
6/30/2007	34,499,166	38,692,867	4,193,701	89.16%	8,377,002	50.06%
6/30/2006	30,539,557	33,495,408	2,955,851	91.18%	8,127,839	36.37%

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

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	**Actuarial Value of Assets**	**Actuarial Accrued Liability (AAL)**	**Over funded AAL**	**Funded Ratio Assets as a % of AAL**	**Annual Covered Payroll**	**OAAL as a % of Covered Payroll**
6/30/2011	$ 947,844	$ 710,365	$ (237,479)	133.40%	$ 1,225,391	(19.40%)
6/30/2010	784,752	514,460	(270,292)	152.54%	1,071,610	(25.20%)
6/30/2009	808,508	722,986	(85,522)	111.83%	3,583,415	(2.40%)
6/30/2008	265,363	103,514	(161,849)	256.40%	3,114,481	(5.20%)
6/30/2007	23,341	5,536	(17,805)	421.60%	368,136	(4.80%)

Six years of data is not available, as the Plan originated in 2007. Data will accumulate over time.

See Accompanying Independent Auditors' Report

(4) Schedules of Funding Progress - OPEB

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a) / (c) UAAL as a Percentage of Covered Payroll
7/1/2012[1]	$ 1,877,000	$ 9,728,000	$ 7,851,000	19.3%	$ 68,089,000	11.53%
7/1/2011[1]	1,639,000	13,190,000	11,551,000	12.4%	68,089,000	16.96%
7/1/2010[1]	1,141,000	12,816,000	11,675,000	8.9%	69,600,000	16.77%
7/1/2009	793,000	16,958,000	16,165,000	4.7%	69,600,000	23.23%
7/1/2008	362,000	19,283,000	18,921,000	1.9%	75,000,000	25.23%
7/1/2007	-	15,840,000	15,840,000	0.0%	65,100,000	24.33%

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio
7/01/2011	-	$ 2,119,200	$ 2,119,200	0.00%

[1] Based on the July 01, 2010 and 2012 actuarial valuations, there was a significant decrease in the acturarial 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 contibuted to a decline in the liability.

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) -	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a) / (c) UAAL as a Percentage of Covered Payroll
6/30/2011	$ -	$ 2,437,419	$ 2,437,419	0.00%	$ 70,193,034	3.47%
6/30/2010	-	4,083,544	4,083,544	0.00%	70,113,034	5.82%
6/30/2009	-	7,964,432	7,964,432	0.00%	85,979,029	9.26%
6/30/2008	-	20,074,254	20,074,254	0.00%	83,474,785	24.05%

See Accompanying Independent Auditors' Report

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPLLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

(5) Schedules of Employer Contributions - OPEB

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	$ 1,278,000	105.00%
2011	1,235,000	106.00%
2010	1,528,000	113.00%
2009	1,747,000	100.00%
2008	1,398,000	100.00%

The City of Roanoke implementeed GASB 45 in fiscal year 2008; therefore, six years of data is not available, but will be accumulated over time.

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	$ 238,800	100.00%

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	$ 289,043	209.57%
2010	684,706	55.75%
2009	(1,599,071)	-16.37%
2008	3,259,698	7.86%

Roanoke City Public Schools implementeed GASB 45 in fiscal year 2008; therefore, six years of data is not available, but will be accumulated over time.

See Accompanying Independent Auditors' Report

(6) 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, $1,360,057 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of restricted, committed or assigned fund balance, and the appropriation of additional intergovernmental grants received during the year.

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

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

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY BLANK

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 2,191,919	$ 148,666	$ 6,730,755	**$ 9,071,340**
Investments	384,825	927,102	8,530,426	**9,842,353**
Interest and Dividends Receivable	387	933	8,580	**9,900**
Due from Other Governments	3,076	15,748	-	**18,824**
Due from Other Funds	330,214	686,360	2,475,687	**3,492,261**
Accounts Receivable (net of allowance for uncollectibles)	50,887	17,632	4,631	**73,150**
Inventory	-	61,068	-	**61,068**
Other Assets	67,805	-	330,000	**397,805**
Total Current Assets	**3,029,113**	**1,857,509**	**18,080,079**	**22,966,701**
Capital Assets:				
Equipment and Other Capital Assets	28,353,781	35,187,275	-	**63,541,056**
Construction in Progress	1,712,913	-	-	**1,712,913**
Less Accumulated Depreciation	(15,667,391)	(24,985,431)	-	**(40,652,822)**
Capital Assets, Net	**14,399,303**	**10,201,844**	**-**	**24,601,147**
Total Assets	**17,428,416**	**12,059,353**	**18,080,079**	**47,567,848**
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Expenses	385,061	535,419	10,841	**931,321**
Accrued Interest Payable	74,569	-	-	**74,569**
Due to Other Funds	925	-	234,437	**235,362**
Long-Term Liabilities Due Within One Year	398,411	32,412	2,583,035	**3,013,858**
Total Current Liabilities	**858,966**	**567,831**	**2,828,313**	**4,255,110**
Long-Term Liabilities:				
Compensated Absences Payable	227,223	82,904	5,464	**315,591**
Claims Payable	-	-	23,991,979	**23,991,979**
General Obligation Bonds Payable, Net	4,518,171	-	-	**4,518,171**
Capital Lease Obligations	71,625	3,396	-	**75,021**
Less Current Maturities	(398,411)	(32,412)	(2,583,035)	**(3,013,858)**
Total Long-Term Liabilities	**4,418,608**	**53,888**	**21,414,408**	**25,886,904**
Total Liabilities	**5,277,574**	**621,719**	**24,242,721**	**30,142,014**
Net Assets				
Invested in Capital Assets, Net of Related Debt	9,741,701	10,198,718	-	**19,940,419**
Unrestricted	2,409,141	1,238,916	(6,162,642)	**(2,514,585)**
Total Net Assets/(Deficit)	**$ 12,150,842**	**$ 11,437,634**	**$ (6,162,642)**	**$ 17,425,834**

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
Operating Revenues				
Charges for Services	$ 5,406,386	$ 6,558,094	$ 15,170,459	**$ 27,134,939**
Other Revenue	15,000	298,113	-	**313,113**
Total Operating Revenues	**5,421,386**	**6,856,207**	**15,170,459**	**27,448,052**
Operating Expenses				
Personal Services	2,365,549	1,328,673	203,160	**3,897,382**
Other Services and Charges	1,023,203	426,907	21,826,949	**23,277,059**
Materials and Supplies	797,675	3,200,897	891,632	**4,890,204**
Depreciation	3,431,982	1,871,962	-	**5,303,944**
Total Operating Expenses	**7,618,409**	**6,828,439**	**22,921,741**	**37,368,589**
Operating Income/(Loss)	**(2,197,023)**	**27,768**	**(7,751,282)**	**(9,920,537)**
Nonoperating Revenues (Expenses)				
Loss on Disposal of Assets	(22,894)	-	-	**(22,894)**
Investment Income	-	4,317	35,097	**39,414**
Interest Expense	(113,670)	(554)	-	**(114,224)**
Net Nonoperating Revenues (Expenses)	**(136,564)**	**3,763**	**35,097**	**(97,704)**
Loss Before Transfers and Contributions	**(2,333,587)**	**31,531**	**(7,716,185)**	**(10,018,241)**
Transfers and Contributions				
Transfers In	281,188	119,659	1,523,500	**1,924,347**
Net Transfers and Contributions	**281,188**	**119,659**	**1,523,500**	**1,924,347**
Change in Net Assets	(2,052,399)	151,190	(6,192,685)	(8,093,894)
Net Assets - Beginning of Year	**14,203,241**	**11,286,444**	**30,043**	**25,519,728**
Net Assets/(Deficit) - End of Year	**$ 12,150,842**	**$ 11,437,634**	**$ (6,162,642)**	**$ 17,425,834**

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
Cash Flows From Operating Activities:				
Cash Received from Customers	$ 5,357,398	$ 7,337,559	$ 14,838,613	**$ 27,533,570**
Cash Payments to Suppliers for Goods and Services	(1,740,721)	(3,342,339)	(1,395,703)	**(6,478,763)**
Cash Received from Other Funds for Interfund Services	-	-	241,993	**241,993**
Cash Payments to Other Funds for Interfund Services	(95,446)	(41,767)	(11,681)	**(148,894)**
Cash Payments to Employees	(2,345,266)	(1,321,625)	(195,499)	**(3,862,390)**
Cash Payments for Claims	-	-	(14,092,846)	**(14,092,846)**
Cash Received From Other Operating Revenue	15,000	298,113	-	**313,113**
Net Cash Provided (Used) by Operating Activities	**1,190,965**	**2,929,941**	**(615,123)**	**3,505,783**
Cash Flows From Noncapital Financing Activities:				
Transfers In	281,188	119,659	1,523,500	**1,924,347**
Net Cash Provided by Noncapital Financing Activities	**281,188**	**119,659**	**1,523,500**	**1,924,347**
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(5,795,350)	(4,296,983)	-	**(10,092,333)**
Principal Paid on Bonds and Capital Lease Obligations	(65,705)	(3,009)	-	**(68,714)**
Proceeds from Issuance of Bonds	2,027,149	-	-	**2,027,149**
Interest Paid on Bonds and Capital Lease Obligations	(200,736)	(554)	-	**(201,290)**
Net Cash Used by Capital and Related Financing Activities	**(4,034,642)**	**(4,300,546)**	**-**	**(8,335,188)**
Cash Flows From Investing Activities:				
Interest Received	1,315	5,412	44,683	**51,410**
Purchase of Investments	1,631,598	579,499	(140,580)	**2,070,517**
Cash Used by Investing Activities	**1,632,913**	**584,911**	**(95,897)**	**2,121,927**
Net Decrease in Cash and Cash Equivalents	**(929,576)**	**(666,035)**	**812,480**	**(783,131)**
Cash and Cash Equivalents at July 1	**3,121,495**	**814,701**	**5,918,275**	**9,854,471**
Cash and Cash Equivalents at June 30	**$ 2,191,919**	**$ 148,666**	**$ 6,730,755**	**$ 9,071,340**
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Operating Income\(Loss)	$ (2,197,023)	$ 27,768	$ (7,751,282)	**$ (9,920,537)**
Depreciation	3,431,982	1,871,962	-	**5,303,944**
Increase in Due From Other Governments	(811)	(7,680)	-	**(8,491)**
(Increase) Decrease in Due From Other Funds	(25,219)	726,299	(439,982)	**261,098**
(Increase) Decrease in Accounts Receivable	(22,958)	60,846	108,136	**146,024**
Increase in Inventory	-	(6,033)	-	**(6,033)**
Increase (Decrease) in Accounts Payable and Accrued Expenses	83,832	275,112	(48,244)	**310,700**
Increase (Decrease) in Due to Other Funds	(85,611)	(19,402)	241,993	**136,980**
Increase (Decrease) in Compensated Absences Payable	6,773	1,069	(228)	**7,614**
Decrease in Claims Payable	-	-	7,274,484	**7,274,484**
Total Adjustments	**3,387,988**	**2,902,173**	**7,136,159**	**13,426,320**
Net Cash Provided (Used) by Operating Activities	**$ 1,190,965**	**$ 2,929,941**	**$ (615,123)**	**$ 3,505,783**

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2012

		Hotel Roanoke Conference Center Commission
Assets		
Cash and Cash Equivalents	$	1,207,961
Investments		4,003,246
Accrued Interest Receivable		24,330
Due from Other Governments		18
Total Assets	**$**	**5,235,555**
Liabilities		
Due to Other Governments	$	5,235,555
Total Liabilities	**$**	**5,235,555**

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Assets				
Cash and Cash Equivalents	$ 2,290,589	$ 3,071,795	$ 4,154,423	$ 1,207,961
Investments	2,820,053	4,088,585	2,905,392	4,003,246
Accrued Interest Receivable	7,173	24,330	7,173	24,330
Due from Other Governments	-	114,029	114,011	18
Total Assets	**$ 5,117,815**	**$ 7,298,739**	**$ 7,180,999**	**$ 5,235,555**
Liabilities				
Due to Other Governments	$ 5,117,815	$ 7,298,739	$ 7,180,999	$ 5,235,555
Total Liabilities	**$ 5,117,815**	**$ 7,298,739**	**$ 7,180,999**	**$ 5,235,555**

See Accompanying Independent Auditors' Report.

THIS PAGE INTENTIONALLY BLANK

STATISTICAL SECTION

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

Contents ***Page***

Financial Trends *145*

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity *152*

These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.

Debt Capacity *155*

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.

Demographic and Economic Indicators *158*

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information *160*

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.

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

THIS PAGE INTENTIONALLY BLANK

Table 1
Unaudited

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	$ 329,493,504	$ 269,948,200	$ 260,869,253	$ 238,461,969	$ 225,501,044	$ 200,914,327	$ 190,962,494	$ 187,115,017	$ 164,108,469	$ 149,855,237
Restricted for:										
Capital Projects	-	-	46,777	70,914	105,323	139,732	205,752	276,133	215,691	51,846
Unrestricted	29,219,419	44,235,521	25,539,839	41,697,432	45,552,401	56,691,884	52,348,145	30,519,227	45,098,238	48,331,857
Total Governmental Activities Net Assets	**358,712,923**	**314,183,721**	**286,455,869**	**280,230,315**	**271,158,768**	**257,745,943**	**243,516,391**	**217,910,377**	**209,422,398**	**198,238,940**
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	$ 34,264,716	$ 33,964,073	$ 51,750,741	$ 52,067,081	$ 51,594,498	$ 50,696,302	$ 38,113,702	$ 42,009,100	$ 157,247,149	$ 150,015,105
Unrestricted	840,542	1,109,365	4,678,494	2,213,388	3,180,872	4,454,864	11,034,165	4,909,789	21,240,298	19,409,253
Total Business-Type Activities Net Assets	**35,105,258**	**35,073,438**	**56,429,235**	**54,280,469**	**54,775,370**	**55,151,166**	**49,147,867**	**46,918,889**	**178,487,447**	**169,424,358**
		(1)	(1)							
Primary Government										
Invested in Capital Assets, Net of Related Debt	$ 363,758,220	$ 303,912,273	$ 312,619,994	$ 290,529,050	$ 277,095,542	$ 251,610,629	$ 229,076,196	$ 229,124,117	$ 321,355,618	$ 299,870,342
Restricted for:										
Capital Projects	-	-	46,777	70,914	105,323	139,732	205,752	276,133	215,691	51,846
Unrestricted	30,059,961	45,344,886	30,218,333	43,910,820	48,733,273	61,146,748	63,382,310	35,429,016	66,338,536	67,741,110
Total Primary Government Net Assets	**$ 393,818,181**	**$ 349,257,159**	**$ 342,885,104**	**$ 334,510,784**	**$ 325,934,138**	**$ 312,897,109**	**$ 292,664,258**	**$ 264,829,266**	**$ 387,909,845**	**$ 367,663,298**

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 assets included $16.7 million whereas in fiscal year 2011, GRTC net assets are no longer reported as a business-type activity. Fiscal year 2010 also included net assets of $4.6 million for the City's Market Building Fund which was discontinued in fiscal year 2011.

Table 2
Unaudited

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Expenses										
Governmental Activities:										
General Government	$ 15,192,371	$ 13,934,968	$ 12,224,830	$ 13,859,060	$ 14,951,184	$ 11,273,712	$ 13,060,424	$ 12,505,925	$ 12,129,739	$ 12,332,759
Judicial Administration	8,777,516	7,644,774	7,786,140	9,167,289	8,881,939	8,696,783	7,759,108	7,093,904	6,563,999	6,716,171
Public Safety	69,882,446	63,287,015	63,976,863	66,448,271	67,457,297	63,824,918	60,338,648	56,027,791	52,085,243	49,526,672
Public Works	28,672,051	18,654,587	28,126,031	31,174,272	29,493,501	29,322,095	25,396,344	25,413,778	27,619,650	27,024,931
Health and Welfare	41,124,917	42,111,631	45,995,109	45,756,887	45,287,639	39,755,942	36,851,200	35,063,221	31,985,929	28,920,553
Parks, Recreation and Cultural	13,301,508	11,420,919	10,559,350	12,018,560	11,718,909	12,328,684	10,671,914	9,269,834	6,063,700	5,360,979
Community Development	9,452,579	10,706,299	10,010,970	9,752,877	13,009,501	11,847,813	10,388,248	9,849,351	9,601,301	11,063,836
Greater Roanoke Transit Company (GRTC)	1,654,105	1,177,324	-	-	-	-	-	-	-	-
Education	83,072,419	74,772,599	67,945,097	66,604,559	65,494,065	61,335,067	57,899,575	54,737,434	51,458,092	49,368,594
Economic Development	2,022,694	3,904,121	3,510,831	1,535,584	657,348	613,075	3,046,343	7,175,953	1,160,036	5,248,229
Other	4,595	98,494	-	15,329	13,470	31,575	66,967	125,801	90,903	73,633
Interest and Fiscal Charges	11,551,668	12,002,689	13,538,201	13,124,928	10,710,840	11,916,375	11,588,440	11,652,145	8,598,701	9,404,874
Total Governmental Activities Expenses	284,708,869	259,715,420	263,673,422	269,457,616	267,675,693	250,946,039	237,067,211	228,915,137	207,357,293	205,041,231
Business-Type Activities:										
Transit Company	-	-	9,474,181	9,545,470	9,195,709	8,403,369	7,850,064	7,609,131	7,078,272	6,448,413
Water	-	-	-	-	-	-	-	-	11,101,776	13,683,991
Water Pollution Control	-	-	-	-	-	-	-	-	10,801,834	10,179,089
Civic Facilities	4,509,327	4,511,711	4,302,258	7,138,833	5,259,155	4,694,186	5,066,942	4,610,356	5,077,678	4,914,679
Parking	3,483,658	2,755,253	3,030,494	2,806,984	2,396,330	2,894,630	2,036,575	2,002,110	1,927,191	2,288,392
Market Building	-	163,992	384,331	649,874	379,828	390,098	368,090	506,894	492,795	151,438
Total Business-Type Activities Expenses	7,992,985	7,430,956	17,191,264	20,141,161	17,231,022	16,382,283	15,321,671	14,728,491	36,479,546	37,666,002
Total Primary Government Expenses	292,701,854	267,146,376	280,864,686	289,598,777	284,906,715	267,328,322	252,388,882	243,643,628	243,836,839	242,707,233
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	3,700,916	6,035,893	4,152,979	4,511,088	4,467,706	4,228,015	3,234,836	3,038,133	6,839,246	3,899,448
Judicial Administration	3,782,588	3,755,301	3,734,589	4,823,817	4,594,962	5,445,812	5,132,780	5,334,458	2,131,060	1,824,615
Public Safety	4,702,979	5,323,523	6,203,883	6,453,285	6,632,394	5,894,930	5,086,196	4,768,397	5,191,798	7,354,677
Public Works	340,438	2,168,980	347,422	386,445	445,191	523,344	458,882	445,256	781,285	552,404
Health and Welfare	93,991	131,520	127,834	146,338	196,110	172,703	584,149	595,797	517,697	-
Parks, Recreation and Cultural	414,693	399,968	367,143	308,446	155,799	132,728	413,090	372,186	62,309	290,935
Community Development	154,041	167,314	166,176	161,228	165,144	199,255	170,493	131,038	151,933	136,396
Economic Development	-	-	-	4,974	83,541	-	-	-	-	-
Operating Grants and Contributions	64,457,688	68,572,662	70,252,704	70,986,646	69,257,682	63,164,087	59,245,639	56,208,537	51,329,015	47,692,239
Capital Grants and Contributions	3,677,359	5,665,618	718,580	265,005	3,975,312	289,043	102,934	239,246	736,337	2,126,873
Total Governmental Activities Program Revenues	81,324,693	92,220,779	86,071,310	88,047,272	89,973,841	80,049,917	74,428,999	71,133,048	67,740,680	63,877,587
Business-Type Activities:										
Charges for Services										
Transit Company	-	-	2,046,752	2,097,420	2,033,024	1,819,053	1,779,619	1,565,511	1,439,067	1,410,041
Water	-	-	-	-	-	-	-	-	13,383,297	11,671,313
Water Pollution Control	-	-	-	-	-	-	-	-	11,159,513	10,966,478
Civic Facilities	2,559,400	2,405,370	1,966,484	4,312,359	2,248,649	2,413,877	2,995,440	2,788,081	3,403,360	3,412,975
Parking	3,316,277	2,840,685	2,733,270	2,804,755	2,809,958	2,686,301	2,683,159	2,600,415	2,645,977	2,231,038
Market Building	-	10,452	198,022	224,637	255,476	268,340	277,886	308,366	256,015	134,868
Operating Grants and Contributions	-	-	4,139,626	4,393,415	4,071,749	3,896,866	3,395,701	3,252,566	2,843,449	2,611,895
Capital Grants and Contributions	-	-	2,348,098	1,115,208	769,852	5,783,634	1,357,967	1,010,893	4,698,459	644,069
Total Business-Type Activities Program Revenues	5,875,677	5,256,507	13,432,252	14,947,794	12,188,708	16,868,071	12,489,772	11,525,832	39,829,137	33,082,677
Total Primary Government Program Revenues	87,200,370	97,477,286	99,503,562	102,995,066	102,162,549	96,917,988	86,918,771	82,658,880	107,569,817	96,960,264
Net (Expense)/Revenue:										
Governmental Activities	(203,384,176)	(167,494,641)	(177,602,112)	(181,410,344)	(177,701,852)	(170,896,122)	(162,638,212)	(157,782,089)	(139,616,613)	(141,163,644)
Business-Type Activities	(2,117,308)	(2,174,449)	(3,759,012)	(5,193,367)	(5,042,314)	485,788	(2,831,899)	(3,202,659)	3,349,591	(4,583,325)
Total Primary Government Net Expense	$ (205,501,484)	$ (169,669,090)	$ (181,361,124)	$ (186,603,711)	$ (182,744,166)	$ (170,410,334)	$ (165,470,111)	$ (160,984,748)	$ (136,267,022)	$ (145,746,969)

Table 2
Unaudited
(continued)

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
General Property - Real Estate and Personal Property	$ 105,653,485	$ 107,328,296	$ 100,801,682	$ 101,626,861	$ 98,714,420	$ 93,361,362	$ 86,651,722	$ 81,071,535	$ 75,186,290	$ 71,672,690
Local Portion of State Sales	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559	17,466,450
Business and Professional Occupational License	11,769,433	11,276,263	11,588,503	12,479,698	12,536,783	12,690,668	12,893,280	11,335,221	10,828,304	10,584,716
Utility	9,584,366	9,937,596	9,557,889	9,735,948	9,825,738	11,409,106	13,234,488	13,857,552	13,823,643	13,749,522
Prepared Food and Beverage	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950	7,247,472
Commonwealth Share - Personal Property	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,121,547	7,962,068	8,325,821	7,689,531	8,043,897
Cigarette	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533	1,920,939
Transient Room	2,983,586	2,918,631	2,636,536	2,754,683	2,814,253	2,666,253	2,529,645	2,250,249	2,232,754	2,101,878
Telecommunications	7,096,425	7,247,911	7,383,848	7,145,256	7,978,786	3,421,394	-	-	-	-
Motor Vehicle License Tax	2,130,312	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858	1,733,605
Other	3,011,116	2,810,326	4,344,857	6,071,290	7,412,254	11,727,231	7,359,754	7,111,634	8,213,700	6,345,237
State Aid Not Restricted to a Specific Program	-	-	-	-	-	-	7,776,432	-	-	76,454
Payment from Component Unit	16,373,216	9,752,655	10,020,049	8,930,898	7,752,288	1,300,000	-	-	-	-
Grants and Contributions Not Restricted to Specific Program	-	2,880	11,226	8,379	3,372	3,107	-	239,988	274,714	-
Interest and Investment Income	1,071,384	960,375	1,246,826	1,618,541	2,644,762	3,737,732	3,187,105	2,387,866	1,265,367	1,865,333
Miscellaneous	-	-	130,702	-	-	4,471,167	4,005,203	6,754,063	5,790,943	5,470,988
Special Item	43,322,018	(3,492,982)	-	-	-	-	(1,575,776)	-	-	-
Transfers	(1,978,226)	(569,468)	(5,693,020)	(4,493,091)	(4,339,261)	(5,030,413)	(3,062,423)	(2,882,183)	(4,892,800)	(3,013,537)
Transfers - Capital Assets	-	-	-	-	-	-	(1,726,651)	-	(161,275)	(289,220)
Total Governmental Activities	247,913,378	195,222,489	183,827,666	190,481,891	191,114,677	185,125,674	174,424,956	161,762,038	150,800,071	144,976,424
Business-Type Activities:										
Interest and Investment Income	170,902	112,028	80,077	87,552	140,247	228,058	163,638	92,195	224,589	276,000
Gain (Loss) on Sale of Assets	-	-	-	-	-	-	(293,213)	9,896	16,325	(10,653)
Miscellaneous	-	-	134,681	117,823	187,010	259,040	401,378	522,955	418,509	382,403
Special Item	-	(3,204,514)	-	-	-	-	-	-	-	-
Transfers	1,978,226	569,468	5,693,020	4,493,091	4,339,261	5,030,413	3,062,423	2,882,183	4,892,800	3,013,537
Transfers - Capital Assets	-	-	-	-	-	-	1,726,651	-	161,275	289,220
Total Business-Type Activities	2,149,128	(2,523,018)	5,907,778	4,698,466	4,666,518	5,517,511	5,060,877	3,507,229	5,713,498	3,950,507
Total Primary Government	$ 250,062,506	$ 192,699,471	$ 189,735,444	$ 195,180,357	$ 195,781,195	$ 190,643,185	$ 179,485,833	$ 165,269,267	$ 156,513,569	$ 148,926,931
Change in Net Assets										
Governmental Activities	$ 44,529,202	$ 27,727,848	$ 6,225,554	$ 9,071,547	$ 13,412,825	$ 14,229,552	$ 11,786,744	$ 3,979,949	$ 11,183,458	$ 3,812,780
Business-Type Activities	31,820	(4,697,467)	2,148,766	(494,901)	(375,796)	6,003,299	2,228,978	304,570	9,063,089	(632,818)
Total Primary Government	$ 44,561,022	$ 23,030,381	$ 8,374,320	$ 8,576,646	$ 13,037,029	$ 20,232,851	$ 14,015,722	$ 4,284,519	$ 20,246,547	$ 3,179,962

Information is presented on a full accrual basis of accounting.

Table 3
Unaudited

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
General Property Tax-Real Estate and Personal Property	$ 105,653,485	$ 107,328,296	$ 100,801,682	$ 101,626,861	$ 98,714,420	$ 93,361,362	$ 86,651,722	$ 81,071,535	$ 75,186,290	$ 71,672,690
Sales Tax	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559	17,466,450
Occupational License Tax	11,769,433	11,276,263	11,588,503	12,479,698	12,536,783	12,174,159	12,893,280	11,335,221	10,828,304	10,584,716
Utility Consumer Tax	9,584,366	9,937,596	9,557,889	9,735,948	9,825,738	11,925,615	13,234,488	13,857,552	13,823,643	13,749,522
Prepared Food & Beverage Tax (2)	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950	7,247,472
Commonwealth Share Personal Property Tax	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,121,547	7,962,068	8,325,821	7,689,531	8,043,897
Cigarette Tax	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533	1,920,939
Transient Room Tax	2,983,586	2,918,631	2,636,536	2,754,683	2,814,253	2,666,253	2,529,645	2,250,249	2,232,754	2,101,878
Telecommunications (1)	7,096,425	7,247,911	7,383,848	7,145,256	7,978,786	3,421,394	-	-	-	-
Motor Vehicle License Tax	2,130,312	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858	1,733,605
Other Taxes	3,011,116	2,810,326	4,344,857	6,071,290	7,412,254	11,727,231	7,359,754	7,111,634	8,213,700	6,345,237
Total Governmental Activities Tax Revenues	$ 189,124,986	$ 188,569,029	$ 178,111,883	$ 184,417,164	$ 185,053,516	$ 180,644,081	$ 165,821,066	$ 155,262,304	$ 148,523,122	$ 140,866,406

Information is presented on a full accrual basis of accounting.
(1) On January 1, 2007, the State began the new Telecommunications Tax which replaces the Telephone Surcharge as well as Cable TV Franchise Tax, and Telephone and Cellular Utility Taxes.
(2) 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 4
Unaudited

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
General Fund										
Restricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Committed	1,084,361	1,379,076	-	-	-	-	-	-	-	-
Assigned	-	1,407,485	-	-	-	-	-	-	-	-
Unassigned	26,000,436	25,535,754	-	-	-	-	-	-	-	-
Reserved	-	-	598,753	1,028,676	1,318,997	743,092	1,219,270	1,389,488	1,552,656	1,967,992
Unreserved	-	-	24,361,867	21,352,928	19,723,710	21,347,881	22,121,582	19,660,766	2,945,349	4,586,865
Total General Fund	$ 27,084,797	$ 28,322,315	$ 24,960,620	$ 22,381,604	$ 21,042,707	$ 22,090,973	$ 23,340,852	$ 21,050,254	$ 4,498,005	$ 6,554,857
All Other Governmental Funds										
Restricted	$ 4,686,212	$ 3,465,004	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Committed	17,131,452	16,368,501	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved	-	-	6,146,088	17,529,842	36,500,585	14,814,335	22,669,544	19,200,210	14,068,820	19,288,996
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Debt Service Fund	-	-	1,213,260	1,161,895	1,143,782	1,021,667	1,063,737	988,465	15,061,934	14,436,613
Capital Projects Fund	-	-	6,121,743	31,685,558	27,455,399	26,591,510	37,744,826	39,994,304	37,069,596	42,487,398
Total All Other Governmental Funds	$ 21,817,664	$ 19,833,505	$ 13,481,091	$ 50,377,295	$ 65,099,766	$ 42,427,512	$ 61,478,107	$ 60,182,979	$ 66,200,350	$ 76,213,007

Information is presented on a modified accrual basis of accounting.

Table 5
Unaudited

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

	2011-12	2010-11	2009-10	2008-09	2007-08
Revenues					
Local Taxes	181,456,770	$ 178,308,587	$ 171,185,553	$ 173,518,576	$ 172,769,022
Permits, Fees and Licenses	857,561	969,800	880,347	1,053,443	1,475,370
Fines and Forfeitures	1,531,145	1,805,083	1,615,265	1,558,517	1,558,039
Rental Income	117,154	210,633	550,191	845,373	968,975
Investment Income	136,277	177,577	251,970	1,211,719	2,241,720
Intergovernmental	95,942,714	91,502,519	93,250,211	93,064,316	96,691,241
Charges for Services	10,262,192	11,624,417	10,834,925	11,616,042	10,955,336
Miscellaneous	1,902,037	4,717,123	703,626	1,536,704	1,336,850
Total Revenues	$ 292,205,850	$ 289,315,739	$ 279,272,088	$ 284,404,690	$ 287,996,553
Expenditures					
Current Operating:					
General Government	13,420,641	$ 13,043,582	$ 12,671,590	$ 13,094,420	$ 13,614,281
Judicial Administration	8,075,746	7,336,125	7,503,476	8,735,663	8,441,872
Public Safety	62,753,894	60,845,503	61,821,748	63,808,641	64,859,294
Public Works	23,696,320	22,133,031	23,860,980	24,841,431	23,663,876
Health and Welfare	39,683,737	41,755,947	45,439,356	45,128,533	44,626,860
Parks, Recreation and Cultural	9,632,815	10,314,592	9,192,283	10,753,820	11,165,097
Community Development	9,045,363	10,481,809	9,931,020	9,559,518	11,473,754
Greater Roanoke Transit Company	1,654,105	1,177,324	-	-	-
Education	78,351,405	70,232,036	63,443,415	62,856,641	62,392,633
Debt Service:					
Principal Retirement	23,426,997	20,778,546	23,566,295	22,157,734	19,822,282
Interest and Paying Agent Charges	10,936,143	11,479,778	12,768,787	12,286,166	11,343,116
Bond Issuance Cost	801,658	204,463	317,494	79,082	-
Capital Outlays	12,373,816	13,251,045	40,276,382	44,299,810	35,471,132
Total Expenditures	$ 293,852,640	$ 283,033,781	$ 310,792,826	$ 317,601,459	$ 306,874,197
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,646,790)	6,281,958	(31,520,738)	(33,196,769)	(18,877,644)
Other Financing Sources (Uses)					
Issuance of Bonds	5,533,829	7,121,925	2,661,171	23,912,613	43,967,698
Capital Lease	-	-	-	-	-
Issuance of Refunding Bonds	25,125,000	2,017,600	36,056,200	-	-
Payment to Refunded Bond Escrow Agent	(27,734,307)	(2,136,507)	(39,056,309)	-	-
Premium on Sale of Bonds	3,371,482	248,563	3,669,899	706,843	1,199,155
Transfers In	18,088,403	26,925,336	25,536,867	27,214,121	26,430,553
Transfers Out	(21,990,976)	(30,744,766)	(31,664,278)	(32,020,382)	(31,095,774)
Total Other Financing Sources (Uses)	2,393,431	3,432,151	(2,796,450)	19,813,195	40,501,632
Net Change in Fund Balances	746,641	9,714,109	(34,317,188)	(13,383,574)	21,623,988
Fund Balances--Beginning of Year	48,155,820	38,441,711	72,758,899	86,142,473	64,518,485
Fund Balances--End of Year	$ 48,902,461	$ 48,155,820	$ 38,441,711	$ 72,758,899	$ 86,142,473

Information is presented on an modified accrual basis of accounting.

Table 5
Unaudited
(continued)

2006-07	2005-06	2004-05	2003-04	2002-03
$ 164,871,887	$ 156,259,656	$ 145,738,157	$ 138,027,923	$ 131,372,049
1,142,724	1,469,016	1,275,026	1,026,606	909,669
1,540,598	1,444,566	1,354,775	1,365,502	1,244,283
1,032,990	1,462,840	796,688	682,798	1,114,804
3,460,986	1,978,325	1,794,290	949,912	1,557,228
85,531,788	79,661,592	74,579,619	68,418,569	66,118,526
11,611,220	11,142,081	11,237,776	11,544,955	6,657,533
2,897,616	2,543,147	820,779	1,369,767	502,712
$ 272,089,809	$ 255,961,223	$ 237,597,110	$ 223,386,032	$ 209,476,804
$ 12,782,063	$ 12,214,535	$ 11,677,301	$ 11,822,041	$ 11,711,800
8,438,366	7,347,752	6,736,070	6,355,497	6,237,314
61,964,362	58,192,222	53,777,319	50,733,282	45,540,774
23,900,264	22,798,347	22,229,895	24,688,073	23,184,404
39,290,415	36,105,373	34,754,917	31,888,121	28,761,343
10,724,981	9,697,644	8,434,669	5,318,074	4,565,865
9,074,244	9,701,539	9,066,266	8,859,741	8,733,633
-	-	-	-	-
58,669,043	55,789,730	52,676,279	49,520,072	47,408,556
19,119,311	17,140,653	14,785,327	11,543,107	12,283,145
11,103,323	11,270,985	10,084,588	8,541,638	9,863,967
-	141,334	104,034	241,850	-
44,308,692	38,370,611	40,808,400	28,606,142	20,115,347
$ 299,375,064	$ 278,770,725	$ 265,135,065	$ 238,117,638	$ 218,406,148
(27,285,255)	(22,809,502)	(27,537,955)	(14,731,606)	(8,929,344)
12,961,171	31,708,923	37,662,856	4,595,399	800,000
-	-	-	4,857,000	-
-	10,631,826	-	66,040,000	-
-	(10,705,136)	-	(68,189,271)	-
407,950	705,605	1,460,022	2,971,027	-
25,211,822	30,811,378	37,134,208	21,215,612	23,543,433
(31,596,162)	(36,757,368)	(42,034,253)	(28,827,670)	(28,548,892)
6,984,781	26,395,228	34,222,833	2,662,097	(4,205,459)
(20,300,474)	3,585,726	6,684,878	(12,069,509)	(13,134,803)
84,818,959	81,233,233	74,548,355	82,767,864	95,902,667
$ 64,518,485	$ 84,818,959	$ 81,233,233	$ 70,698,355	$ 82,767,864

Table 6
Unaudited

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
General Property Tax	$105,846,418	$ 104,463,578	$ 103,019,671	$102,177,312	$ 98,983,976	$ 93,084,689	$ 86,447,295	$ 81,199,730	$ 75,346,292	$ 71,849,116
Sales Tax	19,147,211	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559	17,466,450
Utility Consumer Tax (1)	9,115,344	9,433,181	9,072,887	9,245,881	9,317,726	11,409,106	13,234,488	13,349,039	13,321,752	13,248,053
Cigarette Tax	2,456,680	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533	1,920,939
Recordation and Probate Tax	880,865	740,733	781,542	777,182	1,243,373	1,416,300	1,314,804	1,116,447	835,561	734,345
Business, Professional, and Occupational License Tax	12,238,455	11,780,678	12,073,505	12,969,765	13,044,796	12,690,668	12,893,280	11,843,734	11,330,195	11,086,185
Transient Room Tax	2,983,586	2,918,631	2,636,536	2,754,683	2,814,252	2,666,253	2,529,645	2,250,249	2,232,754	2,101,878
Admissions Tax	433,932	422,279	442,030	476,491	443,664	457,454	456,048	448,312	530,712	504,298
Telecommunications/Telephone Surcharge - E911 (1)	7,096,448	7,247,927	7,383,848	7,145,256	7,979,032	4,127,361	1,431,406	1,603,863	1,340,847	1,180,840
Motor Vehicle License Tax	2,130,313	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858	1,733,605
Franchise Tax (1)	447,420	474,064	579,288	483,724	504,370	1,000,718	1,456,085	1,500,624	1,554,297	1,491,601
Prepared Food and Beverage Tax (2)	17,216,380	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950	7,247,472
Bank Stock Tax	1,463,718	1,853,502	1,473,670	960,846	740,011	772,818	1,306,496	1,115,867	986,613	807,267
Total Local Taxes	**$181,456,770**	**$ 178,308,587**	**$ 171,185,553**	**$173,518,576**	**$172,769,022**	**$164,871,887**	**$156,259,656**	**$145,738,157**	**$138,027,923**	**$131,372,049**

(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 July 1, 2010, the Prepared Food and Beverage Tax increased from 5% to 7%. The tax rate reverted to 5% on July 1, 2012.

Table 7
Unaudited

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Total Tax Levies	**$112,485,925**	**$ 112,560,131**	**$ 110,098,047**	**$110,034,071**	**$106,316,893**	**$101,301,039**	**$ 94,754,245**	**$ 88,719,548**	**$ 82,947,318**	**$ 78,984,813**
Current Tax Collections	103,693,219	102,130,123	100,833,008	98,726,769	95,621,945	89,761,174	83,902,929	78,489,950	72,835,920	68,960,191
Current Tax Collections - State Share (1)	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,089,164	7,789,896	8,147,634	7,551,379	7,920,717
Delinquent Tax Collections	2,153,199	2,333,454	2,186,663	3,450,543	3,362,031	3,323,515	2,544,365	2,709,780	2,510,372	2,888,925
Delinquent Tax Collections - State Share (1)	-	-	-	-	-	32,383	172,172	178,186	138,153	123,180
Total Tax Collections	**$113,922,410**	**$ 112,539,569**	**$ 111,095,663**	**$110,253,304**	**$107,057,436**	**$101,206,236**	**$ 94,409,362**	**$ 89,525,550**	**$ 83,035,824**	**$ 79,893,013**
Current Tax Collections As Percent of Levies	**99.36%**	**97.91%**	**98.92%**	**97.06%**	**97.53%**	**96.59%**	**96.77%**	**97.65%**	**96.91%**	**97.34%**
Total Tax Collections As Percent of Levies (2)	**101.28%**	**99.98%**	**100.91%**	**100.20%**	**100.70%**	**99.91%**	**99.64%**	**100.91%**	**100.11%**	**101.15%**

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

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

Table 8
Unaudited

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

	REAL PROPERTY				PERSONAL PROPERTY				PUBLIC SERVICE CORPORATIONS					
Year	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth (Decline)	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth (Decline)	Estimated Actual Value	Assessment Ratio	Total Assessed Value	Total Estimated Actual Value
2003	4,251,342,652	4.89%	4,251,342,652	1.00	685,231,130	(0.48%)	1,142,051,883	0.60	320,712,924	3.24%	328,933,905	0.975	5,257,286,706	5,722,328,440
2004	4,558,900,600	7.23%	4,558,900,600	1.00	675,390,754	(1.44%)	1,125,651,256	0.60	372,880,650	16.27%	378,299,578	0.986	5,607,172,004	6,062,851,434
2005	4,912,403,589	7.75%	4,912,403,589	1.00	731,086,348	8.25%	1,218,477,246	0.60	333,486,044	(10.56%)	338,499,005	0.985	5,976,975,981	6,469,379,840
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

Table 9
Unaudited

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

	REAL PROPERTY		PERSONAL PROPERTY		PUBLIC SERVICE CORPORATIONS			
Year	Direct Tax Rate Per $100	Levy	Direct Tax Rate Per $100	Levy	Direct Tax Rate Per $100	Levy	Total Tax Levies	Total Direct Rate
2003	1.21	51,440,874	3.45	23,640,474 (1)	1.21	3,903,465	78,984,813	1.88
2004	1.21	55,162,380	3.45	23,300,981 (1)	1.21	4,483,957	82,947,318	1.84
2005	1.21	59,439,602	3.45	25,222,479 (1)	1.21	4,057,467	88,719,548	1.85
2006	1.21	64,754,545	3.45	26,302,920 (1)	1.21	3,696,780	94,754,245	1.83
2007	1.19 (2)	69,429,439	3.45	28,163,083 (1), (3)	1.19 (2)	3,708,517	101,301,039	1.82
2008	1.19	74,451,741	3.45	28,100,133 (1)	1.19	3,765,019	106,316,893	1.79
2009	1.19	78,114,892	3.45	27,925,972 (1)	1.19	3,993,207	110,034,071	1.76
2010	1.19	79,710,636	3.45	26,141,385 (1)	1.19	4,246,026	110,098,047	1.73
2011	1.19	80,943,458	3.45	27,385,166 (1)	1.19	4,231,507	112,560,131	1.74
2012	1.19	80,857,790	3.45	27,311,532 (1)	1.19	4,316,603	112,485,925	1.74

(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, 2012 AND JUNE 30, 2003

		2012			2003		
Taxpayer	**Description**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**
Carilion Healthcare	Healthcare Provider	$ 213,234,881	1	2.71%	$ -	-	-
Appalachian Power	Public Utility	124,033,424	2	1.58%	71,301,361	2	1.36%
Norfolk Southern Railway	Transportation	105,738,441	3	1.35%	69,094,970	3	1.32%
Valley View Mall LLC (Formerly Hersh, Ltd)	Shopping Mall	74,940,200	4	0.95%	49,747,070	4	0.95%
Verizon Virginia, Inc	Communications	54,429,194	5	0.69%	79,437,253	1	1.51%
Roanoke Gas Company	Public Utility	35,676,545	6	0.45%	23,453,924	7	0.45%
Maple Leaf Bakery	Bakery	30,796,449	7	0.39%	-	-	-
Faison Roanoke Office Limited	Office Building	30,770,100	8	0.0	26,563,400	6	0.51%
Advance Auto Parts	Auto Parts	29,092,678	9	0.37%	-	-	-
Steel Dynamics Roanoke Division	Primary Metals	25,038,491	10	0.32%	20,606,223	9	0.39%
Mozart Investments Inc.	Aircraft	-	-	0.00%	-	-	-
Spectacle Lens	Eyecare Professionals	-	-	-	29,081,589	5	0.55%
Hotel Roanoke	Hotel	-	-	-	20,662,713	8	0.39%
IHC (Wyndham)	Hotel	-	-	-	18,100,500	10	0.34%
		$ 723,750,403		**9.20%**	**$ 408,049,003**		**7.77%**

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)**
2003	1,621,479,275
2004	1,712,570,484
2005	1,599,236,967
2006	1,876,508,609
2007	1,900,930,872
2008	1,925,487,309
2009	1,692,267,903
2010	1,676,331,018
2011	1,649,614,469
2012 thru June	859,568,776

(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	Gross Bonded Debt (D)	Bonds Supported by Enterprise Funds (C) (D)	Bonds Supported By Western Virginia Water Authority	Bonds Supported By Hotel Roanoke, LLC (E)	Amount Available in Debt Service Fund		Net Bonded Debt	Ratio of Net Bonded Debt to Total Estimated Actual Value	Net Bonded Debt Per Capita
2003	93,100	5,722,328,440	228,050,952	44,517,751	-	-	14,436,613		169,096,588	2.96%	1,816.29
2004	92,900	6,062,851,434	223,671,734	41,504,678	-	-	15,061,934		167,105,122	2.76%	1,798.76
2005	92,671	6,469,379,840	256,369,208	7,818,130	33,435,000	-	988,465	(B)	214,127,613	3.31%	2,310.62
2006	92,994	6,931,028,926	281,808,817	9,863,867	31,315,992	-	1,063,737		239,565,221	3.46%	2,576.14
2007	92,024	7,513,954,307	274,026,551	9,160,142	28,924,766	-	1,021,667		234,919,976	3.13%	2,552.81
2008	93,734	7,972,224,770	298,775,968	10,974,761	26,596,538	-	1,143,782		260,060,887	3.26%	2,774.46
2009	94,482	8,255,418,861	304,071,803	15,160,308	24,255,948	-	1,161,895		263,493,652	3.19%	2,788.82
2010	97,032	8,324,026,044	283,602,637	15,632,575	21,987,683	-	1,213,260		244,769,119	2.94%	2,522.56
2011	97,206 (est.)	8,442,505,382	277,658,304	14,627,811	19,875,450	1,355,000	1,133,011		240,667,032	2.85%	2,475.85
2012	97,206 (est.)	8,486,017,306	260,590,860	13,541,712	17,558,082	910,000	1,317,554		227,263,512	2.68%	2,337.96

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) FY04 through FY12 amounts exclude Civic Facilities Fund outstanding balances.
(D) Includes Deferred Bond Costs and excludes Unamortized Bond Premium of the Enterprise Funds.
(E) Effective FY12, Hotel Roanoke, LLC debt was excluded from total bonded debt as a result of a change in the reporting of the Hotel Roanoke, LLC Note Receivable at the entity-wide level

Table 13
Unaudited

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

	Governmental Activities		Business-Type Activities				
Fiscal Year	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2002-03	184,429,342	3,208,859	45,865,711	3,164,721	236,668,633	9.58%	2,824
2003-04	182,118,717	6,797,976	45,865,218	-	234,781,911	8.10%	2,540
2004-05	241,280,405 (2)	5,648,433	17,876,626 (2)	-	264,805,464	8.90%	2,863
2005-06	258,928,015	4,643,001	26,096,945	-	289,667,961	9.29%	3,074
2006-07	252,341,409	4,551,467	24,782,063	-	281,674,939	8.18%	2,968
2007-08	275,531,207	5,279,002	25,955,524	477,865	307,243,598	8.38%	3,207
2008-09	276,891,495	5,113,998	29,484,914	416,578	311,906,985	8.57%	3,215
2009-10	256,564,731	4,838,541	29,667,886	352,473	291,423,631	7.81%	3,009
2010-11	250,315,325	4,528,184	28,121,356	285,366	283,250,231	7.59%	2,924
2011-12	234,279,293	4,178,505	26,771,200	215,083	265,444,081	7.11%	2,741

(1) See Table 18 for Personal Income and Population data.
(2) The Western Virginia Water Authority was created in FY 05, resulting in associated bonds moving from business-type activities to governmental activities.

Table 14
Unaudited

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Debt Limit	$ 679,477,230	$ 680,197,128	$ 669,839,111	$ 656,429,496	$ 625,649,531	$ 583,442,494	$ 535,163,357	$ 491,240,359	$ 455,890,060	$ 426,377,702
Total Net Debt Applicable to Limit	227,263,512	240,667,032	244,769,119	263,493,652	260,060,887	234,919,976	239,565,221	214,127,613	171,889,360	169,096,588
Legal Debt Margin	$ 452,213,718	$ 439,530,096	$ 425,069,992	$ 392,935,844	$ 365,588,644	$ 348,522,518	$ 295,598,136	$ 277,112,746	$ 284,000,700	$ 257,281,114
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	33.45%	35.38%	36.54%	40.14%	41.57%	40.26%	44.76%	43.59%	37.70%	39.66%

Table 15
Unaudited

CITY OF ROANOKE, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2012

Table 15 Updated Need

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, 2012 (1)		$ 6,794,772,298
Legal Debt Limit: 10% of $6,794,772,298		679,477,230
Debt applicable to limitation:		
General Obligation Serial Bonds - Governmental Activities	$ 170,927,717	
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)	17,558,082	
Section 108 Loan Hotel Roanoke Conference Center Commission (HRCCC)	910,000	
Qualified Zone Academy Bonds (QZAB)	1,618,197	
State Literary Fund Loans	2,440,000	
Virginia Public School Authority (VPSA) School Bonds	40,825,297	
Civic Facilities Enterprise Fund - Business-Type Activities	12,904,200	
Deferred Bond Costs - Civic Facilities Enterprise Fund Debt	(134,345)	
Parking Enterprise Fund Supported Debt - Business-Type Activities	13,867,000	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	(325,288)	
Total Debt	260,590,860	
Less: Available in Debt Service Fund	(1,317,554)	
WVWA Supported Debt	(17,558,082)	
HRCCC Supported Debt	(910,000)	
Parking Enterprise Fund Supported Debt	(13,867,000)	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	325,288	227,263,512
Legal Debt Margin		$ 452,213,718

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

Table 16
Unaudited

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

Fiscal Year		Principal (1)	Interest (1)	Total Debt Service	Total General Expenditures (2)	Percent of Debt Service to General Expenditures
2002-03		12,083,145	9,681,287	21,764,432	252,841,855	8.6%
2003-04		11,255,346	7,882,228	19,137,574	268,406,972	7.1%
2004-05		12,283,849	7,860,775	20,144,624	284,024,496	7.1%
2005-06	(3)	14,765,894	9,357,973	24,123,867	298,166,075	8.1%
2006-07		17,493,085	10,549,172	28,042,257	318,422,477	8.8%
2007-08		18,181,973	9,880,643	28,062,616	334,448,507	8.4%
2008-09		20,480,823	11,121,043	31,601,866	340,360,591	9.3%
2009-10		21,869,664	11,436,671	33,306,335	324,345,350	10.3%
2010-11		19,093,669	10,346,300	29,439,969	314,114,285	9.3%
2011-12		21,033,664	10,338,250	31,371,914	318,343,912	9.9%

(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.
(2) Includes expenditures of the General Funds of the City and School Board less the transfer from the General Fund to the School Board.
(3) Excludes Bond Anticipation Note of $5,500,000 which was both issued and repaid during fiscal year 2006.

Table 17
Unaudited

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Debt Service:										
Principal Retirement	$ 23,426,997	$ 20,778,546	$ 23,566,295	$ 22,157,734	$ 19,822,282	$ 19,119,311	$ 17,140,653	$ 14,785,327	$ 11,543,107	$ 12,283,145
Interest and Paying Agent Charges	10,936,143	11,372,995	12,768,787	12,286,166	11,189,318	11,103,323	11,270,985	10,084,588	8,541,638	9,863,967
Total Debt Service Payments	34,363,140	32,151,541	36,335,082	34,443,900	31,011,600	30,222,634	28,411,638	24,869,915	20,084,745	22,147,112
Total Government Funds Expenditures	293,852,640	283,033,781	310,792,826	317,601,459	306,874,197	299,375,064	278,770,725	265,135,065	238,117,638	218,406,148
Capital Outlays	(10,456,003)	(17,436,961)	(37,764,765)	(40,930,978)	(31,895,657)	(40,817,148)	(37,032,175)	(34,734,158)	(27,916,709)	(13,569,300)
Total Noncapital Expenditures	$ 283,396,637	$ 265,596,820	$ 273,028,061	$ 276,670,481	$ 274,978,540	$ 258,557,916	$ 241,738,550	$ 230,400,907	$ 210,200,929	$ 204,836,848
Percentage of Noncapital Expenditures	12.13%	12.11%	13.31%	12.45%	11.28%	11.69%	11.75%	10.79%	9.56%	10.81%

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)
2002-03	93,100	29,475 (est.)	2,470,408,500	13,004	4.6%	6.3%
2003-04	92,900	31,370 (est.)	2,900,194,000	12,861	4.0%	5.6%
2004-05	92,671	32,169 (est.)	2,975,832,000	12,712	3.7%	5.0%
2005-06	92,994	33,090 (est.)	3,118,622,000	12,587	3.3%	4.6%
2006-07	93,048	36,277 (est.)	3,443,232,000	12,256	3.2%	4.6%
2007-08	93,734	38,276 (est.)	3,667,342,000	12,286	3.9%	5.6%
2008-09	94,482	37,506 (est.)	3,638,915,000	12,303	7.7%	9.5%
2009-10	97,032	38,541 (est.)	3,732,912,000	12,266	7.4%	9.4%
2010-11	97,206 (est.)	38,541 (est.)	3,732,912,000	12,261	6.9%	9.1%
2011-12	97,206 (est.)	38,541 (est.)	3,732,912,000	13,006	6.5%	8.4%

(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

	COMMERCIAL CONSTRUCTION (1)		RESIDENTIAL CONSTRUCTION (1)	
Fiscal Year	Number of Permits	Value	Number of Permits	Value
2002-03	437	60,291,138	730	21,844,483
2003-04	871	57,922,598	303	17,995,045
2004-05	497	143,755,330	610	23,936,990
2005-06	512	193,157,052	673	30,206,738
2006-07	465	109,104,902	697	24,079,265
2007-08	456	233,358,448	754	29,442,647
2008-09	419	103,604,031	663	23,814,449
2009-10	467	92,266,288	709	25,004,592
2010-11	533	80,571,667	686	15,535,733
2011-12	538	69,398,478	678	14,628,255

(1) 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 2012 AND 2003

	December 31, 2011			December 31, 2002		
Employer	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Carilion	1	Private	1000+	1	Private	1000+
Roanoke City Public Schools	2	Local Govt.	1000+	2	Local Govt.	1000+
City of Roanoke	3	Local Govt.	1000+	3	Local Govt.	1000+
Norfolk Southern	4	Private	1000+	4	Private	1000+
Advance Auto Parts	5	Private	1000+	5	Private	1000+
Walmart	6	Private	500-999	9	Private	500-999
United Parcel Service	7	Private	500-999	7	Private	500-999
Virginia Western Community College	8	State Govt.	500-999	13	State Govt.	500-999
Kroger	9	Private	500-999	10	Private	500-999
United States Postal Service	10	Federal Govt.	500-999	6	Federal Govt.	500-999
Anthem (Blue Cross & Blue Shield)	-	-	-	8	Private	500-999

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

Table 21
Unaudited

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

	Full-time Equivalent Employees as of December 31									
	2011 (3)	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Function:										
General Government	218	159	178	195	193	184	184	188	191	199
Judicial Administration:										
Sheriff	35	33	32	35	31	31	31	31	31	31
Other	58	55	58	57	59	58	54	53	52	50
Public Safety:										
Police	305	284	309	312	305	309	304	286	295	289
Jail	171	161	159	164	165	165	173	175	173	170
Fire	258	259	250	268	270	266	264	266	268	262
Other	75	62	81	76	83	84	79	82	84	82
Public Works:										
Engineering	18	20	20	19	19	17	20	21	21	21
Maintenance	114	127	126	132	144	150	151	152	157	155
Transportation	91	86	79	86	92	82	85	91	98	95
Other	-	-	1	2	2	2	1	2	3	3
Health and Welfare	231	220	224	226	224	224	217	209	208	220
Parks, Recreation and Cultural	118	92	97	112	112	110	102	102	105	103
Community Development	50	42	46	47	47	48	41	35	42	34
Civic Facilities	-	-	- (2)	25 (2)	31	36	35	37	31	31
Water	-	-	-	-	-	-	-	- (1)	106	107
Water Pollution Control	-	-	-	-	-	-	-	- (1)	43	51
Total	**1,742**	**1,600**	**1,660**	**1,756**	**1,777**	**1,766**	**1,741**	**1,730**	**1,908**	**1,903**

(1) In FY04, the Western Virginia Water Authority was formed by the City and County of Roanoke.
(2) On 1/1/09, Civic Facilities began operating under private management. Remaining workers became employees of Global Spectrum, the outside management firm, at that time.
(3) In calendar year 2011, the City began reporting full time equivalent positions instead of full time employees. Like data is unavailable in prior years for comparative purposes.

Source: City of Roanoke, Department of Finance

Table 22
Unaudited

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

Function	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
General Government										
Levied property taxes	$30,005,358	$29,197,629	$28,773,772	$28,765,002	$30,005,699	$30,487,405	$28,355,143	$26,943,961	$25,524,398	$26,145,291
Number of business licenses issued	7,129	7,458	7,121	7,481	7,369	7,427	7,200	6,900	7,200	6,900
Number of property & building permits*	4,038	4,145	3,158	3,575	3,685	3,433	5,000	5,352	5,760	4,836
Police										
Number of traffic summons	24,111	27,425	21,997	22,592	20,777	18,626	18,766	7,396	9,714	16,966
Number of assistance call responses	93,670	89,498	89,172	90,840	89,131	88,022	89,176	88,991	83,862	86,146
Number of hours of training conducted**	48,230	34,916	19,266	10,238	28,888	47,089	62,500	62,000	55,906	48,549
Fire										
Number of emergency call responses	23,805	23,941	23,630	23,231	23,369	23,686	22,203	22,579	21,139	19,956
Highways and Streets										
Number of lane miles resurfaced	24	19	41	43	46	51	57	57	49	49
Number of street lights added	10	14	52	73	7	52	90	60	120	48
Judicial Administration										
Number of criminal cases	11,792	11,562	12,671	14,917	14,516	12,790	13,103	12,500	12,643	11,222
Number of traffic cases	27,975	30,555	30,335	32,377	29,199	25,613	28,544	29,500	25,930	22,978
Number of civil cases	20,919	20,292	20,668	26,635	31,585	32,391	37,587	33,000	32,054	28,405
Parks & Recreation										
Number of participants served	140,220	130,755	117,484	135,000	160,000	200,000	231,000	213,900	195,000	151,076
Education										
Number of instructional personnel	1,101	1,073	1,113	1,220	1,188	1,193	1,157	1,096	1,142	1,118
Number of students	13,006	12,261	12,266	12,303	12,286	12,256	12,587	12,712	12,861	13,004
Libraries										
Number of volumes	311,495	319,014	402,827	410,216	273,897	320,249	378,734	374,453	345,856	331,828
Number of audio materials	12,120	11,660	12,128	10,923	11,255	10,958	13,481	13,516	12,844	12,434
Number of video materials	21,307	18,791	16,469	16,690	12,358	9,799	12,078	10,692	9,742	9,055
Number of annual library visits	660,559	659,672	707,467	669,511	650,881	548,436	375,000	434,170	328,228	426,704
Economic Development										
Businesses contacted for personal visits	840	504	537	645	349	332	200	100	150	250
Housing and Neighborhood Services										
Total housing units	45,340	45,665	45,720	45,710	45,442	47,087	45,978	46,388	45,051	44,846
Average assessed value of single-family housing units	$ 129,932	$ 133,340	$ 133,276	$ 132,798	$ 132,170	$ 132,778	$ 124,709	$ 109,819	$ 100,707	$ 93,229

Sources: Various City of Roanoke departments

* 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	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Police										
Number of vehicular units	158	165	162	157	175	165	142	156	137	122
Fire										
Number of stations	(1) 11	11	12	12	12	12	13	13	13	13
Number of fire trucks	27	28	26	24	24	23	23	25	25	24
Highways and Streets										
Miles of streets (lane miles)	998	998	997	997	997	997	997	997	995	995
Number of street lights	9,960	9,950	9,936	9,884	9,811	9,804	9,800	9,758	9,710	9,566
Parks and Recreation										
Parks, plazas and recreation sites	69	(2) 72	72	68	69	69	71	71	71	71
Playgrounds/play areas	94	(3) 39	39	37	37	37	39	39	39	39
Football/soccer fields	24	26	26	24	24	24	21	21	21	21
Baseball/softball fields	29	31	31	30	30	30	32	32	32	32
Olympic-size swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	6	6	6	6	6	6	8	8	8	8
Education										
Elementary schools	17	17	18	19	20	21	21	21	21	21
Middle schools	5	5	5	6	6	6	6	6	6	6
High schools	2	2	2	2	2	2	2	2	2	2
Libraries										
Libraries	7	7	7	7	7	7	7	7	7	7
Bookmobile	-	-	-	1	1	1	1	1	1	1
Kiosks	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

THIS PAGE INTENTIONALLY BLANK

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Department of Agriculture			
Passed Through Commonwealth of Virginia			
Department of Agriculture:			
Food Distribution - Commodities (1)	-	10.555	$ 2,845
Subtotal Food Distribution - Commodities			2,845
Passed Through Commonwealth of Virginia			
Department of Health:			
Summer Food Service Program for Children FY11-12	58745	10.559	51,433
Summer Food Service Program for Children FY12-13	58745	10.559	19,720
Subtotal Summer Food Service Program for Children			71,153
Passed Through Commonwealth of Virginia			
Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program	-	10.561	1,650,504
Subtotal Matching Grants for Food Stamp Program			1,650,504
Passed Through Commonwealth of Virginia			
Department of Forestry:			
Urban and Community Forestry FY11-Plan Update	10UCF14	10.675	2,402
Urban and Community Forestry FY11-Tree Stewards	10UCF15	10.675	2,402
Urban and Community Forestry FY12-Marketing	11UCF12	10.675	10,167
Urban and Community Forestry FY12-Tree Stewards	11UCF13	10.675	10,166
Subtotal Urban and Community Forestry			25,137
Subtotal Passed Through Commonwealth of Virginia			1,749,639
Total Department of Agriculture			1,749,639
Department of Housing and Urban Development			
Direct Programs:			
Community Development Block Grant FY04 (2)	B-03-MC-51-0020	14.218	32,027
Community Development Block Grant FY06 (2)	B-05-MC-51-0020	14.218	32,340
Community Development Block Grant FY07 (2)	B-06-MC-51-0020	14.218	45,326
Community Development Block Grant FY08 (2)	B-07-MC-51-0020	14.218	19,426
Community Development Block Grant FY09 (2)	B-08-MC-51-0020	14.218	30,828
Community Development Block Grant FY10 (2)	B-09-MC-51-0020	14.218	484,932
Community Development Block Grant FY11 (2)	B-10-MC-51-0020	14.218	543,961
Community Development Block Grant FY12 (2)	B-11-MC-51-0020	14.218	926,295
Subtotal Community Development Block Grant			2,115,135

(Continued)

See Accompanying Independent Auditors' Report

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Direct Programs:			
Department of Housing and Urban Development (continued):			
ARRA Homelessness Prevention & Rehousing FY09	S09-MY-51-0005	14.257	$ 233,931
Subtotal ARRA Homelessness Prevention & Rehousing			233,931
Emergency Shelter Grant FY12 (3)	S-11-MC-51-0006	14.231	81,671
Subtotal Emergency Shelter Grant			81,671
Supportive Housing Program 2011	VA0031B3F021003	14.235	114,067
Supportive Housing Program 2012	VA0031B3F021104	14.235	66,273
Subtotal Supportive Housing Program			180,340
Shelter Plus Care 2011 (4)	VA0032C3F020802	14.238	9,378
Shelter Plus Care 2012 (4)	VA0032C3F021003	14.238	106,522
Shelter Plus Care 2012 Rural Highlands (4)	VA0169C3F021000	14.238	2,858
Subtotal Shelter Plus Care			118,758
HOME Investment in Affordable Housing 06 (5)	M-05-MC-51-0206	14.239	97,328
HOME Investment in Affordable Housing 08 (5)	M-07-MC-51-0206	14.239	202,045
HOME Investment in Affordable Housing 09 (5)	M-08-MC-51-0206	14.239	17,948
HOME Investment in Affordable Housing 10 (5)	M-09-MC-51-0206	14.239	173,273
HOME Investment in Affordable Housing 11 (5)	M-10-MC-51-0206	14.239	255,583
HOME Investment in Affordable Housing 12 (5)	M-11-MC-51-0206	14.239	64,722
Subtotal HOME Investment in Affordable Housing			810,899
ARRA CDBG Neighborhood Infrastructure FY09	B09-MY-51-0020	14.253	118,994
Subtotal ARRA CDBG Neighborhood Infrastructure			118,994
ARRA Lead Hazard Control	VALHB0417-08	14.900	202,774
Lead Hazard Control	VALHB0510-11	14.900	45,796
Subtotal ARRA Lead Hazard Control			248,570
Subtotal Department of Housing and Urban Development Direct Programs			3,908,298
Total Department of Housing and Urban Development			3,908,298
Department of Justice			
Direct Programs:			
U. S. Marshals Service FY11 Automotive	JLEO-11-0210	16.xxx	2,867
U. S. Marshals Service FY12 Automotive	JLEO-12-0210	16.xxx	3,183
Subtotal U. S. Marshals Service			6,050
Safe Havens Visitation Program FY11	2010-CW-AX-K005	16.527	114,867
Subtotal Safe Havens Visitation Program			114,867

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Direct Programs:			
Department of Justice (continued):			
State Criminal Alien Assistance Program FY11	2010-H5741-VA-AP	16.606	$ 14,439
Subtotal SCAAP Program			14,439
Bulletproof Vests FY09 (Police only)	2007BUBX07039526	16.607	190
Bulletproof Vests FY10 (Police only)	2009BUBX08044562	16.607	10,812
Bulletproof Vests FY11 (Police & Sheriff)	2010BUBX10053408	16.607	6,090
Bulletproof Vests FY12 (Police & Sheriff)	2011BUBX11058211	16.607	1,932
Subtotal Bulletproof Vests			19,024
ARRA COPS Hiring Recovery Program FY10	2009-RKWX-0850	16.710	225,568
Subtotal ARRA COPS Hiring Recovery Program			225,568
Justice Assistance Grant FY10 (Sheriff Security)	2009-DJ-BX-1510	16.738	127,500
Justice Assistance Grant FY12 (Bike Patrol/Tech Improve))	2011-DJ-BX-2868	16.738	36,763
Justice Assistance Grant FY11 (Tech Improve Police & Sheriff)	2010-DJ-BX-1650	16.738	101,110
Justice Assistance Grant FY12 (Technology Improvement)	12-D5825CR09	16.738	41,208
Subtotal Justice Assistance			306,581
ARRA Justice Assistance Grant (Multiple Projects) FY09	2009-SB-B9-1442	16.804	155,907
Subtotal ARRA Justice Assistance			155,907
Subtotal Department of Justice Direct Programs			842,436
Passed Through Commonwealth of Virginia			
Department of Criminal Justice Services:			
Juvenile Accountability Incentive Block Grant CY11	11-M3221JB09	16.523	27,825
Juvenile Accountability Incentive Block Grant CY12	12-N3221JB10	16.523	20,284
Subtotal Juvenile Accountability Incentive Block Grant			48,109
Positive Action FY12	12-A2346JJ-10	16.540	64,935
Project Back on Track FY12	12-B2242JJ-10	16.540	55,963
Subtotal Juvenile Justice			120,898
Victim Witness Assistance FY11	11-Q8554VW10	16.575	133
Victim Witness Assistance FY12	12-R8554VW11	16.575	120,325
Subtotal Victim Witness Assistance			120,458
Data Sharing FY10	09-D5318CR08	16.579	110,305
Subtotal Data Sharing			110,305
Police Domestic Violence Unit CY11	11-M3153VA10	16.588	22,134
Police Domestic Violence Unit CY12	12-N3153VA11	16.588	22,244
Subtotal Police Domestic Violence			44,378

(Continued)

See Accompanying Independent Auditors' Report

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Passed Through Commonwealth of Virginia			
Department of Criminal Justice Services (continued):			
Intensive Supervision Juvenile Supervision FY12	12-B2134AD09	16.592	$ 51,857
Subtotal Intensive Supervision			51,857
Subtotal Passed Through Commonwealth of Virginia			496,005
Total Department of Justice			1,338,441
Department of Labor			
Passed Through Commonwealth of Virginia			
Virginia Employment Commission:			
Workforce Investment Act FY12 Exemplary Perform - Adult	LWA-03-11-INC02	17.258	2,602
Workforce Investment Act FY12 Regional Collaboration - Adult	LWA-03-11-INC01	17.258	7,484
Workforce Investment Act FY11 - Adult	LWA3-10-02	17.258	136,082
Workforce Investment Act FY12 - Adult	LWA3-11-03	17.258	219,048
Subtotal Workforce Investment Act Adult			365,216
Workforce Investment Act FY12 Exemplary Perform - Youth	LWA-03-11-INC02	17.259	2,788
Workforce Investment Act FY12 Regional Collaboration - Youth	LWA-03-11-INC01	17.259	8,019
Workforce Investment Act FY11 - Youth	LWA3-10-02	17.259	198,330
Workforce Investment Act FY12 - Youth	LWA3-11-03	17.259	231,154
Subtotal Workforce Investment Act Youth			440,291
Workforce Investment Act FY11 - Dislocated Worker	LWA3-10-02	17.278	65,655
Workforce Investment Act FY12 - Dislocated Worker	LWA3-11-03	17.278	398,427
Workforce Investment Act FY12 Exemplary Perform - Dis Wkr	LWA-03-11-INC02	17.278	3,903
Workforce Investment Act FY12 Regional Collaboration - Dis Wk	LWA-03-11-INC01	17.278	11,227
Workforce Investment Act FY11 Rapid Response #2 - Dis Wkr	LWA 03-10-01RR	17.278	107,007
Subtotal Workforce Investment Dislocated Worker			586,219
Subtotal Passed Through Commonwealth of Virginia			1,391,726
Total Department of Labor			1,391,726
Department of Transportation			
Direct Programs:			
FY08 FTA Capital Assistance (pass thru to CCTM)	VA-04-0004-01	20.500	10,986
FY08 FTA Capital Assistance (pass thru to NRHS)	VA-04-0009-01	20.500	32,479
FY09 FTA Capital Assistance	VA-04-0027-00	20.500	49,347
FY09 FTA Capital Assistance	VA-04-0046-00	20.500	3,189
Subtotal FTA Capital Assistance			96,001

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Direct Programs:			
Department of Transportation (continued):			
FY07 FTA Capital Assistance	VA-95-X005-00	20.507	$ 22,362
FY08 FTA Capital Assistance	VA-95-0019-00	20.507	40,176
FY09 FTA Capital Assistance	VA-95-0051-00	20.507	127,512
FY12 FTA Operating Assistance	VA-90-X373-00	20.507	2,505,536
ARRA FY10 FTA Assistance	VA-96-X010-00	20.507	102,426
Subtotal FTA Operating & Capital Assistance			2,798,012
FY11 FTA Operating Assistance (pass thru from DRPT)	VA-18-X031-00	20.509	38,516
FY12 FTA Operating Assistance (pass thru from DRPT)	VA-18-X032-00	20.509	224,505
Subtotal FTA Operating Assistance			263,021
Subtotal Direct Programs			3,157,034
Passed Through Commonwealth of Virginia			
Department of Motor Vehicles:			
Multi-Purpose FY11	SC-2011-51359-4301	20.600	22,007
Multi-Purpose FY12	SC-2012-52288-4666	20.600	33,585
Blue Regional Crash Team FY12	K8-2012-52067-4445	20.600	168
Subtotal Highway Safety			55,760
Blue Regional DUI FY11	K8-2011-51302-4244	20.601	1,267
Blue Regional DUI FY12	K8-2012-52012-4390	20.601	1,791
Subtotal Highway Safety			3,058
Passed Through Commonwealth of Virginia			
Department of Transportation:			
ARRA Roanoke River Greenway Transportation Enhancement	VDoT UPC 93201	20.205	317,385
Roanoke River Greenway TEA21	EN03-128-129	20.205	103,599
Roanoke River Greenway TEA21, #128-129		20.205	1,868,384
Virginian Railway Passenger Station TEA21		20.205	22,918
O Winston Link Museum TEA21		20.205	11,481
Subtotal Roanoke River Greenway			2,323,767
Subtotal Passed Through Commonwealth of Virginia			2,382,585
Total Department of Transportation			5,539,619
National Endowment for the Arts			
Direct Programs:			
Local Arts Agencies (Roanoke Arts Commission)	10-6200-7028	45.024	13,516
Subtotal Local Arts Agencies			13,516
Total National Endowment for the Arts			13,516

(Continued)

See Accompanying Independent Auditors' Report

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Environmental Protection Agency			
Direct Programs:			
Brownfield Area Plan Tech Assistance FY11	TR-83491601-0	66.814	$ 93,200
Subtotal Brownfield Job Training			93,200
Brownfield Assessment Petroleum Based FY07	BF97346901-0	66.818	9,570
Brownfield Loan Fund FY08	BF97357101-0	66.818	186,677
Brownfield Assessment Hazardous Materials FY09	BF97370501-0	66.818	11,134
Subtotal Brownfield Remedial Programs			207,381
Subtotal Environmental Protection Agency Direct Programs			300,581
Total Department of Environmental Protection Agency			300,581
Department of Energy			
Direct Programs:			
ARRA Energy Efficiency & Conservation Block Grant FY10	DE-SC0002804	81.128	291,316
Subtotal ARRA Energy Efficiency & Conservation Block Grant			291,316
Subtotal Department of Energy Direct Programs			291,316
Total Department of Energy			291,316
Corporation for National and Community Services			
Passed Through Commonwealth of Virginia			
Department of Social Services:			
AmeriCorps	2010-2011 Formula	94.006	17,321
AmeriCorps	2011-2012 Formula	94.006	81,717
Subtotal AmeriCorps Program			99,038
Subtotal Passed Through Commonwealth of Virginia			99,038
Total Corporation for National and Community Services			99,038
Federal Emergency Management Agency			
Direct Programs:			
Assistance To Firefighters 2009	EMW-2008-FO-11758	97.044	11,989
Assistance To Firefighters 2011	EMW-2010-FO-07086	97.044	230,431
Subtotal Asistance to Firefighters Programs			242,420
Subtotal Federal Emergency Management Direct Programs			242,420
Passed Through Commonwealth of Virginia			
Department of Emergency Management:			
Emergency Management Assistance	-	97.042	36,653
Subtotal Emergency Management Assistance Programs			36,653

(Continued)

See Accompanying Independent Auditors' Report

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Passed Through Commonwealth of Virginia			
Department of Emergency Management (continued):			
State Homeland Security Incident Response Vehicle FY10	10-A2163HS09	97.073	$ 250,888
State Homeland Security Equipment Replacement FY11	11-A2312HS10	97.073	90,260
State Homeland Security Haz-Mat Team Equip FY11	2010-SHSP-HAZ-MAT	97.073	18,845
Subtotal State Homeland Security Programs			359,993
Subtotal Passed Through Commonwealth of Virginia			396,646
Total Federal Emergency Management Agency			639,066
Department of Health and Human Services			
Passed Through Commonwealth of Virginia			
Department of Social Services:			
Promoting Safe and Stable Families	-	93.556	49,883
Temporary Assistance for Needy Families	-	93.558	2,332,899
Refugee & Entrant Assistance-State Administered Program	-	93.566	31,012
Low-Income Home Energy Assistance	-	93.568	118,681
Child Care and Development Block Grant	-	93.575	789,303
Child Care Mandatory-Child Care and Development Fund	-	93.596	792,309
Education & Training Vouchers Program	-	93.599	20,890
Child Welfare Services	-	93.645	5,831
Foster Care Title IV-E	-	93.658	1,730,535
Adoption Assistance	-	93.659	2,215,310
Social Services Block Grant	-	93.667	1,225,929
Foster Care Independence Program	-	93.674	55,137
Children's Insurance Program	-	93.767	46,444
Medical Assistance Program	-	93.778	982,743
Subtotal Passed Through Commonwealth of Virginia			10,396,906
Total Department of Health and Human Services			10,396,906
Grand Total Federal Financial Assistance			**$ 25,668,146**

(Continued)

See Accompanying Independent Auditors' Report

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures

Notes:

(1) The value reported for disbursements, with respect to commodities distributed by the Federal government, fair market value as furnished by the respective department of the Federal government.
(2) The amount of federal funds passed through to subgrantees totals $2,115,135.
(3) The amount of federal funds passed through to subgrantees totals $81,671.
(4) The amount of federal funds passed through to subgrantees totals $118,758.
(5) The amount of federal funds passed through to subgrantees totals $810,899.

See Accompanying Independent Auditors' Report

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Other auditors audited the financial statements of the School Board of the City of Roanoke, Virginia (the School Board), a discretely presented component unit of the City, and certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and that is described in item 12-1 in the accompanying Schedule of Findings and Questioned Costs. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 matter that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the City in a separate letter dated November 30, 2012.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the City Council, the audit committee of the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 30, 2012

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

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the City of Roanoke, Virginia's (the City's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit. The City's basic financial statements include the operations of the School Board of the City of Roanoke, Virginia (the School Board), a discretely presented component unit of the City, which received $30,108,791 in federal awards which is not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2012. Our audit, described below, did not include the operations of the School Board because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the City Council, the audit committee of the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 30, 2012

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

Independent Auditors' Report on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grant Agreements

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining fund information of the City of Roanoke, Virginia (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Other auditors audited the financial statements of the School Board of the City of Roanoke, Virginia (the School Board), a discretely presented component unit of the City, and certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of compliance that are reported on separately by those other auditors.

Compliance with Commonwealth of Virginia laws, regulations, contracts and grant agreements applicable to the City is the responsibility of the management of the City. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grant agreements. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The following is a summary of the Commonwealth of Virginia laws, regulations, contracts and grant agreements, as contained in the Specifications, for which we performed tests of compliance:

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Debt Provisions
Retirement Systems
Procurement Laws
Uniform Disposition of Unclaimed Property Act

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

State Agency Requirements

Comprehensive Youth Services Act
Highway Maintenance Funds
Personal Property Tax Relief Act
Social Services

As described in item 12-2 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with certain requirements of the Conflicts of Interest Act as contained in the Specifications. With the exception of the noncompliance described in the preceding sentence, the results of our tests of compliance disclosed no other instances of noncompliance that are required to be reported under the Specifications.

The City's response to the finding is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the City Council, the audit committee of the City Council, others within the entity, the Auditor of Public Accounts of the Commonwealth of Virginia, and the applicable state agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 30, 2012

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(1) Summary of Auditors' Results

(a) The type of report issued on the basic financial statements: **unqualified opinions**.

(b) Significant deficiencies in internal control over financial reporting disclosed by the audit of the financial statements: **yes, 12-1**. Material weaknesses: **none**.

(c) Noncompliance which is material to the basic financial statements: **none**.

(d) Significant deficiencies in internal control over major programs: **none reported**. Material weaknesses: **none**.

(e) The type of report issued on compliance for major programs: **unqualified opinion**.

(f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **none.**

(g) Major programs:

Program	**CFDA**
Energy Efficiency and Conservation Block Grant Program (EECBG)	(CFDA #81.128);
Child Care and Development Block Grant and Child Care Mandatory and Matching Funds of the Child Care and Development Fund Grant Cluster	(CFDA #93.575 and #93.596);
ARRA Federal Transit and Federal Transit – Cluster	(CFDA #20.500 and #20.507);
Justice Assistance Program Grant Cluster	(CFDA #16.738 and #16.804);
ARRA Lead-Based Paint Hazard Control	(CFDA #14.900);
Adoption Assistance Grant	(CFDA #93.659);
Highway Planning and Construction Program	(CFDA #20.205);
Foster Care Title IV–E	(CFDA #93.658);
Medicaid Assistance Program	(CFDA #93.778);

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$770,044**.

(i) Auditee qualified as a low risk auditee under Section 530 of OMB Circular A-133: **no**.

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

Item 12-1

Condition found, including perspective: During the fiscal year ended June 30, 2012, management instituted several new capital asset policies and procedures in order to strengthen the existing internal controls over capital assets. As a result of the implementation of these policies and procedures, management found several instances in which assets that remained in the Construction in Process general ledger account should have been placed into service in prior fiscal years with the commencement of depreciation expense recorded in prior fiscal years accordingly. Upon noting these discrepancies, management performed an in depth analysis to determine the impact of depreciation which was not recorded in prior fiscal years, noting that the overall impact was not material, nor did the issue have the potential to be material to the City's financial statements.

Possible asserted cause and effect: Management asserts that the implementation of these improved controls has allowed management to obtain a more accurate understanding of a project's status. Specifically, management has developed a questionnaire to facilitate increased communication between the purchasing department/project managers and the finance department. This questionnaire provides criteria to help the purchasing department/project managers in accurately assessing the timing for when a project is substantially complete and placed in-service, as noted in the Governmental Accounting Standards Board (GASB) codification section 1400, *Reporting Capital Assets.*

Recommendation: We recommend that management continue to monitor the improved controls implemented this fiscal year to strengthen the overall internal control environment for capital assets at the City and also improve the accuracy of recording depreciation expense in the proper accounting periods.

Views of responsible officials:

The policies and procedures we implemented enabled us to identify several assets completed in prior years that should have been placed into service with depreciation recorded. The changes designed to strengthen existing internal controls yielded the anticipated results and the controls appear to be working as designed. All assets completed during prior years have been identified and are now properly reported as in service and depreciation is properly being recorded. We agree with the recommendation to continue to evaluate the effectiveness of existing controls and, where necessary, modify policies and procedures accordingly to ensure accurate reporting in the appropriate period.

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

None.

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

Item 12-2

3-5 – Conflicts of Interest Act

Criteria – Local officials must file an annual disclosure form (Section 2.2-3115 of the Code of Virginia) by January 15th of each year, except when the filing deadline falls on a Saturday, Sunday, or legal holiday, then the disclosure statement shall be filed on the next day that is not a Saturday, Sunday, or legal holiday. Completed forms were most recently required to be received by January 17, 2012 pursuant to Section 2.2-3115 of the Code of Virginia.

Condition – Two of forty-eight disclosures of interest in real estate located within the City of Roanoke were submitted after January 17, 2012. One of the forty-eight disclosures of interest in real estate located within the City of Roanoke was not submitted and filed until after we discovered such omission during the performance of our procedures and informed management accordingly.

Effect – Noncompliance with Commonwealth's requirements may result in state sanctions.

Questioned Cost – None.

Recommendation – The City should establish procedures to ensure that disclosure forms for all officials required to comply with Commonwealth's disclosure requirements are filed accurately and timely.

Management's Response – The City Clerk will include a paragraph in communications to all appropriate individuals serving on Council-appointed authorities, boards, commissions and committees advising of the State Code statute regarding penalty for late filing or refusal to file, with a copy of the communication to the Commonwealth's Attorney Office.

CITY OF ROANOKE, VIRGINIA

Summary Schedule of Prior Year Audit Findings and Questioned Costs

Year ended June 30, 2012

Item 2011-1: Allowable Costs

Status: We did not identify any findings related to the allowable use of (federal, state, and local) funds administered under the Community Oriented Police Services (COPS) Hiring Recovery Program awarded to the City of Roanoke.

Item 2011-2: Annual Disclosure Form

***Status*:** We noted an additional finding as it relates to ensuring that Annual Disclosure Forms are submitted timely by the City of Roanoke for interest in real estate located within the City of Roanoke. For considerations over the finding and management's response for the year ended June 30, 2012, refer to item 12-2 included on the Schedule of Findings and Questioned Costs.

Item 2011-3: Business Continuity Plan

***Status*:** We did not identify any findings as it relates to ensuring that the City's Department of Social Services has a Business Continuity Plan which addresses all requirements of the Commonwealth's Auditor of Public Accounts. This includes the loss of services due to a reduced workforce and also prioritizing of tasks and evaluation of functioning for the specified 30-day period.

Department of Finance
City of Roanoke, Virginia

Ann H. Shawver, CPA	Director of Finance
Andrea F. Trent	Assistant Director of Finance
Cindy M. Ayers	Administrative Assistant IV

Accounting / Accounts Payable

Sharon A. Bowman	Account Technician
Acquenatta Jackson-Harris	Accountant
Kathleen A. Hylton	Accountant
Cathy P. Jones	Account Technician
Su Hyun "Esther" Kim	Senior Accountant
James J. Newman	Accountant
Mary L. Ratcliffe	Senior Accountant/AP Supervisor
Julie A. Ruppert	Senior Accountant
D. René Satterwhite	Accounting Supervisor
Belinda G. Thomas	Account Technician

Payroll / Systems

Connie K. Altice	Payroll Technician
Suzanne F. Barnett	Payroll Accountant
Tasha L. Burkett	Senior Financial Systems Accountant
Kimberly H. Corpening	Financial Systems Technician
Jody A. Lawson	Payroll and Systems Administrator
Paula S. Quinn	Senior Payroll Technician
Regena Y. Weddle	Financial Systems Accountant

Retirement

Harold R. Harless, Jr.	Retirement Supervisor
Dorothy E. Hoskins	Senior Accountant
Karen B. Mullen	Retirement Account Technician

THIS PAGE INTENTIONALLY BLANK