

**City of Roanoke, Virginia**

**Comprehensive Annual Financial Report**

**For the Fiscal Year July 1, 2007 to June 30, 2008**

**Prepared by the City of Roanoke Department of Finance**

# Table of Contents

	<b>Page Number</b>
<b>INTRODUCTORY SECTION</b>	
<i>Letter of Transmittal</i> .....	9
<i>Certificate of Achievement for Excellence in Financial Reporting</i> .....	23
<i>Directory of Principal Officials</i> .....	24
<i>Organizational Chart</i> .....	25
 <b>FINANCIAL SECTION</b>	
<i>Independent Auditors' Report</i> .....	29
<i>Management's Discussion and Analysis (Required Supplementary Information)</i> .....	31
 <b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
<i>Exhibit A Statement of Net Assets</i> .....	47
<i>Exhibit B Statement of Activities</i> .....	48
 <b>Fund Financial Statements</b>	
<b>Governmental Funds Financial Statements</b>	
<i>Exhibit C Balance Sheet</i> .....	50
<i>Exhibit D Reconciliation of the Balance Sheet to the Statement of Net Assets</i> .....	51
<i>Exhibit E Statement of Revenues, Expenditures, and Changes in Fund Balances</i> .....	52
<i>Exhibit F Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities</i> .....	53
 <b>Proprietary Funds Financial Statements</b>	
<i>Exhibit G Statement of Net Assets</i> .....	54
<i>Exhibit H Statement of Revenues, Expenses, and Changes in Fund Net Assets</i> .....	56
<i>Exhibit I Statement of Cash Flows</i> .....	58
 <b>Fiduciary Fund Financial Statements</b>	
<i>Exhibit J Statement of Fiduciary Net Assets</i> .....	60

<i>Exhibit K Statement of Changes in Fiduciary Net Assets</i> .....	61
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<b>Notes to Basic Financial Statements</b> .....	62
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**Required Supplementary Information**

<i>Budgetary Comparison Schedule – General Fund</i> .....	111
<i>Schedule of Funding Progress - VRS</i> .....	114
<i>Schedule of Funding Progress – OPEB</i> .....	115
<i>Schedule of Employer Contributions – OPEB</i> .....	115
<i>Note to Budgetary Comparison Schedule – General Fund</i> .....	116

**Supplementary Information**

**Combining and Individual Fund Financial Statements**

<i>Exhibit L-1</i>	<i>Combining Statement of Net Assets – Internal Service Funds</i> .....	119
<i>Exhibit L-2</i>	<i>Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds</i> .....	120
<i>Exhibit L-3</i>	<i>Combining Statement of Cash Flows – Internal Service Funds</i> .....	121
<i>Exhibit M-1</i>	<i>Statement of Fiduciary Assets and Liabilities – Agency Fund</i> .....	122
<i>Exhibit M-2</i>	<i>Statement of Changes in Fiduciary Assets and Liabilities – Agency Fund</i> .....	123

**STATISTICAL SECTION**

<i>Table 1</i>	<i>Net Assets by Component</i> .....	127
<i>Table 2</i>	<i>Changes in Net Assets</i> .....	128
<i>Table 3</i>	<i>Governmental Activities Tax Revenues by Source</i> .....	130
<i>Table 4</i>	<i>Fund Balances of Governmental Funds</i> .....	130
<i>Table 5</i>	<i>Changes in Fund Balances of Governmental Funds</i> .....	132
<i>Table 6</i>	<i>Local Tax Revenues by Source</i> .....	134
<i>Table 7</i>	<i>General Property Tax Levies and Collections</i> .....	134
<i>Table 8</i>	<i>Assessed and Estimated Actual Value of Taxable Property</i> .....	135
<i>Table 9</i>	<i>Property Tax Rates and Levies</i> .....	135
<i>Table 10</i>	<i>Principal Property Taxpayers</i> .....	136
<i>Table 11</i>	<i>Taxable Retail Sales</i> .....	136

	<i><b>Page Number</b></i>
<i>Table 12</i>	<i>Ratio of General Bonded Debt to Total Assessed Value and Bonded Debt Per Capita..... 137</i>
<i>Table 13</i>	<i>Ratios of Outstanding Debt by Type ..... 138</i>
<i>Table 14</i>	<i>Legal Debt Margin Information..... 138</i>
<i>Table 15</i>	<i>Computation of Legal Debt Margin..... 139</i>
<i>Table 16</i>	<i>Ratio of Annual Debt Service Expenditures for General Long-Term Debt to Total General Expenditures ..... 139</i>
<i>Table 17</i>	<i>Debt Service as a Percentage of Non-Capital Expenditures ..... 140</i>
<i>Table 18</i>	<i>Demographic Statistics ..... 140</i>
<i>Table 19</i>	<i>Construction Statistics ..... 141</i>
<i>Table 20</i>	<i>Principal Employers ..... 141</i>
<i>Table 21</i>	<i>Full-Time Equivalent City Government Employees by Function ..... 142</i>
<i>Table 22</i>	<i>Operating Indicators by Function ..... 143</i>
<i>Table 23</i>	<i>Capital Asset Statistics by Function ..... 144</i>

## ***INTRODUCTORY SECTION***

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December 19, 2008

**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, 2008. 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).

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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. 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 require 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 2007 estimated population, 93,504, accounts for just over 31 percent of the population in its metropolitan statistical area (MSA), which includes the neighboring Cities of Salem and 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 coliseum, several parking facilities, and a historic market building which contains retail space and a food court.

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 permit

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 one blended and one discretely presented component unit. 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. The 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 blended component unit is the City-owned Greater Roanoke Transit Company (Transit Company) which is responsible for managing Roanoke's mass transit system. It is reported as an enterprise fund of the primary government.

The discretely presented component unit is the School Board of the City of Roanoke (School Board). The 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. The School Board is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government and to differentiate its financial position and results of operations from that of the primary government.

The annual budget document contains the financial policies of the City and reflects the balance between total proposed expenditures and total anticipated revenues. As required by City Code, the City Manager submits a recommended budget to City Council by May 1<sup>st</sup> each year for the fiscal year beginning July 1<sup>st</sup>. After an extensive study process and a public hearing to receive citizen input, the City Council adopts the budget on or before May 15<sup>th</sup>.

### **Economic Condition and Outlook**

Fiscal year 2008 revenues reflect a stable local economy, even though somewhat slowed from the prior year. General Fund revenues as a whole increased approximately 5% compared to FY07. The real

property tax continued to provide significant growth in revenue, as a result of growth in assessed values and moderate new construction. Real property taxes provide approximately 29% of total General Fund revenues. The taxable real property base grew 7% for FY08. Personal property tax revenue increased 2% during the year. The growth in this local tax occurred primarily in the business and personal property vehicular area. Transient Room Tax grew in excess of 5% over the prior year. Growth in this area was strong for the third year in a row due to positive performance at local hotels in terms of both room rates and occupancy levels. Sales Tax revenues declined nearly 2% from FY07 due to current economic conditions. Prepared Food and Beverage Tax revenues grew nearly 5% during the year and remained strong despite slowing consumer spending in other areas.

In March 2008, the U.S. Census released estimates that confirm Roanoke's population is no longer declining, but, in fact, grew by several hundred people in calendar year 2007. Increases in home values, home ownership, and new housing choices, despite declining national market conditions, are evidence that Roanoke is attracting more dense, urban, development.

Current economic trends for the U.S. economy reflect turbulence in the banking and financial markets, decreases in new home construction, increases in food and energy costs, and decreases in retail sales and food services. These economic conditions are expected to impact future revenues of the City. The City regularly assesses the influence of economic factors to ensure that key services remain uninterrupted and that the City continues to remain financially stable.

During fiscal year 2008, the City issued \$45,990,000 of General Obligation Public Improvement Bonds, Series 2008, to finance capital improvements for William Fleming High School, the City Fire/EMS Stations, and the Campbell Parking Garage.

Roanoke's economy is also strengthened by the diversity of our employment opportunities, with representation from every major type of business as defined by the US Census Bureau. New businesses and expansion of existing businesses are discussed in a subsequent section.

Challenges the City addressed during the year included statewide budget reductions by the Commonwealth of Virginia, neighborhood revitalization, flood reduction and relocation projects, new financial funding and reporting requirements for Other Post-Employment Benefits, and capital maintenance and equipment replacement.

As part of its fiscal year 2009 budget process, the City was again able to accommodate for reduced funding from the Commonwealth and meet the goals of maintaining service levels to citizens, providing additional funding for employee compensation and benefits, future debt service, and capital replacement and maintenance.

### **Major Initiatives**

Roanoke is committed to creating jobs for its citizens and generating new sources of tax revenue by strengthening and diversifying the local economy. The Roanoke Metropolitan Statistical Area had an unemployment rate of 4.1% as of June 2008. This rate was lower than the federal unemployment rate and slightly less than the state unemployment rate for this time period. Employers in the City of Roanoke provided over 29% of all jobs in the Roanoke Valley as of June 2008.

The City made great strides on the development and expansion of two major business parks. The Riverside Centre for Research & Technology (RCRT) is a 75-acre technology park that is expanding in the South Jefferson Street corridor with a medical school, outpatient clinic, and nearby hotel. The RCRT currently houses the Carilion Biomedical Institute (CBI), Luna Innovations, and Medical Enzymatics. The five-year medical school is a joint project between Virginia Tech and Carilion Clinic. Carilion Clinic is a 250,000 square foot outpatient clinic that is expected to be open in 2010. In addition, Carilion Clinic constructed a 1,500 space parking garage to support future development in the area. Nearby, a 127 room Cambria Suites Hotel, limited-service, and all-suite hotel, is currently under construction. Adjacent property at the old Roanoke City Mills site was acquired by the Roanoke Redevelopment and Housing Authority and sold to Carilion Services, Inc., which has plans to use the site for future redevelopment. All told, over \$195 million has been or will be invested in the Riverside Centre.

The Roanoke Centre for Industry and Technology (RCIT) is a City-owned industrial complex designed for light manufacturing and warehousing. Almost 2,000 employees work for the businesses currently at the RCIT. Nine sites in the park have been utilized, leaving approximately forty acres for additional development. Four new sites have been graded and are ready for development. Once these sites are full, an additional fifty acres will be opened for future development opportunities.

Steel Dynamics, Inc. has construction in progress for a \$17 million project for new dust controls at its Roanoke Bar Division. It announced plans to spend an additional \$2 million for a new office building with an attached parking deck.

Renaissance Contract Lighting & Furnishings, manufacturer of lighting and metal furnishings for the hospitality industry, has based its headquarters in the City. The 60,000 square foot facility is estimated to provide 80 full-time positions.

The City is committed to greener living, as evidenced by its Clean and Green Campaign which implemented a number of projects aimed at reducing its carbon footprint. Effective July 1, 2007, the City offers a reduced real estate tax rate of \$1.07 per \$100 assessed value for energy-efficient buildings that exceed certain efficiency standards. Property owners that have demonstrated their building meets the standards receive the special rate for a term of five years. Other strides toward greener living include the widely successful curbside recycling program, the conversion of the City's fleet of vehicles and school buses to bio-diesel, the purchase of electric vehicles for daily local use, and the installment of LED lights in traffic signals at sixty major intersections.

The City also promotes development and ease of access to its downtown. The City donated \$4 million toward the new Taubman Museum of Art. This world class 81,000 square foot center for art, entertainment, and cultural events is expected to attract 400,000 to 500,000 tourists and visitors per year into the downtown area and opened in conjunction with the second annual Roanoke Arts Festival on November 8, 2008. In addition, many renovations of downtown buildings are currently underway or recently completed, providing both retail and residential opportunities. The Candy Factory and Fulton Motor Lofts, with a total of thirty-seven units, are completed and offer homeownership. The historic Hancock Building, with fifty-eight units, held its official open house in May 2008 and is fully rented. The Row by the Rail, located on Norfolk Avenue, offers upscale two-story town homes created by the renovation of warehouses located near the downtown area. A new building now stands at 308 -310 Market Street, providing office and retail space. The owner of Davidson's menswear has undertaken renovation of the Jefferson Street building to convert the storage and distribution spaces above the store into condominiums and reconfigure the retail space. Nearby, construction of the 70,000 square foot, three-story office building for the Social Security Administration is under construction.

The City has worked diligently to address the parking and transportation needs of citizens and visitors in the downtown area. Valley Metro transports students approximately 25,000 times per month under the "Students Ride Free" program. Under the program, students age 18 and under in the City are eligible for free bus fare on Valley Metro Transit buses when they present a school-issued identification card. The Campbell Avenue Parking Garage, which opened in 2008, provides 353 parking spaces within walking

distance of the City Police Department, Court House, downtown offices and lofts, and municipal offices. The Market Garage is currently undergoing a major renovation to upgrade the facility which will include retail space, and serves the Center In The Square, market plaza, and various downtown shops. A free rubber-tire trolley system has recently been implemented to transport the many residents and workers in the RCRT and South Jefferson Street area to and from downtown.

A great deal of renovation has taken place in the Gainsboro neighborhood, Roanoke's oldest community. Originally established in the mid-1800's, Gainsboro was recently named to the Virginia Landmarks Register by the state Department of Historic Resources. It was a residential and cultural center for the City at one time, and the Gainsboro Neighborhood Revitalization Initiative established several major goals for the restoration of the neighborhood. Completed projects include the Claude Moore Education Complex and a culinary arts school in the former Ebony Club on Henry Street, and the Dumas Center for Artistic and Cultural Development. Blue Ridge Housing is currently developing five to seven properties for single family housing on Gilmer Avenue. Maple Leaf Bakery is in the midst of developing a \$12 to \$15 million bagel line at its facility in the Roanoke Centre for Industry & Technology. The District at Valley View, a 58,000 square foot village center, has added Salon Del Sol, Sleep Number by Select Comfort, and Natural Market by Nature's Outlet stores, while Hotel Roanoke is considering a 125 room addition, 60,000 square feet of new meeting space, and a spa. Westport Corporation brought sixty new manufacturing jobs to the City of Roanoke when it leased a 203,000 square foot building off Hollins Road.

The Roanoke River Flood Reduction project is continuing in partnership with the United States Army Corps of Engineers. The City and Federal government are expected to commit approximately \$26.2 and \$46.7 million, respectively, over the duration of this project, which began in August 2005. The project consists of a combination of channel widening and levy construction along nine miles of the Roanoke River within the City. It will reduce annual flood damage along the river by approximately 50% and is significant to many areas of Roanoke including much of downtown. Residents located in the hardest hit flood zone have had their homes purchased through the plan and have been successfully relocated with the aid of relocation assistance funds. In addition, greenway trails are being built parallel to the bench cuts, running along the river. These trails make undeveloped space available for rising river levels when needed, beautify the riverfront areas of the City, and provide accessible recreational space to residents. When complete, the greenway trails will stretch approximately ten miles along the Roanoke River extending from Southeast Roanoke to the City of Salem.

The City is committed to providing available housing in quality neighborhoods by taking a multi-tiered approach to expanding its housing options and diversifying housing opportunities. Colonial Green, covering twenty-three acres, will contain approximately 220 single family houses, condominiums, and apartments, a large central park, and a small commercial area. The City continues to utilize Community Development Block Grant funds for targeted neighborhoods to achieve greater impact on housing improvements and urban development. Planning is currently underway for Hurt Park, Mountain View, and West End neighborhood upgrades. The Hurt Park/Mountain View/West End Neighborhood Plan is a component of Vision 2001-2020, the City's 20-year comprehensive plan. Planning staff studied current neighborhood conditions, with particular emphasis on land use patterns, housing, and infrastructure needs. Residents were involved through tours and a series of workshops. Major issues identified through the process include attracting more homeowners, improving the area's appearance, infrastructure improvements, and zoning changes that will encourage the development of vacant lots and rehabilitation of substandard structures.

The City continues to receive positive national publicity for the quality of life enjoyed by its citizens and potential business prospects. *Expansion Management* magazine's February 2007 issue named Roanoke one of America's fifty hottest cities, marking the sixth time the City has been recognized by this publication as an economic hotspot. Roanoke has been rated in the top five areas nationwide for retirees, according to the 2007 Best Cities report published in *Kiplinger's Personal Finance* magazine. At the Virginia Statewide Neighborhood Conference, City of Roanoke neighborhood organization Old Southwest, Inc. won Organization of the Year, and The Hurt Park Healthy Living Program won the Project of the Year Award. The Virginia Transit Association awarded Valley Metro, the City public transportation system, an Innovative Program Award for its Students Ride Free Campaign. The City tied for first place in the 2008 Green Government Challenge of the Virginia Municipal League in the 90,000+ population category for its adoption of green policies and practices. The League of American Bicyclists has recognized the City for its efforts toward becoming a Bicycle Friendly Community. Finally, the Center for Digital Government has selected Roanoke the number one Leading Digital City for 2008 in its population category, marking the sixth time it has been recognized by this organization as a leader in providing technology for its citizens.

Roanoke is one of the select few municipalities whose Fire-EMS, Police Department, and Sheriff's Office have all been recognized with national accreditation. The Roanoke E-911 system is one of only 46 agencies out of more than 6,500 E-911 centers to earn its accreditation. The Treasurer's Association of Virginia recognized the Office of the Treasurer for the City as fully accredited for fiscal year 2008, meeting

the guidelines set forth by the Association for excellence in treasury management.

On February 19, 2008, the City celebrated the unveiling of the new Dr. Martin Luther King Jr. Memorial Bridge, which creates a walk way between the downtown area and the Higher Education Center, the Hotel Roanoke Conference Center, and other local businesses, and the sculpture of Dr. King that stands at its north end.

### **Prospects for the Future**

The City's Comprehensive Plan, Vision 2001, was adopted to guide development decisions for our city's future. Following the adoption of the Plan, the City adopted a major rewrite of the zoning ordinance, creating the zoning parameters necessary for village centers, live-work space, design overlays, and other elements of the Comprehensive Plan.

After concluding an 18-month comprehensive study of its public library system and developing a Library Master Plan, the City undertook several continuing improvement projects. The City has improved library services and facilities; including expansions at the Jackson Park Branch and the Gainsboro Branch libraries and the establishment of two E-Branch service points, which are an extension of the public library system through state of the art electronic kiosks, serving citizens at Valley View Mall and the Garden City Recreation Center.

The City is committed to improving its Fire-EMS facilities. Construction of the Williamson Fire-EMS Station is expected to be completed prior to the end of 2008. The facility will provide the increased capacity to house modern firefighting equipment. Design of the Melrose Station is underway and is part of a plan to consolidate the 12<sup>th</sup> Street and Loudon Avenue and the 24<sup>th</sup> Street stations into a new facility along with a police substation.

The City continues to make a substantial investment in Roanoke City Public Schools, both operationally and in support of school capital projects. The recently completed Patrick Henry High School gives students and teachers 335,000 square feet of state of the art, effective, safe and healthy learning environments. Construction of new buildings to replace William Fleming High School is currently underway, and are scheduled to open in fall 2009. A stadium is planned on the site of the old school and will be completed in 2010.

Under a Public-Private Educational Facilities Infrastructure Act arrangement, design will soon be complete on the Roanoke Police Academy. Construction of the new facility is expected to begin early in 2009 and the Academy will provide facilities for training all sworn officers and civilian members of the Police Department.

The City is in the process of evaluating recommendations outlined in the Market District Plan directed at further enhancing the historic Market as the geographic and social focal point of the Roanoke Valley. Recent improvements to the Market building include new restrooms, flooring, interior and exterior painting, doors, and furniture. In addition, the City is currently negotiating with a developer for management and operation of the City Market Building, including strategic capital improvements.

Coordinated bond issues through the Virginia Resource Authority in November 2008 and spring of 2009 will fund projects noted above as well as improvements to the Market Garage, streetscape improvements, and bridge renovations. A similarly coordinated bond issue through the Virginia Public School Authority in November 2008 will fund improvements to William Fleming High School and roof repairs and replacements for several city schools.

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 our 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 be continued and enhanced by supporting our cultural and entertainment amenities, education, and other services. Protecting our natural environment, supporting a wide range of cultural and entertainment amenities, maintaining a first-class educational system, and providing ongoing educational opportunities will be the building blocks for attracting new residents and businesses. This approach has served the City well and will continue to be the basis for additional growth.

### **Accounting System and Budgetary Controls**

The City has established a comprehensive internal control framework designed to both safeguard the government's assets against loss from unauthorized use or theft and to properly record and adequately document transactions in order to compile information for the presentation of the City's basic financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable,

rather than absolute, assurance that the financial statements will be free from material misstatement.

Within the upcoming five year period, the City plans to upgrade or replace a number of its financial systems with the goals of obtaining enterprise functionality and of utilizing technology that maximizes the user's ability to retrieve data. The systems included in the scope of this project include financial, payroll/human resources, budget, and tax/treasury. All financial and accounting records of the City are currently maintained on the Advantage Financial System, a product of CGI, designed especially for local governments. Advantage is a browser based integrated financial management system supporting the requirements for local government accounting and reporting established by the GASB. This system includes the base financial system as well as the purchasing and fixed assets subsystems. Planning for the vendor self-serve functionality and an upgrade to the financial system is currently under way. Additionally, Phase I of a new budget preparation system was implemented in December 2005, and together with later phases will streamline the budget process and promote a paperless work environment. Phase II, to be implemented in subsequent years, involves an upgrade to a web-based version of the budget system. Plans for financial system replacement also include a tax/treasury system which is currently being implemented. Phase I of this project is expected to be completed in early 2009. Contract negotiations with Lawson Software, Inc. have recently been completed for a new payroll/human resources system. Roanoke City Public Schools implemented their own ERP system in July 2008. This included Payroll, HR, Time-Entry, and Accounting modules.

### **City of Roanoke Pension Plan**

The City of Roanoke Pension Plan is a self-administered, multiple-employer retirement plan, which covers all City employees except the Sheriff's employees, who participate in the Virginia Retirement System. The City funds the pension plan on an actuarial basis. The contribution required for the year ended June 30, 2008 was \$10,081,410. This was \$844,935 more than the required contribution in the preceding fiscal year. Consistent with prior years, the City continues to fully fund its pension plan at the actuarially recommended rate. As of June 30, 2008, the market value of plan assets approximated 87% of the accrued liability. Additional information is available in Note 12 to the basic financial statements and in the separately issued Comprehensive Annual Financial Report of the City of Roanoke Pension Plan.

### **Other Post-Employment Benefits (OPEB)**

During fiscal year 2008, the City implemented GASB Statement No. 45, "Accounting and Financial

Reporting by Employers for Postemployment Benefits Other Than Pensions”. This statement establishes standards for the measurement, recognition, and display of OBEP expense and related liabilities, note disclosures and other required information. As required, the City actuarially determined the total estimated future OPEB costs and was able to fully fund the annual required contribution for fiscal year 2008, and therefore does not have a liability to report under this requirement. Additional details of the City’s OPEB costs can be found in Note 13 to the basic financial statements.

### **Capital Financing and Debt Service**

Council has adopted a debt policy which includes the following guidelines: (a) net debt will not exceed 5% of assessed value of real estate; (b) 50% or more of aggregate outstanding principal will be redeemed within ten years; and (c) non-proprietary general obligation debt services shall not exceed 10% of General Fund expenditures. 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 MD&A, Notes 9 and 10 to the basic financial statements, and Tables 13 through 17 in the Statistical section.

In conjunction with the preparation of an annual operating budget, the City prepares a five-year Capital Improvement Program Update. This specifies the capital improvement and construction projects which will be funded over the upcoming five-year period in order to maintain or enhance the City’s \$518 million in net capital assets. Detailed project descriptions, cost estimates, and funding sources are included. The City’s Capital Improvement Program for FY 2009 through FY 2013 represents \$142 million of public improvements to the City’s schools, public buildings, infrastructure, parks and various economic development projects. Resources accumulated to meet these priority needs are accounted for in the Capital Projects and Proprietary Funds.

### **Cash Management**

As discussed more fully in Notes 1 and 2 to the basic financial statements, the City utilizes the pooled cash concept in order to maximize investment flexibility and achieve the best possible investment return. The City obtains the highest rate available by utilizing competitive bidding for investments among banks, professional money managers, and participation in state investment pools. Cash temporarily idle during the year is invested in instruments as allowed by the Code of Virginia, Chapter 3, Title 26, and in accordance with the City’s investment policy. The objectives of this policy are to invest the maximum available funds while providing sufficient flexibility to meet cash requirements. Additionally, the policy strives to assure security of principal and to obtain the highest competitive yield on investments.

The Cash and Investment Committee meets at least quarterly to evaluate investment performance and possible deposit and investment risks and associated mitigating measures.

### **Risk Management**

The City's risk management program is designed to protect against accidental losses that would affect the City's ability to fulfill its responsibility to the taxpayers and the public. To limit its exposure to the various risks of loss, the City carries several types of insurance and is self-insured for workers' compensation and certain property and liability claims. As an additional protective measure, in July of 2008 the City purchased stop loss insurance to limit exposure to workers' compensation losses. The City is also self-insured for employee health insurance with stop loss provisions to limit catastrophic claims. The Risk Management Division manages the self-insurance programs with the assistance of third-party administrators. Revenues are generated through charges to employees and departments to pay for claims costs. An actuarial evaluation is performed annually by a third party actuary to ensure the City's accrued liability for unpaid losses is adequate.

To compliment its risk management program, the City provides an extensive wellness program, including an on-site physician, coordinated by the City's occupational health office. Additional disclosures regarding the City's risk management program are provided in Note 14 to the basic financial statements.

### **Auditing**

City Charter § 25.2 provides for a Municipal Auditor appointed by City Council and reporting to the Audit Committee. The Municipal Auditor provides a continuing review of the internal controls and financial operations of the City, Transit Company, and Roanoke City Public Schools; coordinates audit efforts; and regularly provides reports to the Audit Committee.

City Code § 2-297 and 2-298 establishes the Audit Committee as a permanent committee of the City Council composed of at least three members of Council. The Audit Committee acts in an advisory capacity to the City Council, the Municipal Auditor, the Director of Finance, and the City Manager. Currently, all seven council members participate on the Audit Committee.

### **Certificates of Achievement for Excellence**

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roanoke, Virginia, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform 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 thirty-four consecutive years (fiscal years ended 1974 - 2007). We believe this report conforms to the Certificate of Achievement program requirements and standards, and we are submitting it 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, 2008. 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 Award for the last twenty-three consecutive years.

### **Acknowledgments**

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 your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Darlene L. Burcham  
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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emen*

Executive Director

**CITY OF ROANOKE**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**JUNE 30, 2008**

**Members of City Council**

C. Nelson Harris  
David B. Trinkle  
Beverly T. Fitzpatrick, Jr.  
Sherman P. Lea  
Gwendolyn W. Mason  
Alvin L. Nash  
Brian J. Wishneff

*Mayor*  
*Vice-Mayor*

**Constitutional Officers**

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

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

**City Council Appointed Officials**

Darlene L. Burcham  
Jesse A. Hall, CPA  
William M. Hackworth  
Stephanie M. Moon  
Troy A. Harmon, CPA

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

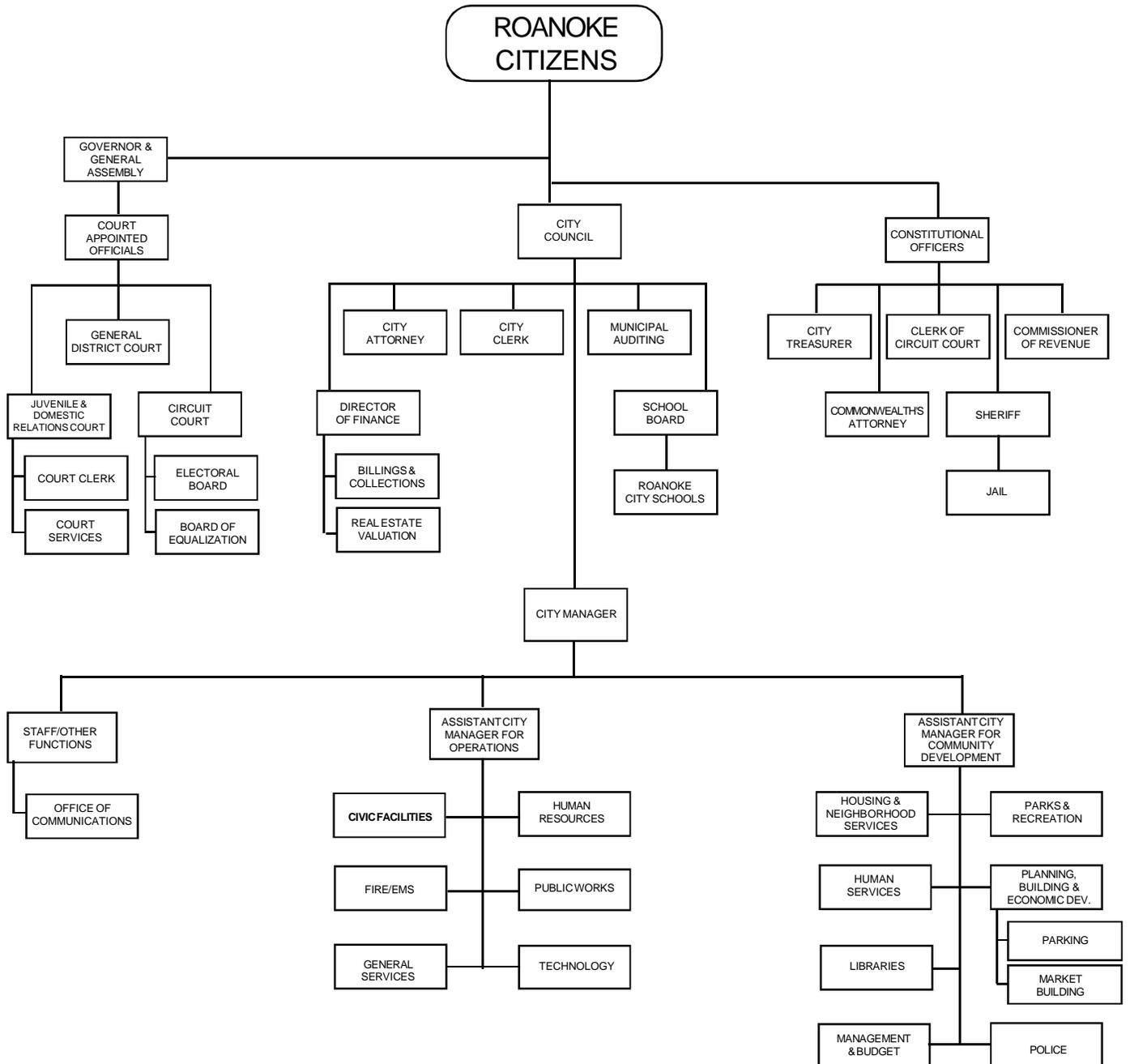
**Other City Officials**

James Grigsby  
R. Brian Townsend

*Assistant City Manager*  
*Assistant City Manager*

# CITY OF ROANOKE, VIRGINIA

## ORGANIZATIONAL CHART



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## ***FINANCIAL SECTION***

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**KPMG LLP**  
Suite 1710  
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 unit, 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, 2008, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 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 unit, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia as of June 30, 2008, 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.

As discussed in note 1 to the basic financial statements, the City adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*, effective July 1, 2007.

The accompanying Management's Discussion and Analysis on pages 31 through 45, the Budgetary Comparison Schedule – General Fund, the Schedules of Funding Progress, and the Notes to Budgetary Comparison Schedule – General Fund on pages 110 through 115 are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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 introductory section, the combining and individual fund financial statements (Exhibits L-1, L-2, L-3, M-1 and M-2) and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements (Exhibits L-1, L-2, L-3, M-1 and M-2) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on them.

KPMG LLP

December 19, 2008

**CITY OF ROANOKE, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2008**

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, 2008. 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 unit, on the government-wide basis, totaled \$325,934,138 at June 30, 2008. Of this amount, \$48,733,273 may be used to meet ongoing obligations to citizens and creditors, and \$277,095,542 is invested in capital assets, net of related debt. Net assets of \$105,323 are restricted to pay for upgrades to the wireless E911 system.
- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective July 1, 2007. The City fully funded its actuarially determined OPEB costs in the amount of \$1,398,000, which include both normal costs and amortization of the unfunded accrued liability.
- Governmental activities of the City had expenses net of program revenues of \$177,701,852, which totaled \$13,412,825 less than the general revenues, net of transfers of \$4,339,261.
- At June 30, 2008, the City's governmental funds balance sheet reported total ending fund balances of \$86,142,473. Of this amount, \$48,322,891 remains in the various governmental funds of the City as unreserved.

**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 health, or financial position. Increases or decreases in net assets are indicators of whether the City's financial health 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 health 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 Greater Roanoke Transit Company (Transit Company), Civic Facilities, Parking, and Market Building operations are reported here as the City charges fees for services to customers.

Component unit – The City includes a discretely presented component unit in this report, the School Board of the City of Roanoke. Although legally separate, the component unit is important because the City is financially accountable for it.

## **Fund Financial Statements**

The fund financial statements begin on page 50 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 for these funds 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 51 and 52, 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 Transit Company, Civic Facilities, Parking, and Market Building 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 in an OPEB trust fund, and accounts for 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, 2008 and 2007  
(In Millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Current and other assets	\$ 160.6	\$ 139.1	\$ 6.6	\$ 10.9	\$ 167.2	\$ 150.0
Capital assets, net	440.2	416.7	77.4	71.9	517.6	488.6
<b>Total assets</b>	<b>600.8</b>	<b>555.8</b>	<b>84.0</b>	<b>82.8</b>	<b>684.8</b>	<b>638.6</b>
Other liabilities	58.3	52.0	3.9	3.8	62.2	55.8
Long-term liabilities	271.3	246.0	25.3	23.8	296.6	269.8
<b>Total liabilities</b>	<b>329.6</b>	<b>298.0</b>	<b>29.2</b>	<b>27.6</b>	<b>358.8</b>	<b>325.6</b>
Net assets:						
Invested in capital assets, net of related debt	225.5	200.9	51.6	50.7	277.1	251.6
Restricted	0.1	0.1	-	-	0.1	0.1
Unrestricted	45.5	56.7	3.2	4.5	48.7	61.2
<b>Total net assets</b>	<b>\$ 271.1</b>	<b>\$ 257.7</b>	<b>\$ 54.8</b>	<b>\$ 55.2</b>	<b>\$ 325.9</b>	<b>\$ 312.9</b>

The City's Primary Government combined net assets increased from \$312.9 million to \$325.9 million as a result of the increase in net assets of governmental activities of \$13.4 million. Unrestricted net assets, the portion of net assets that can be used to finance the day-

to-day operations of the City, totaled \$48.7 million. Net assets invested in capital assets, net of related debt, 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. In fiscal year 2008, grant funds received, but not yet spent, from the Virginia State Wireless E911 Services Board to complete upgrades to the wireless E911 system are reported as restricted net assets of governmental activities.

## Summary of Changes in Net Assets:

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

<b>Summary of Changes in Net Assets</b>						
<b>For the Years Ended June 30, 2008 and 2007</b>						
<b>(In Millions)</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 16.7	\$ 16.6	\$ 7.3	\$ 7.2	\$ 24.0	\$ 23.8
Operating grants and contributions	69.3	63.1	4.1	3.9	73.4	67.0
Capital grants and contributions	4.0	0.3	0.8	5.8	4.8	6.1
General Revenues:						
Property taxes	98.7	93.4	-	-	98.7	93.4
Local portion of state sales tax	21.6	22.0	-	-	21.6	22.0
Business and professional occupational license taxes	12.5	12.2	-	-	12.5	12.2
Utility taxes	9.8	11.9	-	-	9.8	11.9
Prepared food and beverage taxes	11.6	11.1	-	-	11.6	11.1
Commonwealth share-personal property taxes	8.1	8.1	-	-	8.1	8.1
Cigarette taxes	2.9	2.4	-	-	2.9	2.4
Transient room taxes	2.8	2.7	-	-	2.8	2.7
Telecommunications taxes	8.0	3.4	-	-	8.0	3.4
Motor vehicle license tax	1.7	1.8	-	-	1.7	1.8
Other taxes	7.4	11.7	-	-	7.4	11.7
Payment from Component Unit Grants and Contributions	7.7	1.3	-	-	7.7	1.3
Interest and investment income	2.6	3.7	0.1	0.2	2.7	3.9
Other	-	4.5	0.2	0.3	0.2	4.8
<b>Total Revenues</b>	<b>285.4</b>	<b>270.2</b>	<b>12.5</b>	<b>17.4</b>	<b>297.9</b>	<b>287.6</b>
<b>Expenses</b>						
General Government	\$ 15.0	\$ 11.3	-	-	\$ 15.0	\$ 11.3
Judicial Administration	8.9	8.7	-	-	8.9	8.7
Public Safety	67.4	63.8	-	-	67.4	63.8
Public Works	29.5	29.3	-	-	29.5	29.3
Health and Welfare	45.3	39.8	-	-	45.3	39.8
Parks, Recreation and Cultural	11.7	12.3	-	-	11.7	12.3
Community Development	13.0	11.8	-	-	13.0	11.8
Education	65.5	61.4	-	-	65.5	61.4
Economic Development	0.7	0.6	-	-	0.7	0.6
Interest and Fiscal Charges	10.7	11.9	-	-	10.7	11.9
Transit Company	-	-	9.2	8.4	9.2	8.4
Civic Facilities	-	-	5.2	4.7	5.2	4.7
Parking	-	-	2.4	2.9	2.4	2.9
Market Building	-	-	0.4	0.4	0.4	0.4
<b>Total Expenses</b>	<b>267.7</b>	<b>250.9</b>	<b>17.2</b>	<b>16.4</b>	<b>284.9</b>	<b>267.3</b>
<b>Increase (Decrease) in Net Assets</b>						
<b>before Transfers</b>	<b>17.7</b>	<b>19.2</b>	<b>(4.7)</b>	<b>1.0</b>	<b>13.0</b>	<b>6.7</b>
Transfers	(4.3)	(5.0)	4.3	5.0	-	-
<b>Increase in Net Assets</b>	<b>13.4</b>	<b>14.2</b>	<b>(0.4)</b>	<b>6.0</b>	<b>13.0</b>	<b>20.2</b>
Net Assets, Beginning	257.7	243.5	55.2	49.2	312.9	292.7
Net Assets, Ending	<u>\$ 271.1</u>	<u>\$ 257.7</u>	<u>\$ 54.8</u>	<u>\$ 55.2</u>	<u>\$ 325.9</u>	<u>\$ 312.9</u>

The property tax classification, which comprises approximately 36% 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 \$74.7 million. The assessed value of real property in the City increased for the 2008 calendar year as a result of a reassessment increase and new construction.

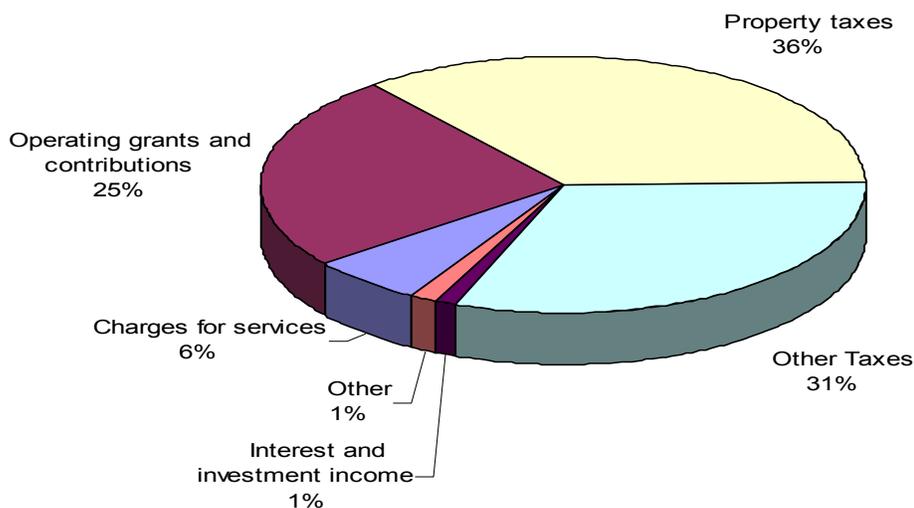
Personal property tax revenue, including the Commonwealth share, totaled \$32.1 million. The revenue received locally from citizens totaled \$24 million. Funding from the Commonwealth under its amended Personal Property Tax Relief Act (PPTRA) program provided revenue totaling \$8.1 million. Revenue from the Commonwealth provided relief of 60.67% on the first \$20,000 in vehicle value for the current fiscal year and is included in the other taxes category.

Sales taxes, business and professional occupational license taxes, prepared food and beverage taxes, utility taxes, funding from the Commonwealth under PPTRA, telecommunication taxes, cigarette taxes, and transient room taxes comprise the majority of other local taxes collected by the City. Other taxes comprise approximately 31% of total revenues generated for governmental activities.

Operating grants and contributions comprise approximately 25% of governmental activities revenues. Social service programs, street maintenance funds, reimbursement for shared expenses of the constitutional officers, reimbursement for funding received under House Bill 599 for law enforcement, and jail per diems are some of the major sources of revenue included in this category.

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

Revenues generated for governmental activities (net of payments from Component Unit) are presented below by category:



Public Safety expenses comprised approximately 26% of expenses of the governmental activities. Operations of the labor-intensive 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.

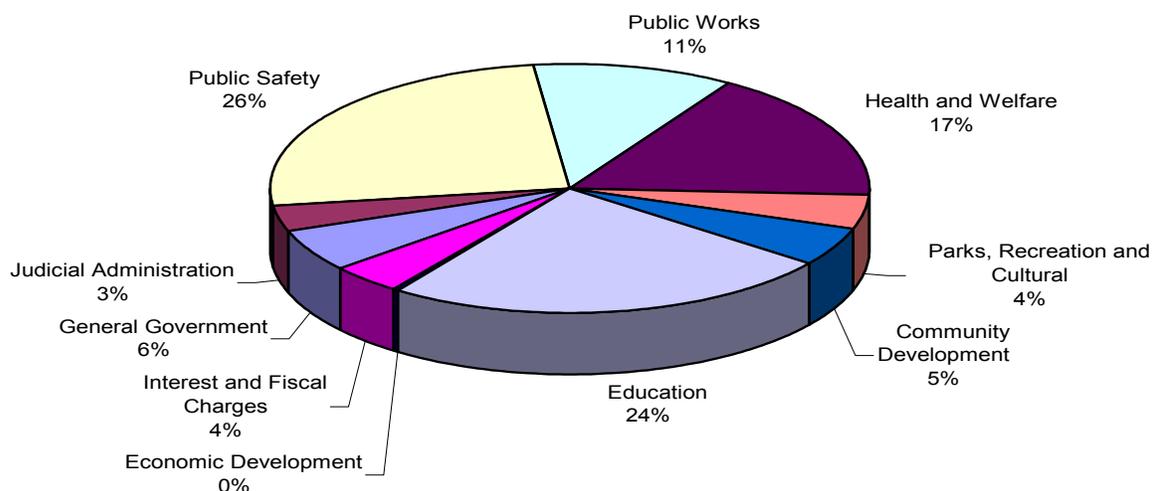
Education expenses comprise 24% of governmental activities. Funding of \$62.4 million was provided to the Roanoke City School Board to support School operations.

Public Works and Health and Welfare expenses comprised approximately 11% and 17%, 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 incurred the majority of expenses reported in the Health and Welfare category.

Approximately \$4.3 million in transfers were made to business-type activities, which represented operating subsidies and the transfer of prior year fund balances appropriated to business-type activities.

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



The net assets of governmental activities increased \$13.4 million during 2008. Significant current year activities affecting net assets include:

- A \$23.5 million increase in capital assets net of depreciation and debt, offset by \$12 million of prior year unrestricted net assets used to fund the increase.

- Growth in real estate revenues led performance of local tax revenues. Due to growth in assessed values and moderate new construction, current year revenues continued to grow. Other local taxes such as the personal property, prepared food and beverage, and cigarette taxes also grew. Sales tax revenues decreased as the result of current economic conditions.

- Expenses of general government programs were contained within budget.

The net assets of business-type activities decreased approximately \$.4 million during 2008. Significant current year activities affecting net assets include:

- Generally, revenues of the Enterprise Funds are designed to generate working capital for future capital needs. In keeping with that goal, a rate increase for the Parking fund to fund future maintenance needs and debt service caused an increase in net assets.

- Significant operating losses in the Greater Roanoke Transit Company Fund, which were moderately offset by funding from transfers and operating grants, caused a decrease in net assets.

- Significant operating losses and interest expense in the Civic Facilities Fund, which were moderately offset by funding from transfers, caused a decrease in net assets.

- A transfer to the Market Building Fund, from the governmental funds made to fund future capital projects, caused an increase in net assets.

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

For the fiscal year ended June 30, 2008, the governmental funds reflect a total fund balance of \$86,142,473. Approximately \$48.3 million of this amount constitutes unreserved fund balance, which is available for spending for services and capital projects. Unreserved fund balance is available to purchase capital equipment, and designated to pay self-insured claims, fund future debt service requirements, and pay for future years' capital projects expenditures. The remainder of fund balance is reserved for encumbrances, which indicates that it has already been committed to liquidate contracts and purchase orders outstanding at year-end.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund unreserved fund balance was \$19,723,710, while the total fund balance was \$21,042,707. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 7.6% of the total General Fund expenditures and other financing uses, while total fund balance represents 8.1% of that same amount.

The General Fund begins each fiscal year with budgeted revenue and expenditure amounts that are equal. During the year, a portion of the previous year's fund balance is appropriated and expended. In addition, encumbrances unpaid at the end of the prior year are liquidated, increasing expenditures. During the fiscal year ended June 30, 2008, the fund balance of the General Fund decreased by \$1,048,266. This was mainly the result of expenditure of fund balance from June 30, 2007 reappropriated for capital needs in fiscal year 2008 that was larger than the fund balance that resulted at the end of fiscal year 2008.

Local taxes generated 67% of General Fund revenue, totaling approximately \$172.8 million. A significant portion of the growth is attributable to real estate taxes, the City's largest single source of revenue, which increased as a result of growth in assessed values and moderate new construction.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$70.8 million in fiscal year 2008. 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. Among these categories, in fiscal year 2008 the Commonwealth provided increased funding for the Comprehensive Services Act, funding from the Commonwealth of Virginia Compensation Board, street maintenance reimbursements, and law enforcement.

The Capital Projects Fund balance increased approximately \$22.6 million. Significant activities of the fund included capital outlay of approximately \$35.5 million and proceeds from the issuance of debt of approximately \$44.0 million. Transfers from the General Fund totaling \$6.5 million represented cash funding to projects and the transfer of prior years' fund balance appropriated to the Capital Projects Fund.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual General Fund Revenues exceeded the original budgeted revenues by \$6,780,267 and fell slightly short of the final budgeted revenues by \$180,536, or 0.1%. The variance from final budgeted revenues was due to net overages and underperformances of various areas. The intergovernmental revenues did not meet budget estimates with Social Service programs revenues 6.3% under the reimbursement-based revenue budget. Sales Tax also fell short of budget by \$1,066,044 or 4.7% primarily due to current economic impacts on consumer spending. Housing of Federal Prisoners failed to meet budget as well due to the large number of prisoners now being held at the regional facility in Abingdon. The source of overages that offset the underperformances included general property taxes which exceeded the final budgeted revenues by 2.3%. The primary source of the excess general property tax revenue was personal property tax revenues which exceeded expectations by \$1,078,818, or 6.0% and, less significantly, real estate tax revenues which also exceeded expectations, mainly due to strong collections of delinquent taxes.

General Fund expenditures and transfers were greater than the original budget by \$9,147,530 or 3.6% due to supplemental appropriations, but were less than the final amended budget by \$1,777,020 or 0.7%. In an effort to continue to carefully manage the City's expenditures, spending at the departmental level was closely monitored during the fiscal year, and policies centered on maximizing salary and benefits savings during times of turnover and vacancies were continued. During fiscal year 2008, City Council amended the budget several times. These budget amendments or supplemental appropriation ordinances were primarily for the following purposes:

- To reappropriate funds to pay commitments in the form of encumbrances established prior to June 30, 2007 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, 2007 totaled \$1,318,997.

- To appropriate the June 30, 2007 undesignated General Fund balance of \$1,726,937 to finance capital equipment and a variety of projects in other funds of the City as well as to share with the Roanoke City Public Schools.
- To appropriate additional funds of \$5,967,583 received under the Comprehensive Services Act.

## CAPITAL ASSETS

As of June 30, 2008, the City's capital assets for its governmental and business-type activities amounted to \$517,556,549, net of accumulated depreciation. This investment includes land, historical treasures, construction in progress, land improvements, buildings and structures, equipment and infrastructure. The total net increase (additions less retirements and depreciation) in the City's capital assets for the current fiscal year was \$29.0 million or 5.9%.

The following table shows summarized balances of major categories of capital assets as of June 30, 2008. The changes in each category of Capital Assets are presented in detail in note 6 to the Basic Financial Statements.

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

	Governmental Activities		Business-Type Activities		Total	
	Balance	Balance	Balance	Balance	Balance	Balance
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Land and Improvements	\$ 43.5	\$ 43.0	\$ 4.2	\$ 4.2	\$ 47.7	\$ 47.2
Buildings and Improvements	190.1	160.9	61.0	54.7	251.1	215.6
Equipment	24.6	17.8	10.4	10.7	35.0	28.5
Infrastructure	119.6	120.8	-	-	119.6	120.8
Construction in Progress	62.4	74.2	1.8	2.3	64.2	76.5
<b>Total</b>	<b>\$ 440.2</b>	<b>\$ 416.7</b>	<b>\$ 77.4</b>	<b>\$ 71.9</b>	<b>\$ 517.6</b>	<b>\$ 488.6</b>

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

Construction of the new Patrick Henry High School continued with expenditures of \$7.1 million including new football stadium costs of \$1.7 million. Other educational projects included expenditures of \$13.4 million on the William Fleming High School renovation.

Major governmental projects on facilities other than schools included completion of construction of the Martin Luther King Jr. Memorial Bridge resulting in current year expenditures of \$1.5 million. Additionally, the Roanoke River Flood Reduction project resulted in expenditures of \$2.91 million. Storm drainage, traffic, streetscape, bridge maintenance and greenways projects, together, aggregated just over \$3 million in expenditures. Library enhancements and renovations accounted for \$1.2 million in capital expenditures, and an additional \$1.2 million was contributed to construction costs of the Taubman Museum of Art.

Business-type capital asset activities included completion of the Campbell Avenue Parking Garage project, resulting in \$6.0 million of current year capital additions.

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

### **LONG-TERM DEBT**

At June 30, 2008, the City's long-term liabilities, excluding compensated absences and claims payable, totaled \$308,594,911 comprised of \$281,726,747 related to governmental activities, and \$26,868,164 related to business-type activities. Total debt increased by \$26,471,045 during the fiscal year. Changes in long-term debt during fiscal year 2008 resulted from payment of principal on existing debt, and issuance of the General Obligation Series 2008 bonds to fund William Fleming High School, City Fire/EMS Stations, and Campbell Garage projects.

Detailed information regarding these changes in long-term debt is disclosed in Notes 9 and 10 to the financial statements.

With its most recent rating, the City maintained ratings of AA, Aa3, and AA from Fitch Ratings, Moody's Investor Service 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. This limit applies to governmental fund supported-tax supported debt only, as some 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 \$26,596,538 of general obligation debt. The City's tax-supported debt of \$261,204,669 less the Debt Service Fund Balance of \$1,143,782 designated for the repayment of debt service, is well below the legal debt limit of \$625,649,531.

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 9 and 10 to the Basic Financial Statements.

Interest and fiscal charges for 2008 were \$11,343,116 or 3.7% of total government funds expenditures.

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

The City's MSA unemployment rate, not seasonally adjusted, was 4.1% in fiscal year 2008. Consistent with trends at state and national levels, this represents a moderate increase over the prior year. For the quarter ended June 2008, Roanoke's unemployment rate approximated the state average and was 1.6% lower than the national average. Employment in Roanoke is

diverse with representation within our MSA of all census-defined industries. The industries providing the largest number of jobs in our region are health care and social assistance.

Roanoke's per capita income grew 2.6% from the fiscal year 2007 to 2008. While Roanoke's income levels trail state and national averages, they compare quite well when adjusted for the cost of living. Fiscal year 2008 performance was indicative of a weakening local economy; however, continued good performance of the real estate tax revenues as well as growth in a number of other local taxes indicates that the Roanoke economy is less volatile than other areas of the Commonwealth. Real estate tax revenues grew more than 7%. Home values in Roanoke remained stable during fiscal year 2008 despite nationally declining values. The number of housing units increased slightly. Strong performance continued in several other local taxes including the cigarette tax, prepared food and beverage tax and transient room tax. Overall, City General Fund revenues in fiscal year 2008 were 5.0% higher than those of fiscal year 2007. This performance is indicative of a stable local economy.

Roanoke's strength as a retail and hospitality center is also evidenced by data related to new hires in the City as reported by the Virginia Employment Commission. New hires in the retail and accommodation/food services areas far out-paced most other categories by a 2:1 margin. The strength of our sales tax and our position in the Commonwealth as a leader in per capita retail sales is indicative of the importance of retail to our economy. As of 2007, the City was third in the Commonwealth in retail sales per capita according to the Virginia Department of Taxation.

While the local tax performance was stable throughout fiscal year 2008, other economic factors posed challenges such as continued high fuel prices, which impacts many industries. The City also experienced increased costs for social services programs, and increased payments of workers' compensation expenses. In the first half of the fiscal year, falling interest rates benefited the City by providing low interest costs associated with our new bond issue in January 2008; however, the lower rates also reduced interest income for the City. Currently, threats of a recession impact the national economic environment. Nationally, the real estate slump and high fuel prices continue to pose challenges. The City participated in two pooled bond issuances in November 2008 to finance planned City and School capital projects. By taking part in the Virginia Resource Authority and Virginia Public School Authority pooled bonds, issuance costs will be reduced which will help offset the expected higher interest rates.

Local taxes are a primary measure of the health of the local economy and comprise 68% of all budgeted fiscal year 2009 General Fund revenues. The General Fund adopted budget for 2009 reflects growth of 2.9% overall. Growth is the result of a continued increase in real property assessments, continued expected growth in other local taxes as well as intergovernmental revenues. Real estate and personal property are expected to grow 5% more than the adopted fiscal year 2008 budget. Other local taxes contributing to growth in the adopted budget for 2009 compared to that of 2008 include the consumer utility tax, telecommunications tax, cigarette tax, transient lodging tax and prepared food tax. At the time of budget adoption, funding from the Commonwealth was projected to increase in the areas of social services and street maintenance funding. The City anticipates reduced funding in some areas from the Commonwealth. Currently, expectations are for reductions to the HB599 (Public Safety) Program of approximately \$238,000, and to the Compensation Board reimbursements of approximately \$103,000. It is possible that further reductions will take place as the year progresses. The City will manage its budget based on the anticipated funding to be received.

The City's priority funding needs include education, compensation of employees, and capital funding. Funding to the Schools increased approximately \$2.0 million or just under 3.2% from the adopted level of fiscal year 2008. The funding is determined using a funding formula and provides for pay raises for instructional personnel and supports the growth needed for the Schools to adhere to accreditation standards. To ensure that the City maintains a competitive compensation package to retain high-performing employees, a 2.0% average employee raise was adopted as part of the fiscal year 2009 budget. Additional contributions were made toward the cost of employee medical insurance and the City's Pension Plan. Also, in accordance with GASB Statement No. 45, a contribution of approximately \$360,000 was made to fund Other Postemployment Benefits for retirees. Funding in the amount of \$1 million was added to the 2009 budget to support our capital improvement program. There is also funding of \$346,000 for ongoing capital needs in the community. In recent budget years, the City has strived to allocate increasing amounts of funding to address capital and maintenance needs such as street paving, fleet replacement and upkeep, technology needs and building maintenance requirements.

Through November 2008, the sales tax has grown 4.3% on retail sales through October 2008. Other local tax revenues reflect promising growth. Examples include the prepared food and beverage tax and the transient occupancy tax that are up 1.1% and 3.5%, respectively. Approximately 26% of our fiscal year 2009 revenues, or \$69 million, is expected from the Commonwealth of Virginia. The Commonwealth has announced plans to reduce funding to local governments as part of its plan to deal with underperformance at the state level. The City will be making offsetting budgetary adjustments to maintain a balanced budget. Expenditures through November of fiscal year 2009 are down 1.0%. Expenditure decline year to date in fiscal year 2009 is caused by decreased transfers to the Capital Projects, Risk Management and the Grant Fund. Partially offsetting the decline is growth in street paving, health and welfare and the pay raise granted to employees July 1<sup>st</sup>.

As we look to the future, challenges which are facing the City include a decline in growth in real estate assessments. Reassessments have ranged from 3.0% to 7.9% annual increases in the recent five years, with new construction typically adding another percent to our base of assessed real property. We anticipate little growth from reassessments in fiscal year 2010 as we begin work with our preliminary revenue estimates. Funding from the Commonwealth is also expected to decline due to anticipated state-wide reductions in funding during fiscal years 2010 and 2011. Growth of local taxes will likely be limited as economic conditions remain tenuous.

In fiscal year 2009, the City will finalize its strategy for addressing pollution remediation liability reporting required by GASB Statement No. 49. The Finance staff are working with environmental experts, engineers, and attorneys to assess the effects of this statement on the City's financial reports. At this time we do not expect to report liabilities that will significantly affect financial results. The City Department of Economic Development is working closely with Carilion Healthcare and Virginia Tech to develop the South Jefferson Redevelopment area. Additions expected in this area include a medical school. We believe that positive influences such as these will contribute to the continued growth and development of our City that serves as a regional center to much of our surrounding area.

## **OTHER INFORMATION**

### Investment Risk

Funds of the Primary Government, excluding Fiduciary Funds, (Primary Government Portfolio) are invested in accordance with an Investment Policy created and maintained by the Treasurer of the City of Roanoke. The Investment Policy was established to ensure effective management of the day-to-day investment activity for the City, and is designed to increase non-tax revenues by investing funds when not needed for current obligations. The objective is to obtain the highest possible yield on available financial assets, consistent with constraints imposed by safety objectives, cash flow considerations and the laws of the Commonwealth of Virginia that restrict the placement of public funds. The investment portfolio is managed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio.

The City's investments, including Fiduciary Funds, are exposed to various investment 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 and 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 those changes could materially affect the amounts reported in the financial statements. At June 30, 2008, due to constraints imposed by the safety objectives contained in the Investment Policy, there was minimal investment risk in the Primary Government Portfolio. The Fiduciary Funds are managed according to an investment policy with a long-term capital growth objective. The policy mitigates market volatility and fluctuations in market value through the diversification of investments.

### Pension Plan Market Risk

The plan's market value of assets decreased in the fiscal year ended June 30, 2008, following six consecutive years of positive returns, as a result of the slowing economy, concerns over escalating inflation and the sub-prime mortgage crisis. Weak performance in domestic and international equity holdings were partially offset by positive performance in the fixed income, convertible bond and real estate segments. Our outlook for the U.S. economy is guarded, in recognition of the extreme volatility experienced in the markets since June 30th, as a result of failures in the financial sector, a depressed residential real estate market, and a sluggish economic outlook.

The Plan's investments are exposed to various risks, including 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. The Plan has experienced declines in the market value of investments since June 30, 2008, consistent with declines in the broad market indices. Accordingly, it is at least reasonably possible that the decline in the value of investment securities could materially affect the amounts reported in the financial statements.

The Plan's Statement of Investment Policy articulates the Board of Trustee's long-term capital growth objective, and attempts to mitigate short-term impact of market volatility and fluctuations in market value through the diversification of investments. We believe the portfolio allocation remains appropriately diversified in anticipation of continued market

volatility and concerns over the possibility of a recession. We will continue to monitor our asset allocation while exploring alternative investment classes to minimize the correlation of assets to enhance risk adjusted returns.

### Other Postemployment Benefits

As required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which the City adopted as of July 1, 2007, the City actuarially determined the liability associated with other postemployment benefits (OPEB) for retirees. The City fully funded the annual required contribution of \$1,398,000 for fiscal year 2008 by contributing an additional \$362,000 to a qualified trust fund to augment payments made toward benefits during the year and, therefore, is not reporting a liability for OPEB as of June 30, 2008.

### **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. The City's website address is [www.roanokeva.gov](http://www.roanokeva.gov).

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**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 92,387,339	\$ 3,538,066	\$ 95,925,405	\$ 11,773,756
Investments	11,916,187	547,140	12,463,327	-
Interest and Dividends Receivable	233,484	4,882	238,366	-
Due from Component Unit	1,492	-	1,492	-
Due from Other Governments	38,551,151	1,145,175	39,696,326	5,435,038
Internal Balances	(483,227)	483,227	-	-
Taxes and Accounts Receivable, Net	14,751,545	143,021	14,894,566	50,302
Note Receivable	2,976,302	-	2,976,302	-
Inventory	110,834	419,076	529,910	-
Other Assets	125,153	348,308	473,461	-
Capital Assets:				
Land, Construction in Progress, Right-of-Way, and Historical Treasures	125,033,701	5,926,041	130,959,742	-
Other Capital Assets, Net	315,158,320	71,438,487	386,596,807	4,682,939
Capital Assets, Net	440,192,021	77,364,528	517,556,549	4,682,939
<b>Total Assets</b>	<b>\$ 600,762,281</b>	<b>\$ 83,993,423</b>	<b>\$ 684,755,704</b>	<b>\$ 21,942,035</b>
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ 16,386,278	\$ 1,556,655	\$ 17,942,933	\$ 2,932,336
Accrued Interest Payable	4,435,386	433,631	4,869,017	-
Due to Other Governments	3,479,812	5,596	3,485,408	-
Due to Primary Government	-	-	-	2,358
Unearned Revenue	3,616,797	-	3,616,797	198,772
Other Liabilities	400,312	263,211	663,523	57,093
Long-term Liabilities Due Within One Year	30,009,323	1,648,499	31,657,822	6,132,554
Long-term Liabilities Due in More Than One Year, Net	271,275,605	25,310,461	296,586,066	6,071,297
<b>Total Liabilities</b>	<b>\$ 329,603,513</b>	<b>\$ 29,218,053</b>	<b>\$ 358,821,566</b>	<b>\$ 15,394,410</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	\$ 225,501,044	\$ 51,594,498	\$ 277,095,542	\$ 4,682,939
Restricted for:				
E911 Wireless Capital Project	105,323	-	105,323	-
Unrestricted	45,552,401	3,180,872	48,733,273	1,864,686
<b>Total Net Assets</b>	<b>\$ 271,158,768</b>	<b>\$ 54,775,370</b>	<b>\$ 325,934,138</b>	<b>\$ 6,547,625</b>

**CITY OF ROANOKE, VIRGINIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 14,951,184	\$ 4,467,706	\$ 1,098,259	\$ -
Judicial Administration	8,881,939	4,594,962	8,936,778	-
Public Safety	67,457,297	6,632,394	9,652,309	674
Public Works	29,493,501	445,191	10,978,185	2,976,079
Health and Welfare	45,287,639	196,110	33,830,124	-
Parks, Recreation and Cultural	11,718,909	155,799	267,834	821,291
Community Development	13,009,501	165,144	4,419,193	177,268
Education	65,494,065	-	-	-
Economic Development	657,348	83,541	75,000	-
Other	13,470	-	-	-
Interest and Fiscal Charges	10,710,840	-	-	-
<b>Total Governmental Activities</b>	<b>267,675,693</b>	<b>16,740,847</b>	<b>69,257,682</b>	<b>3,975,312</b>
<b>Business-Type Activities:</b>				
Transit Company	9,195,709	2,033,024	4,071,749	769,852
Civic Facilities	5,259,155	2,248,649	-	-
Parking	2,396,330	2,809,958	-	-
Market Building	379,828	255,476	-	-
<b>Total Business-Type Activities</b>	<b>17,231,022</b>	<b>7,347,107</b>	<b>4,071,749</b>	<b>769,852</b>
<b>Total Primary Government</b>	<b>\$ 284,906,715</b>	<b>\$ 24,087,954</b>	<b>\$ 73,329,431</b>	<b>\$ 4,745,164</b>
<b>Component Unit:</b>				
School Board of the City of Roanoke	\$ 160,647,988	\$ 5,017,926	\$ 35,050,367	\$ -

**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

Transfers

**Total General Revenues and Transfers**

Change in Net Assets

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

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
\$ (9,385,219)	\$ -	\$ (9,385,219)	\$ -
4,649,801	-	4,649,801	-
(51,171,920)	-	(51,171,920)	-
(15,094,046)	-	(15,094,046)	-
(11,261,405)	-	(11,261,405)	-
(10,473,985)	-	(10,473,985)	-
(8,247,896)	-	(8,247,896)	-
(65,494,065)	-	(65,494,065)	-
(498,807)	-	(498,807)	-
(13,470)	-	(13,470)	-
(10,710,840)	-	(10,710,840)	-
<b>(177,701,852)</b>	<b>-</b>	<b>(177,701,852)</b>	<b>-</b>
-	(2,321,084)	(2,321,084)	-
-	(3,010,506)	(3,010,506)	-
-	413,628	413,628	-
-	(124,352)	(124,352)	-
-	<b>(5,042,314)</b>	<b>(5,042,314)</b>	<b>-</b>
<b>\$ (177,701,852)</b>	<b>\$ (5,042,314)</b>	<b>\$ (182,744,166)</b>	<b>\$ -</b>
<b>\$ (120,579,695)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (120,579,695)</b>
\$ 98,714,420	\$ -	\$ 98,714,420	\$ -
21,571,956	-	21,571,956	-
12,536,783	-	12,536,783	-
9,825,738	-	9,825,738	-
11,560,944	-	11,560,944	-
8,073,460	-	8,073,460	-
2,882,612	-	2,882,612	-
2,814,253	-	2,814,253	-
7,978,786	-	7,978,786	-
1,682,310	-	1,682,310	-
3,514,598	-	3,514,598	-
3,897,656	-	3,897,656	-
-	-	-	56,730,226
-	-	-	62,392,633
7,752,288	-	7,752,288	-
3,372	-	3,372	151,158
2,644,762	140,247	2,785,009	220,586
-	187,010	187,010	108,569
(4,339,261)	4,339,261	-	-
<b>\$ 191,114,677</b>	<b>\$ 4,666,518</b>	<b>\$ 195,781,195</b>	<b>\$ 119,603,172</b>
13,412,825	(375,796)	13,037,029	(976,523)
<b>257,745,943</b>	<b>55,151,166</b>	<b>312,897,109</b>	<b>7,524,148</b>
<b>\$ 271,158,768</b>	<b>\$ 54,775,370</b>	<b>\$ 325,934,138</b>	<b>\$ 6,547,625</b>

**CITY OF ROANOKE, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,818,308	\$ 1,098,984	\$ 3,804,832	\$ 63,308,098	\$ 75,030,222
Investments	1,635,189	-	-	5,836,576	7,471,765
Interest and Dividends Receivable	21,271	-	120,475	52,080	193,826
Due from Component Unit	1,492	-	-	-	1,492
Due from Other Governments	11,387,800	-	529,884	-	11,917,684
Due from Other Funds	1,063,714	47,035	-	68,998	1,179,747
Taxes Receivable	15,505,562	-	-	-	15,505,562
Accounts Receivable	3,372,847	-	304,335	68,829	3,746,011
Allowance for Uncollectible Receivables	(4,514,743)	-	-	-	(4,514,743)
Note Receivable	-	-	2,976,302	-	2,976,302
<b>Total Assets</b>	<b>\$ 35,291,440</b>	<b>\$ 1,146,019</b>	<b>\$ 7,735,828</b>	<b>\$ 69,334,581</b>	<b>\$ 113,507,868</b>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Expenditures	\$ 9,587,831	\$ 2,237	\$ 689,643	\$ 5,059,440	\$ 15,339,151
Due to Other Governments	113,262	-	3,366,550	-	3,479,812
Due to Other Funds	1,517,705	-	319,806	319,157	2,156,668
Deferred Revenue	3,029,935	-	3,359,829	-	6,389,764
<b>Total Liabilities</b>	<b>\$ 14,248,733</b>	<b>\$ 2,237</b>	<b>\$ 7,735,828</b>	<b>\$ 5,378,597</b>	<b>\$ 27,365,395</b>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 1,318,997	\$ -	\$ -	\$ 36,500,585	\$ 37,819,582
Unreserved:					
Designated for Debt Service	-	1,143,782	-	-	1,143,782
Designated for Future Years'					
Expenditures	-	-	-	23,368,193	23,368,193
Designated for Self-Insured Claims	250,000	-	-	-	250,000
Designated for Economic and Community					
Development Reserve	-	-	-	4,087,206	4,087,206
Designated for Budget Stabilization Reserve	18,839,896	-	-	-	18,839,896
Undesignated	633,814	-	-	-	633,814
Total Fund Balances	21,042,707	1,143,782	-	63,955,984	86,142,473
<b>Total Liabilities and Fund Balances</b>	<b>\$ 35,291,440</b>	<b>\$ 1,146,019</b>	<b>\$ 7,735,828</b>	<b>\$ 69,334,581</b>	<b>\$ 113,507,868</b>

**CITY OF ROANOKE, VIRGINIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

Total Fund Balances - Governmental Funds		\$ 86,142,473
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	595,520,633	
Less: accumulated depreciation	<u>(178,576,309)</u>	416,944,324
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	7,321,449	
Less: accumulated amortization	(2,295,234)	
Receivable from Western Virginia Water Authority	<u>26,596,538</u>	31,622,753
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.		
		2,788,208
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	(273,971,207)	
Capital lease obligation	(4,987,084)	
Bond premium	(7,423,675)	
Accumulated amortization of bond premium	1,480,924	
Compensated absences	(6,401,350)	
Accrued interest payable	<u>(4,410,469)</u>	(295,712,861)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the Statement of Net Assets.		
		<u>29,373,871</u>
Total Net Assets of Governmental Activities		<u><u>\$271,158,768</u></u>

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, 2008**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local Taxes	\$ 172,769,022	\$ -	\$ -	\$ -	\$ 172,769,022
Permits, Fees and Licenses	1,475,370	-	-	-	1,475,370
Fines and Forfeitures	1,558,039	-	-	-	1,558,039
Rental Income	885,434	-	-	21,870	907,304
Investment Income	183,956	32,821	56,951	1,967,991	2,241,719
Intergovernmental	70,755,131	11,253,777	9,542,289	5,140,045	96,691,242
Charges for Services	10,955,336	-	-	-	10,955,336
Miscellaneous	712,979	-	49,174	636,368	1,398,521
<b>Total Revenues</b>	<b>259,295,267</b>	<b>11,286,598</b>	<b>9,648,414</b>	<b>7,766,274</b>	<b>287,996,553</b>
<b>EXPENDITURES</b>					
Current Operating:					
General Government	13,403,927	-	196,884	-	13,600,811
Judicial Administration	7,993,516	-	448,356	-	8,441,872
Public Safety	62,730,398	-	2,128,896	-	64,859,294
Public Works	23,663,876	-	-	-	23,663,876
Health and Welfare	42,206,410	-	2,420,450	-	44,626,860
Parks, Recreation and Cultural	11,086,757	-	78,340	-	11,165,097
Community Development	7,238,720	-	4,235,034	-	11,473,754
Education	62,357,633	-	-	35,000	62,392,633
Other	13,470	-	-	-	13,470
Debt Service:					
Principal Retirement	-	19,822,282	-	-	19,822,282
Interest and Paying Agent Charges	-	11,189,318	-	-	11,189,318
Bond Issuance Cost	-	153,798	-	-	153,798
Capital Outlays	-	-	-	35,471,132	35,471,132
<b>Total Expenditures</b>	<b>230,694,707</b>	<b>31,165,398</b>	<b>9,507,960</b>	<b>35,506,132</b>	<b>306,874,197</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>28,600,560</b>	<b>(19,878,800)</b>	<b>140,454</b>	<b>(27,739,858)</b>	<b>(18,877,644)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Long-Term Debt	-	-	-	43,967,698	43,967,698
Premium on Sale of Bonds	-	1,199,155	-	-	1,199,155
Transfers In	-	19,576,175	383,162	6,471,216	26,430,553
Transfers Out	(29,648,826)	(774,415)	(523,616)	(148,917)	(31,095,774)
<b>Total Other Financing Sources (Uses)</b>	<b>(29,648,826)</b>	<b>20,000,915</b>	<b>(140,454)</b>	<b>50,289,997</b>	<b>40,501,632</b>
Net Change in Fund Balances	(1,048,266)	122,115	-	22,550,139	21,623,988
<b>Fund Balances--Beginning of Year</b>	<b>22,090,973</b>	<b>1,021,667</b>	<b>-</b>	<b>41,405,845</b>	<b>64,518,485</b>
<b>Fund Balances--End of Year</b>	<b>\$ 21,042,707</b>	<b>\$ 1,143,782</b>	<b>\$ -</b>	<b>\$ 63,955,984</b>	<b>\$ 86,142,473</b>

**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, 2008**

Total Net Change in Fund Balances - Governmental Funds \$ 21,623,989

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	31,895,657	
Less current year depreciation expense	<u>(10,422,227)</u>	21,473,430

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

Net change in deferred revenue related to taxes	269,556	
Net principal reimbursed by Western Virginia Water Authority	<u>(2,328,228)</u>	(2,058,672)

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	(43,967,699)	
Bond premium	(1,199,154)	
Amortization of current year bond premium	376,187	
Bond costs and deferred amounts	153,798	
Amortization of current year bond costs and deferred amounts	(496,772)	
Principal payments	<u>19,822,282</u>	(25,311,358)

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	(318,502)	
Change in accrued interest payable	<u>(265,235)</u>	(583,737)

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.

(1,730,827)

Total Change in Net Assets of Governmental Activities

\$ 13,412,825

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2008**

	<b>Enterprise Funds</b>		
	<b>Transit Company</b>	<b>Civic Facilities</b>	<b>Parking</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 567,564	\$ 276,621	\$ 2,377,367
Investments	-	-	466,663
Interest and Dividends Receivable	-	-	4,882
Due from Other Governments	1,145,175	-	-
Due from Other Funds	-	666,758	-
Accounts Receivable	51,998	70,663	3,163
Inventory	419,076	-	-
Other Assets	135,297	104,572	108,439
<b>Total Current Assets</b>	<b>2,319,110</b>	<b>1,118,614</b>	<b>2,960,514</b>
Capital Assets:			
Land	603,302	1,215,005	2,359,526
Buildings and Structures	9,964,815	37,047,751	39,581,669
Equipment and Other Capital Assets	14,857,732	2,425,921	46,404
Construction in Progress	-	487,938	1,110,240
Less Accumulated Depreciation	(10,365,978)	(12,817,612)	(11,295,782)
<b>Capital Assets, Net</b>	<b>15,059,871</b>	<b>28,359,003</b>	<b>31,802,057</b>
<b>Total Assets</b>	<b>\$ 17,378,981</b>	<b>\$ 29,477,617</b>	<b>\$ 34,762,571</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 569,000	\$ 574,109	\$ 363,169
Accrued Interest Payable	-	251,021	182,610
Due to Other Governments	-	-	5,596
Due to Other Funds	-	51,245	123,059
Other Liabilities	157,460	44,605	61,146
Long-Term Liabilities Due Within One Year	-	762,329	886,170
<b>Total Current Liabilities</b>	<b>726,460</b>	<b>1,683,309</b>	<b>1,621,750</b>
Long-Term Liabilities:			
Compensated Absences Payable	-	77,427	13,369
Claims Payable	-	-	-
General Obligation Bonds Payable, Net	-	15,163,246	11,227,053
Capital Lease Liability	-	477,865	-
Less Current Maturities	-	(762,329)	(886,170)
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>14,956,209</b>	<b>10,354,252</b>
<b>Total Liabilities</b>	<b>\$ 726,460</b>	<b>\$ 16,639,518</b>	<b>\$ 11,976,002</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$ 15,059,871	\$ 13,231,182	\$ 21,159,848
Restricted for:			
E911 Wireless Capital Project	-	-	-
Unrestricted	1,592,650	(393,083)	1,626,721
<b>Total Net Assets</b>	<b>\$ 16,652,521</b>	<b>\$ 12,838,099</b>	<b>\$ 22,786,569</b>

See Notes to Basic Financial Statements.

<b>Enterprise Funds</b>			
<b>Market Building</b>	<b>Total</b>	<b>Internal Service Funds</b>	
\$ 316,514	\$ 3,538,066	\$ 17,357,117	
80,477	547,140	4,444,422	
-	4,882	39,658	
-	1,145,175	36,925	
-	666,758	584,158	
17,197	143,021	14,715	
-	419,076	110,834	
-	348,308	125,154	
<b>414,188</b>	<b>6,812,426</b>	<b>22,712,983</b>	
50,000	4,227,833	-	
2,140,442	88,734,677	-	
-	17,330,057	51,241,472	
168,476	1,766,654	2,044,259	
(215,321)	(34,694,693)	(30,038,034)	
<b>2,143,597</b>	<b>77,364,528</b>	<b>23,247,697</b>	
<b>\$ 2,557,785</b>	<b>\$ 84,176,954</b>	<b>\$ 45,960,680</b>	
\$ 43,915	\$ 1,550,193	\$ 1,022,907	
-	433,631	24,917	
-	5,596	-	
15,689	189,993	490,772	
-	263,211	24,220	
-	1,648,499	3,659,695	
<b>59,604</b>	<b>4,091,123</b>	<b>5,222,511</b>	
-	90,796	301,848	
-	-	12,854,983	
-	26,390,299	1,575,243	
-	477,865	291,919	
-	(1,648,499)	(3,659,695)	
-	25,310,461	11,364,298	
<b>\$ 59,604</b>	<b>\$ 29,401,584</b>	<b>\$ 16,586,809</b>	
\$ 2,143,597	\$ 51,594,498	\$ 22,305,164	
-	-	105,323	
354,584	3,180,872	6,963,384	
<b>\$ 2,498,181</b>	<b>\$ 54,775,370</b>	<b>\$ 29,373,871</b>	

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Enterprise Funds</u>		
	<u>Transit Company</u>	<u>Civic Facilities</u>	<u>Parking</u>
<b><u>Operating Revenues</u></b>			
Charges for Services	\$ 2,033,024	\$ 2,248,649	\$ 2,809,958
Other Revenue	184,523	819	-
<b>Total Operating Revenues</b>	<b>2,217,547</b>	<b>2,249,468</b>	<b>2,809,958</b>
<b><u>Operating Expenses</u></b>			
Personal Services	4,047,317	1,936,636	66,661
Other Services and Charges	1,804,852	721,776	738,273
Materials and Supplies	1,561,846	1,039,009	671,503
Depreciation	1,786,644	871,401	672,651
<b>Total Operating Expenses</b>	<b>9,200,659</b>	<b>4,568,822</b>	<b>2,149,088</b>
<b>Operating Income (Loss)</b>	<b>(6,983,112)</b>	<b>(2,319,354)</b>	<b>660,870</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Net Gain (Loss) on Disposal of Assets	4,950	(40,447)	-
Operating Grants	4,071,749	-	-
Investment Income	28,971	21,384	66,261
Interest Expense	-	(649,886)	(247,242)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>4,105,670</b>	<b>(668,949)</b>	<b>(180,981)</b>
<b>Income (Loss) Before Transfers and Contributions</b>	<b>(2,877,442)</b>	<b>(2,988,303)</b>	<b>479,889</b>
<b><u>Transfers and Contributions</u></b>			
Capital Contributions	769,852	-	-
Transfers In	1,431,853	2,741,442	43,348
Transfers Out	-	(61,869)	-
<b>Net Transfers and Contributions</b>	<b>2,201,705</b>	<b>2,679,573</b>	<b>43,348</b>
Change in Net Assets	(675,737)	(308,730)	523,237
<b>Net Assets - Beginning of Year</b>	<b>17,328,258</b>	<b>13,146,829</b>	<b>22,263,332</b>
<b>Net Assets - End of Year</b>	<b>\$ 16,652,521</b>	<b>\$ 12,838,099</b>	<b>\$ 22,786,569</b>

<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
<b>Market Building</b>	<b>Total</b>		
\$ 255,476	\$ 7,347,107	\$	28,636,853
1,668	187,010		163,491
<b>257,144</b>	<b>7,534,117</b>		<b>28,800,344</b>
-	6,050,614		4,354,334
132,902	3,397,803		19,182,317
152,753	3,425,111		4,825,667
94,173	3,424,869		3,250,878
<b>379,828</b>	<b>16,298,397</b>		<b>31,613,196</b>
<b>(122,684)</b>	<b>(8,764,280)</b>		<b>(2,812,852)</b>
-	(35,497)		-
-	4,071,749		-
23,631	140,247		791,362
-	(897,128)		(35,297)
<b>23,631</b>	<b>3,279,371</b>		<b>756,065</b>
<b>(99,053)</b>	<b>(5,484,909)</b>		<b>(2,056,787)</b>
-	769,852		-
184,487	4,401,130		408,460
-	(61,869)		(82,500)
<b>184,487</b>	<b>5,109,113</b>		<b>325,960</b>
85,434	(375,796)		(1,730,827)
<b>2,412,747</b>	<b>55,151,166</b>		<b>31,104,698</b>
<b>\$ 2,498,181</b>	<b>\$ 54,775,370</b>	<b>\$</b>	<b>29,373,871</b>

**CITY OF ROANOKE, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Enterprise Funds</b>		
	<b>Transit Company</b>	<b>Civic Facilities</b>	<b>Parking</b>
<b>Cash Flow From Operating Activities</b>			
Cash Received from Customers	\$ 2,033,024	\$ 2,381,175	\$ 2,810,566
Cash Payments to Suppliers for Goods and Services	(3,420,819)	(1,330,743)	(1,600,472)
Cash Receipts from (Payments to) Other Funds for Interfund Services	-	(293,200)	93,627
Cash Payments to Employees	(4,037,296)	(1,951,431)	(63,778)
Cash Payments for Claims	-	-	-
Cash Received for Other Operating Revenues	182,751	819	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(5,242,340)</b>	<b>(1,193,380)</b>	<b>1,239,943</b>
<b>Cash Flow From Noncapital Financing Activities:</b>			
Operating Grant Received	4,117,009	-	-
Transfers In	1,431,853	2,741,442	43,348
Transfers Out	-	(61,869)	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>5,548,862</b>	<b>2,679,573</b>	<b>43,348</b>
<b>Cash Flow From Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(854,812)	(335,055)	(7,222,143)
Capital Grant Receipts	699,154	-	-
Proceeds from Sale of Capital Assets	4,950	-	-
Proceeds from Issuance of Bonds	-	-	2,545,000
Principal Paid on Bonds and Capital Lease Obligation	-	(605,000)	(766,539)
Interest Paid on Bonds and Capital Leases	-	(671,008)	(124,166)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(150,708)</b>	<b>(1,611,063)</b>	<b>(5,567,848)</b>
<b>Cash Flow From Investing Activities:</b>			
Interest Received	28,971	19,099	71,404
Sale/(Purchase) of Investments	-	-	872,253
<b>Cash Provided by Investing Activities</b>	<b>28,971</b>	<b>19,099</b>	<b>943,657</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>184,785</b>	<b>(105,771)</b>	<b>(3,340,900)</b>
<b>Cash and Cash Equivalents at July 1</b>	<b>382,779</b>	<b>382,392</b>	<b>5,718,267</b>
<b>Cash and Cash Equivalents at June 30</b>	<b>\$ 567,564</b>	<b>\$ 276,621</b>	<b>\$ 2,377,367</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (6,983,112)	\$ (2,319,354)	\$ 660,870
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,786,644	871,401	672,651
Changes in Assets and Liabilities:	-	-	-
Decrease in Due From Other Governments	-	-	-
(Increase) Decrease in Due From Other Funds	-	133,660	3,771
(Increase) Decrease in Due From Component Unit	-	-	-
(Increase) Decrease in Accounts Receivable	(1,772)	(3,214)	(3,163)
(Increase) Decrease in Inventory	(9,611)	31,014	-
Increase in Other Assets	(58,465)	-	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	2,681	87,801	(214,588)
Increase (Decrease) in Due to Other Governments	-	-	963
Increase (Decrease) in Due to Other Funds	-	18,027	117,518
Increase in Other Liabilities	11,274	2,080	-
Increase (Decrease) in Compensated Absences Payable	10,021	(14,795)	1,921
Increase in Claims Payable	-	-	-
<b>Total Adjustments</b>	<b>1,740,772</b>	<b>1,125,974</b>	<b>579,073</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (5,242,340)</b>	<b>\$ (1,193,380)</b>	<b>\$ 1,239,943</b>

**Noncash Capital and Financing Activities:**

Parking Fund noncash activities in fiscal year 2008 consisted of capital asset acquisitions of \$319,179 recorded as accounts payable at June 30, 2008.

Market Building Fund noncash activities in fiscal year 2008 consisted of capital asset acquisitions of \$5,677 recorded as accounts payable at June 30, 2008.

Civic Facilities Fund noncash activities in fiscal year 2008 consisted of capital asset acquisitions of \$477,865 via capital lease obligation.

Internal Service Funds noncash activities in fiscal year 2008 consisted of capital asset acquisitions through a capital lease obligation of \$291,919

<u>Enterprise Funds</u>			
<u>Market Building</u>	<u>Total</u>	<u>Internal Service Funds</u>	
\$ 256,431	\$ 7,481,196	\$ 29,529,705	
(259,253)	(6,611,287)	(7,217,729)	
(356,779)	(556,352)	31,391	
-	(6,052,505)	(4,355,235)	
-	-	(13,616,591)	
1,668	185,238	221,441	
<u>(357,933)</u>	<u>(5,553,710)</u>	<u>4,592,982</u>	
-	4,117,009	-	
184,487	4,401,130	408,460	
-	(61,869)	(82,500)	
<u>184,487</u>	<u>8,456,270</u>	<u>325,960</u>	
(214,696)	(8,626,706)	(4,927,202)	
-	699,154	-	
-	4,950	-	
-	2,545,000	-	
-	(1,371,539)	(520,000)	
-	(795,174)	(51,976)	
<u>(214,696)</u>	<u>(7,544,315)</u>	<u>(5,499,178)</u>	
25,329	144,803	800,552	
(80,477)	791,776	4,723,045	
<u>(55,148)</u>	<u>936,579</u>	<u>5,523,597</u>	
(443,290)	(3,705,176)	4,943,362	
759,804	7,243,242	12,413,755	
<u>\$ 316,514</u>	<u>\$ 3,538,066</u>	<u>\$ 17,357,117</u>	
\$ (122,684)	\$ (8,764,280)	\$ (2,812,852)	
94,173	3,424,869	3,250,878	
-	-	(12,693)	
(1,697)	135,734	845,678	
-	-	48,630	
2,652	(5,497)	2,670	
-	21,403	(25,191)	
-	(58,465)	57,950	
9,524	(114,582)	299,651	
-	963	-	
(339,901)	(204,356)	186,428	
-	13,354	-	
-	(2,853)	(11,771)	
-	-	2,763,604	
<u>(235,249)</u>	<u>3,210,570</u>	<u>7,405,834</u>	
<u>\$ (357,933)</u>	<u>\$ (5,553,710)</u>	<u>\$ 4,592,982</u>	

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2008**

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 677,283	\$ -	\$ 5,393,527
Receivables:			
Employer Contributions (Includes Due From Other Funds of \$406,770)	516,126	-	-
Investment Income	69,144	-	-
Due from Other Governments	-	-	15,318
Total Receivables	<u>585,270</u>	<u>-</u>	<u>15,318</u>
Investments Held by Trustee, at Fair Value:			
Cash Equivalents	2,090,826	362,091	-
Cash Collateral on Loaned Securities	25,694,864	-	-
Convertible Bond Mutual Funds	14,470,121	-	-
Common Stocks	44,812,596	-	-
Domestic Mutual Funds	190,524,759	-	-
International Mutual Funds	67,333,594	-	-
Real Estate Mutual Funds	24,172,809	-	-
Total Investments	<u>369,099,569</u>	<u>362,091</u>	<u>-</u>
<b>Total Assets</b>	<u>\$ 370,362,122</u>	<u>\$ 362,091</u>	<u>\$ 5,408,845</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 283,843	\$ -	\$ -
Liability for Collateral on Loaned Securities	25,694,864	-	-
Due to Other Governments	-	-	5,408,845
<b>Total Liabilities</b>	<u>\$ 25,978,707</u>	<u>\$ -</u>	<u>\$ 5,408,845</u>
<b>NET ASSETS</b>			
<b>Held in Trust for Pension and Other Postemployment Benefits</b>	<u><u>\$ 344,383,415</u></u>	<u><u>\$ 362,091</u></u>	<u><u>\$ -</u></u>

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>
<b><u>Additions/(Reductions)</u></b>		
Contributions from Employer	\$ 12,293,786	\$ 1,403,000
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments	(31,949,221)	-
Interest and Dividends	11,241,356	91
Other	22,176	-
Total Investment Income (Loss)	(20,685,689)	91
Less Investment Expenses	(737,307)	(5,000)
Net Investment Income (Loss)	(21,422,996)	(4,909)
Securities Lending Income		
Securities Lending Income	460,650	-
Less Securities Lending Expenses	(274,051)	-
Net Securities Lending Income	186,599	-
<b>Total Additions/(Reductions)</b>	<b>(8,942,611)</b>	<b>1,398,091</b>
<b><u>Deductions</u></b>		
Benefit Payments	24,920,666	1,036,000
Administrative Expenses	324,803	-
<b>Total Deductions</b>	<b>25,245,469</b>	<b>1,036,000</b>
<b>Net Increase (Decrease) in Plan Net Assets</b>	<b>(34,188,080)</b>	<b>362,091</b>
<b>Net Assets Held in Trust for Pension and Other Postemployment Benefits - July 1</b>	<b>378,571,495</b>	<b>-</b>
<b>Net Assets Held in Trust for Pension and Other Postemployment Benefits - June 30</b>	<b>\$ 344,383,415</b>	<b>\$ 362,091</b>

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

**(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. As required by GAAP, these financial statements present the City and its blended component unit, for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is, in substance, part of the municipality's operations, so data from this unit is combined with data of the primary government. A discretely presented component unit is reported in a separate column in the government-wide financial statements.

**Blended Component Unit**

The Greater Roanoke Transit Company (Transit Company) is a public service bus company organized to provide mass transportation services to the Roanoke Valley. The Transit Company is reported as a blended component unit because it is owned by the City with City Council acting as its Board of Directors. The Transit Company's operations are reported as an Enterprise Fund, a Proprietary Fund Type.

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

**Discretely Presented Component Unit**

The School Board of the City of Roanoke, Virginia (School Board) is a legally separate entity which operates twenty elementary schools, six 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 footnote 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 basic 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.

**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:

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

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

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

The effect of interfund activity, other than service provided and used, has been eliminated from these statements. Excess revenues or expenses of the internal service funds are allocated to the appropriate governmental functional activity. The City does not allocate indirect expenses. The government-wide 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 School Board, which is a legally separate, discretely presented component unit, is also segregated.

**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 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.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

**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, except the Market Building Fund, are major funds and are as follows:

**Transit Company** – Provides bus service to the City and surrounding areas.

**Civic Facilities Fund** – Accounts for the operation of the municipal civic center.

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

**Market Building Fund** – Accounts for the operation of the Downtown Market Building which houses several retail merchants and restaurants.

**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 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 applicable 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.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

**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. This fund was created as a part of the implementation of GASB Statement No. 45 in fiscal year 2008. 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 change in net assets as reported on the Statement of Activities (Exhibit B) and the total changes in fund

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

balance 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 reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances are reported as expenditures using the budgetary basis of accounting. Unspent appropriations lapse at year-end. These encumbrances are subject to reappropriation 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 Transit Company 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. Investments of the Pension Trust Fund consist of overnight investments in bank common trust funds, government securities, 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 unit 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, 2008, the allowance for General Fund uncollectible taxes and accounts receivable was \$4,514,743, or 23.9% of the outstanding balance of taxes receivable and accounts receivable.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**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.

Personal property tax is due on or before May 31 during the year of assessment. The tax rate for real estate was \$1.19 per \$100 of assessed value for the year. The personal property tax rate was \$3.45 per \$100 of assessed value for the year. In 1998, the Commonwealth enacted the Personal Property Tax Relief Act whereby the Commonwealth funds localities for a portion of personal property taxes billed to property owners. In 2006, the Commonwealth amended this legislation to provide for a flat amount of reimbursement to localities, thereby decreasing the percent of tax relief provided. The Commonwealth's share of the tax was 60.67% for fiscal year 2008. 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 rate is calculated at the Internal Revenue Service (IRS) rate. At June 30, 2008, the IRS rate was 6%.

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 is 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 assets and 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**

In connection with the City's adoption of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, effective July 1, 2007, the City's policy is to fully fund actuarially determined OPEB costs, which include both normal costs and amortization of unfunded accrued liability, by contributing to the Virginia Pooled OPEB Trust. The OPEB Trust Fund assets and 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. Further information regarding the City's adoption of GASB Statement No. 45, effective July 1, 2007, is included in notes 2 and 13, and in the RSI schedules.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

**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 are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land, construction-in-progress, or items designated as historical treasures. The estimated useful lives for capital assets are as follows:

Land Improvements	15-40 years
Buildings and Structures	5-55 years
Equipment	2-20 years
Infrastructure	15-55 years

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 is the property of the City.

Interest is capitalized on proprietary fund capital assets financed through the issuance of long-term debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capital asset additions in the current fiscal year included total capitalized net interest of \$105,177 in the Parking Fund, \$22,115 in the Department of Technology Fund, and \$2,154 in the Civic Facilities Fund.

**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 \$6,401,350 are recorded for governmental activities in the government-wide statements and represent a reconciling item between the government-wide and fund presentations.

Compensated absences earned by employees and charged to proprietary funds are expensed and accrued as a liability of the appropriate fund when incurred. At June 30, 2008, the liabilities for compensated absences of the enterprise and internal service funds were \$90,796 and \$301,848 respectively.

**(2) Deposits and Investments**

**Governmental Funds**

The City maintains a consolidated account that is available for use by all funds, including fiduciary funds and the School Board component unit. Each fund's portion of this account is presented in the basic

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

financial statements as “Cash and Cash Equivalents”. The Transit Company, a blended component unit, maintains separate cash and investment accounts consisting of cash and overnight repurchase agreements collateralized by government securities. The Transit Company investments are presented in conjunction with City investments. The City acts as one of the fiscal agents for the Hotel Roanoke Conference Center Commission (HRCCC) and holds total cash and investments of \$5,393,527 on its behalf. Investments and related disclosures for the City of Roanoke Pension Plan and the OPEB Trust Fund are presented separately.

*Investment Policy* The City, School Board, and Transit Company 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. (Moody’s) of prime 1 and by Standard & Poor's, Inc. (S & P), within it 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 that 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 in investments otherwise permitted by law as set forth in Chapter 18 of Title 2.1, Code of Virginia (1950), as amended.

Cash and Investments as of June 30, 2008 consisted of the following:

	<u>Total Primary Government</u>	<u>School Board Component Unit</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents, including Virginia			
Local Government Investment Pool (LGIP)	\$ 36,919,391	\$ 11,773,756	\$ 6,432,901
Money Market Accounts	15,805,645	-	-
Repurchase Agreements	372,303	-	-
Mutual Funds	42,828,066	-	-
Federal Agency Bonds/Notes	12,463,327	-	-
	<u>\$ 108,388,732</u>	<u>\$ 11,773,756</u>	<u>\$ 6,432,901</u>

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

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 State and 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, 2008, the percentage of the City’s and School Board’s investments, with their respective credit ratings, was as follows:

Investment Type	City	School	Credit Rating
Repurchase Agreements	0.4%	0.0%	NR
Mutual Funds	46.3%	0.0%	AAAm
Federal Agency Bond/Notes	13.5%	0.0%	Aaa
Virginia LGIP	39.8%	100.0%	AAAm

*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, 2008, 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 the City is the custodian. 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. The School Board component unit does not hold any investments exposed to custodial credit risk. As of June 30, 2008, the City did not hold any investments considered to be 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 \$26,478,820, including School Board component unit of \$2,128,811 and Fiduciary funds of \$6,070,810. The City’s bank balance of deposits was \$25,550,329, including School Board component unit of \$2,003,963 and Fiduciary funds of \$5,665,093. 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.

Subsequent to the date of these financial statements, Wachovia Bank, N.A., which holds the majority of the City’s deposits, announced plans to be sold or merged with another entity. Details of the transaction and its affect on the City’s consolidated accounts are not fully known at the report date. The bank balance

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

of the City's deposits held by Wachovia Bank, N.A. as of June 30, 2008 was \$9,441,821, including School Board component unit of \$1,982,782.

*Concentration of Credit Risk.* The 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 thirty-five percent 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 20 percent of the bond portfolio.

As of June 30, 2008, the portions of the City's investment portfolio that, excluding the Virginia LGIP, exceeded 5% of the total portfolio are as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Commonwealth Cash Reserve Fund	46.3%
Federal Home Loan Bank	8.9%

As of June 30, 2008, 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 two years.

As of June 30, 2008, the City had the following investments and maturities:

	<u>Investment Maturity</u>		
	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-2 years</u>
Repurchase Agreements	\$ 372,303	\$ 372,303	\$ -
Mutual Funds	42,828,066	42,828,066	-
Federal Agency Bonds/Notes	12,463,328	3,990,620	8,472,708
Virginia LGIP	36,779,928	36,779,928	-
<b>TOTAL</b>	<b>\$ 92,443,625</b>	<b>\$ 83,970,917</b>	<b>\$ 8,472,708</b>

As of June 30, 2008, the School Board had the following investments and maturities:

	<u>Investment Maturity</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
Virginia LGIP	\$ 9,644,944	\$ 9,644,944
<b>TOTAL</b>	<b>\$ 9,644,944</b>	<b>\$ 9,644,944</b>

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**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, 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, 2008 consisted of the following:

Cash Equivalents	\$ 2,090,826
Cash Collateral on Loaned Securities	25,694,864
Convertible Bond Mutual Funds	14,470,121
Common Stocks	44,812,596
Domestic Mutual Funds	190,524,759
International Mutual Funds	67,333,594
Real Estate Mutual Funds	24,172,809
Total Investments	<u><u>\$ 369,099,569</u></u>

*Credit Risk.* The Plan's investment policy limits investments in fixed income securities to issues which are rated at least BBB by the Standard and Poor's rating system or Baa by the Moody's rating system. Purchases of non-U.S. government securities are restricted to issues of at least \$50 million or greater. As of June 30, 2008, the Plan's fixed income investments consisted of the following:

<u>Investment Type</u>	<u>Moody's</u>	
	<u>Market Value</u>	<u>Rating</u>
Bond Mutual Fund	\$ 41,037,548	AA
Bond Mutual Fund	35,101,914	AA2
Total	<u><u>\$ 76,139,462</u></u>	

*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 consolidated account, which the Plan participates in. On June 30, 2008, the carrying amount and bank balance of the Plan's deposits was \$2,768,109. Of the bank balance at June 30, 2008, \$677,283 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.

Such collateralization qualifies as state depository insurance. Accordingly, the bank balance of \$677,283 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 \$2,090,826 is uninsured and uncollateralized.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

*Custodial Credit Risk – Investments.* The Plan has six types of investments as of June 30, 2008: cash equivalents; convertible bond mutual funds; common stocks; and domestic, international, and real estate mutual 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, 2008, the Plan's investments considered to be exposed to custodial credit risk consisted of the following:

<u>Investment Type</u>	<u>Market Value</u>
Common Stocks	<u>\$ 44,812,596</u>
Total	<u><u>\$ 44,812,596</u></u>

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. 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, 2008, 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 Lehman 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 Lehman Aggregate Bond 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, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>
		<u>1-5</u>
Bond Mutual Funds	<u>\$74,283,887</u>	<u>\$ 74,283,887</u>
Total	<u><u>\$74,283,887</u></u>	<u><u>\$ 74,283,887</u></u>

*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. The Plan had no investments that were not denominated in U.S. dollars or that were traded solely on exchanges outside the U.S. as of June 30, 2008.

*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. All of the Plan's

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

securities held by the Custodian are available for securities lending, except those securities which the Plan specifically identifies in notices to the Custodian as not being available. During the fiscal year, 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 failed 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. As of June 30, 2008, the investment pool had a weighted maturity of 33 days with an average duration of 78 days.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The Plan had no credit risk exposure to borrowers as of June 30, 2008.

The following represents balances related to securities lending transactions as of June 30, 2008:

Securities on Loan	Market Value of Securities	Cash Collateral Investment Value
Domestic Equities	\$ 24,957,014	\$ 25,694,864
Total	\$ 24,957,014	\$ 25,694,864

*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 those such changes could materially affect the amounts reported in the statement of net assets available for benefits.

*Subsequent Events.* As described above, the Plan's investments are exposed to several risks. With the known market volatility since June 30, 2008 the Plan is aware that the market values of the majority of the underlying assets have declined and in some cases liquidity of normally short-term investments has been impaired, as a result of failures in the financial sector, a depressed real estate market and a sluggish economic outlook. Management of the Plan believes the portfolio allocation remains appropriately

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

diversified in response to anticipated continued market volatility and concerns over the possibility of a recession. Management plans to continue to monitor the Plan's asset allocation while exploring alternative investment classes to minimize the correlation of assets to enhance risk adjusted returns.

**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). 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 5.0 percent 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 its 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 Program, 1108 East Main Street, Richmond, Virginia 23219.

**(3) Receivables**

Receivables as of June 30, 2008 consisted of the following:

**Governmental Funds**

<u>Receivables</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Total Governmental Activities</u>	<u>School Board Component Unit</u>
Interest and Dividends	\$ 21,271	\$ 120,475	\$ 52,080	\$ -	\$ 193,826	\$ -
Component Unit	1,492	-	-	-	1,492	-
Federal Government	-	146,590	-	-	146,590	2,783,917
State Government	10,954,751	383,294	-	-	11,338,045	2,650,255
Other Governments	433,049	-	-	36,925	469,974	866
Subtotal Governments	<u>11,387,800</u>	<u>529,884</u>	<u>-</u>	<u>36,925</u>	<u>11,954,609</u>	<u>5,435,038</u>
Taxes	15,505,562	-	-	-	15,505,562	-
Accounts	3,372,847	304,335	68,829	29,307	3,775,318	50,302
Less: Allowance for Uncollectible Accounts	<u>(4,514,743)</u>	<u>-</u>	<u>-</u>	<u>(14,592)</u>	<u>(4,529,335)</u>	<u>-</u>
Subtotal	<u>14,363,666</u>	<u>304,335</u>	<u>68,829</u>	<u>14,715</u>	<u>14,751,545</u>	<u>50,302</u>
Note	-	2,976,302	-	-	2,976,302	-
Governmental Fund Receivables	<u>25,774,229</u>	<u>3,930,996</u>	<u>120,909</u>	<u>51,640</u>	<u>29,877,774</u>	<u>5,485,340</u>
Enterprise Fund Receivables	-	-	-	-	1,288,196	-
Due from WVA	-	-	-	-	26,596,538	-
Net Governmental Activities Receivables	<u>\$ 25,774,229</u>	<u>\$ 3,930,996</u>	<u>\$ 120,909</u>	<u>\$ 51,640</u>	<u>\$ 57,762,508</u>	<u>\$ 5,485,340</u>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

Receivables as of June 30, 2008 (Continued)

**Enterprise Funds**

	Transit Company	Civic Facilities	Parking	Market Building	Total Enterprise Funds
<u>Receivables</u>					
Federal Government	\$ 967,943	\$ -	\$ -	\$ -	\$ 967,943
State Government	157,180	-	-	-	157,180
Other Governments	20,052	-	-	-	20,052
Subtotal	<u>1,145,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,145,175</u>
Accounts	51,998	70,663	3,163	17,197	143,021
Total Receivables	<u>\$ 1,197,173</u>	<u>\$ 70,663</u>	<u>\$ 3,163</u>	<u>\$ 17,197</u>	<u>\$ 1,288,196</u>

The taxes receivable account is largely comprised of the current and past nineteen years of uncollected tax levies on real property, the current and prior four years of uncollected tax levies for personal property; and business and professional occupational license tax. The collectability of 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 \$2.8 million that are not available to pay for current period expenditures and are accordingly recorded as deferred revenue in the governmental funds balance sheet. Additionally, a \$26,596,538 receivable from the Western Virginia Water Authority (WVWA) related to long-term liabilities is reported on the Statement of Net Assets. Further details are presented in notes 9 and 16.

**(4) Interfund Balances and Transfers**

Interfund balances consisted of the following at June 30, 2008:

		<b>DUE FROM (FUND)</b>							
		General	Capital Projects	Special Revenue	Internal Services	Civic Facilities	Parking	Market Building	<b>Total</b>
<b>DUE TO (FUND)</b>	General Fund	\$ -	\$ 319,157	\$ 191,231	\$ 465,496	\$ -	\$ 72,141	\$ 15,689	\$ 1,063,714
	Civic Facilities	666,758	-	-	-	-	-	-	666,758
	Capital Projects	68,998	-	-	-	-	-	-	68,998
	Debt Service	1,658	-	-	-	-	45,377	-	47,035
	Internal Service	397,960	-	128,575	7,295	44,787	5,541	-	584,158
	Pension Trust	382,331	-	-	17,981	6,458	-	-	406,770
	<b>TOTAL</b>	<u>\$ 1,517,705</u>	<u>\$ 319,157</u>	<u>\$ 319,806</u>	<u>\$ 490,772</u>	<u>\$ 51,245</u>	<u>\$ 123,059</u>	<u>\$ 15,689</u>	<u>\$ 2,837,433</u>

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.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

Interfund transfers consisted of the following for the year ended June 30, 2008:

		<b>TRANSFER FROM (FUND)</b>						
TRANSFER TO (FUND)	General	Special Revenue	Capital Projects	Internal Service	Civic Facilities	Debt Service	Total	
	Debt Service	\$ 18,990,690	\$ 523,616	\$ -	\$ -	\$ 61,869	\$ -	\$ 19,576,175
Special Revenue	326,662	-	-	56,500	-	-	383,162	
Capital Projects	5,705,216	-	-	1,000	-	765,000	6,471,216	
Civic Facilities	2,741,442	-	-	-	-	-	2,741,442	
Transit Company	1,431,853	-	-	-	-	-	1,431,853	
Parking	33,933	-	-	-	-	9,415	43,348	
Market Building	35,570	-	148,917	-	-	-	184,487	
Internal Service	383,460	-	-	25,000	-	-	408,460	
<b>TOTAL</b>	<b>\$ 29,648,826</b>	<b>\$ 523,616</b>	<b>\$ 148,917</b>	<b>\$ 82,500</b>	<b>\$ 61,869</b>	<b>\$ 774,415</b>	<b>\$ 31,240,143</b>	

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

**(5) Note Receivable**

Included in the Special Revenue Fund as of June 30, 2008, is a note receivable in the amount of \$2,976,302 from 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.

Principal is payable in nineteen annual installments with interest on the unpaid principal balance of the noted 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, 2008, unpaid installments totaling \$496,757 are due from the Hotel Roanoke, LLC. This amount is comprised of unpaid principal of \$376,282 and interest of \$120,475. During the year ended June 30, 2008, the Hotel Roanoke, LLC made payments of \$496,757.

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.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

**(6) Changes in Capital Assets**

**Primary Government:**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
<b><u>Governmental activities:</u></b>				
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 41,842,510	\$ 80,922	\$ -	\$ 41,923,432
Infrastructure - Right of Way	20,027,512	-	-	20,027,512
Construction in Process	74,200,268	34,169,711	(45,942,520)	62,427,459
Historical Treasures	655,298	-	-	655,298
<b>Total Capital assets, not being depreciated</b>	<b>136,725,588</b>	<b>34,250,633</b>	<b>(45,942,520)</b>	<b>125,033,701</b>
<b><u>Capital assets, being depreciated:</u></b>				
Land Improvements	1,479,872	400,069	-	1,879,941
Accumulated Depreciation	(255,503)	(99,436)	-	(354,939)
<b>Net Land Improvements</b>	<b>1,224,369</b>	<b>300,633</b>	<b>-</b>	<b>1,525,002</b>
Building and Structures	261,876,234	34,402,198	(1,083,371)	295,195,061
Accumulated Depreciation	(100,987,032)	(4,808,032)	688,370	(105,106,694)
<b>Net Building &amp; Structures</b>	<b>160,889,202</b>	<b>29,594,166</b>	<b>(395,001)</b>	<b>190,088,367</b>
Infrastructure	162,606,247	3,677,725	-	166,283,972
Accumulated Depreciation	(61,876,384)	(4,775,467)	-	(66,651,851)
<b>Net Infrastructure</b>	<b>100,729,863</b>	<b>(1,097,742)</b>	<b>-</b>	<b>99,632,121</b>
Equipment	50,615,799	10,739,606	(941,716)	60,413,689
Accumulated Depreciation	(33,449,720)	(3,990,170)	939,031	(36,500,859)
<b>Net Equipment</b>	<b>17,166,079</b>	<b>6,749,436</b>	<b>(2,685)</b>	<b>23,912,830</b>
Total Capital Assets Being Depreciated	476,578,152	49,219,598	(2,025,087)	523,772,663
Less: Accumulated Depreciation	(196,568,639)	(13,673,105)	1,627,401	(208,614,343)
<b>Net Total Capital Assets Being Depreciated</b>	<b>280,009,513</b>	<b>35,546,493</b>	<b>(397,686)</b>	<b>315,158,320</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 416,735,101</b>	<b>\$ 69,797,126</b>	<b>\$ (46,340,206)</b>	<b>\$ 440,192,021</b>
<b>General Capital Assets, Net</b>				\$ 416,944,324
<b>Internal Service Fund Capital Assets, Net</b>				23,247,697
<b>Total</b>				<b>\$ 440,192,021</b>

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**Changes in Capital Assets (Continued)**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
<b><u>Business-type activities:</u></b>				
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 4,159,387	\$ -	\$ -	\$ 4,159,387
Construction in Process	2,402,068	7,509,660	(8,145,074)	1,766,654
<b>Total Capital assets, not being depreciated</b>	<b>6,561,455</b>	<b>7,509,660</b>	<b>(8,145,074)</b>	<b>5,926,041</b>
<b><u>Capital assets, being depreciated:</u></b>				
Land Improvements	68,446	-	-	68,446
Accumulated Depreciation	(52,710)	(1,885)	-	(54,595)
<b>Net Land Improvements</b>	<b>15,736</b>	<b>(1,885)</b>	<b>-</b>	<b>13,851</b>
Building and structures	80,513,826	8,275,447	(54,595)	88,734,678
Accumulated Depreciation	(25,809,837)	(1,890,625)	16,011	(27,684,451)
<b>Net Building &amp; Structures</b>	<b>54,703,989</b>	<b>6,384,822</b>	<b>(38,584)</b>	<b>61,050,227</b>
Equipment	16,298,716	1,245,075	(213,734)	17,330,057
Accumulated Depreciation	(5,635,162)	(1,532,359)	211,873	(6,955,648)
<b>Net Equipment</b>	<b>10,663,554</b>	<b>(287,284)</b>	<b>(1,861)</b>	<b>10,374,409</b>
Total Capital Assets Being Depreciated	96,880,988	9,520,522	(268,329)	106,133,181
Less: Accumulated Depreciation	(31,497,709)	(3,424,869)	227,884	(34,694,694)
<b>Net Total Capital Assets Being Depreciated</b>	<b>65,383,279</b>	<b>6,095,653</b>	<b>(40,445)</b>	<b>71,438,487</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 71,944,734</b>	<b>\$ 13,605,313</b>	<b>\$ (8,185,519)</b>	<b>\$ 77,364,528</b>

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**Changes in Capital Assets (Continued)**

Depreciation was charged to functions as follows:

**Governmental activities:**

General Government	\$ 322,314
Judicial Administration	259,193
Public Safety	1,233,121
Public Works	4,869,643
Health and Welfare	317,406
Parks, Recreation and Cultural	313,909
Community Development	5,209
Education	3,101,432
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>3,250,878</u>
<b>Total</b>	<b><u><u>\$ 13,673,105</u></u></b>

**Business-type activities:**

Transit Company	\$ 1,786,644
Civic Facilities	871,401
Parking	672,651
Market Building	94,173
<b>Total</b>	<b><u><u>\$ 3,424,869</u></u></b>

**School Board Component Unit:**

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Equipment	\$ 11,971,012	\$ 1,003,578	\$ (87,476)	\$ 12,887,114
Accumulated Depreciation	<u>(7,376,023)</u>	<u>(915,628)</u>	<u>87,476</u>	<u>(8,204,175)</u>
<b>Net Equipment</b>	<b><u>4,594,989</u></b>	<b><u>87,950</u></b>	<b><u>-</u></b>	<b><u>4,682,939</u></b>
<b>Component Unit Capital Assets, Net</b>	<b><u><u>\$ 4,594,989</u></u></b>	<b><u><u>\$ 87,950</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ 4,682,939</u></u></b>

Capital assets used for educational purposes totaling \$158,720,657 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.

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

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

A summary of construction in progress by function and contract commitments (encumbrances) at June 30, 2008 is as follows:

<u>Primary Government:</u>		<u>Expended/Expensed</u>	<u>Contract</u>	<u>Required</u>
<u>Governmental Activities:</u>	<u>Project</u>	<u>as of</u>	<u>Commitments</u>	<u>Future</u>
<u>Function</u>	<u>Authorizations</u>	<u>June 30, 2008</u>	<u>(Encumbrances)</u>	<u>Financing</u>
General Government	\$ 6,529,752	\$ 4,037,140	\$ 133,881	None
Parks, Recreation and Cultural	4,657,788	3,144,501	166,969	None
Flood Reduction	14,238,711	13,765,093	380,407	None
Economic Development	5,076,163	4,505,885	58,900	None
Community Development	5,783,522	1,267,782	1,020,675	None
Public Safety	20,350,122	8,031,864	1,743,795	\$ 5,500,000
Public Works	10,735,278	5,813,682	692,488	None
Education	65,462,929	19,817,251	31,637,347	8,350,000
Department of Technology	5,802,416	2,044,261	535,987	None
Fleet	99,500	-	-	None
<b>Subtotal</b>	<u>138,736,181</u>	<u>62,427,459</u>	<u>36,370,449</u>	
Non-Capitalized Projects	40,175,799	26,409,449	575,702	None
<b>Total</b>	<u>\$ 178,911,980</u>	<u>\$ 88,836,908</u>	<u>\$ 36,946,151</u>	
 <u>Business-Type Activities:</u>				
<u>Fund</u>				
Civic Facilities	\$ 508,965	\$ 487,939	\$ -	None
Parking	1,672,919	1,110,239	14,956	None
Market Building	423,217	168,476	41,207	None
<b>Total</b>	<u>\$ 2,605,101</u>	<u>\$ 1,766,654</u>	<u>\$ 56,163</u>	

**(8) 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 fund financial statements at June 30, 2008 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Deferred Property and Other Tax Revenue	\$ 2,997,261	\$ -	\$ 2,997,261
Prepaid Property Taxes	32,674	-	32,674
Other receivables for which revenue recognition criteria have not been met	-	3,359,829	3,359,829
<b>Total</b>	<u>\$ 3,029,935</u>	<u>\$ 3,359,829</u>	<u>\$ 6,389,764</u>

The governmental fund deferred revenue consists of approximately \$5.9 million in tax revenue that meets the definition for revenue recognition to be included in the government-wide Statement of Net Assets.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**(9) Long-Term Liabilities**

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The fund balance of the Debt Service Fund at June 30, 2008 of \$1,143,782 is designated 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, 2008 is \$365,588,644. 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, 2008 are comprised of the following:

**Primary Government - Governmental Activities**

<b>Original Amount</b>	<b>Description</b>	<b>Outstanding Amount at June 30, 2008</b>
\$ 40,822,285	1997B public improvement series bonds due in annual installments of \$2,311,486 through August 1, 2008; interest at 5.0%	\$ 2,311,486
26,020,000	1999A public improvement series bonds due in annual installments of \$1,175,000 to \$1,245,000 through October 1, 2009; interest at 4.8% to 5.0%	2,420,000
10,100,000	1999B public improvement series bonds due in annual installments of \$1,020,000 to \$1,075,000 through October 1, 2009; interest at 4.8% to 5.0%	2,095,000
39,575,000	2002A public improvement series bonds due in annual installments of \$1,925,000 to \$2,290,000 through October 1, 2021; interest at 4.0% to 5.25%	29,555,000
12,000,000	2002B public improvement series bonds due in annual installments of \$600,000 to \$655,000 through October 1, 2021; interest at 4.0% to 5.0%	8,860,000
26,385,000	2003 public improvement series bonds due in annual installments of \$595,000 to \$2,450,000 through August 1, 2024; interest at 2.5% to 5.0%	22,765,000
46,030,000	2004 public improvement series bonds due in annual installments of \$1,920,000 to \$5,305,000 through October 1, 2019; interest at 2.25% to 5.0%	39,375,000
7,935,000	2004A public improvement series bonds due in annual installments of \$640,000 to \$745,000 through August 1, 2017; interest at 2.25% to 3.625%	6,885,000
36,105,000	2004B public improvement series bonds due in annual installments of \$1,805,000 through February 1, 2025; interest at 3.0% to 5.25%	30,685,000
3,975,000	2005 public improvement series bonds due in annual installments of \$265,000 through December 1, 2020; interest at 6.25%	3,445,000

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2008</u>
\$ 20,550,000	2006A public improvement series bonds due in annual installments of \$895,000 to \$1,420,000 through February 1, 2026; interest at 3.5% to 5.0%	\$ 17,710,000
5,500,000	2006B public improvement series bonds due in annual installments of \$275,000 through February 1, 2026; interest at 4.0% to 5.0%	4,950,000
10,631,826	2006C public improvement series bonds due in annual installments of \$52,904 to \$2,319,172 through August 1, 2012; interest at 3.75% to 4.625%	10,422,989
43,445,000	2008 public improvement series bonds due in annual installments of \$1,590,000 to \$1,775,000 through February 1, 2033; interest at 3.25% to 5.0%	43,445,000
1,291,618	(1) 2000 Qualified Zone Academy Bond due in annual installments of \$99,355 through December 20, 2013	596,131
800,000	(2) 2002 Qualified Zone Academy Bond due in annual installments of \$53,674 to \$71,107 through October 31, 2016	561,722
439,100	(3) 2004 Qualified Zone Academy Bond due in annual installments of \$23,770 to \$51,406 through December 29, 2020	370,576
1,097,571	(4) 2006 Qualified Zone Academy Bond due in annual installments of \$55,444 to \$131,938 through December 27, 2022	1,043,441
	<b>Subtotal General Obligation Bonded Debt</b>	<b><u>\$ 227,496,345</u></b>
\$ 9,644,271	State Literary Fund Loans due in annual installments of \$250,000 to \$410,000 through October 1, 2019; interest at 4.0%	\$ 3,980,000
800,000	Virginia Public School Authority series 1990B bonds due in annual installments of \$45,000 to \$50,000 through July 15, 2010; interest at 7.1%	140,000
1,654,827	Virginia Public School Authority series 1991A bonds due in annual installments of \$91,810 to \$98,645 through July 15, 2011; interest at 6.6%	380,608
2,171,447	Virginia Public School Authority series 1992A bonds due in annual installments of \$113,578 to \$123,480 through July 15, 2012; interest at 6.2% to 6.35%	591,671
1,679,413	Virginia Public School Authority series 1994B bonds due in annual installments of \$86,650 to \$98,742 through July 15, 2014; interest at 6.65% to 6.75%	645,944
4,006,579	Virginia Public School Authority series 1995C bonds due in annual installments of \$204,926 to \$218,820 through July 15, 2015; interest at 5.1%	1,692,154

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2008</u>
\$ 4,512,217	Virginia Public School Authority series 1996 bonds due in annual installments of \$229,129 to \$248,508 through July 15, 2016; interest at 5.1% to 5.225%	\$ 2,143,539
4,578,704	Virginia Public School Authority series 1997 bonds due in annual installments of \$227,025 to \$248,508 through July 15, 2017; interest at 5.1% to 5.35%	2,372,353
5,000,000	Virginia Public School Authority series 1998A bonds due in annual installments of \$250,000 through July 15, 2018; interest at 4.35% to 5.1%	2,750,000
1,181,212	Virginia Public School Authority series 1998B bonds due in annual installments of \$58,394 to \$62,165 through July 15, 2018; interest at 4.35% to 5.1%	657,597
3,100,000	Virginia Public School Authority series 1999A bonds due in annual installments of \$155,000 through July 15, 2019; interest at 5.35% to 6.1%	1,860,000
1,091,854	Virginia Public School Authority series 1999B bonds due in annual installments of \$52,689 to \$61,863 through July 15, 2019; interest at 5.35% to 6.1%	678,477
2,504,568	Virginia Public School Authority series 2000B bonds due in annual installments of \$121,357 to \$136,763 through July 15, 2020; interest at 5.1% to 5.85%	1,679,898
1,730,421	Virginia Public School Authority series 2000B bonds due in annual installments of \$83,846 to \$94,490 through July 15, 2020; interest at 5.1% to 5.85%	1,160,656
1,730,421	Virginia Public School Authority series 2000B bonds due in annual installments of \$83,846 to \$94,490 through July 15, 2020; interest at 5.1% to 5.85%	1,160,656
2,594,691	Virginia Public School Authority series 2001B bonds due in annual installments of \$125,795 to \$136,763 through July 15, 2021; interest at 3.1% to 5.35%	1,836,128
2,358,808	Virginia Public School Authority series 2001B bonds due in annual installments of \$114,359 to \$124,330 through July 15, 2021; interest at 3.1% to 5.35%	1,669,207
4,595,399	Virginia Public School Authority series 2003C bonds due in annual installments of \$219,984 to \$248,659 through January 1, 2023; interest at 4.6% to 5.35%	3,727,268
1,118,756	Virginia Public School Authority series 2004B bonds due in annual installments of \$50,228 to \$64,492 through January 1, 2025; interest at 4.1% to 5.6%	974,340
992,464	Virginia Public School Authority series 2005D bonds due in annual installments of \$44,624 to \$57,591 through July 15, 2025; interest at 4.6% to 5.1%	906,111

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2008</u>
\$ 3,291,459	Virginia Public School Authority series 2005D bonds due in annual installments of \$147,991 to \$190,995 through July 15, 2025; interest at 4.6% to 5.1%	\$ 3,005,016
1,945,000	Virginia Public School Authority series 2006B bonds due in annual installments of \$95,000 to \$100,000 through July 15, 2026; interest at 4.225% to 5.1%	1,845,000
6,573,600	Virginia Public School Authority series 2006B bonds due in annual installments of \$292,559 to \$372,067 through July 15, 2026; interest at 4.225% to 5.1%	6,293,239
3,345,000	Virginia Public School Authority series 2007A bonds due in annual installments of \$165,000 to \$170,000 through July 15, 2027; interest at 4.475% to 5.1%	3,345,000
6,000,000	Section 108 Loan Guarantee Assistance for Hotel Roanoke project, due to Federal Government in annual installments of \$370,000 to \$470,000 through August 1, 2013; interest at 4.40% to 4.83%	<u>2,540,000</u>
	<b>Subtotal General Obligation Debt</b>	<b><u>\$ 275,531,207</u></b>
	Capital Lease Payable - Human Services Building Rent - Blue Eagle Partnership (Note 10)	\$ 4,464,384
	Capital Lease Payable - Xerox, Inc. - (Note 10)	814,618
	Claims payable for the Internal Service Funds	12,854,983
	Compensated absences payable for the General and Internal Service Funds	<u>6,703,198</u>
	<b>Total Governmental Activities Liabilities</b>	<b><u>\$ 300,368,390</u></b>
 <b><u>Primary Government - Business-Type Activities</u></b>		
\$ 2,170,000	2002A Civic Facilities series bonds due in annual installments of \$85,000 to \$175,000 through October 1, 2021; interest at 4.0% to 5.25%	\$ 1,750,000
7,895,000	2004B public improvement series bonds due in annual installments of \$300,000 to \$580,000 through February 1, 2025; interest at 3.0% to 5.25%	7,100,000
6,405,000	2006A public improvement series bonds due in annual installments of \$235,000 to \$465,000 through February 1, 2026; interest at 3.5% to 5.0%	<u>5,960,000</u>
	<b>Total Civic Facilities Fund Long-Term Debt</b>	<b><u>\$ 14,810,000</u></b>

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2008</u>
<b><u>Primary Government - Business-Type Activities</u></b>		
\$ 4,852,715	(5) 1997B Parking Facility series bonds due in annual installments of \$528,514 through August 1, 2008; interest at 5.0%	\$ 528,514
2,500,000	2002A Parking Facility series bonds due in annual installments of \$95,000 to \$200,000 through October 1, 2021; interest at 4.0% to 5.25%	2,005,000
2,000,000	2004B public improvement series bonds due in annual installments of \$75,000 to \$145,000 through February 1, 2025; interest at 3.0% to 5.25%	1,800,000
2,600,000	2006A public improvement series bonds due in annual installments of \$95,000 to \$190,000 through February 1, 2026; interest at 3.5% to 5.0%	2,415,000
1,893,174	(6) 2006C public improvement series bonds due in annual installments of \$12,096 to \$650,156 through August 1, 2011; interest at 3.75% to 4.228%	1,852,010
2,545,000	2008 public improvement series bonds due in annual installments of \$85,000 to \$185,000 through February 1, 2028; interest at 3.25% to 5.0%	<u>2,545,000</u>
	<b>Total Parking Fund Long-Term Debt</b>	<b><u>\$ 11,145,524</u></b>
	Capital Lease Payable - Ovations, Inc. - Civic Facilities (Note 10)	\$ 449,988
	Capital Lease Payable - Xerox, Inc. - Civic Facilities (Note 10)	27,877
	Compensated absences payable for the Enterprise Funds	<u>90,796</u>
	<b>Total Business-Type Activities Long-Term Debt</b>	<b><u>\$ 26,524,185</u></b>
	<b>Total Primary Government Long-Term Liabilities</b>	<b><u><u>\$ 326,892,575</u></u></b>
<b><u>School Board Component Unit</u></b>		
	Compensated Absences payable for employees of the School Board	\$ 3,775,642
	Claims Payable for School Board Component Unit	<u>5,425,265</u>
	<b>Total School Board Component Unit Long-Term Liabilities</b>	<b><u><u>\$ 9,200,907</u></u></b>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

**Notes:**

- (1) Annual payments are made to a sinking fund. No interest is accrued on this debt.
- (2) Annual payments are made to a sinking fund. Interest is earned on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest at 4.01862% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$800,000.
- (3) Annual payments are made to a sinking fund. Interest is earned on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest at 2.0% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$439,100.
- (4) Annual payments are made to a sinking fund. Interest is earned on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest at 2.4% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$1,097,571.
- (5) The Parking Fund 1997B series bonds incurred deferred bond costs in connection with an advance refunding of debt. These costs are reported as a reduction of the refunding of debt in Exhibit H. Deferred bond costs are amortized over the life of the refunding bonds.
- (6) The Parking Fund 2006C series bonds incurred deferred bond costs in connection with an advance refunding of debt. These costs are reported as a reduction of the refunding of debt in Exhibit H. Deferred bond costs are amortized over the life of the refunding bonds.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

The annual requirements to amortize governmental activities debt outstanding as of June 30, 2008 are as follows:

<b>FISCAL YEAR</b>	<b>GENERAL OBLIGATION SERIAL BONDS</b>		<b>WESTERN VIRGINIA WATER AUTHORITY (WVWA) GENERAL OBLIGATION SERIAL BONDS</b>		<b>VPSA/LITERARY FUND LOANS</b>	
	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2008-09	\$ 16,291,044	\$ 8,088,117	\$ 2,340,590	\$ 1,070,226	\$ 3,478,790	\$ 2,193,764
2009-10	16,483,377	7,525,668	2,347,065	973,380	3,509,556	2,013,083
2010-11	15,663,168	6,950,310	2,343,333	880,693	3,481,728	1,831,074
2011-12	15,332,203	6,368,142	2,357,368	780,027	3,464,118	1,652,813
2012-13	15,565,985	5,803,705	2,373,182	677,311	3,389,877	1,479,591
2013-18	58,004,667	20,530,299	6,675,000	2,282,531	15,476,023	4,929,752
2018-23	39,444,363	9,442,637	6,095,000	1,044,944	8,923,807	1,789,899
2023-28	16,165,000	3,306,277	2,065,000	83,500	3,770,963	333,830
2028-33	7,950,000	1,001,700	-	-	-	-
<b>TOTAL</b>	<b>\$ 200,899,807</b>	<b>\$ 69,016,855</b>	<b>\$ 26,596,538</b>	<b>\$ 7,792,612</b>	<b>\$ 45,494,862</b>	<b>\$ 16,223,806</b>

The following general obligation debt is issued to support business-type activities. The annual requirements to amortize business-type activities debt outstanding as of June 30, 2008 are as follows:

<b>FISCAL YEAR</b>	<b>CIVIC FACILITIES FUND SERIAL BONDS</b>		<b>PARKING FUND SERIAL BONDS</b>		<b>TOTAL BUSINESS-TYPE DEBT</b>	
	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2008-09	\$ 620,000	\$ 633,415	\$ 890,610	\$ 461,532	\$ 1,510,610	\$ 1,094,947
2009-10	645,000	611,815	950,828	424,404	1,595,828	1,036,219
2010-11	665,000	588,565	993,930	386,833	1,658,930	975,398
2011-12	690,000	565,065	1,050,156	346,682	1,740,156	911,747
2012-13	715,000	540,749	415,000	318,505	1,130,000	859,254
2013-18	4,075,000	2,230,218	2,370,000	1,307,978	6,445,000	3,538,196
2018-23	4,925,000	1,202,876	2,795,000	715,263	7,720,000	1,918,139
2023-28	2,475,000	195,337	1,680,000	172,500	4,155,000	367,837
<b>TOTAL</b>	<b>\$ 14,810,000</b>	<b>\$ 6,568,040</b>	<b>\$ 11,145,524</b>	<b>\$ 4,133,697</b>	<b>\$ 25,955,524</b>	<b>\$ 10,701,737</b>

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

FISCAL YEAR	SECTION 108 LOAN		TOTAL GOVERNMENTAL ACTIVITIES DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2008-09	\$ 370,000	\$ 101,925	\$ 22,480,424	\$ 11,454,032
2009-10	395,000	87,886	22,734,998	10,600,017
2010-11	420,000	71,627	21,908,229	9,733,704
2011-12	445,000	53,033	21,598,689	8,854,015
2012-13	470,000	32,203	21,799,044	7,992,810
2013-18	440,000	10,626	80,595,690	27,753,208
2018-23	-	-	54,463,170	12,277,480
2023-28	-	-	22,000,963	3,723,607
2028-33	-	-	7,950,000	1,001,700
<b>TOTAL</b>	<b>\$ 2,540,000</b>	<b>\$ 357,300</b>	<b>\$ 275,531,207</b>	<b>\$ 93,390,573</b>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

**CHANGES IN GENERAL LONG-TERM LIABILITIES**

	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b>July 1, 2007</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2008</b>	<b>Due Within</b>
					<b>One Year</b>
<b><u>Primary Government - Governmental Activities:</u></b>					
General Obligation Serial Bonds	\$ 171,678,387	\$ 43,445,000	\$ 14,223,580	\$ 200,899,807	\$ 16,291,042
General Obligation Serial Bonds - WVWA	28,924,766	-	2,328,228	26,596,538	2,340,590
Hotel Roanoke Section 108 Loan	2,890,000	-	350,000	2,540,000	370,000
State Literary Fund Loans	4,466,000	-	486,000	3,980,000	410,000
VPSA School Bonds	44,382,256	-	2,867,394	41,514,862	3,068,790
Capital Leases	4,551,467	814,618	87,083	5,279,002	232,445
Total Bonds, Loans and Leases Payable before Deferred Amounts and Premiums	<u>256,892,876</u>	<u>44,259,618</u>	<u>20,342,285</u>	<u>280,810,209</u>	<u>22,712,867</u>
Deferred Amount on Refunding and Premiums	74,417	1,199,153	357,032	916,538	50,683
Total Bonds, Loans and Leases Payable	<u>256,967,293</u>	<u>45,458,771</u>	<u>20,699,317</u>	<u>281,726,747</u>	<u>22,763,550</u>
Claims Payable	10,091,379	19,143,799	16,380,195	12,854,983	2,870,919
Compensated Absences Payable	6,396,467	4,991,468	4,684,737	6,703,198	4,374,854
<b>Subtotal Governmental Activities:</b>	<u>\$ 273,455,139</u>	<u>\$ 69,594,038</u>	<u>\$ 41,764,249</u>	<u>\$ 301,284,928</u>	<u>\$ 30,009,323</u>
<b><u>Primary Government - Business-Type Activities:</u></b>					
General Obligation Serial Bonds	\$ 24,782,063	\$ 2,545,000	\$ 1,371,539	\$ 25,955,524	\$ 1,510,610
Capital Leases	-	477,865	-	477,865	61,271
Deferred Amount on Refunding and Premiums	374,510	70,522	10,257	434,775	12,587
Total Bonds and Loans	<u>25,156,573</u>	<u>3,093,387</u>	<u>1,381,796</u>	<u>26,868,164</u>	<u>1,584,468</u>
Compensated Absences Payable	103,670	69,064	81,938	90,796	64,031
<b>Subtotal Business-Type Activities:</b>	<u>\$ 25,260,243</u>	<u>\$ 3,162,451</u>	<u>\$ 1,463,734</u>	<u>\$ 26,958,960</u>	<u>\$ 1,648,499</u>
<b>Total Primary Government Long-Term Liabilities</b>	<u>\$ 298,715,382</u>	<u>\$ 72,756,489</u>	<u>\$ 43,227,983</u>	<u>\$ 328,243,888</u>	<u>\$ 31,657,822</u>
<b><u>School Board Component Unit:</u></b>					
Compensated Absences Payable	\$ 3,675,405	\$ 1,533,467	\$ 1,433,230	\$ 3,775,642	\$ 1,157,989
Claims Payable	5,157,549	17,779,837	17,512,821	5,424,565	4,974,565
<b>Total School Board Component Unit</b>	<u>\$ 8,832,954</u>	<u>\$ 19,313,304</u>	<u>\$ 18,946,051</u>	<u>\$ 9,200,207</u>	<u>\$ 6,132,554</u>

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

During fiscal year 2008, the Debt Service Fund was used to account for the repayment of most long-term liabilities of governmental activities as shown preceding the paragraph. However, a portion of capital leases, claims payable and compensated absences was liquidated by Internal Service Funds. The remaining portion of compensated absences was liquidated by the General Fund.

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, 2008, the City had \$26,596,538 in outstanding general obligation debt which will contractually be repaid by the Water Authority over the remaining eighteen year amortization of the bonds. Further details are presented in notes 3 and 16.

In January 2008, the City issued its General Obligation Series 2008 Bonds in the amount of \$45,990,000. Principal proceeds in the amount of \$39,740,000 will be used for construction at William Fleming High School, \$3,705,000 for City Fire/EMS Stations, and \$2,545,000 for the Campbell Garage renovation. The Series 2008 bonds were issued with a true interest cost of 3.9499%.

**(10) Capital Leases**

**Blue Eagle Partnership**

During 2004, the City entered into an agreement with Blue Eagle Partnership to rent the third floor of a building to house the City's Social Services Department. Under the lease agreement, the City paid monthly rent of \$53,763 - \$54,838 to Blue Eagle, representing principal and interest payments with interest at 11.80%. Each year, since April 2006, the rent is increased by the lesser of 50% of CPI or a maximum of 2%. 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, 2008, the building under the capital lease totaled \$4,857,000 and accumulated depreciation on the building totaled \$970,993.

**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 monthly 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, 2008, the kitchen renovations, including equipment, under the capital lease totaled \$449,988, and there was no accumulated depreciation on the asset which was under construction at year end.

**Xerox, Inc.**

On June 30, 2008, the City entered into an agreement with Xerox, Inc. to lease copy machines and related equipment. Under the lease agreement, the City pays \$18,798 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.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

Lease assets and obligations are accounted for as Governmental Activities and in various proprietary funds. At June 30, 2008, the equipment under the capital lease totaled \$842,495 and there was no accumulated depreciation on the assets.

Future Lease Obligations for all capital leases are as follows:

<u>Future Minimum Lease Payments:</u>	<b>Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Total Governmental Activities</b>	<b>Enterprise Funds</b>	<b>Total (Memo Only)</b>
2009	798,012	78,162	876,175	82,464	958,639
2010	798,012	78,162	876,175	82,464	958,639
2011	798,012	78,162	876,175	82,464	958,639
2012	798,012	78,162	876,175	82,464	958,639
2013	798,012	78,162	876,175	82,464	958,639
2014-2018	3,290,290	-	3,290,290	150,000	3,440,290
2019-2023	3,290,290	-	3,290,290	-	3,290,290
2024	383,867	-	383,867	-	383,867
Minimum lease payments	\$ 10,954,509	\$ 390,812	\$ 11,345,321	\$ 562,321	\$ 11,907,642
Less: Amounts representing interest	(5,967,426)	(98,893)	(6,066,319)	(84,456)	(6,150,775)
Present value of minimum lease payments	4,987,083	291,919	5,279,002	477,865	5,756,867
Less: Current portion	(187,249)	(45,197)	(232,446)	(61,287)	(293,733)
Long-Term Lease Obligation at June 30, 2008	\$ 4,799,834	\$ 246,722	\$ 4,799,834	\$ 416,578	\$ 5,216,411

**(11) Fund Balances**

Except for those required to comply with accounting standards, all reservations and designations of General Fund balance reflect City Code requirements or City Council action in the context of adoption of the City's budget.

General Fund balance of \$1,318,997 is reserved for goods and services ordered but not received by June 30, 2008.

General Fund designations at June 30, 2008, consisted of the following:

- Code of the City of Roanoke (1979), as amended, stipulates that, at the conclusion of each fiscal year, \$250,000, to the extent available from any undesignated General Fund balance, shall be reserved for self-insured liabilities of the City. Subsequent to year end, this amount shall be transferred to the Risk Management Internal Service Fund for accumulation as a reserve for uninsured claims. The maximum balance of the reserve in the Risk Management Fund shall be 3% of total General Fund appropriations for the concluded fiscal year. As of June 30, 2008, \$250,000 was reserved in the General Fund for self-insured liabilities.
- \$18,839,896 is designated for the budget stabilization reserve. The reserve was established to serve as a funding source for emergencies or unforeseen declines in revenues. The reserve is supported by the Budget Stabilization Policy which was adopted by City Council in May 2005. This policy states that the reserve minimum will be 5% of the General Fund budget with a target of 8%. As of June 30, 2008, this reserve is 7.25% of the fiscal year 2009 General Fund budget.
- \$633,814 remains undesignated.

The Debt Service Fund balance of \$1,143,782 is designated for future debt service payments.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

Capital Projects Fund balance of 36,500,585 is reserved for goods and services ordered but not received or paid by June 30, 2008; and \$4,087,206 is reserved for Economic Community Development. Fund balance of \$23,368,193 is designated for future capital projects expenditures.

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

City employees participate in one of two different pension plans and 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, 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 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

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

joint and survivor annuity payable monthly from retirement. If employees under age 65 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 Administrator, 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, 2008 was 15.73% of annual covered payroll.

**City of Roanoke Pension Plan - Annual Pension Cost**

For fiscal year 2008, the City's annual pension cost of \$10,081,410 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, 2006 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 20-year closed amortization period. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases ranging from 4.5% to 8.5% per year, and (c) 3.0% cost-of-living adjustment effective July 1, 2006. Projected salary increases include an inflation component of 3.75%. The actuarial value of the assets is determined using a method designed to smooth the impact of market fluctuations. The actuarial value recognizes annual appreciation and depreciation over a five-year period. The following information is provided related to trend information.

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2008	\$10,081,410	100%	-0-
June 30, 2007	9,236,475	100%	-0-
June 30, 2006	7,374,268	100%	-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

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

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. 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 by writing the System 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, 2008 was 10.86% of annual covered payroll.

**Virginia Retirement System – Funded Status and Funding Progress**

As of June 30, 2007, the most recent actuarial valuation date, the plan 89.16% funded. The actuarial accrued liability for benefits was \$38.7 million, and the actuarial value of assets was \$34.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.4 million, and the ratio of the UAAL to the covered payroll was 50.06%.

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 2008, the City's annual pension cost of \$962,891 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006 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 equal to the modified market value of assets. This method utilizes techniques which recognize the excess (shortfall) between expected and actual investment income over a five-year period, with the restriction that the actuarial asset value cannot be less than 80% or more than 120% of market value.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

The following information related to trend information is provided.

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2008	\$962,891	100%	-0-
June 30, 2007	937,184	100%	-0-
June 30, 2006	919,403	100%	-0-

**Component Unit**

**Defined Benefit Pension Plans**

The School Board participates in and contributes to two pension systems. Professional employees of the School Board participate in the Virginia Retirement System (VRS). Operational, maintenance and food service employees participate in the City of Roanoke Pension Plan (Plan). Disclosure concerning these two plans is as follows:

**Virginia Retirement System**

**A. Plan Description**

The School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. All full-time, salaried permanent employees of participating employers, with the exception of operational, maintenance and food service employees must participate in the VRS. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service for participating employers payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. Average final compensation is defined as the highest consecutive 36 months of reported salary. 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 by writing to the System 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 percent member contribution may be assumed by the employer. The Roanoke City School Board has assumed the employee's 5 percent contribution. 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, 2008, was 10.3 percent of covered payroll.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**C. Annual Required Contribution**

Public School Division professional employees participate in a VRS statewide teacher cost-sharing pool. For 2008, the School Board's annual required contribution was \$11,015,768. The required contribution was based on an actuarial valuation. The contribution requirements for the School Board were equal to the actual contributions for 2008. Total School Board payroll for 2008 was \$91,416,344. Payroll covered by VRS for School Board employees was \$72,500,155. The following information related to trend information is provided.

<b>Fiscal Year Ended</b>	<b>Annual Required Contributions (ARC)</b>	<b>Percentage of ARC Contributed</b>
June 30, 2008	\$11,015,768	100%
June 30, 2007	9,727,511	100%
June 30, 2006	7,821,852	100%

**City of Roanoke Pension Plan.**

**A. Plan Description**

The Pension Plan is a cost-sharing multiple employers 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. 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, 1993, 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, 1994 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 percent) 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.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

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 under age 65 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, ATTN: Retirement Administrator, 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 13.61% of annual covered payroll for the year ended June 30, 2008.

**C. Annual Required Contribution.**

For fiscal year 2008, the School Board's annual required contribution was \$799,025. The required contribution was based on an actuarial valuation. The contribution requirements for the School Board were equal to the actual contributions for 2008. Total School Board payroll for 2008 was \$91,416,344. Payroll covered by City Retirement for School Board employees was \$5,870,867. Information related to trend information is provided below.

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>
June 30, 2008	\$799,025	100%
June 30, 2007	787,184	100%
June 30, 2006	630,195	100%

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**(13) Other Postemployment Benefit Plan**

**Primary Government**

**A. Plan Description**

Employees, with 15 years of active service and under the age of 65, who retire from the City of Roanoke participate in the City of Roanoke healthcare 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 Code. 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 retiree contributes 100% of all premium payments. For the fiscal year ended June 30, 2008, the retirees contributed \$1,036,000 to the City of Roanoke healthcare plan for health insurance. The City contributed \$362,000 to a qualified trust as defined by GASB Statement No. 45, to fully fund the annual required contribution of \$1,398,000 for fiscal year 2008. It is the City's intent to fully fund the annual required contribution each year. Beginning January 1, 2010, retirees will pay the blended rate plus an additional contribution based on their selected benefit tier.

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

Effective July 1, 2007, 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 contribution is 18% of premium payments for the 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.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

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 obligation:

	<b>City of Roanoke Healthcare Plan</b>
Annual Required Contribution	\$ 1,398,000
Interest on net OPEB Obligation	-
Adjustment to annual required contribution:	-
Annual OPEB Cost	1,398,000
Contributions made	(1,398,000)
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation July 1, 2007	-
Net OPEB obligation June 30, 2008	\$ -

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:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2008	\$ 1,398,000	100.00%	\$ -

**D. Funded Status and Funding Progress**

As of June 30, 2008 the most recent actuarial valuation date, the City of Roanoke healthcare plan was 2.2% funded. The actuarial accrued liability for benefits was \$16,397,000, and the actuarial value of assets was \$362,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,071,000. The covered payroll (annual payroll of active employees covered by the City plan) was \$75,000,000, and the ratio of the UAAL to the covered payroll was 18.3%

**E. Actuarial Valuations**

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

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**F. Actuarial Methods and Assumptions**

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

In the June 30, 2008 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. Annual health care costs are assumed to increase 9% in the first year of valuation. Future annual increases are assumed to grade uniformly to 5% over a nine 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, 2008 was 30 years.

**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 plans. At retirement, retirees may stay in a Key Care 20 plan offered by the Schools through Anthem. This plan has \$20/\$40 office visit co-pays and covers prescription drugs. 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 Shenandoah Life Insurance Company. Retirees and their spouses may stay in this for a period of up to 18 months after separation from the district 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 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 insurance, the School Board contributes 0% of all premium payments, and the retirees contribute 100%. For the fiscal year ended June 30, 2008, the Roanoke City Public Schools retirees contributed \$919,549 to the Roanoke City Public Schools. The retiree's claims amount to \$1,175,603. Roanoke City Public Schools provide health care and dental for retirees.

**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 and amortize any unfunded actuarial liability over a period not to exceed thirty years.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

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:

	<b>Roanoke City Public Schools Healthcare Plan</b>
Annual Required Contribution	\$ 3,259,698
Interest on net OPEB Obligation	-
Adjustment to annual required contribution:	-
Annual OPEB Cost	3,259,698
Contributions made	(256,054)
Increase (decrease) in net OPEB obligation	3,003,644
Net OPEB obligation at July 1, 2007	-
Net OPEB obligation at June 30, 2008	\$ 3,003,644

The Roanoke City Public School's 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:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2008	\$ 3,259,698	7.9%	\$ 3,003,644

**D. Funded Status and Funding Progress**

As of June 30, 2008 the most recent actuarial valuation date, the Roanoke City Public School's Healthcare Plan was 0.0% funded. The actuarial accrued liability for benefits was \$20,074,254, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$20,074,254. The covered payroll \$83,474,785 and the ratio of the UAAL to the covered payroll was 24.05%.

**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, 2008 is based on a closed group. Current employees and retirees only are considered; no provision is made for future hires. For the five-year

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

projection, the actuarial has assumed one new entrant will enter the plan for every active employee who either retires or terminates from Roanoke City Public Schools. Therefore, the active population will remain at a constant level based on the June 30, 2008 count.

**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, 2008 valuation, the projected unit credit actuarial cost method was used. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date.

The actuarial assumptions included a 4% discount rate. Annual medical rates are expected to decrease 1% each year. For 2008 the rate is 9%. Annual dental rates are expected to increase 3% each year. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2008 was 30 years.

**(14) Risk Management**

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

Annually, \$250,000 is designated in the General Fund for self-insurance. This amount is transferred to the Risk Management Fund in the subsequent year. 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 has general liability and automobile liability insurance through a commercial insurer. This coverage includes a \$1 million deductible, per occurrence, and provides indemnity to cover settlements that exceed this amount. The amount of settlements did not exceed insurance coverage for each of the past three years.

The City has property insurance coverage with a \$100,000 deductible. The Roanoke Civic Center is insured under a package policy including property and liability coverage to address the unique exposures of this facility and its many events. Flood insurance is purchased to protect properties in flood zones. Boiler and machinery insurance is purchased to protect various City properties. Pollution legal liability coverage is purchased and provides coverage of up to \$5 million over a three-year period with a \$100,000 deductible. The amount of insurance claims did not exceed coverage limits for each of the past three years.

The City purchases a liability policy and an accidental injury medical policy to protect up to 150 volunteers who perform tasks on behalf of the City. The City purchases medical malpractice liability insurance to protect its medical personnel. The amount of settlements did not exceed insurance coverage for each of the past three years.

The City is self-insured for employee health insurance with stop loss provisions to limit catastrophic claims. The City is self-insured for workers' compensation but, effective August 1, 2008, purchased a

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

workers' compensation excess policy covering any claim after that date exceeding \$750,000. Included in long-term liabilities at June 30, 2008, were claims payable of \$12,854,983 as a provision for unasserted claims. The City's policy is to fully fund the liability on an ongoing basis and, as such, resources required to settle liabilities resulting from claims are available in cash and investments. Other risks insured through the City's self-insurance program adequately covered any claims incurred over each of the past three years.

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

	<u>2007-08</u>	<u>2006-07</u>
Claims liability at July 1	\$ 10,091,379	\$ 9,483,497
Claims incurred	19,143,799	13,153,351
Claims payments	<u>(16,380,195)</u>	<u>(12,545,469)</u>
Claims liability at June 30	<u>\$ 12,854,983</u>	<u>\$ 10,091,379</u>

Surety Bond coverage (unaudited) is as follows:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland:	
City Council	\$1,000,000
All City Employees – Blanket Bond	1,000,000
Clerk of the Circuit Court	100,000
Treasurer – Public Official Bond	1,000,000
Treasurer – Crime Bond	200,000
Treasurer's Office – Crime Bond	100,000
Sheriff	80,000
Commissioner of the Revenue	3,000
Civic Center Employees:	
Director of Civic Facilities	250,000
Assistant Director of Civic Facilities	250,000
Box Office Supervisor	250,000
Assistant Box Office Supervisor	250,000
Pension Plan Trustees/Administrators	2,000,000
Self-insurance program through Commonwealth of Virginia	
Division of Risk Management:	
City Treasurer's Employees – Blanket Bond	750,000
All Other Constitutional Officers' Employees – Blanket Bond	500,000

**School Board Component Unit**

The School Board component unit 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. 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. There have been no significant changes in insurance coverage, or settlements exceeding insurance coverage, during the past three years.

The School Board component unit is self-insured for workers' compensation claims as well as for health insurance claims.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

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

	<u>2007-08</u>	<u>2006-07</u>
Claims liability at July 1	\$ 5,157,549	\$ 4,333,665
Claims incurred	17,779,835	15,105,254
Claims payments	<u>(17,512,821)</u>	<u>(14,281,370)</u>
Claims liability at June 30	<u>\$ 5,424,563</u>	<u>\$ 5,157,549</u>

**(15) Joint Ventures**

**Hotel Roanoke Conference Center Commission**

The City is a participant with Virginia Polytechnic Institute and State University (Virginia Tech) in a joint venture to establish and operate a publicly-owned Conference Center in the City of Roanoke in conjunction with the Hotel Roanoke, which is adjacent to the Conference Center. The Hotel Roanoke Conference Center Commission (HRCCC) is composed of six members, three of whom are appointed by City Council and three of whom are appointed by Virginia Tech. The HRCCC has the authority to issue debt, and such debt is the responsibility of the HRCCC. The City 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 additional funding needed for capital expenditures. The City has no equity interest in the HRCCC; however, as previously mentioned, additional funding or subsidies may be necessary. For the fiscal year ended June 30, 2008, the City contributed \$100,000 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 15 week training course at the facility before being assigned to a station. After 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, 2008, 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.

**(16) Jointly Governed Organizations**

**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, 2008, the City of Roanoke

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

School Board, a component unit of the City, remitted approximately \$1,977,000 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. 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, 2008, the City remitted approximately \$2,280,000 to the Authority for services.

**Roanoke Regional Airport Commission**

The City and Roanoke County formed the Roanoke Regional Airport Commission (Airport Commission) in 1986 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, 2008, the City remitted approximately \$1,592,000 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 the 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. 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, 2008, the City remitted approximately \$604,000 to BRBH.

**Fifth Planning District Commission Disability Services Board**

The Counties of Alleghany, Botetourt, Craig and Roanoke, the Town of Vinton, and the Cities of Roanoke, Salem and Covington jointly participate in the Fifth Planning District Disability Services Board (Board). The Board provides input to state and local agencies on service needs and priorities of persons with physical and sensory disabilities. City Council appoints one member to the sixteen member board.

**CITY OF ROANOKE, VIRGINIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

The City has no continuing financial obligation to the Board.

**Roanoke Valley Regional Animal Control Facility**

The City, 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 Roanoke Valley Regional Animal Control Facility (RVRACF). In April 2004, construction was completed on a new center for animal control and protection adjacent to an animal education and adoption facility which also opened in spring 2004. Both facilities are owned and operated by the Roanoke Valley Society for the Prevention of Cruelty to Animals (RVSPCA). The new 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 RVRACF based on the locality's average use of the facility. During the year ended June 30, 2008, the City's share was 59%, and the City remitted approximately \$623,000 for its share of RVRACF expenses. In the event the 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.

**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) on July 1, 2004. The WVWA is responsible for the supply, treatment, distribution, and transmission of water and the collection and treatment of wastewater. The WVWA is governed by a seven member board consisting of three City appointees, three County appointees, and one additional member selected by the other six. 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 \$35.6 million of general obligation bonds, which are contractually to be repaid by the WVWA in accordance with its operating agreement. During fiscal year 2008, \$3.5 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, 2008, the remaining principal balance of these bonds was \$26.6 million and this amount was recorded as a receivable Due from Other Governments in the Statement of Net Assets of the basic financial statements.

**(17) Related Organizations**

**Industrial Development Authority of the City of Roanoke, Virginia**

The Industrial 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 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 is 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, 2007, there were 15 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$537.2 million. June 30, 2008 data will not be available until the next fiscal year.

**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

**CITY OF ROANOKE, VIRGINIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

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, 2008, the City remitted approximately \$442,000 to the Housing Authority.

**(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, will be immaterial.

**(19) Subsequent Events**

**Bond Issuance** – The City participated in two pooled bond issues in the fall of 2008. One issue was with Virginia Resource Authority (VRA) in the amount of \$11,950,000 for City capital projects at a True Interest Cost of 4.888%. The second issue was through Virginia Public School Authority (VPSA) in the amount of \$18,350,000 for Roanoke City Public School capital projects. Of that amount, \$7,500,000 will be subsidized at an interest rate of 3%. The interest rate on the remaining balance is 4.75%

## ***REQUIRED SUPPLEMENTARY INFORMATION***

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**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

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

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance from Final Budget Over/(Under)</b>
<b>Budgetary Fund Balance, July 1</b>	\$ 22,090,973	\$ 22,090,973	\$ 22,090,973	\$ -
<b>Resources (Inflows):</b>				
General Property Taxes	\$ 96,801,000	\$ 96,801,000	\$ 98,983,976	\$ 2,182,976
Other Local Taxes	74,210,000	74,210,000	73,785,046	(424,954)
Permits, Fees, and Licenses	1,224,000	1,224,000	1,475,370	251,370
Fines and Forfeitures	1,367,000	1,367,000	1,558,039	191,039
Revenue from Use of Money and Property	872,000	872,000	1,069,390	197,390
Charges for Services	11,048,000	11,459,175	10,955,336	(503,839)
Intergovernmental	66,262,000	72,811,628	70,755,131	(2,056,497)
Miscellaneous	731,000	731,000	712,979	(18,021)
<b>Amounts Available for Appropriation</b>	<u>\$ 274,605,973</u>	<u>\$ 281,566,776</u>	<u>\$ 281,386,240</u>	<u>\$ (180,536)</u>
<b>Charges to Appropriations (Outflows):</b>				
General Government				
City Treasurer	\$ 970,440	\$ 956,150	\$ 956,059	\$ (91)
Commissioner of the Revenue	1,051,059	1,066,887	1,064,624	(2,263)
City Council	246,446	250,402	250,324	(78)
City Attorney	932,442	932,412	923,663	(8,749)
City Clerk	588,076	571,584	569,908	(1,676)
Municipal Auditing	633,962	603,792	603,790	(2)
Department of Finance	2,114,091	2,166,481	2,165,193	(1,288)
Office of Billings and Collections	746,094	802,252	793,818	(8,434)
Real Estate Valuation	1,064,735	1,073,675	1,073,671	(4)
Board of Equalization	21,174	18,584	17,405	(1,179)
Electoral Board	328,431	366,637	365,579	(1,058)
Office of Communications	669,368	653,587	623,931	(29,655)
City Manager	799,298	840,665	838,766	(1,899)
Roanoke Arts Festival - 125th Anniversary	374,515	372,072	317,584	(54,488)
Human Resources	1,303,162	1,285,776	1,285,773	(3)
Employee Health Services	571,138	520,327	474,705	(45,622)
Department of Management and Budget	592,845	575,745	570,941	(4,804)
Purchasing	366,521	377,252	377,246	(6)
Director of General Services	218,414	221,694	221,686	(8)
Management Services	115,164	118,164	117,329	(835)
Environmental Management	143,611	141,711	140,762	(949)
Judicial Administration				
Clerk of Circuit Court	1,460,891	1,470,101	1,418,643	(51,458)
Juvenile and Domestic Relations Court Services	1,727,681	1,637,081	1,631,264	(5,817)
Juvenile and Domestic Relations Court Clerk	27,533	27,533	26,437	(1,096)
Magistrates Office	2,954	2,954	2,744	(210)
General District Court	41,732	41,732	39,812	(1,920)
Circuit Court	547,964	575,764	566,559	(9,205)
Sheriff	2,359,380	2,398,640	2,398,601	(39)
Commonwealth's Attorney	1,629,296	1,669,332	1,669,327	(5)
Cost Collection Unit	77,616	77,866	77,810	(56)
Law Library	161,697	163,023	163,016	(7)

(Continued)

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance from Final Budget Over/(Under)</b>
Public Safety				
Jail	14,371,159	13,961,218	13,785,906	(175,313)
E911	2,258,554	2,140,169	2,115,624	(24,545)
E911 - Wireless	492,000	388,000	371,127	(16,873)
Telecommunications	658,546	668,946	660,777	(8,169)
Fire - Administration	1,074,592	1,115,792	1,114,546	(1,246)
Fire - Support	765,841	970,016	969,932	(84)
Fire - Operations	15,207,262	15,892,088	15,892,074	(14)
Fire - Airport Rescue	733,278	843,601	840,705	(2,896)
Emergency Management	84,110	84,910	79,009	(5,901)
Emergency Medical Services	1,863,890	1,856,083	1,838,968	(17,115)
Building Inspections	877,283	870,178	864,881	(5,297)
Outreach Detention	250,429	247,529	244,927	(2,602)
Youth Haven I	584,744	535,848	534,406	(1,442)
Crisis Intervention	631,204	630,985	630,064	(921)
Police - Administration	607,710	540,310	540,201	(109)
Police - Investigation	3,461,132	3,545,757	3,545,670	(86)
Police - Patrol	13,079,948	13,264,913	13,261,478	(3,435)
Police - Services	3,420,290	3,388,437	3,388,352	(85)
Police - Training	774,258	747,710	743,426	(4,284)
Police - Animal Control	1,053,147	1,340,948	1,340,882	(66)
Public Works				
Custodial Services	1,198,357	1,018,128	1,001,157	(16,971)
Building Maintenance	4,332,670	4,179,152	4,178,659	(493)
Director of Public Works	252,724	258,344	258,338	(6)
Transportation - Streets and Traffic	5,305,273	5,099,462	5,099,377	(85)
Transportation - Paving Program	2,964,111	2,979,111	2,979,111	-
Transportation - Snow Removal	233,280	65,396	65,245	(151)
Transportation - Street Lighting	955,989	1,023,349	1,023,256	(93)
Transportation - Engineering and Operations	1,606,229	1,577,878	1,577,816	(62)
Solid Waste Management	6,986,724	7,064,021	7,064,016	(5)
Engineering	1,753,575	1,605,625	1,584,624	(21,001)
Health and Welfare				
Human Services Support	375,693	367,842	364,728	(3,114)
Health Department	1,354,814	1,354,814	1,354,814	-
Blue Ridge Behavioral Health Care	446,934	446,934	446,934	-
Human Services Committee	595,432	595,432	595,432	-
Social Services - Administration	1,560,545	1,483,099	1,429,886	(53,213)
Income Maintenance	5,830,515	6,049,255	5,862,626	(186,629)
Social Services - Services	13,862,213	15,594,612	15,382,237	(212,375)
Employment Services	1,630,698	1,604,533	1,596,147	(8,386)
Foster Parent Training	136,579	137,679	125,810	(11,869)
VISSTA	439,564	406,970	332,622	(74,348)
Hospitalization Program	81,933	49,693	49,689	(4)
Comprehensive Services Act	9,055,836	14,555,323	14,555,291	(32)
Comprehensive Services Act - Administration	145,849	130,245	127,897	(2,348)

(Continued)

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance from Final Budget Over/(Under)</b>
Parks, Recreation and Cultural				
Roanoke Arts Commission	358,054	339,002	337,978	(1,024)
Recreation	1,251,493	1,268,475	1,268,471	(4)
Parks	3,554,047	3,523,019	3,489,531	(33,489)
Parks & Recreation - Administration	1,673,893	1,654,754	1,620,125	(34,629)
Parks & Recreation - Youth Services	616,484	563,641	554,748	(8,893)
Libraries	3,698,707	3,587,384	3,545,889	(41,495)
Community Development				
Memberships and Affiliations	1,725,290	1,880,165	1,880,146	(19)
Economic Development	1,196,251	2,220,549	2,220,542	(7)
Planning, Building and Development	1,492,302	1,450,602	1,443,126	(7,476)
Neighborhood Partnership	152,296	120,863	108,939	(11,924)
Citizens Service Center	24,593	25,693	25,106	(587)
Housing and Neighborhood Services	1,593,586	1,564,374	1,521,087	(43,287)
Virginia Cooperative Extension	78,462	61,363	61,279	(84)
Nondepartmental				
Residual Fringe Benefits	2,099,749	367,000	-	(367,000)
Transfers to Other Funds	8,030,143	9,456,450	9,453,952	(2,498)
Transfers to Debt Service Fund	19,051,062	18,990,691	18,990,690	(1)
Transfers to Component Unit	61,386,632	63,561,817	63,561,817	0
Miscellaneous	100,000	66,090	13,469	(52,621)
Personnel Lapse	(2,620,026)	-	-	-
Contingency	1,809,338	77,410	-	(77,410)
<b>Total Charges to Appropriations</b>	<b>252,515,000</b>	<b>263,439,550</b>	<b>261,662,530</b>	<b>(1,777,020)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 22,090,973</b>	<b>\$ 18,127,226</b>	<b>\$ 19,723,710</b>	<b>\$ 1,596,484</b>

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

**Sources/Inflows of Resources:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 281,386,240
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).	(22,090,973)
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u>\$ 259,295,267</u>

**Uses/Outflows of Resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 261,662,530
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (Exhibit E).	(29,648,826)
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).	(1,318,997)
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u>\$ 230,694,707</u>

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

**(2) Schedule of Funding Progress**

**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 (Over funded) AAL	Funded Ratio Assets as a % of AAL	Annual Covered Payroll	UAAL (OAAL) as a % of Covered Payroll	
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%	
6/30/2005	28,648,433	31,277,669	2,629,236	91.59%	7,729,832	34.01%	
6/30/2004	27,642,697	32,373,471	4,730,774	85.39%	7,631,051	61.99%	
6/30/2003	27,059,171	29,452,717	2,393,546	91.87%	7,465,629	32.06%	
6/30/2002	26,478,457	26,659,102	180,645	99.32%	7,417,579	2.44%	
6/30/2001	25,213,155	25,095,233	(117,922)	100.47%	6,978,095	(1.69%)	

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

**(3) Schedules of Funding Progress**

**City - Other Postemployment Benefits Schedule of Funding Progress**

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2008	\$ 362,000	\$ 16,397,000	\$ 16,035,000	2.21%	\$ 75,000,000	21.38%
6/30/2007	-	15,840,000	15,840,000	0.00%	65,100,000	24.33%

**School Board - Other Postemployment Benefits Schedule of Funding Progress**

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL) - Projected Unit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2008	-	\$ 20,074,254	\$ 20,074,254	0.00%	\$ 83,474,785	24.05%

**(4) Schedules of Employer Contributions**

**City - Other Postemployment Benefits Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 1,398,000	100.00%

**School Board - Other Postemployment Benefits Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 3,259,698	7.90%

**CITY OF ROANOKE, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

**(5) 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, \$10,924,550 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of designated fund balance, and the appropriation of additional intergovernmental grants received during the year.
- 5. Integration** – Formal budgetary integration is employed as a management control device during the year for the General and Capital Projects Funds. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through budgeted transfers from the General Fund to the Debt Service Fund for debt payments.
- 6. Legal Compliance** – Actual expenditures and operating transfers out may not legally exceed budget appropriations for each department. City Council legally adopts an annual budget for the General Fund. Its budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America except for the recognition of encumbrances, the classification of certain transfers as expenditures, and the consideration of beginning fund balance as a budgetary resource. A reconciliation of the actual General Fund uses of financial resources presented in accordance with generally accepted accounting principles is presented as part of the Budgetary Comparison Schedule located in the Required Supplementary Information.

## ***SUPPLEMENTARY INFORMATION***

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**CITY OF ROANOKE, VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2008**

	<u>Department of Technology</u>	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Total Internal Service Funds</u>
<b><u>Assets</u></b>				
Current Assets:				
Cash and Cash Equivalents	\$ 5,711,541	\$ 575,630	\$ 11,069,946	\$ 17,357,117
Investments	1,195,233	226,832	3,022,357	4,444,422
Interest and Dividends Receivable	10,665	2,024	26,969	39,658
Due from Other Governments	36,341	584	-	36,925
Due from Other Funds	131,098	268,515	184,545	584,158
Accounts Receivable (net of allowance for uncollectibles)	-	14,715	-	14,715
Inventory	-	110,834	-	110,834
Other Assets	15,154	-	110,000	125,154
<b>Total Current Assets</b>	<b>7,100,032</b>	<b>1,199,134</b>	<b>14,413,817</b>	<b>22,712,983</b>
Capital Assets:				
Equipment and Other Capital Assets	20,638,006	30,603,466	-	51,241,472
Construction in Progress	2,044,259	-	-	2,044,259
Less Accumulated Depreciation	(9,898,388)	(20,139,646)	-	(30,038,034)
<b>Capital Assets, Net</b>	<b>12,783,877</b>	<b>10,463,820</b>	<b>-</b>	<b>23,247,697</b>
<b>Total Assets</b>	<b>\$ 19,883,909</b>	<b>\$ 11,662,954</b>	<b>\$ 14,413,817</b>	<b>\$ 45,960,680</b>
<b><u>Liabilities</u></b>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	666,506	321,718	34,683	1,022,907
Accrued Interest Payable	24,917	-	-	24,917
Due to Other Funds	480,842	9,053	877	490,772
Other Liabilities	24,220	-	-	24,220
Long-Term Liabilities Due Within One Year	708,536	65,412	2,885,747	3,659,695
<b>Total Current Liabilities</b>	<b>1,905,021</b>	<b>396,183</b>	<b>2,921,307</b>	<b>5,222,511</b>
Long-Term Liabilities:				
Compensated Absences Payable	210,774	77,216	13,858	301,848
Claims Payable	-	-	12,854,983	12,854,983
General Obligation Bonds Payable, Net	1,575,243	-	-	1,575,243
Capital Lease Liability	278,388	13,531	-	291,919
Less Current Maturities	(708,536)	(65,412)	(2,885,747)	(3,659,695)
<b>Total Long-Term Liabilities</b>	<b>1,355,869</b>	<b>25,335</b>	<b>9,983,094</b>	<b>11,364,298</b>
<b>Total Liabilities</b>	<b>\$ 3,260,890</b>	<b>\$ 421,518</b>	<b>\$ 12,904,401</b>	<b>\$ 16,586,809</b>
<b><u>Net Assets</u></b>				
Invested in Capital Assets, Net of Related Debt	11,854,876	10,450,288	-	22,305,164
Restricted for:				
E911 Wireless Capital Project	105,323	-	-	105,323
Unrestricted	4,662,820	791,148	1,509,416	6,963,384
<b>Total Net Assets</b>	<b>\$ 16,623,019</b>	<b>\$ 11,241,436</b>	<b>\$ 1,509,416</b>	<b>\$ 29,373,871</b>

**CITY OF ROANOKE, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Department of Technology</b>	<b>Fleet Management</b>	<b>Risk Management</b>	<b>Total Internal Service Funds</b>
<b><u>Operating Revenues</u></b>				
Charges for Services	\$ 6,340,095	\$ 7,085,019	\$ 15,211,739	\$ 28,636,853
Other Revenue	-	163,491	-	163,491
<b>Total Operating Revenues</b>	<b>6,340,095</b>	<b>7,248,510</b>	<b>15,211,739</b>	<b>28,800,344</b>
<b><u>Operating Expenses</u></b>				
Personal Services	2,779,418	1,374,265	200,651	4,354,334
Other Services and Charges	1,905,602	305,032	16,971,683	19,182,317
Materials and Supplies	839,025	3,374,843	611,799	4,825,667
Depreciation	1,008,261	2,242,617	-	3,250,878
<b>Total Operating Expenses</b>	<b>6,532,306</b>	<b>7,296,757</b>	<b>17,784,133</b>	<b>31,613,196</b>
<b>Operating Loss</b>	<b>(192,211)</b>	<b>(48,247)</b>	<b>(2,572,394)</b>	<b>(2,812,852)</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment Income	244,210	23,375	523,777	791,362
Interest Expense	(35,297)	-	-	(35,297)
<b>Net Nonoperating Revenues</b>	<b>208,913</b>	<b>23,375</b>	<b>523,777</b>	<b>756,065</b>
<b>Income (Loss) Before Transfers and Contributions</b>	<b>16,702</b>	<b>(24,872)</b>	<b>(2,048,617)</b>	<b>(2,056,787)</b>
<b><u>Transfers and Contributions</u></b>				
Transfers In	78,443	50,517	279,500	408,460
Transfers Out	(1,000)	(52,500)	(29,000)	(82,500)
<b>Net Transfers and Contributions</b>	<b>77,443</b>	<b>(1,983)</b>	<b>250,500</b>	<b>325,960</b>
Change in Net Assets	94,145	(26,855)	(1,798,117)	(1,730,827)
<b>Net Assets - Beginning of Year</b>	<b>16,528,874</b>	<b>11,268,291</b>	<b>3,307,533</b>	<b>31,104,698</b>
<b>Net Assets - End of Year</b>	<b>\$ 16,623,019</b>	<b>\$ 11,241,436</b>	<b>\$ 1,509,416</b>	<b>\$ 29,373,871</b>

**CITY OF ROANOKE, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<b>Cash Flows From Operating Activities:</b>				
Cash Received from Customers	\$ 6,253,516	\$ 7,446,302	\$ 15,829,887	\$ 29,529,705
Cash Payments to Suppliers for Goods and Services	(2,482,362)	(3,524,182)	(1,211,185)	(7,217,729)
Cash Payments to Other Funds for Interfund Services	434,677	(129,088)	(274,198)	31,391
Cash Payments to Employees	(2,781,380)	(1,371,991)	(201,864)	(4,355,235)
Cash Payments for Claims	-	-	(13,616,591)	(13,616,591)
Cash Received From Other Operating Revenue	-	221,441	-	221,441
<b>Net Cash Provided by Operating Activities</b>	<b>1,424,451</b>	<b>2,642,482</b>	<b>526,049</b>	<b>4,592,982</b>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfers In	78,443	50,517	279,500	408,460
Transfers Out	(1,000)	(52,500)	(29,000)	(82,500)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>77,443</b>	<b>(1,983)</b>	<b>250,500</b>	<b>325,960</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets	(2,336,242)	(2,590,960)	-	(4,927,202)
Principal Paid on Bonds and Capital Lease Obligations	(520,000)	-	-	(520,000)
Interest Paid on Bonds and Capital Leases	(51,976)	-	-	(51,976)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(2,908,218)</b>	<b>(2,590,960)</b>	<b>-</b>	<b>(5,499,178)</b>
<b>Cash Flows From Investing Activities:</b>				
Interest Received	253,662	24,144	522,746	800,552
Sale / (Purchase) of Investments	2,032,305	(228,857)	2,919,597	4,723,045
<b>Cash Provided (Used) by Investing Activities</b>	<b>2,285,967</b>	<b>(204,713)</b>	<b>3,442,343</b>	<b>5,523,597</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>879,643</b>	<b>(155,173)</b>	<b>4,218,892</b>	<b>4,943,362</b>
<b>Cash and Cash Equivalents at July 1</b>	<b>4,831,898</b>	<b>730,803</b>	<b>6,851,054</b>	<b>12,413,755</b>
<b>Cash and Cash Equivalents at June 30</b>	<b>\$ 5,711,541</b>	<b>\$ 575,630</b>	<b>\$ 11,069,946</b>	<b>\$ 17,357,117</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>				
Operating Loss	\$ (192,211)	\$ (48,247)	\$ (2,572,394)	\$ (2,812,852)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:				
Depreciation	1,008,261	2,242,617	-	3,250,878
Changes in Assets and Liabilities:				
(Increase) in Due From Other Governments	(12,387)	(306)	-	(12,693)
(Increase) Decrease in Due From Other Funds	(82,759)	310,289	618,148	845,678
Decrease in Due From Component Unit	-	48,630	-	48,630
Decrease in Accounts Receivable	-	2,670	-	2,670
(Increase) in Inventory	-	(25,191)	-	(25,191)
Decrease in Other Assets	-	57,950	-	57,950
Increase (Decrease) in Accounts Payable and Accrued Expenses	257,062	55,746	(13,157)	299,651
Increase (Decrease) in Due to Other Funds	455,601	(1,040)	(268,133)	186,428
(Decrease) in Compensated Absences Payable	(9,116)	(636)	(2,019)	(11,771)
Increase in Claims Payable	-	-	2,763,604	2,763,604
<b>Total Adjustments</b>	<b>1,616,662</b>	<b>2,690,729</b>	<b>3,098,443</b>	<b>7,405,834</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,424,451</b>	<b>\$ 2,642,482</b>	<b>\$ 526,049</b>	<b>\$ 4,592,982</b>

**Noncash Capital and Financing Activities:**

Department of Technology noncash activities in fiscal year 2008 consisted of capital asset acquisitions through a capital lease obligation of \$278,388. Fleet Management noncash activities in fiscal year 2008 consisted of capital asset acquisitions through a capital lease obligation of \$13,531.

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**JUNE 30, 2008**

	<b>Hotel Roanoke Conference Center Commission</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 5,393,527
Due from Other Governments	15,318
<b>Total Assets</b>	<b>\$ 5,408,845</b>
<b><u>Liabilities</u></b>	
Due to Other Governments	\$ 5,408,845
<b>Total Liabilities</b>	<b>\$ 5,408,845</b>

**CITY OF ROANOKE, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 4,754,747	\$ 1,493,779	\$ 854,999	\$ 5,393,527
Due from Other Governments	84,703	363,532	432,917	15,318
Accounts Receivable	25,000	-	25,000	-
<b>Total Assets</b>	<b>\$ 4,864,450</b>	<b>\$ 1,857,311</b>	<b>\$ 1,312,916</b>	<b>\$ 5,408,845</b>
<b><u>Liabilities</u></b>				
Due to Other Governments	\$ 4,864,450	\$ 1,857,311	\$ 1,312,916	\$ 5,408,845
<b>Total Liabilities</b>	<b>\$ 4,864,450</b>	<b>\$ 1,857,311</b>	<b>\$ 1,312,916</b>	<b>\$ 5,408,845</b>

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## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	127
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity</b>	134
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
<b>Debt Capacity</b>	137
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Indicators</b>	140
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
<b>Operating Information</b>	142
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

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

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**Table 1**  
**Unaudited**

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

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
<b>Governmental Activities</b>							
Invested in Capital Assets, Net of Related Debt	\$ 225,501,044	\$ 200,914,327	\$ 190,962,494	\$ 187,115,017	\$ 164,108,469	\$ 149,855,237	\$ 123,600,538
Restricted for:							
Capital Projects	105,323	139,732	205,752	276,133	215,691	51,846	305,790
Unrestricted	45,552,401	56,691,884	52,348,145	30,519,227	45,098,238	48,331,857	50,492,322
<b>Total Governmental Activities Net Assets</b>	<b><u>271,158,768</u></b>	<b><u>257,745,943</u></b>	<b><u>243,516,391</u></b>	<b><u>217,910,377</u></b>	<b><u>209,422,398</u></b>	<b><u>198,238,940</u></b>	<b><u>174,398,650</u></b>
<b>Business-Type Activities</b>							
Invested in Capital Assets, Net of Related Debt	\$ 51,594,498	\$ 50,696,302	\$ 38,113,702	\$ 42,009,100	\$ 157,247,149	\$ 150,015,105	146,615,680
Unrestricted	3,180,872	4,454,864	11,034,165	4,909,789	21,240,298	19,409,253	23,441,496
<b>Total Business-Type Activities Net Assets</b>	<b><u>54,775,370</u></b>	<b><u>55,151,166</u></b>	<b><u>49,147,867</u></b>	<b><u>46,918,889</u></b>	<b><u>178,487,447</u></b>	<b><u>169,424,358</u></b>	<b><u>170,057,176</u></b>
<b>Primary Government</b>							
Invested in Capital Assets, Net of Related Debt	\$ 277,095,542	\$ 251,610,629	\$ 229,076,196	\$ 229,124,117	\$ 321,355,618	\$ 299,870,342	\$ 270,216,218
Restricted for:							
Capital Projects	105,323	139,732	205,752	276,133	215,691	51,846	305,790
Unrestricted	48,733,273	61,146,748	63,382,310	35,429,016	66,338,536	67,741,110	73,933,818
<b>Total Primary Government Net Assets</b>	<b><u>\$ 325,934,138</u></b>	<b><u>\$ 312,897,109</u></b>	<b><u>\$ 292,664,258</u></b>	<b><u>\$ 264,829,266</u></b>	<b><u>\$ 387,909,845</u></b>	<b><u>\$ 367,663,298</u></b>	<b><u>\$ 344,455,826</u></b>

Information is presented on a full accrual basis of accounting.

The City implemented GASB 34 in FY02. Information is presented beginning that fiscal year.

**Table 2**  
**Unaudited**

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

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
<b>Expenses</b>							
Governmental Activities:							
General Government	\$ 14,951,184	\$ 11,273,712	\$ 13,060,424	\$ 12,505,925	\$ 12,129,739	\$ 12,332,759	\$ 11,621,680
Judicial Administration	8,881,939	8,696,783	7,759,108	7,093,904	6,563,999	6,716,171	6,218,554
Public Safety	67,457,297	63,824,918	60,338,648	56,027,791	52,085,243	49,526,672	48,164,981
Public Works	29,493,501	29,322,095	25,396,344	25,413,778	27,619,650	27,024,931	26,669,142
Health and Welfare	45,287,639	39,755,942	36,851,200	35,063,221	31,985,929	28,920,553	27,757,901
Parks, Recreation and Cultural	11,718,909	12,328,684	10,671,914	9,269,834	6,063,700	5,360,979	5,298,641
Community Development	13,009,501	11,847,813	10,388,248	9,849,351	9,601,301	11,063,836	11,648,000
Education	65,494,065	61,335,067	57,899,575	54,737,434	51,458,092	49,368,594	47,048,622
Economic Development	657,348	613,075	3,046,343	7,175,953	1,160,036	5,248,229	8,447,969
Other	13,470	31,575	66,967	125,801	90,903	73,633	68,037
Interest and Fiscal Charges	10,710,840	11,916,375	11,588,440	11,652,145	8,598,701	9,404,874	8,600,684
Total Governmental Activities Expenses	<u>267,675,693</u>	<u>250,946,039</u>	<u>237,067,211</u>	<u>228,915,137</u>	<u>207,357,293</u>	<u>205,041,231</u>	<u>201,544,211</u>
Business-Type Activities:							
Transit Company	9,195,709	8,403,369	7,850,064	7,609,131	7,078,272	6,448,413	6,022,399
Water	-	-	-	-	11,101,776	13,683,991	10,932,612
Water Pollution Control	-	-	-	-	10,801,834	10,179,089	10,423,259
Civic Facilities	5,259,155	4,694,186	5,066,942	4,610,356	5,077,678	4,914,679	4,539,596
Parking	2,396,330	2,894,630	2,036,575	2,002,110	1,927,191	2,288,392	1,869,415
Market Building	379,828	390,098	368,090	506,894	492,795	151,438	-
Total Business-Type Activities Expenses	<u>17,231,022</u>	<u>16,382,283</u>	<u>15,321,671</u>	<u>14,728,491</u>	<u>36,479,546</u>	<u>37,666,002</u>	<u>33,787,281</u>
Total Primary Government Expenses	<u>284,906,715</u>	<u>267,328,322</u>	<u>252,388,882</u>	<u>243,643,628</u>	<u>243,836,839</u>	<u>242,707,233</u>	<u>235,331,492</u>
<b>Program Revenues</b>							
Governmental Activities:							
Charges for Services:							
General Government	\$ 4,467,706	\$ 4,228,015	\$ 3,234,836	\$ 3,038,133	\$ 6,839,246	\$ 3,899,448	\$ 3,642,814
Judicial Administration	4,594,962	5,445,812	5,132,780	5,334,458	2,131,060	1,824,615	1,635,114
Public Safety	6,632,394	5,894,930	5,086,196	4,768,397	5,191,798	7,354,677	7,665,701
Public Works	445,191	523,344	458,882	445,256	781,285	552,404	426,731
Health and Welfare	196,110	172,703	584,149	595,797	517,697	-	-
Parks, Recreation and Cultural	155,799	132,728	413,090	372,186	62,309	290,935	322,009
Community Development	165,144	199,255	170,493	131,038	151,933	136,396	84,674
Economic Development	83,541	-	-	-	-	-	-
Operating Grants and Contributions	69,257,682	63,164,087	59,245,639	56,208,537	51,329,015	47,692,239	46,513,642
Capital Grants and Contributions	3,975,312	289,043	102,934	239,246	736,337	2,126,873	939,828
Total Governmental Activities Program Revenues	<u>89,973,841</u>	<u>80,049,917</u>	<u>74,428,999</u>	<u>71,133,048</u>	<u>67,740,680</u>	<u>63,877,587</u>	<u>61,230,513</u>
Business-Type Activities:							
Charges for Services:							
Transit Company	2,033,024	1,819,053	1,779,619	1,565,511	1,439,067	1,410,041	1,410,344
Water	-	-	-	-	13,383,297	11,671,313	11,312,614
Water Pollution Control	-	-	-	-	11,159,513	10,966,478	9,635,016
Civic Facilities	2,248,649	2,413,877	2,995,440	2,788,081	3,403,360	3,412,975	3,206,483
Parking	2,809,958	2,686,301	2,683,159	2,600,415	2,645,977	2,231,038	2,077,482
Market Building	255,476	268,340	277,886	308,366	256,015	134,868	-
Operating Grants and Contributions	4,071,749	3,896,866	3,395,701	3,252,566	2,843,449	2,611,895	2,302,111
Capital Grants and Contributions	769,852	5,783,634	1,357,967	1,010,893	4,698,459	644,069	3,162,952
Total Business-Type Activities Program Revenues	<u>12,188,708</u>	<u>16,868,071</u>	<u>12,489,772</u>	<u>11,525,832</u>	<u>39,829,137</u>	<u>33,082,677</u>	<u>33,107,002</u>
Total Primary Government Program Revenues	<u>102,162,549</u>	<u>96,917,988</u>	<u>86,918,771</u>	<u>82,658,880</u>	<u>107,569,817</u>	<u>96,960,264</u>	<u>94,337,515</u>
Net (Expense)/Revenue:							
Governmental Activities	(177,701,852)	(170,896,122)	(162,638,212)	(157,782,089)	(139,616,613)	(141,163,644)	(140,313,698)
Business-Type Activities	(5,042,314)	485,788	(2,831,899)	(3,202,659)	3,349,591	(4,583,325)	(680,279)
Total Primary Government Net Expense	<u>\$(182,744,166)</u>	<u>\$(170,410,334)</u>	<u>\$(165,470,111)</u>	<u>\$(160,984,748)</u>	<u>\$(136,267,022)</u>	<u>\$(145,746,969)</u>	<u>\$(140,993,977)</u>

**Table 2**  
**Unaudited**

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

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental Activities:							
Taxes							
General Property - Real Estate and Personal Property	\$ 98,714,420	\$ 93,361,362	\$ 86,651,722	\$ 81,071,535	\$ 75,186,290	\$ 71,672,690	\$ 69,314,220
Local Portion of State Sales	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559	17,466,450	17,489,437
Business and Professional Occupational License	12,536,783	12,690,668	12,893,280	11,335,221	10,828,304	10,584,716	11,288,674
Utility	9,825,738	11,409,106	13,234,488	13,857,552	13,823,643	13,749,522	13,097,155
Prepared Food and Beverage	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950	7,247,472	7,086,162
Commonwealth Share - Personal Property	8,073,460	8,121,547	7,962,068	8,325,821	7,689,531	8,043,897	7,775,099
Cigarette	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533	1,920,939	2,036,988
Transient Room	2,814,253	2,666,253	2,529,645	2,250,249	2,232,754	2,101,878	2,045,876
Telecommunications	7,978,786	3,421,394	-	-	-	-	-
Motor Vehicle License Tax	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858	1,733,605	1,766,599
Other	7,412,254	11,727,231	7,359,754	7,111,634	8,213,700	6,345,237	6,708,809
State Aid Not Restricted to a Specific Program	-	-	7,776,432	-	-	76,454	-
Payment from Component Unit	7,752,288	1,300,000	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Program	3,372	3,107	-	239,988	274,714	-	-
Interest and Investment Income	2,644,762	3,737,732	3,187,105	2,387,866	1,265,367	1,865,333	2,444,945
Miscellaneous	-	4,471,167	4,005,203	6,754,063	5,790,943	5,470,988	4,287,219
Special Item	-	-	(1,575,776)	-	-	-	-
Transfers	(4,339,261)	(5,030,413)	(3,062,423)	(2,882,183)	(4,892,800)	(3,013,537)	(3,090,557)
Transfers - Capital Assets	-	-	(1,726,651)	-	(161,275)	(289,220)	(4,563,583)
Total Governmental Activities	<u>191,114,677</u>	<u>185,125,674</u>	<u>174,424,956</u>	<u>161,762,038</u>	<u>150,800,071</u>	<u>144,976,424</u>	<u>137,687,043</u>
Business-Type Activities:							
Interest and Investment Income	140,247	228,058	163,638	92,195	224,589	276,000	454,764
Gain (Loss) on Sale of Assets	-	-	(293,213)	9,896	16,325	(10,653)	346,516
Miscellaneous	187,010	259,040	401,378	522,955	418,509	382,403	274,380
Transfers	4,339,261	5,030,413	3,062,423	2,882,183	4,892,800	3,013,537	3,090,557
Transfers - Capital Assets	-	-	1,726,651	-	161,275	289,220	4,563,583
Total Business-Type Activities	<u>4,666,518</u>	<u>5,517,511</u>	<u>5,060,877</u>	<u>3,507,229</u>	<u>5,713,498</u>	<u>3,950,507</u>	<u>8,729,800</u>
Total Primary Government	<u>\$ 195,781,195</u>	<u>\$ 190,643,185</u>	<u>\$ 179,485,833</u>	<u>\$ 165,269,267</u>	<u>\$ 156,513,569</u>	<u>\$ 148,926,931</u>	<u>\$ 146,416,843</u>
<b>Change in Net Assets</b>							
Governmental Activities	\$ 13,412,825	\$ 14,229,552	\$ 11,786,744	\$ 3,979,949	\$ 11,183,458	\$ 3,812,780	\$ (2,626,655)
Business-Type Activities	(375,796)	6,003,299	2,228,978	304,570	9,063,089	(632,818)	8,049,521
Total Primary Government	<u>\$ 13,037,029</u>	<u>\$ 20,232,851</u>	<u>\$ 14,015,722</u>	<u>\$ 4,284,519</u>	<u>\$ 20,246,547</u>	<u>\$ 3,179,962</u>	<u>\$ 5,422,866</u>

Information is presented on a full accrual basis of accounting.

The City implemented GASB 34 in FY02. Information is presented beginning that fiscal year.

**Table 3**  
**Unaudited**

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

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
General Property Tax-Real Estate and Personal Property	\$ 98,714,420	\$ 93,361,362	\$ 86,651,722	\$ 81,071,535	\$ 75,186,290	\$ 71,672,690	\$ 69,314,220
Sales Tax	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559	17,466,450	17,489,437
Occupational License Tax	12,536,783	12,174,159	12,893,280	11,335,221	10,828,304	10,584,716	11,288,674
Utility Consumer Tax	9,825,738	11,925,615	13,234,488	13,857,552	13,823,643	13,749,522	13,097,155
Prepared Food & Beverage Tax	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950	7,247,472	7,086,162
Commonwealth Share Personal Property Tax	8,073,460	8,121,547	7,962,068	8,325,821	7,689,531	8,043,897	7,775,099
Cigarette Tax	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533	1,920,939	2,036,988
Transient Room Tax	2,814,253	2,666,253	2,529,645	2,250,249	2,232,754	2,101,878	2,045,876
Telecommunications	7,978,786	3,421,394	-	-	-	-	-
Motor Vehicle License Tax	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858	1,733,605	1,766,599
Other Taxes	7,412,254	11,727,231	7,359,754	7,111,634	8,213,700	6,345,237	6,708,809
<b>Total Governmental Activities Tax Revenues</b>	<u>\$ 185,053,516</u>	<u>\$ 180,644,081</u>	<u>\$ 165,821,066</u>	<u>\$ 155,262,304</u>	<u>\$ 148,523,122</u>	<u>\$ 140,866,406</u>	<u>\$ 138,609,019</u>

Information is presented on a full accrual basis of accounting.

The City implemented GASB 34 in FY02. Information is presented beginning that fiscal year.

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

**Table 4**  
**Unaudited**

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

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
General Fund										
Reserved	\$ 1,318,997	\$ 743,092	\$ 1,219,270	\$ 1,389,488	\$ 1,552,656	\$ 1,967,992	\$ 2,433,798	\$ 2,251,677	\$ 1,288,919	\$ 1,621,464
Unreserved	19,723,710	21,347,881	22,121,582	19,660,766	2,945,349	4,586,865	7,328,637	6,835,034	7,731,673	5,130,719
Total General Fund	<u>\$ 21,042,707</u>	<u>\$ 22,090,973</u>	<u>\$ 23,340,852</u>	<u>\$ 21,050,254</u>	<u>\$ 4,498,005</u>	<u>\$ 6,554,857</u>	<u>\$ 9,762,435</u>	<u>\$ 9,086,711</u>	<u>\$ 9,020,592</u>	<u>\$ 6,752,183</u>
All Other Governmental Funds										
Reserved	\$ 36,500,585	\$ 14,814,335	\$ 22,669,544	\$ 19,200,210	\$ 14,068,820	\$ 19,288,996	\$ 8,625,220	\$ 9,600,557	\$ 9,513,621	\$ 9,092,379
Unreserved, reported in:										
Debt Service Fund	1,143,782	1,021,667	1,063,737	988,465	15,061,934	14,436,613	14,289,750	13,130,315	13,134,073	11,498,954
Capital Projects Fund	27,455,399	26,591,510	37,744,826	39,994,304	37,069,596	42,487,398	63,225,262	27,621,016	37,547,046	22,028,333
Total All Other Governmental Funds	<u>\$ 65,099,766</u>	<u>\$ 42,427,512</u>	<u>\$ 61,478,107</u>	<u>\$ 60,182,979</u>	<u>\$ 66,200,350</u>	<u>\$ 76,213,007</u>	<u>\$ 86,140,232</u>	<u>\$ 50,351,888</u>	<u>\$ 60,194,740</u>	<u>\$ 42,619,666</u>

Information is presented on a modified accrual basis of accounting.

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**Table 5**  
**Unaudited**

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

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
<b>Revenues</b>					
Local Taxes	\$ 172,769,022	\$ 164,871,887	\$ 156,259,656	\$ 145,738,157	\$ 138,027,923
Permits, Fees and Licenses	1,475,370	1,142,724	1,469,016	1,275,026	1,026,606
Fines and Forfeitures	1,558,039	1,540,598	1,444,566	1,354,775	1,365,502
Rental Income	968,975	1,032,990	1,462,840	796,688	682,798
Investment Income	2,241,720	3,460,986	1,978,325	1,794,290	949,912
Intergovernmental	96,691,241	85,531,788	79,661,592	74,579,619	68,418,569
Charges for Services	10,955,336	11,611,220	11,142,081	11,237,776	11,544,955
Miscellaneous	1,336,850	2,897,616	2,543,147	820,779	1,369,767
Total Revenues	<u>\$ 287,996,553</u>	<u>\$ 272,089,809</u>	<u>\$ 255,961,223</u>	<u>\$ 237,597,110</u>	<u>\$ 223,386,032</u>
<b>Expenditures</b>					
Current Operating:					
General Government	\$ 13,600,811	\$ 12,773,224	\$ 12,203,711	\$ 11,551,500	\$ 11,731,138
Judicial Administration	8,441,872	8,438,366	7,347,752	6,736,070	6,355,497
Public Safety	64,859,294	61,964,362	58,192,222	53,777,319	50,733,282
Public Works	23,663,876	23,900,264	22,798,347	22,229,895	24,688,073
Health and Welfare	44,626,860	39,290,415	36,105,373	34,754,917	31,888,121
Parks, Recreation and Cultural	11,165,097	10,724,981	9,697,644	8,434,669	5,318,074
Community Development	11,473,754	9,074,244	9,701,539	9,066,266	8,859,741
Education	62,392,633	58,669,043	55,789,730	52,676,279	49,520,072
Other	13,470	8,839	10,824	125,801	90,903
Debt Service:					
Principal Retirement	19,822,282	19,119,311	17,140,653	14,785,327	11,543,107
Interest and Paying Agent Charges	11,343,116	11,103,323	11,270,985	10,084,588	8,541,638
Bond Issuance Cost	-	-	141,334	104,034	241,850
Capital Outlays	35,471,132	44,308,692	38,370,611	40,808,400	28,606,142
Total Expenditures	<u>\$ 306,874,197</u>	<u>\$ 299,375,064</u>	<u>\$ 278,770,725</u>	<u>\$ 265,135,065</u>	<u>\$ 238,117,638</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,877,644)	(27,285,255)	(22,809,502)	(27,537,955)	(14,731,606)
<b>Other Financing Sources (Uses)</b>					
Proceeds of Long-Term Debt	43,967,698	12,961,171	31,708,923	37,662,856	4,595,399
Proceeds of Capital Lease	-	-	-	-	4,857,000
Proceeds from Sale of Refunding Bonds	-	-	10,631,826	-	66,040,000
Payment to Refunded Bond Escrow Agent	-	-	(10,705,136)	-	(68,189,271)
Premium on Sale of Bonds	1,199,155	407,950	705,605	1,460,022	2,971,027
Proceeds from Sale of Property	-	-	-	-	-
Transfers In	26,430,553	25,211,822	30,811,378	37,134,208	21,215,612
Transfers Out	(31,095,774)	(31,596,162)	(36,757,368)	(42,034,253)	(28,827,670)
Total Other Financing Sources (Uses)	<u>40,501,632</u>	<u>6,984,781</u>	<u>26,395,228</u>	<u>34,222,833</u>	<u>2,662,097</u>
Net Change in Fund Balances	21,623,988	(20,300,474)	3,585,726	6,684,878	(12,069,509)
Fund Balances--Beginning of Year	64,518,485	84,818,959	81,233,233	74,548,355	82,767,864
Fund Balances--End of Year	<u>\$ 86,142,473</u>	<u>\$ 64,518,485</u>	<u>\$ 84,818,959</u>	<u>\$ 81,233,233</u>	<u>\$ 70,698,355</u>

Information is presented on an modified accrual basis of accounting.

**Table 5**  
**Unaudited**

<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
\$ 131,372,049	\$ 129,553,942	\$ 126,439,432	\$ 123,243,130	\$ 119,781,374
909,669	1,076,603	840,520	827,219	750,752
1,244,283	1,103,113	818,982	923,556	904,067
1,114,804	1,100,101	1,058,017	1,183,210	974,878
1,557,228	1,957,370	3,055,575	3,089,906	1,909,808
66,118,526	62,477,966	57,740,932	55,511,103	51,226,271
6,657,533	6,073,913	5,709,059	5,599,880	5,551,911
502,712	997,855	499,178	1,338,948	360,518
<u>\$ 209,476,804</u>	<u>\$ 204,340,863</u>	<u>\$ 196,161,695</u>	<u>\$ 191,716,952</u>	<u>\$ 181,459,579</u>
\$ 11,638,167	\$ 11,544,730	\$ 11,670,266	\$ 11,088,959	\$ 11,105,929
6,237,314	6,032,743	5,795,665	4,705,624	4,511,363
45,540,774	45,685,277	44,872,640	44,174,881	39,721,295
23,184,404	23,350,186	22,894,595	21,980,873	24,161,473
28,761,343	27,778,336	25,892,008	26,601,801	26,135,820
4,565,865	4,901,055	4,668,202	4,476,440	4,295,531
8,733,633	7,829,899	7,524,103	7,063,935	5,691,094
47,408,556	46,617,823	-	-	-
73,633	68,037	13,075	19,402	6,932
12,283,145	9,166,242	5,978,148	4,866,973	5,244,356
9,863,967	7,677,659	4,940,122	4,334,675	4,137,451
-	190,711	-	158,694	-
20,115,347	25,316,264	20,979,518	21,197,468	22,293,305
<u>\$ 218,406,148</u>	<u>\$ 216,158,962</u>	<u>\$ 155,228,342</u>	<u>\$ 150,669,725</u>	<u>\$ 147,304,549</u>
(8,929,344)	(11,818,099)	40,933,353	41,047,227	34,155,030
800,000	51,083,499	-	27,038,000	-
-	-	700,000	-	2,544,154
-	-	-	-	-
-	-	-	-	-
-	652,873	-	309,115	-
-	-	125,100	84,577	1,050,241
23,543,433	20,533,173	17,905,736	17,631,660	15,439,193
<u>(28,548,892)</u>	<u>(26,991,816)</u>	<u>(69,440,932)</u>	<u>(66,267,096)</u>	<u>(62,787,472)</u>
<u>(4,205,459)</u>	<u>45,277,729</u>	<u>(50,710,096)</u>	<u>(21,203,744)</u>	<u>(43,753,884)</u>
(13,134,803)	33,459,630	(9,776,743)	19,843,483	(9,598,854)
95,902,667	62,443,037	69,215,332	49,371,849	58,970,703
<u>\$ 82,767,864</u>	<u>\$ 95,902,667</u>	<u>\$ 59,438,589</u>	<u>\$ 69,215,332</u>	<u>\$ 49,371,849</u>

**Table 6**  
**Unaudited**

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

	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>	<b>1999-00</b>	<b>1998-99</b>
General Property Tax (1)	\$ 98,983,976	\$ 93,084,689	\$ 86,447,295	\$ 81,199,730	\$ 75,346,292	\$ 71,849,116	\$ 69,908,899	\$ 67,776,339	\$ 67,491,996	\$ 66,635,642
Sales Tax	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559	17,466,450	17,489,436	17,676,762	17,607,676	17,176,569
Utility Consumer Tax (2)	9,317,726	11,409,106	13,234,488	13,349,039	13,321,752	13,248,053	13,097,155	12,633,933	11,719,741	11,088,016
Cigarette Tax	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533	1,920,939	2,036,988	1,403,614	1,292,622	1,322,808
Recordation and Probate Tax	1,243,373	1,416,300	1,314,804	1,116,447	835,561	734,345	621,691	558,348	538,776	557,276
Business, Professional, and Occupational License Tax	13,044,796	12,690,668	12,893,280	11,843,734	11,330,195	11,086,185	11,288,675	11,444,528	10,537,473	10,080,975
Transient Room Tax	2,814,252	2,666,253	2,529,645	2,250,249	2,232,754	2,101,878	2,045,875	1,761,393	1,676,143	1,463,519
Admissions Tax	443,664	457,454	456,048	448,312	530,712	504,298	400,211	355,570	242,194	256,072
Telecommunications/Telephone Surcharge - E911 (2)	7,979,032	4,127,361	1,431,406	1,603,863	1,340,847	1,180,840	1,137,606	1,166,368	1,154,101	1,090,634
Motor Vehicle License Tax	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858	1,733,605	1,766,599	1,770,243	1,712,232	1,739,085
Franchise Tax (2)	504,370	1,000,718	1,456,085	1,500,624	1,554,297	1,491,601	1,657,992	1,560,424	1,265,285	969,099
Prepared Food and Beverage Tax	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950	7,247,472	7,086,162	6,776,531	6,546,125	6,138,177
Bank Stock Tax	740,011	772,818	1,306,496	1,115,867	986,613	807,267	1,016,653	1,555,379	1,458,766	1,263,502
<b>Total Local Taxes</b>	<b>\$ 172,769,022</b>	<b>\$ 164,871,887</b>	<b>\$ 156,259,656</b>	<b>\$ 145,738,157</b>	<b>\$ 138,027,923</b>	<b>\$ 131,372,049</b>	<b>\$ 129,553,942</b>	<b>\$ 126,439,432</b>	<b>\$ 123,243,130</b>	<b>\$ 119,781,374</b>

(1) In fiscal year 1999, the State began the Personal Property Tax Relief act. The state share of personal property is classified as intergovernmental.

(2) 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.

**Table 7**  
**Unaudited**

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

	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>	<b>1999-00</b>	<b>1998-99</b>
<b>Total Tax Levies</b>	<b>\$ 106,316,893</b>	<b>\$ 101,301,039</b>	<b>\$ 94,754,245</b>	<b>\$ 88,719,548</b>	<b>\$ 82,947,318</b>	<b>\$ 78,984,813</b>	<b>\$ 76,830,266</b>	<b>\$ 76,063,428</b>	<b>\$ 73,493,399</b>	<b>\$ 70,159,067</b>
Current Tax Collections	95,621,945	89,761,174	83,902,929	78,489,950	72,835,920	68,960,191	67,253,815	65,058,343	65,220,814	64,323,520
Current Tax Collections - State Share (1)	8,073,460	8,089,164	7,789,896	8,147,634	7,551,379	7,920,717	7,634,673	7,718,287	4,967,361	2,988,231
Delinquent Tax Collections	3,362,031	3,323,515	2,544,365	2,709,780	2,510,372	2,888,925	2,655,084	2,717,996	2,271,182	2,312,122
Delinquent Tax Collections - State Share (1)	-	32,383	172,172	178,186	138,153	123,180	140,426	44,729	17,329	-
<b>Total Tax Collections</b>	<b>\$ 107,057,436</b>	<b>\$ 101,206,236</b>	<b>\$ 94,409,362</b>	<b>\$ 89,525,550</b>	<b>\$ 83,035,824</b>	<b>\$ 79,893,013</b>	<b>\$ 77,683,998</b>	<b>\$ 75,539,355</b>	<b>\$ 72,476,686</b>	<b>\$ 69,623,873</b>
<b>Current Tax Collections As Percent of Levies</b>	<b>97.53%</b>	<b>96.59%</b>	<b>96.77%</b>	<b>97.65%</b>	<b>96.91%</b>	<b>97.34%</b>	<b>97.47%</b>	<b>95.68%</b>	<b>95.50%</b>	<b>95.94%</b>
<b>Total Tax Collections As Percent of Levies (2)</b>	<b>100.70%</b>	<b>99.91%</b>	<b>99.64%</b>	<b>100.91%</b>	<b>100.11%</b>	<b>101.15%</b>	<b>101.11%</b>	<b>99.31%</b>	<b>98.62%</b>	<b>99.24%</b>

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

(2) 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

Year	REAL PROPERTY				PERSONAL PROPERTY				PUBLIC SERVICE CORPORATIONS				Total Assessed Value
	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	
1999	\$3,569,735,816	6.14%	\$3,569,735,816	1.00	\$664,808,637	4.80%	\$1,108,014,395	0.60	\$277,115,700	5.68%	\$295,432,516	0.938	\$4,511,660,153
2000	3,710,187,437	3.93%	3,710,187,437	1.00	715,763,594	7.66%	1,192,939,323	0.60	304,500,512	9.88%	320,864,607	0.949	4,730,451,543
2001	3,843,131,277	3.58%	3,843,131,277	1.00	737,575,710	3.05%	1,229,292,850	0.60	339,256,291	11.41%	359,762,769	0.943	4,919,963,278
2002	4,053,218,187	5.47%	4,053,218,187	1.00	688,540,754	(6.65%)	1,147,567,923	0.60	331,442,235	(2.30%)	345,950,183	0.958	5,073,201,176
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
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
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
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
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
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

Table 9  
Unaudited

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

Year	REAL PROPERTY		PERSONAL PROPERTY		PUBLIC SERVICE CORPORATIONS		Total Tax Levies
	Tax Rate Per \$100	Levy	Tax Rate Per \$100	Levy	Tax Rate Per \$100	Levy	
1999	1.22	\$43,821,177	3.45	\$22,935,898 (2)	1.22	\$3,401,992	\$70,159,067
2000	1.215 (1)	45,092,511	3.45	24,693,844 (2)	1.215 (1)	3,707,044	73,493,399
2001	1.21	46,502,137	3.45	25,446,362 (2)	1.21	4,114,929	76,063,428
2002	1.21	49,043,478	3.45	23,754,656 (2)	1.21	4,032,132	76,830,266
2003	1.21	51,440,874	3.45	23,640,474 (2)	1.21	3,903,465	78,984,813
2004	1.21	55,162,380	3.45	23,300,981 (2)	1.21	4,483,957	82,947,318
2005	1.21	59,439,602	3.45	25,222,479 (2)	1.21	4,057,467	88,719,548
2006	1.21	64,754,545	3.45	26,302,920 (2)	1.21	3,696,780	94,754,245
2007	1.19 (3)	69,429,439	3.45	28,163,083 (4)	1.19 (3)	3,708,517	101,301,038
2008	1.19	74,451,741	3.45	28,100,133	1.19	3,765,019	106,316,893

(1) The tax rate was \$1.22 from July 1, 1999 to December 31, 1999. Effective January 1, 2000, the rate became \$1.21.

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

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

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

Table 10  
Unaudited

CITY OF ROANOKE, VIRGINIA  
PRINCIPAL PROPERTY TAXPAYERS  
COMPARISON OF JUNE 30, 2008 AND JUNE 30, 1999

Taxpayer	Description	2008			1999		
		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	\$ 122,025,109	1	1.65%	\$ -	-	-
Appalachian Power	Public Utility	91,434,866	2	1.23%	75,980,536	2	1.58%
Norfolk Southern Railway	Transportation	87,746,846	3	1.18%	67,828,079	3	1.41%
Valley View Mall LLC	Shopping Mall	70,606,622	4	0.95%	38,873,300	4	0.81%
Verizon Virginia, Inc	Communications	67,321,491	5	0.91%	90,066,188	1	1.87%
Roanoke Electric Steel	Primary Metals	31,600,652	6	0.43%	21,405,397	6	0.45%
Faison Roanoke Office Limited	Office Building	30,720,200	7	0.41%	25,200,000	5	0.52%
Maple Leaf Bakery	Bakery	26,398,843	8	0.36%	-	-	-
Times-World Corp.	Newspaper	22,222,284	9	0.30%	-	-	-
BLC Corp	Lease Company	11,903,564	10	0.16%	-	-	-
Roanoke Gas Company	Public Utility	-	-	-	20,115,283	7	0.42%
Hotel Roanoke	Hotel	-	-	-	19,000,000	8	0.40%
Hooker Furniture	Furniture Manufacturer	-	-	-	18,240,000	9	0.38%
Elizabeth Arden	Cosmetics Manufacturer	-	-	-	16,402,045	10	0.34%
		<b>\$ 561,980,477</b>		<b>7.58%</b>	<b>\$ 393,110,828</b>		<b>8.18%</b>

Source: City of Roanoke, Commissioner of the Revenue

Table 11  
Unaudited

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

Calendar Year	Total Retail Sales (1)
1999 .....	\$ 1,563,514,749
2000 .....	1,595,600,205
2001 .....	1,578,043,491
2002 .....	1,588,424,788
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 through June. . . . .	941,271,041

(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 ASSESSED VALUE AND BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population (A)</b>	<b>Total Assessed Value</b>	<b>Gross Bonded Debt</b>	<b>Bonds Supported by Enterprise Funds (D)</b>	<b>Bonds Supported By Western Virginia Water Authority</b>	<b>Amount Available in Debt Service Fund</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
1999	93,357	\$ 4,511,660,153	\$ 157,175,592	\$ 43,175,028	\$ -	\$ 11,498,954	\$ 102,501,610	2.27%	\$ 1,097.95
2000	94,911 (B)	4,730,451,543	193,100,761	41,118,710	-	13,134,073	138,847,978	2.94%	1,462.93
2001	95,000	4,919,963,278	191,284,376	39,027,391	-	13,130,315	139,126,670	2.83%	1,464.49
2002	94,600	5,073,201,176	242,386,235	47,001,072	-	14,289,750	181,095,413	3.57%	1,914.33
2003	93,100	5,257,286,706	228,050,952	44,517,751	-	14,436,613	169,096,588	3.22%	1,816.29
2004	92,900	5,607,172,004	223,671,734	41,504,678	-	15,061,934	167,105,122	2.98%	1,798.76
2005	92,671	5,976,975,981	256,369,208	7,818,130	33,435,000	988,465 (C)	214,127,613	3.58%	2,310.62
2006	92,994	6,417,896,664	281,808,817	9,863,867	31,315,992	1,063,737	239,565,221	3.73%	2,576.14
2007	92,328 (est.)	6,963,090,861	274,026,551	9,160,142	28,924,766	1,021,667	234,919,976	3.37%	2,544.41
2008	93,504 (est.)	7,407,774,726	298,775,968	10,974,761	26,596,538	1,143,782	260,060,887	3.51%	2,781.28

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

(B) U.S. Census

(C) 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.

(D) FY04 through FY08 amounts exclude Civic Facilities Fund outstanding balances.

**Table 13**  
**Unaudited**

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
1998-99	\$116,749,645	\$ 2,320,919	\$ 45,057,715	\$ 3,637,601	\$167,765,880	7.02%	\$ 1,797
1999-00	154,859,634	1,972,417	42,867,715	3,530,282	203,230,048	9.47%	2,141
2000-01	153,025,838	3,846,141	40,642,715	3,417,302	200,931,996	8.98%	2,115
2001-02	195,385,569	4,364,593	48,482,715	3,293,723	251,526,600	10.50%	2,659
2002-03	184,429,342	3,208,859	45,865,711	3,164,721	236,668,633	9.58%	2,542
2003-04	182,118,717	6,797,976	45,865,218	-	234,781,911	9.46%	2,527
2004-05	241,280,405 (2)	5,648,433	17,876,626 (2)	-	264,805,464	9.91%	2,714
2005-06	258,928,015	4,643,001	26,096,945	-	289,667,961	10.84%	3,095
2006-07	252,341,409	4,551,467	24,782,063	-	281,674,939	9.38%	3,051
2007-08	275,531,207	5,279,002	25,955,524	477,865	307,243,598	9.85%	3,286

(1) See Table 18 for personal income and population data.

(2) The Western Virginia Water Authority was created in FY04, resulting in associated bonds moving from business-type activities to governmental activities.

**Table 14**  
**Unaudited**

**CITY OF ROANOKE**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Debt Limit	\$625,649,531	\$583,442,494	\$535,163,357	\$491,240,359	\$455,890,060	\$426,377,702	\$409,353,757	\$384,313,128	\$371,018,744	\$356,973,582
Total Net Debt Applicable to Limit	260,060,887	234,919,976	239,565,221	214,127,613	171,889,360	169,096,588	181,095,412	140,928,648	138,847,978	102,501,610
Legal Debt Margin	<u>\$365,588,644</u>	<u>\$348,522,518</u>	<u>\$295,598,136</u>	<u>\$277,112,746</u>	<u>\$284,000,700</u>	<u>\$257,281,114</u>	<u>\$228,258,345</u>	<u>\$243,384,480</u>	<u>\$232,170,766</u>	<u>\$254,471,972</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	41.57%	40.26%	44.76%	43.59%	37.70%	39.66%	44.24%	36.67%	37.42%	28.71%

**Table 15**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**JUNE 30, 2008**

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.

Assessed Value of Real Estate, 2008 (1)		\$ 6,256,495,314
Legal Debt Limit, 10% of \$6,256,495,314		<u>625,649,531</u>
Debt applicable to limitation:		
Total Bonded Debt	\$ 298,775,968	
Less: Available in Debt Service Fund	(1,143,782)	
Enterprise Fund Supported Debt	(10,974,761)	
Western Virginia Water Authority Supported Debt	<u>(26,596,538)</u>	<u>260,060,887</u>
<b>Legal Debt Margin</b>		<u><u>\$ 365,588,644</u></u>

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

**Table 16**  
**Unaudited**

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Expenditures (1)</b>	<b>Percent of Debt Service to General Expenditures</b>
1998-99	\$ 7,344,656	\$ 5,757,820	\$ 13,102,476	\$ 213,135,162	6.15%
1999-00	7,201,334	6,330,514	13,531,848	223,621,661	6.05%
2000-01	9,155,832	7,457,895	16,613,727	231,372,360	7.18%
2001-02	8,916,243	7,361,801	16,278,044	246,048,365	6.62%
2002-03	12,083,145	9,681,287	21,764,432	252,841,855	8.61%
2003-04	11,255,346	7,882,228	19,137,574	268,406,972	7.13%
2004-05	12,283,849	7,860,775	20,144,624	284,024,496	7.09%
2005-06 (2)	14,765,894	9,357,973	24,123,867	298,166,075	8.09%
2006-07	17,493,085	10,549,172	28,042,257	318,813,584	8.80%
2007-08	20,510,200	11,053,934	31,564,134	335,379,952	9.41%

(1) Includes expenditures of the General Funds of the City and School Board less the transfer from the General Fund to the School Board.

(2) Excludes Bond Anticipation Note of \$5,000,000 which was both issued and repaid during fiscal year 2006.

Table 17  
Unaudited

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

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Debt Service:										
Principal Retirement	\$ 19,822,282	\$ 19,119,311	\$ 17,140,653	\$ 14,785,327	\$ 11,543,107	\$ 12,283,145	\$ 9,166,242	\$ 5,978,148	\$ 4,866,973	\$ 5,244,356
Interest and Paying Agent Charges	11,343,116	11,103,323	11,270,985	10,084,588	8,541,638	9,863,967	7,677,659	4,940,122	4,334,675	4,137,451
Total Debt Service Payments	31,165,398	30,222,634	28,411,638	24,869,915	20,084,745	22,147,112	16,843,901	10,918,270	9,201,648	9,381,807
Total Government Funds Expenditures	306,874,197	299,375,064	278,770,725	265,135,065	238,117,638	218,406,148	216,158,962	155,228,342	150,669,725	147,304,549
Capital Outlays	(35,471,132)	(44,308,692)	(37,032,175)	(34,734,158)	(27,916,709)	(13,569,300)	(15,866,367)	(20,979,518)	(21,197,468)	(22,293,305)
Total Noncapital Expenditures	271,403,065	255,066,372	241,738,550	230,400,907	210,200,929	204,836,848	200,292,595	134,248,824	129,472,257	125,011,244
Percentage of Noncapital Expenditures	11.48%	11.85%	11.75%	10.79%	9.56%	10.81%	8.41%	8.13%	7.11%	7.50%

Information is presented on the modified accrual basis of accounting.

Table 18  
Unaudited

CITY OF ROANOKE  
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)
1998-99	93,357	\$ 25,600	\$ 2,389,939,200	13,200	2.6%	4.2%
1999-00	94,911 (6)	22,608	(est.) 2,145,747,888	13,175	2.2%	4.0%
2000-01	95,000	23,564	(est.) 2,238,580,000	13,251	3.6%	4.8%
2001-02	94,600	25,319	(est.) 2,395,177,400	13,263	3.4%	4.8%
2002-03	93,100	26,535	(est.) 2,470,408,500	13,004	3.8%	6.3%
2003-04	92,900	26,724	(est.) 2,482,659,600	12,861	3.0%	5.8%
2004-05	92,700	27,384	(est.) 2,563,142,400	12,712	3.7%	5.2%
2005-06	92,994	28,550	(est.) 2,672,280,000	12,587	3.9%	4.8%
2006-07	92,328	(est.) 32,512	(est.) 3,001,767,936	12,256	3.2%	4.7%
2007-08	93,504	(est.) 33,358	(est.) 3,119,106,432	12,288	4.1%	5.7%

- (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)
- (5) Source: Bureau of Labor Statistics
- (6) Source: U.S. Census

**Table 19**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**CONSTRUCTION STATISTICS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	COMMERCIAL CONSTRUCTION (1)		RESIDENTIAL CONSTRUCTION (1)	
	Number of Permits	Value	Number of Permits	Value
1998-99	567	\$ 56,706,299	1,543	\$ 24,952,546
1999-00	575	89,654,863	1,363	31,155,220
2000-01	572	57,716,867	988	45,045,159
2001-02	499	64,101,308	875	36,855,003
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

(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 2008 AND 1999**

Employer	December 31, 2007			December 31, 1998		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Carilion Hospitals	1	Private	1,000+	1	Private	1,000+
Roanoke City Public Schools	2	Local Govt.	1,000+	2	Local Govt.	1,000+
City of Roanoke	3	Local Govt.	1,000+	3	Local Govt.	1,000+
Carilion Services	4	Private	1,000+	8	Private	500 to 999
United Parcel Service	5	Private	500 to 999	6	Private	500 to 999
Advance Auto Parts	6	Private	500 to 999	4	Private	1,000+
Wal-Mart	7	Private	500 to 999	7	Private	500 to 999
United States Postal Service	8	Federal Govt.	500 to 999	5	Federal Govt.	500 to 999
Anthem Blue Cross/Blue Shield	9	Private	500 to 999	-	-	-
Kroger Mid-Atlantic	10	Private	500 to 999	10	Private	500 to 999
Orvis	-	-	-	9	Private	500 to 999

Source: Virginia Employment Commission (VEC)

**Table 21**  
**Unaudited**

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

Function:	Full-time Equivalent Employees as of December 31									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Government	193	184	184	188	191	199	200	193	194	186
Judicial Administration:										
Sheriff	31	31	31	31	31	31	32	32	32	33
Other	59	58	54	53	52	50	49	52	51	51
Public Safety:										
Police	305	309	304	286	295	289	286	278	276	295
Jail	165	165	173	175	173	170	169	174	164	168
Fire	270	266	264	266	268	262	274	276	270	281
Other	83	84	79	82	84	82	89	84	92	97
Public Works:										
Engineering	19	17	20	21	21	21	22	21	22	24
Maintenance	144	150	151	152	157	155	157	159	165	172
Transportation	92	82	85	91	98	95	101	79	71	71
Other	2	2	1	2	3	3	5	4	5	6
Health and Welfare	224	224	217	209	208	220	231	228	225	223
Parks, Recreation and Cultural	112	110	102	102	105	103	107	127	140	144
Community Development	47	48	41	35	42	34	40	38	25	22
Civic Facilities	31	36	35	37	31	31	31	28	27	25
Water	-	-	-	- (1)	106	107	106	109	114	117
Water Pollution Control	-	-	-	- (1)	43	51	53	51	53	53
<b>Total</b>	<b>1,777</b>	<b>1,766</b>	<b>1,741</b>	<b>1,730</b>	<b>1,908</b>	<b>1,903</b>	<b>1,952</b>	<b>1,933</b>	<b>1,926</b>	<b>1,968</b>

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

Source: City of Roanoke, Department of Finance

**Table 22**  
**Unaudited**

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

<b>Function</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>	<b>1999-00</b>	<b>1998-99</b>
General Government										
Levied property taxes	\$30,005,699	\$30,487,405	\$28,355,143	\$26,943,961	\$25,524,398	\$26,145,291	\$26,794,956	N/A	N/A	N/A
Number of business licenses issued	7,369	7,427	7,200	6,900	7,200	6,900	7,800	7,800	7,589	6,991
Number of property & building permits*	3,685	3,433	5,000	5,352	5,760	4,836	47,000	47,000	46,750	46,750
Police										
Number of traffic summons	20,777	18,626	18,766	7,396	9,714	16,966	19,291	15,974	15,974	15,646
Number of assistance call responses	89,131	88,022	89,176	88,991	83,862	86,146	84,983	80,380	90,380	79,322
Number of hours of training conducted**	28,888	47,089	62,500	62,000	55,906	48,549	N/A	N/A	N/A	N/A
Fire										
Number of emergency call responses	23,369	23,686	22,203	22,579	21,139	19,956	20,060	17,594	17,594	18,000
Highways and Streets										
Number of lane miles resurfaced	46	51	57	57	49	49	57	57	59	67
Number of street lights added	7	52	90	60	120	48	120	120	120	120
Judicial Administration										
Number of criminal cases	14,516	12,790	13,103	12,500	12,643	11,222	11,508	11,288	10,960	10,533
Number of traffic cases	29,199	25,613	28,544	29,500	25,930	22,978	26,812	26,301	11,288	22,668
Number of civil cases	31,585	32,391	37,587	33,000	32,054	28,405	29,000	28,424	11,508	26,886
Parks & Recreation										
Number of participants served	160,000	200,000	231,000	213,900	195,000	151,076	129,750	126,250	123,786	107,514
Education										
Number of instructional personnel	1,258	1,193	1,157	1,096	1,142	1,118	1,060	1,043	1,124	1,112
Number of students	12,288	12,311	12,587	12,712	12,861	13,004	13,263	13,251	13,175	13,200
Libraries										
Number of volumes	273,897	320,249	378,734	374,453	345,856	331,828	347,848	337,450	337,450	343,929
Number of audio materials	11,255	10,958	13,481	13,516	12,844	12,434	11,631	10,149	10,149	8,270
Number of video materials	12,358	9,799	12,078	10,692	9,742	9,055	8,414	7,766	7,766	6,251
Number of annual library visits	650,881	548,436	375,000	434,170	328,228	426,704	309,500	305,000	266,727	300,678
Economic Development										
Businesses contacted for personal visits	349	332	200	100	150	250	100	723	320	623
Housing and Neighborhood Services										
Total housing units	45,442	47,087	45,978	46,388	45,051	44,846	44,566	44,126	44,126	43,842
Average assessed value of single-family housing units	\$ 132,170	\$ 132,778	\$ 124,709	\$ 109,819	\$ 100,707	\$ 93,229	\$ 86,404	\$ 82,719	\$ 82,719	\$ 76,422

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**

<b>Function</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>	<b>1999-00</b>	<b>1998-99</b>
<b>Police</b>										
Number of vehicular units	175	165	142	156	137	122	126	123	123	124
<b>Fire</b>										
Number of stations*	12	12	13	13	13	13	13	14	14	14
Number of fire trucks	24	23	23	25	25	24	24	23	29	29
<b>Highways and Streets</b>										
Miles of streets (lane miles)	997	997	997	997	995	995	995	992	992	991
Number of street lights	9,811	9,804	9,800	9,758	9,710	9,566	9,509	9,458	9,458	9,259
<b>Parks and Recreation</b>										
Parks, plazas and recreation sites	69	69	71	71	71	71	71	71	71	68
Playgrounds/play areas	37	37	39	39	39	39	39	38	38	39
Football/soccer fields	24	24	21	21	21	21	21	21	21	19
Baseball/softball fields	30	30	32	32	32	32	32	30	33	36
Olympic-size swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	6	6	8	8	8	8	8	8	8	8
<b>Education</b>										
Elementary schools	20	21	21	21	21	21	21	21	21	21
Middle schools	6	6	6	6	6	6	6	6	6	6
High schools	2	2	2	2	2	2	2	2	2	2
<b>Libraries</b>										
Libraries	7	7	7	7	7	7	6	7	7	7
Bookmobile	1	1	1	1	1	1	1	1	1	1
Kiosks	2	1	0	0	0	0	0	0	0	0

\* Excludes non-staffed fire stations

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

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Ann H. Shawver, CPA

Director of Finance  
Deputy Director of Finance

**Accounting / Accounts Payable**

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Kathryn K. Fox, CPA  
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Dorothy E. Hoskins  
Cathy P. Jones  
Stacy A. Kennedy  
Tamara T. Landis

Accounts Payable Clerk  
Accounting Supervisor  
Senior Accountant  
Senior Accountant  
Account Technician  
Account Technician  
Senior Accountant/  
Accounts Payable Supervisor  
Accountant  
Account Technician  
Accountant  
Senior Accountant

James J. Newman  
Sharon A. Shrewsbury  
Jennifer D. Smith  
Lori C. Van Curen

**Administrative**

Cindy M. Ayers  
Patricia A. Canady

Finance Administrative Secretary  
Administrative Secretary

**Payroll / Systems**

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Suzanne F. Barnett  
Tasha L. Burkett  
Jody A. Lawson  
Jennifer A. Teatino  
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Payroll Technician  
Payroll Accountant  
Senior Financial Systems Accountant  
Payroll and Systems Administrator  
Financial Systems Accountant  
Senior Payroll Technician

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Harold R. Harless, Jr.  
Belinda G. Thomas  
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Retirement Accountant  
Retirement Account Technician  
Retirement Administrator

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