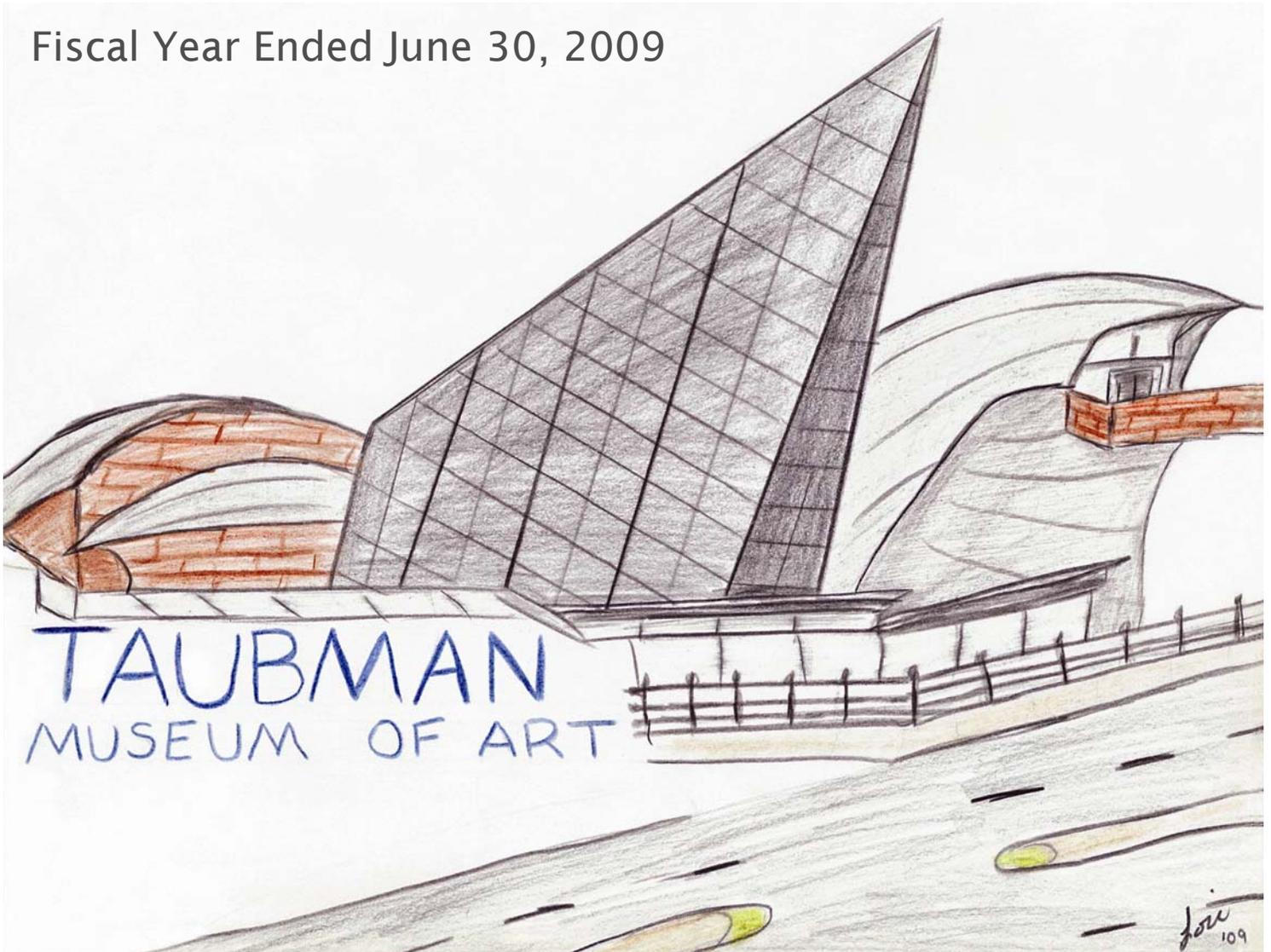


Comprehensive Annual Financial Report

City of Roanoke, Virginia

Fiscal Year Ended June 30, 2009



Cover sketch by Lori Van Curen, Senior Accountant, Department of Finance

Pictured on cover: On November 8, 2008, the new 81,000 square foot Taubman Museum of Art opened to the public. The sketch was inspired by 5-year old Zach Van Curen's enthusiasm during a visit to the museum. The bold, new contemporary structure was designed by Los Angeles architect Randall Stout and its flowing design pays tribute to the Blue Ridge Mountains which frame the City.

City of Roanoke, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year July 1, 2008 to June 30, 2009

Prepared by the City of Roanoke Department of Finance

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INTRODUCTORY SECTION

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January 28, 2010

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, 2009. The Charter requires the City to issue an annual report on its financial position and activity and that the financial statements included in the report be audited by an independent firm of certified public accountants. This report was prepared by the Department of Finance in conformity with U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and the financial statements included in the report were audited by KPMG LLP.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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 2008 estimated population, 92,344, accounts for just under 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, 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 at least sixty days prior to the beginning of the fiscal year beginning July 1st. After an extensive study process and a public hearing to receive citizen input, the City Council adopts the budget on or before May 15th.

Economic Condition and Outlook

Fiscal year 2009 revenues reflect an established local economy, though growth has significantly slowed from the prior year due to the current economic conditions. General Fund revenues as a whole increased approximately 1% compared to FY08. The real property tax provided moderate growth in revenue, as a result of growth in assessed values. Real property taxes provide approximately 30% of total General Fund revenues. The taxable real property base grew 5% for FY09. This increase was offset by the decline in many of the City's local tax revenues. The national economic decline in FY09 has negatively impacted local tax growth rates. Personal property tax revenue fell almost 2% during the year. The decline in this local tax occurred primarily in the vehicular area in both the quantity of vehicles and in their assessed values. Sales Tax revenues declined 5% from FY08 as a result of current economic conditions that decreased consumer spending. Prepared Food and Beverage Tax revenues dropped nearly 1% during the year. This revenue is also heavily impacted by the decline in consumer spending. Construction of residential and commercial buildings within the City also declined in FY09. The City issued a total of 1,082 building permits in fiscal year 2009 with a construction value of \$127 million associated with those permits. Although the City's General Fund revenues are expected to decline in FY10 due to national economic conditions, the City continues to plan for long-term, sustainable economic development.

Current economic trends for the U.S. economy reflect rising unemployment, 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 and makes budgetary adjustments as necessary to ensure that key services remain uninterrupted and that the City continues to remain financially stable.

During fiscal year 2009, the City issued \$11,950,000 of General Obligation Public Improvement Bonds, Series 2008A, to finance capital improvements for the Market Garage, construction of a Police Academy, City bridges and streetscape projects, capital improvements for City Fire/EMS Stations, and the Library Master Plan. Also during fiscal year 2009, the City issued \$16,930,705 of Virginia Public School Authority Bonds, Series 2008B, to finance continued construction at William Fleming High School and capital improvements to roofs as necessary at schools throughout the City.

Roanoke's economy is 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, an increased need for unemployment services, neighborhood revitalization, flood reduction and relocation projects, and capital maintenance and equipment replacement.

As part of its fiscal year 2009 budget process, the City was again able to accommodate reduced funding from the Commonwealth and meet the goals of maintaining service levels to citizens. The City's relative stability, coupled with program reductions, has allowed increased funding for education and economic development, continued funding for future debt service, continued funding for capital replacement and maintenance, and continued core services from public safety departments.

Major Initiatives

Employment

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 7.8% as of June 2009. This rate was lower than the federal unemployment rate and slightly higher 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 2009.

In response to rising unemployment within the City and its surrounding Metropolitan Statistical Area, the City stepped up its assistance to job seekers and employers by offering job fairs in December, March, and June. Each event had an attendance of between 800 and 1,000 people.

In July 2009, the Roanoke Valley Workforce Center, Virginia's first fully comprehensive workforce center, began offering services. The Roanoke Valley Workforce Center combines traditional workforce services offered by the Virginia Employment Commission with housing assistance, post-secondary education, and job training services from organizations such as Total Action Against Poverty. It is adjacent to the Virginia Department of Social Services and the Department for the Blind and Visually Impaired.

Economic Development

The City stimulates and supports economic development for the purpose of attracting new businesses and encouraging the expansion of existing businesses. As part of that initiative, the City has two established Enterprise Zones. Businesses located within the boundaries of Enterprise Zones may qualify for state or local incentives. In calendar year 2008, Enterprise Zone applicants had spent \$16 million in qualified investments and were awarded \$283,966 in Enterprise Zone Grants.

The City continues 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 Virginia Tech Carilion School of Medicine and Research Institute, a four-year medical school and research institute, has appointed 319 faculty members and received approximately 1,200 applications for the inaugural class scheduled to begin in August 2010. The \$59 million facility, a joint project between Virginia Tech and Carilion Clinic, is expected to be completed in the summer of 2010. The Carilion Clinic is a \$44 million facility with a 212,000

square foot outpatient clinic that houses various medical specialists and opened to patients in September 2009. The building is currently undergoing certification to become a Leadership in Energy & Environment Design (LEED) certified building. Nearby, a 127 room Cambria Suites Hotel, limited-service, and all-suite hotel, is currently under construction.

The Roanoke Centre for Industry and Technology (RCIT) is a City-owned industrial complex designed for light manufacturing and warehousing. Almost 2,000 employees currently work for the businesses at the RCIT, include employees of the Maple Leaf Bakery, which recently developed a \$10 million bagel line at its facility. 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-four acres will be opened for future development opportunities.

The Social Security Administration Building, completed in July 2009, represents a \$10 million private investment in the downtown area. The 69,000 square foot building is designed to house the Social Security regional office and other government agencies. Advance Auto Parts expanded operations at its corporate offices to include a data processing center for its on-line shopping service, a \$3.6 million investment. Advanced Auto Parts also expanded into a recently vacated commercial space that once housed the Department of Motor Vehicles, the expansion will cost an estimated \$5.1 million. Member One Credit Union began construction on a 16,000 square foot financial corporate building, which represents a \$3.8 million investment.

The District at Valley View, an open-air, lifestyle center constructed in 2007, enhanced the popular Valley View mall. The two areas, combined, offer six anchor stores, over 100 specialty shops, and many restaurants. The Valley View Mall, a dominant regional shopping center, provides 877,000 square feet of retail space. Valley View Mall is owned and operated by CBL Associates Properties Inc. which continues to display confidence in the Roanoke retail market through increased investment as seen recently in the ground breaking for an additional restaurant space on the mall property. The attached District of Valley View adds improved traffic control and expanded the shopping area 76,000 square feet with restaurants and specialty shops.

Environment

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 reduced rate for a term of five years. Other strides toward greener living include the curbside recycling program, the conversion of the City's fleet of vehicles to bio-diesel, the purchase of electric vehicles for daily local use, construction of Fire-EMS Station #3 as the City's first LEED-certified building, and the installment of LED lights in traffic signals at sixty major intersections. The Clean & Green Business Coalition announced in April 2009 that the businesses of the coalition collectively achieved a 13% reduction in greenhouse emissions.

Downtown Area

The City also promotes development and ease of access to its downtown. The Roanoke City Market Building, a historic downtown structure that houses a variety of food vendors, has been identified for renovations totaling \$10 million with construction expected to begin in fiscal year 2011. Renovations include improved vendor stalls, updates to infrastructure, and an exterior seating area. The City funded \$4 million toward the construction of the Taubman Museum of Art, a world class 81,000 square foot center for art, entertainment, and cultural events. In November 2008, the Taubman Museum of Art opened in conjunction with the Roanoke Festival of the Arts. In addition to the celebration, the City and the Roanoke Arts Commission debuted eight public art pieces as part of its public arts program. The public art program is a City initiative funded by a Percent for Art Ordinance, which utilizes one percent of the budgets of certain capital improvement projects for the purpose of publicly displaying art in a manner that reflects the City's vibrancy and heritage.

The City has worked diligently to address the parking and transportation needs of citizens and visitors in the downtown area. Valley Metro transports students 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 Star

Line Trolley is public transportation that serves the corridor of retail businesses, schools, libraries, restaurants, and lodging along Jefferson Street between the downtown area and Carilion Roanoke Memorial Hospital. The Trolley service began in November 2008 and is free of charge to riders. The Market Garage, which serves the Center in the Square, market plaza, and various downtown shops, is undergoing a major renovation to upgrade the facility and develop retail space within the building.

Private development has continued in the downtown area. The Cotton Mill Lofts building, formally the Virginia Mills Cotton Products plant, represents 107,000 square feet of downtown living. The private renovation created 108 apartments ranging in size from 450 square feet to more than 1,200 square feet in the downtown area. The Hancock, centrally located in the downtown area, is a four-story apartment building with 58 units that became available for lease after a major renovation to the buildings interior and façade. The Lawson Building has been transformed into a 22,000 square foot building with 22 apartments, two living/work spaces, and one commercial site within walking distance of the downtown area. These three building projects, representing 188 units of downtown living, had a consolidated occupancy rate of 99% within one month of completion. The high demand for these units indicate a growing demand for downtown housing.

Neighborhood Improvements

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. In March 2009, the Gainsboro branch library celebrated the \$1 million renovation that nearly doubled the historic building's original size, renovated the interior, and updated the library with a new teen center, community room, computers, and multimedia. Other 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.

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 million and \$46.7 million, respectively, over the duration of this project, which began in June 1990. The project consists of a combination of channel widening and levy construction along nine miles of the Roanoke River within the City. Its purpose is to reduce annual flood damage along the river by approximately 50%, which 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 expanding the community's housing options and diversifying housing opportunities in both the market-rate and affordable sectors. For example, Colonial Green, covering twenty-three acres, will contain approximately 220 residential units, condominiums, and apartments, a large open space area, and a small site for future commercial use. At the same time, the City continues to concentrate Community Development Block Grant (CDBG) and HOME Investment Partnership Program funds in targeted neighborhoods to achieve greater impact on housing improvements and urban development. Currently, the City's Hurt Park neighborhood is the focus of such revitalization activities. The Hurt Park/Mountain View/West End Neighborhood Plan is a component of Vision 2001-2020, the City's 20-year comprehensive plan, and provided the groundwork for implementing the revitalization effort. In developing the neighborhood plan, 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.

Awards

The City continues to receive positive national publicity for the quality of life enjoyed by its citizens and potential business prospects. 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. Readers of *Kiplinger's Personal Finance* magazine awarded Roanoke second place nationwide in the 2009 Readers' Choice award for Best Places to Live. *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. The Roanoke Police Department's efforts to enhance traffic safety in the City were recognized in 2008 on a state and national level with first place in the Virginia Law Enforcement Challenge by the Virginia Association of Chiefs of Police and second place in the National Law Enforcement Challenge by the International Association of Chiefs of Police. The creation of the Lick Run Greenway received recognition from the Virginia Recreation and Park Society as the Best New Greenway. The Carvins Cove Conservation Easement received the Scenic Virginia Award for Scenic Water Corridor Preservation and was honored by the Western Virginia Land Trust with the 2008 A. Victor Thomas Environmental Stewardship Award. 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. In 2009, the City was a finalist in the award for Municipal Excellence for its Clean and Green campaign according to the National League of Cities. And, most recently, the Clean and Green campaign was selected as a Gold Medal Winner of the 2009 Governor's Environmental Excellence Awards in the Environmental category. The Virginia Transit Association awarded Valley Metro, the City public transportation system, an Innovative Program Award in 2008 for its Students Ride Free Campaign. *Meetings South* magazine's awarded the Hotel Roanoke & Conference Center a Best of the South award, given to hotels based on quality of meeting space, guest rooms, service, food, and activities. 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 as a Leading Digital City for 2009 in its population category, marking the ninth consecutive year in which it has been recognized by this organization as a top ten leader in providing technology for its citizens and the sixth time it has finished as the first-place leader.

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 51 agencies out of more than 6,000 E-911 centers in the United States 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 2009, meeting the guidelines set forth by the Association for excellence in treasury management. The City's Parks and Recreation Department received full accreditation from the Commission for Accreditation of Park and Recreation in fiscal year 2009.

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 and Police facilities. Construction of the Williamson Fire-EMS Station was completed in January 2009. The facility provides increased capacity to house modern firefighting equipment. Construction of the Melrose Station is underway and is part of a plan to consolidate the 12th Street and Loudon Avenue and the 24th Street stations into a new facility along with a police substation. A Roanoke Police Academy is scheduled for completion in early 2010. The new Academy, constructed under a Public-Private Educational Facilities Infrastructure Act arrangement, will provide facilities for training all sworn officers and civilian members of the Police Department.

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 William Fleming High School gives students and teachers 295,000 square feet of state of the art, effective, safe and healthy learning environments. A stadium is planned on the site of the old school and will be completed in 2010.

The City is in the planning stages of capital improvements directed at further enhancing the historic Market District as the geographic and social focal point of the Roanoke Valley. The project is a result of recommendations outlined in the Market District Plan.

The City continues to plan for its future and provide the necessary funds to not only protect its current assets, but also to create new opportunities. The City of Roanoke's Comprehensive Plan, Vision 2001 – 2020, provides goals for development of the City over a 20 year period which began in 2001. The plan supports 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. The core financial system was upgraded in July 2006. Roanoke City Public Schools implemented their own ERP system in July 2008. This included Payroll, HR, Time-Entry, and Accounting modules.

The budget preparation system, which was implemented in December 2005, is scheduled to be upgraded to a web-based version for the purpose of streamlining the budget process and promote a paperless work environment. The replacement of the tax/treasury system will be completed in three phases. The first phase includes real estate taxes and cashiering functionality with implementation in 2010. Phases two and three include personal property taxes and business taxes. A contract has been signed with Lawson Software, Inc. for a new payroll/human resources system scheduled to be implemented in April 2010.

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, 2009 was \$9,823,301. This was \$334,488 less 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, 2009, the funded ratio of the actuarial value of assets was 86.2% 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 Postemployment Benefits (OPEB)

The City implemented GASB Statement No. 45, "Accounting and Financial Reporting by

Employers for Postemployment Benefits Other Than Pensions” in fiscal year 2008. This statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities, note disclosures and other required information. As required by the statement, the City actuarially determined the total estimated future OPEB costs. The City was able to fully fund the annual required contribution for fiscal year 2009, 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 \$547 million in capital assets. Detailed project descriptions, cost estimates, and funding sources are included. The City’s Capital Improvement Program for FY 2010 through FY 2014 represents \$127 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. The City is self-insured for workers' compensation and certain property and liability claims. To limit its exposure to the various risks of loss the City carries several types of insurance, including stop loss insurance to limit exposure to workers' compensation losses. The City is 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 Employee Health Services office. Additional disclosures regarding the City's risk management program are provided in Note 15 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, the 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 (CAFR) for the fiscal year ended June 30, 2008. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose content conforms to program standards. The CAFR must satisfy both U. S. generally accepted accounting principles and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory section of the CAFR.

A Certificate of Achievement is valid for a period of one year. The City of Roanoke has received a Certificate of Achievement for the last thirty-five consecutive years (fiscal years ended 1974 - 2008). 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, 2009. 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-four 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.

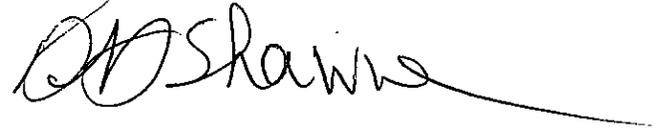
Appreciation is also expressed to City Council for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Darlene L. Burcham".

Darlene L. Burcham

City Manager

A handwritten signature in cursive script, appearing to read "Ann H. Shawver".

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, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. R. T.", positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director

***CITY OF ROANOKE
DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2009***

Members of City Council

David A. Bowers
Sherman P. Lea
M. Rupert Cutler
Gwendolyn W. Mason
Anita J. Price
Court G. Rosen
David B. Trinkle

*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
Ann H. Shawver, CPA
William M. Hackworth
Stephanie M. Moon
Troy A. Harmon, CPA

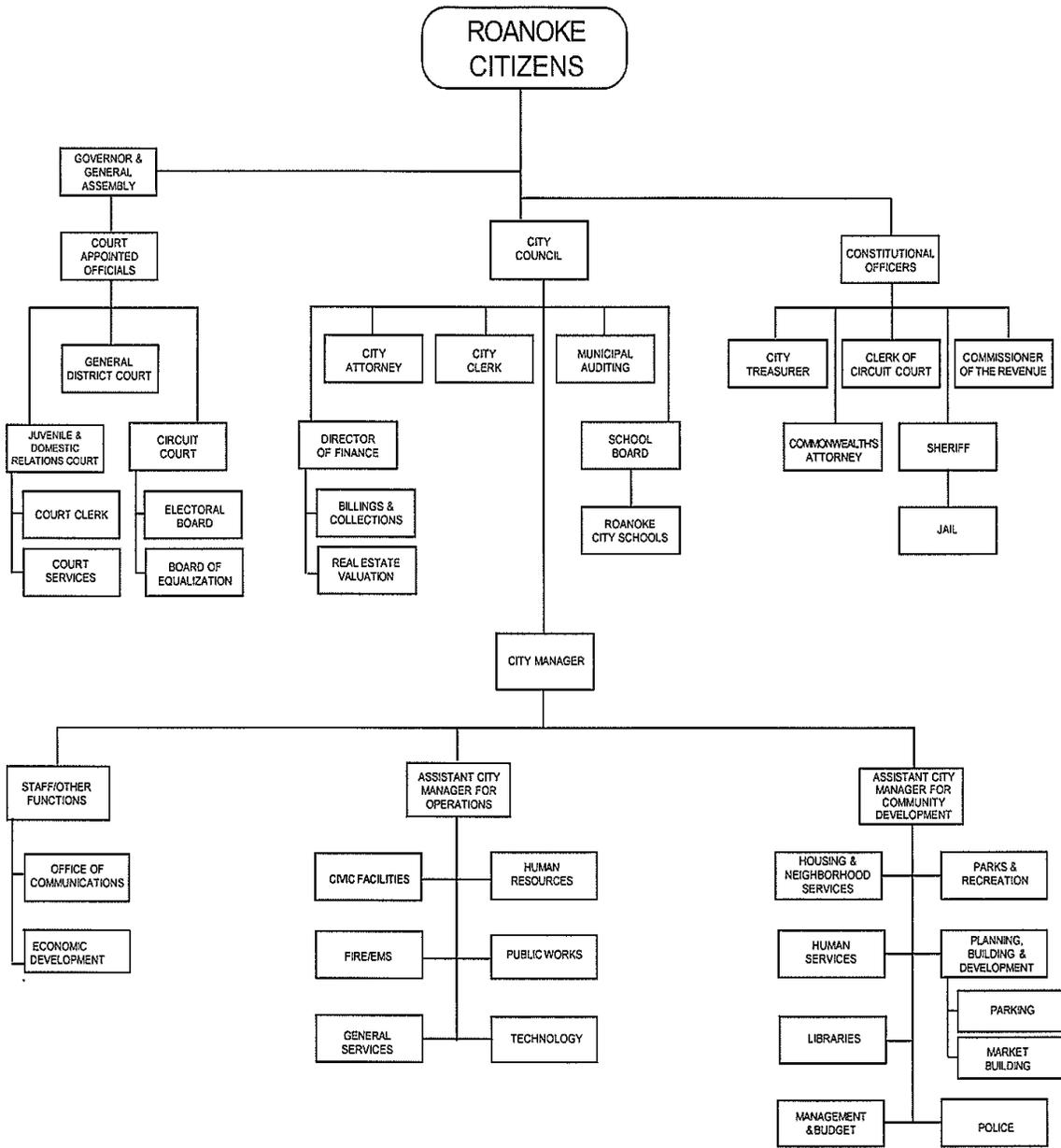
*City Manager
Director of Finance
City Attorney
City Clerk
Municipal Auditor*

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, 2009, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, which represented 2.6% and 0.9% of total assets, 4.8% and 2.3% of total liabilities, 23.5% and 6.8% of total revenues, and 19.2% and 6.8% of total expenses of the Civic Facilities fund and business-type activities, respectively, as of and for the year ended June 30, 2009. Those operations were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts audited by other auditors included for the Civic Facilities fund are based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia as of June 30, 2009, 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 notes 1(N) and 14 to the basic financial statements, the City adopted the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective July 1, 2008.



In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 33 through 46, the Budgetary Comparison Schedule – General Fund, the Schedules of Funding Progress, the Schedules of Employer Contributions, and the Notes to Budgetary Comparison Schedule – General Fund on pages 113 through 119 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 accompanying Schedule of Expenditures of Federal Awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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) and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, 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

January 28, 2010

**CITY OF ROANOKE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

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, 2009. 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 \$334,510,784 at June 30, 2009. Of this amount, \$43,910,820 may be used to meet ongoing obligations to citizens and creditors, and \$290,529,050 is invested in capital assets, net of related debt. Net assets of \$70,914 are restricted to pay for upgrades to the wireless E911 system.
- Governmental activities of the City had expenses net of program revenues of \$181,410,344, which totaled \$9,071,547 less than the general revenues, net of transfers of \$190,481,891.
- At June 30, 2009, the City's governmental funds balance sheet reported total ending fund balances of \$72,758,899. Of this amount, \$54,200,381 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 financial statements 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 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 (School Board). 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 47 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 53, 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 fund statements, like the government-wide statements, utilize the full accrual basis of accounting, and those 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 postemployment 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, 2009 and 2008
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	\$ 146.1	\$ 160.6	\$ 8.6	\$ 6.6	\$ 154.7	\$ 167.2
Capital assets, net	467.9	440.2	79.0	77.4	546.9	517.6
Total assets	614.0	600.8	87.6	84.0	701.6	684.8
Liabilities:						
Other liabilities	58.7	58.3	4.7	3.9	63.4	62.2
Long-term liabilities	275.0	271.3	28.7	25.3	303.7	296.6
Total liabilities	333.7	329.6	33.4	29.2	367.1	358.8
Net assets:						
Invested in capital assets, net of related debt	238.4	225.5	52.1	51.6	290.5	277.1
Restricted	0.1	0.1	-	-	0.1	0.1
Unrestricted	41.7	45.5	2.2	3.2	43.9	48.7
Total net assets	\$ 280.2	\$ 271.1	\$ 54.3	\$ 54.8	\$ 334.5	\$ 325.9

The City's Primary Government combined net assets increased from \$325.9 million to \$334.5 million as a result of the increase in net assets of governmental activities of \$9.1 million. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the City, totaled \$43.9 million. Net assets invested in capital assets, net of related debt, totaled \$290.5 million and represents the amount of capital assets owned by the City, including infrastructure, net of accumulated depreciation and any outstanding debt issued to fund the asset purchase or construction. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation. In fiscal year 2009, grant funds of \$0.1 million 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:

Summary of Changes in Net Assets For the Years Ended June 30, 2009 and 2008 (In Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for services	\$ 16.8	\$ 16.7	\$ 9.4	\$ 7.3	\$ 26.2	\$ 24.0
Operating grants and contributions	71.0	69.3	4.4	4.1	75.4	73.4
Capital grants and contributions	0.3	4.0	1.1	0.8	1.4	4.8
General Revenues:						
Property taxes	101.6	98.7	-	-	101.6	98.7
Local portion of state sales tax	20.5	21.6	-	-	20.5	21.6
Business and professional occupational license taxes	12.5	12.5	-	-	12.5	12.5
Utility taxes	9.7	9.8	-	-	9.7	9.8
Prepared food and beverage taxes	11.5	11.6	-	-	11.5	11.6
Commonwealth share-personal property taxes	8.1	8.1	-	-	8.1	8.1
Cigarette taxes	2.6	2.9	-	-	2.6	2.9
Transient room taxes	2.8	2.8	-	-	2.8	2.8
Telecommunications taxes	7.1	8.0	-	-	7.1	8.0
Motor vehicle license tax	1.9	1.7	-	-	1.9	1.7
Other taxes	6.1	7.4	-	-	6.1	7.4
Payment from Component Unit	8.9	7.7	-	-	8.9	7.7
Interest and investment income	1.6	2.6	0.1	0.1	1.7	2.7
Other	-	-	0.1	0.2	0.1	0.2
Total Revenues	283.0	285.4	15.1	12.5	298.1	297.9

**Summary of Changes in Net Assets
For the Years Ended June 30, 2009 and 2008
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Expenses						
General Government	\$ 13.9	\$ 15.0	-	-	\$ 13.9	\$ 15.0
Judicial Administration	9.2	8.9	-	-	9.2	8.9
Public Safety	66.4	67.4	-	-	66.4	67.4
Public Works	31.2	29.5	-	-	31.2	29.5
Health and Welfare	45.8	45.3	-	-	45.8	45.3
Parks, Recreation and Cultural	12.0	11.7	-	-	12.0	11.7
Community Development	9.8	13.0	-	-	9.8	13.0
Education	66.6	65.5	-	-	66.6	65.5
Economic Development	1.5	0.7	-	-	1.5	0.7
Interest and Fiscal Charges	13.1	10.7	-	-	13.1	10.7
Transit Company	-	-	9.5	9.2	9.5	9.2
Civic Facilities	-	-	7.1	5.2	7.1	5.2
Parking	-	-	2.8	2.4	2.8	2.4
Market Building	-	-	0.7	0.4	0.7	0.4
Total Expenses	269.5	267.7	20.1	17.2	289.6	284.9
Increase (Decrease) in Net Assets before Transfers	13.5	17.7	(5.0)	(4.7)	8.5	13.0
Transfers	(4.5)	(4.3)	4.5	4.3	-	-
Increase (Decrease) in Net Assets	9.0	13.4	(0.5)	(0.4)	8.5	13.0
Net Assets, Beginning	271.2	257.7	54.8	55.2	326.0	312.9
Net Assets, Ending	<u>\$ 280.2</u>	<u>\$ 271.1</u>	<u>\$ 54.3</u>	<u>\$ 54.8</u>	<u>\$ 334.5</u>	<u>\$ 325.9</u>

The property tax classification, which comprises approximately 37% 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 \$78.2 million. The assessed value of real property in the City increased for the 2009 calendar year as a result of a reassessment increase and new construction.

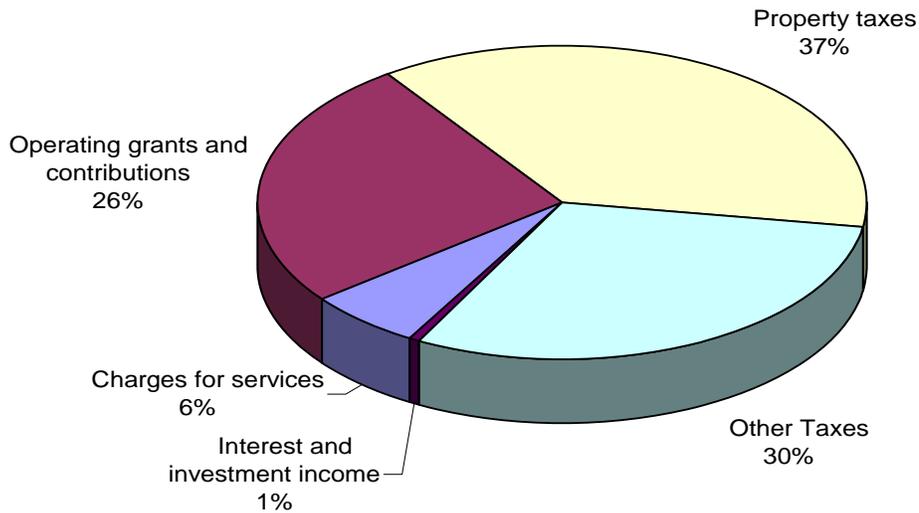
Personal property tax revenue, including the Commonwealth of Virginia (the Commonwealth) share, totaled \$31.5 million. The revenue received locally from citizens totaled \$23.4 million. Funding from the Commonwealth under its amended Personal Property Tax Relief Act (PPTRA) program provided revenue totaling \$8.1 million. Revenue from the Commonwealth provided relief of 58.18% 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 30% of total revenues generated for governmental activities.

Operating grants and contributions comprise approximately 26% 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 as a percentage by category:



Public Safety expenses comprised approximately 24% 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.

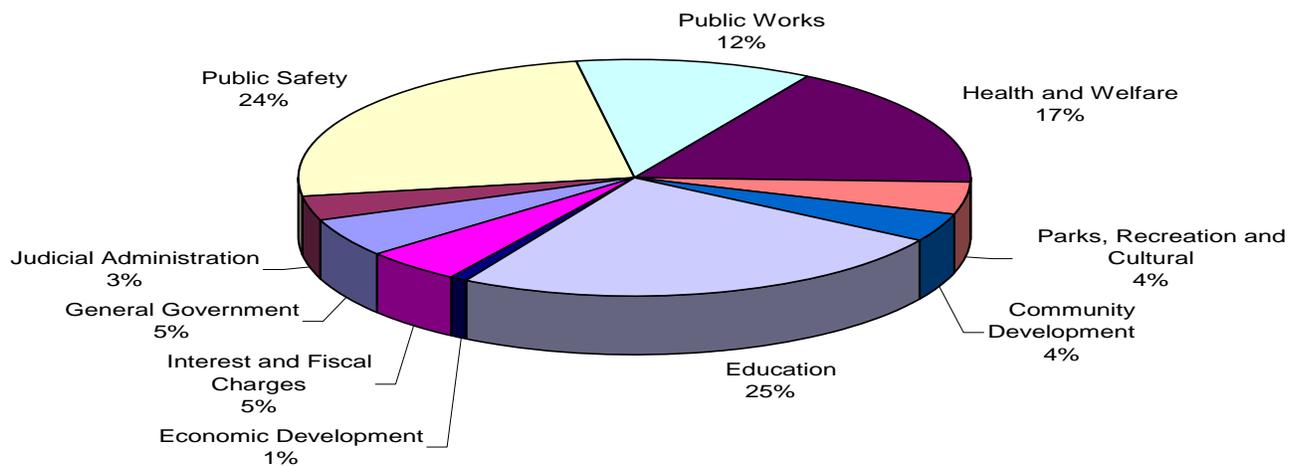
Education expenses comprise 25% of governmental activities. Funding of \$66.6 million was provided to the Roanoke City School Board to support School operations.

Public Works and Health and Welfare expenses comprised approximately 12% 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 \$4.5 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 as a percentage by functional area:



The net assets of governmental activities increased \$9.1 million during fiscal year 2009. Significant current year activities affecting net assets include:

- A \$13.0 million increase in invested in capital assets net of related debt.
- A decrease in unrestricted assets of \$3.9 million, which, in part, related to investment of unrestricted assets in capital projects.
- 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, sales tax, prepared food and beverage, and cigarette tax revenues decreased as the result of current economic conditions. As a whole, the City’s local taxes increased 0.4%.
- In an effort to offset local tax revenues that fell short of their estimates, expenses of general government programs were contained well within budget. Hiring freezes, discretionary spending reductions, departmental budget reductions and a suspension of investment in certain capital assets enabled the City to curtail such expenditures.

The net assets of business-type activities decreased approximately \$0.5 million during fiscal year

2009, representing general stability in the overall business-type net assets. Significant current year activities affecting net assets include:

- The Greater Roanoke Transit Company Fund incurred a decrease in net assets of \$0.4 million as operating grants, capital contributions and General Fund subsidies did not fully offset the loss from operations.
- Operating losses and interest expense in the Civic Facilities Fund offset by a General Fund subsidy intended to support the fund's cash flow requirements resulted in a decrease in net assets of \$0.2 million.
- Parking Fund net assets increased slightly while Market Building Fund net assets declined by a small amount.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2009, the governmental funds reflect a total fund balance of \$72,758,899. Approximately \$54.2 million of this amount constitutes unreserved fund balance, which is available for spending for services and capital projects. Unreserved fund balance provides reserves for budgetary stabilization, insurance claims and future debt service as well as to pay for future years' capital projects expenditures. Reserved fund balance is 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 \$21,352,928, while the total fund balance was \$22,381,604. 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 8.2% of the total General Fund expenditures and other financing uses, while total fund balance represents 8.6% of that same amount.

The General Fund begins each fiscal year with budgeted revenue and expenditure amounts that are equal. During the year, encumbrances unpaid at the end of the prior year are liquidated, increasing expenditures. Other budgetary adjustments are made to recognize additional sources and uses of funding or to accept donations. During the fiscal year ended June 30, 2009, the fund balance of the General Fund increased by \$1,338,897. The reserve for encumbrances declined slightly from 2008 to 2009 while the unreserved fund balances grew as a result of revenues in excess of expenditures. Both the undesignated components of General Fund fund balance and the Reserve for Budget Stabilization grew during FY 2009.

Local taxes generated 67% of General Fund revenue, totaling approximately \$173.5 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 of approximately 3.04% in assessed values and moderate new construction.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$71.1 million in fiscal year 2009. 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 2009, the Commonwealth provided increased funding for social services and street maintenance but imposed funding reductions to the City that totaled \$1.1 million.

The Capital Projects Fund balance decreased \$14.7 million. Significant activities of the fund included capital outlay of approximately \$44.3 million and proceeds from the issuance of debt of approximately \$23.9 million. Transfers from the General Fund totaling \$4.5 million provided cash funding to projects in the Capital Projects Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual General Fund Revenues exceeded the original budgeted revenues by \$612,977 but fell short of the final budgeted revenues by \$3,249,165, or 1.2%. The General Fund revenue shortfall was caused by local taxes and intergovernmental revenues below budget. The intergovernmental revenues did not meet budget estimates with Social Service programs revenues 4.7% under the reimbursement-based revenue budget. In the local tax area, Sales Tax, Prepared Food and Beverage Tax, Cigarette tax and Telecommunications taxes all fell short of budget. The recession of 2008-2009 played a negative role in the performance of the City's local taxes.

General Fund expenditures and transfers were greater than the original budget by \$302,756 or 0.1% due to supplemental appropriations, but were less than the final amended budget by \$5,128,383 or 1.9%. In an effort to continue to carefully manage the City's expenditures, particularly in light of local revenues that would fail to achieve budget, 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 2009, 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, 2008 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, 2008 totaled \$1,318,997.
- To appropriate additional funds of \$3,843,180 received under the Comprehensive Services Act.

CAPITAL ASSETS

As of June 30, 2009, the City's capital assets for its governmental and business-type activities amounted to \$546,913,133, 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 \$29.4 million or 5.7%.

The following table shows summarized balances of major categories of capital assets as of June 30, 2009. 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, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Land and Improvements	\$ 44.4	\$ 43.5	\$ 4.3	\$ 4.2	\$ 48.7	\$ 47.7
Buildings and Improvements	232.3	190.1	59.5	61.0	291.8	251.1
Equipment	21.7	24.6	10.0	10.4	31.7	35.0
Infrastructure	120.4	119.6	-	-	120.4	119.6
Construction in Progress	49.1	62.4	5.3	1.8	54.4	64.2
Total	\$ 467.9	\$ 440.2	\$ 79.1	\$ 77.4	\$ 547.0	\$ 517.6

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

Renovations of the William Fleming High School continued with expenditures of \$28.4 million. Other educational projects included expenditures of \$2.0 million on roofing replacement and repairs for the Fairview, Forest Park and Hurt Park Schools.

Major governmental projects on facilities other than schools included continued construction of Fire/EMS Stations and the Police Academy Building resulting in current year expenditures of \$2.2 million and \$1.7 million, respectively. Additionally, the Roanoke River Flood Reduction project resulted in expenditures of \$1.0 million. Storm drainage, traffic, streetscape, bridge maintenance and greenways projects, together, aggregated just over \$1.8 million in expenditures. Library enhancements and renovations accounted for \$1.7 million in capital expenditures.

Business-type capital asset activities included construction on the Market Parking Garage project, resulting in \$3.5 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, 2009, the City's long-term liabilities, excluding compensated absences and claims payable, totaled \$313,997,070, comprised of \$283,626,525 related to governmental activities, and \$30,370,545 related to business-type activities. Total debt increased by \$5,402,159 during the fiscal year. Changes in long-term debt during fiscal year 2009 resulted from payment of principal

on existing debt, and issuance of the General Obligation Series 2008A Bonds through the Virginia Resource Authority (VRA) to fund Police Academy construction, Library Master Plan, Fire-EMS construction, streetscape projects, bridge renovation, and Market Garage renovation.

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 \$24,255,948 of general obligation debt. The City's tax-supported debt of \$264,655,547 less the Debt Service Fund Balance of \$1,161,895 designated for the repayment of debt service, is well below the legal debt limit of \$656,429,496.

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 2009 were \$13.1 million, or 3.9% of total government funds expenditures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's MSA unemployment rate, not seasonally adjusted, was 7.8% in fiscal year 2009. Consistent with trends at state and national levels, this represents a significant increase over the prior year. For the quarter ended June 2009, Roanoke's unemployment rate approximated the state average and was 1.9% 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 estimated per capita income grew 3.4% from the fiscal year 2008 to 2009, very favorable growth despite the recession. While Roanoke's income levels trail state and national averages, they compare quite well when adjusted for the cost of living. Fiscal year 2009 performance was indicative of a weak local economy; however, continued growth in real estate tax revenues demonstrate that the Roanoke economy is less volatile than other areas of the Commonwealth. The City's overall General Fund revenue declined by 0.5%. Home values in

Roanoke remained stable during fiscal year 2009 despite nationally declining values. The number of housing units increased slightly.

Important economic indicators for the City during the past year included rising unemployment and a decline in consumer spending that affected many areas of our local economy. While housing has remained much more stable for Roanoke than surrounding areas, challenges result from a lack of growth in this area. Building permits were significantly lower in fiscal year 2009 than in 2008, and this trend continues into the early months of fiscal year 2010. On a positive note, many construction projects are back underway in our downtown region indicating resumed access to credit and confidence in Roanoke's future. Downtown housing has grown significantly in the past year and projects such as the Market Building and Center in the Square renovations will continue to encourage growth and vitality in the downtown area.

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 accommodation/food services, administrative and waste services, and retail trade areas far outpaced most other categories.

The General Fund adopted budget for fiscal year 2010 reflected a decline of 1.1% compared to the FY09 adopted budget. Local taxes comprise 67% of all budgeted fiscal year 2010 General Fund revenues, and the budget for this category declined approximately 1.6% compared to FY09. While growth is again expected from the real property tax, declines are anticipated in many other local taxes as a result of the recession experienced in the past year. Personal property tax, business and occupational license tax, cigarette tax, telecommunications tax and prepared food tax are among those local taxes which are likely to experience declines. At the time of budget adoption, overall funding from the Commonwealth was projected to increase. Growth was expected in the areas of street maintenance funding, jail per diems and E-911 wireless funding. However, revenue reductions were also anticipated in funding of Constitutional Offices by the State Compensation Board and in Social Services Funding. In addition, in November 2009, the Commonwealth released budget reductions that will reduce funding to the City by approximately \$1.5 million. Local law enforcement funding through HB599 and funding from the Compensation Board were areas impacted by this announcement.

The City increased funding in fiscal year 2010 in several priority areas while reducing funding in many departments. Funding to the Schools increased \$500,000 from the adopted level of fiscal year 2009. Despite a funding formula that would have decreased funding to the Schools following our local tax decline, City Council elected to provide additional funding to our Schools to avoid a reduction in the local level of support. Beyond this, the \$500,000 increase maintained a pledge on the part of City Council to add funding every year to our Schools. Increased funding was also provided for employee medical insurance, repayment of debt service on capital projects and other areas with mandated increases. Decreased funding resulted from the reduction or elimination of a number of City services. In all, nearly seventy positions were eliminated, yet no employee layoffs took place as a result of the manner in which the City manages position reductions and utilized a hiring freeze in advance of these reductions. Services at our libraries, recreation centers, and loose leaf collection were impacted by these budget reductions. Also, employee retirement funding was reduced and the tuition reimbursement program suspended as part of the budget process. Budget reductions of over \$7 million were made in balancing the 2010 budget.

From July 1, 2009, through November 30, 2009, in fiscal year 2010, General Fund revenues have declined 1.9% compared to the same period in fiscal year 2009. Decreased local taxes and a change in revenue recognition for some charges for services revenues are the major causes of the decline. The sales tax has declined 17.7% as a result of a decline in typical retail spending and further exacerbated by unusually high sales activity in an electrical and construction area in FY09 that adversely impacts the comparison to year to date FY10. Other local tax revenues are also in decline. Examples include the transient occupancy and the telecommunications tax that are down 8.9% and 5.2%, respectively. Expenditures through November 30th of fiscal year 2010 have declined 1.0%, largely driven by decreased costs in the Public Works and Parks, Recreation, and Culture categories. In addition, several expenditure reduction strategies were implemented during the first quarter of fiscal year 2010. They include the deferring of planned expenditures for fleet replacement and technology capital, as well as a hiring freeze and across the board departmental expense reductions.

As we look to the future, challenges which are facing the City include the fact that there will be little growth in the real estate tax base in the upcoming year. While Roanoke is fortunate not to have experienced large declines as encountered in other areas of the State and nation, the lack of growth in this area significantly impacts City services and poses challenges to the budgeting process. Funding from the Commonwealth is also expected to decline in the upcoming year as the State continues to face significant budgetary challenges. Local taxes are expected to resume growth at some point in the future, however a recovery has not occurred as of almost mid-year in FY2010.

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 or email finance@roanokeva.gov.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 64,750,099	\$ 5,207,546	\$ 69,957,645	\$ 6,306,114
Investments	24,505,658	630,326	25,135,984	-
Interest and Dividends Receivable	209,772	-	209,772	-
Due from Component Unit	146,624	-	146,624	-
Due from Other Governments	37,279,798	1,419,471	38,699,269	12,065,275
Internal Balances	(452,552)	452,552	-	-
Taxes and Accounts Receivable, Net	15,718,906	139,258	15,858,164	132,182
Note Receivable	2,600,020	-	2,600,020	-
Inventory	56,447	375,027	431,474	-
Other Assets	1,279,025	417,266	1,696,291	171,018
Capital Assets:				
Land, Construction in Progress, Right-of-Way, and Historical Treasures	111,708,051	9,528,024	121,236,075	-
Other Capital Assets, Net	356,159,033	69,518,025	425,677,058	4,137,983
Capital Assets, Net	467,867,084	79,046,049	546,913,133	4,137,983
Total Assets	\$ 613,960,881	\$ 87,687,495	\$ 701,648,376	\$ 22,812,572
Liabilities				
Accounts Payable and Accrued Expenses	\$ 16,038,137	\$ 1,758,717	\$ 17,796,854	\$ 1,439,518
Accrued Interest Payable	4,672,783	570,854	5,243,637	-
Due to Other Governments	2,877,407	4,949	2,882,356	-
Due to Primary Government	-	-	-	146,624
Unearned Revenue	3,411,198	-	3,411,198	701,521
Pollution Remediation	326,222	-	326,222	-
Other Liabilities	54,730	687,057	741,787	-
Long-term Liabilities Due Within One Year	31,340,133	1,677,651	33,017,784	7,082,196
Long-term Liabilities Due in More Than One Year, Net	275,009,956	28,707,798	303,717,754	4,359,260
Total Liabilities	\$ 333,730,566	\$ 33,407,026	\$ 367,137,592	\$ 13,729,119
Net Assets				
Invested in Capital Assets, Net of Related Debt	\$ 238,461,970	\$ 52,067,081	\$ 290,529,051	\$ 4,137,983
Restricted for:				
E911 Wireless Capital Project	70,914	-	70,914	-
Unrestricted	41,697,431	2,213,388	43,910,819	4,945,470
Total Net Assets	\$ 280,230,315	\$ 54,280,469	\$ 334,510,784	\$ 9,083,453

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

<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>
Primary Government:				
Governmental Activities:				
General Government	\$ 13,859,060	\$ 4,511,088	\$ 1,125,371	\$ -
Judicial Administration	9,167,289	4,823,817	6,512,601	-
Public Safety	66,448,271	6,453,285	14,239,237	-
Public Works	31,174,272	386,445	11,400,984	265,005
Health and Welfare	45,756,887	146,338	34,842,280	-
Parks, Recreation and Cultural	12,018,560	308,446	197,736	-
Community Development	9,752,877	161,228	2,668,437	-
Education	66,604,559	-	-	-
Economic Development	1,535,584	4,974	-	-
Other	15,329	-	-	-
Interest and Fiscal Charges	13,124,928	-	-	-
Total Governmental Activities	269,457,616	16,795,621	70,986,646	265,005
Business-Type Activities:				
Transit Company	9,545,470	2,097,420	4,393,415	1,115,208
Civic Facilities	7,138,833	4,312,359	-	-
Parking	2,806,984	2,804,755	-	-
Market Building	649,874	224,637	-	-
Total Business-Type Activities	20,141,161	9,439,171	4,393,415	1,115,208
Total Primary Government	\$ 289,598,777	\$ 26,234,792	\$ 75,380,061	\$ 1,380,213
Component Unit:				
School Board of the City of Roanoke	\$ 164,790,502	\$ 5,391,504	\$ 40,880,659	\$ -

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
\$ (8,222,601)	\$ -	\$ (8,222,601)	\$ -
2,169,129	-	2,169,129	-
(45,755,749)	-	(45,755,749)	-
(19,121,838)	-	(19,121,838)	-
(10,768,269)	-	(10,768,269)	-
(11,512,378)	-	(11,512,378)	-
(6,923,212)	-	(6,923,212)	-
(66,604,559)	-	(66,604,559)	-
(1,530,610)	-	(1,530,610)	-
(15,329)	-	(15,329)	-
(13,124,928)	-	(13,124,928)	-
(181,410,344)	-	(181,410,344)	-
-	(1,939,427)	(1,939,427)	-
-	(2,826,474)	(2,826,474)	-
-	(2,229)	(2,229)	-
-	(425,237)	(425,237)	-
-	(5,193,367)	(5,193,367)	-
\$ (181,410,344)	\$ (5,193,367)	\$ (186,603,711)	\$ -
\$ (118,518,339)	\$ -	\$ -	\$ (118,518,339)
\$ 101,626,861	\$ -	\$ 101,626,861	\$ -
20,448,423	-	20,448,423	-
12,479,698	-	12,479,698	-
9,735,948	-	9,735,948	-
11,496,914	-	11,496,914	-
8,075,992	-	8,075,992	-
2,644,599	-	2,644,599	-
2,754,683	-	2,754,683	-
7,145,256	-	7,145,256	-
1,937,500	-	1,937,500	-
3,492,590	-	3,492,590	-
2,578,700	-	2,578,700	-
-	-	-	58,370,478
-	-	-	62,506,419
8,930,898	-	8,930,898	-
8,379	-	8,379	25,473
1,618,541	87,552	1,706,093	86,320
-	117,823	117,823	65,477
(4,493,091)	4,493,091	-	-
\$ 190,481,891	\$ 4,698,466	\$ 195,180,357	\$ 121,054,167
9,071,547	(494,901)	8,576,646	2,535,828
271,158,768	54,775,370	325,934,138	6,547,625
\$ 280,230,315	\$ 54,280,469	\$ 334,510,784	\$ 9,083,453

CITY OF ROANOKE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 6,952,981	\$ 1,162,694	\$ 2,864,284	\$ 42,432,640	\$ 53,412,599
Investments	4,214,103	-	-	10,302,671	14,516,774
Interest and Dividends Receivable	17,991	-	105,244	43,937	167,172
Due from Component Unit	192,488	-	-	-	192,488
Due from Other Governments	11,169,814	-	1,853,631	-	13,023,445
Due from Other Funds	57,240	1,092	17,911	1,300,000	1,376,243
Taxes Receivable	16,189,635	-	-	-	16,189,635
Accounts Receivable	3,917,269	-	349,791	263,558	4,530,618
Allowance for Uncollectible Receivables	(5,024,314)	-	-	-	(5,024,314)
Deposits	-	-	-	46,152	46,152
Note Receivable	-	-	2,600,020	-	2,600,020
Total Assets	\$ 37,687,207	\$ 1,163,786	\$ 7,790,881	\$ 54,388,958	\$ 101,030,832
LIABILITIES					
Accounts Payable and Accrued Expenditures	\$ 9,661,836	\$ 1,891	\$ 622,591	\$ 4,820,150	\$ 15,106,468
Due to Other Governments	105,771	-	2,771,636	-	2,877,407
Due to Other Funds	1,893,931	-	1,300,198	27,186	3,221,315
Pollution Remediation Liability	-	-	-	326,222	326,222
Deferred Revenue	3,644,065	-	3,096,456	-	6,740,521
Total Liabilities	\$ 15,305,603	\$ 1,891	\$ 7,790,881	\$ 5,173,558	\$ 28,271,933
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 1,028,676	\$ -	\$ -	\$ 17,529,842	\$ 18,558,518
Unreserved:					
Designated for Debt Service	-	1,161,895	-	-	1,161,895
Designated for Future Years'					
Expenditures	-	-	-	27,725,952	27,725,952
Designated for Self-Insured Claims	250,000	-	-	-	250,000
Designated for Economic and Community					
Development Reserve	-	-	-	3,959,606	3,959,606
Designated for Budget Stabilization Reserve	19,155,608	-	-	-	19,155,608
Undesignated	1,947,320	-	-	-	1,947,320
Total Fund Balances	22,381,604	1,161,895	-	49,215,400	72,758,899
Total Liabilities and Fund Balances	\$ 37,687,207	\$ 1,163,786	\$ 7,790,881	\$ 54,388,958	\$ 101,030,832

CITY OF ROANOKE, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds		\$ 72,758,899
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	636,298,488	
Less: accumulated depreciation	<u>(189,587,121)</u>	446,711,367
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	7,400,532	
Less: accumulated amortization	(2,797,357)	
Receivable from Western Virginia Water Authority	<u>24,255,948</u>	28,859,123
Property taxes receivable which are expected to be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds.		
		3,338,661
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	(275,851,490)	
Capital lease obligation	(4,861,680)	
Bond premium	(8,130,518)	
Accumulated amortization of bond premium	1,906,311	
Compensated absences	(6,484,594)	
Accrued interest payable	<u>(4,655,450)</u>	(298,077,421)
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>26,639,686</u>
Total Net Assets of Governmental Activities		<u><u>\$280,230,315</u></u>

CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Local Taxes	\$ 173,518,576	\$ -	\$ -	\$ -	\$ 173,518,576
Permits, Fees and Licenses	1,053,443	-	-	-	1,053,443
Fines and Forfeitures	1,558,517	-	-	-	1,558,517
Rental Income	840,399	-	-	4,974	845,373
Investment Income	96,420	26,091	48,819	1,040,389	1,211,719
Intergovernmental	71,119,903	12,341,713	9,585,850	16,850	93,064,316
Charges for Services	11,616,042	-	-	-	11,616,042
Miscellaneous	670,344	-	-	866,360	1,536,704
Total Revenues	260,473,644	12,367,804	9,634,669	1,928,573	284,404,690
EXPENDITURES					
Current Operating:					
General Government	13,019,273	-	59,818	-	13,079,091
Judicial Administration	8,489,493	-	246,170	-	8,735,663
Public Safety	60,731,173	-	3,077,468	-	63,808,641
Public Works	24,841,431	-	-	-	24,841,431
Health and Welfare	42,757,293	-	2,371,240	-	45,128,533
Parks, Recreation and Cultural	10,723,453	-	30,367	-	10,753,820
Community Development	6,881,431	-	2,678,087	-	9,559,518
Education	62,506,419	-	-	350,222	62,856,641
Other	15,329	-	-	-	15,329
Debt Service:					
Principal Retirement	-	22,157,734	-	-	22,157,734
Interest and Paying Agent Charges	-	12,286,166	-	-	12,286,166
Bond Issuance Cost	-	79,082	-	-	79,082
Capital Outlays	-	-	-	44,299,810	44,299,810
Total Expenditures	229,965,295	34,522,982	8,463,150	44,650,032	317,601,459
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,508,349	(22,155,178)	1,171,519	(42,721,459)	(33,196,769)
OTHER FINANCING SOURCES (USES)					
Issuance of Long-Term Debt	-	-	-	23,912,613	23,912,613
Premium on Sale of Bonds	-	706,843	-	-	706,843
Transfers In	33,333	22,028,890	700,404	4,451,494	27,214,121
Transfers Out	(29,202,785)	(562,442)	(1,871,923)	(383,232)	(32,020,382)
Total Other Financing Sources (Uses)	(29,169,452)	22,173,291	(1,171,519)	27,980,875	19,813,195
Net Change in Fund Balances	1,338,897	18,113	-	(14,740,584)	(13,383,574)
Fund Balances--Beginning of Year	21,042,707	1,143,782	-	63,955,984	86,142,473
Fund Balances--End of Year	\$ 22,381,604	\$ 1,161,895	\$ -	\$ 49,215,400	\$ 72,758,899

**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, 2009**

Total Net Change in Fund Balances - Governmental Funds \$(13,383,574)

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	40,930,978	
Donation of capital assets	(20,000)	
Less current year depreciation expense	<u>(11,143,933)</u>	29,767,045

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	550,451	
Net principal reimbursed by Western Virginia Water Authority	<u>(2,340,590)</u>	(1,790,139)

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	(23,912,613)	
Bond premium	(706,843)	
Amortization of current year bond premium	425,387	
Bond costs and deferred amounts	79,082	
Amortization of current year bond costs and deferred amounts	(502,122)	
Principal payments	<u>22,157,734</u>	(2,459,375)

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	(83,244)	
Change in accrued interest payable	<u>(244,981)</u>	(328,225)

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.

(2,734,185)

Total Change in Net Assets of Governmental Activities

\$ 9,071,547

CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Enterprise Funds		
	Transit Company	Civic Facilities	Parking
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 587,203	\$ 676,629	\$ 3,940,469
Investments	-	-	580,781
Interest and Dividends Receivable	-	-	2,477
Due from Other Governments	1,419,471	-	-
Due from Other Funds	-	231,788	20,000
Accounts Receivable	40,933	74,925	4,173
Inventory	375,027	-	-
Other Assets	133,628	98,367	176,125
Total Current Assets	2,556,262	1,081,709	4,724,025
Capital Assets:			
Land and Land Improvements	603,302	1,215,005	2,466,514
Buildings and Structures	10,057,981	37,162,793	39,670,041
Equipment and Other Capital Assets	15,943,581	2,425,921	104,704
Construction in Progress	-	492,775	4,672,600
Less Accumulated Depreciation	(12,134,370)	(13,732,724)	(12,114,583)
Capital Assets, Net	14,470,494	27,563,770	34,799,276
Total Assets	\$ 17,026,756	\$ 28,645,479	\$ 39,523,301
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 656,240	\$ 255,336	\$ 817,917
Accrued Interest Payable	-	242,781	328,073
Due to Other Governments	-	-	4,949
Due to Other Funds	-	955	7,514
Other Liabilities	70,050	554,379	62,628
Long-Term Liabilities Due Within One Year	-	730,544	947,107
Total Current Liabilities	726,290	1,783,995	2,168,188
Long-Term Liabilities:			
Compensated Absences Payable	-	-	14,904
Claims Payable	-	-	-
General Obligation Bonds Payable, Net	-	14,521,806	15,432,161
Capital Lease Liability	-	416,578	-
Less Current Maturities	-	(730,544)	(947,107)
Total Long-Term Liabilities	-	14,207,840	14,499,958
Total Liabilities	\$ 726,290	\$ 15,991,835	\$ 16,668,146
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 14,470,494	\$ 12,680,814	\$ 22,703,264
Restricted for:			
E911 Wireless Capital Project	-	-	-
Unrestricted	1,829,972	(27,170)	151,891
Total Net Assets	\$ 16,300,466	\$ 12,653,644	\$ 22,855,155

Enterprise Funds			
Market Building	Total	Internal Service Funds	
\$ 3,245	\$ 5,207,546	\$ 11,337,500	
49,545	630,326	9,988,884	
211	2,688	42,600	
-	1,419,471	405	
235,691	487,479	1,399,107	
19,227	139,258	22,967	
-	375,027	56,447	
-	408,120	1,187,009	
307,919	8,669,915	24,034,919	
50,000	4,334,821	-	
2,315,891	89,206,706	-	
66,552	18,540,758	44,342,965	
96,274	5,261,649	3,485,303	
(316,208)	(38,297,885)	(26,672,551)	
2,212,509	79,046,049	21,155,717	
\$ 2,520,428	\$ 87,715,964	\$ 45,190,636	
\$ 29,224	\$ 1,758,717	\$ 931,669	
-	570,854	17,333	
-	4,949	-	
20,000	28,469	53,248	
-	687,057	8,069	
-	1,677,651	3,558,425	
49,224	4,727,697	4,568,744	
-	14,904	316,004	
-	-	15,922,966	
-	29,953,967	1,049,343	
-	416,578	252,318	
-	(1,677,651)	(3,558,425)	
-	28,707,798	13,982,206	
\$ 49,224	\$ 33,435,495	\$ 18,550,950	
\$ 2,212,509	\$ 52,067,081	\$ 20,006,822	
-	-	70,914	
258,695	2,213,388	6,561,950	
\$ 2,471,204	\$ 54,280,469	\$ 26,639,686	

CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Enterprise Funds</u>		
	<u>Transit Company</u>	<u>Civic Facilities</u>	<u>Parking</u>
<u>Operating Revenues</u>			
Charges for Services	\$ 2,097,420	\$ 4,312,359	\$ 2,804,755
Other Revenue	102,226	15,509	-
Total Operating Revenues	2,199,646	4,327,868	2,804,755
<u>Operating Expenses</u>			
Personal Services	4,306,118	1,329,630	66,661
Other Services and Charges	1,950,216	3,007,079	961,485
Materials and Supplies	1,502,797	1,250,816	463,353
Depreciation	1,790,331	915,111	818,802
Total Operating Expenses	9,549,462	6,502,636	2,310,301
Operating Income (Loss)	(7,349,816)	(2,174,768)	494,454
<u>Nonoperating Revenues (Expenses)</u>			
Gain (Loss) on Disposal of Assets	3,992	-	-
Operating Grants	4,393,415	-	-
Investment Income	13,598	13,654	57,128
Interest Expense	-	(636,197)	(496,683)
Net Nonoperating Revenues (Expenses)	4,411,005	(622,543)	(439,555)
Income (Loss) Before Transfers and Contributions	(2,938,811)	(2,797,311)	54,899
<u>Transfers and Contributions</u>			
Capital Contributions	1,115,208	-	-
Transfers In	1,471,548	2,678,100	14,466
Transfers Out	-	(65,244)	(779)
Net Transfers and Contributions	2,586,756	2,612,856	13,687
Change in Net Assets	(352,055)	(184,455)	68,586
Net Assets - Beginning of Year	16,652,521	12,838,099	22,786,569
Net Assets - End of Year	\$ 16,300,466	\$ 12,653,644	\$ 22,855,155

Enterprise Funds			
Market Building	Total		Internal Service Funds
\$ 224,637	\$ 9,439,171	\$	26,925,421
88	117,823		386,513
224,725	9,556,994		27,311,934
-	5,702,409		4,577,242
151,096	6,069,876		17,096,608
397,891	3,614,857		4,021,020
100,887	3,625,131		4,911,539
649,874	19,012,273		30,606,409
(425,149)	(9,455,279)		(3,294,475)
-	3,992		(51,080)
-	4,393,415		-
3,172	87,552		389,859
-	(1,132,880)		(91,659)
3,172	3,352,079		247,120
(421,977)	(6,103,200)		(3,047,355)
-	1,115,208		-
395,000	4,559,114		483,942
-	(66,023)		(170,772)
395,000	5,608,299		313,170
(26,977)	(494,901)		(2,734,185)
2,498,181	54,775,370		29,373,871
\$ 2,471,204	\$ 54,280,469	\$	26,639,686

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Enterprise Funds		
	Transit Company	Civic Facilities	Parking
Cash Flow From Operating Activities			
Cash Received from Customers	\$ 2,097,420	\$ 5,251,543	\$ 2,781,146
Cash Payments to Suppliers for Goods and Services	(3,324,313)	(4,320,916)	(942,187)
Cash Payments to Other Funds for Interfund Services	-	(306,042)	(143,448)
Cash Payments to Employees	(4,259,147)	(1,407,057)	(65,773)
Cash Payments for Claims	-	-	-
Cash Received for Other Operating Revenues	113,290	15,509	-
Net Cash Provided (Used) by Operating Activities	(5,372,750)	(766,963)	1,629,738
Cash Flow From Noncapital Financing Activities:			
Operating Grant Received	4,238,228	-	-
Transfers In	1,471,548	2,678,100	14,466
Transfers Out	-	(65,244)	(779)
Net Cash Provided by Noncapital Financing Activities	5,709,776	2,612,856	13,687
Cash Flow From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(1,200,954)	(119,878)	(3,816,024)
Capital Grant Receipts	865,977	-	-
Proceeds from Sale of Capital Assets	3,992	-	-
Proceeds from Issuance of Bonds	-	-	5,040,000
Principal Paid on Bonds and Capital Lease Obligation	-	(681,287)	(890,610)
Interest Paid on Bonds and Capital Leases	-	(658,002)	(361,706)
Net Cash Used by Capital and Related Financing Activities	(330,985)	(1,459,167)	(28,340)
Cash Flow From Investing Activities:			
Interest Received	13,598	13,282	59,730
Purchase of Investments	-	-	(111,713)
Sale of Investments	-	-	-
Cash Provided (Used) by Investing Activities	13,598	13,282	(51,983)
Net Increase (Decrease) in Cash and Cash Equivalents	19,639	400,008	1,563,102
Cash and Cash Equivalents at July 1	567,564	276,621	2,377,367
Cash and Cash Equivalents at June 30	\$ 587,203	\$ 676,629	\$ 3,940,469
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (7,349,816)	\$ (2,174,768)	\$ 494,454
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,790,331	915,111	818,802
Changes in Assets and Liabilities:			
Decrease in Due From Other Governments	-	-	-
(Increase) Decrease in Due From Other Funds	-	435,341	(22,599)
(Increase) Decrease in Accounts Receivable	11,065	(4,263)	(1,010)
Decrease in Inventory	44,049	-	-
(Increase) Decrease in Other Assets	1,670	-	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	116,271	(318,773)	454,748
Decrease in Due to Other Governments	-	-	(647)
Decrease in Due to Other Funds	-	(50,290)	(115,545)
Increase (Decrease) in Other Liabilities	(33,291)	508,106	-
Increase (Decrease) in Compensated Absences Payable	46,971	(77,427)	1,535
Increase in Claims Payable	-	-	-
Total Adjustments	1,977,066	1,407,805	1,135,284
Net Cash Provided (Used) by Operating Activities	\$ (5,372,750)	\$ (766,963)	\$ 1,629,738

Noncash Capital and Financing Activities:

Parking Fund noncash activities in fiscal year 2009 consisted of capital asset acquisitions of \$752,782 recorded as accounts payable at June 30, 2009.
Market Building Fund noncash activities in fiscal year 2009 consisted of capital asset acquisitions of \$5,677 recorded as accounts payable at June 30, 2009.
Internal Service Funds noncash activities in fiscal year 2009 consisted of capital asset acquisitions through a capital lease obligation of \$6,439

<u>Enterprise Funds</u>		
<u>Market Building</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 146,098	\$ 10,276,207	\$ 26,120,930
(529,892)	(9,117,308)	(7,511,442)
(29,474)	(478,964)	(580,787)
-	(5,731,977)	(4,544,831)
-	-	(11,424,925)
88	128,887	290,900
<u>(413,180)</u>	<u>(4,923,155)</u>	<u>2,349,845</u>
-	4,238,228	-
235,000	4,399,114	483,942
-	(66,023)	(170,772)
<u>235,000</u>	<u>8,571,319</u>	<u>313,170</u>
(169,796)	(5,306,652)	(2,864,200)
-	865,977	-
-	3,992	-
-	5,040,000	-
-	(1,571,897)	(566,040)
-	(1,019,708)	(115,428)
<u>(169,796)</u>	<u>(1,988,288)</u>	<u>(3,545,668)</u>
3,986	90,596	407,669
-	(111,713)	-
30,721	30,721	(5,544,633)
<u>34,707</u>	<u>9,604</u>	<u>(5,136,964)</u>
(313,269)	1,669,480	(6,019,617)
<u>316,514</u>	<u>3,538,066</u>	<u>17,357,117</u>
<u>\$ 3,245</u>	<u>\$ 5,207,546</u>	<u>\$ 11,337,500</u>
\$ (425,149)	\$ (9,455,279)	\$ (3,294,475)
100,887	3,625,131	4,911,539
-	-	36,524
(76,509)	336,233	(832,763)
(2,030)	3,762	(8,252)
-	44,049	54,387
-	1,670	(1,067,721)
(14,691)	237,555	(91,240)
-	(647)	-
4,312	(161,523)	(440,293)
-	474,815	-
-	(28,921)	14,156
-	-	3,067,983
<u>11,969</u>	<u>4,532,124</u>	<u>5,644,320</u>
<u>\$ (413,180)</u>	<u>\$ (4,923,155)</u>	<u>\$ 2,349,845</u>

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Pension Trust Fund	OPEB Trust Fund	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 854,136		\$ 2,978,388
Investments	-	-	2,389,185
Receivables:			
Employer Contributions (Includes Due From Other Funds of \$40,202)	88,530	-	-
Accrued Interest	-	-	10,189
Investment Income	56,119	-	-
Due from Other Governments	-	-	4,949
Total Receivables	<u>144,649</u>	<u>-</u>	<u>15,138</u>
Investments Held by Trustee, at Fair Value:			
Cash Equivalents	1,340,736	792,813	-
Cash Collateral on Loaned Securities	24,715,735	-	-
Convertible Bond Mutual Funds	12,245,049	-	-
Common Stocks	32,750,412	-	-
Domestic Mutual Funds	155,814,931	-	-
International Mutual Funds	45,913,776	-	-
Real Estate Mutual Funds	17,586,900	-	-
Total Investments	<u>290,367,539</u>	<u>792,813</u>	<u>-</u>
Total Assets	<u>\$ 291,366,324</u>	<u>\$ 792,813</u>	<u>\$ 5,382,711</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 222,348	\$ -	\$ -
Liability for Collateral on Loaned Securities	24,715,735	-	-
Due to Other Governments	-	-	5,382,711
Total Liabilities	<u>\$ 24,938,083</u>	<u>\$ -</u>	<u>\$ 5,382,711</u>
NET ASSETS			
Held in Trust for Pension and Other Postemployment Benefits	<u>\$ 266,428,241</u>	<u>\$ 792,813</u>	<u>\$ -</u>

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Pension Trust Fund	OPEB Trust Fund
	<u> </u>	<u> </u>
<u>Additions/(Reductions)</u>		
Contributions from Employer	\$ 11,842,752	\$ 1,747,000
Investment Income (Loss)		
Net Appreciation (Depreciation) in Fair Value of Investments	(69,643,466)	7,561
Interest and Dividends	7,014,273	91
Other	13,464	
Total Investment Income (Loss)	<u>(62,615,729)</u>	<u>7,652</u>
Less Investment Expenses	<u>(768,723)</u>	<u>(930)</u>
Net Investment Income (Loss)	(63,384,452)	6,722
Securities Lending Income		
Securities Lending Income	454,338	-
Less Securities Lending Expenses	<u>(269,026)</u>	<u>-</u>
Net Securities Lending Income	<u>185,312</u>	<u>-</u>
Total Additions/(Reductions)	<u>(51,356,388)</u>	<u>1,753,722</u>
<u>Deductions</u>		
Benefit Payments	26,266,843	1,323,000
Administrative Expenses	331,943	-
Total Deductions	<u>26,598,786</u>	<u>1,323,000</u>
Net Increase (Decrease) in Plan Net Assets	(77,955,174)	430,722
Net Assets Held in Trust for Pension and Other Postemployment Benefits - July 1	<u>344,383,415</u>	<u>362,091</u>
Net Assets Held in Trust for Pension and Other Postemployment Benefits - June 30	<u>\$ 266,428,241</u>	<u>\$ 792,813</u>

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**CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

(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 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 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, 2009

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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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

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

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

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

Enterprise Funds – Account for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services. All funds included in this category, 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. As of January 1, 2009 the City entered into a contract whereby Global Spectrum began managing the Civic Center on the City's behalf.

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.

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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.

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 postemployment benefits (OPEBs). It is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net assets and financial position.

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

C. Basis of Accounting

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

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

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. General fund tax revenues are considered measurable when they have been levied. To be considered available and thus susceptible to accrual, taxes must be collected with the City's period of availability of 60 days. Uncollected taxes at the end of this period are reported as deferred revenues. Interest income and intergovernmental receivables (state and federal grants to the extent of allowable expenditures) are considered susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

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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 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, School Board balances, Roanoke Civic Center balances, OPEB Trust Fund balances and a portion of the Pension Trust Fund balances are deposited in a pooled account, which in turn purchases short-term investments. Interest income is allocated to the participating funds based on each fund's average daily cash balance. Cash and cash equivalents are recorded at cost, which approximates market value.

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

F. Interfund Receivables and Payables

Outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental and business-type activities are reported in the

CITY OF ROANOKE, VIRGINIA
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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, 2009, the allowance for General Fund uncollectible taxes and accounts receivable was \$5,024,314, or 24.8% of the outstanding balance of taxes receivable and accounts receivable.

H. Property Taxes

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

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 58.18% for tax year 2009. 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, 2009, 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 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.

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K. Other Postemployment Benefits Trust Fund

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

L. Capital Assets

Capital assets acquired or constructed by the City with a value in excess of \$5,000 are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets belonging to proprietary funds are also reported in the applicable fund financial statements. Capital assets are recorded at historical cost or estimated historical cost. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land, 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 are the property of the City.

M. Compensated Absences Payable

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

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are paid. Current and non-current portions of compensated absences totaling \$6,484,594 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, 2009, the liabilities for compensated absences of the enterprise and internal service funds were \$14,904 and \$316,004 respectively.

CITY OF ROANOKE, VIRGINIA
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N. Pollution Remediation

During fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses the requirements for reporting liabilities related to cleaning up pollution and/or contamination. The City evaluated the impact of GASB Statement No. 49 on all projects and facilities and recorded a \$326,222 liability as of June 30, 2009.

(2) Deposits and Investments

Governmental Funds

The City maintains a consolidated account that is available for use by all funds, including fiduciary funds. Each fund's portion of this account is presented in the basic financial statements as "Cash and Cash Equivalents". The School Board component unit maintains separate cash and investment accounts consisting of \$7,323,962. Investments for the Transit Company and the School Board are presented in conjunction with City investments. 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 City acts as one of the fiscal agents for the Hotel Roanoke Conference Center Commission (HRCCC) and holds total cash and investments of \$5,367,573 on its behalf. Investments and related disclosures for the City of Roanoke Pension Plan and the OPEB Trust Fund, which are fiduciary funds, are presented separately.

Investment Policy The City, School Board, and 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.

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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.

Investments as of June 30, 2009 consisted of the following:

	<u>Total Primary Government</u>	<u>School Board Component Unit</u>	<u>Fiduciary Funds</u>
Investment in pooled funds, including Virginia LGIP	\$ 17,905,323	\$ 3,998,296	\$ 1,504,241
Certificates of Deposit	33,811,321	-	3,213,779
Money Market Accounts	3,155,652	-	-
Repurchase Agreements	519,995	-	10,850
Mutual Funds	34,240,297	-	-
Federal Agency Bonds/Notes	6,407,992	-	609,083
	<u>\$ 96,040,580</u>	<u>\$ 3,998,296</u>	<u>\$ 5,337,953</u>

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

Credit Risk. State law (Code of Virginia, Chapter 3, Title 26) limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes; bankers’ acceptances, repurchase agreements, and the 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, 2009, investment holdings as a percentage of total investments, excluding Pension Plan and OPEB Trust Fund investments, were as follows:

<u>Investment Type</u>	<u>Primary Government</u>	<u>School Board Component Unit</u>	<u>HRCCC Fiduciary Fund</u>	<u>Credit Rating</u>
Repurchase Agreements	0.9%	0.0%	0.5%	NR
Mutual Funds	58.0%	0.0%	0.0%	AAAm
Federal Agency Bond/Notes	10.8%	0.0%	28.7%	Aaa
Virginia LGIP	30.3%	100.0%	70.8%	AAAm

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Custodial Credit Risk - Investments. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments as of June 30, 2009 were held in the name of the City. The City's investment policy requires all Purchase Securities, Money Market instruments and Certificates of Deposit with maturity dates less than thirty (30) days to be held by the Bank or Securities Dealer through which they were purchased. Securities with maturity dates exceeding thirty days are electronically transferred and held by a third party.

Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent, but not in the City's name. As of June 30, 2009, the City did not hold any investments considered to be exposed to custodial credit risk. The School Board component unit does not hold any investments exposed to custodial credit risk.

Custodial Credit Risk – Deposits. In the case of a deposit, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The carrying value of the City's deposits was \$4,306,218, including Fiduciary funds of \$892,250. The City's bank balance of deposits was \$4,368,742, including Fiduciary funds of \$1,062,664. The carrying value of the School Board component unit's deposits was \$3,316,466. The School Board component unit's bank balance of deposits was \$6,111,831. The City's investment policy requires all deposits to be federally secured or held in accordance with the Virginia Security for Public Deposits Act. In agreement with the policy, the entire balance was covered by federal depository insurance or collateralized in accordance with Virginia Security for Public Deposits Act.

Concentration of Credit Risk. The 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, 2009, the portions of the City's debt securities that exceed 5% of the total value, excluding certificates of deposit which were fully insured by Federal Deposit Insurance Corporation (FDIC) and the Virginia LGIP, were as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Commonwealth Cash Reserve Fund	58.0%
Federal Home Loan Mortgage Corporation	5.4%

As of June 30, 2009, 100% of the School Board's investment portfolio was invested in the Virginia LGIP.

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

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As of June 30, 2009, the Primary Government had the following investments and maturities:

	Investment Maturity		
	Fair Value	Less than 1 year	1-3 years
Non-negotiable Certificates of Deposits	\$ 33,811,321	\$ 33,811,321	\$ -
Repurchase Agreements	519,995	519,995	-
Mutual Funds	34,240,297	34,240,297	-
Federal Agency Bonds/Notes	6,407,992	1,374,087	5,033,905
Virginia LGIP	17,905,323	17,905,323	-
TOTAL	\$ 92,884,928	\$ 87,851,023	\$ 5,033,905

As of June 30, 2009, the School Board Component Unit had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Virginia LGIP	\$ 3,998,296	\$ 3,998,296
TOTAL	\$ 3,998,296	\$ 3,998,296

As of June 30, 2009, the Hotel Roanoke Conference Center Commission, a fiduciary fund, had the following investments and maturities:

	Investment Maturity		
	Fair Value	Less than 1 year	1-3 years
Non-negotiable Certificates of Deposits	\$ 3,213,779	\$ 3,213,779	\$ -
Repurchase Agreements	10,850	10,850	-
Federal Agency Bonds/Notes	609,083	130,608	478,475
Virginia LGIP	1,504,241	1,504,241	-
TOTAL	\$ 5,337,953	\$ 4,859,478	\$ 478,475

Separately Presented Fiduciary Funds

Pension Trust Fund

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

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Investments as of June 30, 2009 consisted of the following:

Cash Equivalents	\$ 1,340,736
Cash Collateral on Loaned Securities	24,715,735
Convertible Bond Mutual Funds	12,245,049
Common Stocks	32,750,412
Domestic Mutual Funds	155,814,931
International Mutual Funds	45,913,776
Real Estate Mutual Funds	17,586,900
Total Investments	<u><u>\$ 290,367,539</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 Moody's Investor Services. Purchases of non-U.S. government securities are restricted to issues of at least \$50 million or greater. As of June 30, 2009, 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	\$ 35,347,173	AA
Bond Mutual Fund	26,954,830	AA2
Total	<u><u>\$ 62,302,003</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 cash and investment pool, in which the Plan is a participant. On June 30, 2009, the carrying amount and bank balance of the Plan's deposits was \$2,194,872 and \$2,358,007 respectively. Of the bank balance at June 30, 2009, \$862,629 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 \$862,629 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 \$1,340,736 is uninsured and uncollateralized.

Custodial Credit Risk – Investments. The Plan has six types of investments as of June 30, 2009: 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

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but not in the Plan's name. The Plan's investment policy does not specifically address custodial credit risk. As of June 30, 2009, 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>\$ 32,750,412</u>
Total	<u><u>\$ 32,750,412</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, 2009, the Plan did not own securities of a single organization, other than positions in mutual funds, representing 5% or more of the Plan's net assets.

Interest Rate Risk. The Plan's investment policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy defines the investment objectives for both the passive and actively managed segments of the fixed income portfolio. The objective of the passive segment is to replicate the return of the Barclays Aggregate Bond Index thus providing broad diversification that would be impractical to achieve in an actively managed portfolio. The objective of the actively managed fixed income portfolio is to outperform the 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, 2009:

	<u>Investment Maturity</u>	
	<u>Fair Value</u>	<u>5-10 years</u>
Bond Mutual Funds	<u>\$ 57,641,939</u>	<u>\$ 57,641,939</u>
TOTAL	<u><u>\$ 57,641,939</u></u>	<u><u>\$ 57,641,939</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, 2009.

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 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.

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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, 2009, the investment pool had a weighted maturity of 50 days with an average duration of 52 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, 2009. The following represents balances related to securities lending transactions as of June 30, 2009:

<u>Securities on Loan</u>	<u>Market Value of Securities</u>	<u>Cash Collateral Investment Value</u>
Domestic Equities	\$ 23,954,057	\$ 24,715,735
Total	<u>\$ 23,954,057</u>	<u>\$ 24,715,735</u>

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.

In fiscal year 2009, the asset back securities underlying specific investments within the plan decreased in market value as the banking crisis and declines in the equities market increased demand for liquidity. The Plan investment managers maintain fiduciary responsibility during market volatility. As a result, State Street Global Advisors, an investment manager of the Plan, restricted redemptions of investments with securities lending to 2% to 4% per month. As of June 30, 2009, \$63.9 million in investments, representing 22% of the Plan's total portfolio, were under trading restrictions related to the stabilization of the collateral pool. No underlying investments within the collateral pool defaulted.

**CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

OPEB Trust Fund

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

Investment Policy. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to achieve a compound annualized total rate of return over a market cycle, including current income and capital appreciation, in excess of 5.0 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.

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.

As of June 30, 2009, investment holdings as a percentage of total investments for the OPEB Trust Fund were as follows:

Investment Type	OPEB Trust Fiduciary Fund	Credit Rating
Virginia Pooled OPEB Trust	100.0%	NR

Custodial Credit Risk - Investments. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent, but not in the City’s name.

**CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

As of June 30, 2009, the OPEB trust did not hold any investments considered to be exposed to custodial credit risk.

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, 2009, 100% of the OPEB Trust Fund investment portfolio was invested in the Virginia Pooled OPEB Trust.

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

As of June 30, 2009, the OPEB Trust Fund had the following investments and maturities:

	Investment Maturity	
	Fair Value	5 - 10 years
Virginia Pooled OPEB Trust	\$ 792,813	\$ 792,813

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

(3) Receivables

Receivables as of June 30, 2009 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	\$ 17,991	\$ 105,244	\$ 43,937	\$ 42,600	\$ 209,772	\$ -
Component Unit	192,488	-	-	-	192,488	-
Federal Government	-	1,522,009	-	-	1,522,009	9,603,551
State Government	10,611,877	331,622	-	-	10,943,499	2,461,724
Other Governments	557,937	-	-	405	558,342	26,712
Subtotal Governments	<u>11,169,814</u>	<u>1,853,631</u>	<u>-</u>	<u>405</u>	<u>13,023,850</u>	<u>12,091,987</u>
Taxes	16,189,635	-	-	-	16,189,635	-
Accounts	3,917,269	349,791	263,558	22,967	4,553,585	132,182
Less: Allowance for Uncollectible Accounts	(5,024,314)	-	-	-	(5,024,314)	-
Subtotal	<u>15,082,590</u>	<u>349,791</u>	<u>263,558</u>	<u>22,967</u>	<u>15,718,906</u>	<u>132,182</u>
Note	-	2,600,020	-	-	2,600,020	-
Governmental Fund Receivables	<u>26,462,883</u>	<u>4,908,686</u>	<u>307,495</u>	<u>65,972</u>	<u>31,745,036</u>	<u>12,224,169</u>
Enterprise Fund Receivables	-	-	-	-	1,558,729	-
Due from WWA	-	-	-	-	24,255,948	-
Net Governmental Activities Receivables	<u>\$ 26,462,883</u>	<u>\$ 4,908,686</u>	<u>\$ 307,495</u>	<u>\$ 65,972</u>	<u>\$ 57,559,713</u>	<u>\$ 12,224,169</u>

Business-Type

<u>Receivables</u>	<u>Transit Company</u>	<u>Civic Facilities</u>	<u>Parking</u>	<u>Market Building</u>	<u>Total Enterprise Funds</u>
Federal Government	\$ 802,921	\$ -	\$ -	\$ -	\$ 802,921
State Government	526,340	-	-	-	526,340
Other Governments	90,210	-	-	-	90,210
Subtotal	<u>1,419,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,419,471</u>
Accounts	40,933	74,925	4,173	19,227	139,258
Total Receivables	<u>\$ 1,460,404</u>	<u>\$ 74,925</u>	<u>\$ 4,173</u>	<u>\$ 19,227</u>	<u>\$ 1,558,729</u>

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

Net taxes and accounts receivable, as reported on the government-wide Statement of Net Assets, include taxes receivable of approximately \$3.3 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 \$24,255,948 receivable from the Western Virginia Water Authority (WWA) related to long-term liabilities is reported on the Statement of Net Assets. Further details are presented in notes 9 and 17.

**CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

(4) Interfund Balances and Transfers

Interfund balances consisted of the following at June 30, 2009:

		DUE FROM (FUND)								
DUE TO (FUND)		General	Capital Projects	Special Revenue	Internal Services	Market Building	Pension Trust	Civic Facilities	Parking	Total
General Fund	\$	-	\$ 27,186	\$ -	\$ 22,141	-	\$ -	\$ 758	\$ 7,155	\$ 57,240
Civic Facilities		204,354	-	-	20,976	-	6,458	-	-	231,788
Parking		-	-	-	-	20,000	-	-	-	20,000
Capital Projects		-	-	1,300,000	-	-	-	-	-	1,300,000
Market Building		235,691	-	-	-	-	-	-	-	235,691
Debt Service		1,092	-	-	-	-	-	-	-	1,092
Internal Service		1,389,423	-	198	8,930	-	-	197	359	1,399,107
Special Revenue		17,911	-	-	-	-	-	-	-	17,911
Pension Trust		45,460	-	-	1,201	-	-	-	-	46,661
TOTAL		\$ 1,893,931	\$ 27,186	\$ 1,300,198	\$ 53,248	\$ 20,000	\$ 6,458	\$ 955	\$ 7,514	\$ 3,309,490

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

Interfund transfers consisted of the following for the year ended June 30, 2009:

		TRANSFER FROM (FUND)							
TRANSFER TO (FUND)		General	Debt Service	Special Revenue	Capital Projects	Parking	Internal Service	Civic Facilities	Total
General	\$	-	\$ -	\$ -	\$ 33,333	\$ -	\$ -	\$ -	\$ 33,333
Debt Service		21,431,723	-	531,923	-	-	-	65,244	22,028,890
Special Revenue		403,134	-	-	226,000	-	71,270	-	700,404
Capital Projects		2,449,550	562,442	1,340,000	-	-	99,502	-	4,451,494
Civic Facilities		2,678,100	-	-	-	-	-	-	2,678,100
Transit Company		1,471,548	-	-	-	-	-	-	1,471,548
Parking		14,466	-	-	-	-	-	-	14,466
Market Building		275,000	-	-	120,000	-	-	-	395,000
Internal Service		479,264	-	-	3,899	779	-	-	483,942
TOTAL		\$ 29,202,785	\$ 562,442	\$ 1,871,923	\$ 383,232	\$ 779	\$ 170,772	\$ 65,244	\$ 32,257,177

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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

(5) Note Receivable

Included in the Special Revenue Fund as of June 30, 2009, is a note receivable in the amount of \$2,600,020 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, 2009, unpaid installments totaling \$496,757 are due from the Hotel Roanoke, LLC. This amount is comprised of unpaid principal of \$391,513 and interest of \$105,244. During the year ended June 30, 2009, 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, 2009

(6) Changes in Capital Assets

Primary Government:

Changes in capital assets for the year ended June 30, 2009 consisted of the following:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
<u>Governmental activities:</u>				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 41,923,432	\$ -	\$ -	\$ 41,923,432
Infrastructure - Right of Way	20,027,512	-	-	20,027,512
Construction in Process	62,427,459	43,206,915	(56,512,565)	49,121,809
Historical Treasures	655,298	-	(20,000)	635,298
Total Capital assets, not being depreciated	125,033,701	43,206,915	(56,532,565)	111,708,051
<u>Capital assets, being depreciated:</u>				
Land Improvements	1,879,941	1,102,083	-	2,982,024
Accumulated Depreciation	(354,939)	(124,825)	-	(479,764)
Net Land Improvements	1,525,002	977,258	-	2,502,260
			-	
Building and Structures	295,195,061	48,026,823	(431,500)	342,790,384
Accumulated Depreciation	(105,106,694)	(5,452,500)	43,957	(110,515,237)
Net Building & Structures	190,088,367	42,574,323	(387,543)	232,275,147
Infrastructure	166,283,972	5,475,802	-	171,759,774
Accumulated Depreciation	(66,651,851)	(4,766,910)	-	(71,418,761)
Net Infrastructure	99,632,121	708,892	-	100,341,013
Equipment	60,413,689	2,890,100	(8,417,265)	54,886,524
Accumulated Depreciation	(36,500,859)	(5,711,237)	8,366,185	(33,845,911)
Net Equipment	23,912,830	(2,821,137)	(51,080)	21,040,613
Total Capital Assets Being Depreciated	523,772,663	57,494,808	(8,848,765)	572,418,706
Less: Accumulated Depreciation	(208,614,343)	(16,055,472)	8,410,142	(216,259,673)
Net Total Capital Assets Being Depreciated	315,158,320	41,439,336	(438,623)	356,159,033
Governmental activities capital assets, net	\$ 440,192,021	\$ 84,646,251	\$ (56,971,188)	\$ 467,867,084
General Capital Assets, Net				\$ 446,711,367
Internal Service Fund Capital Assets, Net				21,155,717
Total				\$ 467,867,084

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

Changes in Capital Assets (Continued)

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Business-type activities:</u>				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 4,159,387	\$ 106,988	\$ -	\$ 4,266,375
Construction in Process	1,766,654	4,274,178	(779,183)	5,261,649
Total Capital assets, not being depreciated	5,926,041	4,381,166	(779,183)	9,528,024
<u>Capital assets, being depreciated:</u>				
Land Improvements	68,446	-	-	68,446
Accumulated Depreciation	(54,595)	(1,879)	-	(56,474)
Net Land Improvements	13,851	(1,879)	-	11,972
Building and structures	88,734,677	472,029	-	89,206,706
Accumulated Depreciation	(27,684,451)	(2,065,108)	-	(29,749,559)
Net Building & Structures	61,050,226	(1,593,079)	-	59,457,147
Equipment	17,330,057	1,232,640	(21,939)	18,540,758
Accumulated Depreciation	(6,955,647)	(1,558,144)	21,939	(8,491,852)
Net Equipment	10,374,410	(325,504)	-	10,048,906
Total Capital Assets Being Depreciated	106,133,180	1,704,669	(21,939)	107,815,910
Less: Accumulated Depreciation	(34,694,693)	(3,625,131)	21,939	(38,297,885)
Net Total Capital Assets Being Depreciated	71,438,487	(1,920,462)	-	69,518,025
Business-type activities capital assets, net	\$ 77,364,528	\$ 2,460,704	\$ (779,183)	\$ 79,046,049

**CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

Changes in Capital Assets (Continued)

Depreciation was charged to functions as follows:

Governmental activities:

General Government	\$ 424,737
Judicial Administration	252,815
Public Safety	1,243,986
Public Works	4,932,924
Health and Welfare	316,533
Parks, Recreation and Cultural	300,633
Community Development	5,194
Education	3,667,111
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	4,911,539
Total	<u><u>\$ 16,055,472</u></u>

Business-type activities:

Transit Company	\$ 1,790,331
Civic Facilities	915,111
Parking	818,802
Market Building	100,887
Total	<u><u>\$ 3,625,131</u></u>

School Board Component Unit:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Equipment	\$ 12,887,114	\$ 381,208	\$ (48,309)	\$ 13,220,013
Accumulated Depreciation	(8,204,175)	(922,870)	45,015	(9,082,030)
Net Equipment	<u>4,682,939</u>	<u>(541,662)</u>	<u>(3,294)</u>	<u>4,137,983</u>
Component unit capital assets, net	<u><u>\$ 4,682,939</u></u>	<u><u>\$ (541,662)</u></u>	<u><u>\$ (3,294)</u></u>	<u><u>\$ 4,137,983</u></u>

Capital assets used for educational purposes totaling \$186,345,667 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, 2009**

(7) Construction in Progress and Contract Commitments

A summary of construction in progress by function and contract commitments (encumbrances) at June 30, 2009 is as follows:

<u>Primary Government:</u>				
<u>Governmental Activities:</u>	<u>Project</u>	<u>Expended/Expensed</u>	<u>Contract</u>	<u>Required</u>
<u>Function</u>	<u>Authorizations</u>	<u>as of</u>	<u>Commitments</u>	<u>Future</u>
		<u>June 30, 2009</u>	<u>(Encumbrances)</u>	<u>Financing</u>
General Government	\$ 4,462,152	\$ 2,370,801	\$ 283,384	None
Parks, Recreation and Cultural	3,144,081	1,180,891	85,810	\$ 1,210,000
Flood Reduction	15,238,711	14,739,436	351,176	None
Economic Development	557,058	288,365	650	None
Community Development	7,432,760	2,772,902	33,349	None
Public Safety	21,237,938	11,935,814	8,017,664	\$ 3,000,000
Public Works	15,250,967	6,568,839	671,128	None
Education	10,047,069	5,779,390	400,897	None
Department of Technology	6,436,201	3,485,307	945,056	None
Subtotal	<u>83,806,937</u>	<u>49,121,745</u>	<u>10,789,114</u>	
Non-Capitalized Projects	42,469,808	29,068,182	404,701	None
Total	<u>\$ 126,276,745</u>	<u>\$ 78,189,927</u>	<u>\$ 11,193,815</u>	
 <u>Business-Type Activities:</u>				
<u>Fund</u>				
Civic Facilities	\$ 1,213,976	\$ 1,211,257	\$ -	None
Parking	7,933,652	4,672,601	3,080,843	\$ 1,640,000
Market Building	120,000	96,274	6,083	None
Total	<u>\$ 9,267,628</u>	<u>\$ 5,980,132</u>	<u>\$ 3,086,926</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, 2009 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Deferred Property and Other Tax Revenue	\$ 3,599,218	\$ -	\$ 3,599,218
Prepaid Property Taxes	44,847	-	44,847
Other receivables for which revenue recognition criteria have not been met	-	3,096,456	3,096,456
Total	<u>\$ 3,644,065</u>	<u>\$ 3,096,456</u>	<u>\$ 6,740,521</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

(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, 2009 of \$1,161,895 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, 2009 is \$392,935,844. 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, 2009 are comprised of the following:

Details of Long-Term Indebtedness

At June 30, 2009, the long-term indebtedness of the City consisted of the following:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issue Amount</u>	<u>Governmental Activities</u>
<u>General Obligation Bonds</u>					
Series 1999A Public Improvement Bonds	3.70% - 5.00%	10/15/1999	10/1/2009	\$ 26,020,000	\$ 1,245,002
Series 1999B Public Improvement Bonds	3.70% - 5.00%	10/15/1999	10/1/2009	10,100,000	1,075,000
Series 2002A Public Improvement Bonds	3.00% - 5.25%	2/1/2002	10/1/2021	34,130,000	23,310,000
Series 2002B Public Improvement Bonds	4.00% - 5.00%	2/1/2002	10/1/2021	12,000,000	8,205,000
Series 2003 Refunding Bonds	2.00% - 5.00%	7/1/2003	8/1/2024	12,075,000	8,445,000
Series 2004 Refunding Bonds	2.00% - 5.00%	2/25/2004	10/1/2019	46,030,000	36,265,000
Series 2004A Refunding Bonds	2.00% - 3.63%	3/11/2004	8/1/2017	7,935,000	6,140,000
Series 2004B Public Improvement Bonds	3.00% - 5.25%	11/23/2004	2/1/2025	36,105,000	28,880,000
Series 2005 Public Improvement Bonds	6.25%	12/15/2005	12/1/2020	3,975,000	3,180,000
Series 2006A Public Improvement Bonds	3.50% - 5.00%	2/8/2006	2/1/2026	20,550,000	16,290,000
Series 2006B Public Improvement Bonds	4.00% - 5.00%	2/8/2006	2/1/2026	5,500,000	4,675,000
Series 2006C Refunding Bonds	3.50% - 4.23%	5/4/2006	8/1/2012	2,975,834	2,889,137
Series 2008 Public Improvement Bonds	3.25% - 5.00%	2/8/2008	2/1/2033	43,445,000	41,670,000
Series 2008A VRA Public Improvement Bonds	3.12% - 5.37%	12/10/2008	10/1/2028	6,910,000	6,910,000
					<u>\$ 189,179,139</u>
<u>Section 108 Loan</u>					
Section 108 Loan-Hotel Roanoke Project	3.43% - 6.91%	8/1/2003	8/1/2013	6,000,000	2,170,000
<u>General Obligation Bonds - Western Virginia Water Authority</u>					
Series 2002A Water Bonds	3.00% - 5.25%	2/1/2002	10/1/2021	5,445,000	4,175,000
Series 2003 Water Pollution Control Refunding Bonds	2.00% - 5.00%	7/1/2003	8/1/2024	14,310,000	12,600,000
Series 2006C Water Refunding Bonds	3.50% - 4.65%	5/4/2006	8/1/2013	7,655,992	7,480,948
					<u>\$ 24,255,948</u>
<u>Lease Obligations</u>					
BlueEagle Building Lease	11.80%	2/1/2004	1/1/2024	4,857,000	4,358,063
Ovations Lease	3.93%	6/30/2008	6/30/2015	449,988	-
Xerox Lease	12.10%	6/30/2008	6/30/2013	920,842	755,935
					<u>\$ 5,113,998</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

The annual requirements to amortize governmental activities debt outstanding as of June 30, 2009 are as follows:

FISCAL YEAR	GENERAL OBLIGATION SERIAL BONDS		WESTERN VIRGINIA WATER AUTHORITY (WVWA) GENERAL OBLIGATION SERIAL BONDS		VPSA/LITERARY FUND LOANS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2009-10	\$ 17,004,378	\$ 8,065,795	\$ 2,347,065	\$ 973,380	\$ 4,116,519	\$ 2,687,087
2010-11	16,224,168	7,447,463	2,343,333	880,693	4,089,501	2,417,900
2011-12	15,892,204	6,836,623	2,357,368	780,026	4,076,460	2,208,527
2012-13	16,125,986	6,247,564	2,373,182	677,311	4,003,713	2,008,641
2013-14	15,678,754	5,581,821	2,370,000	570,941	3,903,523	1,817,006
2014-19	55,510,429	19,804,869	5,500,000	2,027,286	17,751,084	6,286,785
2019-24	37,229,851	8,881,577	5,910,000	791,650	10,839,085	2,698,842
2024-29	15,687,000	2,974,879	1,055,000	21,100	5,972,892	622,153
2029-34	6,360,000	667,800	-	-	-	-
TOTAL	\$ 195,712,770	\$ 66,508,391	\$ 24,255,948	\$ 6,722,387	\$ 54,752,777	\$ 20,746,941

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, 2009 are as follows:

FISCAL YEAR	CIVIC FACILITIES FUND SERIAL BONDS		PARKING FUND SERIAL BONDS		TOTAL BUSINESS-TYPE DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2009-10	\$ 645,000	\$ 611,815	\$ 950,828	\$ 672,292	\$ 1,595,828	\$ 1,284,107
2010-11	665,000	588,565	993,930	634,720	1,658,930	1,223,285
2011-12	690,000	565,065	1,050,156	594,570	1,740,156	1,159,635
2012-13	715,000	540,749	570,000	563,471	1,285,000	1,104,220
2013-14	750,000	513,440	605,000	540,358	1,355,000	1,053,798
2014-19	4,260,000	2,044,956	3,400,000	2,289,906	7,660,000	4,334,862
2019-24	4,970,000	985,284	3,890,000	1,430,908	8,860,000	2,416,192
2024-29	1,495,000	84,751	2,720,000	598,019	4,215,000	682,770
2029-34	-	-	1,115,000	88,802	1,115,000	88,802
TOTAL	\$ 14,190,000	\$ 5,934,625	\$ 15,294,914	\$ 7,413,046	\$ 29,484,914	\$ 13,347,671

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FISCAL YEAR	SECTION 108 LOAN		TOTAL GOVERNMENTAL ACTIVITIES DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2009-10	\$ 395,000	\$ 87,887	\$ 23,862,962	\$ 11,814,149
2010-11	420,000	71,627	23,077,002	10,817,683
2011-12	445,000	53,033	22,771,032	9,878,209
2012-13	470,000	32,203	22,972,881	8,965,719
2013-14	440,000	10,626	22,392,277	7,980,394
2014-19	-	-	78,761,513	28,118,940
2019-24	-	-	53,978,936	12,372,069
2024-29	-	-	22,714,892	3,618,132
2029-34	-	-	6,360,000	667,800
TOTAL	\$ 2,170,000	\$ 255,376	\$ 276,891,495	\$ 94,233,095

CITY OF ROANOKE, VIRGINIA
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CHANGES IN GENERAL LONG-TERM LIABILITIES

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Amounts Due Within One Year
<u>Primary Government - Governmental Activities:</u>					
General Obligation Serial Bonds	\$ 200,899,807	\$ 11,104,000	\$ 16,291,037	\$ 195,712,770	\$17,004,378
General Obligation Serial Bonds - WVWA	26,596,538	-	2,340,590	24,255,948	2,347,065
Hotel Roanoke Section 108 Loan	2,540,000	-	370,000	2,170,000	395,000
State Literary Fund Loans	3,980,000	-	410,000	3,570,000	410,000
VPSA School Bonds	41,514,862	12,736,705	3,068,790	51,182,777	3,706,519
Capital Leases	5,279,002	78,347	243,351	5,113,998	275,457
Total Bonds, Loans and Leases Payable before Deferred Amounts and Premiums	280,810,209	23,919,052	22,723,768	282,005,493	24,138,419
Deferred Amount on Refunding and Premiums	916,538	706,843	2,349	1,621,032	15,341
Total Bonds, Loans and Leases Payable	281,726,747	24,625,895	22,726,117	283,626,525	24,153,760
Claims Payable	12,854,983	17,560,891	14,492,908	15,922,966	2,718,783
Compensated Absences Payable	6,703,198	5,330,207	5,232,807	6,800,598	4,467,590
Subtotal Governmental Activities:	\$ 301,284,928	\$ 47,516,993	\$ 42,451,832	\$ 306,350,089	\$31,340,133
<u>Primary Government - Business-Type Activities:</u>					
General Obligation Serial Bonds	\$ 25,955,524	\$ 5,040,000	\$ 1,510,610	\$ 29,484,914	\$ 1,595,828
Capital Leases	477,865	-	61,287	416,578	64,105
Deferred Amount on Refunding and Premiums	434,775	46,410	12,132	469,053	13,098
Total Bonds, Loans and Leases Payable	26,868,164	5,086,410	1,584,029	30,370,545	1,673,031
Compensated Absences Payable	90,796	35,497	111,389	14,904	4,620
Subtotal Business-Type Activities:	\$ 26,958,960	\$ 5,121,907	\$ 1,695,418	\$ 30,385,449	\$ 1,677,651
Total Primary Government Long-Term Liabilit	\$ 328,243,888	\$ 52,638,900	\$ 44,147,250	\$ 336,735,538	\$33,017,784
<u>School Board Component Unit:</u>					
Claims Payable	\$ 5,424,565	\$ 17,111,211	\$ 16,011,283	\$ 6,524,493	\$ 6,074,493
Compensated Absences Payable	3,775,642	1,243,307	1,244,782	3,774,167	1,007,703
Other Post-Employment Benefit Liability	3,003,644	120,146	1,980,994	1,142,796	-
Total School Board Component Unit	\$ 12,203,851	\$ 18,474,664	\$ 19,237,059	\$ 11,441,456	\$ 7,082,196

CITY OF ROANOKE, VIRGINIA
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During fiscal year 2009, 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, 2009, the City had \$24,255,948 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.

On December 8, 2008, the City issued its General Obligation Series 2008A Bonds through the Virginia Resource Authority (VRA) in the amount of \$11,950,000. Principal proceeds in the amount of \$2,500,000 will be used for Police Academy construction, \$560,000 for Library Master Plan, \$1,000,000 for Fire-EMS construction, \$1,150,000 for Streetscape projects, \$1,700,000 for Bridge renovation, and \$5,040,000 for the Market Garage renovation. The Series 2008A bonds were issued with a true interest cost of 4.888%.

On December 11, 2008, the City issued its Virginia Public School Authority Series 2008B bonds in the amount of \$16,930,705. Principal proceeds in the amount of \$14,493,705 will be used for continued construction at William Fleming High School and \$2,437,000 for school roof repairs. The Series 2008B bonds were issued with a true interest cost of 4.7549%

(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 \$54,838 to Blue Eagle, representing principal and interest payments with interest at 11.80%. After 2006, the rent increase is a maximum of 2% or 50% of CPI, whichever is lower. The lease term is twenty years. Ownership of the building is retained by Blue Eagle Partnership.

Lease assets and obligations are accounted for as Governmental Activities. At June 30, 2009, the book value of the building under the capital lease totaled \$4,857,000 and accumulated depreciation on the building totaled \$1,213,492.

Ovations, Inc.

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

Lease assets and obligations are accounted for in the Civic Facilities Fund. At June 30, 2009, the kitchen renovations, including equipment, under the capital lease totaled \$393,017, and there was \$44,937 of accumulated depreciation on the assets.

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Xerox, Inc.

In June 2008, the City entered into an agreement with Xerox, Inc. to lease copy machines and related equipment. During fiscal year 2009, six amendments were made to the original lease agreement to lease additional equipment which increased the monthly payment to \$20,545 to Xerox, Inc., representing principal and interest with interest at 12.1%. The lease term is 5 years. Ownership of the equipment does not transfer to the City at the completion of the lease term.

Lease assets and obligations are accounted for as Governmental Activities and in various proprietary funds. At June 30, 2009, the equipment under the capital lease totaled \$779,496 and there was \$168,267 of accumulated depreciation on the assets.

Future Lease Obligations for all capital leases are as follows:

<u>Future Minimum Lease Payments:</u>	Governmental Funds	Internal Service Funds	Total Governmental Activities	Enterprise Funds	Total (Memo Only)
2010	817,294	79,907	897,201	82,464	979,665
2011	817,294	79,907	897,201	82,464	979,665
2012	817,294	79,907	897,201	82,464	979,665
2013	817,294	79,907	897,201	82,464	979,665
2014	659,665	145	659,810	75,000	734,810
2015-2019	3,290,290	-	3,290,290	75,000	3,365,290
2020-2024	3,016,099	-	3,016,099	-	3,016,099
Minimum lease payments	\$ 10,235,230	\$ 319,773	\$ 10,555,003	\$ 479,856	\$ 11,034,859
Less: Amounts representing interest	(5,373,550)	(67,455)	(5,441,005)	(63,278)	(5,504,283)
Present value of minimum lease payments	4,861,680	252,318	5,113,998	416,578	5,530,576
Less: Current portion	(223,333)	(52,124)	(275,457)	(64,105)	(339,562)
Long-Term Lease Obligation at June 30, 2009	\$ 4,638,347	\$ 200,194	\$ 4,838,541	\$ 352,473	\$ 5,191,014

(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 \$1,028,676 is reserved for goods and services ordered but not received by June 30, 2009.

General Fund designations at June 30, 2009, 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, 2009, \$250,000 was reserved in the General Fund for self-insured liabilities.

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- \$19,155,608 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, 2009, this reserve is 7.45% of the fiscal year 2010 General Fund budget.
- \$1,947,320 remains undesignated.

The Debt Service Fund balance of \$1,161,895 is designated for future debt service payments.

The Capital Projects Fund balance of \$17,529,842 is reserved for goods and services ordered but not received or paid by June 30, 2009. In addition, fund balance of \$27,725,952 is designated for Future Years' Expenditures and \$3,959,606 is designated for Economic Community Development Reserve.

(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

**CITY OF ROANOKE, VIRGINIA
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service and receive a reduced retirement benefit. For employees who are married at their retirement date, a joint and survivor annuity is payable monthly. If employees under age 60 terminate before rendering ten years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

Employees who are members of the ESRS with 5 years or more of credited service and age 65 or over, general employees who have attained age 50 with age plus service equal to 80, and deputized police officers and firefighters who have attained age 45 with age plus service equal to 70, are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.1% of their final average compensation for each year of credited service up to a maximum of 63%. Final average compensation is the employee's average salary, excluding overtime, over the highest 36 consecutive months of credited service. Employees with 5 years of credited service may retire at age 55 and receive a reduced retirement benefit. Employees may elect to receive their retirement benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees 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 Supervisor, P.O. Box 1220, Roanoke, Virginia 24006.

City of Roanoke Pension Plan - Funding Policy

The Pension Plan is noncontributory for employees. Employer contributions to the Pension Plan are based on a percentage of the annual compensation of the active members. The City's contribution rate for the fiscal year ended June 30, 2009 was 15.42% of annual covered payroll.

City of Roanoke Pension Plan - Annual Pension Cost

For fiscal year 2009, the City's annual pension cost of \$9,783,450 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, 2007 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 3.0% to 5.5% per year, and (c) 2.0% cost-of-living adjustment effective July 1, 2007. Projected salary increases include an inflation component of 2.5%. The actuarial value of the assets is determined using a method designed to smooth the impact of market fluctuations. The actuarial value recognizes annual appreciation and depreciation over a five-year period. The following information is provided related to trend information.

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Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$9,783,450	100%	-0-
June 30, 2008	10,081,410	100%	-0-
June 30, 2007	9,236,475	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 five years of service (age 60 with five years of service for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service, and 1.85% of their average final salary (AFS) for each year of credited service for elected Sheriffs. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. Average final compensation is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained 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, 2009 was 11.27% 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.

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Virginia Retirement System - Annual Pension Cost

For fiscal year 2009, the City's annual pension cost of \$962,792 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.

The following information related to trend information is provided.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$962,792	100%	-0-
June 30, 2008	962,891	100%	-0-
June 30, 2007	937,184	100%	-0-

Component Unit

Defined Benefit Pension Plans

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

Virginia Retirement System – Statewide Teacher Cost-Sharing Pool

A. Plan Description

The School Board contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers, with the exception of non-professional employees must participate in this VRS plan. 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 compensation (AFC) 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

**CITY OF ROANOKE, VIRGINIA
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Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes basic financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at <http://www.varetire.org/Pdf/Publications/2008annurept.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policies

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual reported compensation to the VRS. This 5 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, 2009, was 13.81 percent of covered payroll (including employee share of 5% paid by their employer). The following table shows total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School System for the prior three years:

	<u>Total Contributions</u>	<u>% of Annual Covered Payroll</u>	<u>Annual Covered Payroll</u>
June 30, 2009	\$10,315,279	13.81	\$74,529,030
June 30, 2008	11,015,768	10.3	72,500,155
June 30, 2007	9,727,511	9.2	68,503,602

C. Annual Required Contribution

Public School Division professional employees participate in a VRS statewide teacher cost-sharing pool. For 2009, the School Board's annual required contribution was \$10,315,279. The required contribution was based on an actuarial valuation. The contribution requirements for the School Board were equal to the actual contributions for 2009. Total School Board payroll for 2009 was \$92,072,446. Payroll covered by VRS for School Board employees was \$74,529,030. The following information related to trend information is provided.

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
June 30, 2009	\$10,315,279	100%
June 30, 2008	11,015,768	100%
June 30, 2007	9,727,511	100%

**CITY OF ROANOKE, VIRGINIA
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Virginia Retirement System – Non-Professional’s Agent Plan

A. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 256.36% funded. The actuarial accrued liability for benefits was \$103,514, and the actuarial value of assets was \$265,363, resulting in an unfunded (over-funded) actuarial accrued liability (UAAL) of \$(161,849). The covered payroll (annual payroll of active employees covered by the plan) was \$3,521,287, and the ratio of the UAAL to the covered payroll was (4.6)%.

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

B. Annual Pension Cost

Public School Division non-professional employees hired after July 1, 2006 participate in an agent multiple-employee retirement plan. For 2008, the School Board's contributions to the plan were equal to the annual required contribution and annual pension cost for each year. The annual and required contribution was determined through a June 30, 2007 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included a) an investment return rate of 7.5%, b) an annual cost-of-living adjustment of 2.5%, and c) salary increases ranging between 3.75% and 5.6% depending on the member's service and classification. Total School Board payroll for 2009 was \$92,072,446. Payroll covered by VRS for School Board non-professional employees was \$3,521,287.

City of Roanoke Pension Plan

A. Plan Description

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

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

Effective July 1, 1984, the Pension Plan changed its name from the Employees' Retirement System of the City of Roanoke, Virginia (ERS) to City of Roanoke Pension Plan. This change provided for an Employees' Supplemental Retirement System (ESRS) which modified certain benefits as defined by the ERS. All employees covered under the provisions of the ERS at June 30, 1984, could elect to remain with the ERS or be covered under the provisions of the ESRS. Coverage under the ESRS was mandatory for all employees hired or rehired on or after July 1, 1984. On November 28, 1994, June

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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.

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 13.03% of annual covered payroll for the year ended June 30, 2009.

C. Annual Required Contribution

For fiscal year 2009, the School Board's annual required contribution was \$715,080. The required contribution was based on an actuarial valuation. The contribution requirements for the School Board were equal to the actual contributions for 2009. Total School Board payroll for 2009 was \$92,072,446. Payroll covered by City Retirement for School Board employees was \$5,487,953.

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Information related to trend information is provided below.

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
June 30, 2009	\$715,080	100%
June 30, 2008	799,025	100%
June 30, 2007	787,184	100%

(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, 2009, the retirees contributed \$1,323,000 to the City of Roanoke healthcare plan for health insurance. The City contributed \$424,000 to a qualified trust as defined by GASB Statement No. 45, to fully fund the annual required contribution of \$1,747,000 for fiscal year 2009. 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 payments were for combined participants, the share of claims related to retirees represents a higher percentage of the total claims. Accordingly, contributions reflected in the OPEB calculations have been adjusted to reflect that a portion of contributions for active employees are subsidizing the retiree claims.

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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:

	City of Roanoke Healthcare Plan
Annual Required Contribution	\$ 1,747,000
Interest on net OPEB Obligation	-
Adjustment to annual required contribution:	-
Annual OPEB Cost	1,747,000
Contributions made	(1,747,000)
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation July 1, 2008	-
Net OPEB obligation June 30, 2009	\$ -

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 1,747,000	100.00%	\$ -
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 4% funded. The actuarial accrued liability for benefits was \$19,283,000, and the actuarial value of assets was \$362,000 resulting in an unfunded actuarial accrued liability (UAAL) of \$18,921,000. 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 25.2%.

E. Actuarial Valuations

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

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F. Actuarial Methods and Assumptions

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

In the 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 6.2% in the first year of valuation. Future annual increases are assumed to grade from 7.8% to 4.1% over an eighty 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 Delta Dental. 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%. Employees who retire on or before July 1, 2010, participate in the plan at a group rate which is blended with that of active employees. Employees who retire after that date will pay an unblended group rate. For the fiscal year ended June 30, 2009, the Roanoke City Public Schools retirees contributed \$890,966 to the Roanoke City Public Schools. The retirees' claims amounted to \$1,366,674 for the same time period.

C. Annual OPEB Cost and Net OPEB Obligation

Roanoke City Public Schools' annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the

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parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

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

Roanoke City Public Schools Healthcare Plan	
Annual Required Contribution	\$ (1,552,199)
Interest on net OPEB Obligation	120,146
Adjustment to annual required contribution:	<u>(167,018)</u>
Annual OPEB Cost	(1,599,071)
Contributions made	<u>(261,777)</u>
Decrease in net OPEB obligation	(1,860,848)
Net OPEB obligation at July 1, 2008	<u>3,003,644</u>
Net OPEB obligation at June 30, 2009	<u><u>\$ 1,142,796</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ (1,599,071)	\$ 261,777	16.37%	\$ 1,142,796
June 30, 2008	3,259,698	256,054	7.86%	3,003,644

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the Roanoke City Public Schools' Healthcare Plan was 0.0% funded. The actuarial accrued liability for benefits was \$ 7,964,432, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 7,964,432. The covered payroll was \$85,979,029 and the ratio of the UAAL to the covered payroll was 9.26%.

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

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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, 2009 is based on a closed group. Current employees and retirees only are considered; no provision is made for future hires. For the five-year projection, the actuarial valuation 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, 2009 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 2009 the rate is 8%. 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, 2009 was 24 years.

(14) Pollution Remediation Obligation

In accordance with GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City is obligated to address pollution remediation activities associated with the commencement of asbestos abatement as part of the major renovations of William Fleming High School, a City owned building. The renovation project began in 2006. As part of the planned renovations, floor tiles containing asbestos will be removed and abated in accordance with the federal regulations promulgated by the Environmental Protection Agency. The total cost of pollution remediation was \$350,222 with an outstanding obligation of \$326,222 at June 30, 2009, representing work contracted but not yet completed. The completion of the pollution remediation at the school is expected in fiscal year 2010.

(15) 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.

At the conclusion of each fiscal year, \$250,000 is designated in the General Fund fund balance 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.

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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 \$50,000 per occurrence deductible. This coverage also includes the property (building and contents) coverage for the Roanoke Civic Center; however, the deductible that applies to these buildings is \$5,000 per occurrence. Effective as of January 1, 2009, the Civic Center is now managed by Global Spectrums, Incorporated. As a part of their contract with the City, they are responsible for securing the liability coverage to address the unique exposures of this facility and its many events. Flood insurance is purchased through the Federal Emergency Management Agency (FEMA) to protect properties that are located in designated flood zones. 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 per occurrence. 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 268 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 workers' compensation excess policy covering any claim after that date exceeding \$750,000.

Included in long-term liabilities at June 30, 2009 were claims payable of \$15,922,966 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>2008-09</u>	<u>2007-08</u>
Claims liability at July 1	\$ 12,854,983	\$ 10,091,379
Claims incurred	17,560,891	19,143,799
Claims payments	<u>(14,492,908)</u>	<u>(16,380,195)</u>
Claims liability at June 30	<u>\$ 15,922,966</u>	<u>\$ 12,854,983</u>

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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
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 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 General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported (IBNR) primarily based upon past claims and an estimate by a qualified claims adjuster with a third party administrator. Workers’ compensation claims have been estimated by an actuary, and in addition to the current portion of that estimate reflected in the chart below, \$450,000 of unreserved fund balance has been designated for the long-term portion of that liability.

The School Board has general liability, vehicular liability, and property insurance coverage’s through commercial insurers through the Virginia Municipal Liability Pool. There have been no significant changes in insurance coverage, or settlements exceeding insurance coverage, during the past three years.

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

	2008-09	2007-08
Claims liability at July 1	\$ 5,424,565	\$ 5,157,549
Claims incurred	17,111,211	18,303,345
Claims payments	(16,011,283)	(18,036,329)
Claims liability at June 30	\$ 6,524,493	\$ 5,424,565

(16) Joint Ventures

Hotel Roanoke Conference Center Commission

The City is a participant with Virginia Polytechnic Institute and State University (Virginia Tech) in a joint

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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, 2009, the City contributed \$80,000 to the HRCCC. Financial statements may be obtained from the Hotel Roanoke Conference Center Commission, 106 Shenandoah Avenue, Roanoke, Virginia 24016.

Roanoke Valley Regional Fire-EMS Training Center

The City along with the County of Roanoke, City of Salem, and Town of Vinton jointly operate a fire/EMS training center (Center). The Center is governed by a committee designated by the participating jurisdictions. New fire-EMS recruits are required to take a 17 weeks 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, 2009, 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.

(17) 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, 2009, the City of Roanoke School Board, a component unit of the City, remitted approximately \$2,208,000 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, 2009, the City remitted approximately \$2,091,000 to the Authority for services.

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Roanoke Regional Airport Commission

The City and Roanoke County formed the Roanoke Regional Airport Commission (Airport Commission) in 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, 2009, the City remitted approximately \$1,586,000 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, 2009, the City remitted approximately \$818,000 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. The City has no continuing financial obligation to the Board. The Fifth Planning District Commission Disability Services Board ceased existence effective May 2009.

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). Both animal control and animal education facilities are adjacent to each other and owned and operated by the Roanoke Valley Society for the Prevention of Cruelty to Animals (RVSPCA). The animal control facility was financed by bonds in the amount of \$3.5 million which were issued by the RVSPCA. Each participating locality pays monthly amounts for its share of operating costs, debt service, and to fund reserves for operating and maintenance needs of the RVRACF based on the locality's average use of the facility. During the year ended June 30, 2009, the City's share was 59%, and the City remitted approximately \$641,000 for its share of RVRACF expenses. In the event the total net expenses,

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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 2009, \$3.4 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, 2009, the remaining principal balance of these bonds was \$24.3 million and this amount was recorded as a receivable Due from Other Governments in the Statement of Net Assets of the basic financial statements. On November 5, 2009, City Council in a joint meeting with the Board of Directors of the WVWA and the Boards of Supervisors of both Roanoke and Franklin Counties, approved the reorganization of the WVWA allowing Franklin County, Virginia to join the Authority. Each participating entity concurrently adopted resolutions to the same effect.

Virginia's First Regional Industrial Facility Authority

The Cities of Roanoke, Radford, Salem; the Counties of Pulaski, Montgomery, Wythe, Bland, Roanoke, Giles, Craig, Bland; and the Towns of Pulaski, Dublin, Pearisburg and Narrows all participate in the Virginia's First Regional Industrial Facility Authority. The Authority promotes Economic Development in Virginia's First Region and is governed by a board composed of twenty-nine members, two of which are appointed by Roanoke City Council. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. Each locality is obligated to annual dues of \$5,000. Authority member localities, who are also participants in the Regional Commerce Park, are obligated to an annual amount based on the number of shares owned. The City owns 10,000 shares and has an annual obligation of \$27,500. For the fiscal year ended June 30, 2009, the City remitted \$32,500 to Virginia's First Regional Industrial Facility Authority.

(18) 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, 2008, there were 14 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$530 million. June 30, 2009 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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

appointed by City Council. The Housing Authority is financially independent of the City and has administrative control of its operations, but its overall housing plans require the approval of City Council. The City provides a financial benefit through federal pass-through grant funds awarded to the Housing Authority on a contractual basis to implement certain grant programs. The Housing Authority also directly receives other federal and state subsidies and rents for operating its housing programs. During the year ended June 30, 2009, the City remitted approximately \$1,478,000 to the Housing Authority.

(19) Commitments, Contingencies and Other Matters

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

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

Roanoke River Flood Reduction Project - Roanoke River Flood Reduction is a significant capital project of the City that provides flood control structures along the Roanoke River as well as recreational trails. This project began in 1990 in an attempt to rectify flooding issues, and it continues today. The total project budget, including both the federal and local share, exceeds \$70 million.

Project components are funded at varying shares between the local and federal government depending on the nature of the component (i.e., structural, recreational, etc.) In August 2009, the federal government detected errors in its cost allocation methodology which resulted in a shortfall of City funding to the project. Based on this finding, an additional funding requirement in the range of \$1.7 million to \$1.9 million is anticipated. The City and the United States Army Corps of Engineers continue to review all aspects of project cost in an effort to arrive at a settlement amount and an agreeable timeframe for repayment. No liability related to this matter has been recorded by the City as of June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009
(UNAUDITED)

(1) Budgetary Comparison Schedule - General Fund

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Budgetary Fund Balance, July 1	\$ 21,042,707	\$ 21,042,707	\$ 21,042,707	\$ -
Resources (Inflows):				
General Property Taxes	\$ 101,584,000	\$ 101,584,000	\$ 102,177,312	\$ 593,312
Other Local Taxes	74,724,000	74,724,000	71,341,264	(3,382,736)
Permits, Fees, and Licenses	1,266,000	1,266,000	1,053,443	(212,557)
Fines and Forfeitures	1,535,000	1,535,000	1,558,517	23,517
Revenue from Use of Money and Property	784,000	784,000	936,819	152,819
Charges for Services	10,763,000	10,905,435	11,616,042	710,607
Intergovernmental	68,716,000	72,391,374	71,119,903	(1,271,471)
Miscellaneous	522,000	533,000	670,344	137,344
Transfers from Other Funds	-	33,333	33,333	-
Amounts Available for Appropriation	\$ 280,936,707	\$ 284,798,849	\$ 281,549,684	\$ (3,249,165)
Charges to Appropriations (Outflows):				
General Government				
City Treasurer	\$ 1,008,320	\$ 1,054,392	\$ 1,048,714	\$ (5,678)
Commissioner of the Revenue	1,086,940	1,068,791	1,068,790	(1)
City Council	180,142	211,093	211,045	(48)
City Council - Mayor	6,169	5,169	4,330	(839)
City Council - Vice Mayor	5,876	5,453	4,601	(852)
City Council - Council Member	4,676	3,126	1,606	(1,520)
City Council - Council Member	5,876	5,373	4,750	(623)
City Council - Council Member	4,676	2,431	2,431	-
City Council - Council Member	4,676	3,785	3,003	(782)
City Council - Council Member	4,676	4,086	3,863	(223)
City Council - Council Member	-	901	548	(353)
City Attorney	937,495	931,974	909,714	(22,260)
City Clerk	571,603	557,647	552,085	(5,562)
Municipal Auditing	646,428	643,695	642,360	(1,335)
Department of Finance	2,116,213	2,097,628	2,097,627	(1)
Office of Billings and Collections	761,573	747,214	735,733	(11,481)
Real Estate Valuation	1,082,744	1,025,983	1,021,566	(4,417)
Board of Equalization	11,543	12,212	11,051	(1,161)
Electoral Board	324,031	374,599	374,599	-
Office of Communications	652,809	646,348	625,593	(20,755)
City Manager	855,992	837,827	830,497	(7,330)
Human Resources	1,264,367	1,186,985	1,144,057	(42,928)
Employee Health Services	576,269	540,858	473,165	(67,693)
Department of Management and Budget	550,317	535,692	535,539	(153)
Purchasing	374,722	312,140	312,139	(1)
Director of General Services	195,448	203,416	203,311	(105)
Management Services	109,486	113,227	111,596	(1,631)
Environmental Management	138,644	142,076	135,518	(6,558)

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Judicial Administration				
Clerk of Circuit Court	\$ 1,497,583	\$ 1,660,795	\$ 1,654,424	\$ (6,371)
Juvenile and Domestic Relations Court Services	1,724,515	1,703,895	1,647,259	(56,636)
Juvenile and Domestic Relations Court Clerk	24,808	24,546	20,210	(4,336)
Magistrates Office	2,494	2,239	2,179	(60)
General District Court	36,689	33,889	27,648	(6,241)
Circuit Court	590,154	594,119	589,451	(4,668)
Sheriff	2,466,695	2,651,125	2,650,993	(132)
Commonwealth's Attorney	1,713,477	1,672,847	1,668,552	(4,295)
Cost Collection Unit	79,279	77,309	75,886	(1,423)
Law Library	153,874	157,339	155,852	(1,487)
Public Safety				
Jail	14,178,463	11,342,697	11,342,697	-
Jail - ARRA	-	2,331,280	2,331,279	(1)
E911	2,280,414	2,058,877	2,030,891	(27,986)
E911 - Wireless	446,277	392,237	388,434	(3,803)
Fire - Administration	896,886	1,047,956	1,047,856	(100)
Fire - Support	1,117,380	976,867	976,850	(17)
Fire - Operations	13,871,626	15,368,037	15,367,926	(111)
Fire - Airport Rescue	687,124	730,628	730,164	(464)
Emergency Management	89,223	94,732	92,854	(1,878)
Emergency Medical Services	3,217,909	1,681,322	1,681,162	(160)
Building Inspections	845,981	851,842	834,932	(16,910)
Outreach Detention	255,262	256,194	255,274	(920)
Youth Haven I	523,022	510,653	510,499	(154)
Crisis Intervention	629,841	622,977	619,856	(3,121)
Police - Administration	492,650	532,554	532,398	(156)
Police - Investigation	3,557,943	3,497,863	3,465,825	(32,038)
Police - Patrol	13,177,815	13,706,304	13,696,485	(9,819)
Police - Services	3,668,311	3,379,568	3,322,243	(57,325)
Police - Training	724,508	695,539	661,002	(34,537)
Police - Animal Control	1,098,475	879,669	876,976	(2,693)
Public Works				
Custodial Services	1,057,768	937,989	891,291	(46,698)
Building Maintenance	4,508,436	4,113,529	4,055,689	(57,840)
Director of Public Works	264,734	270,258	269,988	(270)
Transportation - Streets and Traffic	5,443,198	5,281,148	5,212,111	(69,037)
Transportation - Paving Program	3,082,111	4,200,599	4,200,599	-
Transportation - Snow Removal	110,280	60,540	59,209	(1,331)
Transportation - Street Lighting	955,989	1,048,841	1,048,749	(92)
Transportation - Engineering and Operations	1,628,480	1,624,338	1,617,238	(7,100)
Solid Waste Management	7,125,987	7,115,058	6,723,812	(391,246)
Engineering	1,676,438	1,628,017	1,609,868	(18,149)

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance from Final Budget Over/(Under)</u>
Health and Welfare				
Human Services Support	\$ 366,960	\$ 356,178	\$ 352,624	\$ (3,554)
Health Department	1,480,864	1,401,382	1,401,382	-
Blue Ridge Behavioral Health Care	448,890	448,890	448,890	-
Human Services Committee	598,030	573,530	573,530	-
Social Services - Administration	1,571,453	1,568,411	1,509,225	(59,186)
Income Maintenance	5,807,907	5,918,666	5,701,706	(216,960)
Social Services - Services	15,899,284	15,333,540	15,296,978	(36,562)
Social Services - ARRA	-	470,692	470,691	(1)
Employment Services	1,623,735	1,578,116	1,431,431	(146,685)
Foster Parent Training	139,591	117,851	99,049	(18,802)
VISSTA	476,924	314,060	275,479	(38,581)
Hospitalization Program	61,626	55,765	55,765	-
Comprehensive Services Act	11,176,087	15,019,300	15,019,267	(33)
Comprehensive Services Act - Administration	153,852	137,882	122,528	(15,354)
Parks, Recreation and Cultural				
Roanoke Arts Commission	359,620	359,620	352,869	(6,751)
Roanoke Arts Festival - 125th Anniversary	199,181	178,501	166,332	(12,169)
Recreation	1,232,715	1,212,714	1,212,620	(94)
Parks	3,548,996	3,158,409	3,147,413	(10,996)
Parks & Recreation - Administration	1,642,485	1,664,374	1,664,373	(1)
Parks & Recreation - Youth Services	605,926	538,522	534,046	(4,476)
School Playground Maintenance	-	73,865	48,288	(25,577)
Libraries	3,676,239	3,640,258	3,640,257	(1)
Community Development				
Memberships and Affiliations	1,687,663	1,778,862	1,774,837	(4,025)
Economic Development	1,049,798	1,969,574	1,956,232	(13,342)
Planning, Building and Development	1,526,729	1,457,302	1,441,989	(15,313)
Neighborhood Partnership	107,977	108,809	102,815	(5,994)
Citizens Service Center	26,870	24,751	24,457	(294)
Housing and Neighborhood Services	1,593,417	1,569,895	1,550,878	(19,017)
Virginia Cooperative Extension	79,827	79,827	79,827	-
Nondepartmental				
Residual Fringe Benefits	2,046,915	-	-	-
Transfers to Other Funds	6,753,653	7,812,573	7,771,066	(41,507)
Transfers to Debt Service Fund	21,150,879	21,431,723	21,431,722	(1)
Transfers to Component Unit	63,347,461	63,347,461	62,506,419	(841,042)
Miscellaneous	100,000	30,454	15,329	(15,125)
Personnel Lapse	(2,620,026)	-	-	-
Contingency	2,588,662	2,503,045	-	(2,503,045)
Total Charges to Appropriations	<u>259,894,000</u>	<u>265,325,139</u>	<u>260,196,756</u>	<u>(5,128,383)</u>
Budgetary Fund Balance, June 30	<u>\$ 21,042,707</u>	<u>\$ 19,473,710</u>	<u>\$ 21,352,928</u>	<u>\$ 1,879,218</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009
 (UNAUDITED)**

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

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	281,549,684
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).	<u>(21,042,707)</u>
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 260,506,977</u></u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 260,196,756
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (Exhibit E).	(29,202,785)
Encumbrances for goods and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year goods and services are received for GAAP purposes (Exhibit C).	<u>(1,028,676)</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 229,965,295</u></u>

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

(2) Schedule of Funding Progress

City - Virginia Retirement System Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Over funded) AAL	Funded Ratio Assets as a % of AAL	Annual Covered Payroll	UAAL (OAAL) as a % of Covered Payroll
6/30/2008	\$ 38,079,256	\$ 42,499,150	\$ 4,419,894	89.60%	\$ 8,586,861	51.47%
6/30/2007	34,499,166	38,692,867	4,193,701	89.16%	8,377,002	50.06%
6/30/2006	30,539,557	33,495,408	2,955,851	91.18%	8,127,839	36.37%
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%

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

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Over funded) AAL	Funded Ratio Assets as a % of AAL	Annual Covered Payroll	UAAL (OAAL) as a % of Covered Payroll
6/30/2008	\$ 265,363	\$ 103,514	\$ (161,849)	256.40%	\$ 3,521,287	-4.60%
6/30/2007	23,341	5,536	(17,805)	421.60%	368,136	-4.80%

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

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009
(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	Actuarial Accrued Liability (AAL) -	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	\$ -	\$ 7,964,432	\$ 7,964,432	0.00%	\$ 85,979,029	9.26%
6/30/2008	-	20,074,254	20,074,254	0.00%	83,474,785	24.05%

(4) Schedules of Employer Contributions

City - Other Postemployment Benefits Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 1,747,000	100.00%
2008	1,398,000	100.00%

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

School Board - Other Postemployment Benefits Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ (1,599,068)	16.37%
2008	3,259,698	7.86%

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

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009
(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, \$5,591,139 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.

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SUPPLEMENTARY INFORMATION

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2009

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<u>Assets</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,080,516	\$ 323,579	\$ 7,933,405	\$ 11,337,500
Investments	2,438,730	514,721	7,035,433	9,988,884
Interest and Dividends Receivable	10,400	2,195	30,005	42,600
Due from Other Governments	-	405	-	405
Due from Other Funds	194,916	324,794	879,397	1,399,107
Accounts Receivable (net of allowance for uncollectibles)	9,316	13,651	-	22,967
Inventory	-	56,447	-	56,447
Other Assets	9,288	742,721	435,000	1,187,009
Total Current Assets	5,743,166	1,978,513	16,313,240	24,034,919
Capital Assets:				
Equipment and Other Capital Assets	14,277,946	30,065,019	-	44,342,965
Construction in Progress	3,485,303	-	-	3,485,303
Less Accumulated Depreciation	(5,682,109)	(20,990,442)	-	(26,672,551)
Capital Assets, Net	12,081,140	9,074,577	-	21,155,717
Total Assets	\$ 17,824,306	\$ 11,053,090	\$ 16,313,240	\$ 45,190,636
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	542,054	351,038	38,577	931,669
Accrued Interest Payable	17,333	-	-	17,333
Due to Other Funds	43,639	7,574	2,035	53,248
Other Liabilities	8,069	-	-	8,069
Long-Term Liabilities Due Within One Year	759,448	66,699	2,732,278	3,558,425
Total Current Liabilities	1,370,543	425,311	2,772,890	4,568,744
Long-Term Liabilities:				
Compensated Absences Payable	228,540	73,108	14,356	316,004
Claims Payable	-	-	15,922,966	15,922,966
General Obligation Bonds Payable, Net	1,049,343	-	-	1,049,343
Capital Lease Liability	240,882	11,436	-	252,318
Less Current Maturities	(759,448)	(66,699)	(2,732,278)	(3,558,425)
Total Long-Term Liabilities	759,317	17,845	13,205,044	13,982,206
Total Liabilities	\$ 2,129,860	\$ 443,156	\$ 15,977,934	\$ 18,550,950
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	10,943,682	9,063,141	-	20,006,823
Restricted for:				
E911 Wireless Capital Project	70,914	-	-	70,914
Unrestricted	4,679,850	1,546,793	335,306	6,561,949
Total Net Assets	\$ 15,694,446	\$ 10,609,934	\$ 335,306	\$ 26,639,686

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<u>Operating Revenues</u>				
Charges for Services	\$ 6,701,424	\$ 5,982,313	\$ 14,241,684	\$ 26,925,421
Other Revenue	244,562	95,613	46,338	386,513
Total Operating Revenues	6,945,986	6,077,926	14,288,022	27,311,934
<u>Operating Expenses</u>				
Personal Services	3,092,023	1,286,465	198,754	4,577,242
Other Services and Charges	1,625,213	346,894	15,124,501	17,096,608
Materials and Supplies	470,600	2,892,857	657,563	4,021,020
Depreciation	2,772,262	2,139,277	-	4,911,539
Total Operating Expenses	7,960,098	6,665,493	15,980,818	30,606,409
Operating Loss	(1,014,112)	(587,567)	(1,692,796)	(3,294,475)
<u>Nonoperating Revenues (Expenses)</u>				
Loss on Disposal of Assets	-	(51,080)	-	(51,080)
Investment Income	105,357	15,816	268,686	389,859
Interest Expense	(90,131)	(1,528)	-	(91,659)
Net Nonoperating Revenues Loss Before Transfers and Contributions	15,226	(36,792)	268,686	247,120
Transfers and Contributions				
Transfers In	142,713	91,229	250,000	483,942
Transfers Out	(72,400)	(98,372)	-	(170,772)
Net Transfers and Contributions	70,313	(7,143)	250,000	313,170
Change in Net Assets	(928,573)	(631,502)	(1,174,110)	(2,734,185)
Net Assets - Beginning of Year	16,623,019	11,241,436	1,509,416	29,373,871
Net Assets - End of Year	\$ 15,694,446	\$ 10,609,934	\$ 335,306	\$ 26,639,686

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Department of Technology</u>	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Total Internal Service Funds</u>
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 6,659,121	\$ 5,926,449	\$ 13,535,360	\$ 26,120,930
Cash Payments to Suppliers for Goods and Services	(2,227,912)	(3,680,052)	(1,603,478)	(7,511,442)
Cash Payments to Other Funds for Interfund Services	(445,147)	(126,359)	(9,281)	(580,787)
Cash Payments to Employees	(3,058,401)	(1,288,793)	(197,637)	(4,544,831)
Cash Payments for Claims	-	-	(11,424,925)	(11,424,925)
Cash Received From Other Operating Revenue	244,562	-	46,338	290,900
Net Cash Provided by Operating Activities	<u>1,172,223</u>	<u>831,245</u>	<u>346,377</u>	<u>2,349,845</u>
Cash Flows From Noncapital Financing Activities:				
Transfers In	142,713	91,229	250,000	483,942
Transfers Out	(72,400)	(98,372)	-	(170,772)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>70,313</u>	<u>(7,143)</u>	<u>250,000</u>	<u>313,170</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(2,063,086)	(801,114)	-	(2,864,200)
Principal Paid on Bonds and Capital Lease Obligations	(563,945)	(2,095)	-	(566,040)
Interest Paid on Bonds and Capital Leases	(113,900)	(1,528)	-	(115,428)
Net Cash Used by Capital and Related Financing Activities	<u>(2,740,931)</u>	<u>(804,737)</u>	<u>-</u>	<u>(3,545,668)</u>
Cash Flows From Investing Activities:				
Interest Received	110,867	16,644	280,158	407,669
Purchase of Investments	(1,243,497)	(288,060)	(4,013,076)	(5,544,633)
Cash Used by Investing Activities	<u>(1,132,630)</u>	<u>(271,416)</u>	<u>(3,732,918)</u>	<u>(5,136,964)</u>
Net Decrease in Cash and Cash Equivalents	<u>(2,631,025)</u>	<u>(252,051)</u>	<u>(3,136,541)</u>	<u>(6,019,617)</u>
Cash and Cash Equivalents at July 1	<u>5,711,541</u>	<u>575,630</u>	<u>11,069,946</u>	<u>17,357,117</u>
Cash and Cash Equivalents at June 30	<u>\$ 3,080,516</u>	<u>\$ 323,579</u>	<u>\$ 7,933,405</u>	<u>\$ 11,337,500</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:				
Operating Loss	\$ (1,014,112)	\$ (587,567)	\$ (1,692,796)	\$ (3,294,475)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:				
Depreciation	2,772,262	2,139,277	-	4,911,539
Changes in Assets and Liabilities:				
Decrease in Due From Other Governments	36,345	179	-	36,524
Increase in Due From Other Funds	(69,332)	(57,107)	(706,324)	(832,763)
(Increase) Decrease in Accounts Receivable	(9,316)	1,064	-	(8,252)
Decrease in Inventory	-	54,387	-	54,387
Increase in Other Assets	-	(742,721)	(325,000)	(1,067,721)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(124,454)	29,320	3,894	(91,240)
Decrease in Due to Other Funds	(436,936)	(1,479)	(1,878)	(440,293)
Increase (Decrease) in Compensated Absences Payable	17,766	(4,108)	498	14,156
Increase in Claims Payable	-	-	3,067,983	3,067,983
Total Adjustments	<u>2,186,335</u>	<u>1,418,812</u>	<u>2,039,173</u>	<u>5,644,320</u>
Net Cash Provided by Operating Activities	<u>\$ 1,172,223</u>	<u>\$ 831,245</u>	<u>\$ 346,377</u>	<u>\$ 2,349,845</u>

Noncash Capital and Financing Activities:

Department of Technology noncash activities in fiscal year 2009 consisted of capital asset acquisitions through a capital lease obligation of \$ 6,439.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2009

	Hotel Roanoke Conference Center Commission
<u>Assets</u>	
Cash and Cash Equivalents	\$ 2,978,388
Investments	2,389,185
Accrued Interest Receivable	10,189
Due from Other Governments	4,949
Total Assets	\$ 5,382,711
<u>Liabilities</u>	
Due to Other Governments	\$ 5,382,711
Total Liabilities	\$ 5,382,711

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<u>Assets</u>				
Cash and Cash Equivalents	\$ 5,393,527	\$ 1,278,577	\$ 3,693,716	\$ 2,978,388
Investments	-	2,389,185	-	2,389,185
Accrued Interest Receivable	-	10,189	-	10,189
Due from Other Governments	15,318	236,599	246,968	4,949
Total Assets	<u>\$ 5,408,845</u>	<u>\$ 3,914,550</u>	<u>\$ 3,940,684</u>	<u>\$ 5,382,711</u>
<u>Liabilities</u>				
Due to Other Governments	\$ 5,408,845	\$ 3,914,550	\$ 3,940,684	\$ 5,382,711
Total Liabilities	<u>\$ 5,408,845</u>	<u>\$ 3,914,550</u>	<u>\$ 3,940,684</u>	<u>\$ 5,382,711</u>

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	129
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	136
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
Debt Capacity	139
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Indicators	142
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	144
<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.

Table 1
Unaudited

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

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	\$ 238,461,969	\$ 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	70,914	105,323	139,732	205,752	276,133	215,691	51,846	305,790
Unrestricted	41,697,432	45,552,401	56,691,884	52,348,145	30,519,227	45,098,238	48,331,857	50,492,322
Total Governmental Activities Net Assets	280,230,315	271,158,768	257,745,943	243,516,391	217,910,377	209,422,398	198,238,940	174,398,650
Business-Type Activities								
Invested in Capital Assets, Net of Related Debt	\$ 52,067,081	\$ 51,594,498	\$ 50,696,302	\$ 38,113,702	\$ 42,009,100	\$ 157,247,149	\$ 150,015,105	146,615,680
Unrestricted	2,213,388	3,180,872	4,454,864	11,034,165	4,909,789	21,240,298	19,409,253	23,441,496
Total Business-Type Activities Net Assets	54,280,469	54,775,370	55,151,166	49,147,867	46,918,889	178,487,447	169,424,358	170,057,176
Primary Government								
Invested in Capital Assets, Net of Related Debt	\$ 290,529,050	\$ 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	70,914	105,323	139,732	205,752	276,133	215,691	51,846	305,790
Unrestricted	43,910,820	48,733,273	61,146,748	63,382,310	35,429,016	66,338,536	67,741,110	73,933,818
Total Primary Government Net Assets	\$ 334,510,784	\$ 325,934,138	\$ 312,897,109	\$ 292,664,258	\$ 264,829,266	\$ 387,909,845	\$ 367,663,298	\$ 344,455,826

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 EIGHT FISCAL YEARS

	<u>2008-09</u>	<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>
Expenses								
Governmental Activities:								
General Government	\$ 13,859,060	\$ 14,951,184	\$ 11,273,712	\$ 13,060,424	\$ 12,505,925	\$ 12,129,739	\$ 12,332,759	\$ 11,621,680
Judicial Administration	9,167,289	8,881,939	8,696,783	7,759,108	7,093,904	6,563,999	6,716,171	6,218,554
Public Safety	66,448,271	67,457,297	63,824,918	60,338,648	56,027,791	52,085,243	49,526,672	48,164,981
Public Works	31,174,272	29,493,501	29,322,095	25,396,344	25,413,778	27,619,650	27,024,931	26,669,142
Health and Welfare	45,756,887	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	12,018,560	11,718,909	12,328,684	10,671,914	9,269,834	6,063,700	5,360,979	5,298,641
Community Development	9,752,877	13,009,501	11,847,813	10,388,248	9,849,351	9,601,301	11,063,836	11,648,000
Education	66,604,559	65,494,065	61,335,067	57,899,575	54,737,434	51,458,092	49,368,594	47,048,622
Economic Development	1,535,584	657,348	613,075	3,046,343	7,175,953	1,160,036	5,248,229	8,447,969
Other	15,329	13,470	31,575	66,967	125,801	90,903	73,633	68,037
Interest and Fiscal Charges	13,124,928	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	269,457,616	267,675,693	250,946,039	237,067,211	228,915,137	207,357,293	205,041,231	201,544,211
Business-Type Activities:								
Transit Company	9,545,470	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	7,138,833	5,259,155	4,694,186	5,066,942	4,610,356	5,077,678	4,914,679	4,539,596
Parking	2,806,984	2,396,330	2,894,630	2,036,575	2,002,110	1,927,191	2,288,392	1,869,415
Market Building	649,874	379,828	390,098	368,090	506,894	492,795	151,438	-
Total Business-Type Activities Expenses	20,141,161	17,231,022	16,382,283	15,321,671	14,728,491	36,479,546	37,666,002	33,787,281
Total Primary Government Expenses	289,598,777	284,906,715	267,328,322	252,388,882	243,643,628	243,836,839	242,707,233	235,331,492
Program Revenues								
Governmental Activities:								
Charges for Services:								
General Government	\$ 4,511,088	\$ 4,467,706	\$ 4,228,015	\$ 3,234,836	\$ 3,038,133	\$ 6,839,246	\$ 3,899,448	\$ 3,642,814
Judicial Administration	4,823,817	4,594,962	5,445,812	5,132,780	5,334,458	2,131,060	1,824,615	1,635,114
Public Safety	6,453,285	6,632,394	5,894,930	5,086,196	4,768,397	5,191,798	7,354,677	7,665,701
Public Works	386,445	445,191	523,344	458,882	445,256	781,285	552,404	426,731
Health and Welfare	146,338	196,110	172,703	584,149	595,797	517,697	-	-
Parks, Recreation and Cultural	308,446	155,799	132,728	413,090	372,186	62,309	290,935	322,009
Community Development	161,228	165,144	199,255	170,493	131,038	151,933	136,396	84,674
Economic Development	4,974	83,541	-	-	-	-	-	-
Operating Grants and Contributions	70,986,646	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	265,005	3,975,312	289,043	102,934	239,246	736,337	2,126,873	939,828
Total Governmental Activities Program Revenues	88,047,272	89,973,841	80,049,917	74,428,999	71,133,048	67,740,680	63,877,587	61,230,513
Business-Type Activities:								
Charges for Services:								
Transit Company	2,097,420	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	4,312,359	2,248,649	2,413,877	2,995,440	2,788,081	3,403,360	3,412,975	3,206,483
Parking	2,804,755	2,809,958	2,686,301	2,683,159	2,600,415	2,645,977	2,231,038	2,077,482
Market Building	224,637	255,476	268,340	277,886	308,366	256,015	134,868	-
Operating Grants and Contributions	4,393,415	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	1,115,208	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	14,947,794	12,188,708	16,868,071	12,489,772	11,525,832	39,829,137	33,082,677	33,107,002
Total Primary Government Program Revenues	102,995,066	102,162,549	96,917,988	86,918,771	82,658,880	107,569,817	96,960,264	94,337,515
Net (Expense)/Revenue:								
Governmental Activities	(181,410,344)	(177,701,852)	(170,896,122)	(162,638,212)	(157,782,089)	(139,616,613)	(141,163,644)	(140,313,698)
Business-Type Activities	(5,193,367)	(5,042,314)	485,788	(2,831,899)	(3,202,659)	3,349,591	(4,583,325)	(680,279)
Total Primary Government Net Expense	\$(186,603,711)	\$(182,744,166)	\$(170,410,334)	\$(165,470,111)	\$(160,984,748)	\$(136,267,022)	\$(145,746,969)	\$(140,993,977)

Table 2
Unaudited
(continued)

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

	<u>2008-09</u>	<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 Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
General Property - Real Estate and								
Personal Property	\$ 101,626,861	\$ 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	20,448,423	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	12,479,698	12,536,783	12,690,668	12,893,280	11,335,221	10,828,304	10,584,716	11,288,674
Utility	9,735,948	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	11,496,914	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	8,075,992	8,073,460	8,121,547	7,962,068	8,325,821	7,689,531	8,043,897	7,775,099
Cigarette	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533	1,920,939	2,036,988
Transient Room	2,754,683	2,814,253	2,666,253	2,529,645	2,250,249	2,232,754	2,101,878	2,045,876
Telecommunications	7,145,256	7,978,786	3,421,394	-	-	-	-	-
Motor Vehicle License Tax	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858	1,733,605	1,766,599
Other	6,071,290	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	8,930,898	7,752,288	1,300,000	-	-	-	-	-
Grants and Contributions Not Restricted to								
Specific Program	8,379	3,372	3,107	-	239,988	274,714	-	-
Interest and Investment Income	1,618,541	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	(4,493,091)	(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>190,481,891</u>	<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	87,552	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	117,823	187,010	259,040	401,378	522,955	418,509	382,403	274,380
Transfers	4,493,091	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>4,698,466</u>	<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>\$ 195,180,357</u>	<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>
Change in Net Assets								
Governmental Activities	\$ 9,071,547	\$ 13,412,825	\$ 14,229,552	\$ 11,786,744	\$ 3,979,949	\$ 11,183,458	\$ 3,812,780	\$ (2,626,655)
Business-Type Activities	(494,901)	(375,796)	6,003,299	2,228,978	304,570	9,063,089	(632,818)	8,049,521
Total Primary Government	<u>\$ 8,576,646</u>	<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 EIGHT FISCAL YEARS

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
General Property Tax-Real Estate and Personal Property	\$ 101,626,861	\$ 98,714,420	\$ 93,361,362	\$ 86,651,722	\$ 81,071,535	\$ 75,186,290	\$ 71,672,690	\$ 69,314,220
Sales Tax	20,448,423	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559	17,466,450	17,489,437
Occupational License Tax	12,479,698	12,536,783	12,174,159	12,893,280	11,335,221	10,828,304	10,584,716	11,288,674
Utility Consumer Tax	9,735,948	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	11,496,914	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	8,075,992	8,073,460	8,121,547	7,962,068	8,325,821	7,689,531	8,043,897	7,775,099
Cigarette Tax	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533	1,920,939	2,036,988
Transient Room Tax	2,754,683	2,814,253	2,666,253	2,529,645	2,250,249	2,232,754	2,101,878	2,045,876
Telecommunications	7,145,256	7,978,786	3,421,394	-	-	-	-	-
Motor Vehicle License Tax	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858	1,733,605	1,766,599
Other Taxes	6,071,290	7,412,254	11,727,231	7,359,754	7,111,634	8,213,700	6,345,237	6,708,809
Total Governmental Activities Tax Revenues	\$ 184,417,164	\$ 185,053,516	\$ 180,644,081	\$ 165,821,066	\$ 155,262,304	\$ 148,523,122	\$ 140,866,406	\$ 138,609,019

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

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
General Fund										
Reserved	\$ 1,028,676	\$ 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
Unreserved	21,352,928	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
Total General Fund	\$ 22,381,604	\$ 21,042,707	\$ 22,090,973	\$ 23,340,852	\$ 21,050,254	\$ 4,498,005	\$ 6,554,857	\$ 9,762,435	\$ 9,086,711	\$ 9,020,592
All Other Governmental Funds										
Reserved	\$ 17,529,842	\$ 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
Unreserved, reported in:										
Debt Service Fund	1,161,895	1,143,782	1,021,667	988,465	15,061,934	14,436,613	14,289,750	13,130,315	13,134,073	13,134,073
Capital Projects Fund	31,685,558	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
Total All Other Governmental Funds	\$ 50,377,295	\$ 65,099,766	\$ 42,427,512	\$ 61,478,107	\$ 60,182,979	\$ 66,200,350	\$ 76,213,007	\$ 86,140,232	\$ 50,351,888	\$ 60,194,740

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>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Revenues					
Local Taxes	\$ 173,518,576	\$ 172,769,022	\$ 164,871,887	\$ 156,259,656	\$ 145,738,157
Permits, Fees and Licenses	1,053,443	1,475,370	1,142,724	1,469,016	1,275,026
Fines and Forfeitures	1,558,517	1,558,039	1,540,598	1,444,566	1,354,775
Rental Income	845,373	968,975	1,032,990	1,462,840	796,688
Investment Income	1,211,719	2,241,720	3,460,986	1,978,325	1,794,290
Intergovernmental	93,064,316	96,691,241	85,531,788	79,661,592	74,579,619
Charges for Services	11,616,042	10,955,336	11,611,220	11,142,081	11,237,776
Miscellaneous	1,536,704	1,336,850	2,897,616	2,543,147	820,779
Total Revenues	\$ 284,404,690	\$ 287,996,553	\$ 272,089,809	\$ 255,961,223	\$ 237,597,110
Expenditures					
Current Operating:					
General Government	\$ 13,079,091	\$ 13,600,811	\$ 12,773,224	\$ 12,203,711	\$ 11,551,500
Judicial Administration	8,735,663	8,441,872	8,438,366	7,347,752	6,736,070
Public Safety	63,808,641	64,859,294	61,964,362	58,192,222	53,777,319
Public Works	24,841,431	23,663,876	23,900,264	22,798,347	22,229,895
Health and Welfare	45,128,533	44,626,860	39,290,415	36,105,373	34,754,917
Parks, Recreation and Cultural	10,753,820	11,165,097	10,724,981	9,697,644	8,434,669
Community Development	9,559,518	11,473,754	9,074,244	9,701,539	9,066,266
Education	62,856,641	62,392,633	58,669,043	55,789,730	52,676,279
Other	15,329	13,470	8,839	10,824	125,801
Debt Service:					
Principal Retirement	22,157,734	19,822,282	19,119,311	17,140,653	14,785,327
Interest and Paying Agent Charges	12,286,166	11,343,116	11,103,323	11,270,985	10,084,588
Bond Issuance Cost	79,082	-	-	141,334	104,034
Capital Outlays	44,299,810	35,471,132	44,308,692	38,370,611	40,808,400
Total Expenditures	\$ 317,601,459	\$ 306,874,197	\$ 299,375,064	\$ 278,770,725	\$ 265,135,065
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,196,769)	(18,877,644)	(27,285,255)	(22,809,502)	(27,537,955)
Other Financing Sources (Uses)					
Proceeds of Long-Term Debt	23,912,613	43,967,698	12,961,171	31,708,923	37,662,856
Proceeds of Capital Lease	-	-	-	-	-
Proceeds from Sale of Refunding Bonds	-	-	-	10,631,826	-
Payment to Refunded Bond Escrow Agent	-	-	-	(10,705,136)	-
Premium on Sale of Bonds	706,843	1,199,155	407,950	705,605	1,460,022
Proceeds from Sale of Property	-	-	-	-	-
Transfers In	27,214,121	26,430,553	25,211,822	30,811,378	37,134,208
Transfers Out	(32,020,382)	(31,095,774)	(31,596,162)	(36,757,368)	(42,034,253)
Total Other Financing Sources (Uses)	19,813,195	40,501,632	6,984,781	26,395,228	34,222,833
Net Change in Fund Balances	(13,383,574)	21,623,988	(20,300,474)	3,585,726	6,684,878
Fund Balances--Beginning of Year	86,142,473	64,518,485	84,818,959	81,233,233	74,548,355
Fund Balances--End of Year	\$ 72,758,899	\$ 86,142,473	\$ 64,518,485	\$ 84,818,959	\$ 81,233,233

Information is presented on an modified accrual basis of accounting.

Table 5
Unaudited
(continued)

<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
\$ 138,027,923	\$ 131,372,049	\$ 129,553,942	\$ 126,439,432	\$ 123,243,130
1,026,606	909,669	1,076,603	840,520	827,219
1,365,502	1,244,283	1,103,113	818,982	923,556
682,798	1,114,804	1,100,101	1,058,017	1,183,210
949,912	1,557,228	1,957,370	3,055,575	3,089,906
68,418,569	66,118,526	62,477,966	57,740,932	55,511,103
11,544,955	6,657,533	6,073,913	5,709,059	5,599,880
1,369,767	502,712	997,855	499,178	1,338,948
<u>\$ 223,386,032</u>	<u>\$ 209,476,804</u>	<u>\$ 204,340,863</u>	<u>\$ 196,161,695</u>	<u>\$ 191,716,952</u>
\$ 11,731,138	\$ 11,638,167	\$ 11,544,730	\$ 11,670,266	\$ 11,088,959
6,355,497	6,237,314	6,032,743	5,795,665	4,705,624
50,733,282	45,540,774	45,685,277	44,872,640	44,174,881
24,688,073	23,184,404	23,350,186	22,894,595	21,980,873
31,888,121	28,761,343	27,778,336	25,892,008	26,601,801
5,318,074	4,565,865	4,901,055	4,668,202	4,476,440
8,859,741	8,733,633	7,829,899	7,524,103	7,063,935
49,520,072	47,408,556	46,617,823	-	-
90,903	73,633	68,037	13,075	19,402
11,543,107	12,283,145	9,166,242	5,978,148	4,866,973
8,541,638	9,863,967	7,677,659	4,940,122	4,334,675
241,850	-	190,711	-	158,694
28,606,142	20,115,347	25,316,264	20,979,518	21,197,468
<u>\$ 238,117,638</u>	<u>\$ 218,406,148</u>	<u>\$ 216,158,962</u>	<u>\$ 155,228,342</u>	<u>\$ 150,669,725</u>
(14,731,606)	(8,929,344)	(11,818,099)	40,933,353	41,047,227
4,595,399	800,000	51,083,499	-	27,038,000
4,857,000	-	-	700,000	-
66,040,000	-	-	-	-
(68,189,271)	-	-	-	-
2,971,027	-	652,873	-	309,115
-	-	-	125,100	84,577
21,215,612	23,543,433	20,533,173	17,905,736	17,631,660
(28,827,670)	(28,548,892)	(26,991,816)	(69,440,932)	(66,267,096)
<u>2,662,097</u>	<u>(4,205,459)</u>	<u>45,277,729</u>	<u>(50,710,096)</u>	<u>(21,203,744)</u>
(12,069,509)	(13,134,803)	33,459,630	(9,776,743)	19,843,483
82,767,864	95,902,667	62,443,037	69,215,332	49,371,849
<u>\$ 70,698,355</u>	<u>\$ 82,767,864</u>	<u>\$ 95,902,667</u>	<u>\$ 59,438,589</u>	<u>\$ 69,215,332</u>

Table 6
Unaudited

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

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
General Property Tax (1)	\$ 102,177,312	\$ 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
Sales Tax	20,448,423	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
Utility Consumer Tax (2)	9,245,881	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
Cigarette Tax	2,644,599	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
Recordation and Probate Tax	777,182	1,243,373	1,416,300	1,314,804	1,116,447	835,561	734,345	621,691	558,348	538,776
Business, Professional, and Occupational License Tax	12,969,765	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
Transient Room Tax	2,754,683	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
Admissions Tax	476,491	443,664	457,454	456,048	448,312	530,712	504,298	400,211	355,570	242,194
Telecommunications/Telephone Surcharge - E911 (2)	7,145,256	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
Motor Vehicle License Tax	1,937,500	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
Franchise Tax (2)	483,724	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
Prepared Food and Beverage Tax	11,496,914	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950	7,247,472	7,086,162	6,776,551	6,546,125
Bank Stock Tax	960,846	740,011	772,818	1,306,496	1,115,867	986,613	807,267	1,016,653	1,555,379	1,458,766
Total Local Taxes	\$ 173,518,576	\$ 172,769,022	\$ 164,871,887	\$ 156,259,656	\$ 145,738,157	\$ 138,027,923	\$ 131,372,049	\$ 129,553,942	\$ 126,439,432	\$ 123,243,130

(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

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Total Tax Levies	\$ 110,034,071	\$ 106,316,893	\$ 101,301,039	\$ 94,754,245	\$ 88,719,548	\$ 82,947,318	\$ 78,984,813	\$ 76,830,266	\$ 76,063,428	\$ 73,493,399
Current Tax Collections	98,726,769	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
Current Tax Collections - State Share (1)	8,075,992	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
Delinquent Tax Collections	3,450,543	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
Delinquent Tax Collections - State Share (1)	-	-	32,383	172,172	178,186	138,153	123,180	140,426	44,729	17,329
Total Tax Collections	\$ 110,253,304	\$ 107,057,436	\$ 101,206,236	\$ 94,409,362	\$ 89,525,550	\$ 83,035,824	\$ 79,893,013	\$ 77,683,998	\$ 75,539,355	\$ 72,476,686
Current Tax Collections As	97.06%	97.53%	96.59%	96.77%	97.65%	96.91%	97.34%	97.47%	95.68%	95.50%
Percent of Levies										
Total Tax Collections As	100.20%	100.70%	99.91%	99.64%	100.91%	100.11%	101.15%	101.11%	99.31%	98.62%
Percent of Levies (2)										

(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	
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
2009	6,564,294,962	4.92%	6,564,294,962	1.00	809,722,606	-3.22%	1,349,537,677	0.60	335,086,164	6.51%	341,586,222	0.981	7,709,103,732

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	
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	101,301,039
2008	1.19	74,451,741	3.45	28,100,133	1.19	3,765,019	106,316,893
2009	1.19	78,114,892	3.45	27,925,972	1.19	3,993,207	110,034,071

(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 percentage relief to a fixed block grant in the amount of \$8,075,992.

Table 10
Unaudited

**CITY OF ROANOKE, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
COMPARISON OF JUNE 30, 2009 AND JUNE 30, 2000**

<u>Taxpayer</u>	<u>Description</u>	<u>2009</u>			<u>2000</u>		
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Carilion Healthcare	Healthcare Provider	\$ 129,599,911	1	1.68%	\$ -	-	-
Appalachian Power	Public Utility	104,041,819	2	1.35%	77,659,887	2	1.63%
Norfolk Southern Railway	Transportation	95,983,901	3	1.25%	68,975,006	3	1.45%
Valley View Mall LLC	Shopping Mall	74,118,147	4	0.96%	39,166,492	4	0.82%
Verizon Virginia, Inc	Communications	55,404,937	5	0.72%	92,819,190	1	1.95%
Roanoke Electric Steel	Primary Metals	35,702,395	6	0.46%	22,688,071	6	0.48%
Roanoke Gas Company	Public Utility	30,278,088	7	0.39%	21,844,084	7	0.46%
Maple Leaf Bakery	Bakery	25,185,751	8	0.33%	10,599,064	10	0.22%
Times-World Corp.	Newspaper	22,438,451	9	0.29%	-	-	-
Coca-Cola Bottling Company	Bottling Plant	16,629,391	10	0.22%	-	-	-
Faison Roanoke Office Limited	Office Building	-	-	-	25,250,100	5	0.53%
Hotel Roanoke	Hotel	-	-	-	20,513,461	8	0.43%
Elizabeth Arden	Cosmetics Manufacturer	-	-	-	16,211,588	9	0.34%
		<u>\$ 589,382,791</u>		<u>7.64%</u>	<u>\$ 395,726,943</u>		<u>8.31%</u>

Source: City of Roanoke, Commissioner of the Revenue

Table 11
Unaudited

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

<u>Calendar Year</u>	<u>Total Retail Sales (1)</u>
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	1,925,487,309
2009 through June.	865,325,591

(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

Fiscal Year	Population (A)	Total Assessed Value	Gross Bonded Debt (E)	Bonds Supported by Enterprise Funds (D) (E)	Bonds Supported By Western Virginia Water Authority	Amount Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
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	92,024	6,963,090,861	274,026,551	9,160,142	28,924,766	1,021,667	234,919,976	3.37%	2,552.81
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
2009	92,344 (est.)	7,709,103,732	304,071,803	15,160,308	24,255,948	1,161,895	263,493,652	3.42%	2,853.39

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 FY09 amounts exclude Civic Facilities Fund outstanding balances.

(E) Includes Deferred Bond Costs and excludes Unamortized Bond Premium of the Enterprise Funds.

Table 13
Unaudited

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
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
2008-09	276,891,495	5,113,998	29,484,914	416,578	311,906,985	9.80%	3,378

(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, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Debt Limit	\$ 656,429,496	\$ 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
Total Net Debt Applicable to Limit	263,493,652	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
Legal Debt Margin	\$ 392,935,844	\$ 365,588,644	\$ 348,522,518	\$ 295,598,136	\$ 277,112,746	\$ 284,000,700	\$ 257,281,114	\$ 228,258,345	\$ 243,384,480	\$ 232,170,766
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	40.14%	41.57%	40.26%	44.76%	43.59%	37.70%	39.66%	44.24%	36.67%	37.42%

Table 15
Unaudited

CITY OF ROANOKE, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2009

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, 2009 (1)		<u>\$ 6,564,294,962</u>
Legal Debt Limit, 10% of \$6,564,294,962		<u>656,429,496</u>
Debt applicable to limitation:		
General Obligation Serial Bonds - Governmental Activities	\$ 195,712,770	
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)	24,255,948	
State Literary Fund Loans	3,570,000	
Virginia Public School Authority (VPSA) School Bonds	51,182,777	
Civic Facilities Enterprise Fund - Business-Type Activities	14,190,000	
Parking Enterprise Fund Supported Debt - Business-Type Activities	15,294,914	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	<u>(134,606)</u>	
Total Bonded Debt	304,071,803	
Less: Available in Debt Service Fund	(1,161,895)	
Western Virginia Water Authority Supported Debt (WVWA)	(24,255,948)	
Parking Enterprise Fund Supported Debt	(15,294,914)	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	<u>134,606</u>	
Legal Debt Margin		<u><u>\$ 392,935,844</u></u>

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

Table 16
Unaudited

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

<u>Fiscal Year</u>	<u>Principal (1)</u>	<u>Interest (1)</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (2)</u>	<u>Percent of Debt Service to General Expenditures</u>
1999-00	7,201,334	6,330,514	13,531,848	223,621,661	6.1%
2000-01	9,155,832	7,457,895	16,613,727	231,372,360	7.2%
2001-02	8,916,243	7,361,801	16,278,044	246,048,365	6.6%
2002-03	12,083,145	9,681,287	21,764,432	252,841,855	8.6%
2003-04	11,255,346	7,882,228	19,137,574	268,406,972	7.1%
2004-05	12,283,849	7,860,775	20,144,624	284,024,496	7.1%
2005-06	(3) 14,765,894	9,357,973	24,123,867	298,166,075	8.1%
2006-07	17,493,085	10,549,172	28,042,257	318,422,477	8.8%
2007-08	18,181,973	9,880,643	28,062,616	334,448,507	8.4%
2008-09	20,480,823	11,121,043	31,601,866	340,360,591	9.3%

(1) Principal and interest payments include all general long term debt payments supported by tax revenues of the City. They include the Roanoke Civic Center debt payments. Debt payments made by the Roanoke City Parking Fund, Western Virginia Water Authority and the Hotel Roanoke Conference Center Commission are excluded.

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

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

Table 17
Unaudited

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

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Debt Service:										
Principal Retirement	\$ 22,157,734	\$ 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
Interest and Paying Agent Charges	12,286,166	11,189,318	11,103,323	11,270,985	10,084,588	8,541,638	9,863,967	7,677,659	4,940,122	4,334,675
Total Debt Service Payments	34,443,900	31,011,600	30,222,634	28,411,638	24,869,915	20,084,745	22,147,112	16,843,901	10,918,270	9,201,648
Total Government Funds Expenditures	317,601,459	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
Capital Outlays	(44,299,810)	(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)
Total Noncapital Expenditures	273,301,649	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
Percentage of Noncapital Expenditures	12.60%	11.43%	11.85%	11.75%	10.79%	9.56%	10.81%	8.41%	8.13%	7.11%

Information is presented on the modified accrual basis of accounting.

Table 18
Unaudited

CITY OF ROANOKE, VIRGINIA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Per Capita Income (2)	Personal Income	School Enrollment (3)	Local Unemployment Rate (4)	National Unemployment Rate (5)
1999-00	94,911	(6)	2,145,747,888	13,175	2.4%	4.0%
2000-01	95,000		2,238,580,000	13,251	3.0%	4.8%
2001-02	94,600		2,395,177,400	13,263	4.4%	4.8%
2002-03	93,100		2,470,408,500	13,004	4.6%	6.3%
2003-04	92,900		2,482,659,600	12,861	4.0%	5.8%
2004-05	92,671		2,563,142,400	12,712	3.7%	5.2%
2005-06	92,994		2,672,280,000	12,587	3.2%	4.8%
2006-07	92,024		3,001,767,936	12,256	3.2%	4.7%
2007-08	92,344		3,080,411,152	12,286	3.9%	5.7%
2008-09	92,344	(est.)	3,184,205,808	12,303	7.8%	9.7%

(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
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
2008-09	419	103,604,031	663	23,814,449

(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 2009 AND 2000**

Employer	December 31, 2008			December 31, 1999		
	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+	9	Private	500 to 999
United Parcel Service	5	Private	500 to 999	5	Private	500 to 999
Advance Auto Parts	6	Private	500 to 999	4	Private	1,000+
Wal-Mart	7	Private	500 to 999	8	Private	500 to 999
United States Postal Service	8	Federal Govt.	500 to 999	7	Federal Govt.	500 to 999
Anthem Blue Cross/Blue Shield	9	Private	500 to 999	-	-	-
Virginia Western Community College	10	State Govt.	500 to 999	-	-	-
Kroger Mid-Atlantic	-	-	-	6	Private	500 to 999
Orvis	-	-	-	10	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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Government	195	193	184	184	188	191	199	200	193	194
Judicial Administration:										
Sheriff	35	31	31	31	31	31	31	32	32	32
Other	57	59	58	54	53	52	50	49	52	51
Public Safety:										
Police	312	305	309	304	286	295	289	286	278	276
Jail	164	165	165	173	175	173	170	169	174	164
Fire	268	270	266	264	266	268	262	274	276	270
Other	76	83	84	79	82	84	82	89	84	92
Public Works:										
Engineering	19	19	17	20	21	21	21	22	21	22
Maintenance	132	144	150	151	152	157	155	157	159	165
Transportation	86	92	82	85	91	98	95	101	79	71
Other	2	2	2	1	2	3	3	5	4	5
Health and Welfare	226	224	224	217	209	208	220	231	228	225
Parks, Recreation and Cultural	112	112	110	102	102	105	103	107	127	140
Community Development	47	47	48	41	35	42	34	40	38	25
Civic Facilities	25 (2)	31	36	35	37	31	31	31	28	27
Water	-	-	-	-	-	(1)	107	106	109	114
Water Pollution Control	-	-	-	-	-	(1)	43	51	51	53
Total	1,756	1,777	1,766	1,741	1,730	1,908	1,903	1,952	1,933	1,926

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

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

Source: City of Roanoke, Department of Finance

Table 22
Unaudited

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

Function	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
General Government										
Levied property taxes	\$28,765,002	\$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
Number of business licenses issued	7,481	7,369	7,427	7,200	6,900	7,200	6,900	7,800	7,800	7,589
Number of property & building permits*	3,575	3,685	3,433	5,000	5,352	5,760	4,836	47,000	47,000	46,750
Police										
Number of traffic summons	22,592	20,777	18,626	18,766	7,396	9,714	16,966	19,291	15,974	15,974
Number of assistance call responses	90,840	89,131	88,022	89,176	88,991	83,862	86,146	84,983	80,380	90,380
Number of hours of training conducted**	6,936	28,888	47,089	62,500	62,000	55,906	48,549	N/A	N/A	N/A
Fire										
Number of emergency call responses	23,231	23,369	23,686	22,203	22,579	21,139	19,956	20,060	17,594	17,594
Highways and Streets										
Number of lane miles resurfaced	43	46	51	57	57	49	49	57	57	59
Number of street lights added	73	7	52	90	60	120	48	120	120	120
Judicial Administration										
Number of criminal cases	14,917	14,516	12,790	13,103	12,500	12,643	11,222	11,508	11,288	10,960
Number of traffic cases	32,377	29,199	25,613	28,544	29,500	25,930	22,978	26,812	26,301	11,288
Number of civil cases	26,635	31,585	32,391	37,587	33,000	32,054	28,405	29,000	28,424	11,508
Parks & Recreation										
Number of participants served	135,000	160,000	200,000	231,000	213,900	195,000	151,076	129,750	126,250	123,786
Education										
Number of instructional personnel	1,220	1,188	1,193	1,157	1,096	1,142	1,118	1,060	1,043	1,124
Number of students	12,303	12,286	12,256	12,587	12,712	12,861	13,004	13,263	13,251	13,175
Libraries										
Number of volumes	410,216	273,897	320,249	378,734	374,453	345,856	331,828	347,848	337,450	337,450
Number of audio materials	10,923	11,255	10,958	13,481	13,516	12,844	12,434	11,631	10,149	10,149
Number of video materials	16,690	12,358	9,799	12,078	10,692	9,742	9,055	8,414	7,766	7,766
Number of annual library visits	669,511	650,881	548,436	375,000	434,170	328,228	426,704	309,500	305,000	266,727
Economic Development										
Businesses contacted for personal visits	645	349	332	200	100	150	250	100	723	320
Housing and Neighborhood Services										
Total housing units	45,710	45,442	47,087	45,978	46,388	45,051	44,846	44,566	44,126	44,126
Average assessed value of single-family housing units	\$ 132,798	\$ 132,170	\$ 132,778	\$ 124,709	\$ 109,819	\$ 100,707	\$ 93,229	\$ 86,404	\$ 82,719	\$ 82,719

Sources: Various City of Roanoke departments

* In fiscal year 2006 and after, combination permits replaced individual electrical, mechanical, and plumbing permits

** In February of 2008, Roanoke County Police Department stopped using the City's basic training academy and began utilizing a new County facility.

Table 23
Unaudited

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

Function	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Police										
Number of vehicular units	157	175	165	142	156	137	122	126	123	123
Fire										
Number of stations*	12	12	12	13	13	13	13	13	14	14
Number of fire trucks	24	24	23	23	25	25	24	24	23	29
Highways and Streets										
Miles of streets (lane miles)	997	997	997	997	997	995	995	995	992	992
Number of street lights	9,884	9,811	9,804	9,800	9,758	9,710	9,566	9,509	9,458	9,458
Parks and Recreation										
Parks, plazas and recreation sites	68	69	69	71	71	71	71	71	71	71
Playgrounds/play areas	37	37	37	39	39	39	39	39	38	38
Football/soccer fields	24	24	24	21	21	21	21	21	21	21
Baseball/softball fields	30	30	30	32	32	32	32	32	30	33
Olympic-size swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	6	6	6	8	8	8	8	8	8	8
Education										
Elementary schools **	19	20	21	21	21	21	21	21	21	21
Middle schools	6	6	6	6	6	6	6	6	6	6
High schools ***	3	2	2	2	2	2	2	2	2	2
Libraries										
Libraries	7	7	7	7	7	7	7	6	7	7
Bookmobile	1	1	1	1	1	1	1	1	1	1
Kiosks	2	2	1	0	0	0	0	0	0	0

* Excludes non-staffed fire stations

*** Forest Park Elementary closed and Forest Park Academy opened in FY09.

COMPLIANCE SECTION

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**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
<u>Department of Agriculture</u>			
Direct Programs:			
Summer Food Service Program for Children FY07	58745	10.559	\$ (7,310)
Summer Food Service Program for Children FY08	58745	10.559	7,782
Summer Food Service Program for Children FY09	58745	10.559	96,045
			<u>96,517</u>
Passed Through Commonwealth of Virginia			
Department of Agriculture:			
Food Distribution - Commodities (1)	-	10.555	7,736
National School Lunch Program - Commodities (1)	-	10.555	351,435
			<u>359,171</u>
Passed Through Commonwealth of Virginia			
Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program	-	10.561	<u>1,588,510</u>
Passed Through Commonwealth of Virginia			
Department of Youth and Family Services:			
School Breakfast Program	-	10.553	<u>9,482</u>
Passed Through Commonwealth of Virginia			
Department of Education:			
National School Lunch Program (2)	-	10.555	<u>5,392,248</u>
Passed Through Commonwealth of Virginia			
Department of Forestry:			
Urban and Community Forestry FY09	08UCF11	10.675	25,367
			<u>7,374,778</u>
			<u>7,471,295</u>
<u>Department of Defense</u>			
Direct Programs:			
Selected Reserve Educational Assistance Program (ROTC) (2)	-	12.609	<u>86,897</u>
<u>Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant FY02 (3)	B-01-MC-51-0020	14.218	356
Community Development Block Grant FY03 (3)	B-02-MC-51-0020	14.218	375
Community Development Block Grant FY04 (3)	B-03-MC-51-0020	14.218	137,977
Community Development Block Grant FY05 (3)	B-04-MC-51-0020	14.218	109,771
Community Development Block Grant FY06 (3)	B-05-MC-51-0020	14.218	153,232
Community Development Block Grant FY07 (3)	B-06-MC-51-0020	14.218	170,026
Community Development Block Grant FY08 (3)	B-07-MC-51-0020	14.218	949,733
Community Development Block Grant FY09 (3)	B-08-MC-51-0020	14.218	992,960
			<u>2,514,430</u>

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor/Grant Program</u>	<u>Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
Direct Programs:			
Department of Housing and Urban Development (continued):			
Emergency Shelter Grant FY08 (4)	S-07-MC-51-0006	14.231	\$ 9,098
Emergency Shelter Grant FY09 (4)	S-08-MC-51-0006	14.231	<u>81,810</u>
			90,908
Supportive Housing Program 2008	VA36B702003	14.235	113,613
Supportive Housing Program 2009	VA0031B3F020801	14.235	<u>64,145</u>
			177,758
Shelter Plus Care 2007 (5)	VA36C602006	14.238	8,764
Shelter Plus Care 2008 (5)	VA36C702006	14.238	<u>66,878</u>
			75,642
HOME Investment in Affordable Housing 05 (6)	M-04-MC-51-0206	14.239	55,766
HOME Investment in Affordable Housing 06 (6)	M-05-MC-51-0206	14.239	62,595
HOME Investment in Affordable Housing 08 (6)	M-07-MC-51-0206	14.239	32,888
HOME Investment in Affordable Housing 09 (6)	M-08-MC-51-0206	14.239	<u>72,001</u>
			223,250
ARRA Lead Hazard Control	VALHB0417-08	14.900	<u>1,044</u>
			3,083,032
<u>Department of Justice</u>			
Direct Programs:			
U. S. Marshals Service FY09	FWF4010R	16.xxx	<u>8,098</u>
			8,098
Safe Havens Visitation Program	2006-CW-AX-0016	16.527	<u>177,526</u>
Local Law Enforcement Block Grant 05-07	2005-DJ-BX-0886	16.592	<u>17,152</u>
Bulletproof Vests FY06	1121-0235	16.607	7,248
Bulletproof Vests FY07	2006BUBX06135685	16.607	9,187
Bulletproof Vests FY08	2009BUBX08044562	16.607	<u>6,487</u>
			22,922
Gang Resistance Education and Training FY08	2007-JV-FX-0221	16.737	<u>15,903</u>
Justice Assistance Grant FY08 (Bike Patrol)	2007-DJ-BX-0716	16.738	<u>56,253</u>
			297,854

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Passed Through Commonwealth of Virginia			
Department of Criminal Justice Services:			
Juvenile Accountability Incentive Block Grant FY08	08-J3221JB06	16.523	\$ 27,088
Juvenile Accountability Incentive Block Grant FY09	09-K3221JB06	16.523	13,529
			<u>40,617</u>
Across Ages FY09	09-B5418JJ07	16.540	64,981
			<u>64,981</u>
Victim Witness Assistance FY08	08-N8554VW07	16.575	631
Victim Witness Assistance FY09	09-O8554VW08	16.575	119,140
			<u>119,771</u>
Edward Byrne Memorial FY08 (Service Learning Academy)	08-A5865AD07	16.579	913
			<u>913</u>
Police Domestic Violence Unit CY08	08-J3153VA07	16.588	21,191
Police Domestic Violence Unit CY09	09-K3153VA08	16.588	22,109
			<u>43,300</u>
Edward Byrne Memorial FY09 (Analysis)	09-D4779AD07	16.738	3,677
Information Technology Improvement FY09	09-A5825CR07	16.738	39,335
			<u>43,012</u>
			<u>312,594</u>
Passed Through Virginia Association of Chiefs of Police:			
Project Safe Neighborhood FY07 (Curfew Center)	WDVA-2006-PGBX-0061-02	16.609	3,976
			<u>316,570</u>
			<u>614,424</u>
<u>Department of Labor</u>			
Passed Through Commonwealth of Virginia			
Virginia Employment Commission:			
Workforce Investment Act FY09 Local Incentive - Adult	LWA3-08-03	17.258	466
Workforce Investment Act FY09 Statewide - Adult	LWA3-08-04	17.258	2,153
Workforce Investment Act FY09 Computer Literacy - Adult	LWA3-08-06	17.258	952
Workforce Investment Act FY08 - Adult	LWA3-07-01T	17.258	83,697
Workforce Investment Act FY09 - Adult	LWA3-08-05	17.258	237,384
			<u>324,652</u>
Workforce Investment Act FY09 Local Incentive - Youth	LWA3-08-03	17.259	516
Workforce Investment Act FY09 Statewide - Youth	LWA3-08-04	17.259	2,384
Workforce Investment Act FY09 Computer Literacy - Youth	LWA3-08-06	17.259	1,054
Workforce Investment Act FY08 - Youth	LWA3-07-01T	17.259	70,505
Workforce Investment Act FY09 - Youth	LWA3-08-05	17.259	194,072
ARRA Workforce Investment Act FY09 - Youth	LWA ARRA-03	17.259	23,229
			<u>291,760</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Passed Through Commonwealth of Virginia			
Virginia Employment Commission (continued):			
Workforce Investment Act FY09 Local Incentive - Dislocated	LWA3-08-03	17.260	\$ 681
Workforce Investment Act FY09 Statewide - Dislocated Wkr	LWA3-08-04	17.260	3,154
Workforce Investment Act FY09 Computer Literacy - Dis Wkr	LWA3-08-06	17.260	1,394
Workforce Investment Act FY08 - Dislocated Worker	LWA3-07-01T	17.260	96,835
Workforce Investment Act FY09 - Dislocated Worker	LWA3-08-05	17.260	363,223
ARRA Workforce Investment Act FY09 - Dislocated Worker	LWA ARRA-03	17.260	2,700
			<u>467,987</u>
			<u>1,084,399</u>
 <u>Department of Transportation</u>			
Direct Programs:			
FY08 FTA Capital Assistance (pass thru to CCTM)	VA-04-0004-00	20.500	22,383
FY08 FTA Capital Assistance (pass thru to NRHS)	VA-04-0009-00	20.500	32,931
			<u>55,314</u>
FY05 FTA Operating & Capital Assistance	VA-90-X253-00	20.507	40,397
FY06 FTA Capital Assistance	VA-90-X272-00	20.507	39,815
FY07 FTA Capital Assistance	VA-95-X005-00	20.507	113,883
FY09 FTA Capital Assistance	VA-04-0027-00	20.507	372,310
FY09 FTA Operating Assistance	VA-90-0325-00	20.507	2,388,763
FY09 FTA Capital Assistance (PM)	VA-95-0000-00	20.507	164,000
			<u>3,119,168</u>
FY08 FTA Operating Assistance (pass thru from DRPT)	VA-18-X028-00	20.509	42,601
FY09 FTA Operating Assistance (pass thru from DRPT)	VA-18-X029-00	20.509	107,460
			<u>150,061</u>
FY08 FTA JARC Assistance (pass thru from UHTS)	VA-37-X016-00	20.516	13,354
			<u>3,337,897</u>
 Passed Through Commonwealth of Virginia			
Department of Motor Vehicles:			
Aggressive Driver FY08	SC-2008-58002-2939	20.600	1,312
Highway Safety Initiative FY08	SC-2008-58070-3011	20.600	14,466
Multi-Purpose FY09	SC-2009-3590	20.600	24,514
			<u>40,292</u>
 Passed Through Commonwealth of Virginia			
Department of Transportation:			
Roanoke River Greenway TEA21	EN03-128-129	20.205	156,305
			<u>3,534,494</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor/Grant Program</u>	<u>Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
<u>Environmental Protection Agency</u>			
Direct Programs:			
Brownfield Job Training FY07	JT-973513-01-0	66.814	\$ 114,768
Brownfield Assessment Hazardous Materials FY07	BF97348101-0	66.818	80,702
Brownfield Assessment Petroleum Based FY07	BF97346901-0	66.818	26,558
Brownfield Loan Fund FY08	BF97357101-0	66.818	921
Brownfield VA Scrap Property FY09	BF97372201-0	66.818	231
			<u>108,412</u>
			<u>223,180</u>
<u>Federal Emergency Management Agency</u>			
Direct Programs:			
Assistance To Firefighters 2008	EMW-2007-FO-08656	97.044	360,235
Assistance To Firefighters 2009	EMW-2008-FO-11758	97.044	605,576
			<u>965,811</u>
Passed Through Commonwealth of Virginia			
Department of Emergency Management:			
Equipment Program Grant	2003-TE-TX-0183	97.004	38
Cops Motobridge Radio System FY06	2005-IN-WX-0022	97.004	904,275
			<u>904,313</u>
State Homeland Security Program FY09	2007-SHSP-HAZ-MAT	97.073	57,617
Emergency Management Assistance	-	83.552	38,769
			<u>1,000,699</u>
			<u>1,966,510</u>
<u>Department of Education</u>			
Direct Programs:			
Title VIII - Impact Aid 2009 (2)	-	84.041	24,287
			<u>24,287</u>
Readiness and Emergency Management 2009 (2)	Q184E080451	84.184	322,871
			<u>322,871</u>
RCPS Leadership & Resilience 2009 (2)	86871-89-08	84.186	17,300
			<u>17,300</u>
Teach American History 2008 (2)	U215X050038	84.215	272,388
			<u>272,388</u>

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Direct Programs:			
Department of Education (continued):			
Addison Community Learning Center 2008 (2)	124-60565-AM	84.287	\$ 5,389
Addison Community Learning Center 2009 (2)	S287C070047	84.287	140,973
Addison Community Learning Center 2009 Year 3 (2)	S287C080047	84.287	24,292
Fallon Park Community Learning Center 2008 (2)	S287C060047	84.287	61,269
Fallon Park Community Learning Center 2009 (2)	S287C070047	84.287	162,370
Hurt Park Community Learning Center 2008 (2)	S287C060047	84.287	55,060
Hurt Park Community Learning Center 2009 (2)	S287C070047	84.287	172,450
Ruffner Community Learning Center 2009 (2)	S287C080047	84.287	182,859
Westside Community Learning Center 2008 (2)	S287C060047	84.287	82,427
Westside Community Learning Center 2009 (2)	S287C070047	84.287	176,025
William Fleming Community Learning Center 2008 (2)	S287C060047	84.287	60,074
			<u>1,123,188</u>
			<u>1,760,034</u>
Passed Through Commonwealth of Virginia			
Department of Education:			
Adult Education in Jails 2009 (2)	V002A080046	84.002	15,155
Adult Education in Jails Supplemental 2009 (2)	V002A070046	84.002	2,755
Adult Basic Ed 2009 (2)	V002A080046	84.002	179,791
Adult Basic Ed Supplemental 2009 (2)	V002A070046	84.002	4,654
			<u>202,355</u>
Detention Center Reading Program 2008 (2)	S013A070046	84.010	15,470
Detention Center Reading Program 2009 (2)	S013A080046	84.010	26,375
Title I-A 2008 (2)	S010A070046	84.010	968,243
Title I-A 2009 (2)	S010A080046	84.010	4,075,212
I Can Learn Mathematics 2009 (2)	S010A060046	84.010	16,312
Title I-A School Improvements 2008 (2)	S010A060046	84.010	155,996
Title I-A School Improvements 2009 (2)	S010A070046	84.010	397,646
			<u>5,655,254</u>
Bridging the Gap 2009 (2)	124-61110-H027A070107	84.027	5,000
Flow Through 2007 (2)	H027A060107	84.027	4,383
Flow Through 2008 (2)	H027A070107	84.027	2,221,798
Flow Through 2009 (2)	H027A080107	84.027	1,770,580
			<u>4,001,761</u>
Perkins Act Fund 2009 (2)	V048A080046	84.048	317,722
			<u>317,722</u>
Preschool Incentive 2007 (2)	H173A060112	84.173	19,600
Preschool Incentive 2008 (2)	H173A070112	84.173	31,924
Preschool Incentive 2009 (2)	H173A080112	84.173	41,179
			<u>92,703</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Passed Through Commonwealth of Virginia			
Department of Education (continued):			
Title IV-A Drug Free Schools 2008 (2)	Q186A070048	84.190	\$ 135
Title IV-A Drug Free Schools 2009 (2)	Q186A080048	84.190	53,258
			<u>53,393</u>
Title X Homeless Assistance Program 2008 (2)	G12408	84.196	2,017
Title X Homeless Assistance Program 2009 (2)	G12409	84.196	52,146
			<u>54,163</u>
Title V-A Innovative Programming 2008 (2)	S298A070047	84.298	7,409
			<u>7,409</u>
Title II-D Enhancing Education Thru Tech 2008 (2)	S318X070046	85.318	40,203
Title II-D Enhancing Education Thru Tech 2009 (2)	S318X080046	85.318	10,892
			<u>51,095</u>
Title I-G Advanced Placement Program 2009 (2)	-	84.330	1,890
			<u>1,890</u>
Title I-A School Improvements (1003g) 2008 (2)	S337A070047	84.337	172,161
			<u>172,161</u>
Title III-A Limited English Proficient 2007 (2)	T365A060046	84.365	43,568
Title III-A Limited English Proficient 2008 (2)	T365A070046	84.365	51,968
			<u>95,536</u>
Title II-A Improving Teacher Quality 2007 (2)	S367A060044	84.367	1,703
Title II-A Improving Teacher Quality 2008 (2)	S367A070044	84.367	442,866
Title II-A Improving Teacher Quality 2009 (2)	S367A080044	84.367	462,575
			<u>907,144</u>
ARRA Compensation Board Funding to Sheriff's Department		84.397	2,331,279
			<u>13,943,865</u>
Passed Through Commonwealth of Virginia			
Department of Medical Assistance Services:			
FAMIS Reimbursement 2009 (2)	-	93.767	34,168
			<u>34,168</u>
Medicaid Reimbursement 2009 (2)	-	93.778	516,815
			<u>516,815</u>
			<u>550,983</u>
			<u>16,254,882</u>
<u>Department of Health and Human Services</u>			
Direct Programs:			
Runaway and Homeless Youth FY08	03CY0459/03	93.623	30,167
			<u>30,167</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Passed Through Commonwealth of Virginia			
Department of Social Services:			
Promoting Safe and Stable Families	-	93.556	\$ 86,869
Temporary Assistance for Needy Families	-	93.558	2,292,648
Refugee & Entrant Assistance-State Administered Program	-	93.566	75,671
Low-Income Home Energy Assistance	-	93.568	70,836
ARRA Child Care and Development Block Grant	-	93.575	159,925
Child Care and Development Block Grant	-	93.575	1,027,803
			<u>1,187,728</u>
Child Care Mandatory-Child Care and Development Fund	-	93.596	1,553,095
Education & Training Vouchers Program	-	93.599	15,391
Adoption Incentive Payments	-	93.603	3,274
Child Welfare Services	-	93.645	11,281
ARRA Foster Care Title IV-E	-	93.658	228,177
Foster Care Title IV-E	-	93.658	2,419,720
			<u>2,647,897</u>
ARRA Adoption Assistance	-	93.659	60,655
Adoption Assistance	-	93.659	644,761
			<u>705,416</u>
Social Services Block Grant	-	93.667	778,590
ARRA Child Care & Development Block Grant	-	93.713	21,935
Foster Care Independence Program	-	93.674	55,336
Children's Insurance Program	-	93.767	115,064
Medical Assistance Program	-	93.778	1,051,271
			<u>10,672,302</u>
			<u>10,702,469</u>
Grand Total Federal Financial Assistance			<u>\$ 45,021,582</u>

(Continued)

See Accompanying Independent Auditors' Report

**CITY OF ROANOKE, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2009**

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

This schedule is presented on the cash basis, except for Social Services grants which are presented on the accrual basis.

(1) The value reported for disbursements, with respect to commodities distributed by the Federal government, fair market value as furnished by the respective department of the Federal government.

(2) This schedule includes grants of the School Board, a component unit of the City of Roanoke.

(3) The amount of federal funds passed through to subgrantees totals \$2,514,430.

(4) The amount of federal funds passed through to subgrantees totals \$90,908.

(5) The amount of federal funds passed through to subgrantees totals \$75,642.

(6) The amount of federal funds passed through to subgrantees totals \$223,250

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KPMG LLP
Suite 1710
10 S. Jefferson Street
Roanoke, VA 24011-1331

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component 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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 28, 2010, which included a paragraph describing the adoption by the City of the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective July 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Other auditors audited certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiencies in internal control over financial reporting described in items 09-1 and 09-3 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses, as defined above.



A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in item 09-2 and the combination of deficiencies in item 09-4 included in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

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

We noted certain matters that we reported to the City in a separate letter.

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

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

KPMG LLP

January 28, 2010



KPMG LLP
Suite 1710
10 S. Jefferson Street
Roanoke, VA 24011-1331

**Report on Compliance with Requirements
Applicable to Each Major Program and on
Internal Control Over Compliance in
Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the City of Roanoke, Virginia (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in item 09-5 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding procurement that are applicable to its Federal Transit Administration (FTA) (CFDA #20.500 and 20.507) federal program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

As described in item 09-6 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding subrecipient monitoring that are applicable to its Community Development Block Grant (CDBG) (CFDA #14.218) federal program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

As described in item 09-7 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding subrecipient monitoring that are applicable to its Temporary Assistance for Needy Families (TANF) (CFDA #93.558) federal program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

As described in item 09-8 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding eligibility and allowable costs that are applicable to its Temporary Assistance for Needy Families (TANF) (CFDA #93.558) federal program. Compliance with such



requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraphs, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09-5 through 09-8 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 09-5 and 09-8 to be material weaknesses.

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

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

KPMG LLP

March 31, 2010



KPMG LLP
Suite 1710
10 S. Jefferson Street
Roanoke, VA 24011-1331

**Report on Compliance with Commonwealth of Virginia
Laws, Regulations, Contracts and Grant Agreements**

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the City of Roanoke, Virginia (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 28, 2010, which included a paragraph describing the adoption by the City of the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective July 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Other auditors audited certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of compliance that are reported on separately by those other auditors.

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

Code of Virginia

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

State Agency Requirements

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



As described in item 09-5 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the Procurement Laws of the Commonwealth of Virginia related to the City's Federal Transit Administration (FTA) grant agreements.

With the exception of the noncompliance described in the preceding paragraph, the results of our tests of compliance disclosed no other instances of noncompliance that are required to be reported under the Specifications.

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

KPMG LLP

March 31, 2010

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: **unqualified opinion.**
- (b) Significant deficiencies in internal control over financial reporting disclosed by the audit of the financial statements: **yes.** Material weaknesses: **yes.**
- (c) Noncompliance which is material to the basic financial statements: **none reported.**
- (d) Significant deficiencies in internal control over major programs: **yes, items 09-5 through 09-8.** Material weaknesses: **yes, items 09-5 and 09-8.**
- (e) The type of report issued on compliance for major programs: **qualified opinion.**
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **yes, items 09-5 through 09-8.**
- (g) Major programs: Federal Transit Cluster (CFDA #20.500 and 20.507); Community Development Block Grant (CDBG) (CFDA #14.218); Workforce Investment Act and ARRA – Workforce Investment Act Adult Program Cluster (CFDA #17.258, 17.259 and 17.260); Title I (CFDA #84.010); Special Education Cluster (CFDA #84.027 and 84.173); ARRA – State Fiscal Stabilization Fund (CFDA #84.397); Child Care and Development Fund and ARRA – Child Care and Development Fund Cluster (CFDA #93.575, 93.596 and 93.713); Title IV-E Foster Care and ARRA – Title IV-E Foster Care (CFDA #93.658); Adoption Assistance and ARRA – Adoption Assistance (CFDA #93.659); and Temporary Assistance for Needy Families (TANF) (CFDA #93.558).
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,350,647.**
- (i) Auditee qualified as a low risk auditee under Section 530 of OMB Circular A-133: **no.**

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

Item 09-1

Condition:

There is a lack of formal documentation of policies and procedures related to the preparation of the Comprehensive Annual Financial Report (CAFR) of the School Board of the City of Roanoke, Virginia (School Board) to ensure the School Board's basic financial statements are prepared in accordance with U.S. generally accepted accounting principles.

The School Board implemented a new accounting system (AptaFund) effective July 1, 2008 that also involved remapping of the chart of accounts and expanded the number of funds to account for the School Board's activities. There was no formal documentation providing a general ledger account crosswalk as to how the prior year CAFR was prepared with the financial statement information obtained from the prior year's accounting system (Advantage) to be able to obtain the necessary information from AptaFund to prepare the current year CAFR on a consistent basis with the prior year in accordance with U.S. generally accepted accounting principles. As a result, the City of Roanoke, Virginia (the City) and the School Board

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

were unable to meet the Auditor of Public Accounts of the Commonwealth of Virginia (APA) filing deadline of November 30, 2009. In addition, there were several audit adjustments and reclassifications required to the School Board's financial statements to present them in accordance with U.S. generally accepted accounting principles.

Views of responsible officials:

Roanoke City Public Schools (RCPS) acknowledges and agrees that there was a lack of formal documentation providing a general ledger account crosswalk as to how the prior year CAFR was prepared with the financial statement information obtained from the prior year's accounting system (Advantage) to be able to obtain the necessary information from AptaFund to prepare the current year CAFR on a consistent basis with the prior year in accordance with U.S generally accepted accounting principles. We note, however, that this issue is largely related to inadequate documentation relating to the previous Advantage system and significant employee turnover over the previous several years. RCPS and KPMG have discussed these issues in prior year audits.

RCPS is correcting this deficiency by creating a manual that links each CAFR schedule to the source documentation in AptaFund. As a result, in subsequent CAFR preparations, RCPS staff will have a road map that shows how each schedule is to be prepared and where to find the appropriate source documentation. The manual will include required "groupings" within each line item.

RCPS also believes that the school division's inability to meet time deadlines was largely the result of a personnel issue. In order to correct this deficiency, in subsequent years, the Director of Accounting will provide, on a weekly basis, a report of progress against the Annual Audit plan (as established by the external auditor) to the Deputy Superintendent for Operations, (b) the external auditor, and (c) other individuals or entities that the external auditor and/or Deputy Superintendent for Operations deem appropriate. In the event the schedule is not being met, either revised delivery dates will be suggested or a plan for meeting the original delivery date will be set forth.

In addition, RCPS believes that the personnel assignments for the 2009-10 audit preparation will result in a strengthened preparation team.

Item 09-2

Condition:

There was a lack of timely and accurate preparation of bank reconciliations at the School Board during the fiscal year. The AptaFund accounting system has an automated bank reconciliation tool which the individual responsible for preparing the bank reconciliations did not understand how to use and did not prepare the monthly bank reconciliations accurately. There was no manual compensating control to ensure the bank reconciliations were prepared accurately and timely. As a result, another individual within the School Board's fiscal services department had to redo the bank reconciliation for the month ended June 30, 2009 to correct for the mistakes made in the prior eleven months' bank reconciliations. This process was not completed until November 2009, approximately five months after year end, and required numerous journal entries by the accounting staff of the fiscal services department to correct the books and records of the School Board as of and for the year ended June 30, 2009. This also resulted in delaying the closing of the books and records for the year ended June 30, 2009, which contributed to the delays in preparing the

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

School Board's and the City's Comprehensive Annual Financial Reports (CAFRs) for purposes of meeting the APA's November 30th deadline.

Views of responsible officials:

Roanoke City Public Schools concurs with KPMG that bank reconciliations during 2008-09 were not timely or initially accurately completed. RCPS further acknowledges that the employee who initially attempted the bank reconciliation work made journal entries that were inappropriate. We have discussed this personnel matter at length with KPMG. RCPS did have a mitigating control in place in the form of a daily cash balance analysis which is used to track the school division's daily cash position. The balances on this report were compared with balances shown daily by Wachovia on its on-line banking system, adjusted for uncleared disbursements.

Nonetheless, RCPS recognizes the importance of timely and accurate bank reconciliations and has taken the following steps:

1. The employee originally assigned to bank reconciliations has been reassigned to other work.
2. Another employee has (a) corrected the 08-09 bank reconciliations for the year ended June 30, 2009 in the aggregate and (b) is tasked with timely reconciliations for all bank accounts going forward.
3. Starting January 1, 2010, as part of the monthly closing protocol, bank reconciliations will be completed prior to the preparation of financial reports to the School Board. All reconciliations will be approved by the Director of Accounting and the Deputy Superintendent for Operations.

Item 09-3

Condition:

Formal review and approval of general journal entries was not applied on a consistent basis at the School Board throughout the fiscal year. The School Board's journal entry policy is to rely on the AptaFund system's automated application control whereby manual journal entries are date-stamped and initialed electronically with the preparer's initials and someone other than the originator of the manual journal entry is supposed to review and post the journal entry. The system automatically puts a date stamp along with the individual's initials who posts the manual journal entry. However, during our testwork over manual journal entries we noted that there were manual journal entries prepared and posted by the same person, and there was no formal documentation of a manual compensating control over the journal entry authorization process. Several of the manual journal entries made during the fiscal year were related to the bank reconciliation deficiency noted above.

Views of responsible officials:

Roanoke City Public Schools understands the concerns expressed in the finding noted above and as such has added to its existing Journal Entry procedure the following steps:

1. The procedure as currently written will remain in place but be expanded to include written verification of review.
2. Starting January 1, 2010, as part of the monthly closing protocol, journal entries will be reviewed by the Deputy Superintendent for Operations prior to the preparation of financial reports to the Board.

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

As a result of these changes, all journal entries will now be reviewed by the Director of Accounting (or Stimulus Accountant, as appropriate) prior to posting and by the Deputy Superintendent for Operations 1

Item 09-4

The following deficiencies related to the School Board's AptaFund accounting system were identified during our audit procedures for the fiscal year ended June 30, 2009:

- The AptaFund accounting system was implemented by the School Board effective July 1, 2008. The new accounting system is owned and operated by a third party vendor which grants access to the individuals using the software through a secure internet connection. The third party vendor does not have a Statement on Auditing Standards No. 70 (SAS 70) attestation report related to the information technology (IT) general controls in place at the third party vendor. The IT general controls of the third party vendor that the School Board should be able to rely upon include system logical access controls, physical security controls, program development and change controls and end user computing controls. As a result of the third party vendor not obtaining and providing a SAS 70 report related to its IT general controls, KPMG could not rely upon the IT general controls or application controls of the AptaFund system for purposes of our audit, and accordingly, we were required to perform additional substantive testwork over the underlying data to be able to rely upon the AptaFund system-generated reports.
- Lack of formal review and approval of certain system generated reports. The AptaFund system generated reports with erroneous information in the subtotals of certain reports, specifically the check disbursement reports.
- Lack of system control to prevent vendor information from being edited / changed. In addition, when vendor information is changed in the system the system retroactively changes all information as if the new vendor information was utilized from the beginning (e.g., the Shenandoah Life vendor was changed to Delta Dental and the system-generated reports show all invoices and check disbursements for dental insurance premiums as if they related to Delta Dental even though the supporting documentation shows the invoices were from Shenandoah Life and the checks were paid to Shenandoah Life). This system error can also result in inaccurate 1099 preparation.
- The AptaFund system allows the users to generate a report directly in excel as opposed to an uneditable PDF file, which is a lack of formal end-user computing internal control to prevent possible manipulation of system-generated reports.
- Lack of controls to prevent individuals in the payroll department from editing vendor information for payroll related vendors. The purchasing department should be responsible for the maintenance of vendor information within AptaFund.
- Lack of appropriate internal control over system access for three individuals who we believe have unnecessary access to certain key areas of the system, including, but not limited to, invoice entry, payroll, receipts and manual journal entries.
- Lack of review of the system access or audit logs to track user access to the system and activities performed in the system.

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Although the aforementioned controls individually may not rise to the level of a significant deficiency, we believe the combination of the deficiencies is important enough to merit attention by those charged with governance.

Views of responsible officials:

Roanoke City Public Schools has exchanged communication with Harris School Solutions, (HSS), the provider of AptaFund, in relation to each of the deficiencies noted above and below are the results of those communications:

SAS 70 report: Roanoke City Public Schools acknowledges Harris does not have this attestation report. In conversation with Harris personnel, RCPS is encouraged by ongoing dialogue, but as of the date of this letter, is not aware of Harris' go forward plans to obtain the report.

System Generated Reports: The error that presented in one report used by KPMG for audit testwork has been corrected by HSS. We are unaware of any other reports that exhibit a similar issue.

Generate Reports in Excel: HSS responds to the KPMG comments as follows: "AptaFund creates read only reports using the 'Print Report' command as opposed to the 'Generate Report' command. Printed reports are not presented to the user in MS Excel so their contents cannot be modified. All printed reports contain a user configurable 'signature' that can be used to document the fact that the report came directly from the system without modification."

RCPS wishes to add that we value the tremendous flexibility the AptaFund reporting allows, especially as an analytical tool. In order to place additional controls to mitigate KPMG's concern, RCPS will take the following step:

1. Financial information reported to the Board will be supported by a PDF file generated directly from AptaFund. Note that this output is not in a format suitable for Board presentation and certain values (e.g., encumbrances) must be adjusted to accurately present the financial position of the division. All such changes will be documented and available for subsequent review.

Payroll Department Vendor Edits: Roanoke City Public Schools acknowledges the error made by our payroll staff in overwriting one vendor with the new provider. The avoidance of replication of this error will be addressed as follows:

1. Only the Purchasing and Financial Control organization is permitted to change vendor names, enter new vendors or make any other modifications (such as address changes). All vendor management activities reside with that group and access by any other department has been concluded.
2. Only the Human Resources organization is permitted to enter new employees. All employee position control activities including salary rates, reside with that group.

Both of these organizations are aware of the vendor overwrite error and have been trained so as to not to replicate the situation.

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

“Super Users” and Audit Logs: Roanoke City Public Schools recognizes the importance of effective controls over the system access of the several “super users” who have access to all areas of the AptaFund system and have implemented the following procedures:

1. The record of all actions taken by “super users” other than the Deputy Superintendent for Operations will be reviewed by the Deputy Superintendent for Operations at least once per month.
2. The record of all actions taken by the Deputy Superintendent for Operations when acting as a “super user” will be reviewed by the Superintendent and the Director of Accounting.

In addition to the above response from RCPS related to the “Super Users” and Audit Logs, the City of Roanoke encourages the School Board to continue working to develop internal controls to ensure proper segregation of duties and that individuals do not have unnecessary system access. While a review of logs may serve as a short term alternative, longer term cross training and development of staff should mitigate the need for unnecessary system access.

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

Finding 09-5

Federal Agency and Program:

Federal Transit Administration (FTA) – CFDA No. 20.507 – awards (#VA-90-4325-00 and #VA-90-4314-00)

Recipient:

Greater Roanoke Transit Company (GRTC), a blended component unit of the City of Roanoke, Virginia

Federal Award Year:

July 1, 2008 through June 30, 2009

Criteria:

FTA Circular 4220.1E specifies that expenditures exceeding \$100,000 should be awarded via a request for proposal (RFP) or sealed bid proposal process. The \$100,000 threshold can be met through either a single invoice or multiple invoices for the same project or purpose. FTA Circular 4220.1E also specifies that an RFP must be publicly advertised, include clauses requiring verification from prospective vendors regarding suspension and debarment assurance requirements, maintain records detailing the history of each procurement which require at a minimum the rationale for method of procurement, selection of contract type, reasons for contractor selection or rejection, and basis for contract price. In addition, per FTA Circular 4220.1E, if a contract is awarded to a vendor that has an aggregate value of \$500,000 or more, the entity should specify the amount of federal funds that were to be used to finance the purchase in an announcement of the contract award for goods and services, and express the said amount as percentage of the total costs of the planned acquisition.

An entity may follow the procurement guidelines of the State or locality in which it resides, if those requirements are more restrictive than the federal requirements. Per the City of Roanoke procurement guidelines, any purchase over \$50,000 must be procured under “Federal Procurement Guidelines” more specifically, the purchaser must use the RFP process and this must be documented in writing. With regards

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

to fuel purchases, an entity can acquire fuel in small quantities (e.g., less than \$50,000 at a time) at the spot market rate rather than going out to formal RFP even though the total expenditures exceed \$50,000. However, per the City of Roanoke Procurement policies, any small purchases from \$2,500 to \$10,000 are required to have a minimum of three faxed quotes and for purchases of more than \$10,000 up to \$50,000 must have a minimum of four faxed quotes or received via other electronic means (i.e., email).

Condition found, including perspective:

During our testwork over the procurement process, we selected a sample of large dollar expenditures exceeding \$50,000, either through one invoice or multiple invoices for the same project or purpose (based on the City of Roanoke's procurement requirements). KPMG noted that a contract for health insurance was awarded to a vendor, Southern Health, without complying with all of the procurement requirements noted above. The GRTC expended \$642,943 for health insurance premiums paid to Southern Health Corporation. GRTC uses an insurance broker to actively seek out quotes from different insurance providers and negotiate the best price for GRTC. The Broker sent out an RFP on behalf of GRTC, however, the broker did not follow the requirements of FTA Circular 4220.1E which specify that an RFP must be publicly advertised, include clauses requiring verification from prospective vendors regarding suspension and debarment assurance requirements, maintain records detailing the history of each procurement which require at a minimum the rationale for method of procurement, selection of contract type, reasons for contractor selection or rejection, and basis for contract price. Neither management of GRTC, nor the broker acting as agent for the GRTC, maintained the necessary information in the procurement file related to the awarding of the contract to Southern Health. KPMG also noted that GRTC purchased fuel oil during the year without complying with the City's procurement policies on small purchases. KPMG obtained the listing of all fuel oil purchases made for fiscal year ended June 30, 2009 noting that of the total fuel purchases made during the year, \$934,164 of the fuel purchases consisted of individual disbursements ranging from \$2,838 up to \$31,433 for which the only support for determining the vendor was via quotes received over the telephone by the Purchasing Clerk, in violation of the City's procurement policy noted above. Of the total expenditures for the year ended June 30, 2009 for fuel oil and employee health insurance premiums of \$934,164 and \$642,943, respectively, \$321,813 and \$221,494, respectively, were reimbursed with federal funds under grants #VA-90-X325-00 and #VA-90-X314-00.

Identification of Questioned Costs and how they were computed:

Total questioned costs are \$543,307, consisting of the total combined expenditures for fuel oil and employee health insurance premiums during the current fiscal year of \$1,577,107 multiplied by 34.45% as the GRTC was reimbursed by the FTA grants approximately 34.45% of each dollar spent on the fuel oil and employee health insurance premiums.

Possible asserted cause and effect:

Management asserted that they had a misunderstanding of the procurement requirements in the grant agreements and believed they were following the appropriate procurement policies of the City of Roanoke and/or the FTA. With regards to the fuel oil purchase, management asserted that because fuel oil prices fluctuate on a daily basis, management believes that the best possible price for fuel oil can be obtained via telephone quotes of the spot market rate from a selection of reputable local vendors at the time the fuel oil is needed. Management also asserted that the use of an independent insurance broker was believed to be the best practice as a result of the complexities involved in searching for and negotiating with a potential health insurance provider.

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Recommendation:

While the Company currently has procurement policies in place to obtain fuel oil and health insurance, those policies were not in accordance with applicable Federal or City of Roanoke procurement requirements. We recommend the Company follow the procurement requirements specified by FTA Circular 4220.1E for purchases of goods and services exceeding \$100,000. We also recommend the Company follow the procurement requirements of the City as noted above. In addition, we recommend the Company provide training to the appropriate personnel responsible for purchasing goods and services to ensure the Company complies with the applicable Federal, State and Local procurement requirements.

Views of responsible officials:

Fuel Oil

GRTC has two fuel tanks each that can contain 12,000 gallons of fuel. On a weekly basis, the Company orders approximately 7,500 gallons of fuel by receiving quotes from four or more carriers of fuel in the area. These quotes are based on the market rate and are usually only available for the day of the quote. The quotes were generally below \$30,000. These expenditures approximated \$934,000 in fiscal year 2009.

As noted in the audit, GRTC accepted telephone quotes for fuel oil purchases in fiscal year 2009. In accordance with the City of Roanoke procurement policy guidelines, GRTC has changed its practice of accepting telephone quotes for fuel to only receiving emailed or faxed quotes.

Health Insurance

The Company utilizes the services of an insurance broker for health insurance coverage for the employees of Southwestern Virginia Transit Management Company. The Company used the broker due to its skill in health insurance coverage and its knowledge in negotiating types of coverage for hospitalization, prescriptions, etc.

For insurance coverage for the period July 2008 through June 2009, the broker received bids from three insurance companies that are able to provide service in the area. The bids were from Anthem, Southern Health, and United Health Care. The Company chose Southern Health Insurance Company's bid because it was the low bidder.

The Company intends to ensure that employees are trained to ensure that federal and local procurement requirements have been followed. It has recently attended a procurement training session with the City of Roanoke's Purchasing Manager. The Company also intends to send its Purchasing Agent to FTA's series of four training sessions for procurement.

Finding 09-6

Federal Agency and Program:

Federal Agency: Department of Housing and Urban Development (HUD)

Program: Community Development Block Grant (CFDA 14.218)

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Recipient:

The City of Roanoke, Virginia

Federal Award Year:

July 1, 2008 through June 30, 2009

Criteria:

Per the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, Part 3, Section M, regarding Subrecipient Monitoring, a pass-through entity is responsible for the following:

- (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period;
- (2) Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and
- (3) Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition found, including perspective:

The City of Roanoke provides CDBG pass-through grants to various subrecipients. During our testwork over the subrecipient monitoring process, KPMG noted that the City of Roanoke did not have a process in place to ensure that subrecipients of the CDBG pass-through grants expending \$500,000 or more in Federal awards during the subrecipient's fiscal year subrecipients have met the audit requirements of OMB A-133 Circular.

Identification of Questioned Costs and how they were computed:

Management obtained the audited financial statements from subrecipients that expended greater than \$500,000 of Federal awards during the subrecipient's most recent fiscal year ended on or before June 30, 2009 and determined there were no audit findings nor questioned costs reported in the audited financial statements of the subrecipients.

Possible asserted cause and effect:

Management of the CDBG grants asserted that they were not aware of the A-133 subrecipient monitoring requirements noted above and accordingly did not have a process in place to ensure that subrecipients of CDBG pass-through grants expending \$500,000 or more in federal awards met the audit requirements of OMB Circular A-133. As a result of the lack of formal written policies and procedures regarding subrecipient monitoring, the process of ensuring that subrecipients of CDBG pass-through grants exceeding \$500,000 or more in federal awards by obtaining the most recent audited annual financial statements of CDBG subrecipients of the City of Roanoke, did not occur for the fiscal year ended June 30, 2009.

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Recommendation:

We recommend management implement a process whereby on an annual basis subrecipients of Federal awards are required to provide to responsible officials of the City of Roanoke the subrecipient's audited financial statements to ensure the subrecipient met the audit requirements of OMB Circular A-133 if the subrecipient expended \$500,000 of Federal awards during the subrecipient's fiscal year. In addition, management should implement a process to determine whether or not subrecipients of the City of Roanoke expended greater than \$500,000 of Federal awards during the subrecipient's most recent fiscal year. Management should also ensure responsible officials of the CDBG grants are knowledgeable of the OMB Circular compliance requirements by attending appropriate trainings and reviewing the OMB A-133 Circular Compliance Supplement provided by the Office of Management and Budget available on the OMB's website, www.omb.gov, on an annual basis.

Views of responsible officials:

The HUD Community Resources Division acknowledges that a procedure was not in place to properly identify subrecipients required to file audited financial statements under OMB Circular A-133. The subrecipient agreements in place for the 2009 awards specified that audited statements must be submitted to our Division when the City provided \$500,000 or more in federal funds. We subsequently determined that the requirement for providing audited statements should be based on the amount of federal funds expended from all sources. Subrecipient agreements for 2010 funding awards were revised to properly reflect the audit requirements. Additional steps that we plan to implement include:

- Developing and maintaining a list of all subrecipients required to provide audited financial statements and the date by which the statements are to be filed with the Division.
- Developing the procedures for reviewing subrecipients' audited financial statements and ensuring timely and appropriate corrective actions are taken by subrecipients on all findings.

Finding 09-7

Federal Agency and Program:

Federal Agency: Department of Health and Human Services (HHS)

Program: Temporary Assistance for Needy Families (TANF) (CFDA 93.558)

Recipient:

The City of Roanoke, Virginia

Federal Award Year:

July 1, 2008 through June 30, 2009

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Criteria:

Per the OMB Circular A-133 Compliance Supplement, Part 3, Section M, regarding Subrecipient Monitoring, a pass-through entity is responsible for the following:

- (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period;
- (2) Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and
- (3) Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition found, including perspective:

The City of Roanoke provides TANF pass-through grants to various subrecipients. During our testwork over the subrecipient monitoring process, KPMG noted that the City of Roanoke did not have a process in place to ensure that subrecipients of the TANF pass-through grants expending \$500,000 or more in Federal awards during the subrecipient's fiscal year subrecipients have met the audit requirements of OMB A-133 Circular.

Identification of Questioned Costs and how they were computed:

Management obtained the audited financial statements from subrecipients that expended greater than \$500,000 of Federal awards during the subrecipient's most recent fiscal year ended on or before June 30, 2009 and determined there were no audit findings nor questioned costs reported in the audited financial statements of the subrecipients.

Possible asserted cause and effect:

Responsible officials of the Social Services Department asserted that they were not aware of the A-133 subrecipient monitoring requirements noted above and accordingly did not have a process in place to ensure that subrecipients of TANF pass-through grants expending \$500,000 or more in federal awards met the audit requirements of OMB Circular A-133. As a result of the lack of formal written policies and procedures regarding subrecipient monitoring, the process of ensuring that subrecipients of TANF pass-through grants exceeding \$500,000 or more in federal awards met the audit requirements by obtaining the most recent audited annual financial statements of TANF subrecipients of the City of Roanoke did not occur for the fiscal year ended June 30, 2009.

Recommendation:

We recommend management implement a process whereby on an annual basis subrecipients of Federal awards are required to provide to responsible officials of the City of Roanoke the subrecipient's audited financial statements to ensure the subrecipient met the audit requirements of OMB Circular A-133 if the subrecipient expended \$500,000 of Federal awards during the subrecipient's fiscal year. In addition,

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management should implement a process to determine whether or not subrecipients of the City of Roanoke expended greater than \$500,000 of Federal awards during the subrecipient's most recent fiscal year. Management should also ensure responsible officials of the TANF grants are knowledgeable of the OMB Circular compliance requirements by attending appropriate trainings and reviewing the OMB A-133 Circular Compliance Supplement provided by the Office of Management and Budget available on the OMB's website, www.omb.gov, on an annual basis.

Views of responsible officials:

We agree that the Department of Social Services did not have a process in place to verify subrecipients were subjected to audits required by OMB Circular A-133. We will design and implement procedures to review the annual audits of applicable subrecipients and confirm each was subjected to the required single audit. Should there be any findings noted, staff will monitor corrective actions as required by OMB Circular A-133.

Finding 09-8

Federal Agency and Program:

Federal Agency: Department of Health and Human Services (HHS)

Program: Temporary Assistance for Needy Families (TANF) (CFDA 93.558)

Recipient:

The City of Roanoke, Virginia

Federal Award Year:

July 1, 2008 through June 30, 2009

Criteria:

Per the OMB Circular A-133 Compliance Supplement, Part 4-HHS TANF 93.558, Section E, regarding Eligibility, the Commonwealth of Virginia provides the specifics on how eligibility is determined in the Commonwealth of Virginia. Whenever used in this section, "assistance," has the meaning in 45 Code of Federal Regulations (CFR) section 260.31(a) of the TANF regulations for States. Plan and eligibility requirements must comply with the following Federal requirements:

Only a financially needy family that consists of, at a minimum, a minor child living with a parent or other caretaker relative, or a pregnant woman may receive TANF "assistance" or most maintenance-of-effort (MOE)-funded benefits, services, or "assistance" regardless of the TANF purpose that the expenditure is reasonably calculated to accomplish (see III.A.3.a, "Activities Allowed or Unallowed – Federal Only, Commingled Federal/State, Segregated State, Separate State Program"). The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent level of vocational or technical training), less than 19 years old. (With respect to segregated or separate State MOE funds, the State could use the definition for minor child given in section 419(2) of the Act or some other definition applicable in State law provided the State can articulate a rationale basis for the age it chooses.) Financially "needy" means financially eligible according to the State's quantified income and resource (if applicable) criteria to

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

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receive the benefit (42 USC 602, 602(a)(1)(B)(iii), 42 USC 609(a)(7)(B)(IV), 608(a)(1), 619(2) and 45 CFR section 263.2(b)(2)).

As a supplement to the TANF program, the TANF diversionary assistance program was established by HB 2001, passed by the 1995 General Assembly of the Commonwealth of Virginia. Authorized by Section 63.2-617 of the Code of Virginia, this program is intended to prevent potential TANF recipients from becoming ongoing TANF recipients. If immediate intervention with short-term aid will resolve a one-time emergency or crisis situation and prevent the need for ongoing TANF, the assistance unit may be granted diversionary assistance.

It is anticipated that the applicant's emergency or crisis situation will be related to basic needs such as food, shelter, medical expenses, child care expenses or the costs associated with getting or keeping employment, including transportation costs. Local agencies shall strive to provide the most cost effective, appropriate solution to the one-time crisis or emergency situation. (This may include referrals to other community organizations for assistance when the receipt of diversionary assistance will not resolve the situation.)

SCREENING

The worker must explain the diversionary assistance program to all TANF applicants. The worker must screen all TANF applicants for eligibility for diversionary assistance at the time of application. The applicant will declare if she has a one-time emergency or crisis situation. The worker will determine whether diversionary assistance can resolve it.

VOLUNTARY

The eligibility worker and the applicant must discuss the appropriateness of diversionary assistance to the applicant's situation. If the applicant meets the eligibility factors for diversionary assistance, he or she may decide whether or not to receive diversionary assistance rather than TANF. Receipt of diversionary assistance is voluntary and in every case requires the written consent of the applicant. A signed Acceptance of Terms of Issuance of Diversionary Assistance will serve as written consent. All applicants for diversionary assistance must first sign the Acceptance of Terms before the application can be approved.

All TANF applicants for both regular and diversionary program benefits of each locality are submitted and tracked by the Virginia Department of Social Services through the ADAPT system.

Condition found, including perspective:

During our fraud inquiries with the City's Director of Social Services, KPMG was notified that a caseworker at the City's Department of Social Services had fraudulently received payments from the Commonwealth of Virginia's Department of Social Services (VDSS) by creating fictitious eligible diversionary participants and submitting fraudulent invoices for reimbursement from the VDSS. The caseworker created a fictitious vendor and submitted requests for emergency benefit payments to be made to the fictitious vendor by the VDSS under the TANF diversionary program for fictitious eligible participants. The checks were received directly by the caseworker and were used to pay for personal expenses. To corroborate management's findings, KPMG selected a sample of 110 eligible cases from the total population of eligible participants obtained from the Virginia Department of Social Services ADAPT system. The 110 sample cases consisted of 40 regular TANF recipients and 65 diversionary program

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

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recipients. KPMG noted that 7 out of the 65 diversionary cases were determined to be fictitious cases created by the caseworker.

Identification of Questioned Costs and how they were computed:

Through an internal investigation conducted by the City’s Department of Social Services with the assistance of the VDSS, management determined that the caseworker had perpetrated the fraud starting in July 2008 until the individual was caught in August 2009. Management identified the total amount of questioned costs as a result of the fraudulent reimbursements submitted by the caseworker as follows:

	<u>Total Amount</u>	<u>% Federal</u>	<u>Total Federal</u>
FY 2008	\$ 45,867	58.5%	\$ 26,823
FY 2009	\$ 77,548	39.5%	\$ 30,624

Possible asserted cause and effect:

The City’s Department of Social Services did not have a process in place whereby eligibility cases related to the diversionary program were reviewed and approved by a supervisor or other responsible official other than the caseworker submitting the eligible case information and request for reimbursement from the Virginia Department of Social Services to ensure that benefit payments were made to or on behalf of eligible participants in the appropriate amount.

Recommendation:

We recommend management implement a process whereby either all eligibility cases and submissions for reimbursement under the diversionary program within the ADAPT system are reviewed by a supervisor or at a minimum all eligibility cases are subject to random inspection on a daily, weekly or monthly basis prior to submission. We also recommend management implement a process to ensure all diversionary program reimbursements paid by the Virginia Department of Social Services be mailed to the City’s Director of Social Services or other responsible official instead of directly to the vendor or eligible participants and that the City’s Department of Social Services mail the payments directly to the vendor or eligible participants.

Views of responsible officials:

Beginning in September 2009, we began requiring all Diversionary Assistance cases be discussed with a supervisor prior to approval of the case. Additionally, the Chief Benefits Supervisor now reviews all Diversionary payments reported for the City of Roanoke in the ADAPT system in order to identify potential duplicate payments and multiple payments to a particular vendor. We have also discussed with officials of the Virginia Department of Social Services the need to have a separate report each month of Diversionary Assistance cases by locality. They have agreed with the need and have indicated that they will work to develop such a report.

In accordance with guidance received from the Virginia Department of Social Services, we believe payments should continue to be mailed directly to the vendors rather than being routed through the local Social Services office. In our view, this reduces the risks that checks will be lost or misdirected.

CITY OF ROANOKE, VIRGINIA

Summary Schedule of Prior Year Audit Findings and Questioned Costs

Year ended June 30, 2009

Item 08-1: Procurement

Status:

Although the City addressed this specific procurement issue over the course of fiscal year 2009, there were additional findings related to procurement, which are noted in item 09-5 in the Schedule of Findings and Questioned Costs for the year ended June 30, 2009.

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