

City of Lynchburg, Virginia

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2015



**CITY OF
LYNCHBURG, VIRGINIA**

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2015

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2015

**CITY OF LYNCHBURG,
VIRGINIA**

Prepared by:
Financial Services

CITY OF LYNCHBURG, VIRGINIA

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INTRODUCTORY SECTION



OFFICE OF THE
CITY MANAGER

November 13, 2015

The Honorable Mayor and Members of the City Council
City of Lynchburg, Virginia

The Comprehensive Annual Financial Report (CAFR) for the City of Lynchburg, Virginia, (City) for the year ended June 30, 2015, is hereby submitted in accordance with the *City Code* and State statutes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the City. With reasonable assurance, based upon a comprehensive framework of internal controls, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows, as applicable, of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

State law and *City Code* require that the financial statements of the City be audited by an independent certified public accountant. Brown, Edwards & Company, LLP has performed an audit of the Comprehensive Annual Financial Report (CAFR). The independent auditor's report, including opinions on the basic financial statements of the government-wide and fund financial statements, is contained in the Financial Section of this Report. Brown, Edwards & Company, LLP also audited the component unit financial statements of the Lynchburg City Schools and the Greater Lynchburg Transit Company.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report. The information presented in the MD&A provides a narrative introduction, overview, and analysis of the basic financial statements and should be considered in conjunction with additional information provided in this Letter of Transmittal.

The financial reporting entity includes all funds of the primary government (i.e., the City of Lynchburg), as well as its component units. The City provides a full range of municipal services including general administration, judicial functions, police, fire protection and emergency medical services, parks and recreation, libraries, museums, juvenile and social services, maintenance of streets and highways, economic development, tourism and community development. The City also owns and operates water, sewer and stormwater systems and a regional airport. The City's discretely presented component units, Lynchburg City Schools (Schools), Business Development Centre, Inc., and Greater Lynchburg Transit Company (GLTC), provide public education, various small business services, and public transportation, respectively, to the citizens of the City. Each of these component units' governing bodies is appointed by City Council. Excluded are the financial statements of the Lynchburg Redevelopment and Housing Authority and the City's Economic Development Authority. These organizations are associated with the City, but are legally separate entities. Also, excluded are the financial statements of the Blue Ridge Regional Jail Authority, Horizon Behavioral Health, (formerly the Central Virginia Community Services Board), and the Region 2000 Services Authority which are jointly governed organizations.

City Council has approved Debt Management, Fund Balance, Budget, and Investment policies to guide fiscal decision-making and to ensure continued strong financial health. These policies were revised and re-adopted by City Council in February 2013. During the fiscal year, adherence to these financial policies guided the City's management of its investment portfolio, the maintenance of budget reserve levels, and the issuance of debt.

As required by law, each year, at least 45 days prior to June 30, the City Manager submits to City Council a recommended budget for the fiscal year beginning July 1. After citizen engagement, extensive budget preparation, and a Council review process that includes multiple work sessions and a public hearing, City Council adopts the annual budget. The annual budget includes all funds represented in the City's Comprehensive Annual Financial Report. The budget must be adopted no later than the day the fiscal year begins (July 1).

The City of Lynchburg was incorporated in 1805 by the Virginia General Assembly and became an independent city in 1852. Encompassing 50 square miles, Lynchburg is located adjacent to Amherst, Bedford, and Campbell Counties, on the eastern edge of the beautiful Blue Ridge Mountains, and is within 54 miles of the geographic center of the Commonwealth of Virginia. The County of Appomattox is also included in the Lynchburg Metropolitan Statistical Area. With an estimated population of 77,874, Lynchburg is an important commercial center for the four county region known as Region 2000. It serves a regional population of nearly 260,000 and benefits from an economy that remains diversified among the manufacturing, health services, technology, retail, trade, and higher education sectors. The City is home to five colleges and universities with a sixth in Amherst County.

The City of Lynchburg has been organized under the Council-Manager form of government since 1920. City Council is the governing body that makes all policy decisions for the proper administration of the City. City Council is elected by the voters and is comprised of seven members, who elect two of their members Mayor and Vice-Mayor for a two-year term. Three City Council members are elected at-large and four are elected from wards. Terms are for four years and are staggered so a portion of Council is elected every two years. The City Council appoints a City Manager to act as administrative head of the City. The City Manager serves at the pleasure of City Council to carry out its policies and direct and oversee City operations. The City Manager has the power of appointment and removal of the directors and employees of all departments of the City.

Local Economic Condition and Outlook

The City continues to maintain its role as an employment and commercial center for a four county metropolitan statistical area with a population of approximately 260,000. The following was published in the August 2015 edition of *Virginia Business* regarding the City of Lynchburg: "With more than 4,700 businesses ranging from traditional shops to global corporation headquarters, [its] industry makeup and workforce is made up of firms of all sizes, making [its] economy stable and diverse. While employment is driven primarily by healthcare and retail, these jobs are complimented by healthy higher education, energy, professional services and advanced manufacturing sectors." Real property assessments have experienced slight growth and personal property assessments have experienced unexpected growth due to consumer friendly gas prices. Consumption driven revenues, though declining in FY 2009, stabilized in FY 2010, have realized growth since FY 2011. In FY 2015, Local Sales Tax Revenue exceeded pre-recession levels for the first time. Looking ahead, it is anticipated that real property values will remain relatively stable, while personal property values and consumption tax revenues will continue to grow gradually as the economy allows.

As part of a long-term financial plan, five-year revenue projections are developed with a focus on ensuring that forecasts are based on the latest economic conditions. The City's Fund Balance Policy is used to ensure that the City has sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenues without borrowing. The balance in excess of policy requirements is used as a source of one-time funds for pay-as-you-go projects within the Capital Improvement Program.

Following the recession of 2008, the City identified eleven key elements critical to the City's future. These elements are: Arts and Culture, Citizen Engagement and Social Capital, Economic Development, Lifelong Learning, Healthy and Active Living, Infrastructure, Natural Resources, Neighborhoods, Safe Community, Land Use, and Transportation. In FY 2014, a twelfth element, Social Equity, was added and City Council adopted a new Vision for the City – "*A Great Place to Live, Work and Play!*" – with goal statements for each of the twelve pillars that support the Vision. The Vision and pillars are reviewed annually for progress.

Areva NP, with three major facilities in greater Lynchburg, is the world's largest nuclear power plant designer, manufacturer and service provider and has built one-third of the three hundred plus plants in existence in the world. In March 2015, Areva was awarded a multi-million dollar contract to fabricate and deliver a replacement reactor vessel head to a U.S. utility. As part of this contract, AREVA will also supply control rod drive mechanisms. The equipment will be designed and manufactured by the AREVA teams in Lynchburg and at their international headquarters in France.

In the health services sector Centra Health owns and operates both Lynchburg General and Virginia Baptist hospitals in the City, Bedford Memorial Hospital and Oakwood Rehabilitation Center in Bedford County, and Southside Community Hospital in Farmville, serving a large region in central and southside Virginia with state of the art and nationally recognized health care. Centra is one of the top two employers in the region.

In December 2014, Centra Health held a ribbon-cutting and dedication for its \$23.8 million emergency room and medical center in Gretna, Virginia. The 24/7 operation employs 80 people and includes a wellness center, physical therapy gyms, cardiac rehabilitation and laboratory services, imaging services and an on-site ambulance and helipad.

Other business sector growth includes Seven Hills Food, which purchased and renovated a 100-year-old, 40,000-square-foot meat processing facility. Seven Hills Food was awarded the largest Governor's Agriculture and Forestry Industries Development Fund grant to date. The business is a medium-scale processing plant which anticipates buying 12,000 Virginia cattle and hogs, in the first three years, and growing its employee base to 43.

A major new retail development, Lakeside Crossing, opened in 2013 at the intersection of Lakeside Drive and the Lynchburg Expressway. While Lakeside Crossing continues to inject substantial revenue into the Lynchburg economy, the success of the project has prompted renewed interest in new retail development in the area.

In the education sector, Liberty University (LU) announced plans in October 2013 to increase its online and resident student population and an expansive "campus transformation" with over \$500 million in new construction. This transformation continues with the opening of the second of six nine-story residence halls for the Fall 2015 Semester. A new 60,000-square-foot Academic and Performance Center is under construction as well as the new 275-foot-tall Freedom Tower.

Major Initiatives and Accomplishments

Downtown and Riverfront Development/Redevelopment

The City's commitment to downtown revitalization remains strong. With Phase II of the Lower Bluffwalk project completed, private sector investment continues with thousands of square feet of newly renovated residential and commercial space. Downtown now contains more than 760 apartment, condominium and loft type residential units. These new residents are driving demand downtown, spurring the establishment of new businesses. The number of downtown businesses has increased by more than 205% in ten years and the assessed value of downtown property has doubled in the same timeframe. Since 2004, 353 businesses have opened and 706 jobs have been created.

The Office of Economic Development expanded the City's two Enterprise Zones, providing development and job creating assistance to growing businesses in commercial areas throughout the City. During calendar year 2014, Enterprise Zone grants of \$203,585 assisted Lynchburg businesses in retaining 570 jobs and creating 205 new jobs. Investments in commercial real estate were even more significant. Real Property Investment Grants of nearly \$838,000 leveraged private commercial property investments of almost \$23 million.

In March 2015, City Council voted to work through the Economic Development Authority to assist private investors with the \$25 million restoration of the historic Virginian Hotel located in downtown Lynchburg. The hotel will have 115 rooms and a conference center with restaurant space and is planned to open in 2017.

Education

Lynchburg City Schools (LCS) saw division wide improvement in Standards of Learning (SOL) pass rates. Gains in math, reading, science, and social studies were achieved and many schools had double digit increases in pass rates. LCS also saw improvement for African-American students and among economically disadvantaged students and students with disabilities.

LCS graduated 19 Early College Program students this year. This is the first group of students to graduate from LCS with an Advanced Diploma and an Associate's Degree from Central Virginia Community College.

Infrastructure

FY 2015 was a year of continued work on downtown redevelopment, the Combined Sewer Overflow (CSO) Program and transportation projects. The second phase of the Midtown Connector, which included the re-working of a major intersection, is well underway with completion estimated to be December 2015. Construction of the new Juvenile Services Group Home and the Kemper Street Bridge has begun with completion dates next fall. Construction has also begun on the complete renovation of the football/soccer facilities at Lynchburg City Stadium. Renovations will meet National Federation of State High School Associations.

Construction of the new Heritage High School commenced in May 2014 and remains on schedule. The total project costs are estimated at \$76.9 million which includes demolition of the existing school, the construction of new athletic fields and a new field house. The school will be occupied in August 2016 with final completion of all project phases in July 2017.

Technology

The City continues to be a leader in using technology to assist in service delivery. e.Republic's Center for Digital Government and Digital Communities Program has ranked Lynchburg fifth among the top-ranked digital city governments in the 75,000 – 124,999 population categories in the 13th annual Digital Cities Survey. This is Lynchburg's eleventh year of ranking in the top ten for communities of its size.

Transportation

Greater Lynchburg Transit Company (GLTC) provides public bus service for Lynchburg citizens. Construction of a new bus maintenance and operations facility began this year with funding from Federal, state and local sources.

The City is also served by the Lynchburg Regional Airport, an FAA-designated small non-hub commercial airport with significant general aviation flight and training activity. Airline service includes 6 daily

departures, with an estimated yearly passenger count of 159,000. Commercial service is provided by American Airlines with 80% passenger loads resulting in continuing increases in airport revenues. Through its Air Service Development Partnership with the Chamber of Commerce and area businesses the City is actively seeking new airline service to a northern hub airport as well as investigating possibilities for adding service with ultra-low cost carriers to popular tourist destinations.

The Lynchburg Regional Airport has had two fixed base operators (FBOs) providing a full range of aeronautical services such as fueling, maintenance, flight training, and charter services. In addition, Liberty University's rapidly growing School of Aeronautics is based at the airport.

Prospects for the Future

The City has worked diligently through its Economic Development Authority (EDA) to ensure that Lynchburg continues to be a dynamic, vibrant economy where there are economic opportunities for all. Marketing efforts continue to target prospects for appropriate commercial development to ensure the City remains the shopping and dining destination of the region. Tourism will also continue to play an important role with City staff working to make Lynchburg "A Great Place to Live, Work and Play!"

Certificates of Achievement for Excellence

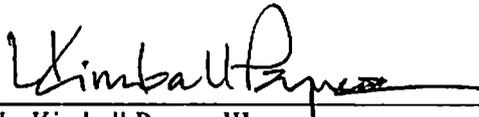
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lynchburg for its CAFR for the fiscal year ended June 30, 2014. This is the City's eighteenth consecutive year in receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2014 Adopted Budget. This is the City's tenth consecutive year in receiving this award.

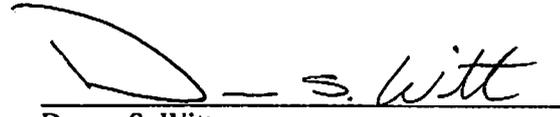
Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the leadership of Rhonda Allbeck, Assistant Director of Financial Services, and the dedicated staff of the Financial Services Department. Each member of the department has our appreciation for their outstanding efforts in the preparation of this Report. Appreciation is also expressed to City Council for its guidance and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



L. Kimball Payne, III
City Manager



Donna S. Witt
Director of Financial Services

CITY OF LYNCHBURG, VIRGINIA
COUNCIL-MANAGER FORM OF GOVERNMENT

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2014

CITY COUNCIL

Dr. Michael A. Gillette, Mayor

Rev. Ceasor T. Johnson, Vice-Mayor
Trenay Tweedy
Joan F. Foster

Jeff S. Helgeson
J. Randolph "Randy" Nelson
Edgar J. T. Perrow, Jr.

CITY OFFICIALS

L. Kimball Payne, III
Bonnie M. Svrcek
Walter C. Erwin, III
Donna S. Witt

City Manager
Deputy City Manager
City Attorney
Director of Financial Services

SCHOOL BOARD

Ms. Mary Ann Hoss, Chair

J. Marie Waller, Vice Chair
Ms. Sharon Y. Carter
Dr. James E. Coleman
Dr. Regina T. Dolan-Sewell

Dr. Michael J. Nilles
Mr. Derek L. Polley
Ms. Jennifer R. Poore
Mrs. Katie K. Snyder

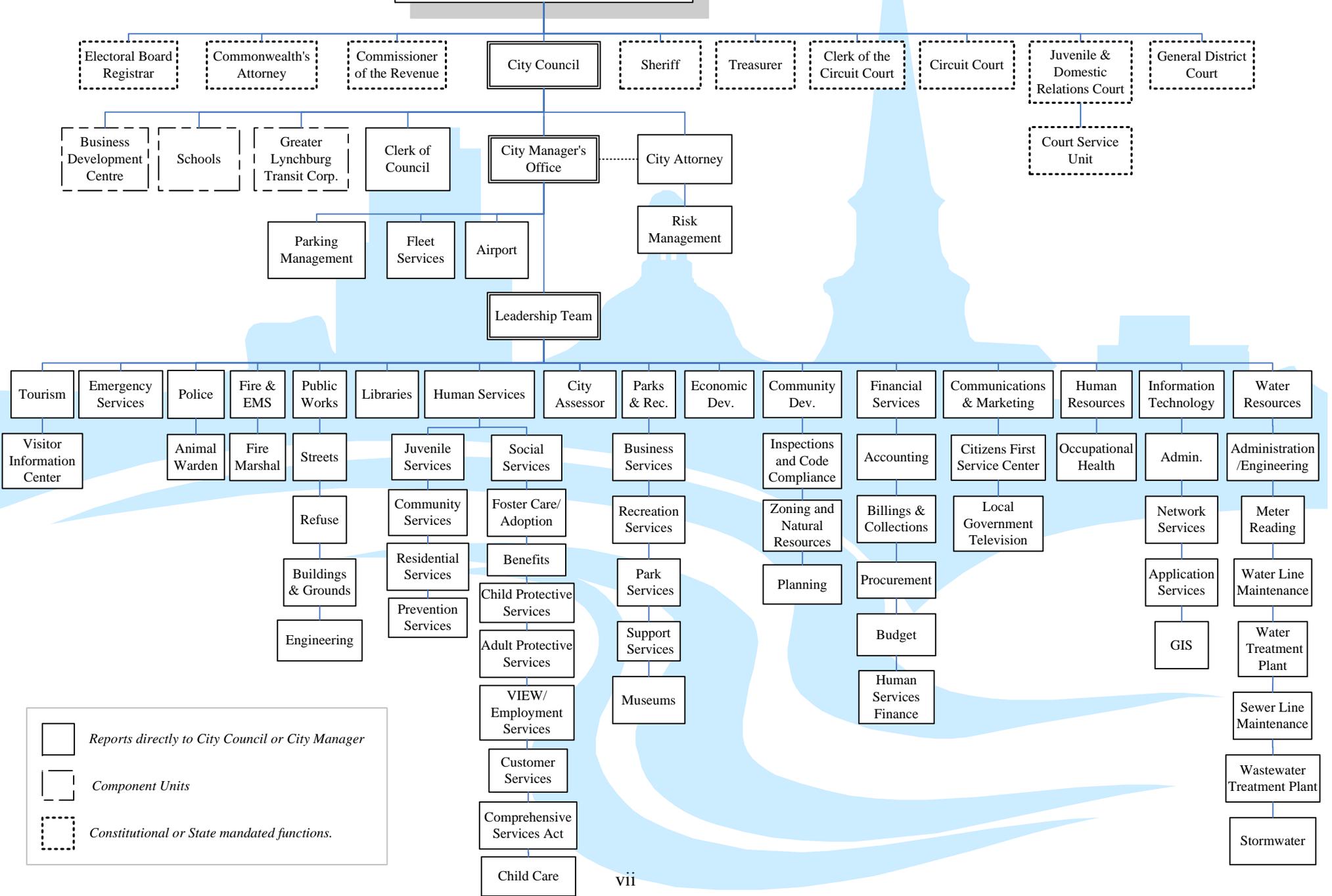
SCHOOL BOARD OFFICIALS

Dr. Scott S. Brabrand
Dr. John C. McClain
Mr. Ben W. Copeland
Mr. Anthony E. Beckles, Sr.

Superintendent of Schools
Assistant Superintendent
Assistant Superintendent
Chief Financial Officer

CITY OF LYNCHBURG

Citizens



- Reports directly to City Council or City Manager
- Component Units
- Constitutional or State mandated functions.



Government Finance Officers Association

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

Presented to

**City of Lynchburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council and the City Manager
City of Lynchburg, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit referred to as the Business Development Centre, Inc., whose statements reflect total assets of \$1,962,658 as of June 30, 2015, and total revenues of \$251,833 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us; and our opinion, insofar as it relates to the amounts included for the Business Development Centre, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 20 to the financial statements, in 2015 the Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual statements and schedules, the non-major funds budgetary comparison statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. In addition, the accompanying schedules of passenger facility charges and expenditures of passenger facility charges are presented for purposes of additional analysis as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining and individual statements and schedules, the non-major funds budgetary comparison schedules, the schedule of expenditures of federal awards, and the schedules of passenger facility charges and expenditures of passenger facility charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, the non-major funds budgetary comparison schedules, the schedule of expenditures of federal awards, and the schedules of passenger facility charges and expenditures of passenger facility charges are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 13, 2015

CITY OF LYNCHBURG, VIRGINIA

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) of the City of Lynchburg's (City) financial statements offers readers a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2015. The Lynchburg City Schools (Schools) component unit is included in this narrative also. The information presented here should be considered in conjunction with additional information provided in the Letter of Transmittal.

FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of resources of the City exceeded its total liabilities and deferred inflows of resources at June 30, 2015 by \$398.0 million (net position). Unrestricted net position of (\$9.5) million represented (\$20.3) million for governmental activities, which included the general fund, and \$10.8 million for business-type activities, which included the enterprise funds (water, sewer, stormwater, and airport).
- In 2015 the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The overall effect of this new standard is to reflect the City's long-term Virginia Retirement System (VRS) obligations directly in the financial statements. Previously, such amounts were mostly disclosed, but were not recognized as long as the City was current with its required VRS contributions. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the City record a net pension liability directly on the statement of net position. Beginning net position has been restated as discussed in Note 20, and this has had a significant impact on the City's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.
- The general fund's unassigned fund balance of \$32.1 million was 18.2% of total general fund revenues, which were \$176.6 million. This was \$14.5 million more than the City Council adopted unassigned fund balance policy requirement of 10%, or \$17.6 million.
- In comparison with the prior fiscal year, the City's total net position decreased 18.4%, or \$89.6 million, from FY 2014. Net position of governmental activities decreased 32.5%, or \$87.7 million, from FY 2014; and, net position of business-type activities decreased 0.8%, or \$1.9 million. The Schools' total net position decreased \$88.7 million, from FY 2014. The decreases in net position were a result of the City's adopting of GASB Statement No. 68 as discussed above.
- The City's total revenues of \$241.5 million increased 2.1%, or \$5.1 million, and total expenses of \$225.2 million increased 0.6%, or \$1.3 million, from FY 2014. General revenues and transfers of \$137.1 million were \$16.3 million more than the expenses net of program revenues of \$120.8 million.
- For the current fiscal year, the City's total liabilities and deferred inflows of resources of \$544.2 million increased 56.5% or \$196.5 million from FY 2014. The increase is attributable to recording the pension liability for the City.
- The City increased its overall debt by \$72.9 million, of which \$71.8 million was for governmental activities and \$1.1 million was for business-type activities. This includes issuance of new debt totaling \$128.6 million, of which \$105.4 million was for governmental activities and \$23.2 million was for business-type activities. Debt retirements through a combination of planned retirements; and current and advance refunding totaled \$55.7 million, of which \$33.6 million was for governmental activities and \$22.1 million was for business-type activities. The City's general obligation bonds continued to maintain an Aa2 rating from Moody's Investors Service; an AA+ rating from Fitch Ratings; and, an AA+ from Standard & Poor's Ratings Services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the City of Lynchburg's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements including budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the City's net position and changes in net position. One can think of the City's net position – the difference between assets, liabilities, and deferred inflows/outflows of resources – as a way to measure the City's financial health, or financial position. Over time, increases or decreases in net position help determine whether the City's financial position is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the City is divided into the following:

Governmental activities - The City's basic services are reported here: general government, police, fire and emergency medical services, public works, juvenile and social services, parks and recreation, community development, and fleet internal services. Property taxes, other taxes, and intergovernmental revenue are the primary sources that finance these activities.

Business-type activities - The financial information for the water, sewer, stormwater, and airport activities are reported here. The City charges a fee to customers to fund all or most of the cost of services provided by these activities.

Component units - The City also includes three separate legal entities in its report – the Lynchburg City Schools, the Greater Lynchburg Transit Company, and the Business Development Centre, Inc. While these represent legally separate entities, their operational or financial relationship with the City makes the City financially accountable.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate fiscal accountability. As described in the following information, the City uses governmental, proprietary, and fiduciary fund financial statements to provide detailed information regarding its most significant funds.

Governmental Funds

Governmental funds report most of the City's basic services. The funds focus on cash and other financial resources that can be readily converted to cash flows in and out, and balances left at year-end that are available for future spending. Consequently, the governmental funds statements provide a near or short-term view of the City's finances that helps the reader determine whether there are greater or fewer financial resources available in the near future to finance City programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

Proprietary Funds

Proprietary funds report the same functions that are presented as business-type activities in the government-wide financial statements. Proprietary funds are classified as enterprise or internal service funds. An enterprise fund reports any activity for which fees are charged to external users for goods or services. Internal service funds account for goods and services provided on a cost reimbursement basis from activities within the government. The City maintains the accounting for four enterprise funds: water, sewer, stormwater, and airport operations; and an internal service fund to account for its fleet services. Because fleet services predominantly benefit governmental rather than business-type functions, the internal service fund is included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the City cannot use these assets for its operations.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees.

The combining and individual fund statements and schedules for all nonmajor funds include the governmental, special revenue, and capital projects funds. Budget to actual statements are provided for governmental and special revenue funds with legally adopted budgets.

The Schools' and the City's financial statements are included in one Comprehensive Annual Financial Report. The Greater Lynchburg Transit Company and the Business Development Centre, Inc. issue separate reports.

Other Supplementary Information for the City and Schools includes a Statistical Section, Schedule of Expenditures of Federal Awards, and Schedules of Passenger Facility Charges Revenues and Expenditures.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The following table reflects condensed information for the City's net position. Percentage changes in the table below were rounded for the following narrative.

***Summary of Statement of Net Position
As of June 30, 2015/2014
(in millions)***

	Governmental Activities		Business-Type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2015	2014	2015	2014	2015	2014	2015-2014	2015	2014
Current and other assets	\$ 178.1	\$ 134.1	\$ 41.8	\$ 33.2	\$ 219.9	\$ 167.3	31%	\$ 17.5	\$ 16.6
Capital assets	332.5	292.5	373.7	371.2	706.2	663.7	6%	6.6	5.5
Total assets	510.6	426.6	415.5	404.4	926.1	831.0	11%	24.1	22.1
Total deferred outflows of resources	13.2	2.5	2.9	1.8	16.1	4.3	0%	9.4	-
Long-term liabilities	299.0	130.9	196.6	183.4	495.6	314.3	58%	89.7	3.9
Other liabilities	20.9	19.9	4.2	4.9	25.1	24.8	1%	15.0	14.1
Total liabilities	319.9	150.8	200.8	188.3	520.7	339.1	54%	104.7	18.0
Total deferred inflows of resources	21.9	8.6	1.6	-	23.5	8.6	0%	13.4	-
Net Position									
Net investment in capital assets	192.8	184.0	205.2	196.9	398.0	380.9	4%	6.5	5.4
Restricted for Capital projects	7.3	13.0	-	-	7.3	13.0	-44%	-	-
Restricted for Grants and other	2.2	2.9	-	-	2.2	2.9	-24%	-	-
Unrestricted	(20.3)	69.8	10.8	21.0	(9.5)	90.8	-110%	(91.1)	(1.3)
Total net position	\$ 182.0	\$ 269.7	\$ 216.0	\$ 217.9	\$ 398.0	\$ 487.6	-18%	\$(84.6)	\$ 4.1

The City's total net position of \$398.0 million decreased 18.4%, or \$89.6 million, from FY 2014. The decrease in net position is directly related to the City's adopting of GASB Statement No. 68 which recorded the pension liability.

Net investment in capital assets of \$398.0 million was 100.0% of total net position and increased 4.5%, or \$17.1 million. Net position invested in capital assets was not available for future expenses because the assets are facilities, equipment, and infrastructure, etc. utilized to provide services. Please refer to Notes 8 and 9 of this report and the MD&A's capital assets and long-term debt sections.

The City has unrestricted net position of (\$9.5) million, which is comprised of (213.7%), or (\$20.3) million, for governmental activities, and 113.7%, or \$10.8 million, for business-type activities. Unrestricted net position available for providing services to the citizens decreased 110%, or \$100.3 million from FY 2014. Restricted net position of \$9.5 million is comprised of \$7.3 million of grant funds restricted for transportation projects and \$2.2 million of grant funds restricted mainly for public safety, and community development. The decrease in unrestricted net position is directly related to the City's adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

The Schools' component unit total net position of (\$84.6) million decreased \$88.7 million from FY 2014. Unrestricted net position of (\$91.1) million decreased \$92.4 million from FY 2014. The Schools' reduction in net position is directly related to the implementation of GASB Statement No. 68.

Statement of Activities

The City's total revenues and expenses for governmental activities, business-type activities, and the Schools' component unit are reflected in the following table. Percentage changes in the table below were rounded for the following narrative.

Summary of Changes in Net Position
For Fiscal Years Ended June 30, 2015/2014
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2015	2014	2015	2014	2015	2014	2015-2014	2015	2014
Revenues:									
Program Revenues:									
Charges for services	\$ 13.4	\$ 15.3	\$ 40.4	\$ 38.6	\$ 53.8	\$ 53.9	0%	\$ 1.8	\$ 2.7
Operating grants/contributions	42.1	40.0	0.4	0.8	42.5	40.8	4%	60.8	57.1
Capital grants/contributions	1.5	2.4	6.6	5.7	8.1	8.1	0%	1.0	1.0
General Revenues:									
Property taxes	75.7	75.0	-	-	75.7	75.0	1%	-	-
Other taxes	51.7	49.8	-	-	51.7	49.8	4%	-	-
Unrestricted intergovernmental	6.2	6.2	-	-	6.2	6.2	0%	-	-
Interest	0.3	0.3	0.1	0.1	0.4	0.4	0%	-	-
IRS Subsidy Build America Bonds	0.3	0.3	0.3	0.3	0.6	0.6	0%	-	-
Miscellaneous	2.2	1.5	-	-	2.2	1.5	47%	0.7	0.9
Gain on sale of assets	0.3	0.1	-	-	0.3	0.1	200%	-	-
City appropriation	-	-	-	-	-	-	-	36.3	35.6
Total Revenues	193.7	190.9	47.8	45.5	241.5	236.4	2%	100.6	97.3
Expenses:									
General government	13.7	13.3	-	-	13.7	13.3	3%	-	-
Judicial	6.3	6.5	-	-	6.3	6.5	-3%	-	-
Public safety	48.7	48.8	-	-	48.7	48.8	0%	-	-
Public works	24.8	29.3	-	-	24.8	29.3	-15%	-	-
Health and human services	27.3	25.8	-	-	27.3	25.8	6%	-	-
Cultural and recreational	9.8	9.0	-	-	9.8	9.0	9%	-	-
Community development	6.7	6.7	-	-	6.7	6.7	0%	-	-
Education	42.6	42.6	-	-	42.6	42.6	0%	98.9	96.2
Interest & other fiscal charges	7.2	4.9	-	-	7.2	4.9	47%	-	-
Stormwater	-	-	2.0	2.5	2.0	2.5	0%	-	-
Airport	-	-	4.5	4.4	4.5	4.4	2%	-	-
Water	-	-	13.2	12.8	13.2	12.8	3%	-	-
Sewer	-	-	18.4	17.3	18.4	17.3	6%	-	-
Total Expenses	187.1	186.9	38.1	37.0	225.2	223.9	1%	98.9	96.2
Increase in net position before transfers	6.6	4.0	9.7	8.5	16.3	12.5	30%	1.7	1.1
Transfers	(0.1)	(0.2)	0.1	0.2	-	-	-	-	-
Increase in net position	6.5	3.8	9.8	8.7	16.3	12.5	30%	1.7	1.1
Net position beginning - restated	175.5	265.9	206.2	209.2	381.7	475.1	-20%	(86.3)	3.0
Net position ending	\$182.0	\$269.7	\$216.0	\$217.9	\$398.0	\$487.6	-18%	\$(84.6)	\$ 4.1

Governmental Activities

The City's governmental activities are comprised of the general fund, fleet internal services fund, special revenue funds, and capital projects funds. Total net position of \$182.0 million decreased 32.5%, or \$87.7 million from FY 2014.

Revenue highlights:

Revenues from governmental activities of \$193.7 million increased 1.5%, or \$2.8 million from FY 2014.

Program revenues, specifically charges for services of \$13.4 million had an overall decrease of \$1.9 million primarily due to a \$1.7 million decrease in program income from FY 2014 as a result of the repayment by the developer of funds advanced from the Community Development Block Grant in payment of the Section 108 loan for the Bluffwalk Center project.

Operating grants and contributions increased \$2.1 million. The net increase of \$2.1 million is attributed to a net gain between the receipt of new grants and/or increase in recurring grants as well as the reduction in prior year grants. Increases in grants of

\$2.7 million are comprised of the following: Health and Human Services grants increased \$1.7 million, Governor’s Agriculture and Forestry Industries Development grant increased \$0.3 million, and Street and Highway Maintenance funds increased \$0.7 million. Decreases in grants of \$0.6 million are comprised of the following: grants for the Commonwealth Attorney decreased \$0.1 million, Fire and Emergency Medical Services grants decreased \$0.1 million, House Bill 599 Law Enforcement Assistance grants decreased \$0.3 million, and Home Investment Trust funds decreased \$0.1 million.

Capital grants and contributions decreased \$0.9 million. The decrease is mainly attributed to the following: \$0.7 million increase in reimbursements from the Virginia Department of Transportation (VDOT) revenue sharing program; \$1.6 million decrease in reimbursements from VDOT federal reimbursement grants; \$0.1 million increase in Safe Routes to Schools grants; \$0.4 million increase in federal reimbursements for Riverside Park; \$0.1 million decrease in Federal Highway Safety Improvement Program funds for Memorial Avenue; and \$0.4 million decrease in contributions for the Library story time room.

General revenues, specifically property taxes of \$75.7 million, increased \$0.7 million. Property taxes are comprised mainly of real property and personal property taxes. Real property taxes increased \$0.5 million. The City’s general reassessment of real property occurs biennially and is effective on July 1 of the fiscal year. The City’s biennial reassessment occurred July 1, 2013 and resulted in a nominal increase in assessed value of taxable real property.

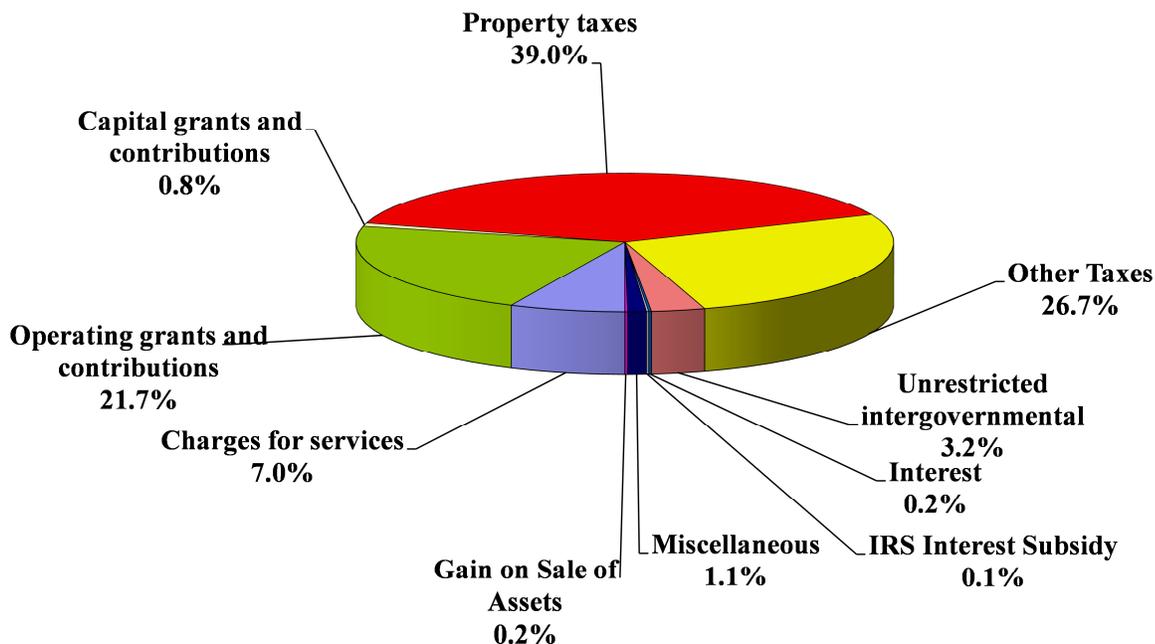
Other taxes revenue of \$51.7 million increased \$1.9 million. Other taxes are comprised mainly of revenue from local sales, meals, lodging, consumer utilities, business licenses, motor vehicle licenses, and communications sales and use taxes. The increase is mainly attributable to increases in local sales, meals, bank stock and recordation tax.

In accordance with the issuance of Build America Bonds, the City received \$0.3 million for IRS Subsidy.

Miscellaneous income increased \$0.7 million primarily due to an increase in developer fees from the Miller Center Project.

The following chart reflects the governmental activities distribution of revenues by source.

Revenue by Source-Governmental Activities



Expense highlights:

Governmental activities expenses of \$187.1 million increased 0.1%, or \$0.2 million from FY 2014.

General government expenses increased \$0.4 million primarily due to the following: increase in health benefits for retirees of \$1.0 million, decrease in depreciation expense of \$0.1 million, decrease in other post-employment benefits of \$0.1 million, and \$0.4 million decrease in pension expense due to the City's adoption of GASB statement 68.

Judicial expenses decreased \$0.2 million primarily due to \$0.1 million decrease in other post - employment benefits, and \$0.1 million decrease in pension expense in accordance with the City's adoption of GASB statement 68.

Public safety expenses decreased \$0.1 million primarily due to a combination of increases and decreases in expenses. Increases included: health benefit expenses of \$0.4 million, supplies expenses of \$0.2 million, salaries and wages of \$0.5 million, payments to the Detention Home of \$0.2 million, fire hydrant expenses of \$0.5 million, contributions to the Blue Ridge Regional Jail Authority of \$0.4 million, and insurance expenses of \$0.1 million. Decreases included: gas and diesel expenses of \$0.1 million, certification pay of \$0.3 million, payments to the Region 2000 Radio Communications Board of \$0.1 million, depreciation expense of \$0.2 million, pension expense of \$1.2 million in accordance with the City's adoption of GASB statement 68, and other post-employment benefit (OPEB) expenses of \$0.5 million.

Public works expenses decreased \$4.5 million due to the following: \$1.9 million decrease in closure costs for the City's portion of the Lynchburg landfill, \$2.2 million decrease in improvements to streets, roads, bridges, and buildings, \$0.1 million decrease in other post-employment benefits (OPEB), and \$0.3 million decrease in pension expense in accordance with the City's adoption of GASB statement 68.

Health and human services expenses increased \$1.5 million primarily due to increases in adoption and foster care services and decreases in pension expense and other post-employment benefits (OPEB).

Cultural and recreational expenses increased \$0.8 million primarily due to a combination of increase and decreases. Increases included: contractual services for the Jefferson Park Landfill, rental expenses for the Miller Center, renovations for Armstrong school, and software purchases and equipment for the library. Decreases included reductions in other post-employment benefits (OPEB) and pension expense in accordance with the City's adoption of GASB Statement 68.

Interest and other fiscal charges increased \$2.3 million due to the issuance of new debt in July and the refunding of debt in March.

The following table indicates the total cost of services and net cost of services for governmental activities.

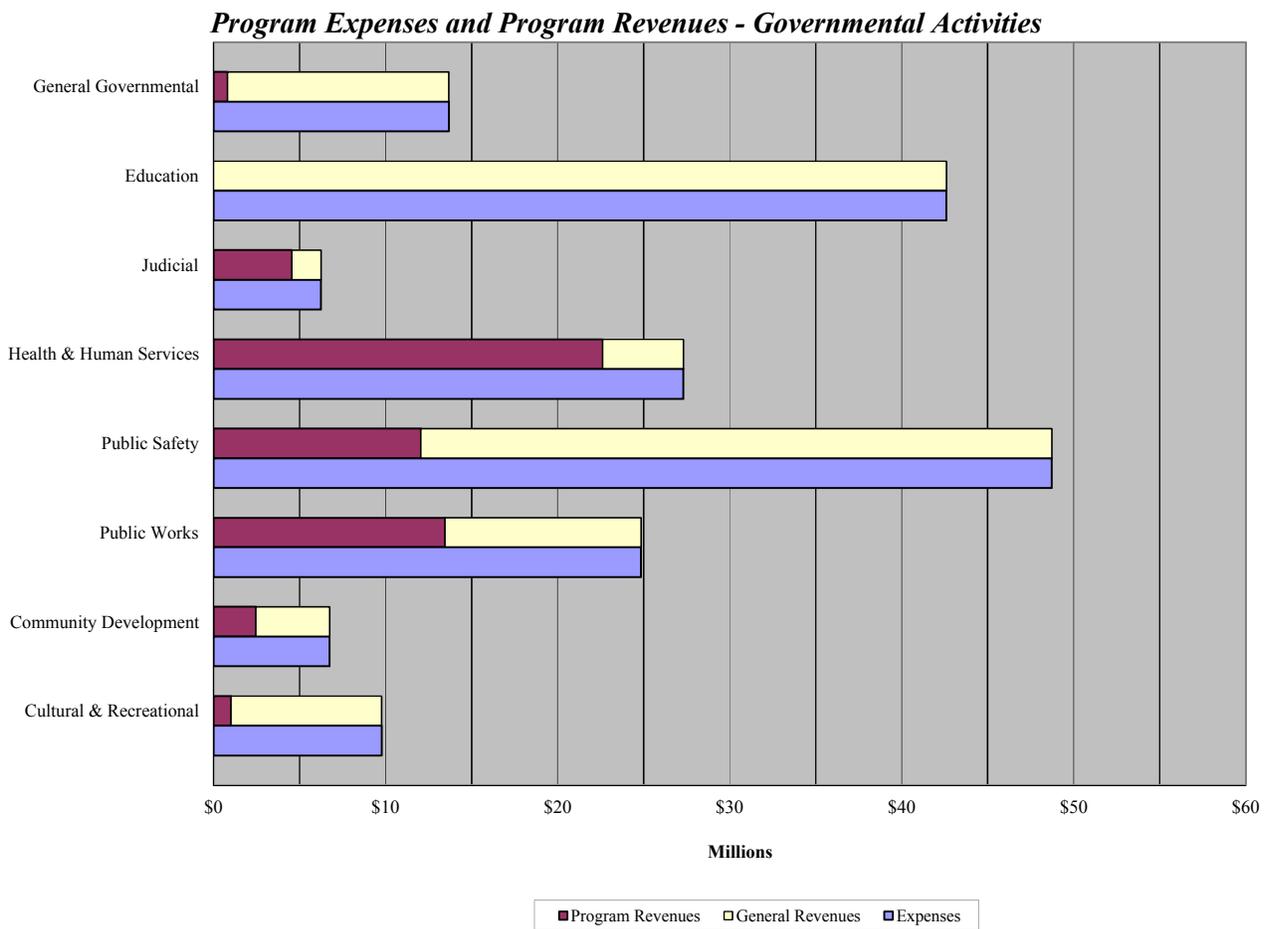
***Net Cost of Governmental Activities
For Fiscal Years Ended FY 2015/2014
(in millions)***

Governmental Activity	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2015	2014	Change 2015-2014	2015	2014	Change 2015-2014
General government	\$ 13.7	\$ 13.3	3%	\$ 12.8	\$ 12.5	2%
Judicial	6.3	6.5	-3%	1.7	1.8	-6%
Public safety	48.7	48.8	0%	36.7	36.2	1%
Public works	24.8	29.3	-15%	11.4	15.5	-26%
Health and human services	27.3	25.8	6%	4.7	4.8	-2%
Cultural and recreational	9.8	9.0	9%	8.7	7.7	13%
Community development	6.7	6.7	0%	4.3	3.2	34%
Education	42.6	42.6	0%	42.6	42.6	0%
Interest payments & other fiscal charges	7.2	4.9	47%	7.2	4.9	47%
Total Governmental Activities	\$ 187.1	\$ 186.9	0.1%	\$ 130.1	\$ 129.2	1%

The four largest funded programs were public safety at 26.0%, or \$48.7 million; local support for education at 22.8%, or \$42.6 million; public works at 13.2%, or \$24.8 million; and health and human services at 14.6%, or \$27.3 million. Education and public safety continued to be high priorities for the City.

The governmental activities total cost of services increased 0.1% from the prior year with a 1% increase in the net cost of services. The Statement of Activities shows that the \$187.1 million in governmental activities program expenses were financed by \$13.4 million from those receiving services, \$42.1 million from operating grants and contributions, \$1.5 million from capital grants and contributions and \$130.1 million from general revenues. Overall, general revenues and transfers of \$136.6 million were \$6.5 million more than the \$130.1 million of expenses net of program revenues.

The following graph compares governmental activities program expenses and program revenues along with general revenues funding required for each program.



Business-type Activities

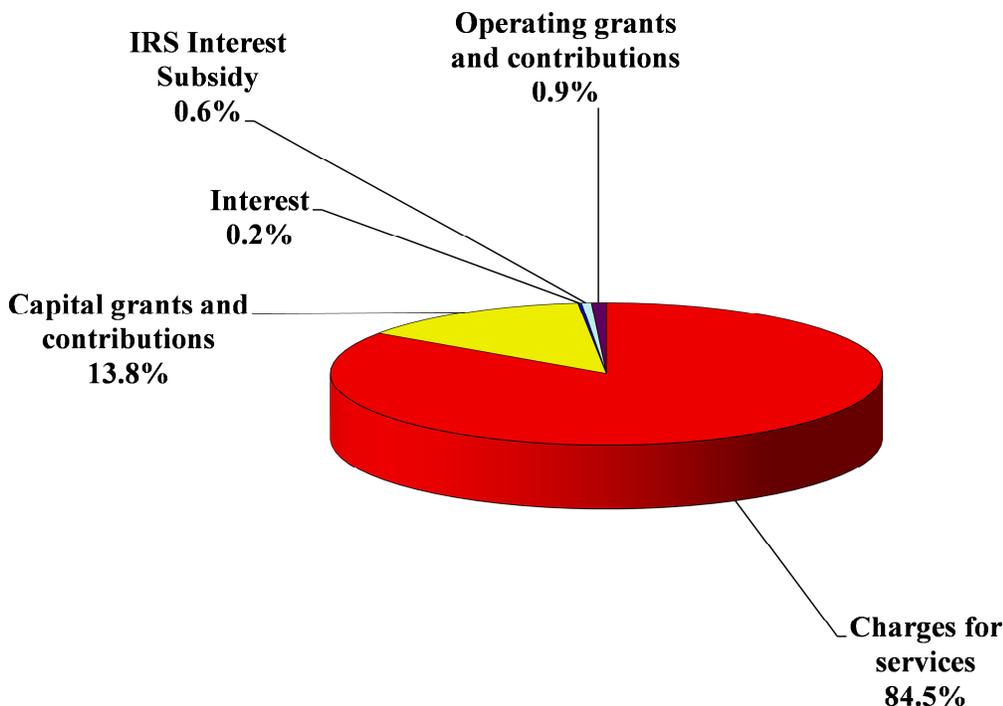
The business-type activities are comprised of enterprise funds for water, sewer, stormwater, and airport operations. Total net position of \$216.0 million decreased 0.9%, or \$1.9 million from FY 2014.

Revenue highlights:

Business-type activities revenues of \$47.8 million increased \$2.3 million from the prior year. This was primarily due to an increase of \$1.8 million in charges for services resulting from a 5.32% rate increase in the water fund, an increase of \$0.5 million in hydrant charges, and an increase in capital grants in the airport fund and the sewer fund.

The following chart reflects the business-type activities distribution of revenues by source.

Revenues by Source - Business-type Activities



Expense highlights:

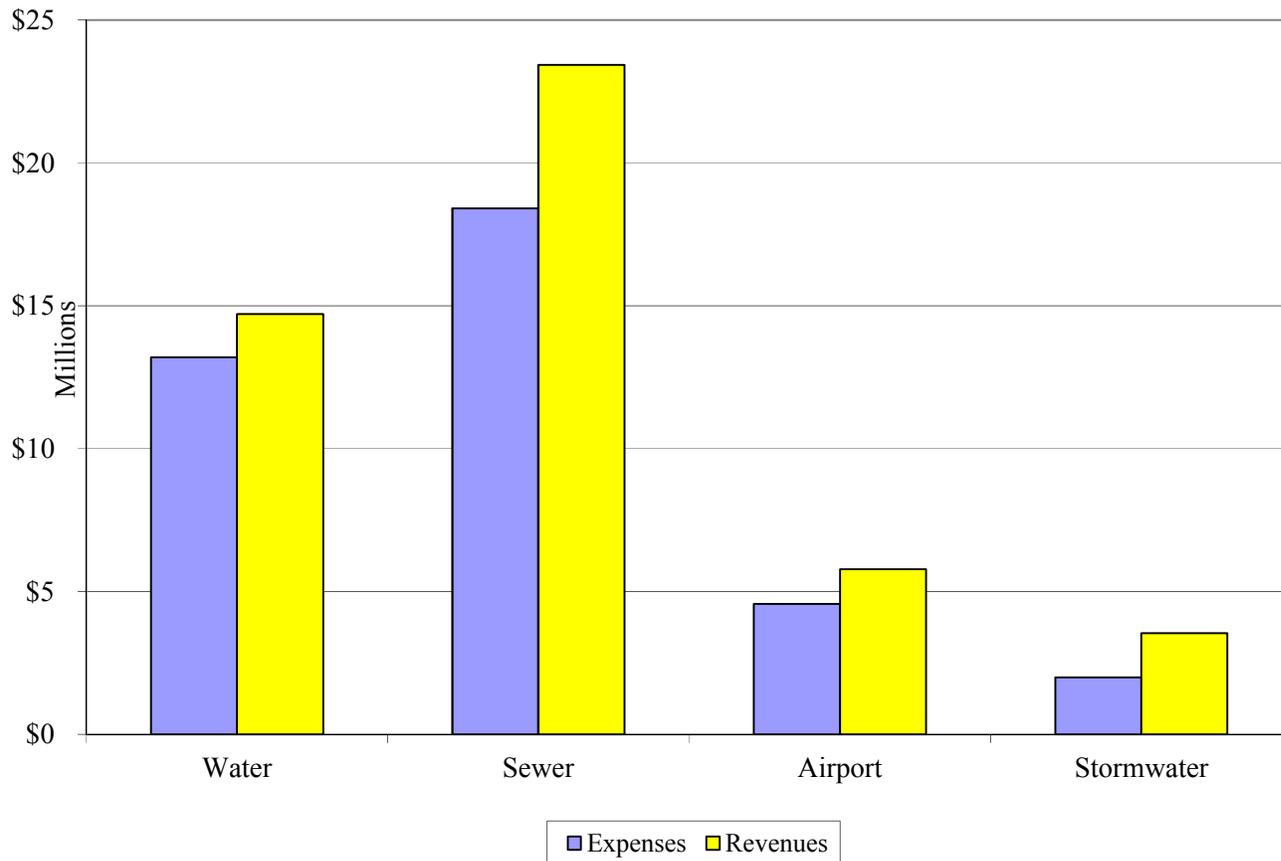
Business-type activities expenses of \$38.1 million increased 3.0%, or \$1.1 million, from the prior year. The increase was primarily due to the following: an increase in depreciation expense of \$0.9 million, an increase in administration charges of \$0.4 million, a decrease in other post-employment benefits (OPEB) of \$0.1 million, and a decrease in pension expense of \$0.3 million in accordance with the City’s adoption of GASB statement 68.

Overall, business-type activities revenues of \$47.8 million were \$9.7 million more than expenses of \$38.1 million.

The proprietary funds provide the same type of information reported in the government-wide financial statements for business-type activities, but in more detail. Please refer to the MD&A’s section on Financial Analysis of the Fund Financial Statements-proprietary funds for detailed analysis of the business-type activities major funds.

The following graph compares the business-type activities program expenses and program revenues.

Program Expenses and Program Revenues - Business-type Activities



Component Unit – Schools

The Schools’ total net position of (\$84.6) million decreased 88.7 million, from FY 2014. Unrestricted net position of \$(91.1) million decreased \$92.4 million from FY 2014. The decrease in net position is a result of the adoption of GASB Statement No. 68 which required the schools’ to record the pension liability for staff and teachers.

Revenue highlights:

Total revenues of \$100.5 million increased 4.5%, or \$4.3 million in comparison with the prior year fund financial statements. For FY 2015, \$61.7 million or 61.4%, of total revenues were received from the Commonwealth of Virginia and the Federal Government as compared to \$57.0 million received in FY 2014, an increase of 8.2%. State sales tax receipts were \$10.0 million for FY 2015. The City government contributed \$36.3 million or 36.1%, to education. Federal revenues of \$11.6 million, included \$3.7 million from Title I funds to provide educational services to economically disadvantaged students. School Nutrition revenues of \$4.0 million included \$3.0 million from the federal government for the operation of the breakfast and lunch programs. Other revenue sources of \$2.5 million or 2.5% of total revenues included the following: school meals sales, tuition paid by participating school divisions to the Central Virginia Governor’s School for Science and Technology, and other miscellaneous sources.

Expense highlights:

Total expenses of \$100.4 million increased 4.6% or \$4.4 million from the prior year fund financial statements. For FY 2015, \$71.3 million or 71.0% of total expenses related directly to providing instruction to 8,137 students and \$14.6 million or 14.5% supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were \$4.8 million or 4.8% of total expenses while administration for the schools and attendance and health services for students were \$4.9 million or 4.8%. Technology costs were \$3.5 million or 3.5% of total expenses. Capital outlays costs were \$1.3 million.

FUND FINANCIAL ANALYSIS

Governmental Funds

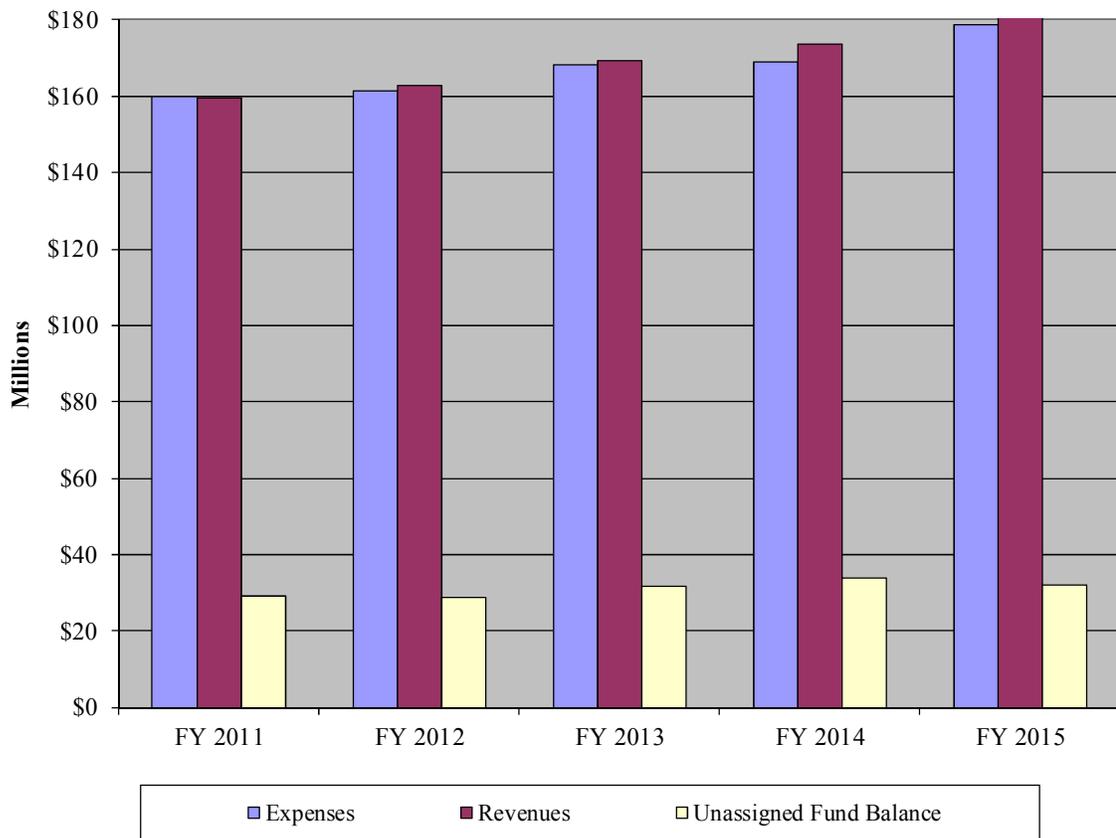
Governmental funds include the general fund, special revenue funds and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- For FY 2015, the City's governmental funds reported combined fund balances of \$131.5 million, an increase of \$47.1 million from FY 2014. Of that amount, \$0.4 million was nonspendable, \$9.5 million was restricted, \$83.4 million was committed, \$6.2 million was assigned, and \$32.0 million was unassigned. The general fund's decrease in fund balance was \$1.1 million. The city capital projects fund's increase in fund balance was \$14.2 million. The school capital projects fund's increase in fund balance was \$34.8 million. Special revenue funds decrease in fund balance was \$0.7 million.
- As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.2% of total general fund expenditures, while total fund balance represents 31.7% of that same amount.

General Fund

The general fund is the chief operating fund of the City. The following graph and table present a five-year summary of financial information for expenditures, revenues, and unassigned fund balance as well as a FY 2015 summarized comparison of amended budget versus actual information. In accordance with the implementation of GASB 54, the technology fund is utilized for internal reporting purposes only. For financial statement reporting, the technology fund is collapsed into the general fund. The five year summary includes the technology fund while the budget comparison does not. See further information in Note 1 to the Financial Statements.

Five-Year General Fund Financial Summary



General Fund Budgetary Highlights
For Fiscal Year Ended June 30, 2015
(in millions)

<u>Description</u>	<u>General Fund Budgetary Highlights</u>			
	Original Budget	Amended Budget	Actual	Amended versus Actual
<u>Revenues & Other Financing Sources</u>				
Taxes	\$ 122.6	\$ 122.5	\$ 127.8	\$ 5.3
Intergovernmental	33.6	34.8	34.6	(0.2)
Other	13.3	36.9	37.7	0.8
Total	169.5	194.2	200.1	5.9
<u>Expenditures & Other Financing Uses</u>				
Expenditures	169.0	196.4	189.3	7.1
Transfers	8.3	13.2	12.0	1.2
Total	177.3	209.6	201.3	8.3
<u>Change in Fund Balance</u>	\$ (7.8)	\$ (15.4)	\$ (1.2)	\$ 14.2

Actual expenditures and other financing uses of \$201.3 million was more than revenues and other financing sources of \$200.1 million by \$1.2 million, which resulted in a negative change in fund balance that was less than the amended budget projected decrease of \$15.4 million. The FY 2015 adopted and amended budgets included the use of \$7.8 million and \$15.4 million, respectively, of the FY 2014 general fund’s unassigned fund balance primarily to resource a planned \$4.9 million transfer out for general government capital projects and a \$1.4 million transfer and \$1.0 million transfer out for school capital projects, and school buses, respectively. This was in accordance with City Council’s adopted Fund Balance Policy (revised in FY 2013), which states that funds in excess of the targeted fund balance of ten percent (10%) of general fund revenues may be considered to supplement “pay-as-you-go” capital outlay expenditures. In summary, actual revenues were above the amended budget by \$5.9 million and actual expenditures were below the amended budget by \$8.3 million, resulting in a \$1.2 million decrease in fund balance for FY 2015.

Actual revenues were greater than estimated and within 3.0%, or \$5.9 million, of the amended budget. Real property, personal property, local sales, business license, meals, motor vehicle license, delinquent, consumer utility, bank stock, lodging, and other local taxes were above the amended budget for FY 2015. Intergovernmental revenue was on pace with the amended budget. The other revenue category was \$0.8 million more than the amended budget due in part to the issuance of refunding bonds, as well as increases in regulatory licenses, permits and privilege fees, charges for services, interest income, and miscellaneous revenue.

Actual expenditures and transfers were \$8.3 million less than the FY 2015 amended budget and mostly attributable to the following unexpended appropriations:

- \$1.4 million for general government
- \$0.2 million for judicial
- \$0.3 million for public safety
- \$0.6 million for health and human services
- \$3.5 million for education
- \$0.9 million for debt service
- \$1.1 million for transfers

Consistent with Council adopted Financial Policies; City Council appropriated \$1.2 million for a General Fund Reserve for Contingencies. City Council authorized 25.0%, or \$0.3 million in expenditures. The remaining 75.0%, or \$0.9 million, reverted to unassigned fund balance.

From the original budget of \$177.3 million, City Council approved budget amendments to increase the budget 18.2%, or \$32.3 million, resulting in an amended budget of \$209.6 million. The budget amendments were primarily for the following purposes:

- \$1.8 million net increase for third quarter budget amendment requests. Each fiscal year, management reviews current year expenditures and revenue collection patterns and presents to City Council a third quarter budget amendment. The FY 2015 amendment was comprised primarily of \$1.0 million for health and human services programs.
- \$22.6 million increase for the issuance of refunding bonds
- \$3.8 million increase to the budget comprised primarily of \$1.4 million for prior year unexpended items requested to be re-appropriated in the current year to continue programs and \$1.5 million for transfers to the City capital projects fund for capital projects.
- \$2.5 million increase for School capital transfer.

City Capital Projects Fund

The city capital projects fund accounts for the major construction projects of the City other than those financed by proprietary funds or the school capital projects fund. Annually, the City adopts a five year capital project plan. Year one of the plan is appropriated for current year expenditures. The fund balance of \$40.3 million increased 53.8%, or \$14.1 million, from FY 2014.

Revenues, issuance of bonds, and transfers of \$36.2 million increased 111.7%, or \$19.1 million. The increase is attributable to the following:

- \$0.4 million increase in federal funds for Riverside Park
- \$0.4 million decrease in contributions for the Library story time room
- \$0.7 million increase in Street and Highway maintenance funds
- \$0.7 million increase in reimbursements from the Virginia Department of Transportation (VDOT) revenue sharing program
- \$0.1 million increase in Federal Highway Improvement Safety program funds for Memorial Avenue
- \$1.6 million decrease in Virginia Department of Transportation funds for federal reimbursements
- \$0.1 million decrease from proceeds received from the sale of property
- \$2.2 million increase in transfers from the general fund
- \$16.1 million increase from bond proceeds
- \$1.1 million increase in Historical Tax credits for Miller Center Renovation
- \$0.1 million decrease in miscellaneous revenue

Expenditures, capital outlay, and capital contributions of \$22.1 million increased 8.8%, or \$1.8 million primarily due to the following:

- \$0.2 million increase for Miller Center Renovations
- \$0.8 million increase for Kemper Street Bridge
- \$0.6 million increase for Wards Road Pedestrian and Bicycle Improvements
- \$0.3 million increase for Timberlake Road at Logans Lane
- \$0.2 million increase for Midtown Connector
- \$0.7 million increase for Juvenile Services Group Home
- \$0.9 million increase for Greenview Drive Phase II Project
- \$1.8 million increase for Riverside Park, City Football Stadium Renovations, Blackwater Creek Athletic Area, and Fairview Fencing projects.
- \$0.2 million in increase transfers to the general fund
- \$0.1 million decrease for Kemper Street Slope Repairs
- \$1.2 million decrease for Street Overlay
- \$0.5 million decrease in contributions for Public Transportation
- \$1.0 million decrease for Lower Bluffwalk
- \$1.1 million decrease for Bridge Maintenance Projects

School Capital Projects Fund

The school capital projects fund accounts for the major construction projects of the Lynchburg City Schools. Annually, the City adopts a five year capital project plan. Year one of the plan is appropriated for current year expenditures. The fund balance of \$35.8 million increased \$34.8 million, from FY 2014.

Revenues, issuance of bonds, and transfers of \$71.6 million increased \$65.7 million. The increase is attributable to the following:

- \$66.5 million increase in proceeds from bonds related to the construction of the new Heritage High School
- \$0.1 million increase in interest income
- \$0.9 million decrease in transfers from the General Fund

Expenditures, capital outlay, and capital contributions of \$36.8 million increased \$27.7 million primarily due to the following:

- \$26.0 million increase in expenditures for Heritage High School
- \$0.6 million increase in expenditures for roof repairs
- \$0.3 million increase in expenditures for E.C. Glass High School turf replacement
- \$0.3 million increase in expenditures for E.C. Glass auditorium stage upgrades
- \$0.3 million increase in expenditures for Bedford Hills Elementary School new classrooms
- \$0.2 million increase in expenditures for E.C. Glass tennis court renovations

Proprietary Funds

The proprietary funds are comprised of water, sewer, stormwater, airport, and fleet services. The City accounts for the water, sewer, stormwater, and airport as enterprise funds and fleet services as an internal service fund. In the budgetary management of the enterprise funds, the City has chosen to budget for principal retirement on long-term debt rather than depreciation. Further, the City uses two key financial indicators, fund balance and debt coverage ratios, found in financial policies adopted by City Council to ensure the enterprise funds' financial stability. At the fund level, fund balance is defined as total cash and cash equivalents less unexpended bond proceeds and resources dedicated to capital projects. The fund balance ratio compares fund balance to operating expenses and debt service less depreciation. The debt coverage ratio compares operating income adjusted for depreciation, interest income and miscellaneous income compared to total debt service.

Water Fund

The water fund's total net position of \$33.2 million decreased 11.2%, or \$4.2 million, from FY 2014. Net investment in capital assets of \$28.6 million increased 2.1%, or \$0.6 million, and was 86.1% of total net position. Unrestricted net position available to fund future expenses decreased by 51.1% or \$4.8 million. This is primarily due to FY 2015 implementation of GASB 68 that recorded the fund's pension plan obligation. Unrestricted net position was 13.9%, or \$4.6 million, of total net position. Operating revenues totaled \$14.7 million, and increased 8.9%, or \$1.2 million, primarily due to a rate increase of 5.32%. Operating expenses totaled \$11.5 million and increased 2.7%. Investment earnings remained unchanged. For FY 2015 the fund balance ratio was 63.7%, which compared favorably to City Council's financial policy target of 40%. The debt coverage ratio was 1.45, which compared favorably to City Council's adopted financial policy target of 1.2.

Sewer Fund

The sewer fund's total net position of \$146.0 million increased 1.0%, or \$1.5 million, from FY 2014. Net investment in capital assets of \$138.6 million increased 3.8%, or \$5.1 million, primarily due to a reduction of outstanding long-term debt that was used to finance capital projects. Net investment in capital assets was 94.9% of total net position. Unrestricted net position available to fund future expenses decreased by 32.7%, or \$3.6 million. This is primarily due to FY 2015 implementation of GASB 68 that recorded the fund's pension plan obligation. Unrestricted net position was 5.1%, or \$7.4 million, of total net position. Operating revenues totaled \$20.2 million and increased 2.0%, or \$0.4 million. Operating expenses totaled \$17.2 million and increased 6.2%, or \$1.0 million mostly due to increased depreciation related to capital projects completed in FY 2014. Investment earnings decreased \$0.04 million. For FY 2015 the fund balance ratio was 28.5% as compared to the financial policy target of 25%. The debt coverage ratio was 1.29, as compared to the financial policy target of 1.2 and was in compliance with the CSO Order requirements. Please refer to the Table 22 in Statistical Section of this report for details.

Stormwater Fund

The stormwater fund’s total net position of \$3.8 million increased 26.7%, or \$0.8 million, from FY 2014. Net investment in capital assets of \$2.0 million increased 150.0%, or \$1.2 million primarily due to capital projects that are on-going. Net investment in capital assets was 52.6% of total net position. Unrestricted net position available to fund future expenses decreased by 18.2%, or \$0.4 million. This is primarily due to FY 2015 implementation of GASB 68 that recorded the fund’s pension plan obligation. Unrestricted net position was 47.4%, or \$1.8 million, of total net position. Operating revenues totaled \$3.5 million and decreased 7.9%, or \$0.3 million mostly due to decreased transfers from general fund. Operating expenses totaled \$2.0 million and decreased 23.1%, or \$0.6 million mostly attributable to decreased operational and maintenance costs charged by general fund. For FY 2015 the fund balance ratio was 42.3%.

Airport Fund

The airport fund’s total net position of \$37.1 million increased 0.5%, or \$0.2 million, from FY 2014. Net investment in capital assets, of \$36.0 million, increased 4.0%, or \$1.4 million. Net investment in capital assets was 97.0% of total net position. Net position, unrestricted, decreased 52.2%, or \$1.2 million, due to the implementation of GASB 68 during the year. Net position, unrestricted, was 3.0%, or \$1.1 million, of net position. Operating revenues totaled \$2.4 million. Operating expenses totaled \$4.6 million, which represents a 7.0% increase. Capital contributions totaled \$3.1 million, an increase of 24.0%, or \$0.6 million, which represents an increase of federal contributions towards airport capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s capital assets, net of depreciation, were \$706.3 million as reflected in the following schedule. The City of Lynchburg owns the land, buildings, and facilities used by Lynchburg City Schools. The Schools had \$6.6 million in capital assets exclusive of buildings and facilities, which were capitalized as the City’s assets.

*Capital Assets
As of June 30, 2015/2014
(in millions)*

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change 2015-2014	Component Unit Schools	
	2015	2014	2015	2014	2015	2014		2015	2014
Capital assets, not being depreciated:									
Land	\$ 17.5	\$ 17.3	\$ 5.1	\$ 5.1	\$ 22.6	\$ 22.4	1%	\$ -	\$ -
Construction in progress	62.7	33.6	20.8	16.5	83.5	50.1	67%	-	-
Capital assets, being depreciated:									
Land improvements	39.6	23.2	12.6	12.4	52.2	35.6	47%	-	-
Buildings and improvements	239.3	236.3	57.1	56.9	296.4	293.2	1%	-	-
Infrastructure	235.7	231.9	435.1	425.6	670.8	657.5	2%	-	-
Machinery and equipment	48.0	43.8	22.0	21.0	70.0	64.8	8%	14.0	12.3
Less: Accumulated depreciation	(310.3)	(293.6)	(178.9)	(166.3)	(489.2)	(459.9)	6%	(7.4)	(6.8)
Total Capital Assets	\$ 332.5	\$ 292.5	\$ 373.8	\$ 371.2	\$ 706.3	\$ 663.7	6%	\$ 6.6	\$ 5.5

During FY 2015, the City's net increase in capital assets was 6% or \$42.6 million. Major capital asset events included the following (in millions):

Construction-in-progress converted to capital assets:

Completion of Phase 1 of the Heritage High School Project (Athletic Complexes); financed by general obligation bonds.	\$8.6
Completion of Lower Bluff Walk, financed by pay-as-you-go capital monies	5.4
Completion of Airport Terminal Apron and Taxiways rehabilitation; financed by 90% Federal grants and 10% State grants.	4.8
Completion of Pedestrian / Bicycle Improvements Wards Road Corridor; financed by local pay-as-you-go capital monies.	2.9
Completion of several Sewer Infrastructure Projects; financed by a combination of Virginia Revolving Loan Program Funds, State and Federal CSO grants and general obligation bonds	2.6
Completion of several Water Infrastructure Projects; financed by a combination of Virginia Revolving Loan Program Funds, State and Federal CSO grants and general obligation bonds	1.7
Completion of City Stadium Artificial Turf on the Football / Soccer Field; financed by local pay-as-you-go capital monies.	1.5
Completion of several School Roof Replacement Projects; financed by local pay-as-you-go capital monies.	0.9
Completion of several School HVAC Projects; financed by local pay-as-you-go monies	0.8
Total construction-in-progress converted to capital assets	<u>29.2</u>
On-going replacement of the vehicle fleet, financed through local operating monies.	<u>5.4</u>
Total major asset events	<u><u>\$34.6</u></u>

Construction-in-progress at the end of FY 2015 includes additional CSO abatement projects, Heritage High School Construction, Kemper Street Bridge, City Football Stadium Restorations, Juvenile Detention Home and Water & Sewer projects and the Midtown Connector project. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term Debt

Total outstanding debt was \$369.7 million with \$181.6 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$188.1 million. Liabilities for compensated absences and workers' compensation of \$7.3 million and other post-employment benefits liability of \$5.6 million were excluded.

Long-term Debt Obligations
As of June 30, 2015/2014
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change 2015-2014
	2015	2014	2015	2014	2015	2014	
General Obligation Bonds	\$ 186.5	\$ 114.5	\$ 70.4	\$ 56.1	\$ 256.9	\$ 170.6	51%
Revenue Bonds	-	-	111.2	117.3	111.2	117.3	-5%
General Obligation Notes	-	-	-	7.2	-	7.2	-100%
Note Payable	1.6	1.7	-	-	1.6	1.7	-6%
Total	\$ 188.1	\$ 116.2	\$ 181.6	\$ 180.6	\$ 369.7	\$ 296.8	25%

Total new debt of \$128.6 million was issued, of which \$105.4 million was for governmental activities; and \$23.2 million was for business-type activities and include:

- \$95.1 million of general obligation public improvement bonds to fund new construction projects including a new Heritage High School and Group Home; as well as other transportation, water, and sewer projects, of which \$83.2 million was for governmental activities and \$11.9 million was for business-type activities.
- \$6.6 million of general obligation public improvement bonds for water projects to current refund and permanently finance the line of credit bond anticipation note, all of which was for business-type activities.
- \$13.5 million of general obligation public improvement advance refunding bonds, of which \$13.1 million was for governmental activities and \$0.4 million was for business-type activities.
- \$13.4 million of general obligation public improvement current refunding bonds, of which \$9.1 million was for governmental activities and \$4.3 million was for business-type activities.

The City retired \$55.7 million of outstanding principal. The governmental activities principal retirements were \$33.6 million and the business-type activities principal retirements were \$22.1 million and include:

- \$20.9 million in planned principal retirements, of which \$10.6 million was for governmental activities and \$10.3 million was for business-type activities.
- \$7.2 million on a bond anticipation note was refunded and permanently, all of which was for business-type activities
- \$27.6 million of refunded principal payments, of which \$23.0 million was for governmental activities and \$4.6 million was for business-type activities.

The City's general obligation bonds continued to maintain an Aa2 rating from Moody's Investors Service dated May 27, 2014; an AA+ rating from Fitch Ratings dated June 9, 2014; and, an AA+ from Standard & Poor's Ratings Services dated May 30, 2014. These credit ratings were related to the City's issuance of the July 10, 2014, General Obligation Public Improvement and Refunding Bonds, Series 2014 of \$115,190,000 with final maturity on June 1, 2044. Factors contributing to these ratings include Lynchburg's:

- stable and diverse tax base of multiple higher education institutions and a large regional health care facility;
- regional employment base with manufacturing, healthcare, higher education and engineering;
- regional commerce center for retail and economic activity;
- strong financial management and prudent financial practices and planning;
- strong budgetary flexibility and strong fund balance positions resulting in a sound financial position; and
- an above average and affordable debt burden.

On July 10, 2014, the City issued \$115,190,000 of General Obligation Public Improvement and Refunding Bonds, Series 2014 dated July 10, 2014 from its competitive bond sale on June 10, 2014. New bond proceeds totaled \$101.7 million of which \$83.2 million was for governmental activities and \$18.5 million was for business-type activities. The \$83.2 million of new proceeds will be used to fund governmental activities as follows: \$62.5 million for a new Heritage High School; \$7.1 million for City Stadium renovations; \$3.6 million for a new Group Home facility; \$6.4 million for transportation; and, \$3.6 million for other

general government projects. The \$18.5 million of new proceeds will be used to fund business-type activities as follows: \$5.3 million for sewer projects; \$6.6 million for water projects; and, \$6.6 million for water projects to current refund and permanently finance the line of credit bond anticipation note with Carter Bank & Trust dated November 8, 2011. Lastly, the City issued \$13.5 million to advance refund \$14.5 million of the May 9, 2006 General Obligation Public Improvement Bonds for maturities from FY 2017 to FY 2026. Of this \$13.5 million in refunding bonds, \$13.1 million was governmental activities and \$0.4 million was for business-type activities. The refunded bonds of \$14.5 million were \$14.1 million of governmental activities and \$0.4 million of business-type activities. Over the next twelve years, the advance refunding reduced total debt service payments by \$1.1 million and resulted in an economic gain of \$1.1 million.

On March 12, 2015, the City issued \$13,425,000 of General Obligation Public Improvement Refunding Bonds, Series 2015 Bonds R-1 and R-2 as a Direct Bank Loan with American National Bank and Trust Company. The proceeds were used to refund \$13 million of principal for the March 16, 2005 General Obligation Public Improvement Refunding Bond Issue, Series 2005A. The refunding was undertaken to reduce total debt service payments over the next 16 years by \$1.2 million and resulted in an economic gain of \$1.1 million.

The City Council adopted Debt Management Policy was amended in December 2006 and limited tax-supported debt not to exceed 4.5% of net assessed valuation of taxable property in the City. As of the end of FY 2015, outstanding tax-supported debt was 3.39% of net assessed valuation. In addition, the City Council adopted Budget Policy was amended in December 2006. It established that pay-as-you-go funding, as a percentage of the City's Five Year Capital Improvement Program, shall not be less than 10%, and it set a goal of 15%. Both policies were reaffirmed by City Council on November 23, 2010 with one Debt Management Policy revision to debt service payments for revenue supported debt from twenty to thirty years. Most recently, on February 26, 2013, City Council amended the Debt Management Policy to revise the 10-Year Principal Payout Ratio. The revision included the following provision for the Capital Improvement Program. "The 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program for Tax-Supported General Obligation Indebtedness." The Principal Payout Ratio as of June 30, 2015 was 63.10%.

Detailed information on the City's long-term debt is included in Note 9 of this report.

ECONOMIC FACTORS

The City's unemployment rate decreased from 7.1% in June 2014 to 7.0% in June 2015, after a larger decrease from the June 2013 rate of 8.2%. This decrease of 0.1% reflects the continued slight growth in the economy. The City's unemployment rate typically trends above the State rate, which was 5.0% in June 2015. The City's unemployment rate also typically trends below the National rate, which was 5.5% for the same period. The City's unemployment rate was actually higher than the National rate for the second consecutive year due to the increasing student population in the City and the Lynchburg economy typically lags the nation in both recession and recovery.

Although still an important sector, manufacturing no longer dominates the Lynchburg economy as it did in the past. American Electric Power (AEP), the region's electric utility provider, remains the City's largest property taxpayer with a 2.4% increase in taxable assessed value over FY 2014. Columbia Gas of Virginia, Inc., the region's gas utility provider, saw a 54% increase in taxable assessed value over FY 2014. The ten principal property taxpayers, as a whole, realized an increase of 6.1% in taxable assessed value when compared to FY 2014. The City remains the retail hub for the region and has seen significant growth in the medical services and higher education sectors. Other important sectors of the Lynchburg economy include wireless technology, engineering, finance, retail, restaurants, and tourism.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, City of Lynchburg, 900 Church Street, Lynchburg, VA, 24504, or via telephone at 434-455-3968. This report, the FY 2015 Operating and Capital Budgets, and FY 2015-2019 Capital Improvement Program are on the City's web site at www.lyncburgva.gov.

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BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2015

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Lynchburg City Schools	Other	
Assets						
Cash and cash equivalents	\$ 43,229,870	\$ 17,599,261	\$ 60,829,131	\$ 11,154,323	\$ 1,046,580	\$ 73,030,034
Investments	37,729,159	7,222,786	44,951,945	-	-	44,951,945
Receivables, net of allowance	20,930,285	4,799,825	25,730,110	745,512	1,449,476	27,925,098
Internal balances	4,070,629	(4,070,629)	-	-	-	-
Due from other governments	6,490,137	1,351,810	7,841,947	5,168,075	503,508	13,513,530
Due from component units	4,156,257	-	4,156,257	-	-	4,156,257
Inventory	59,096	432,120	491,216	131,130	171,223	793,569
Prepays and other assets	6,616,728	-	6,616,728	340,697	98,708	7,056,133
Restricted assets:						
Cash and cash equivalents	54,792,426	9,729,767	64,522,193	-	-	64,522,193
Due from other governments	-	4,706,203	4,706,203	-	-	4,706,203
Capital assets, net of accumulated depreciation	332,524,603	373,749,667	706,274,270	6,556,730	24,090,725	736,921,725
Total assets	510,599,190	415,520,810	926,120,000	24,096,467	27,360,220	977,576,687
Deferred Outflows of Resources						
Deferred charge on refunding	3,624,613	1,772,710	5,397,323	-	-	5,397,323
Pension contributions subsequent to measurement date	9,549,450	1,179,052	10,728,502	7,788,494	-	18,516,996
Change in proportion - teacher cost sharing pool	-	-	-	1,632,000	-	1,632,000
Total deferred outflows of resources	13,174,063	2,951,762	16,125,825	9,420,494	-	25,546,319
Liabilities						
Accounts payable and other liabilities	12,126,634	2,255,416	14,382,050	669,923	1,013,077	16,065,050
Accrued payroll and related liabilities	5,118,886	321,156	5,440,042	10,358,550	-	15,798,592
Accrued interest payable	1,362,983	876,280	2,239,263	-	-	2,239,263
Due to other governments	2,174,795	111	2,174,906	-	1,331,060	3,505,966
Due to primary government	-	-	-	3,987,555	168,702	4,156,257
Deposits payable from restricted assets	92,066	804,349	896,415	-	-	896,415
Noncurrent liabilities:						
Net pension liability	88,108,375	10,878,570	98,986,945	85,493,981	-	184,480,926
Other noncurrent liabilities due within one year	11,245,937	10,637,904	21,883,841	584,284	-	22,468,125
Other noncurrent liabilities due in more than one year	199,618,734	175,059,254	374,677,988	3,602,366	232,763	378,513,117
Total liabilities	319,848,410	200,833,040	520,681,450	104,696,659	2,745,602	628,123,711
Deferred Inflows of Resources						
Property taxes	8,829,446	-	8,829,446	-	-	8,829,446
Net difference between projected and actual investment earnings on pension plan investments	13,050,350	1,611,301	14,661,651	13,377,036	-	28,038,687
Total deferred inflows of resources	21,879,796	1,611,301	23,491,097	13,377,036	-	36,868,133
Net Position						
Net investment in capital assets	192,860,159	205,192,151	398,052,310	6,556,730	24,090,725	428,699,765
Restricted for:						
Capital projects	7,292,892	-	7,292,892	-	-	7,292,892
Grants and other purposes	2,190,748	7,231	2,197,979	-	-	2,197,979
Unrestricted	(20,298,752)	10,828,849	(9,469,903)	(91,113,464)	523,893	(100,059,474)
Total net position	\$ 182,045,047	\$ 216,028,231	\$ 398,073,278	\$ (84,556,734)	\$ 24,614,618	\$ 338,131,162

The Notes to the Financial Statements are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total Reporting Unit
					Governmental Activities	Business-type Activities	Total	Lynchburg City Schools	Other	
Primary government:										
Governmental activities:										
General government	\$ 13,675,189	\$ 505,564	\$ 317,004	\$ -	\$ (12,852,621)	\$ -	\$ (12,852,621)	\$ -	\$ -	\$ (12,852,621)
Judicial	6,245,737	785,268	3,771,096	-	(1,689,373)	-	(1,689,373)	-	-	(1,689,373)
Public safety	48,732,161	6,419,638	5,623,518	-	(36,689,005)	-	(36,689,005)	-	-	(36,689,005)
Public works	24,846,090	1,304,063	10,641,511	1,516,624	(11,383,892)	-	(11,383,892)	-	-	(11,383,892)
Health and human services	27,317,037	2,452,554	20,173,776	-	(4,690,707)	-	(4,690,707)	-	-	(4,690,707)
Cultural and recreational	9,771,210	776,379	234,266	-	(8,760,565)	-	(8,760,565)	-	-	(8,760,565)
Community development	6,742,294	1,172,941	1,294,438	-	(4,274,915)	-	(4,274,915)	-	-	(4,274,915)
Education	42,608,354	-	-	-	(42,608,354)	-	(42,608,354)	-	-	(42,608,354)
Interest payments and other fiscal charges	6,317,148	-	-	-	(6,317,148)	-	(6,317,148)	-	-	(6,317,148)
Issuance costs	875,409	-	-	-	(875,409)	-	(875,409)	-	-	(875,409)
Total governmental activities	<u>187,130,629</u>	<u>13,416,407</u>	<u>42,055,609</u>	<u>1,516,624</u>	<u>(130,141,989)</u>	<u>-</u>	<u>(130,141,989)</u>	<u>-</u>	<u>-</u>	<u>(130,141,989)</u>
Business-type activities:										
Stormwater	1,988,044	3,268,776	275,000	-	-	1,555,732	1,555,732	-	-	1,555,732
Airport	4,572,562	2,254,531	142,601	3,389,180	-	1,213,750	1,213,750	-	-	1,213,750
Water	13,192,403	14,703,923	-	5,000	-	1,516,520	1,516,520	-	-	1,516,520
Sewer	18,408,180	20,216,758	-	3,207,248	-	5,015,826	5,015,826	-	-	5,015,826
Total business-type activities	<u>38,161,189</u>	<u>40,443,988</u>	<u>417,601</u>	<u>6,601,428</u>	<u>-</u>	<u>9,301,828</u>	<u>9,301,828</u>	<u>-</u>	<u>-</u>	<u>9,301,828</u>
Total primary government	<u>\$ 225,291,818</u>	<u>\$ 53,860,395</u>	<u>\$ 42,473,210</u>	<u>\$ 8,118,052</u>	<u>(130,141,989)</u>	<u>9,301,828</u>	<u>(120,840,161)</u>	<u>-</u>	<u>-</u>	<u>(120,840,161)</u>
Component units:										
Lynchburg City Schools	\$ 98,985,698	\$ 1,785,240	\$ 60,833,445	\$ 1,031,882	-	-	-	(35,335,131)	-	(35,335,131)
Greater Lynchburg Transit Company	9,918,683	1,117,359	6,252,693	1,151,378	-	-	-	-	(1,397,253)	(1,397,253)
Business Development Centre	234,029	251,833	9,250	-	-	-	-	-	27,054	27,054
Total component units	<u>\$ 109,138,410</u>	<u>\$ 3,154,432</u>	<u>\$ 67,095,388</u>	<u>\$ 2,183,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,335,131)</u>	<u>(1,370,199)</u>	<u>(36,705,330)</u>
General revenues:										
Property taxes					75,714,767	-	75,714,767	-	-	75,714,767
Local sales and use taxes					15,006,326	-	15,006,326	-	-	15,006,326
Meals taxes					13,756,602	-	13,756,602	-	-	13,756,602
Consumer utility taxes					4,575,492	-	4,575,492	-	-	4,575,492
Business license taxes					8,219,996	-	8,219,996	-	-	8,219,996
Communications sales and use taxes					3,382,915	-	3,382,915	-	-	3,382,915
Other taxes					6,785,275	-	6,785,275	-	-	6,785,275
Unrestricted intergovernmental					6,223,664	-	6,223,664	-	-	6,223,664
Interest					312,688	96,910	409,598	138	-	409,736
IRS interest subsidy- Build America Bonds					272,388	275,978	548,366	-	-	548,366
Miscellaneous					2,141,167	22,966	2,164,133	753,801	-	2,917,934
Gain on sale of assets					324,443	9,825	334,268	-	14,956	349,224
City appropriation					-	-	-	36,319,745	-	36,319,745
Transfers					(60,658)	60,658	-	-	-	-
Total general revenues and transfers					<u>136,655,065</u>	<u>466,337</u>	<u>137,121,402</u>	<u>37,073,684</u>	<u>14,956</u>	<u>174,210,042</u>
Changes in net position					<u>6,513,076</u>	<u>9,768,165</u>	<u>16,281,241</u>	<u>1,738,553</u>	<u>(1,355,243)</u>	<u>16,664,551</u>
Net position - beginning, as restated (Note 18)					<u>175,531,971</u>	<u>206,260,066</u>	<u>381,792,037</u>	<u>(86,295,287)</u>	<u>25,969,861</u>	<u>321,466,611</u>
Net position - ending					<u>\$ 182,045,047</u>	<u>\$ 216,028,231</u>	<u>\$ 398,073,278</u>	<u>\$ (84,556,734)</u>	<u>\$ 24,614,618</u>	<u>\$ 338,131,162</u>

The Notes to the Financial Statements are an integral part of this statement.

Balance Sheet
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>City Capital Projects</u>	<u>School Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Assets					
Cash and cash equivalents	\$ 24,181,646	\$ 8,648,446	\$ 7,084,330	\$ 1,807,793	\$ 41,722,215
Investments	25,031,717	10,249,478	1,198,286	-	36,479,481
Receivables, net of allowance:					
Taxes excluding penalties	13,220,772	-	-	-	13,220,772
Accounts	4,685,807	-	-	-	4,685,807
Other	1,012,969	350,000	-	167,821	1,530,790
Due from other funds	1,750,225	-	-	375,983	2,126,208
Due from other governments	2,866,444	2,197,572	-	2,656,749	7,720,765
Due from component units	4,031,257	-	-	125,000	4,156,257
Other assets	-	-	-	213	213
Restricted assets:					
Cash and cash equivalents	95,031	21,229,998	33,080,403	386,994	54,792,426
Total assets	<u>\$ 76,875,868</u>	<u>\$ 42,675,494</u>	<u>\$ 41,363,019</u>	<u>\$ 5,520,553</u>	<u>\$ 166,434,934</u>
Liabilities					
Accounts payable and other liabilities	\$ 2,635,959	\$ 2,366,143	\$ 5,549,044	\$ 968,521	\$ 11,519,667
Accrued payroll and related liabilities	5,250,846	3,430	-	136,027	5,390,303
Due to other funds	359,570	-	-	1,795,292	2,154,862
Due to other governments	1,944,933	-	-	50,386	1,995,319
Deposits payable from restricted assets	92,066	-	-	-	92,066
Total liabilities	<u>10,283,374</u>	<u>2,369,573</u>	<u>5,549,044</u>	<u>2,950,226</u>	<u>21,152,217</u>
Deferred Inflows of Resources					
Unavailable/unearned revenue	13,581,444	-	-	204,249	13,785,693
Total deferred inflows of resources	<u>13,581,444</u>	<u>-</u>	<u>-</u>	<u>204,249</u>	<u>13,785,693</u>
Fund Balances					
Nonspendable	-	350,000	-	-	350,000
Restricted	-	7,292,892	-	2,190,749	9,483,641
Committed	14,803,075	32,663,029	35,813,975	125,384	83,405,463
Assigned	6,118,051	-	-	100,012	6,218,063
Unassigned	32,089,924	-	-	(50,067)	32,039,857
Total fund balances	<u>53,011,050</u>	<u>40,305,921</u>	<u>35,813,975</u>	<u>2,366,078</u>	<u>131,497,024</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 76,875,868</u>	<u>\$ 42,675,494</u>	<u>\$ 41,363,019</u>	<u>\$ 5,520,553</u>	<u>\$ 166,434,934</u>

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015**

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

Ending fund balance - governmental funds		\$ 131,497,024
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		318,403,661
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		4,956,247
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		1,580,000
Deferred outflow of resources used to reflect deferred losses on debt refunding bonds are not reported in the governmental funds.		3,486,449
Certain receivables are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		5,078,279
Internal service fund activity that has been allocated to the user departments.		4,095,190
Internal service fund is used by management to charge the costs of vehicle maintenance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position.		11,006,133
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for employer contributions	9,451,376	
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(12,916,321)	
Net pension liability	<u>(87,203,487)</u>	(90,668,432)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. Long term liabilities at year end consist of:		
Bonds payable	(193,167,087)	
Accrued interest payable	(1,336,931)	
Notes payable	(1,580,000)	
Compensated absences	(4,107,392)	
Workers' compensation	(2,163,807)	
Other post-employment benefits obligation	<u>(5,034,287)</u>	<u>(207,389,504)</u>
Net position of governmental activities		<u>\$ 182,045,047</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	<u>General</u>	<u>City Capital Projects</u>	<u>School Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Revenues					
Taxes	\$ 127,770,651	\$ -	\$ -	\$ -	\$ 127,770,651
Regulatory licenses, permits, and privilege fees	1,000,222	-	-	-	1,000,222
Intergovernmental	34,604,123	4,954,725	-	10,315,825	49,874,673
Fines and forfeitures	637,417	-	-	-	637,417
Revenue from use of money and property	697,756	19,979	73,681	28,584	820,000
Charges for services	10,750,591	-	-	3,614,866	14,365,457
Miscellaneous	1,154,870	1,224,081	-	428,366	2,807,317
Total revenues	<u>176,615,630</u>	<u>6,198,785</u>	<u>73,681</u>	<u>14,387,641</u>	<u>197,275,737</u>
Expenditures					
Current operating expenditures:					
General government	16,298,894	-	-	3,956	16,302,850
Judicial	4,696,403	-	-	1,020,677	5,717,080
Public safety	44,421,121	-	-	4,662,646	49,083,767
Public works	14,600,543	3,626,389	-	41,751	18,268,683
Health and human services	19,825,954	-	-	7,617,804	27,443,758
Cultural and recreational	8,558,412	141,089	-	-	8,699,501
Community development	4,819,261	365,535	-	1,496,640	6,681,436
Education	36,389,604	-	1,137,354	-	37,526,958
Capital outlay:					
Capital general government	-	17,623,819	35,304,874	50,216	52,978,909
Debt service:					
Principal retirements	9,959,146	-	-	337,726	10,296,872
Interest payments and other fiscal charges	7,276,813	-	-	158,997	7,435,810
Issuance costs	443,933	104,778	315,268	11,430	875,409
Total expenditures	<u>167,290,084</u>	<u>21,861,610</u>	<u>36,757,496</u>	<u>15,401,843</u>	<u>241,311,033</u>
Excess (deficiency) of revenues over expenditures	<u>9,325,546</u>	<u>(15,662,825)</u>	<u>(36,683,815)</u>	<u>(1,014,202)</u>	<u>(44,035,296)</u>
Other financing sources (uses)					
Issuance of bonds	412,470	20,662,051	62,150,479	-	83,225,000
Premium on debt proceeds	-	2,468,942	5,323,504	-	7,792,446
Issuance of refunding bonds	22,823,100	-	-	469,875	23,292,975
Payments to escrow agent	(22,647,772)	-	-	(467,064)	(23,114,836)
Transfers in	325,036	6,930,260	4,088,287	262,807	11,606,390
Transfers out	(11,373,362)	(249,861)	(75,000)	(4,767)	(11,702,990)
Total other financing sources (uses)	<u>(10,460,528)</u>	<u>29,811,392</u>	<u>71,487,270</u>	<u>260,851</u>	<u>91,098,985</u>
Net changes in fund balances	<u>(1,134,982)</u>	<u>14,148,567</u>	<u>34,803,455</u>	<u>(753,351)</u>	<u>47,063,689</u>
Fund balances - beginning	<u>54,146,032</u>	<u>26,157,354</u>	<u>1,010,520</u>	<u>3,119,429</u>	<u>84,433,335</u>
Fund balances - ending	<u>\$ 53,011,050</u>	<u>\$ 40,305,921</u>	<u>\$ 35,813,975</u>	<u>\$ 2,366,078</u>	<u>\$ 131,497,024</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2015**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		\$ 47,063,689
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the detail of the two components.</p>		
Capital outlay		53,408,143
Depreciation expense		(16,328,808)
<p>The net effect of various transactions involving capital assets (donations and loss on disposition of assets) do not provide or use current financial resources and are not reported as revenues or expenditures in the governmental funds.</p>		
		(4,583)
<p>Contributions that consumed current financial resources in the capital projects fund resulted in a long-term receivable for the rights to the future improvement of City-owned facilities under a tax credit arrangement.</p>		
		195,208
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(626,593)
<p>Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
Employer pension contributions	9,451,376	
Pension expenses	<u>(6,924,246)</u>	
		2,527,130
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.</p>		
		(79,886,203)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(101,219)
<p>To eliminate transfers to the internal service fund</p>		
		35,942
<p>The net loss of certain activities of the internal service fund is reported with governmental activities.</p>		
		<u>230,370</u>
Change in net position of governmental activities.		<u><u>\$ 6,513,076</u></u>

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 122,545,506	\$ 122,471,794	\$ 127,770,651	\$ 5,298,857
Regulatory licenses, permits, and privilege fees	931,150	931,150	1,000,222	69,072
Intergovernmental	33,643,560	34,798,052	34,604,123	(193,929)
Fines and forfeitures	586,000	586,000	637,417	51,417
Revenue from use of money and property	550,864	616,681	692,710	76,029
Charges for services	10,784,505	10,788,505	10,750,591	(37,914)
Miscellaneous	453,700	446,450	1,137,926	691,476
Total revenues	<u>169,495,285</u>	<u>170,638,632</u>	<u>176,593,640</u>	<u>5,955,008</u>
Expenditures				
Current operating expenditures:				
General government	19,417,881	17,134,878	15,744,530	1,390,348
Judicial	4,778,402	4,893,419	4,696,403	197,016
Public safety	42,744,629	44,790,400	44,421,121	369,279
Public works	13,562,269	14,615,965	14,600,543	15,422
Health and human services	18,977,903	20,427,690	19,825,954	601,736
Cultural and recreational	7,916,294	8,609,812	8,558,412	51,400
Community development	4,449,458	4,716,902	4,819,261	(102,359)
Education	38,994,016	39,976,016	36,389,604	3,586,412
Debt service:				
Principal retirements	10,387,997	10,714,468	9,959,146	755,322
Interest payments and other fiscal charges	7,771,293	7,443,722	7,276,813	166,909
Issuance costs	-	471,638	443,933	27,705
Total expenditures	<u>169,000,142</u>	<u>173,794,910</u>	<u>166,735,720</u>	<u>7,059,190</u>
Excess (deficiency) of revenues over expenditures	<u>495,143</u>	<u>(3,156,278)</u>	<u>9,857,920</u>	<u>13,014,198</u>
Other financing sources (uses)				
Issuance of bonds	-	412,470	412,470	-
Issuance of refunding bonds	-	22,823,100	22,823,100	-
Payments to escrow agent	-	(22,647,772)	(22,647,772)	-
Transfers in	-	324,861	325,036	175
Transfers out	(8,292,510)	(13,199,917)	(12,043,701)	1,156,216
Total other financing sources (uses)	<u>(8,292,510)</u>	<u>(12,287,258)</u>	<u>(11,130,867)</u>	<u>1,156,391</u>
Net changes in fund balances	<u>(7,797,367)</u>	<u>(15,443,536)</u>	<u>(1,272,947)</u>	<u>14,170,589</u>
Fund balances - beginning	<u>51,292,745</u>	<u>51,292,745</u>	<u>51,292,745</u>	<u>-</u>
Fund balances - ending	<u>\$ 43,495,378</u>	<u>\$ 35,849,209</u>	<u>\$ 50,019,798</u>	<u>\$ 14,170,589</u>

Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Assets						
Current assets:						
Cash and cash equivalents	\$ 5,934,419	\$ 7,769,595	\$ 1,958,921	\$ 1,936,326	\$ 17,599,261	\$ 1,507,655
Investments	4,948,577	2,274,209	-	-	7,222,786	1,249,678
Receivables, net of allowance:	1,476,759	2,790,506	439,813	92,747	4,799,825	41,050
Due from other funds	16,374	8,187	-	-	24,561	4,093
Due from other governments	7,679	93,447	-	683,408	784,534	-
Inventory	432,120	-	-	-	432,120	59,096
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	475,878	-	-	475,878	-
Total current assets	<u>12,815,928</u>	<u>13,411,822</u>	<u>2,398,734</u>	<u>2,712,481</u>	<u>31,338,965</u>	<u>2,861,572</u>
Noncurrent assets:						
Due from other governments	-	567,276	-	-	567,276	-
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	4,230,325	-	-	4,230,325	-
Cash and cash equivalents	4,362,704	5,359,832	-	7,231	9,729,767	-
Capital assets, net of accumulated depreciation:	70,813,140	264,305,660	2,002,495	36,628,372	373,749,667	14,120,942
Total noncurrent assets	<u>75,175,844</u>	<u>274,463,093</u>	<u>2,002,495</u>	<u>36,635,603</u>	<u>388,277,035</u>	<u>14,120,942</u>
Total assets	<u>87,991,772</u>	<u>287,874,915</u>	<u>4,401,229</u>	<u>39,348,084</u>	<u>419,616,000</u>	<u>16,982,514</u>
Deferred Outflows of Resources						
Deferred charge on refunding	814,159	907,656	-	50,895	1,772,710	138,164
Pension contributions subsequent to measurement date	609,779	394,350	53,410	121,513	1,179,052	98,074
Total deferred outflows of resources	<u>1,423,938</u>	<u>1,302,006</u>	<u>53,410</u>	<u>172,408</u>	<u>2,951,762</u>	<u>236,238</u>
Liabilities						
Current liabilities:						
Accounts payable and other liabilities	886,854	1,026,493	101,150	240,919	2,255,416	606,967
Accrued payroll and related liabilities	214,972	124,768	14,077	48,289	402,106	28,300
Accrued interest payable	605,534	266,017	-	4,729	876,280	26,052
Due to other governments	111	-	-	-	111	-
Current portion of general obligation bonds	2,219,134	1,990,110	-	109,652	4,318,896	318,507
Current portion of public utility revenue bonds	-	6,238,058	-	-	6,238,058	-
Total current liabilities	<u>3,926,605</u>	<u>9,645,446</u>	<u>115,227</u>	<u>403,589</u>	<u>14,090,867</u>	<u>979,826</u>
Noncurrent liabilities:						
Deposits payable from restricted assets	804,349	-	-	-	804,349	-
Self insurance claims	123,081	-	-	1,187	124,268	-
Compensated absences	270,730	142,843	6,137	49,655	469,365	34,116
Other post-employment benefits obligation	243,238	148,610	3,429	105,406	500,683	42,931
Net pension liability	5,626,147	3,638,490	492,791	1,121,142	10,878,570	904,888
General obligation bonds	44,346,213	24,024,992	-	595,685	68,966,890	4,116,829
Public utility revenue bonds	-	104,998,048	-	-	104,998,048	-
Total noncurrent liabilities	<u>51,413,758</u>	<u>132,952,983</u>	<u>502,357</u>	<u>1,873,075</u>	<u>186,742,173</u>	<u>5,098,764</u>
Total liabilities	<u>55,340,363</u>	<u>142,598,429</u>	<u>617,584</u>	<u>2,276,664</u>	<u>200,833,040</u>	<u>6,078,590</u>
Deferred Inflows of Resources						
Net difference between projected and actual investment earnings on pension plan investments (Note 11)	833,328	538,922	72,991	166,060	1,611,301	134,029
Total deferred outflows of resources	<u>833,328</u>	<u>538,922</u>	<u>72,991</u>	<u>166,060</u>	<u>1,611,301</u>	<u>134,029</u>
Net Position						
Net investment in capital assets	28,620,307	138,595,419	2,002,495	35,973,930	205,192,151	9,823,770
Restricted for:						
Grants and other purposes	-	-	-	7,231	7,231	-
Unrestricted	4,621,712	7,444,151	1,761,569	1,096,607	14,924,039	1,182,363
Total net position	<u>\$ 33,242,019</u>	<u>\$ 146,039,570</u>	<u>\$ 3,764,064</u>	<u>\$ 37,077,768</u>	<u>220,123,421</u>	<u>\$ 11,006,133</u>
Reconciliation with business-type activities in the Statement of Net Position:						
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					(4,095,190)	
Total net position of business-type activities					<u>\$ 216,028,231</u>	

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2015

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Operating revenues						
Charges for services and other operating revenues	\$ 14,703,923	\$ 20,216,758	\$ 3,268,776	\$ 2,254,531	\$ 40,443,988	\$ 5,143,160
Intergovernmental	-	-	275,000	142,601	417,601	-
Total operating revenues	<u>14,703,923</u>	<u>20,216,758</u>	<u>3,543,776</u>	<u>2,397,132</u>	<u>40,861,589</u>	<u>5,143,160</u>
Operating expenses						
Personal services and benefits	4,350,457	2,944,024	362,502	1,006,709	8,663,692	700,516
Operation and maintenance	1,550,252	2,697,307	306,678	1,166,823	5,721,060	2,008,192
Supplies and materials	1,210,601	1,336,709	104,029	12,803	2,664,142	95,465
Administration	1,462,335	2,573,784	1,227,229	239,614	5,502,962	3,092
Other charges	77,950	66,946	11,916	24,384	181,196	21,515
Depreciation	2,852,246	7,584,388	33,662	2,115,435	12,585,731	2,378,928
Total operating expenses	<u>11,503,841</u>	<u>17,203,158</u>	<u>2,046,016</u>	<u>4,565,768</u>	<u>35,318,783</u>	<u>5,207,708</u>
Operating income (loss)	<u>3,200,082</u>	<u>3,013,600</u>	<u>1,497,760</u>	<u>(2,168,636)</u>	<u>5,542,806</u>	<u>(64,548)</u>
Nonoperating revenues (expenses)						
Interest income	21,514	73,142	-	2,254	96,910	2,431
Miscellaneous	2,781	10,400	61	9,724	22,966	20,843
Gain on disposition of assets	9,219	606	-	-	9,825	318,485
Interest on long-term debt	(1,678,042)	(1,086,336)	-	(8,061)	(2,772,439)	(116,808)
IRS interest subsidy - Build America Bonds	233,357	42,621	-	-	275,978	-
Total nonoperating revenues (expenses)	<u>(1,411,171)</u>	<u>(959,567)</u>	<u>61</u>	<u>3,917</u>	<u>(2,366,760)</u>	<u>224,951</u>
Income (loss) before contributions and transfers	<u>1,788,911</u>	<u>2,054,033</u>	<u>1,497,821</u>	<u>(2,164,719)</u>	<u>3,176,046</u>	<u>160,403</u>
Capital contributions	5,000	3,207,248	-	3,065,217	6,277,465	-
Passenger facility charges	-	-	-	323,963	323,963	-
Transfers in	-	126,734	-	96,600	223,334	35,942
Transfers out	-	-	(162,676)	-	(162,676)	-
Change in net position	<u>1,793,911</u>	<u>5,388,015</u>	<u>1,335,145</u>	<u>1,321,061</u>	<u>9,838,132</u>	<u>196,345</u>
Total net position - beginning, as restated (Note 18)	<u>31,448,108</u>	<u>140,651,555</u>	<u>2,428,919</u>	<u>35,756,707</u>	<u>210,285,289</u>	<u>10,809,788</u>
Total net position - ending	<u>\$ 33,242,019</u>	<u>\$ 146,039,570</u>	<u>\$ 3,764,064</u>	<u>\$ 37,077,768</u>	<u>\$ 220,123,421</u>	<u>\$ 11,006,133</u>
Reconciliation with business-type activities in the Statement of Activities:						
Change in net position - enterprise funds reported in this statement					9,838,132	
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					(69,967)	
Change in net assets of business-type activities:					<u>\$ 9,768,165</u>	

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2015

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Operating activities						
Cash received from operations	\$ 14,899,146	\$ 20,411,711	\$ 3,550,975	\$ 2,386,015	\$ 41,247,847	\$ 5,143,160
Cash paid to employees	(4,370,195)	(3,020,948)	(379,491)	(1,018,884)	(8,789,518)	(714,929)
Cash paid to suppliers	(4,402,964)	(6,676,930)	(1,628,124)	(1,413,120)	(14,121,138)	(2,102,840)
Net cash provided by (used in) operating activities	6,125,987	10,713,833	1,543,360	(45,989)	18,337,191	2,325,391
Noncapital financing activities						
Transfers in	-	126,734	-	96,600	223,334	35,942
Transfers out	-	-	(162,676)	-	(162,676)	-
Net cash provided by (used in) noncapital financing activities	-	126,734	(162,676)	96,600	60,658	35,942
Capital and related financing activities						
Proceeds from issuance of long-term debt:						
General obligation bonds	14,337,709	5,801,506	-	-	20,139,215	-
Proceeds from bond refunding	1,946,625	2,268,825	-	545,513	4,760,963	1,321,839
Escrow payments to refunding trust	(1,934,978)	(2,255,250)	-	(542,979)	(4,733,207)	(1,316,187)
Payment of long-term debt:						
General obligation bonds	(2,148,818)	(1,962,544)	-	(156,948)	(4,268,310)	(317,356)
Revenue bonds	-	(6,034,143)	-	-	(6,034,143)	-
Bond anticipation notes	(7,158,894)	-	-	-	(7,158,894)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	327,075	-	-	327,075	-
Payment of interest on long-term debt	(2,249,430)	(1,268,650)	-	(34,337)	(3,552,417)	(167,387)
Capital contributions received	-	2,780,310	-	3,421,025	6,201,335	-
Passenger facility charges collected	-	-	-	323,963	323,963	-
Proceeds from sale of capital assets	9,219	606	-	-	9,825	318,485
Additions to capital assets	(3,984,107)	(5,831,380)	(1,434,667)	(4,250,779)	(15,500,933)	(2,940,802)
Proceeds from other governments	5,000	1,015,339	-	9,724	1,030,063	38,543
Payments from (to) other organizations	(2,528)	(29,286)	61	-	(31,753)	-
Net cash used in capital and related financing activities	(1,180,202)	(5,187,592)	(1,434,606)	(684,818)	(8,487,218)	(3,062,865)
Investing activities						
Net sales (purchase) of investments	(156,992)	(590,754)	-	-	(747,746)	809,819
Interest income received	254,871	115,763	-	2,254	372,888	2,431
Net cash provided by (used in) investing activities	97,879	(474,991)	-	2,254	(374,858)	812,250
Net increase (decrease) in cash and cash equivalents	5,043,664	5,177,984	(53,922)	(631,953)	9,535,773	110,718
Cash and cash equivalents						
Beginning	5,253,459	7,951,443	2,012,843	2,575,510	17,793,255	1,396,937
Ending	\$ 10,297,123	\$ 13,129,427	\$ 1,958,921	\$ 1,943,557	\$ 27,329,028	\$ 1,507,655
Reconciliation to Statement of Net Position						
Current Assets	\$ 5,934,419	\$ 7,769,595	\$ 1,958,921	\$ 1,936,326	\$ 17,599,261	\$ 1,507,655
Restricted Assets	4,362,704	5,359,832	-	7,231	9,729,767	-
	\$ 10,297,123	\$ 13,129,427	\$ 1,958,921	\$ 1,943,557	\$ 27,329,028	\$ 1,507,655

(Continued)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 3,200,082	\$ 3,013,600	\$ 1,497,760	\$ (2,168,636)	\$ 5,542,806	\$ (64,548)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	2,852,246	7,584,388	33,662	2,115,435	12,585,731	2,378,928
Pension expense net of employer contributions	(163,045)	(105,442)	(14,282)	(32,493)	(315,262)	(26,222)
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	163,335	194,953	7,199	(11,117)	354,370	-
Decrease in due from other funds	-	58,171	6,514	12,925	77,610	16,681
Decrease (increase) in inventory	(50,979)	-	-	-	(50,979)	18,424
Increase (decrease) in accounts payable	(50,847)	(2,184)	21,729	30,506	(796)	6,999
Increase (decrease) in accrued expenses	61,037	(29,653)	(9,222)	7,391	29,553	(4,871)
Increase in due to other funds	82,270	-	-	-	82,270	-
Increase in deposits payable	31,888	-	-	-	31,888	-
Net cash provided by (used in) operating activities	<u>\$ 6,125,987</u>	<u>\$ 10,713,833</u>	<u>\$ 1,543,360</u>	<u>\$ (45,989)</u>	<u>\$ 18,337,191</u>	<u>\$ 2,325,391</u>
Supplemental cash flow information						
Non-cash transactions						
Capitalized interest	\$ 374,658	\$ 5,913	\$ -	\$ -	\$ 380,571	\$ -
Capital asset additions financed by retainage payable	\$ 119,457	\$ 213,281	\$ -	\$ 70,000	\$ 402,738	\$ -
Capital asset additions financed by accounts payable	\$ 576,624	\$ 474,962	\$ 64,668	\$ 92,851	\$ 1,209,105	\$ 499,589
Undrawn public utility revenue bond proceeds	\$ -	\$ 567,276	\$ -	\$ -	\$ 567,276	\$ -
Amortization of debt related items	\$ 203,245	\$ 178,991	\$ -	\$ 18,394	\$ 400,630	\$ 27,043

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	<u>Special Welfare</u>
Assets	
Cash and cash equivalents	\$ 123,281
Total assets	<u>\$ 123,281</u>
Liabilities	
Accounts payable	\$ 753
Amounts held for others	<u>122,528</u>
Total liabilities	<u>\$ 123,281</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Lynchburg, Virginia (the “City”) was founded by John Lynch in 1757, chartered as a town in 1786, incorporated as a town on January 10, 1805, and received independent City status in 1852. The City operates on a Council-Manager form of Government and provides municipal services to its residents. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

Discretely Presented Component Units: The component units’ columns in the combined financial statements include the data of the City’s three component units. They are reported in separate columns to emphasize that they are legally separate from the City. The governing bodies of these component units are appointed by City Council.

Lynchburg City Schools: The Lynchburg City Schools (the “Schools”) operates one pre-school, eleven elementary schools, three middle schools, and two high schools in the City. The Schools are fiscally dependent on the City and are prohibited from issuing bonded debt without approval of City Council. The City is legally obligated to provide financial support to the Schools by State Law of the Commonwealth of Virginia. Annually the State Superintendent provides the City with the amount of the Required Local Effort (RLE).

Business Development Centre, Inc.: The Business Development Centre, Inc. (the “Centre”) provides business advisory services to small businesses in the Central Virginia area, operates a business incubator, and provides financing for qualifying businesses under certain federal programs. The City provides financial support to the Centre by leasing to the Centre, at a nominal amount, the facility which houses the Centre’s operations. As part of the operating agreement with the Centre, the City agrees to advance operating funds to the Centre to cover working capital needs. The City has agreed to provide local matching funds under the revolving loan fund program.

Greater Lynchburg Transit Company: The Greater Lynchburg Transit Company (“GLTC”) was created in 1974 to serve the greater Lynchburg area with public bus and paratransit transportation. GLTC is organized as a not-for-profit stock corporation with the City of Lynchburg as the sole stockholder. The capital for the purchase of the Company’s assets has been provided by federal, state, and local grants, and GLTC is dependent on various operating grants to subsidize operations. The City provides financial support to GLTC through the assumption of the obligation to finance GLTC’s deficits and through annual appropriations for the GLTC operating budget. In accordance with the Memorandum of Understanding signed in FY2013, when GLTC has an operating surplus, the City will establish a Special Reserve to support transit operations. The reserve will be used to cover unplanned cash shortfalls in the annual budget.

Complete financial statements of the individual component units can be obtained directly from their administrative offices at the addresses listed below. The Lynchburg City Schools financial statements are not separately prepared, but are included in this financial report.

Business Development Centre, Inc.
147 Mill Ridge Road
Lynchburg, Virginia 24502

Greater Lynchburg Transit Company
Post Office Box 797
Lynchburg, Virginia 24505-0797

Jointly Governed Organizations: The following entities are excluded from the accompanying financial statements:

Blue Ridge Regional Jail Authority: The Blue Ridge Regional Jail Authority (the “Authority”) was created by certain Member Jurisdictions for the purpose of developing and operating a regional jail system to be established by acquiring, renovating, and expanding certain existing jail facilities, and constructing additional jail facilities. The Member Jurisdictions are the City of Lynchburg and the Counties of Amherst, Appomattox, Halifax, Bedford, and Campbell. The Authority began operating the existing jail facilities in the Member Jurisdiction on July 1, 1998.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blue Ridge Regional Jail Authority: (Continued)

The City sold its existing jail facilities to the Authority during FY1997. A new central jail facility was constructed in Lynchburg and opened in FY2000. It is owned and operated by the Authority. Each Member Jurisdiction pays a per diem charge for each day that one of its prisoners is at any Regional Jail Facility. In accordance with the Service Agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based on an agreed upon number of prisoner days, and is subject to an adjustment at the end of each fiscal year. During FY2015, the City paid \$5,708,670 to the Authority.

Horizon Behavioral Health (formerly Central Virginia Community Services Board): The City, in conjunction with the counties of Amherst, Appomattox, Bedford, and Campbell participate in Horizon Behavioral Health, the governing Board of which is composed of two members from each of the participating localities. The City appropriated \$457,323 for an operating contribution in FY2015.

Regional Commission 2000: The City serves as the Local Workforce Investment Area grant recipient on behalf of the Regional Commission 2000/Central Virginia Local Workforce Investment Area VII. According to the requirements, grant funds are used to provide employment and training activities for adults and dislocated workers and to provide services for eligible youth. During FY2015, the Regional Commission 2000 received \$1,492,632 in grant funds.

Region 2000 Services Authority: During 2008, the City, in conjunction with the Counties of Campbell and Nelson and the City of Bedford, created the Region 2000 Services Authority (the "Authority"). The Authority commenced operations on July 1, 2008. The Authority operates two landfills. Each member jurisdiction pays a per-ton disposal charge for all waste transferred to the Authority. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-ton charge is based upon an assumed number of tons and is subject to adjustment at the end of each year. The governing Board is composed of one member from each of the participating localities. In accordance with the member use agreement, the City provided the Authority \$300,000 in initial start up costs. During FY2015, the City paid \$776,277 to the Authority.

Region 2000 Radio Communications Board: During 2012, the Central Virginia Regional Radio Communications Board was dissolved and replaced by the Region 2000 Radio Communications Board (the "Board"). Since the current regional radio system was in need of significant upgrade and replacement before July 1, 2014, the Board was formed in order to manage the project operations and maintenance, including the issuance of debt to finance the upgrades and replacements in an efficient and cost effective manner. The Board consists of representatives from Amherst County, Bedford County, the Town of Bedford, the City of Lynchburg, collectively the "Member Jurisdictions", and Virginia's Region 2000 Local Government Council ("Council"). The Member Jurisdictions and the Council entered into a Cooperative Agreement which requires each Member Jurisdiction to contribute their pro rata share for annual capital costs, operational costs, and any annual deficit. The City's pro rata share is 33.1% effective through July 1, 2013. In accordance with the Cooperative Agreement, the City transferred the title to all 1996 assets to the Council. The Council issued debt of \$13,100,000 in May 2012 to finance the upgrade and replacement of the existing radio system. Each Member Jurisdiction contributes toward the debt service payments made by the Council through their pro rata share of capital costs. The City's pro rata share of capital costs is 30.1%. Should the Council fail to make debt service payments, the Member Jurisdictions have a moral non-binding obligation to pay the debt service. During FY2015, the City paid \$688,369 to the Board. The City's scheduled capital cost payment for FY16 is \$692,034.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Related Organizations: The following entities are excluded from the accompanying financial statements:

Lynchburg Redevelopment and Housing Authority: Under the *Code of Virginia* (“Code”), the Commonwealth of Virginia (“Commonwealth”) created in each city and county a redevelopment and housing authority which is a separate political subdivision of the Commonwealth. In April 1956, City Council activated the Lynchburg Redevelopment and Housing Authority (the “LRHA”) which owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the LRHA are appointed by City Council; however, City Council is not financially accountable for LRHA. During FY2015, the City appropriated \$428,889 to the LRHA from the Community Development Block Grant Fund.

Economic Development Authority of the City of Lynchburg: Under the *Code*, City Council passed an ordinance on March 14, 1967, which created the Industrial Development Authority of the City of Lynchburg (the “IDA”). The IDA was established to promote industry and develop trade within the City. The IDA is governed by a board of seven directors appointed by City Council; however, City Council is not financially accountable for the IDA. In 2008 City Council changed the name from the Industrial Development Authority (IDA) to the Economic Development Authority (EDA) to more accurately reflect the work of the Authority beyond the focus of industrial development. During FY2015, the City paid \$250,000 to the Economic Development Authority.

Other Boards and Commissions: City Council appoints certain members of various boards and commissions’ governing bodies as provided under state and local laws and ordinances. The boards and commissions are advisory in nature and City Council is not financially accountable for these organizations.

B. Basis of Presentation

The accompanying financial statements present the government and its component units, legally separate entities for which the City is financially accountable.

Government-wide Statements: The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, 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 spent and the means by which spending activities are controlled. The various fund categories and fund types presented in the financial statements are described below:

Governmental Fund Types:

The City reports the following major governmental funds:

General Fund: The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.

City Capital Projects Fund: The City Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds and the School Capital Projects Fund.

School Capital Projects: The School Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays approved by the School Board for educational purposes.

The City reports the following non-major governmental funds:

Special Revenue Funds: Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. These funds consist of the City Federal/State Aid Projects, Community Development Block Grant, Lynchburg Business Development Centre, Forfeited Assets, Comprehensive Services Act, Lynchburg Expressway Appearance, Home Investment Trust, and Lynchburg Regional Juvenile Detention Center.

Proprietary Fund Types:

The City reports the following major proprietary funds:

Enterprise Funds: Enterprise Funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. These funds consist of the Water, Sewer, Stormwater, and Airport Funds.

The Water Fund operates the water distribution system for the City and supplies water to three surrounding counties. The Sewer Fund operates a regional wastewater treatment plant and a combined sewer system. The Sewer Fund also performs cleaning, monitoring, and repairs to the wastewater collection system for the City and provides conveyance and treatment services for three surrounding counties. The Stormwater Fund performs the operations and maintenance of the storm sewer collection system and manages the City's Small Municipal Separate Storm Sewer System [MS4] General Permit requirements that incorporates water quality compliance goals established by Total Maximum Daily Loads [TMDLs] which include the Chesapeake Bay and the James River Basin TMDLs. The Airport Fund accounts for the administration of the Lynchburg Regional Airport.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Proprietary Fund Types: (Continued)

Enterprise Funds: (Continued)

The total enterprise funds columns in the proprietary fund statements of net position and activities are essentially equal to the business-type activity column in the government wide statements, with the exception of the impact of allocating internal service fund activity.

Additionally, the City reports the following fund types:

Internal Service Fund: Internal Service Fund accounts for the financing of goods and services supplied to other funds of the City on a cost-reimbursement basis. A Fleet Services Fund has been established to account for the operation and maintenance of City vehicles.

Fiduciary Fund Types:

Agency Funds: Agency Funds account for assets held by the City as an agent or custodian for others. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City's agency fund is the Special Welfare Fund.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both “measurable” and “available.” Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period for most non-grant revenues. Reimbursement basis grants are recognized as revenue when all eligibility requirements are met and are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, consisting principally of categorical aid from federal and state agencies, are recognized when earned or at the time of the specific expenditure. Sales, Communication Sales and Use, and public utility taxes, which are collected by the Commonwealth of Virginia and public utilities, respectively, and subsequently remitted to the City, are recognized as revenues and receivables when measurable and available.

Proprietary fund types utilize the accrual basis of accounting. Revenues are recognized when earned, including unbilled utility receivables, and expenses are recognized when incurred. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds and of the City’s internal service fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds are unlike all other fund types, reporting only assets and liabilities; therefore, agency funds do not have a measurement focus. The agency fund utilizes the accrual basis of accounting to recognize receivables and payables.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Budgets and Budgetary Accounting

All governmental and proprietary funds have legally adopted budgets. The Lynchburg Business Development Centre Fund and the Lynchburg Expressway Appearance Fund do not adopt a legal annual budget. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Typically, in early March the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1 and ending June 30 of the following year. The operating budget includes proposed expenditures and the means of financing them.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

- Council studies the proposed budget at work sessions throughout the months of March and April and holds a public hearing to receive citizens' comments.
- The Council makes final budget decisions and adopts the budget through passage of an appropriations resolution during the month of May. By July 1 the City Manager prepares and distributes the adopted budget.
- The City prepares a five-year Capital Improvement Program (CIP) for the City Capital Projects, School Capital Projects, Water, Sewer, Stormwater, and Airport. The CIP specifies capital improvement or construction projects, which are tentatively identified for funding during the next five years, with the first year of the plan serving as the capital budget. Project budgets are utilized in the capital projects funds. Appropriations for the capital projects funds are continued until completion of applicable projects, even when projects extend for more than one fiscal year, or until repealed.
- Budgets for the General, Water, Sewer, Stormwater, Airport, Capital Projects, and all Special Revenue Funds are prepared in accordance with the City Charter on the modified accrual basis of accounting. Encumbrances are treated as committed and/or assigned fund balance and reappropriated in the next fiscal year. Revenues, expenditures, and transfers related to internal service type functions are included for budget purposes. The budget for the Lynchburg City Schools (School Operating Fund) is prepared on the modified accrual basis of accounting.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total budget amounts and/or appropriations of any fund require an amendment to the budget. The Code of Virginia requires that City Council approve any amendment. If the total of the proposed amendment exceeds one percent of the total budgeted revenue, the proposed amendment must be advertised and a public hearing must be held before City Council can act. After the public hearing, City Council can act on the proposed amendment. The Superintendent of the Schools is authorized to transfer budget amounts within departments; however, any revisions that alter total budget amounts of any department must be approved by the School Board.
- All operating budget appropriations lapse at the end of the fiscal year to the extent that they are not expended or encumbered, with the exception of year-end carry-forward items approved by City Council.
- Prior to the implementation of GASB 54, the City's special revenue funds included the Technology Fund which has a separate legally adopted budget. With the implementation of GASB 54, the Technology Fund is utilized for internal reporting purposes only. For financial statement reporting (GAAP-basis), the Technology Fund is collapsed into the General Fund. For budgetary basis reporting, the Technology Fund is not included with the General Fund.

The following is a reconciliation of the results of operations for the year on the budgetary basis to the GAAP basis.

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	(\$1,272,947)
Add: Net change in fund balance for Technology Fund	<u>137,965</u>
Net change in fund balance (GAAP basis)	<u>(\$1,134,982)</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

- **Cash and Cash Equivalents**

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

- **Investments**

Investments are reported at fair value. Interest earned by certain funds of the Schools and City Capital Projects Fund are allocated to the General Fund. All other interest is allocated to the fund which owns the underlying investments.

- **Receivables**

The City calculates its allowance for uncollectible accounts using historical collection data, and specific account analysis. Receivables are presented net of allowance for doubtful accounts. The allowance is composed of the following:

General Fund, property taxes, and other receivables	\$	2,207,578
General Fund, ambulance receivables	\$	2,246,388
Enterprise Funds	\$	277,054

- **Inventory**

Inventory in the Water and Internal Service Funds is valued at cost using the first-in, first-out (FIFO) method. This inventory consists principally of spare parts and fuel held for consumption. The cost is recorded as an expense at the time individual inventory items are withdrawn for use. Inventory in the Lynchburg City School Nutrition program is valued at cost using the first in, first-out (FIFO) method. This inventory consists of purchased foods, USDA Foods (donated commodities) as well as kitchen supplies. An expense adjustment is made annually after the year-end inventory is counted and valued.

- **Capital Assets**

Governmental funds: Capital outlays are recorded as expenditures on the fund basis and as assets on the government-wide financial statements to the extent the City's capitalization thresholds of \$5,000 for equipment and \$20,000 for buildings, infrastructure, and land improvements are met. Infrastructure has been capitalized retroactively to 1980. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their fair market value on the date donated. Schools' buildings and other facilities are capital assets for the City government and not for the component unit.

Works of art, historical treasures, and similar assets have not been capitalized because they are held for public exhibition, education, or research in furtherance of public service, rather than financial gain. The collection is protected, kept unencumbered, cared for, and preserved. The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

- **Capital Assets (Continued)**

Proprietary Funds: Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis. Capital assets are stated at cost or estimated original cost based on independent consultant studies, net of accumulated depreciation. Donated capital assets are recorded at their fair value at the date of receipt.

Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized. The City follows the policy of capitalizing, during the period of construction, the net interest costs on funds borrowed to finance the construction of enterprise funds' capital assets. During FY2015, the enterprise funds incurred interest costs of \$3,153,010 of which \$380,571 was capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Land improvements	15-20
Buildings and improvements:	
New construction	30-40
Improvements	15-20
Infrastructure	30-50
Machinery and equipment	5-10

- **Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category: deferred charge on refunding; pension contributions subsequent to measurement date; and change in proportion – teacher cost sharing pool. The deferred charge on refunding reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The pension contributions subsequent to the measurement date will be applied to the net pension liability in the next fiscal year. The change in proportion – teacher cost sharing pool results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as deferred inflow or outflow, as appropriate.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

- **Deferred Outflows / Inflows of Resources (Continued)**

In addition to liabilities, the statement of net position and certain governmental funds balance sheets report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has three types of items. One item occurs only under a modified accrual basis of accounting. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. At the government-wide level, the City reports deferred inflows for unearned property taxes which are billed and /or collected but are intended to fund future years. The third is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

- **Compensated Absences**

City employees accumulate vacation time depending upon their length of service up to a total of 288 hours. All outstanding vacation time is payable upon termination of employment. The current portions are recorded as liabilities in the governmental fund financial statements when they have matured as a result of employee resignations and retirements. In proprietary funds, both the expenses and the liabilities are recorded as benefits as earned. All vacation pay is accrued when incurred in the government-wide financial statements. Each operating fund is responsible for covering its share of vacation pay liability.

- **Arbitrage Rebate Liability**

The U.S. Treasury has issued regulations on calculating the rebate due the Federal government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the City temporarily invests the proceeds of tax exempt debt in securities with higher yields. The City treats the estimated rebate payable as a reduction of available financial resources in the fund that earned the arbitrage profit. Accordingly, interest earnings are reduced by the amount of the increase in the estimated rebate payable and a liability is reported in the appropriate fund.

- **Pensions**

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

- **Net Position/Fund Equity**

Net Position in government-wide and proprietary financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In accordance with Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaids or they are legally or contractually required to be maintained intact.
- Restricted fund balance includes amounts that have constraints placed on their use by external sources such as creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority - City Council. These committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Fund Balance may be assigned either through the encumbrance process as a result of normal purchasing activity (which includes the issuance of a purchase order), or by the City Manager or his designee, the Director of Finance, in accordance with the Council adopted fund balance policy.
- Unassigned fund balance is the positive fund balance within the General fund which has not been classified as Restricted, Committed, or Assigned and negative fund balances in other governmental funds.

The City considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unrestricted fund balance are available unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

F. Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and reported revenues, expenditures, and expenses. Actual results could differ.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 2. Cash and Investments

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Investment Policy:

In accordance with the *Code* and other applicable law, including regulations, the City's Investment Policy (Policy) permits investments in Treasury Securities, agency securities, prime quality commercial paper, certificates of deposit maturing within one year and issued by domestic banks, banker's acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements, open-end investments, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The Investment Policy specifies that no investment may have a maturity greater than one year from the date of purchase, unless matched to a specific cash flow.

Credit Risk:

As required by state statute or by the City, the Policy requires that commercial paper have a short-term debt rating of P-1 or higher by Moody's Investors Service and A-1 or higher by Standard & Poor's Ratings Services, provided that the issuing domestic corporation has a net worth of \$50 million and its long term debt is rated A or better by Moody's and Standard & Poor's. Banker's acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Open-end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody's or Standard & Poor's. Repurchase agreements require that the counterparty be rated A or better by Moody's and Standard & Poor's.

As of June 30, 31% of the portfolio was invested in "Aaa" rated obligations; 3% was invested in "Aa1" Municipal Obligations; 4% was invested in "Aa2" Municipal Obligations; 6% was invested in "A1" rated Commercial Paper; 1% was invested in "A2" rated Commercial Paper; 2% was invested in "Aa3" rated Commercial Paper; and 53% was invested in an "AAAm" rated LGIP fund. The "Aaa" rated portion of the total portfolio included 2% of obligations guaranteed by the U. S. Government; 23% of Federal Agencies; and 12% of Municipal Obligations (percentages are based on the total portfolio). On August 5, 2011, Standard & Poor's downgraded the long-term sovereign credit rating of the United States of America from "AAA" to "AA+" and affirmed the "A-1+" short-term rating. This downgrade relates to 31% of the City's portfolio previously noted as "Aaa" by Moody's Investors Service. All credit ratings presented in this paragraph are Moody's or Standard & Poor's as necessary.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Concentration of Credit Risk:

The Policy's intent is for the City to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity. The Policy places a limit on the amount the City may invest in any single financial institution at no more than 50% of the City's total investments.

As of June 30, investment types that equal or exceed 5% of the portfolio were as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>
Municipal Bonds	13%
Federal Home Loan Bank	11%
Federal Farm Credit Bank	6%
Commercial Paper	9%

Interest Rate Risk:

The Policy limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. Agency securities must mature within five years of the date of purchase. Prime commercial paper must mature within 270 days of the date of purchase and banker's acceptances must mature within 180 days of the date of purchase.

As of June 30, the carrying values and weighted average maturity were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity*</u>
Money Market Funds – LGIP	\$ 50,458,343	-
U.S. Treasury Bills	499,860	170
U.S. Treasury Notes	1,854,440	306
Federal Home Loan Mortgage Corporation	3,999,690	145
Federal National Mortgage Association	2,214,908	162
Federal Farm Credit Bank	5,304,707	167
Federal Home Loan Bank	10,621,337	205
Commercial Paper	8,499,684	90
Municipal Bonds	11,957,317	665
Total investments	<u>\$ 95,410,286</u>	
Portfolio weighted average maturity		140

* Weighted average maturity in days.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Custodial Credit Risk:

The Policy requires that all investment securities shall be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, all investments are held in a bank’s trust department in the City’s name.

Restricted cash and temporary cash investments of the General, Special Revenue, and Enterprise Funds include certain deposits, grant advances, and amounts related to the Passenger Facility Charge program. The Schools Component Unit’s restricted cash and temporary cash investments consist of capital lease proceeds restricted for the purpose of acquiring school equipment.

The above items are reflected in the statements as follows:

	<u>Primary Government</u>	<u>School Board Component Unit</u>
Deposits and investments:		
Cash on hand	\$ 16,950	\$ 800
Deposits	85,923,461	229,376
Funds held in trust by others	-	703,175
Investments	<u>84,486,139</u>	<u>10,924,147</u>
	<u>\$ 170,426,550</u>	<u>\$ 11,857,498</u>
Statement of net position:		
Cash and cash equivalents	\$ 60,829,131	\$ 11,154,323
Investments	44,951,945	-
Restricted cash and cash equivalents	64,522,193	-
Fiduciary fund cash and cash equivalents	<u>123,281</u>	<u>703,175</u>
	<u>\$ 170,426,550</u>	<u>\$ 11,857,498</u>

Note 3. Property Taxes

Real Estate taxes are levied on a fiscal year basis on July 1, the assessment date, and become a lien as of that date. Supplemental billings are processed through the current tax year to ensure timely recordation. Real estate taxes are payable in four quarterly installments on November 15, January 15, March 15, and May 15.

Personal property taxes are levied on property owned as of January 1, and are payable in two equal installments on June 5 and December 5. Additional billings for personal property acquisitions are due March 5 and September 5.

A penalty of 10% for late payment is assessed on the day after the due date and interest at the rate of 10% is assessed on unpaid balances beginning with the first day of the month following the due date. The City bills and collects its own property taxes.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 4. Interfund Receivables, Payables and Transfers

Interfund balances at June 30, 2015 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 1,750,225	\$ 359,570
Non-major Special Revenue Funds:		
City Federal/State Aid	263,378	592,331
Community Development Block Grant	45,067	-
Comprehensive Services Act	90	968,477
Lynchburg Regional Juvenile Detention Center	67,448	234,484
Major Proprietary Funds:		
Sewer	8,187	-
Water	16,374	-
Internal Service	4,093	-
	<u>\$ 2,154,862</u>	<u>\$ 2,154,862</u>

Interfund receivables for governmental funds primarily represent advances to special revenue funds to be repaid with future grant revenues. Interfund receivables for proprietary funds mainly represent the reallocation of health benefits at year end.

Interfund transfers were as follows:

	<u>To</u>	<u>From</u>
Major Fund:		
General	\$ 325,036	\$ 11,373,362
Non-major Special Revenue Funds:		
City Federal/State Aid	262,730	175
Forfeited Assets	-	4,592
Lynchburg Regional Juvenile Detention Center	77	-
Major Fund – Capital Projects		
City Capital Projects	6,930,260	249,861
School Capital Projects	4,088,287	75,000
Major Proprietary Funds:		
Sewer	126,734	-
Stormwater	-	162,676
Airport	96,600	-
Internal Services	35,942	-
	<u>\$ 11,865,666</u>	<u>\$ 11,865,666</u>

Transfers between major funds (general, city and school capital projects, and proprietary) and other non-major governmental funds were primarily to support capital projects, operations and the purchase of fleet vehicles and equipment.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 5. Due From/To Primary Government and Component Units

Due from/to balances between the City and its component units at June 30, were as follows:

	Due From Component Units	Due To Primary Government
	<u> </u>	<u> </u>
Primary Government:		
Major Fund:		
General Fund	\$ 4,031,257	\$ -
Non-major Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
	<u>\$ 4,156,257</u>	<u>\$ -</u>
Component Units:		
Lynchburg City Schools	\$ -	\$ 3,987,555
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	-	43,702
	<u>\$ -</u>	<u>\$ 4,156,257</u>

Note 6. Due From Other Governments

Amounts due from other governments at June 30 were as follows:

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 6,490,137	\$ 784,534	\$ 5,168,075	\$ 503,508
Virginia Revolving Loan	-	567,276	-	-
Members of Regional Sewage Treatment Plant	-	4,706,203	-	-
	<u>\$ 6,490,137</u>	<u>\$ 6,058,013</u>	<u>\$ 5,168,075</u>	<u>\$ 503,508</u>

Due from members of the Regional Sewage Treatment Plant:

Amounts due from members of the Regional Sewage Treatment Plant represent amounts due from Amherst County, Bedford Regional Water Authority, and the Campbell County Utilities and Service Authority for their proportionate share (20.46%) of improvements to Joint-Use Facilities under a 1974 agreement (the "Agreement"). These Joint-Use Facilities are defined as the City's Regional Waste Water Treatment Plant and its immediately related treatment facilities used jointly by the City and one or more of the members in connection with the transmission or treatment of wastes made the subject of the Agreement. The cost of improvements are billed to each member and recorded as contributed capital when related projects are completed. Pursuant to Section VI (b) of the Agreement, each member shall have the option of paying its proportionate share of the cost of projects either in cash or on a deferred payment schedule coinciding with the period over which the City's bonds are amortized, plus interest at the rate equivalent to the net interest cost to the City. Future principal payments to be received are as follows:

Amount receivable within 1 year	\$ 475,878
Amount receivable 2 to 5 years	1,740,531
Amount receivable beyond 5 years	<u>2,489,794</u>
	<u>\$ 4,706,203</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 7. Receivables

Receivables as of June 30, net of allowances for uncollectible accounts, are as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Other</u>	<u>Total</u>
Major funds:				
General	\$ 13,220,772	\$ 4,685,807	\$ 1,012,969	\$ 18,919,548
City Capital Projects	-	-	350,000	350,000
Water	-	1,476,759	-	1,476,759
Sewer	-	2,790,506	-	2,790,506
Stormwater	-	439,813	-	439,813
Airport	-	92,747	-	92,747
Internal Service	-	-	41,050	41,050
Non-major Governmental Funds	-	-	167,821	167,821
	<u>\$ 13,220,772</u>	<u>\$ 9,485,632</u>	<u>\$ 1,571,840</u>	<u>\$ 24,278,244</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 8. Capital Assets

Primary Government:

A summary of the changes in the City's capital assets for governmental activities is as follows:

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balances</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 17,254,874	\$ 202,818	\$ -	\$ 17,457,692
Construction in progress	33,553,717	53,027,593	(23,832,702)	62,748,608
Total capital assets, not being depreciated	50,808,591	53,230,411	(23,832,702)	80,206,300
<u>Capital assets, being depreciated:</u>				
Land improvements	23,232,697	16,447,624	(58,800)	39,621,521
Accumulated depreciation	(10,197,027)	(1,355,376)	55,300	(11,497,103)
Net land improvements	13,035,670	15,092,248	(3,500)	28,124,418
Buildings and improvements	236,291,153	3,043,973	(34,234)	239,300,892
Accumulated depreciation	(123,831,139)	(6,998,075)	33,151	(130,796,063)
Net buildings and improvements	112,460,014	(3,954,102)	(1,083)	108,504,829
Infrastructure	231,888,739	3,785,457	-	235,674,196
Accumulated depreciation	(130,345,981)	(6,726,932)	-	(137,072,913)
Net infrastructure	101,542,758	(2,941,475)	-	98,601,283
Machinery and equipment	43,847,112	6,156,505	(2,031,152)	47,972,465
Accumulated depreciation	(29,237,692)	(3,627,352)	1,980,352	(30,884,692)
Net machinery and equipment	14,609,420	2,529,153	(50,800)	17,087,773
Total capital assets being depreciated	535,259,701	29,433,559	(2,124,186)	562,569,074
Less: accumulated depreciation	(293,611,839)	(18,707,735)	2,068,803	(310,250,771)
Total capital assets, being depreciated	241,647,862	10,725,824	(55,383)	252,318,303
Capital assets, net	\$ 292,456,453	\$ 63,956,235	\$ (23,888,085)	\$ 332,524,603

There are no assets included above financed by capital leases as of June 30, 2015.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 544,797
Education	5,045,722
Judicial	706,238
Health and human services	307,948
Public safety	1,970,968
Public works	8,323,110
Community development	187,185
Cultural and recreational	1,217,183
	<hr/>
Total governmental activities	18,303,151
	<hr/>
Business-type activities:	
Water	134,236
Sewer	252,112
Airport	18,236
	<hr/>
Total business-type activities	404,584
	<hr/>
Total depreciation	\$ 18,707,735

The Fleet Internal Services Fund, whose assets are reported as a part of the City's governmental assets, purchases vehicles that are used by the City's Enterprise Funds. Depreciation related to those vehicles is allocated to the Enterprise Funds. In prior years, the City Capital Projects fund, on occasion, would construct assets that were used primarily by the Enterprise Funds. Depreciation on these assets is also allocated to the Enterprise Funds. The \$404,584 of business-type depreciation reflected above is the allocation of this depreciation and is not reflected on the business-type activities asset information reported below.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

A summary of the changes in the City's capital assets for business-type activities is as follows:

<u>Business-type Activities</u>	<u>Beginning Balances</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balances</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 5,061,471	\$ -	\$ -	\$ 5,061,471
Construction in progress	9,970,487	14,094,405	(10,137,616)	13,927,276
Total capital assets, not being depreciated	15,031,958	14,094,405	(10,317,616)	18,988,747
<u>Capital assets, being depreciated:</u>				
Land improvements	12,419,621	210,748	-	12,630,369
Accumulated depreciation	(11,833,349)	(81,734)	-	(11,915,083)
Net land improvements	586,272	(129,014)	-	715,286
Buildings and improvements	56,917,264	159,642	-	57,076,906
Accumulated depreciation	(25,487,014)	(1,869,860)	-	(27,356,874)
Net buildings and improvements	31,430,250	(1,710,218)	-	29,720,032
Infrastructure	425,636,979	9,488,975	-	435,125,954
Accumulated depreciation	(118,476,265)	(9,564,218)	-	(128,040,483)
Net infrastructure	307,160,714	(75,243)	-	307,085,471
Machinery and equipment	21,034,123	974,142	(16,423)	21,991,842
Accumulated depreciation	(8,670,527)	(940,040)	16,423	(9,594,144)
Net machinery and equipment	12,363,596	34,102	-	12,397,698
Capitalized interest	6,493,948	380,571	-	6,874,519
Accumulated depreciation	(1,902,207)	(129,879)	-	(2,032,086)
Net capitalized interest	4,591,741	250,692	-	4,842,433
Total capital assets being depreciated	522,501,935	11,214,078	(16,423)	533,699,590
Less: accumulated depreciation	(166,369,362)	(12,585,731)	16,423	(178,938,670)
Total capital assets, being depreciated	356,132,573	(1,371,653)	-	354,760,920
Capital assets, net	\$ 371,164,531	\$ 12,722,752	\$ (10,137,616)	\$ 373,749,667

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 8. Capital Assets (Continued)

Component Units:

A summary of changes in the capital assets of the Schools is as follows:

Lynchburg City Schools.	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
<u>Capital assets, being depreciated:</u>				
Equipment	\$ 11,124,338	\$ 2,224,343	\$ 586,933	\$ 12,761,748
Accumulated depreciation	(6,126,910)	(1,025,290)	(528,607)	(6,623,593)
Net equipment	<u>4,997,428</u>	<u>1,199,053</u>	<u>58,326</u>	<u>6,138,155</u>
Equipment – cafeteria	1,162,916	25,775	-	1,188,691
Accumulated depreciation	(697,932)	(72,184)	-	(770,116)
Net equipment – cafeteria	<u>464,984</u>	<u>(46,409)</u>	<u>-</u>	<u>418,575</u>
Total capital assets being depreciated	12,287,254	2,250,118	586,933	13,950,439
Less: accumulated depreciation	<u>(6,824,842)</u>	<u>(1,097,474)</u>	<u>(528,607)</u>	<u>(7,393,709)</u>
Capital assets, net	<u>\$ 5,462,412</u>	<u>\$ 1,152,644</u>	<u>\$ 58,326</u>	<u>\$ 6,556,730</u>

Details of capital assets of other component units are as follows:

Land, buildings, and improvements	\$ 13,266,294
Construction in progress	2,660,560
Machinery and equipment	<u>23,499,236</u>
	39,426,090
Less accumulated depreciation	<u>15,335,365</u>
	<u>\$ 24,090,725</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 9. Long-Term Liabilities

Primary Government:

General Obligation Debt:

As of June 30, 2015	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Public Improvements	School Facilities	Proprietary Funds	Total
Serial Bonds								
VA Resources Authority	0.00	3/24/1994	2027	\$ 3,976,369	\$ -	\$ -	\$ 1,427,057	\$ 1,427,057
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	1,327,185	-	1,327,185
VPSA General Obligation	2.35-4.85	11/7/2002	2023	6,513,732	-	2,798,659	-	2,798,659
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	3,761,066	-	3,761,066
Public Improvement	4.00-5.00	5/9/2006	2026	23,840,000	721,166	284,421	124,413	1,130,000
Public Improvement	4.00-5.00	8/2/2007	2038	33,300,000	9,748,873	-	15,456,127	25,205,000
Public Improvement								
Series A Tax Exempt	1.00-5.00	8/13/2009	2022	17,230,000	2,905,000	4,130,000	3,450,000	10,485,000
Public Improvement								
Series B Taxable Build								
America Bonds (BABs)	5.05-6.61	8/13/2009	2040	27,420,000	4,399,395	9,450,605	13,570,000	27,420,000
Public Improvement								
Series C Refunding	2.00-4.00	8/13/2009	2023	12,800,000	2,101,501	1,146,644	3,671,855	6,920,000
VPSA General Obligation	0.00	11/13/2009	2027	10,255,000	-	9,210,000	-	9,210,000
Public Improvement								
Refunding	2.00-5.00	10/20/2010	2034	29,655,000	9,176,389	6,976,702	11,411,909	27,565,000
Public Improvement								
Refunding	3.80	12/19/2012	2023	4,129,625	3,234,949	-	-	3,234,949
Public Improvement	2.75	10/23/2013	2028	10,000,000	6,591,898	874,502	1,866,600	9,333,000
Public Improvement	2.00-5.00	7/10/2014	2044	101,730,000	20,060,000	62,465,000	17,910,000	100,435,000
Public Improvement								
Refunding	5.00	7/10/2014	2026	13,460,000	8,590,172	3,387,882	1,481,946	13,460,000
Public Improvement								
Refunding (Bond R-1)	1.60	3/12/2015	2020	9,657,000	4,003,514	2,431,488	3,062,998	9,498,000
Public Improvement								
Refunding (Bond R-2)	2.34	3/12/2015	2030	3,768,000	1,573,713	952,320	1,193,967	3,720,000
					<u>\$ 73,106,570</u>	<u>\$ 109,196,474</u>	<u>\$ 74,626,872</u>	<u>\$ 256,929,916</u>

Bonds issued between 1992 and 2010 are callable subject to a maximum premium of 2%.

Authorized and unissued general obligation public improvement bonds amounted to \$66,445,000 at June 30, 2015.

The Constitution of Virginia, Article VII, Section 10(a) sets forth the City's legal debt limit at ten percent (10%) of its real estate assessed valuation for the City's issuance of any bonds or other interest-bearing obligations. As of June 30, the City's aggregate general obligation indebtedness was \$256,929,916 and less than the state limit. In December 2006, City Council amended the Debt Management Policy, which limited tax-supported debt to four and a half percent (4.5%) of its net assessed valuation of taxable property. City Council reaffirmed the Debt Policy on November 23, 2010 with one revision to debt service payments for revenue supported debt from twenty to thirty years. City Council revised the Debt Policy on February 26, 2013 in the section entitled Tax-Supported Debt, Item 6. Previously, the Policy stated that the 10-Year Principal Payout Ratio shall not be less than 60%. With this revision, the Policy now states that the 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program. The principal payout ratio for the year ended June 30 was 63.10%. As shown in the Supplementary Statistical Table 20, outstanding tax-supported debt was 3.39% of net assessed valuation of taxable property. There are no overlapping tax jurisdictions.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Revenue Debt:

As of June 30, 2015	Interest Rates %	Date Issued	Final Maturity	Original Issue	Sewer Fund
Virginia Resources Authority					
Public Utility Revenue Bonds	0.00	3/28/1995	2027	\$ 6,571,207	\$ 2,012,883
Public Utility Revenue Bonds	0.00	8/10/1995	2029	10,000,000	3,670,635
Public Utility Revenue Bonds	0.00	6/27/1996	2029	8,000,000	2,841,431
Public Utility Revenue Bonds	0.00	7/17/1997	2030	7,591,540	3,249,239
Public Utility Revenue Bonds	3.00	7/17/1997	2020	14,108,460	4,094,908
Public Utility Revenue Bonds	0.00	8/21/1998	2031	6,203,000	2,904,552
Public Utility Revenue Bonds	3.00	5/27/1999	2020	2,476,763	717,489
Public Utility Revenue Bonds	0.00	2/11/2000	2021	5,300,000	1,673,684
Public Utility Revenue Bonds	0.00	2/15/2001	2032	735,000	375,789
Public Utility Revenue Bonds	3.50	6/8/2001	2021	2,835,000	1,118,902
Public Utility Revenue Bonds	0.00	11/6/2001	2034	1,413,613	817,619
Public Utility Revenue Bonds	0.00	9/15/2003	2036	2,350,165	1,565,084
Public Utility Revenue Bonds	0.00	5/20/2004	2038	6,000,000	4,300,000
Public Utility Revenue Bonds	0.00	5/17/2005	2038	6,700,000	4,913,333
Public Utility Revenue Bonds	0.00	6/28/2006	2039	9,600,000	7,520,000
Public Utility Revenue Bonds	0.00	6/20/2007	2039	7,000,000	5,600,000
Public Utility Revenue Bonds	0.00	6/5/2008	2041	12,350,000	10,497,500
Public Utility Revenue Bonds	0.00	6/25/2009	2041	19,000,000	16,466,667
Public Utility Revenue Bonds	0.00	6/17/2010	2042	13,100,000	11,790,000
Public Utility Revenue Bonds	0.00	6/15/2011	2033	9,350,928	8,408,057
Public Utility Revenue Bonds	0.00	6/15/2011	2045	10,100,000	9,931,667
Public Utility Revenue Bonds	0.00	6/6/2012	2044	7,000,000	6,766,667
					<u>\$ 111,236,106</u>

The revenue bonds have been issued in accordance with the terms of an indenture agreement with the Virginia Resources Authority (VRA) of the Commonwealth of Virginia and are to be used for Sewer capital projects. The indenture agreement requires the City to pledge its Sewer Fund Revenues as collateral for the revenue bonds and to maintain debt coverage in the Sewer Fund equal to at least 1.15 of all debt service payments which exclude any refunded principal payments. As shown in the Supplementary Statistical Table 22, the debt coverage ratio for the year ended June 30 was 1.29.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

The following is a summary of changes in long-term liabilities for FY2015:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
General obligation bonds	\$ 114,519,362	\$ 105,414,336	\$ 33,418,643	\$ 186,515,055	\$ 10,273,333
Notes payable*	1,760,000	-	180,000	1,580,000	180,000
Adjust for deferred amounts:					
Issuance discounts	(693,015)	-	(53,309)	(639,706)	-
Issuance premiums	3,116,539	10,217,924	1,607,389	11,727,074	-
Total bonds and notes	118,702,886	115,632,260	35,152,723	199,182,423	10,453,333
Workers' compensation**	2,245,869	999,717	786,715	2,458,871	295,065
Compensated absences**	4,241,199	2,692,066	2,787,106	4,146,159	497,539
Other post-employment benefits**	5,030,613	3,097,356	3,050,751	5,077,218	-
	\$ 130,220,567	\$ 122,421,399	\$ 41,777,295	\$ 210,864,671	\$ 11,245,937
Business-Type Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond anticipation notes	\$ 7,158,894	\$ -	\$ 7,158,894	\$ -	\$ -
General obligation bonds	56,083,091	23,200,664	8,868,894	70,414,861	4,318,896
Public utility revenue bonds	117,270,249	-	6,034,143	111,236,106	6,238,058
Adjust for deferred amounts:					
Issuance premiums	1,711,360	1,699,515	539,950	2,870,925	-
Total bonds and notes	182,223,594	24,900,179	22,601,881	184,521,892	10,556,954
Workers' compensation**	174,130	46,725	79,641	141,214	16,946
Compensated absences**	501,898	344,665	313,194	533,369	64,004
Other post-employment benefits**	494,446	414,386	408,149	500,683	-
	\$ 183,394,068	\$ 25,705,955	\$ 23,402,865	\$ 185,697,158	\$ 10,637,904

*A note receivable was obtained concurrent with the issuance of this note payable. Neither instrument constituted a source or a use of current financial resources; therefore, they are not reflected in the fund statements. The note receivable is included in prepaids and other assets on Exhibit 1.

**For governmental activities, a portion of the workers' compensation, compensated absences, and other post-employment benefits are liquidated by the Internal Service Fund. The remaining portion of the workers' compensation, compensated absences, and other post-employment benefits are liquidated by the General Fund.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Debt Service to Maturity:

Year Ending June 30	Governmental Activities			
	General Obligation		Note Payable	
	Principal	Interest	Principal	Interest
2016	\$ 10,273,333	\$ 7,441,044	\$ 180,000	\$ 16,680
2017	10,463,962	7,129,952	180,000	23,833
2018	10,287,623	6,788,658	180,000	22,249
2019	10,530,668	6,436,008	180,000	20,215
2020	10,752,882	6,044,489	180,000	17,326
2021-2025	52,355,768	23,610,954	680,000	27,727
2026-2030	34,533,300	13,760,363	-	-
2031-2035	20,507,519	8,185,103	-	-
2036-2040	16,205,000	4,197,556	-	-
2041-2044	10,605,000	1,060,200	-	-
	<u>\$ 186,515,055</u>	<u>\$ 84,654,327</u>	<u>\$ 1,580,000</u>	<u>\$ 128,030</u>

Year Ending June 30	Business-Type Activities							
	General Obligation						Revenue Bonds	
	Water Fund		Airport Fund		Sewer Fund		Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,219,134	\$ 2,075,963	\$ 109,652	\$ 27,830	\$ 1,990,110	\$ 942,696	\$ 6,238,058	\$ 174,501
2017	2,155,993	2,003,066	100,886	24,963	1,887,808	889,697	6,274,744	137,815
2018	2,058,554	1,926,580	94,937	22,207	1,753,830	835,545	6,312,571	99,989
2019	1,850,237	1,849,466	65,569	17,438	1,492,687	782,620	6,351,572	60,988
2020	1,712,233	1,778,027	33,222	13,564	1,264,006	738,940	5,816,175	20,775
2021-2025	8,259,003	7,767,832	193,411	41,103	5,499,609	3,057,277	24,352,082	5,345
2026-2030	8,328,382	5,766,180	44,654	2,233	4,358,463	2,031,028	21,603,650	-
2031-2035	8,439,624	3,678,477	-	-	3,482,857	1,159,356	17,068,088	-
2036-2040	8,040,244	1,429,654	-	-	2,539,756	415,096	13,058,333	-
2041-2045	1,740,000	174,000	-	-	700,000	70,000	4,160,833	-
	<u>\$ 44,803,404</u>	<u>\$ 28,449,245</u>	<u>\$ 642,331</u>	<u>\$ 149,338</u>	<u>\$ 24,969,126</u>	<u>\$ 10,922,255</u>	<u>\$ 111,236,106</u>	<u>\$ 499,413</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

July 10, 2014 General Obligation Public Improvement and Refunding Bonds, Series 2014 - New Proceeds, Series 2014; Current Refunding Bond Anticipation Note, Series 2011; and, Advanced Refunding of General Obligation Bond Issue, Series 2006

The City issued \$115,190,000 of General Obligation Public Improvement and Refunding Bonds, Series 2014 dated July 10, 2014 from its competitive bond sale on June 10, 2014. General government projects including issuance costs were financed for twenty years with the exception of transportation projects which were financed for thirty years. Schools, water and sewer projects including issuance costs were financed for thirty years. The refunding bonds including issuance costs were financed for twelve years. The final maturity date is June 1, 2044, with interest rates ranging from 0.15% to 4.0% and a total interest cost of 3.4%. The proceeds were allocated for capital projects as follows: \$20,760,000 for general government including \$7,140,000 for City Stadium renovations, \$3,655,000 for a new Group Home facility, \$6,400,000 for transportation and \$3,565,000 for other general government; \$62,465,000 for schools for construction of a new Heritage High School; \$5,330,000 for sewer projects; \$6,530,000 for water projects; and, \$6,645,000 for a current refunding to permanently finance \$7,158,894 of interim financing through the line of credit bond anticipation note with Carter Bank & Trust dated November 8, 2011. This line of credit interim financed water capital projects only resulting in a total of \$13,175,000 for water projects financed with this bond issue.

Lastly, \$13,460,000 of bonds with an average interest rate of 5% were issued to advance refund \$14,545,000 of principal for the May 9, 2006 General Obligation Public Improvement Bond Issue. There was no call premium for these refunded bonds. The City deposited the net proceeds from the refunding bonds in an irrevocable trust with an escrow agent that purchased U. S. Government securities. The trust will provide funds for future debt service on the refunded bonds for maturities from FY2017 thru FY2026. The City will fund maturities in FY2015 and FY2016. As of the bond closing date of July 10, 2014, these refunded bonds are considered defeased and the liability for them has been removed from the financial statements. The advance refunding reduced the total debt service payments over the next 12 years by \$1,131,683 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,098,088. This advance refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of \$1,274,554. This difference will be reported in the financial statements as deferred debt charges, and will be amortized as a component of interest expenses through FY2026 over the life of the refunded bonds, which is the same fiscal year as the life of the refunding bonds. The outstanding principal of the Series 2006 in-substance defeased will be \$14,545,000 until the redemption date of January 15, 2016.

March 12, 2015 General Obligation Public Improvement Refunding Bond, Series 2015 - Bond R-1 and Bond R-2-Current Refunding of General Obligation Bond Issue Series 2005A

On March 12, 2015, the City issued \$13,425,000 of General Obligation Public Improvement Refunding Bonds, Series 2015 Bonds R-1 and R-2 with an average interest rate of 2.03% as a Direct Bank Loan with American National Bank and Trust Company. The proceeds were used to refund \$13,040,000 of principal for the March 16, 2005 General Obligation Public Improvement Refunding Bond Issue, Series 2005A. There was no call premium for these refunded bonds. The City deposited the net proceeds from the refunding bonds in an irrevocable trust with an escrow agent that purchased U. S. Government securities. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. This refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of \$304,677. This difference will be reported in the financial statements as deferred debt charges, and will be amortized as a component of interest expenses through FY2030 over the life of the refunded bonds, which is the same fiscal year as the life of the refunding bonds. The refunding was undertaken to reduce total debt service payments over the next 16 years by \$1,204,080 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,083,010. The Series 2005A bonds were called June 1, 2015.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 9. Long-Term Liabilities (Continued)

Component Unit – Lynchburg City Schools:

The following is a summary of changes in other long-term liabilities for FY2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 666,138	\$ 741,988	\$ 697,044	\$ 711,082	\$ 584,284
Other post-employment benefits	3,266,865	1,108,408	899,705	3,475,568	-
	<u>\$ 3,933,003</u>	<u>\$ 1,850,396</u>	<u>\$ 1,596,749</u>	<u>\$ 4,186,650</u>	<u>\$ 584,284</u>

Note 10. Fund Equity Balances

Fund Balance Policy:

- The City of Lynchburg’s Unassigned General Fund Balance (UGFB) will be maintained at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.
- The City shall not use the UGFB to finance recurring operating expenditures.
- The City will maintain an UGFB equal to 10% of General Fund revenues. In the event the UGFB is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the UGFB to the minimum of 10% over five years.
- Funds in excess of the targeted 10% fund balance may be considered to supplement “pay-as-you-go” capital outlay expenditures, other non-recurring expenditures, or as additions to fund balance.

For FY 2015 the City was in compliance with the Fund Balance Policy.

A schedule of City fund balances is on the following pages.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statement
As of June 30, 2015

	MAJOR FUNDS			NON MAJOR SPECIAL REVENUE FUNDS			
	GENERAL FUND	CITY CAPITAL PROJECTS	SCHOOL CAPITAL PROJECTS	CITY FEDERAL STATE AID	COMMUNITY DEVELOPMENT BLOCK GRANT	LYNCHBURG BUSINESS DEVELOPMENT CENTRE	FORFEITED ASSETS
FUND BALANCES							
Nonspendable							
Advance to Lynchburg United Soccer	\$ -	\$ 350,000	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Transportation projects	-	7,135,873	-	-	-	-	-
Building projects	-	11,188	-	-	-	-	-
Parks and Recreation projects	-	145,831	-	-	-	-	-
Litter Grant	-	-	-	836	-	-	-
Community Corrections	-	-	-	50,386	-	-	-
Fire Department	-	-	-	313,627	-	-	-
Police Department	-	-	-	8,857	-	-	-
Economic Development	-	-	-	971	-	-	-
Shelter Plus Care	-	-	-	4,893	-	-	-
Emergency Services	-	-	-	1,037	-	-	-
Registrar	-	-	-	2,120	-	-	-
Commonwealth Attorney	-	-	-	475	-	-	-
CDBG - Bluffwalk	-	-	-	-	1,245,053	-	-
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	-	112,305
Federal Asset Forfeiture - Police	-	-	-	-	-	-	53,414
State Asset Forfeiture - Police	-	-	-	-	-	-	107,603
Treasury Asset Forfeiture - Police	-	-	-	-	-	-	30,408
Treasury Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	-	29,820
Health and Human Services	-	-	-	-	-	-	-
Lynchburg Expressway beautification	-	-	-	-	-	-	-
HOME projects	-	-	-	-	-	-	-
Committed to:							
Technology	3,045,077	-	-	-	-	-	-
Detention Home Workers Compensation	100,000	-	-	-	-	-	-
Health Insurance Reserve	713,510	-	-	-	-	-	-
Schools for Textbooks	655,254	-	-	-	-	-	-
Schools for Health Insurance Reserve	1,740,608	-	-	-	-	-	-
Schools for Special Education Disprop	321,000	-	-	-	-	-	-
Other Post Employment Benefits	1,881,814	-	-	-	-	-	-
Solid Waste Debt Retirement	587,281	-	-	-	-	-	-
Parking Operations	38,575	-	-	-	-	-	-
Heritage High School Reserve FF&E	2,672,682	-	-	-	-	-	-
GLTC Special Reserve	587,562	-	-	-	-	-	-
Self Insurance	1,929,757	-	-	-	-	-	-
Armstrong School	29,086	-	-	-	-	-	-
Community Development	9,934	-	-	-	-	-	-
Cultural and Recreational	15,547	-	-	-	-	-	-
General Government	158,073	-	-	-	-	-	-
Health and Welfare	14,597	-	-	-	-	-	-
Judicial	3,976	-	-	-	-	-	-
Public Safety	50,669	-	-	-	-	-	-
Public Works	248,073	-	-	-	-	-	-
Sale of downtown GEFA building	-	116,388	-	-	-	-	-
Building projects	-	9,521,466	-	-	-	-	-
Transportation projects	-	14,997,617	-	-	-	-	-
Public Safety projects	-	117,686	-	-	-	-	-
Parks and Recreation projects	-	7,659,872	-	-	-	-	-
Waste Management projects	-	250,000	-	-	-	-	-
Provision of loan funds for small businesses	-	-	-	-	-	125,384	-
Heritage High School	-	-	33,351,352	-	-	-	-
EC Glass High School	-	-	603,073	-	-	-	-
Dearington Elementary School	-	-	475,000	-	-	-	-
Dunbar Middle School	-	-	295,510	-	-	-	-
RS Payne Elementary School	-	-	60,000	-	-	-	-
School Construction and Maintenance	-	-	1,029,040	-	-	-	-
Assigned to:							
Return of School Fund Balance	3,987,555	-	-	-	-	-	-
Law Library	53,488	-	-	-	-	-	-
Museum	50,028	-	-	-	-	-	-
Recreation Programs	229,568	-	-	-	-	-	-
Pier Program	82,625	-	-	-	-	-	-
Dental Claims Reserve	150,000	-	-	-	-	-	-
Health Insurance Reserve	364,538	-	-	-	-	-	-
Future Post Closure	380,102	-	-	-	-	-	-
Fire Equipment	80,922	-	-	-	-	-	-
Line of Duty Death Benefit	211,904	-	-	-	-	-	-
Line of Duty Health Claim Reserve	145,000	-	-	-	-	-	-
Parking Operations	65,465	-	-	-	-	-	-
Point of Honor	2,653	-	-	-	-	-	-
Police Range Operations	1,889	-	-	-	-	-	-
Blue Ridge Regional Jail	79,363	-	-	-	-	-	-
Fire Restitution	50	-	-	-	-	-	-
Adopt-A-Bed	3,112	-	-	-	-	-	-
Virginia Land Conservancy	2,314	-	-	-	-	-	-
General Government	23,278	-	-	-	-	-	-
Health and Welfare	17,592	-	-	-	-	-	-
Judicial	372	-	-	-	-	-	-
Public Safety	102,529	-	-	-	-	-	-
Public Works	83,704	-	-	-	-	-	-
Major Maintenance and Equipment replacement	-	-	-	-	-	-	-
Unassigned:	32,089,924	-	-	(50,067)	-	-	-
Total Fund Balance	\$ 53,011,050	\$ 40,305,921	\$ 35,813,975	\$ 333,135	\$ 1,245,053	\$ 125,384	\$ 333,550

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statement
As of June 30, 2015

NON MAJOR SPECIAL REVENUE FUNDS

	COMPREHENSIVE SERVICES ACT	LYNCHBURG EXPRESSWAY APPEARANCE	HOME INVESTMENT TRUST	LYNCHBURG REGIONAL JUVENILE DETENTION CENTER	ALL FUNDS
FUND BALANCES					
Nonspendable					
Advance to Lynchburg United Soccer	\$ -	\$ -	\$ -	\$ -	\$ 350,000
Restricted for:					
Transportation projects	-	-	-	-	7,135,873
Building projects	-	-	-	-	11,188
Parks and Recreation projects	-	-	-	-	145,831
Litter Grant	-	-	-	-	836
Community Corrections	-	-	-	-	50,386
Fire Department	-	-	-	-	313,627
Police Department	-	-	-	-	8,857
Economic Development	-	-	-	-	971
Shelter Plus Care	-	-	-	-	4,893
Emergency Services	-	-	-	-	1,037
Registrar	-	-	-	-	2,120
Commonwealth Attorney	-	-	-	-	475
CDBG - Bluffwalk	-	-	-	-	1,245,053
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	112,305
Federal Asset Forfeiture - Police	-	-	-	-	53,414
State Asset Forfeiture - Police	-	-	-	-	107,603
Treasury Asset Forfeiture - Police	-	-	-	-	30,408
Treasury Asset Forfeiture - Commonwealth Attorney	-	-	-	-	29,820
Health and Human Services	14,556	-	-	-	14,556
Lynchburg Expressway beautification	-	188,141	-	-	188,141
HOME projects	-	-	26,247	-	26,247
Committed to:					
Technology	-	-	-	-	3,045,077
Detention Home Workers Compensation	-	-	-	-	100,000
Health Insurance Reserve	-	-	-	-	713,510
Schools for Textbooks	-	-	-	-	655,254
Schools for Health Insurance Reserve	-	-	-	-	1,740,608
Schools for Special Education Disprop	-	-	-	-	321,000
Other Post Employment Benefits	-	-	-	-	1,881,814
Solid Waste Debt Retirement	-	-	-	-	587,281
Parking Operations	-	-	-	-	38,575
Heritage High School Reserve FF&E	-	-	-	-	2,672,682
GLTC Special Reserve	-	-	-	-	587,562
Self Insurance	-	-	-	-	1,929,757
Armstrong School	-	-	-	-	29,086
Community Development	-	-	-	-	9,934
Cultural and Recreational	-	-	-	-	15,547
General Government	-	-	-	-	158,073
Health and Welfare	-	-	-	-	14,597
Judicial	-	-	-	-	3,976
Public Safety	-	-	-	-	50,669
Public Works	-	-	-	-	248,073
Sale of downtown GEFA building	-	-	-	-	116,388
Building projects	-	-	-	-	9,521,466
Transportation projects	-	-	-	-	14,997,617
Public Safety projects	-	-	-	-	117,686
Parks and Recreation projects	-	-	-	-	7,659,872
Waste Management projects	-	-	-	-	250,000
Provision of loan funds for small businesses	-	-	-	-	125,384
Heritage High School	-	-	-	-	33,351,352
EC Glass High School	-	-	-	-	603,073
Dearington Elementary School	-	-	-	-	475,000
Dunbar Middle School	-	-	-	-	295,510
RS Payne Elementary School	-	-	-	-	60,000
School Construction and Maintenance	-	-	-	-	1,029,040
Assigned to:					
Return of School Fund Balance	-	-	-	-	3,987,555
Law Library	-	-	-	-	53,488
Museum	-	-	-	-	50,028
Recreation Programs	-	-	-	-	229,568
Pier Program	-	-	-	-	82,625
Dental Claims Reserve	-	-	-	-	150,000
Health Insurance Reserve	-	-	-	-	364,538
Future Post Closure	-	-	-	-	380,102
Fire Equipment	-	-	-	-	80,922
Line of Duty Death Benefit	-	-	-	-	211,904
Line of Duty Health Claim Reserve	-	-	-	-	145,000
Parking Operations	-	-	-	-	65,465
Point of Honor	-	-	-	-	2,653
Police Range Operations	-	-	-	-	1,889
Blue Ridge Regional Jail	-	-	-	-	79,363
Fire Restitution	-	-	-	-	50
Adopt-A-Bed	-	-	-	-	3,112
Virginia Land Conservancy	-	-	-	-	2,314
General Government	-	-	-	-	23,278
Health and Welfare	-	-	-	-	17,592
Judicial	-	-	-	-	372
Public Safety	-	-	-	-	102,529
Public Works	-	-	-	-	83,704
Major Maintenance and Equipment replacement	-	-	-	100,012	100,012
Unassigned:	-	-	-	-	32,039,857
Total Fund Balance	\$ 14,556	\$ 188,141	\$ 26,247	\$ 100,012	\$ 131,497,024

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan

City of Lynchburg

Plan Description: The City contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the “System”). All full-time, salaried permanent employees of the City are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”) <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. </p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 </p>
<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1 <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Exceptions to COLA Effective Dates: Same as Plan 1</p>	<p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <input type="checkbox"/> Hybrid Retirement Plan members are ineligible for ported service. <input type="checkbox"/> The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. <input type="checkbox"/> Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost./ After that on-year period, the rate for most categories of service will change to actuarial cost.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>898</u>
Inactive members:	
Vested inactive members	189
Non-vested inactive members	297
Inactive members active elsewhere in VRS	<u>288</u>
Total inactive members	774
Active members	<u>1,161</u>
Total covered employees	<u><u>2,833</u></u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Contributions: Plan members are required by Title 51.1-145 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012 all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contribution rate for the fiscal year ended 2015 was 20.80% of covered employee compensation. The rate shown for the fiscal year ending 2015 was based on the June 30, 2013 actuarial valuation. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan were \$10,728,502 and \$10,482,450 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including Inflation	3.50 - 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Actuarial Assumptions – General Employees (Continued)

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-LEOS:

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the City’s Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Post-Disablement:

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

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

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

Changes in Net Pension Liability

The Changes in Net Pension Liability for the City is as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 327,454,876	\$ 211,183,720	\$ 116,271,156
Changes for the year:			
Service Cost	6,203,323	-	6,203,323
Interest	22,279,728		22,279,728
Differences between expected and actual experience	-	-	-
Contributions - employer	-	10,482,447	(10,482,447)
Contributions - employee	-	2,545,602	(2,545,602)
Net investment income	-	32,917,551	(32,917,551)
Benefit payments, including refunds of employee contributions	(18,346,084)	(18,346,084)	-
Administrative expenses	-	(180,075)	180,075
Other changes	-	1,737	(1,737)
Net changes	10,136,967	27,421,178	(17,284,211)
Balances at June 30, 2014	\$ 337,591,843	\$ 238,604,898	\$ 98,986,945

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1.00% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1.00% Increase <u>(8.00%)</u>
City's Net Pension Liability	<u>\$140,721,422</u>	<u>\$98,986,945</u>	<u>\$64,121,925</u>

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

For the year ended June 30, 2015, the City's recognized pension expense of \$7,859,890. At June 30, 2015, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	14,661,651
Employer contributions subsequent to the measurement date	<u>10,728,502</u>	<u>-</u>
Total	<u>\$ 10,728,502</u>	<u>\$ 14,661,651</u>

\$10,728,502 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Reduction Year Ending June 30,	to Pension Expense
2016	\$ (3,665,413)
2017	(3,665,413)
2018	(3,665,413)
2019	(3,665,412)
Thereafter	-

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Payables to the Pension Plan

At June 30, 2015 approximately \$1,240,000 was payable to the Virginia Retirement System for the legally required contributions related to the June 2015 payroll for the City.

Lynchburg City Schools

Plan Description: The Schools' contribute to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent employees of the Schools' are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

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

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”) <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. </p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 </p>
<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1 <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Exceptions to COLA Effective Dates: Same as Plan 1</p>	<p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <input type="checkbox"/> Hybrid Retirement Plan members are ineligible for ported service. <input type="checkbox"/> The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. <input type="checkbox"/> Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost./ After that on-year period, the rate for most categories of service will change to actuarial cost.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>92</u>
Inactive members:	
Vested inactive members	10
Non-vested inactive members	64
Inactive members active elsewhere in VRS	<u>25</u>
Total inactive members	99
Active members	<u>157</u>
 Total covered employees	 <u>348</u>

Contributions:

Plan members are required by Title 51.1-145 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012 all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

Contributions: (Continued)

The Schools' contractually required contribution rate for the year ended June 30, 2015 was 8.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan were \$330,294 and \$382,008 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability:

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Schools' Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

Actuarial Assumptions – General Employees (Continued)

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-LEOS:

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

Actuarial Assumptions – General Employees (Continued)

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

Actuarial Assumptions – General Employees (Continued)

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 13,727,582	\$ 11,769,997	\$ 1,957,585
Changes for the year:			
Service Cost	408,027	-	408,027
Interest	935,168		935,168
Differences between expected and actual experience	-	-	-
Contributions - employer	-	382,008	(382,008)
Contributions - employee	-	192,487	(192,487)
Net investment income	-	1,844,193	(1,844,193)
Benefit payments, including refunds of employee contributions	(736,082)	(736,082)	-
Administrative expenses	-	(9,987)	9,987
Other changes	-	98	(98)
Net changes	607,113	1,672,717	(1,065,604)
Balances at June 30, 2014	\$ 14,334,695	\$ 13,442,714	\$ 891,981

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

Actuarial Assumptions – General Employees (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1.00% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1.00% Increase <u>(8.00%)</u>
Schools' Net Pension Liability	<u>\$ 2,509,760</u>	<u>\$ 891,981</u>	<u>\$ (472,569)</u>

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

For the year ended June 30, 2015, the Schools' recognized pension expense of \$137,440. At June 30, 2015, the Schools' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	821,036
Employer contributions subsequent to the measurement date	<u>330,294</u>	<u>-</u>
Total	<u>\$ 330,294</u>	<u>\$ 821,036</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

Actuarial Assumptions – General Employees (Continued)

\$330,294 reported as deferred outflows of resources related to pensions resulting from the Schools' contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Reduction Year Ending June 30,	to Pension Expense
2016	\$ 205,259
2017	205,259
2018	205,259
2019	205,259
Thereafter	-

Payables to the Pension Plan

At June 30, 2015 approximately \$90,000 was payable to the Virginia Retirement System for the legally required contributions related to the June 2015 payroll for the Schools.

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

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

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”) <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. </p>
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"> • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014 </p>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1 <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. <u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.</p>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Exceptions to COLA Effective Dates: Same as Plan 1</p>	<p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Not applicable.</p>	<p>Disability Coverage Not applicable.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

RETIREMENT PLAN PROVISIONS		
Plan 1	Plan 2	Hybrid Retirement Plan
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost./ After that on-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division’s contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the school division were \$7,458,200 and \$5,976,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$84,602,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division’s proportion of the Net Pension Liability was based on the school division’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2014, the school division’s proportion was 0.70008% as compared to 0.68562% at June 30, 2013. For the year ended June 30, 2015, the school division recognized pension expense of \$7,052,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	12,556,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,632,000	-
Employer contributions subsequent to the measurement date	<u>7,458,200</u>	<u>-</u>
Total	<u>\$ 9,090,200</u>	<u>\$ 12,556,000</u>

\$7,458,200 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,

2016	\$ 2,779,000
2017	2,779,000
2018	2,779,000
2019	2,779,000
2020	(192,000)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.95%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

Actuarial Assumptions (Continued)

Discount Rate

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

Sensitivity of the School Division’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division’s proportionate share of the VRS teacher employee retirement plan net pension liability	<u>\$ 124,230,000</u>	<u>\$ 84,602,000</u>	<u>\$ 51,976,000</u>

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2015, approximately \$2,032,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2015 payroll.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 13. Other Post-Employment Benefits

City of Lynchburg

Plan Description

The City provides certain benefits for retired employees through a single-employer defined benefit plan. The City may change, add, or delete benefits with City Council approval. The plan does not grant retirees vested health or dental coverage benefits.

Benefits Provided

The City provides post-employment health and dental benefits to its retirees, through its self insured health plan. Retirees may continue to participate in the group health and dental plans based upon the date of full time hire in accordance with the provisions outlined below.

- (1) Full time Classified employees hired on or after July 1, 1996 are currently eligible to participate in the City's health and dental plans at the retiree's expense when they retire directly from the City with at least fifteen (15) years of full time service with the City. The retiree must pay the current premium value of the medical coverage.
- (2) Full time Classified employees hired on or after July 1, 1990 but before July 1, 1996 are currently eligible to participate in the City's health and dental plans and receive City contributions for the coverage when they retire directly from the City with at least fifteen (15) years of full time service with the City and the retiree worked for the City five (5) of the fifteen (15) years immediately preceding retirement.
- (3) Full time Classified employees hired prior to July 1, 1990 are currently eligible for health and dental plan participation and receive City contributions for their coverage when they retire directly from the City.

The City does not provide prescription coverage for Medicare eligible retirees.

Membership

The number of participants as of the most recent valuation, July 1, 2014, was as follows:

Actives	1,149
Retirees	450
Spouses	<u>128</u>
Total Participants	<u><u>1,727</u></u>

Funding Policy

The City currently funds postemployment health care benefits on a pay-as-you-go basis. During FY2015, the City added \$4,342 in interest earnings to the funds committed for the OPEB liability. Total funds committed for OPEB at June 30, 2015 including interest are \$1,881,814. The City is exploring the possibility of developing a trust to accumulate and invest assets necessary to pay for the accumulated liability.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2015, the City's Annual OPEB Cost (expense) was \$3,511,742. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$2,702,266 for retirees, along with an Implicit Rate Subsidy of \$756,634 resulted in a Net OPEB obligation of \$5,577,901 for the year ended June 30, 2015.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 13. Other Post-Employment Benefits (Continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation (Continued)

City of Lynchburg (Continued)

Annual required contribution	\$ 3,452,241
Interest on net OPEB obligation	372,941
Adjustment to annual required contribution	<u>(313,440)</u>
Annual OPEB cost	3,511,742
Contributions made	<u>(3,458,900)</u>
Increase in net OPEB obligation	52,842
Net OPEB obligation-beginning of year	<u>5,525,059</u>
Net OPEB obligation-end of year	<u><u>\$ 5,577,901</u></u>

The Implicit Rate Subsidy is the *de facto* subsidy of retirees by permitting them to pay lower than age-adjusted premiums through the use of a single common or blended premium for both retirees and active employees.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2013, FY2014, and FY2015 are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2013	\$3,479,076	109.0%	\$4,146,877
06/30/2014	\$3,501,875	60.6%	\$5,525,059
06/30/2015	\$3,511,742	98.5%	\$5,577,901

Funded Status and Funding Progress

The funded status of the plan as of the most recent valuation, June 30, 2014, was as follows:

Actuarial Accrued Liability (AAL)	\$ 89,784,846
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 89,784,846</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 47,572,054
UAAL as a Percentage of Covered Payroll	188.73%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the 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 employer 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 supplemental information 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 liabilities for benefits.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 13. Other Post-Employment Benefits (Continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation (Continued)

City of Lynchburg (Continued)

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used to develop the AAL and the Normal Cost. Under this method, the postretirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 4.0% discount rate, a 3.0% inflation rate, and an initial annual healthcare cost trend of 10% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.75%. The unfunded actuarial accrued liability is being amortized over 30 years using the Level Percentage of Pay method. The remaining closed amortization period at June 30, 2015 is 22 years.

Lynchburg City Schools

Plan Description

The Schools provide certain benefits for retired employees through a single-employer defined benefit plan. The Schools may change, add, or delete benefits (including contributions required of retired employees) with School Board approval.

Benefits Provided

The Schools provide post-employment medical, dental, and vision benefits to its retirees and their eligible dependents that elect to stay in the plans. At retirement, retirees may stay in one of two PPO plans with an additional choice of prescription drug benefits and can continue coverage under all the benefits until age 65. The retiree pays the premium for these benefits.

Participants are eligible for the plan when they are eligible to retire under the provisions of the Virginia Retirement System and they have worked for Lynchburg City Schools for ten continuous years. The earliest retirement age is at age 50 with ten years of service, except for those eligible to elect the Early Retirement Incentive Plan as described below.

Early Retirement Incentive Plan

Under an early retirement incentive plan adopted by the School Board in April 2009, the Schools will pay the employee-only low option medical plan for an eligible retiree. Employees are eligible for this early retirement incentive plan upon reaching twenty-five (25) years of Virginia Retirement System service and ten (10) continuous years of employment with Lynchburg City Schools immediately preceding retirement. The benefit is payable for five (5) years or until age 65, whichever occurs first. This plan was offered only in FY2009, and is no longer available to new participants.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 13. Other Post-Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Membership

The number of participants at June 30, 2015 was as follows:

Active participants	1,211
Inactive participants	<u>85</u>
Total	<u><u>1,296</u></u>

Funding Policy

The Schools currently fund postemployment health care benefits on a pay-as-you-go basis. The Schools do not intend to establish a trust to pre-fund this liability.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2015, the School's annual OPEB cost (expense) was \$926,754. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$718,051 for retirees, resulted in a Net OPEB obligation of \$3,475,568 for the year ended June 30, 2015.

Annual required contribution	\$ 977,733
Interest on net OPEB obligation	130,675
Adjustment to annual required contribution	<u>(181,654)</u>
Annual OPEB cost	926,754
Contributions made	<u>(718,051)</u>
Increase in net OPEB obligation	208,703
Net OPEB obligation-beginning of year	<u>3,266,865</u>
Net OPEB obligation-end of year	\$ <u><u>3,475,568</u></u>

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2013, FY2014 and FY2015 are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2013	\$1,005,860	33.6%	\$2,814,288
06/30/2014	\$895,582	49.5%	\$3,266,865
06/30/2015	\$926,754	77.5%	\$3,475,568

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 13. Other Post-Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015 was as follows:

Actuarial Accrued Liability (AAL)	\$	7,268,479
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>7,268,479</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0 %
Covered Payroll (Active Plan Members)	\$	57,822,720
UAAL as a Percentage of Covered Payroll		12.57 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the 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 employer 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 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 liabilities for benefits.

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

In the June 30, 2015 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. 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 used a 4% discount rate, and an initial annual healthcare cost trend of 9% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5.0%. The unfunded actuarial accrued liability is being amortized over 30 years and is based on a closed group. The fresh start method of amortization for the unfunded actuarial accrued liability was used for each year.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 14. Leases

Lessee:

Operating leases have original terms from one month to 60 months and in certain instances allow cancellations if funds are not appropriated for each year's payments. At June 30, future minimum lease payments are as follows:

<u>June 30</u>	<u>Government</u>	<u>Unit – Schools</u>
2016	\$ 240,775	\$ 373,372
2017	131,156	315,156
2018	88,646	233,758
2019	87,135	50,226
2020	82,464	12,968
2021-2025	<u>130,499</u>	<u>-</u>
	<u>\$ 760,675</u>	<u>\$ 985,480</u>

For 2015, the City incurred rental expenditures of \$266,717 in the General Fund and \$24,464 in the Special Revenue Funds. For 2015, the Schools incurred rental expenditures of \$620,398.

Note 15. Risk Management

The Risk Management Programs of the City are as follows:

Workers' Compensation: The City is self-insured for workers' compensation claims. All settled claims are paid through the General Fund. The liability for worker's compensation claims, including an estimate of incurred but not reported claims based on prior experience, to be paid in the next fiscal year and in future years is reflected in the statement of net position. Total claims paid for the year ended June 30 amounted to \$866,356.

General Liability and Other: The City is self-insured for general liability and automobile liability claims and purchases insurance coverage for risks related to property, boiler and machinery, surety bonds, and airport liability. City property is insured up to a limit of approximately \$442 million per occurrence. Other liability policies provide up to \$60,000,000 coverage in the aggregate. Police professional liability and public officials' liability claims with a \$500,000 deductible per claim are covered through a policy with the States Self Insurance Risk Group. Total premiums for purchased coverage for the year ended June 30 were \$593,516. The City has designated a portion of its fund balance in the General Fund to fund future general liability claims. City management believes any incurred but not reported claims at June 30 would be insignificant.

Healthcare: The City's professionally administered self-insurance program provides healthcare coverage for employees and retirees of the City on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the City. Under the program, the City is obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$300,000 per covered individual per contract year, once the aggregating specific of \$50,000 has been met. The City is responsible for all claims over the stated specific deductible up to a certain amount (the aggregating specific deductible). In return, the City receives a certain amount of premium relief for sharing in the claims risk of the aggregating specific. For the year ended June 30, total claims expense of \$9,397,665 was incurred. Administrative fees and stop loss premiums for the year ended June 30 totaled \$923,465. Estimated incurred, but not reported, claims at June 30 based on invoices received totaled approximately \$750,000 and have been funded by the City.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 15. Risk Management (Continued)

Changes in aggregate liabilities were as follows:

			Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Workers' Compensation	2015	\$	2,419,999	\$ 1,046,442	\$ 866,356	\$ 2,600,085
	2014	\$	2,192,328	\$ 988,367	\$ 760,696	\$ 2,419,999
General/Automotive Liability	2015	\$	-	\$ 451,186	\$ 451,186	-
	2014	\$	-	\$ 200,009	\$ 200,009	-
Healthcare	2015	\$	346,784	\$ 9,800,881	\$ 9,397,665	\$ 750,000
	2014	\$	400,000	\$ 7,972,398	\$ 8,025,614	\$ 346,784

General/Automobile Liability and Healthcare are considered current liabilities and are included in accounts payable and accrued liabilities in the Statement of Net Position. The Workers' Compensation breakdown between current and noncurrent is shown in Note 9.

The Risk Management Programs of the Schools are as follows:

Workers' Compensation: The Schools are a member of the School System of Virginia for its workers' compensation claims. The membership is funded through the school operating budget.

General Liability and Other: The Schools carry commercial insurance for all risk of loss. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year.

Healthcare: The Schools' professionally administered self-insurance program provides healthcare coverage for employees and retirees of the Schools on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the Schools. Under the program, the Schools are obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$350,000 per covered individual per contract year. Total claims expense of \$8,028,296 was incurred in the current year, and there were no claims above the per individual limit that would have been covered by the stop loss policy. Administrative fees and stop loss premiums for the current year totaled \$927,263. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled 551,416 and have been recorded as a liability by the Schools.

Changes in aggregate liabilities were as follows:

			Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Healthcare	2015	\$	454,293	\$ 8,028,296	\$ 7,931,173	\$ 551,416
	2014	\$	679,143	\$ 6,623,143	\$ 6,847,993	\$ 454,293

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 16. Significant Transactions of the City and Discretely Presented Component Unit – Schools

Certain transactions between the City and Schools are explained here to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

1. The Schools can neither levy taxes nor incur debt under Virginia law. Therefore, the City issues debt “on behalf” of the Schools. The debt obligation is recorded as a liability of the City’s governmental activities. The proceeds from such debt are recorded in the City’s General Fund. Funding in an amount equal to the proceeds is then provided to the Schools to pay for capital expenditures. Unspent funds at year-end are reported as deposits and investments of the City in the School Capital Projects Fund.
2. The City’s budgeting process provides funding in the General Fund for Schools debt service payments. GAAP requires that debt issued “on behalf” of the Schools and related debt service payments be reported by the City for financial reporting purposes. Therefore, debt service payments for Schools’ bonded debt is reported as part of the City for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Debt and related debt service for other than bonded debt is reported by the Schools.
3. If all economic resources associated with school activities were reported with the Schools, its total expenses/expenditures would be as follows:

Expenses of Schools – Component Unit (Exhibit 2)	\$ 98,985,698
Principal and other debt service expenses included in City	<u>8,262,033</u>
Total expenses/expenditures for School activities	<u>\$ 107,247,731</u>

Note 17. Commitments and Contingencies

Combined Sewer Overflow:

In 1994, and with subsequent permit renewals, the VDEQ issued a sewage discharge permit and Special Order of Consent containing the terms and conditions that would govern implementation of the City’s CSO program. That permit required the City to implement a CSO Long-Term Control Plan and to undertake certain combined sewer management practices designed to minimize CSO discharge until the sewer system is completely separated. The order established a project priority listing for implementation of the CSO control plan.

On July 31, 2015 VDEQ issued a revised Consent Special Order which significantly changed the CSO Long-Term Control Plan. The revised plan includes an alternate list of projects designed to integrate the CSO program with overarching water quality standards that encompass both CSO and stormwater management impacts. As of September 5, 2014 the revised program was estimated to cost \$63,890,000

The new Consent Special Order does not contain a strict compliance schedule for implementing the CSO Long-Term Control Plan, but rather provides for implementation based on criteria reflecting the limits of the City’s financial capability. The current Consent Special Order requires the City to meet several specific criteria such as: maintain a sewer operating fund debt coverage ratio within a range of 1.1 to 1.5 computed on a rolling three year average; ensure sewer fund reserves equal no more than 40 percent of the subsequent years’ budgeted operating expenditures; and at least every other year adjust sewer rates and fees so that the annual sewer billing for a residential customer equals or exceeds 1.25% of the median household income based on 7 hcf (hundred cubic feet) of use per month. The City has successfully implemented its CSO Long-Term Control Plan since 1994 in accordance with the requirements of its permit and Special Order of Consent. The City is also required by the Special Order of Consent to submit an annual report by December 10 of each year to VDEQ on its compliance with the order and its progress with the CSO Long-Term Control Plan implementation. The report includes a review of the required financial targets by an independent consultant.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 17. Commitments and Contingencies (Continued)

Contribution Agreement:

During 2013, the City entered into agreements with the Lynchburg Economic Development Authority (EDA) and various limited liability companies (the "LLCs"). These agreements benefit the City through the use of historic tax credits for the rehabilitation of a structure. When sold, the credits will reduce the City's cost of rehabilitation.

In conjunction therewith, the City contributed \$5,036,515 to the EDA, which the EDA loaned to the LLCs for the rehabilitation. The contribution of these funds to the EDA created a long term receivable representing the City's right to future title to the rehabilitation improvements.

The EDA is leasing the rehabilitated facility from the City for a term of 40 years and subleasing the facility to the LLCs under similar terms. In addition, the LLCs are leasing the facility to the City. Both leases are for a term of 35 years, starting November 2014, when the certificate of occupancy for the rehabilitated structure was obtained. All leases include nominal annual rent payments.

The City also entered a co-development agreement with the LLCs under which it provided various services and personnel for the project. As part of the co-development agreement, the City was compensated \$1,204,051 for services provided during the rehabilitation project. This amount was payable, by the LLCs, from the proceeds of the sale of historic tax credits.

Grant Programs:

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to being appropriate expenditures under terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, related to such audits would not be material to the financial position of the City at June 30, 2015.

Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2015, the arbitrage rebate liability estimate was zero.

Encumbrance Commitments:

The City had the following outstanding encumbrances as of June 30.

<u>MAJOR FUNDS</u>	
General Fund	\$ 976,545
City Capital Projects Fund	16,317,483
School Capital Projects	<u>31,906,209</u>
Total Major Funds	<u>49,200,237</u>
<u>NONMAJOR FUNDS</u>	
City Federal State Aid	74,532
Asset Forfeiture	12,695
Lynchburg Regional Juvenile Detention Center	<u>12,206</u>
Total Nonmajor Funds	<u>99,433</u>
TOTAL ENCUMBRANCES	<u>\$49,299,670</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 17. Commitments and Contingencies (Continued)

Construction Commitments:

Included in the encumbrances above are construction commitments of \$16,317,483 in the City Capital Projects fund and \$31,906,209 in the School Capital Projects fund. The City also had construction commitments of \$1,517,836 in the Water fund; \$5,030,865 in the Sewer fund; \$145,110 in the Stormwater Fund; and \$26,478 in the Airport fund as of June 30, 2015.

Note 18. Bluffwalk

Loan Agreement:

In 2004, the City entered into a contract with the U.S. Department of Housing and Urban Development (HUD) whereas the City is the borrower and HUD is the guarantor of a Section 108 loan (Note 9). With the funds borrowed from HUD, the City entered into a loan agreement with Bluffwalk Center L.P. (Bluffwalk). The City loaned Bluffwalk \$3,200,000 with payments required twice a year. Bluffwalk failed to make all of the required payments to the City. The City fulfilled its obligation to HUD by making the required payments, obtaining the remaining funds from the Community Development Block Grant (CDBG). During FY2014, Bluffwalk repaid the City, with interest, all missed principal and interest payments. The City, in accordance with guidance from HUD, will retain these funds for future principal and interest payments. Bluffwalk entered into another agreement with the City, whereby Bluffwalk agreed to pay \$100,000 in two semi-annual payments of \$50,000 each toward the HUD loan. The City will use the retained funds along with the \$100,000 to make the semi-annual payments to HUD. Subsequent to year end Bluffwalk paid \$50,000 towards the required principal and interest payment.

During FY2015, the City was contacted by the Financial Management division of HUD to advise that a new Section 108 Loan Guarantee Program public offering was available. The City refinanced the Series 2004-A note with an outstanding principal balance of \$1,580,000. The refunding saved the City approximately 13.5% or approximately \$213,000.

During FY2015 the City used \$179,476 of the retained funds along with \$100,000 received from Bluffwalk to pay the annual principal and interest payments. Subsequent to year end Bluffwalk paid \$50,000 towards the required principal and interest payment.

Note 19. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 19. New Accounting Standards (Continued)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies — in the context of the current governmental financial reporting environment — the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 20, 2017.

Note 20. Adoption of New Standard and Prior Period Restatement

In the current year the City and the Schools adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. This standard replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The new Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 20. Adoption of New Standard and Prior Period Restatement (Continued)

Primary Government

The following is a summary of the restatements to fund balance and net position, as applicable, resulting from the adoption of GASB Statement No. 68:

	Funds					Government Wide	
	Water	Sewer	Stormwater	Airport	Internal Service	Governmental Activities	Business-type Activities
Net Position							
July 1, 2014, as previously stated	\$ 37,460,849	\$ 144,540,059	\$ 2,955,573	\$ 36,954,889	\$ 11,776,853	\$ 269,694,599	\$ 217,886,147
Restatement due to :							
Recognition of pension related liabilities and deferred outflows in accordance with GASB No. 68	(6,012,741)	(3,888,504)	(526,654)	(1,198,182)	(967,065)	(94,162,628)	(11,626,081)
Net Position							
July 1, 2014, as restated	<u>\$ 31,448,108</u>	<u>\$ 140,651,555</u>	<u>\$ 2,428,919</u>	<u>\$ 35,756,707</u>	<u>\$ 10,809,788</u>	<u>\$ 175,531,971</u>	<u>\$ 206,260,066</u>

Component Unit- Lynchburg City Schools:

The following is a summary of the restatements of opening fund balance and net position:

	Funds		
	School Federal Aid	Govenor's School	Lynchburg City Schools
Fund Balance/Net Position			
June 30, 2014, as previously stated	\$ 47,856	\$ 306,219	\$ 4,108,365
Restatement due to:			
Separately reported legally independent agency funds	<u>(47,856)</u>	<u>(306,219)</u>	<u>(354,075)</u>
Fund Balance/Net Position			
June 30, 2014, as restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,754,290</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

Note 20. Adoption of New Standard and Prior Period Restatement (Continued)

Component Unit- Lynchburg City Schools: (Continued)

The following is a summary of the restatements to fund balance and net position, as applicable, resulting from the adoption of GASB Statement No. 68:

	<u>Lynchburg City Schools</u>
Net Position	
July 1, 2014 per above	\$ 3,754,290
Restatement due to:	
To implement GASB No. 68	<u>(90,049,577)</u>
Net Position	
July 1, 2014, as restated	<u>\$ (86,295,287)</u>

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplementary Information**Schedule of Changes in Net Pension Liability and Related Ratios****For the Year Ended June 30, 2015**

	Primary Government	Schools-- Nonprofessional Employees
Total Pension Liability		
Service cost	\$ 6,203,323	\$ 408,027
Interest on total pension liability	22,279,728	935,168
Benefit payments, including refunds of employee contributions	(18,346,084)	(736,082)
Net change in total pension liability	10,136,967	607,113
Total pension liability - beginning	327,454,876	13,727,582
Total pension liability - ending	337,591,843	14,334,695
Plan Fiduciary Net Position		
Contributions - employer	10,482,447	382,008
Contributions - employee	2,545,602	192,487
Net investment income	32,917,551	1,844,193
Benefit payments, including refunds of employee contributions	(18,346,084)	(736,082)
Administrative expenses	(180,075)	(9,987)
Other	1,737	98
Net change in plan fiduciary net position	27,421,178	1,672,717
Plan fiduciary net position - beginning	211,183,720	11,769,997
Plan fiduciary net position - ending	238,604,898	13,442,714
Net pension liability - ending	\$ 98,986,945	\$ 891,981
Plan fiduciary net position as a percentage of total pension liability	71%	94%
Covered employee payroll	\$ 50,441,350	\$ 3,727,782
Net pension liability as a percentage of covered employee payroll	196%	24%

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

Required Supplementary Information
Schedule of Pension Contributions
For the Year Ended June 30, 2015

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2015	\$ 10,728,502	\$ 10,728,502	\$ -	\$ 50,441,350	21.27%
Schools - Nonprofessional Employees					
2015	\$ 330,294	\$ 330,294	\$ -	\$ 3,727,782	8.86%

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

Required Supplementary Information
Schedule of Employer's Share of Net Pension Liability
VRS Teacher Retirement Plan
For the Year Ended June 30, 2015

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.70%	\$ 84,602,000	\$ 51,468,623	164.38%	70.88%

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

Required Supplementary Information
Schedule of Pension Contributions
VRS Teacher Retirement Plan
For the Year Ended June 30, 2015

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 7,458,200	\$ 7,458,200	\$ -	\$ 51,468,623	14.49%

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

Required Supplemental Information
Schedule of Funding Progress for Other Post Employment Benefits
As of June 30, 2015

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Lynchburg	June 30, 2014	\$ -	\$ 89,784,846	\$ 89,784,846	0.00%	\$ 47,572,054	188.73%
	June 30, 2012	\$ -	\$ 60,963,806	\$ 60,963,806	0.00%	\$ 48,564,229	125.53%
	June 30, 2010	\$ -	\$ 58,445,937	\$ 58,445,937	0.00%	\$ 47,102,629	124.08%
	June 30, 2008	\$ -	\$ 50,541,000	\$ 50,541,000	0.00%	\$ 50,839,048	99.41%
Lynchburg City Schools	June 30, 2015	\$ -	\$ 7,268,479	\$ 7,268,479	0.00%	\$ 57,822,720	12.57%
	June 30, 2014	\$ -	\$ 7,984,513	\$ 7,984,513	0.00%	\$ 56,023,045	14.25%
	June 30, 2013	\$ -	\$ 7,666,529	\$ 7,666,529	0.00%	\$ 54,033,601	14.19%
	June 30, 2012	\$ -	\$ 8,780,625	\$ 8,780,625	0.00%	\$ 58,331,131	15.05%

CITY OF LYNCHBURG, VIRGINIA

Notes to Required Supplementary Information June 30, 2015

Note 1. Changes of Benefit Terms

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Teacher cost-sharing pool

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

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OTHER SUPPLEMENTAL INFORMATION

CITY OF LYNCHBURG, VIRGINIA

Notes to Combining and Individual Fund Statements and Schedules – Nonmajor Governmental Funds

Nonmajor Governmental Funds:

Nonmajor governmental funds consist of special revenue funds.

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Funds in this category include:

- City Federal/State Aid Fund – Accounts for various federal and state grants for such purposes as building projects, certain social service and community development programs, and public safety.
- Community Development Block Grant Fund – Accounts for revenues from the Department of Housing and Urban Development which are used for various development projects.
- Lynchburg Business Development Centre Fund – Accounts for revenues received to support a local business incubator and for monies received from the Economic Development Administration for a revolving loan fund and certain other economic development assistance.
- Lynchburg Regional Juvenile Detention Center Fund – Accounts for revenues received and expenditures made to support the operations of the City’s Juvenile Detention Home.
- Forfeited Assets Fund – Accounts for revenues received from the sale of confiscated assets which are related to illegal drug sales and are used for law enforcement expenditures.
- Lynchburg Expressway Appearance Fund – Accounts for the revenues and expenditures associated with beautification of the Lynchburg Expressway Area.
- Comprehensive Services Act Fund – Accounts for revenues received and expenditures made to support the Comprehensive Services Act for At-Risk Youth and Families adopted by the Virginia General Assembly.
- Home Investment Trust Fund – Accounts for revenues received from the Department of Housing and Urban Development for support of affordable housing needs in the City.

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2015

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act
Assets					
Cash and cash equivalents	\$ -	\$ 1,200,186	\$ 171	\$ 350,597	\$ -
Receivables, net of allowance:					
Other	82,942	2,105	-	-	4,740
Due from other funds	263,378	45,067	-	-	90
Due from other governments	448,794	59,748	-	-	1,794,549
Due from component unit	-	-	125,000	-	-
Other assets	-	-	213	-	-
Restricted assets:					
Cash and cash equivalents	386,994	-	-	-	-
Total assets	<u>\$ 1,182,108</u>	<u>\$ 1,307,106</u>	<u>\$ 125,384</u>	<u>\$ 350,597</u>	<u>\$ 1,799,379</u>
Liabilities					
Accounts payable and other liabilities	\$ 58,084	\$ 55,600	\$ -	\$ 17,047	\$ 814,510
Accrued payroll and related liabilities	65,230	4,348	-	-	1,836
Due to other funds	592,331	-	-	-	968,477
Due to other governments	50,386	-	-	-	-
Total liabilities	<u>766,031</u>	<u>59,948</u>	<u>-</u>	<u>17,047</u>	<u>1,784,823</u>
Deferred Inflows of Resources					
Unavailable revenue	82,942	2,105	-	-	-
Total deferred inflows of resources	<u>82,942</u>	<u>2,105</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted	383,202	1,245,053	-	333,550	14,556
Committed	-	-	125,384	-	-
Assigned	-	-	-	-	-
Unassigned	(50,067)	-	-	-	-
Total fund balances	<u>333,135</u>	<u>1,245,053</u>	<u>125,384</u>	<u>333,550</u>	<u>14,556</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,182,108</u>	<u>\$ 1,307,106</u>	<u>\$ 125,384</u>	<u>\$ 350,597</u>	<u>\$ 1,799,379</u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2015

	Lynchburg Expressway Appearance	Home Investment Trust	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
Assets				
Cash and cash equivalents	\$ 230,092	\$ 26,247	\$ 500	\$ 1,807,793
Receivables, net of allowance:				
Other	78,034	-	-	167,821
Due from other funds	-	-	67,448	375,983
Due from other governments	-	5,549	348,109	2,656,749
Due from component unit	-	-	-	125,000
Other assets	-	-	-	213
Restricted assets:				
Cash and cash equivalents	-	-	-	386,994
Total assets	<u>\$ 308,126</u>	<u>\$ 31,796</u>	<u>\$ 416,057</u>	<u>\$ 5,520,553</u>
Liabilities				
Accounts payable and other liabilities	\$ 783	\$ 4,917	\$ 17,580	\$ 968,521
Accrued payroll and related liabilities	-	632	63,981	136,027
Due to other funds	-	-	234,484	1,795,292
Due to other governments	-	-	-	50,386
Total liabilities	<u>783</u>	<u>5,549</u>	<u>316,045</u>	<u>2,950,226</u>
Deferred Inflows of Resources				
Unavailable revenue	119,202	-	-	204,249
Total deferred inflows of resources	<u>119,202</u>	<u>-</u>	<u>-</u>	<u>204,249</u>
Fund Balances				
Restricted	188,141	26,247	-	2,190,749
Committed	-	-	-	125,384
Assigned	-	-	100,012	100,012
Unassigned	-	-	-	(50,067)
Total fund balances	<u>188,141</u>	<u>26,247</u>	<u>100,012</u>	<u>2,366,078</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 308,126</u>	<u>\$ 31,796</u>	<u>\$ 416,057</u>	<u>\$ 5,520,553</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2015

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act
Revenues					
Intergovernmental	\$ 4,157,242	\$ 639,600	\$ -	\$ 174,163	\$ 3,872,837
Revenue from use of money and property	-	-	28,282	302	-
Charges for services	511,802	30,887	-	-	1,435,393
Miscellaneous	357,333	-	-	-	43,243
Total revenues	<u>5,026,377</u>	<u>670,487</u>	<u>28,282</u>	<u>174,465</u>	<u>5,351,473</u>
Expenditures					
Current operating expenditures:					
General government	-	-	-	-	-
Judicial	990,677	-	-	30,000	-
Public safety	1,945,421	-	-	159,676	-
Public works	13,100	-	-	-	-
Health and human services	1,857,784	-	-	-	5,760,020
Community development	288,065	805,582	28,282	-	-
Capital Outlay:					
Capital general government	-	50,216	-	-	-
Debt service:					
Principal retirements	180,000	-	-	-	-
Interest payments and other fiscal charges	139,872	-	-	-	-
Issuance costs	10,835	-	-	-	-
Total expenditures	<u>5,425,754</u>	<u>855,798</u>	<u>28,282</u>	<u>189,676</u>	<u>5,760,020</u>
Deficiency of revenues over expenditures	<u>(399,377)</u>	<u>(185,311)</u>	<u>-</u>	<u>(15,211)</u>	<u>(408,547)</u>
Other financing sources (uses)					
Issuance of refunding bonds	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-
Refunded bond principal payments	-	-	-	-	-
Transfers in	262,730	-	-	-	-
Transfers out	(175)	-	-	(4,592)	-
Total other financing sources (uses)	<u>262,555</u>	<u>-</u>	<u>-</u>	<u>(4,592)</u>	<u>-</u>
Net changes in fund balances	(136,822)	(185,311)	-	(19,803)	(408,547)
Fund balances - beginning	469,957	1,430,364	125,384	353,353	423,103
Fund balances - ending	<u>\$ 333,135</u>	<u>\$ 1,245,053</u>	<u>\$ 125,384</u>	<u>\$ 333,550</u>	<u>\$ 14,556</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2015**

	Lynchburg Expressway Appearance	Home Investment Trust	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
Revenues				
Intergovernmental	\$ -	\$ 372,791	\$ 1,099,192	\$ 10,315,825
Revenue from use of money and property	-	-	-	28,584
Charges for services	-	-	1,636,784	3,614,866
Miscellaneous	25,783	1,920	87	428,366
Total revenues	<u>25,783</u>	<u>374,711</u>	<u>2,736,063</u>	<u>14,387,641</u>
Expenditures				
Current operating expenditures:				
General government	-	-	3,956	3,956
Judicial	-	-	-	1,020,677
Public safety	-	-	2,557,549	4,662,646
Public works	28,651	-	-	41,751
Health and human services	-	-	-	7,617,804
Community development	-	374,711	-	1,496,640
Capital Outlay:				
Capital general government	-	-	-	50,216
Debt service:				
Principal retirements	-	-	157,726	337,726
Interest payments and other fiscal charges	-	-	19,125	158,997
Issuance costs	-	-	595	11,430
Total expenditures	<u>28,651</u>	<u>374,711</u>	<u>2,738,951</u>	<u>15,401,843</u>
Deficiency of revenues over expenditures	<u>(2,868)</u>	<u>-</u>	<u>(2,888)</u>	<u>(1,014,202)</u>
Other financing sources (uses)				
Issuance of refunding bonds	-	-	469,875	469,875
Payments to escrow agent	-	-	(467,064)	(467,064)
Transfers in	-	-	77	262,807
Transfers out	-	-	-	(4,767)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,888</u>	<u>260,851</u>
Net changes in fund balances	<u>(2,868)</u>	<u>-</u>	<u>-</u>	<u>(753,351)</u>
Fund balances - beginning	<u>191,009</u>	<u>26,247</u>	<u>100,012</u>	<u>3,119,429</u>
Fund balances - ending	<u>\$ 188,141</u>	<u>\$ 26,247</u>	<u>\$ 100,012</u>	<u>\$ 2,366,078</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City/Federal/State Aid Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ 2,553,163	\$ 6,351,784	\$ 4,157,242	\$ (2,194,542)
Charges for services	52,431	67,380	511,802	444,422
Miscellaneous	23,706	110,796	357,333	246,537
Total revenues	<u>2,629,300</u>	<u>6,529,960</u>	<u>5,026,377</u>	<u>(1,503,583)</u>
Expenditures				
Current operating expenditures:				
General government	-	2,519	-	2,519
Judicial	1,001,176	1,072,753	990,677	82,076
Public safety	657,709	2,128,925	1,945,421	183,504
Public works	7,700	21,036	13,100	7,936
Health and human services	970,073	2,926,359	1,857,784	1,068,575
Community development	35,000	297,062	288,065	8,997
Debt service:				
Principal retirements	-	-	180,000	(180,000)
Interest payments and other fiscal charges	-	-	139,872	(139,872)
	-	7,900	10,835	(2,935)
Total expenditures	<u>2,671,658</u>	<u>6,456,554</u>	<u>5,425,754</u>	<u>1,030,800</u>
Excess (deficiency) of revenues over expenditures	<u>(42,358)</u>	<u>73,406</u>	<u>(399,377)</u>	<u>(472,783)</u>
Other financing sources (uses)				
Transfers in	42,358	263,144	262,730	(414)
Transfers out	-	-	(175)	(175)
Total other financing sources (uses)	<u>42,358</u>	<u>263,144</u>	<u>262,555</u>	<u>(589)</u>
Net changes in fund balances	-	336,550	(136,822)	(473,372)
Fund balances - beginning	<u>469,957</u>	<u>469,957</u>	<u>469,957</u>	<u>-</u>
Fund balances - ending	<u>\$ 469,957</u>	<u>\$ 806,507</u>	<u>\$ 333,135</u>	<u>\$ (473,372)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 671,454	\$ 1,598,076	\$ 639,600	\$ (958,476)
Charges for services	1,432,764	2,550	30,887	28,337
Total revenues	<u>2,104,218</u>	<u>1,600,626</u>	<u>670,487</u>	<u>(930,139)</u>
Expenditures				
Current operating expenditures:				
Community development	853,330	2,845,711	805,582	2,040,129
Capital Outlay				
Capital general government	-	50,216	50,216	-
Total expenditures	<u>853,330</u>	<u>2,895,927</u>	<u>855,798</u>	<u>2,040,129</u>
Net changes in fund balances	1,250,888	(1,295,301)	(185,311)	1,109,990
Fund balances - beginning	<u>1,430,364</u>	<u>1,430,364</u>	<u>1,430,364</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,681,252</u>	<u>\$ 135,063</u>	<u>\$ 1,245,053</u>	<u>\$ 1,109,990</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Forfeited Assets Fund
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ -	\$ -	\$ 174,163	\$ 174,163
Revenue from use of money and property	-	-	302	302
Total revenues	<u>-</u>	<u>-</u>	<u>174,465</u>	<u>174,465</u>
Expenditures				
Current operating expenditures:				
Judicial	-	30,000	30,000	-
Public safety	-	294,278	159,676	134,602
Total expenditures	<u>-</u>	<u>324,278</u>	<u>189,676</u>	<u>134,602</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(324,278)</u>	<u>(15,211)</u>	<u>309,067</u>
Other financing uses				
Transfers out	-	(4,592)	(4,592)	-
Total other financing uses	<u>-</u>	<u>(4,592)</u>	<u>(4,592)</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>(328,870)</u>	<u>(19,803)</u>	<u>309,067</u>
Fund balances - beginning	<u>353,353</u>	<u>353,353</u>	<u>353,353</u>	<u>-</u>
Fund balances (deficits) - ending	<u>\$ 353,353</u>	<u>\$ 24,483</u>	<u>\$ 333,550</u>	<u>\$ 309,067</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Comprehensive Services Act Fund
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ 3,517,404	\$ 3,978,774	\$ 3,872,837	\$ (105,937)
Charges for services	1,435,393	1,584,746	1,435,393	(149,353)
Miscellaneous	110,000	163,840	43,243	(120,597)
Total revenues	<u>5,062,797</u>	<u>5,727,360</u>	<u>5,351,473</u>	<u>(375,887)</u>
Expenditures				
Current operating expenditures:				
Health and human services	<u>5,062,797</u>	<u>5,702,113</u>	<u>5,760,020</u>	<u>(57,907)</u>
Total expenditures	<u>5,062,797</u>	<u>5,702,113</u>	<u>5,760,020</u>	<u>(57,907)</u>
Net changes in fund balances	-	25,247	(408,547)	(433,794)
Fund balances - beginning	<u>423,103</u>	<u>423,103</u>	<u>423,103</u>	-
Fund balances - ending	<u>\$ 423,103</u>	<u>\$ 448,350</u>	<u>\$ 14,556</u>	<u>\$ (433,794)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Investment Trust Fund
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ 340,925	\$ 783,671	\$ 372,791	\$ (410,880)
Miscellaneous	-	-	1,920	1,920
Total revenues	<u>340,925</u>	<u>783,671</u>	<u>374,711</u>	<u>(408,960)</u>
Expenditures				
Current operating expenditures:				
Community development	340,925	708,732	374,711	334,021
Total expenditures	<u>340,925</u>	<u>708,732</u>	<u>374,711</u>	<u>334,021</u>
Net changes in fund balances	-	74,939	-	(74,939)
Fund balances - beginning	<u>26,247</u>	<u>26,247</u>	<u>26,247</u>	<u>-</u>
Fund balances - ending	<u>\$ 26,247</u>	<u>\$ 101,186</u>	<u>\$ 26,247</u>	<u>\$ (74,939)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Lynchburg Regional Juvenile Detention Center Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 1,140,120	\$ 1,140,120	\$ 1,099,192	\$ (40,928)
Charges for services	1,698,058	1,698,058	1,636,784	(61,274)
Miscellaneous	-	-	87	87
Total revenues	<u>2,838,178</u>	<u>2,838,178</u>	<u>2,736,063</u>	<u>(102,115)</u>
Expenditures				
Current operating expenditures:				
General government	4,052	3,956	3,956	-
Public safety	2,654,877	2,659,327	2,557,549	101,778
Debt service:				
Principal retirements	150,482	150,482	157,726	(7,244)
Interest payments and other fiscal charges	27,925	27,925	19,125	8,800
Issuance Costs	-	595	595	-
Total expenditures	<u>2,837,336</u>	<u>2,842,285</u>	<u>2,738,951</u>	<u>103,334</u>
Excess (deficiency) of revenues over expenditures	<u>842</u>	<u>(4,107)</u>	<u>(2,888)</u>	<u>1,219</u>
Other financing sources				
Issuance of refunding bonds	-	469,875	469,875	-
Payments to escrow agent	-	(467,064)	(467,064)	-
Transfers in	-	77	77	-
Total other financing sources	<u>-</u>	<u>2,888</u>	<u>2,888</u>	<u>-</u>
Net changes in fund balances	<u>842</u>	<u>(1,219)</u>	<u>-</u>	<u>1,219</u>
Fund balances - beginning	<u>100,012</u>	<u>100,012</u>	<u>100,012</u>	<u>-</u>
Fund balances - ending	<u>\$ 100,854</u>	<u>\$ 98,793</u>	<u>\$ 100,012</u>	<u>\$ 1,219</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ 6,175,947	\$ 18,189,295	\$ 4,954,725	\$ (13,234,570)
Revenue from use of money and property	-	18,948	19,979	1,031
Miscellaneous	1,260,000	2,684,231	1,224,081	(1,460,150)
Total revenues	<u>7,435,947</u>	<u>20,892,474</u>	<u>6,198,785</u>	<u>(14,693,689)</u>
Expenditures				
Current operating expenditures:				
Public safety	-	10,000	-	10,000
Public works	6,584,999	9,196,344	3,626,389	5,569,955
Cultural and recreational	187,000	708,041	141,089	566,952
Community development	1,953,276	3,332,561	365,535	2,967,026
Capital outlay:				
Capital general government	13,637,386	41,485,148	17,623,819	23,861,329
Debt service:				
Issuance costs	-	104,778	104,778	-
Total expenditures	<u>22,362,661</u>	<u>54,836,872</u>	<u>21,861,610</u>	<u>32,975,262</u>
Deficiency of revenues over expenditures	<u>(14,926,714)</u>	<u>(33,944,398)</u>	<u>(15,662,825)</u>	<u>18,281,573</u>
Other financing sources (uses)				
Issuance of bonds	10,252,223	20,662,051	20,662,051	-
Premium on debt proceeds	-	2,468,942	2,468,942	-
Transfers in	5,674,491	6,930,260	6,930,260	-
Transfers out	-	(249,861)	(249,861)	-
Total other financing sources (uses)	<u>15,926,714</u>	<u>29,811,392</u>	<u>29,811,392</u>	<u>-</u>
Net changes in fund balance	1,000,000	(4,133,006)	14,148,567	18,281,573
Fund balances - beginning	<u>26,157,354</u>	<u>26,157,354</u>	<u>26,157,354</u>	<u>-</u>
Fund balance - ending	<u>\$ 27,157,354</u>	<u>\$ 22,024,348</u>	<u>\$ 40,305,921</u>	<u>\$ 18,281,573</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Capital Projects
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 73,681	73,681
Total revenues	<u>-</u>	<u>-</u>	<u>73,681</u>	<u>73,681</u>
Expenditures				
Current operating expenditures:				
Education	145,600	1,280,225	1,137,354	142,871
Capital outlay:				
Capital general government	75,243,591	44,613,115	35,304,874	9,308,241
Debt service				
Issuance costs	-	315,268	315,268	-
Total expenditures	<u>75,389,191</u>	<u>46,208,608</u>	<u>36,757,496</u>	<u>9,451,112</u>
Deficiency of revenues over expenditures	<u>(75,389,191)</u>	<u>(46,208,608)</u>	<u>(36,683,815)</u>	<u>9,524,793</u>
Other financing sources				
Issuance of bonds	-	62,150,479	62,150,479	-
Premium on debt proceeds	-	5,323,504	5,323,504	-
Transfers in	5,571,211	4,731,498	4,088,287	(643,211)
Transfers out		(75,000)	(75,000)	-
Total other financing sources	<u>5,571,211</u>	<u>72,130,481</u>	<u>71,487,270</u>	<u>(643,211)</u>
Net changes in fund balance	<u>(69,817,980)</u>	<u>25,921,873</u>	<u>34,803,455</u>	<u>8,881,582</u>
Fund balances - beginning	<u>1,010,520</u>	<u>1,010,520</u>	<u>1,010,520</u>	<u>-</u>
Fund balances - ending	<u>\$ (68,807,460)</u>	<u>\$ 26,932,393</u>	<u>\$ 35,813,975</u>	<u>\$ 8,881,582</u>

Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Special Welfare				
Assets				
Cash and cash equivalents	\$ 112,266	\$ 122,259	\$ 111,244	\$ 123,281
Total Assets	<u>\$ 112,266</u>	<u>\$ 122,259</u>	<u>\$ 111,244</u>	<u>\$ 123,281</u>
Liabilities				
Accounts payable	\$ 1,467	\$ 51,776	\$ 52,490	\$ 753
Amounts held for others	110,799	263,284	251,555	122,528
Total Liabilities	<u>\$ 112,266</u>	<u>\$ 315,060</u>	<u>\$ 304,045</u>	<u>\$ 123,281</u>

**Discretely Presented Component Unit - Lynchburg City Schools
Combining Balance Sheet
June 30, 2015**

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
Assets				
Cash and cash equivalents	\$ 10,323,750	\$ -	\$ 830,573	\$ 11,154,323
Receivables, net of allowance	640,662	-	104,850	745,512
Due from other funds	1,174,610	-	2,976	1,177,586
Due from other governments	2,721,086	2,446,989	-	5,168,075
Prepaid expenses	340,697	-	-	340,697
Inventory	-	-	131,130	131,130
Total assets	<u>\$ 15,200,805</u>	<u>\$ 2,446,989</u>	<u>\$ 1,069,529</u>	<u>\$ 18,717,323</u>
Liabilities				
Accounts payable and other liabilities	\$ 609,579	\$ 56,639	\$ 3,705	\$ 669,923
Accrued payroll and related liabilities	9,167,890	1,028,458	162,202	10,358,550
Due to other funds	2,976	1,141,103	33,507	1,177,586
Due to primary government - return of local funding	3,566,888	-	-	3,566,888
Due to primary government - other	420,667	-	-	420,667
Total liabilities	<u>13,768,000</u>	<u>2,226,200</u>	<u>199,414</u>	<u>16,193,614</u>
Deferred Inflows of Resources				
Unavailable revenue	976,771	220,789	-	1,197,560
Total deferred inflows of resources	<u>976,771</u>	<u>220,789</u>	<u>-</u>	<u>1,197,560</u>
Fund balances				
Nonspendable:				
Prepaid items	340,697	-	-	340,697
Inventory	-	-	131,130	131,130
Restricted for:				
Education	-	-	738,985	738,985
Committed for:				
Education	115,337	-	-	115,337
Total fund balances	<u>456,034</u>	<u>-</u>	<u>870,115</u>	<u>1,326,149</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,200,805</u>	<u>\$ 2,446,989</u>	<u>\$ 1,069,529</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,556,730
Receivables on the Statement of Net Position that do not provide current financial resources are reported as unavailable revenue in the funds.	1,197,560
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2015 employer contributions	7,788,494
Deferred outflows of resources related to changes in proportion and differences between employer contributions and proportionate share of contributions - teacher cost sharing pension plan	1,632,000
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(13,377,036)
Net pension liability	(85,493,981)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,186,650)</u>
Net position of governmental activities	<u>\$ (84,556,734)</u>

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2015

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
Revenues				
Intergovernmental:				
State and Federal	\$ 48,104,114	\$ 10,241,549	\$ 3,346,101	\$ 61,691,764
City of Lynchburg	36,319,745	-	-	36,319,745
Revenue from use of money and property	-	-	138	138
Charges for services	1,169,484	-	615,756	1,785,240
Miscellaneous	726,730	-	27,071	753,801
Total revenues	<u>86,320,073</u>	<u>10,241,549</u>	<u>3,989,066</u>	<u>100,550,688</u>
Expenditures				
Education:				
Instruction	61,909,077	9,411,551	-	71,320,628
Administration, attendance, and health	4,865,032	-	-	4,865,032
Pupil transportation services	4,828,845	-	-	4,828,845
Operations and maintenance	10,665,930	166,877	-	10,832,807
Food service and other	24,670	122,416	3,586,915	3,734,001
Facilities	10,163	-	-	10,163
Technology	3,525,049	2,167	-	3,527,216
Capital outlay	742,418	538,538	25,775	1,306,731
Total expenditures	<u>86,571,184</u>	<u>10,241,549</u>	<u>3,612,690</u>	<u>100,425,423</u>
Net changes in fund balances	(251,111)	-	376,376	125,265
Fund balances - beginning, as restated	<u>707,145</u>	<u>-</u>	<u>493,739</u>	
Fund balances - ending	<u>\$ 456,034</u>	<u>\$ -</u>	<u>\$ 870,115</u>	

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,218,236) exceeded depreciation expense (\$1,097,474).	120,762
Loss on disposition of capital assets is not reflected in the fund statements.	(58,326)
Donated capital assets contributed by the City are not reported in the fund statements, but are reported as revenue in the government-wide statements	1,031,882
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expenses.	
Employer pension contributions	7,788,494
Pension expense	(7,189,440)
Compensated absences are not due and payable at June 30, and therefore are not reported in the fund statements.	(44,944)
Other post-retirement benefits are not due and payable at June 30, and therefore are not reported in the fund statements.	(208,703)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>173,563</u>
Change in net position of governmental activities.	<u>\$ 1,738,553</u>

Discretely Presented Component Unit - Lynchburg City Schools
School Operating Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
State and Federal	\$ 47,332,753	\$ 47,332,752	\$ 48,104,114	\$ 771,362
City of Lynchburg	38,924,147	39,906,147	39,886,633	(19,514)
Revenue from use of money and property	100	100	-	(100)
Charges for services	1,505,620	1,505,620	1,169,484	(336,136)
Miscellaneous	351,500	989,663	726,730	(262,933)
Total revenues	<u>88,114,120</u>	<u>89,734,282</u>	<u>89,886,961</u>	<u>152,679</u>
Expenditures				
Education:				
Instruction	63,749,156	64,487,711	61,909,077	2,578,634
Administration, attendance, and health	6,293,930	5,091,011	4,865,032	225,979
Pupil transportation services	5,048,979	4,995,548	4,828,845	166,703
Operations and maintenance	9,981,743	10,514,925	10,665,930	(151,005)
Food service and other	25,439	43,566	24,670	18,896
Facilities	22,178	22,178	10,163	12,015
Technology	2,519,490	3,648,433	3,525,049	123,384
Contingency reserve	-	25,000	-	25,000
Capital outlay	473,205	905,910	742,418	163,492
Total expenditures	<u>88,114,120</u>	<u>89,734,282</u>	<u>86,571,184</u>	<u>3,163,098</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	3,315,777	<u>\$ 3,315,777</u>
Less return of funds to the City			<u>(3,566,888)</u>	
			<u>\$ (251,111)</u>	

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Fiduciary Net Position
For the Year Ended June 30, 2015

	<u>Total Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 703,175
Receivables, net	425
Prepaid expenses	<u>470</u>
Total Assets	<u><u>\$ 704,070</u></u>
Liabilities	
Amounts held for others	<u>\$ 704,070</u>
Total Liabilities	<u><u>\$ 704,070</u></u>

Discretely Presented Component Unit - Lynchburg City Schools
Statements of Fiduciary Net Position
June 30, 2015

	<u>Governor's School</u>	<u>STEM</u>	<u>Step with Links</u>	<u>GLCT- Step with Links</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 432,661	\$ 25,387	\$ 59,882	\$ 185,245	\$ 703,175
Receivables, net of allowance	-	-	425	-	425
Prepaid expenses	395	-	75	-	470
Total assets	<u>\$ 433,056</u>	<u>\$ 25,387</u>	<u>\$ 60,382</u>	<u>\$ 185,245</u>	<u>\$ 704,070</u>
Liabilities					
Amounts held for others	<u>\$ 433,056</u>	<u>\$ 25,387</u>	<u>\$ 60,382</u>	<u>\$ 185,245</u>	<u>\$ 704,070</u>
Total liabilities	<u>\$ 433,056</u>	<u>\$ 25,387</u>	<u>\$ 60,382</u>	<u>\$ 185,245</u>	<u>\$ 704,070</u>

Combining Statement of Net Position
Other Component Units
June 30, 2015

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 556,614	\$ 489,966	\$ 1,046,580
Receivables, net of allowance	1,403,118	46,358	1,449,476
Due from other governments	-	503,508	503,508
Inventory	-	171,223	171,223
Prepays and other assets	419	98,289	98,708
Capital assets:			
Non-depreciable	-	4,356,573	4,356,573
Depreciable	2,507	19,731,645	19,734,152
Total assets	1,962,658	25,397,562	27,360,220
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	184,347	828,730	1,013,077
Due to other governments	1,331,060	-	1,331,060
Due to primary government	125,000	43,702	168,702
Total current liabilities	1,640,407	872,432	2,512,839
Noncurrent liabilities:			
Other post-employment benefits	-	131,000	131,000
Compensated absences	-	101,763	101,763
Total noncurrent liabilities	-	232,763	232,763
Total liabilities	1,640,407	1,105,195	2,745,602
Net position			
Net investment in capital assets	2,507	24,088,218	24,090,725
Unrestricted	319,744	204,149	523,893
Total net position	\$ 322,251	\$ 24,292,367	\$ 24,614,618

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Other Component Units
For the Year Ended June 30, 2015**

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating revenues			
Charges for services and other operating revenues	\$ 251,833	\$ 1,117,359	\$ 1,369,192
Total operating revenues	<u>251,833</u>	<u>1,117,359</u>	<u>1,369,192</u>
Operating expenses			
Operations	213,868	6,802,744	7,016,612
Administration	634	1,711,550	1,712,184
Maintenance and repairs	19,527	1,404,389	1,423,916
Total operating expenses	<u>234,029</u>	<u>9,918,683</u>	<u>10,152,712</u>
Operating income (loss)	<u>17,804</u>	<u>(8,801,324)</u>	<u>(8,783,520)</u>
Nonoperating revenue			
Subsidy of operations - City of Lynchburg	-	1,350,336	1,350,336
Subsidy of operations - Counties	-	57,492	57,492
Subsidy of operations - Liberty University	-	1,341,618	1,341,618
Subsidy of operations - State aid for public transportation	-	1,461,905	1,461,905
Subsidy of operations - Federal operating grant	-	2,039,536	2,039,536
Donations and grants	9,250	1,806	11,056
Gain (loss) on sale of capital assets	-	14,956	14,956
Total nonoperating revenue	<u>9,250</u>	<u>6,267,649</u>	<u>6,276,899</u>
Capital contributions	-	1,151,378	1,151,378
Change in net position	27,054	(1,382,297)	(1,355,243)
Total net position - beginning	<u>295,197</u>	<u>25,674,664</u>	<u>25,969,861</u>
Total net position - ending	<u>\$ 322,251</u>	<u>\$ 24,292,367</u>	<u>\$ 24,614,618</u>

Combining Statement of Cash Flows
Other Component Units
For the Year Ended June 30, 2015

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating activities			
Cash received from operations	\$ 630,051	\$ 1,293,222	\$ 1,923,273
Cash paid to employees	(109,038)	(3,298,224)	(3,407,262)
Cash paid to suppliers for goods and services	(123,769)	(4,114,423)	(4,238,192)
Cash received to fund loan pools	129,060	-	129,060
New loans disbursed	(452,000)	-	(452,000)
Net cash provided by (used in) operating activities	74,304	(6,119,425)	(6,045,121)
Noncapital financing activities			
Subsidies	-	6,143,200	6,143,200
Operating grants and contributions	9,250	-	9,250
Net cash provided by noncapital financing activities	9,250	6,143,200	6,152,450
Capital and related financing activities			
Capital contributions received	-	2,217,235	2,217,235
Net change in line of credit	-	(2,175,659)	(2,175,659)
Additions to capital assets	-	23,755	23,755
Net cash provided by capital and related financing activities	-	65,331	65,331
Net increase in cash and cash equivalents	83,554	89,106	172,660
Cash and cash equivalents			
Beginning of year	473,060	400,860	873,920
End of year	\$ 556,614	\$ 489,966	\$ 1,046,580
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 17,804	\$ (8,801,324)	\$ (8,783,520)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	851	2,508,982	2,509,833
Decrease (increase) in receivables	(76,630)	175,863	99,233
Increase in prepaids and other assets	(304)	(75,874)	(76,178)
Increase in inventory	-	(18,367)	(18,367)
Increase in accounts payable and other current liabilities	3,523	44,676	48,199
Increase in compensated absences and other post-employment benefits	-	46,619	46,619
Increase in amounts due to other governments	129,060	-	129,060
Net cash provided by (used) in operating activities	\$ 74,304	\$ (6,119,425)	\$ (6,045,121)
Supplemental cash flow information			
Non-cash transactions:			
Capital assets additions financed by accounts payable	\$ -	\$ 544,468	\$ 544,468

SUPPLEMENTAL SCHEDULES

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
<u>Primary Government</u>		
Department of Agriculture		
Direct Payments:		
Department of Parks & Recreation:		
USDA Farmers Market Promotion Grant	10.168	\$42,322
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Supplemental Nutrition Assistance Program	10.561	1,147,655
Department of Juvenile Justice:		
National School Lunch Program	10.555	30,892
National School Breakfast Program	10.553	23,305
Department of Health and Human Services		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Family Preservation and Support	93.556	58,094
TANF Block Grant	93.558	970,944
Refugee and Entrant Assistance State - Administered Programs	93.566	1,655
Low Income Energy Assistance	93.568	107,740
Child Care Assistance	93.575	(25)
Child Care Development Fund	93.596	153,472
Chafee Education and Training Vouchers Program (ETV)	93.599	9,680
Child Welfare Services	93.645	6,807
Foster Care - Title IV-E	93.658	1,324,703
Adoption Assistance	93.659	1,771,173
Social Services Block Grant	93.667	1,360,785
Independent Living	93.674	22,171
Children's Insurance Program	93.767	34,991
Medicaid Assistance	93.778	1,267,635
Department of Housing and Urban Development		
Direct Payments:		
Community Development Block Grant Program, Entitlement Grants	14.218	855,798
Shelter Plus Care	14.238	82,326
Home Investment Partnership Program	14.239	374,711
Department of Justice		
Direct Payments:		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	49,226
Bulletproof Vest Partnership	16.607	11,853
Passed through Commonwealth of Virginia:		
Department of Criminal Justice Services:		
Victim-Witness Services	16.575	177,859
Violence Against Women Formula Grant	16.588	121,902
Byrne Memorial Justice Assistance Grant	16.738	77,322
Department of Labor		
Passed through Commonwealth of Virginia:		
Virginia Community College System (VCCS):		
WIA Adult Program	17.258	589,602
WIA Youth Activities	17.259	494,638
WIA Dislocated Workers (after 7/1/10)	17.278	408,392

(Continued)

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1
(Continued)Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015
(Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
Department of Homeland Security		
Direct Payments:		
Transportation Security Administration:		
Airport LEO Cooperative Agreement	97.090	106,215
Department of Transportation		
Direct Payments:		
Highway Planning and Construction	20.205	249,659
SAFETEA - LU Grant	20.522	526,665
Passed through Commonwealth of Virginia:		
Department of Motor Vehicles:		
Alcohol Impaired Driving Grants	20.600	44,681
Environmental Protection Agency		
Passed through Commonwealth of Virginia:		
Virginia Resources Authority:		
Revolving Loan	66.458	327,076
Federal Aviation Administration		
Direct Payments:		
Department of Aviation:		
Airport Improvement Program	20.106	2,619,351
Federal Emergency Management Agency		
Direct Payments:		
Department of Homeland Security:		
Hazard Mitigation Grant	97.039	46,138
Emergency Communications	97.042	44,361
Assistance to Firefighters	97.044	23,961
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	411,238
<u>Component Unit - Lynchburg Schools</u>		
Department of Agriculture		
Passed through Commonwealth of Virginia:		
Department of Education:		
National School Lunch Program	10.555	2,203,646
National School Breakfast Program	10.553	862,487
Fresh Fruits and Vegetables	10.582	189,904
Department of Education		
Passed through Commonwealth of Virginia:		
Title I - Educationally Deprived Children - LEA	84.010	3,157,356
Title I - Neglected and Delinquent Children	84.013	7,509

(Continued)

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1
(Continued)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015
(Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
Department of Education (Continued)		
Elementary and Secondary Education Act (ESEA):		
Title IV-B - Elementary and Secondary Education Act of 1965 (21st Century Learning Centers)	84.287	1,667,171
Title VI-B - Special Education	84.027	2,114,697
Special Education Preschool Grants	84.173	54,463
English Language Acquisition Grants	84.365	10,822
Title II - Part A Funds	84.367	511,365
Vocational Education:		
Basic Grants to States	84.048	216,238
McKenney - Vento Homeless Education Assistance Improvements Act of 2001:		
Title X-C - No Child Left Behind Act	84.000	11,792
TOTAL		\$26,984,423

**Donated Food
Received**

Primary Government

Department of Agriculture

Passed through Commonwealth of Virginia:

Department of Social Services:

Juvenile Detention Home (Commodities)	10.555	\$1,964
Opportunity House (Commodities)	10.555	468
Sparc House (Commodities)	10.555	461

Component Unit - Lynchburg Schools

Department of Agriculture

Passed through Commonwealth of Virginia:

Department of Education:

National School Lunch Program (Commodities)	10.555	260,341
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TOTAL

\$263,234

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2015

Note 1. Significant Accounting Policy

Basis of Accounting:

The accompanying schedule of federal awards is prepared on the modified accrual basis of accounting.

Note 2. Business Development Centre, Inc. – Revolving Loan Fund

The Centre administers the Economic Development Administration Special Economic Adjustment Assistance Revolving Loan Fund Program CFDA 11.307 (01-49-03245) on behalf of the City of Lynchburg. Loans under this program are subject to various restrictions as determined by the Economic Development Administration.

The Centre received the funds indicated as follows through the fiscal year ended June 30, 1998. No funds have been received since that date.

	<u>Federal</u>	<u>State</u>	<u>Local</u>
Amount received through June 30, 1993	\$ 45,000	\$ -	\$ 24,000
Amount received through June 30, 1994	127,836	-	33,612
Amount received through June 30, 1995	44,027	-	14,676
Amount received through June 30, 1996	108,201	-	36,067
Bad debt charge off for the year ended June 30, 1996	(3,005)	-	(1,002)
Amount received through June 30, 1997	10,268	-	3,423
Recapitalized from earnings for the year ended June 30, 1997	3,005	-	1,002
Amount received through June 30, 1998	<u>159,668</u>	<u>40,000</u>	<u>13,222</u>
	<u>\$ 495,000</u>	<u>\$ 40,000</u>	<u>\$ 125,000</u>

Note 3. Non-monetary Assistance

Non-monetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities.

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2015

Note 4. Subgrantees

The federal expenditures for the Community Development Block Grant, the Home Investment Trust, and the Workforce Investment Act Cluster programs include grants to subrecipients as follows:

Subrecipient	Community Development Block Grant	Home Investment Trust	Workforce Investment Act Cluster
Bluffwalk Section 108 Loan	185,311	-	-
City Administration	90,245	28,535	-
Consolidated Five Year Action Plan	7,031	-	-
Continuum of Care Intake Social Worker	23,444	-	-
Habitat for Humanity	-	30,000	-
Lynchburg Community Action Group	4,591	220,676	-
Lynchburg Covenant Fellowship	-	60,000	-
Lynchburg Redevelopment & Housing Authority	430,244	-	-
Region 2000 Local Governmental Council	-	-	1,492,632
Relocation of Miller Park Basketball Court	32,814	-	-
Riverside Park Improvements	35,460	-	-
Rush Homes	-	35,500	-
Tinbridge Hill Rehab	46,658	-	-
	<u>\$ 855,798</u>	<u>\$ 374,711</u>	<u>\$ 1,492,632</u>

Note 5. Program Income

Program income received in FY2015 totals \$30,887 which was received through the sale of properties, loan repayments, and the Secure Vacant Structures Program. In accordance with terms of the Community Development Block Grant Program, program income totaling \$30,887 was used in FY2015 to reduce the amount of federal funds in conjunction with the program's objective.

Note 6. Virginia Revolving Loan Fund (CFDA 66.458)

At June 30, 2015, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of \$111,236,106 which includes \$38,202,270 of federal funded loans. Expenditures associated with the federally funded loans totaled \$327,076 in FY 2015.

SCHEDULE 2

CITY OF LYNCHBURG, VIRGINIA

Schedule of Passenger Facility Charges
As of June 30, 2015

Passenger Facility Charges:

Federal Agency/Program Name/Application Number	PFC Balance July 1, 2014	Adjustments	PFC Collected	Interest Earnings	Expenditures	PFC Balance June 30, 2015
FEDERAL AVIATION ADMINISTRATION						
Passenger facility charges (12-06-C-00-LYH)	\$ 8,433	\$ -	\$ 323,963	\$ 83	\$ 325,248	\$ 7,231
	<u>\$ 8,433</u>	<u>\$ -</u>	<u>\$ 323,963</u>	<u>\$ 83</u>	<u>\$ 325,248</u>	<u>\$ 7,231</u>

SCHEDULE 3

Schedule of Expenditures of Passenger Facility Charges
As of June 30, 2015

Expenditures of Passenger Facility Charges:

Project	PFC Expenditures
<u>Application 6 (12-06-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ 5,248
Local share reimbursement – “Local” expense	-
Local share reimbursement – “State Entitlements” expense	<u>320,000</u>
Total PFC expenditures	<u>\$ 325,248</u>

The accompanying schedule of expenditures of passenger facility charges includes the passenger facility charge activity of the City, and is presented on the cash basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in preparation of, the basic financial statements.

STATISTICAL SECTION

STATISTICAL SECTION

This section 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

Pages

MISCELLANEOUS STATISTICAL DATA

This section provides additional information about the City, form of government, taxable subjects for local taxation, City's Fund Balance, Debt Management, Budget, and Investment policies. 142-146

FINANCIAL TRENDS

Tables 1-12 contain trend information to help the reader understand how the City's financial performance and well-being have changed over the time. 147-160

REVENUE CAPACITY

Tables 13-18 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 161-166

DEBT CAPACITY

Tables 19-22 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. 167-170

DEMOGRAPHIC AND ECONOMIC INDICATORS

Tables 23-24 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 171-172

OPERATING INFORMATION

Tables 25-28 contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs. 173-176

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City of Lynchburg implemented GASB Statement 34 in FY 2002; schedules presenting government-wide information include information beginning in that year. The goal of future reporting is to include ten (10) years.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2015

DATE OF INCORPORATION

Lynchburg was founded by John Lynch in 1757, established as a town in October 1786, incorporated as a town on January 10, 1805, and received independent city status in 1852.

AREA OF CITY

The area of the City consists of 50.107 square miles.

POPULATION

United States Census 1990 (1)	66,049
United States Census 2000 (1)	65,269
United States Census 2011 (1)	76,448
United States Census 2012 (1)	77,203
United States Census 2013 (1)	77,376
United States Census 2014 (1)	77,874

(1) Source: Weldon Cooper Center for Public Service,
www.coopercenter.org

FORM OF GOVERNMENT

Lynchburg is organized under the Council – Manager form of government. The City Council, comprised of seven members, is elected on either an at-large (3 members) or ward (4 members) representative basis for four-year staggered terms of office. From among the elected City Council members, they choose on or near July 1 of each election year by simple majority vote a Mayor, who serves a two-year term.

Appointed by the City Council, the City Manager serves as the chief administrative officer of the municipal corporation. The City Manager performs the City’s administrative and policy-related duties, directs business procedures, and has the power of appointment and removal of the heads of all administrative departments as well as other employees of the City. The City Manager’s primary focus is on helping Council set priorities, interpreting City Council’s actions to the appropriate department, outside organizations and citizens, and providing professional leadership in executing the adopted policies of City Council.

SEGREGATION OF TAXABLE SUBJECTS FOR LOCAL TAXATION ONLY

By an Act of the General Assembly of Virginia, approved March 31, 1926, all real estate, tangible personal property, and machinery used for manufacturing purposes, were segregated to the City, and these subjects are not liable to any general tax except the City tax.

ASSESSMENTS

The City Assessor of real property appraises the market value of real estate on a biannual assessment cycle. The entire City is reviewed every other year (with values effective the first day of July of the odd years) and adjustments are made where necessary based upon market evidence indicating a change in the value.

The Commissioner of Revenue is required by law to assess vehicles and motorcycles by means of a recognized pricing guide. For most other personal property, the assessed value is based on a percentage of original cost.

CITY OF LYNCHBURG, VIRGINIA

**MISCELLANEOUS STATISTICAL DATA
June 30, 2015
(Continued)**

TAX RATES

The Commissioner of Revenue, as required by the *Code of Virginia*, assesses tangible personal property and machinery and tools. The City prorates personal property on a monthly basis.

Real Property:

- \$1.11 per \$100 assessed value: 2013-2015
- \$1.05 per \$100 assessed value: 2008-2012
- \$1.11 per \$100 assessed value: 1998-2007
- \$1.13 per \$100 assessed value: 1997
- \$1.16 per \$100 assessed value: 1995-1996
- \$1.18 per \$100 assessed value: 1990-1994

Tangible Personal Property:

- \$3.80 per \$100 assessed value: 2005-2015
- \$3.30 per \$100 assessed value: 1990-2004

Machinery and Tools:

- \$3.00 per \$100 assessed value: 1990-2015

Local Sales Tax:

- 1% + 4.3% VA tax: 2014-2015
- 1% + 4.0% VA tax: 2005-2013
- 1% + 3.5% VA tax: 1998-2004

Utility Consumers' Tax:

- Electricity:
 - Residential – the greater of: \$0.0046 for the first 1,000 kwh (or a fraction thereof) plus \$0.0026 for each kwh over the first 1,000 kwh, or 7% of the minimum monthly charge.
 - Commercial – the greater of: \$0.0048 for the first 1,000 kwh (or a fraction thereof) plus \$0.0092 for each kwh over the first 1,000 kwh, or 7% of the minimum monthly charge.
 - Industrial – the greater of: \$0.00375 for the first 1,000 kwh (or a fraction thereof) plus \$0.0026 for each kwh over the first 1,000 kwh, or 7% of the minimum monthly charge.

Business, Professional, and Occupational License:

- The following schedule is utilized to determine the amount of the business license tax:

Gross Receipts/Purchases	Business License Fee
\$0 - \$10,000	No Fee
\$10,000 - \$50,000	\$30.00
\$50,000 - \$100,000	\$50.00

- If gross receipts/purchases are greater than \$100,000 the following schedule is utilized:
 - Retail merchants – \$0.20 per \$100 of gross receipts
 - Contractors – \$0.16 per \$100 of gross receipts
 - Business/personal service – \$0.36 per \$100 of gross receipts
 - Professional service – \$0.58 per \$100 of gross receipts
 - Wholesale merchants – \$20.00 plus \$0.28 per \$100 of gross purchases

CITY OF LYNCHBURG, VIRGINIA

MISCELLANEOUS STATISTICAL DATA

June 30, 2015

(Continued)

TAX RATES

(Continued)

Motor Vehicle License:

- \$29.50 for vehicles weighing 4,000 pounds or less: 2005-2015
- \$34.50 for vehicles weighing greater than \$4,000 pounds: 2005-2015
- \$25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2015
- \$0.15 on pack of twenty cigarettes: 1990-2003

Lodging Tax:

- A tax of 5.5% of the charge made for each room rented per night. In FY2001, Lynchburg changed the lodging tax from 5.5% to 5.5% plus \$1 per room per night.

Meals Tax:

- A tax of 6.5% on prepared meals sold in the City in addition to Sales Tax. In FY2005, Lynchburg changed the meals tax from 6.0% to 6.5%.

Ambulance Services:

- Basic Life Services
 - Non-emergency transport fee - \$325
 - Emergency transport fee - \$425
- Advanced Life Support
 - Non-emergency transport fee - \$425
 - Emergency transport fee - \$500
 - Emergency transport fee if three or more different medications combined with at least one Advanced Life Support procedure are administered- \$700
- A fee of \$9/mile is charged for each mile that the patient is transported
- A fee of \$100 is charged when the patient is evaluated and treated by emergency medical services personnel when no transport occurs.

TAXES DUE

Real estate taxes are levied as of the first day of July each year. Supplemental real estate taxes are levied throughout the year to reflect construction in progress during the fiscal year. Real estate taxes are payable in four quarterly installments on November 15, January 15, March 15, and May 15. If paid thereafter, a 10% penalty and interest at the rate of 10% per annum is added.

Personal property taxes are payable in two equal installments on June 5 and December 5. Supplemental billings for personal property acquisitions are due March 5 and September 5.

DELINQUENT TAXES

Real estate and personal property taxes are reported delinquent the day after the due date. Therefore, the day after each installment due date, if the taxes are unpaid, they are considered delinquent.

CITY OF LYNCHBURG, VIRGINIA

MISCELLANEOUS STATISTICAL DATA

June 30, 2015

(Continued)

OVERLAPPING AREAS AND DEBT

The City of Lynchburg is autonomous and entirely independent of any county or any other political subdivision of the state, being a separate and distinct political unit since 1852.

It is not coterminous with, nor subject to any county or school district taxation, and is not liable for any indebtedness other than its own. It has the power to levy taxes on all real and tangible personal property without limitation of rate or amount.

FUND BALANCE POLICY

The City council adopted a resolution in 1999 that was reaffirmed in 2010, revised in 2011, and revised in 2013, which established major policy goal of maintaining the Unassigned General Fund Balance at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The Fund Balance Policy states:

- The City shall not use the Unassigned General Fund Balance to finance recurring operating expenditures.
- The City will maintain an Unassigned General Fund Balance (UGFB) equal to 10% of General Fund revenues. In the event the UGFB is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the Unassigned General Fund Balance to the minimum of 10% over five years.
- Funds in excess of the targeted 10% fund balance may be considered to supplement “pay-as-you-go” capital outlay expenditures, other non-recurring expenditures, or as additions to fund balance.

DEBT MANAGEMENT POLICY

The City council adopted a resolution on August 10, 1999, which was reaffirmed in 2004, revised in 2010, and revised in 2013, establishing guidelines for the planning, issuance, and management of debt, for and on behalf of City of Lynchburg. The City will issue debt for the purpose of acquiring or constructing capital projects and for making major renovations to existing capital projects. The City shall comply with all its undertakings in accordance with Securities and Exchange Commission Rule 15c2-12 and will follow the Government Finance Officers’ Association and Securities and Exchange Commission requirements for continuing disclosure. Two types of debt obligations are used by the City:

- Tax supported obligations are those that are expected to be repaid from the General Fund tax revenue of the City of Lynchburg. These include general obligation bonds (except self-supporting bonds) and capital leases. General obligation bonds issued for self-supporting enterprise funds are not included in calculations of tax-supported bonds.
- Revenue-supported obligations are those for which the debt service is payable solely from the revenue generated from the operation of the project being financed or a category of facilities (i.e. water and sewer). These are not considered tax-supported debt of the City.

The City may use the Virginia Public School Authority (VPSA) or State Literary Fund loans to finance school capital projects. City bonds sold to the VPSA and Literary Fund loans constitute general obligation debt of the City. City Council shall approve any application to the VPSA or the Department of Education for a Literary Fund loan. City Council shall approve the issuance of the bonds as required by the Public Finance Act. The School Board shall recommend such financings before a proposed financing is brought to City Council for approval.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2015
(Continued)

BUDGET POLICY

The City council adopted a resolution November 14, 2000 which was revised in 2008, reaffirmed in 2010, and revised in 2013.

Principles

- Public participation in the budgetary process will be encouraged.
- The City will avoid dedicating revenue to a specific project or program because of the constraint this may place on flexibility in resource allocation except in instances where programs are expected to be self-sufficient or where revenue is dedicated to a program for statutory or policy reasons.
- The budget process will be coordinated in a way that major policy issues are identified for City Council several months prior to consideration of budget approval. This will allow adequate time for appropriate decisions and analysis of financial impacts.

QUARTERLY FINANCIAL REPORTING

The City Manager will present to the City Council's Finance Committee (with copies to the remainder of Council) quarterly financial reports identifying meaningful trends in revenues and expenditures for the General, Water and Sewer, Airport, Stormwater, Comprehensive Services Act, and Lynchburg Regional Juvenile Detention Center Funds.

Third Quarter Review

In mid-March, City staff will evaluate all expenditures and revenues as compared to budget and make recommendations to City Council regarding possible adjustments. Section 15.2-2507 of the *Code of Virginia* requires that a public hearing be held prior to City Council action when the potential increases in the appropriation are greater than one percent of the total expenditures shown in the currently adopted budget.

INVESTMENT POLICY

The City council adopted an investment policy on September 25, 2001, which was revised in 2008, reaffirmed in 2010, and revised in 2013, establishing specific requirements or limitations imposed upon the investment of Bond Proceeds, Debt Service Funds, and Debt Service Reserve Funds. It is the policy of the City of Lynchburg that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this policy. It is the intent of the City to be in complete compliance with all applicable federal, state, and local laws, and other regulations and statutes governing the investment of public funds. Within those parameters, the goal of this policy is to achieve the highest rate of return that is reasonable. The City will establish an Investment Committee consisting of the City Manager, Deputy City Manager, and Director of Financial Services. This Committee will provide broad policy oversight over investments. This policy will be reviewed on an annual basis. Any changes must be approved by the Investment Committee and be reaffirmed by City Council.

**NET POSITION BY COMPONENT,
LAST TEN FISCAL YEARS**
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 139,205,720	\$ 139,856,317	\$ 143,158,392	\$ 155,791,105	\$ 161,777,277	\$ 164,804,823	\$ 166,830,517	\$ 175,165,215	\$ 183,957,611	\$ 192,860,159
Restricted	171,844	-	19,975,370	20,149,056	18,733,893	23,708,274	18,760,659	16,805,325	15,935,153	9,483,640
Unrestricted	46,486,579	56,819,180	58,219,507	64,928,380	65,970,506	61,798,935	71,824,701	73,963,009	69,801,835	(20,298,752)
Total governmental activities net position	<u>\$ 185,864,143</u>	<u>\$ 196,675,497</u>	<u>\$ 221,353,269</u>	<u>\$ 240,868,541</u>	<u>\$ 246,481,676</u>	<u>\$ 250,312,032</u>	<u>\$ 257,415,877</u>	<u>\$ 265,933,549</u>	<u>\$ 269,694,599</u>	<u>\$ 182,045,047</u>
Business-type activities										
Net investment in capital assets	\$ 125,543,179	\$ 134,385,674	\$ 146,157,075	\$ 152,089,577	\$ 167,081,709	\$ 180,332,606	\$ 182,791,158	\$ 189,456,676	\$ 196,909,298	\$ 205,192,151
Restricted	-	1,765	4,708	8,786	5,213	10,312	119,534	25,193	8,433	7,231
Unrestricted	29,667,849	35,582,153	33,515,192	18,461,675	20,419,761	18,709,510	19,388,092	19,764,741	20,968,416	10,828,849
Total business-type activities net position	<u>\$ 155,211,028</u>	<u>\$ 169,969,592</u>	<u>\$ 179,676,975</u>	<u>\$ 170,560,038</u>	<u>\$ 187,506,683</u>	<u>\$ 199,052,428</u>	<u>\$ 202,298,784</u>	<u>\$ 209,246,610</u>	<u>\$ 217,886,147</u>	<u>\$ 216,028,231</u>
Primary government										
Net investment in capital assets	\$ 264,748,899	\$ 274,241,991	\$ 289,315,467	\$ 307,880,682	\$ 328,858,986	\$ 345,137,429	\$ 349,621,675	\$ 364,621,891	\$ 380,866,909	\$ 398,052,310
Restricted	171,844	1,765	19,980,078	20,157,842	18,739,106	23,718,586	18,880,193	16,830,518	15,943,586	9,490,871
Unrestricted	76,154,428	92,401,333	91,734,699	83,390,055	86,390,267	80,508,445	91,212,793	93,727,750	90,770,251	(9,469,903)
Total primary government net position	<u>\$ 341,075,171</u>	<u>\$ 366,645,089</u>	<u>\$ 401,030,244</u>	<u>\$ 411,428,579</u>	<u>\$ 433,988,359</u>	<u>\$ 449,364,460</u>	<u>\$ 459,714,661</u>	<u>\$ 475,180,159</u>	<u>\$ 487,580,746</u>	<u>\$ 398,073,278</u>

Note: GASB Statement No. 68 was adopted in Fiscal Year 2015.

**CHANGES IN NET POSITION,
LAST TEN FISCAL YEARS**
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General Government	\$ 11,727,655	\$ 12,148,875	\$ 13,397,520	\$ 14,572,569	\$ 14,710,937	\$ 13,623,646	\$ 14,209,838	\$ 15,116,426	\$ 13,291,661	\$ 13,675,189
Judicial	5,099,725	5,471,591	5,626,570	5,707,528	5,633,105	6,329,475	6,546,970	6,406,888	6,518,627	6,245,737
Public Safety	39,639,402	40,397,195	43,152,656	43,233,506	42,794,498	44,365,150	44,743,484	47,390,090	48,816,945	48,732,161
Public Works	20,760,247	19,643,233	21,511,617	28,957,020	26,790,420	25,504,881	25,535,985	26,539,357	29,261,348	24,846,090
Health and Human Services	20,095,986	23,439,351	27,078,262	26,097,589	24,935,622	24,577,656	24,620,381	25,274,269	25,805,934	27,317,037
Culture and Recreation	8,943,345	9,432,337	10,247,701	10,364,636	9,852,641	10,247,781	8,413,428	8,503,945	9,001,804	9,771,210
Community Development	6,469,555	6,759,110	5,284,797	4,974,659	5,024,903	5,490,368	7,757,830	5,076,676	6,730,055	6,742,294
Education	32,618,426	33,539,288	36,727,401	35,807,016	33,876,792	35,171,968	36,667,051	40,568,308	42,640,199	42,608,354
Interest Payments and Fiscal Charges	4,999,355	5,444,098	5,821,141	5,605,088	6,286,182	5,625,344	5,481,482	5,005,302	4,721,429	6,317,148
Issuance Costs	173,943	-	216,051	-	483,236	170,210	28,450	29,815	204,180	875,409
Total governmental activities expenses	150,527,639	156,275,078	169,063,716	175,319,611	170,388,336	171,106,479	174,004,899	179,911,076	186,992,182	187,130,629
Business-type activities:										
Solid Waste Management	5,599,954	6,436,950	8,240,113	206,551	-	-	-	-	-	-
Stormwater (1)	-	-	-	-	-	-	-	2,038,265	2,542,077	1,988,044
Airport	3,505,550	3,545,346	3,882,343	4,062,502	4,308,441	4,374,509	4,394,934	4,151,032	4,370,888	4,572,562
Water	9,273,940	9,846,038	11,406,440	11,274,496	12,600,109	12,231,617	11,881,318	12,822,767	12,867,800	13,192,403
Sewer	12,431,230	12,757,627	14,431,645	14,976,951	15,069,642	15,889,515	16,705,588	16,195,043	17,350,599	18,408,180
Total business-type activities expenses	30,810,674	32,585,961	37,960,541	30,520,500	31,978,192	32,495,641	32,981,840	35,207,107	37,131,364	38,161,189
Total primary government expenses	\$ 181,338,313	\$ 188,861,039	\$ 207,024,257	\$ 205,840,111	\$ 202,366,528	\$ 203,602,120	\$ 206,986,739	\$ 215,118,183	\$ 224,123,546	\$ 225,291,818

(1)The Stormwater fund was created in FY2013.

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues (see Table 3)										
Governmental Activities:										
Charges for services:										
General government	\$ 466,636	\$ 398,188	\$ 556,888	\$ 548,729	\$ 437,468	\$ 424,127	\$ 523,344	\$ 530,988	\$ 460,961	\$ 505,564
Judicial	741,266	730,625	716,313	737,613	846,930	686,417	781,941	917,900	816,341	785,268
Public safety	4,917,707	5,398,675	5,059,318	4,104,152	4,452,849	5,343,055	5,875,575	6,090,401	6,629,609	6,419,638
Public works	185,474	98,025	198,841	993,935	989,613	786,813	813,474	1,711,835	1,806,816	1,304,063
Health and human services	1,685,316	1,817,260	2,458,875	2,385,901	2,037,083	2,364,654	2,462,151	2,631,082	2,503,303	2,452,554
Cultural and Recreational	1,810,243	1,888,695	1,916,356	2,126,732	2,069,822	2,092,744	647,929	660,626	684,094	776,379
Community development	1,093,999	887,401	916,926	600,480	544,603	340,847	622,156	936,595	2,422,730	1,172,941
Operating Grants and Contributions	32,475,807	33,925,919	36,346,157	32,423,390	29,398,177	29,639,955	30,194,337	39,851,381	40,032,827	42,055,609
Capital Grants and Contributions	2,435,928	2,217,419	24,914,181	12,940,905	13,954,135	11,833,437	11,546,586	4,320,470	2,407,771	1,516,624
Total governmental activities program services	45,812,376	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049	53,467,493	57,651,278	57,764,452	56,988,640
Business-type activities:										
Charges for services:										
Solid Waste Management	7,219,229	7,276,645	6,313,555	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	3,355,267	3,124,545	3,268,776
Airport	1,762,826	1,848,109	1,839,685	1,967,871	2,152,132	2,093,668	2,011,159	2,124,073	2,235,749	2,254,531
Water	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,314,865	12,985,275	13,478,920	14,703,923
Sewer	15,405,174	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990	18,520,421	18,913,651	19,763,592	20,216,758
Operating Grants and Contributions	415,801	398,850	406,261	178,948	203,659	202,704	158,129	951,522	810,040	417,601
Capital Grants and Contributions	3,066,896	8,918,563	7,490,370	4,826,469	15,197,159	10,563,426	2,007,777	2,827,806	5,697,350	6,601,428
Total business-type activities program revenues	38,222,229	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382	35,012,351	41,157,594	45,110,196	47,463,017
Total primary government program revenues	\$ 84,034,605	\$ 92,242,741	\$ 118,265,500	\$ 93,257,306	\$ 102,848,825	\$ 96,858,431	\$ 88,479,844	\$ 98,808,872	\$ 102,874,648	\$ 104,451,657
Net (Expense) Revenue										
Governmental Activities	\$ (104,715,263)	\$ (108,912,871)	\$ (95,979,861)	\$ (118,457,774)	\$ (115,657,656)	\$ (117,594,430)	\$ (120,537,406)	\$ (122,259,798)	\$ (129,227,730)	\$ (130,141,989)
Business-type Activities	7,411,555	12,294,573	7,221,104	5,874,969	16,139,953	10,850,741	2,030,511	5,950,487	7,978,832	9,301,828
Total Primary Government Net Expenses	\$ (97,303,708)	\$ (96,618,298)	\$ (88,758,757)	\$ (112,582,805)	\$ (99,517,703)	\$ (106,743,689)	\$ (118,506,895)	\$ (116,309,311)	\$ (121,248,898)	\$ (120,840,161)

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 60,191,431	\$ 57,241,907	\$ 63,187,947	\$ 65,185,656	\$ 67,786,672	\$ 69,849,510	\$ 70,054,855	\$ 74,446,360	\$ 74,994,389	\$ 75,714,767
Local sales and use taxes	13,319,691	14,481,096	14,266,750	13,056,829	12,675,632	13,290,563	13,440,973	13,589,747	13,842,292	15,006,326
Meals taxes	9,423,830	10,000,796	10,326,953	10,477,061	10,477,700	10,975,580	11,658,371	11,916,522	12,549,321	13,756,602
Consumer utility taxes	6,840,948	5,835,367	4,793,431	4,739,261	4,700,202	4,692,477	4,475,316	4,628,647	4,738,343	4,575,492
Business license taxes	7,675,284	7,922,666	8,010,597	7,913,270	7,818,381	7,263,543	7,885,841	8,057,554	8,580,699	8,219,996
Communications sales and use taxes	-	1,669,968	3,893,158	3,537,283	3,552,028	3,534,449	3,462,621	3,471,805	3,412,734	3,382,915
Other taxes	6,794,113	6,697,407	5,827,855	5,719,878	6,070,900	6,377,684	7,299,554	5,823,989	6,638,042	6,785,275
Unrestricted intergovernmental	9,434,886	9,687,718	6,227,484	5,601,254	5,576,232	5,418,525	5,940,422	6,052,604	6,240,433	6,223,664
Interest	1,785,705	3,082,813	3,522,533	1,716,449	794,471	601,999	438,375	201,735	295,656	312,688
IRS interest subsidy - Build America bonds	-	-	-	-	283,891	146,839	293,680	293,680	270,332	272,388
Miscellaneous	1,605,259	1,919,538	1,026,286	3,827,687	1,683,037	1,498,803	1,162,435	1,606,926	1,480,036	2,141,167
Transfers	(304,924)	11,134	(577,893)	16,198,418	(261,260)	(259,950)	(417,961)	(336,330)	(218,809)	(60,658)
Gain (Loss) on sale of assets	-	-	152,532	-	112,905	95,976	73,749	1,024,231	165,312	324,443
Total governmental activities	116,766,223	118,550,410	120,657,633	137,973,046	121,270,791	123,485,998	125,768,231	130,777,470	132,988,780	136,655,065
Business-type activities:										
Interest	1,248,981	2,382,245	1,784,508	825,779	207,953	206,665	210,782	108,977	132,701	96,910
IRS interest subsidy - Build America Bonds	-	-	-	-	287,632	148,776	297,551	297,550	273,896	275,978
Miscellaneous	83,078	92,880	123,878	297,033	49,847	79,613	148,571	45,232	22,332	22,966
Transfers	304,924	(11,134)	577,893	(16,198,418)	261,260	259,950	-	336,330	218,809	60,658
Gain (loss) on sale of assets	-	-	-	83,700	-	-	417,961	209,250	12,967	9,825
Total business-type activities	1,636,983	2,463,991	2,486,279	(14,991,906)	806,692	695,004	1,074,865	997,339	660,705	466,337
Total primary government	\$ 118,403,206	\$ 121,014,401	\$ 123,143,912	\$ 122,981,140	\$ 122,077,483	\$ 124,181,002	\$ 126,843,096	\$ 131,774,809	\$ 133,649,485	\$ 137,121,402
Changes in Net Position										
Governmental activities	\$ 12,050,960	\$ 9,637,539	\$ 24,677,772	\$ 19,515,272	\$ 5,613,135	\$ 5,891,568	\$ 5,230,825	\$ 8,517,672	\$ 3,761,050	\$ 6,513,076
Business-type activities	9,048,538	14,758,564	9,707,383	(9,116,937)	16,946,645	11,545,745	3,105,376	6,947,826	8,639,537	9,768,165
Total primary government	\$ 21,099,498	\$ 24,396,103	\$ 34,385,155	\$ 10,398,335	\$ 22,559,780	\$ 17,437,313	\$ 8,336,201	\$ 15,465,498	\$ 12,400,587	\$ 16,281,241

**PROGRAM REVENUES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS**

(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function/Program										
Governmental Activities:										
General Government	\$ 785,105	\$ 734,876	\$ 942,144	\$ 900,082	\$ 784,656	\$ 733,374	\$ 842,476	\$ 842,595	\$ 772,920	\$ 822,568
Judicial	3,907,807	3,978,858	4,477,871	4,319,914	4,434,426	4,405,123	4,685,775	4,369,390	4,705,330	4,556,364
Public Safety	8,551,169	8,489,027	11,106,642	11,638,433	10,221,136	11,507,560	10,901,882	12,249,088	12,655,192	12,043,156
Public Works	9,246,609	9,143,028	31,409,029	13,461,837	14,184,338	12,761,729	13,637,579	16,225,091	13,736,037	13,462,198
Health and Human Services	15,728,602	17,439,083	20,030,396	20,093,434	19,645,184	19,710,295	19,756,196	20,786,993	21,009,420	22,626,330
Culture and Recreation	2,085,063	2,125,708	2,117,677	2,332,948	2,266,212	2,335,925	842,913	932,261	1,335,292	1,010,645
Community Development	3,658,669	3,239,533	2,134,843	3,322,867	2,217,737	2,027,021	2,445,719	2,216,576	3,550,261	2,467,379
Education	1,849,352	2,212,094	865,253	792,322	976,991	31,022	354,953	29,284	-	-
Subtotal governmental activities	45,812,376	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049	53,467,493	57,651,278	57,764,452	56,988,640
Business-type activities:										
Solid Waste Management (1)	7,423,363	7,478,380	6,517,869	-	-	-	-	-	-	-
Stormwater (2)	-	-	-	-	-	-	-	4,005,267	3,774,545	3,543,776
Airport	3,468,328	10,159,028	7,283,243	2,889,032	4,917,589	4,331,554	3,452,187	5,046,920	5,214,040	5,786,312
Water	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,338,865	13,067,064	13,492,023	14,708,923
Sewer	16,978,235	16,845,346	20,110,651	21,800,842	31,171,530	26,552,234	19,221,299	19,038,343	22,629,588	23,424,006
Subtotal business-type activities	38,222,229	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382	35,012,351	41,157,594	45,110,196	47,463,017
Total primary government	\$ 84,034,605	\$ 92,242,741	\$ 118,265,500	\$ 93,257,306	\$ 102,848,825	\$ 96,858,431	\$ 88,479,844	\$ 98,808,872	\$ 102,874,648	\$ 104,451,657

(1) The Solid Waste Management fund was closed during FY2009.

(2) The Stormwater fund was created in FY2013.

TABLE 4

**FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS**
(modified accrual basis of accounting)

	Pre-GASB 54				
	2006	2007	2008	2009	2010
General Fund					
Reserved	\$ 879,657	\$ 1,236,149	\$ 2,406,773	\$ 719,850	\$ 1,457,305
Unreserved	35,906,892	31,541,207	32,158,992	36,459,043	44,287,091
Total General Fund	<u>\$ 36,786,549</u>	<u>\$ 32,777,356</u>	<u>\$ 34,565,765</u>	<u>\$ 37,178,893</u>	<u>\$ 45,744,396</u>
All Other Governmental Funds					
Reserved	\$ 6,687,005	\$ 5,430,322	\$ 44,832,256	\$ 31,264,091	\$ 9,752,227
Unreserved, reported in:					
Special revenue funds	4,071,768	3,219,576	1,082,960	4,263,967	4,265,193
Capital projects funds	9,825,526	13,985,011	6,697,269	11,646,868	31,943,779
Total All Other Governmental Funds	<u>\$ 20,584,299</u>	<u>\$ 22,634,909</u>	<u>\$ 52,612,485</u>	<u>\$ 47,174,926</u>	<u>\$ 45,961,199</u>
			Post-GASB 54		
	2011	2012	2013	2014	2015
General Fund					
Committed	\$ 13,707,762	\$ 13,992,915	\$ 14,610,825	\$ 15,237,982	\$ 14,803,075
Assigned	4,077,230	5,574,299	3,128,072	5,029,549	6,118,051
Unassigned	29,215,575	28,835,650	31,675,248	33,878,501	32,089,924
Total General Fund	<u>\$ 47,000,567</u>	<u>\$ 48,402,864</u>	<u>\$ 49,414,145</u>	<u>\$ 54,146,032</u>	<u>\$ 53,011,050</u>
All Other Governmental Funds					
Nonspendable	\$ 500,000	\$ 500,000	\$ 450,000	\$ 400,000	\$ 350,000
Restricted	23,708,274	18,760,659	16,805,325	15,935,152	9,483,641
Committed	18,396,943	21,518,899	17,761,570	13,852,139	68,602,388
Assigned	121,599	126,818	100,000	100,012	100,012
Unassigned	(539,488)	(257,944)	(257,945)	-	(50,067)
Total All Other Governmental Funds	<u>\$ 42,187,328</u>	<u>\$ 40,648,432</u>	<u>\$ 34,858,950</u>	<u>\$ 30,287,303</u>	<u>\$ 78,485,974</u>

Note: Five years of data is available for GASB 54 compliance.
GASB 54 was adopted in FY2011.

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$103,986,837	\$102,976,887	\$ 110,668,029	\$ 110,330,014	\$ 112,551,637	\$ 115,044,676	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029	\$ 127,770,651
Regulatory licenses, permits, and privilege fees	1,025,782	887,272	849,742	650,514	664,028	683,712	916,546	991,098	1,068,270	1,000,222
Intergovernmental	43,636,173	45,511,572	67,254,109	50,772,908	48,877,101	46,663,521	47,320,286	50,245,714	48,326,225	49,874,673
Fines and forfeitures	593,518	581,986	586,661	612,595	667,756	598,424	721,839	726,438	634,485	637,417
Revenue from use of money and property	3,092,260	4,438,852	4,843,948	3,113,910	2,177,785	1,962,064	749,017	506,030	702,100	820,000
Charges for services	10,362,547	10,480,891	11,155,656	11,782,655	11,846,063	11,977,908	11,467,834	13,687,367	15,916,305	14,365,457
Miscellaneous	2,158,618	2,019,557	1,035,977	2,317,772	2,281,001	1,863,720	1,828,931	2,863,553	2,516,916	2,807,317
Total revenues	164,855,735	166,897,017	196,394,122	179,580,368	179,065,371	178,794,025	179,764,531	191,456,920	194,401,330	197,275,737
Expenditures										
General government	13,236,092	14,284,594	14,978,175	16,046,197	16,125,721	15,157,924	15,499,218	16,130,210	14,289,462	16,152,572
Judicial	4,875,257	5,279,455	5,359,727	5,478,171	5,347,422	5,553,219	5,790,132	5,767,935	5,758,228	5,717,080
Public Safety	36,850,835	38,394,220	40,564,072	41,723,778	40,379,295	42,216,297	42,427,687	46,421,193	46,660,711	48,818,343
Public Works	14,294,952	13,054,801	14,583,441	22,154,990	18,834,896	17,746,056	17,681,810	19,474,530	22,150,384	18,097,502
Health and human services	20,815,071	22,886,119	26,320,281	25,693,662	24,400,078	23,992,172	24,172,488	25,059,481	25,328,758	27,443,758
Cultural and recreational	8,291,783	8,753,747	9,197,360	9,496,115	8,915,422	9,114,228	7,383,687	7,672,890	7,611,982	8,632,019
Community development	6,333,310	6,716,287	5,097,359	4,990,958	5,200,664	5,507,839	7,734,642	5,072,557	6,519,328	6,681,436
Education (1)	30,057,224	30,330,939	33,170,354	32,191,853	29,472,854	30,343,130	31,830,468	35,590,981	36,856,139	37,562,551
Capital Outlay										
Capital general government (2)	13,958,226	14,285,864	14,477,202	33,101,444	37,055,272	12,891,432	10,688,906	14,864,174	22,238,043	53,597,681
Debt Services										
Principal Retirement	18,870,007	8,428,304	8,400,119	8,582,070	17,214,799	10,872,412	10,119,044	10,103,234	9,689,223	10,296,872
Interest payments and other fiscal charges	4,554,384	5,113,526	5,519,494	5,455,250	5,619,800	5,671,296	5,399,200	4,985,875	4,683,175	7,435,810
Issuance costs	173,943	-	216,051	-	483,236	170,210	28,450	29,815	204,180	875,409
Total expenditures	172,311,084	167,527,856	177,883,635	204,914,488	209,049,459	179,236,215	178,755,732	191,172,875	201,989,613	241,311,033
Excess (deficiency) of revenues over expenditures	(7,455,349)	(630,839)	18,510,487	(25,334,120)	(29,984,088)	(442,190)	1,008,799	284,045	(7,588,283)	(44,035,296)
Other financing sources (uses)										
Proceeds from debt issues	31,725,694	-	16,788,389	6,156,611	36,180,000	-	-	-	-	83,225,000
Premium on debt proceeds	732,486	-	167,163	-	993,827	-	-	-	-	7,792,446
Discount on debt proceeds	-	-	-	-	(959,560)	-	-	-	-	-
Issuance of refunding bonds	-	-	4,824,128	-	6,103,649	18,591,517	-	4,129,625	8,000,638	23,292,975
Refunded bond principal payments	-	-	(4,756,894)	-	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	(6,046,285)	(18,397,260)	-	(4,129,625)	-	(23,114,836)
Capital contributions	-	-	-	-	-	-	-	(4,725,916)	-	-
Transfers in	4,969,990	14,494,290	7,790,103	25,197,199	5,962,962	10,739,030	11,057,987	9,560,807	9,978,763	11,606,390
Transfers out	(6,894,621)	(16,995,849)	(11,557,391)	(8,844,121)	(4,898,729)	(10,947,585)	(12,203,385)	(9,897,137)	(10,230,878)	(11,702,990)
Total other financing sources (uses)	30,533,549	(2,501,559)	13,255,498	22,509,689	37,335,864	(14,298)	(1,145,398)	(5,062,246)	7,748,523	91,098,985
Net change in fund balances	\$ 23,078,200	\$ (3,132,398)	\$ 31,765,985	\$ (2,824,431)	\$ 7,351,776	\$ (456,488)	\$ (136,599)	\$ (4,778,201)	\$ 160,240	\$ 47,063,689
Debt Service as a percentage of noncapital expenditures	14.90%	8.84%	8.65%	8.17%	13.56%	10.05%	9.25%	8.58%	8.11%	9.91%

(1) Education was included in transfers to component units prior to FY2003

(2) Beginning with restating FY2006, and going forward, capital outlay was adjusted to reflect all capital expenditures. The functional categories of current expenditures were adjusted to reflect the reduction for capital expenditures already reported.

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 103,012,216	\$ 102,480,268	\$ 110,636,590	\$ 110,297,053	\$ 112,519,658	\$ 115,009,873	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029	\$ 127,770,651
Regulatory licenses, permits, and privilege fees	1,025,782	887,272	849,742	650,514	664,028	683,712	916,546	991,098	1,068,270	1,000,222
Intergovernmental	30,391,990	31,311,980	33,410,321	33,646,195	33,239,946	33,199,440	35,030,474	33,669,141	34,333,156	34,604,123
Fines and forfeitures	593,518	581,986	586,661	612,595	667,756	598,424	721,839	726,438	634,485	637,417
Revenues from use of money and property	2,130,172	3,377,730	3,308,104	1,403,024	995,450	840,217	690,069	437,531	640,544	697,756
Charges for services	7,376,311	7,083,847	7,198,099	7,593,070	7,905,479	7,907,113	7,676,012	9,949,886	10,555,494	10,750,591
Miscellaneous	1,261,164	387,005	452,272	1,168,236	1,132,221	945,324	871,056	1,097,217	1,150,545	1,154,870
Total revenues	145,791,153	146,110,088	156,441,789	155,370,687	157,124,538	159,184,103	162,666,074	169,308,031	173,619,523	176,615,630
Expenditures:										
Current operating expenditures:										
General government	13,176,072	14,111,441	14,561,922	15,808,721	15,896,808	15,453,014	15,908,597	16,408,318	14,507,532	16,298,894
Judicial	3,827,095	4,182,946	4,423,005	4,457,959	4,342,042	4,426,215	4,421,907	4,650,024	4,655,974	4,696,403
Public safety	32,782,350	34,640,217	36,703,695	36,981,993	36,756,234	38,405,071	38,845,495	42,026,411	42,455,002	44,421,121
Public works	11,801,684	11,565,845	11,257,662	17,209,120	14,432,901	15,139,289	14,436,170	15,547,537	16,403,344	14,600,543
Health and human services	16,111,220	16,577,034	18,890,171	19,126,038	18,532,152	18,713,485	18,268,410	18,905,329	19,184,011	19,825,954
Cultural and recreational	6,926,949	7,287,216	7,691,627	7,794,603	7,311,064	7,397,754	7,383,687	7,560,762	7,479,777	8,558,412
Community development	3,559,260	4,034,373	3,936,251	3,730,495	3,604,356	3,883,971	3,930,173	3,504,251	4,283,676	4,819,261
Education	29,894,763	30,418,183	32,932,233	32,150,370	29,443,654	30,310,602	31,696,712	35,308,205	35,709,226	36,389,604
Debt service:										
Principal retirements	18,326,124	7,702,865	7,812,969	8,152,512	16,708,675	10,354,910	9,706,899	9,693,099	9,359,924	9,959,146
Interest payments and other fiscal charges	4,273,525	4,794,314	5,212,231	5,121,995	5,307,936	5,380,142	5,225,436	4,829,728	4,544,745	7,276,813
Issuance costs	146,165	-	127,866	-	186,536	162,757	28,450	29,815	204,180	443,933
Total expenditures	140,825,207	135,314,434	143,549,632	150,533,806	152,522,358	149,627,210	149,851,936	158,463,479	158,787,391	167,290,084
Excess (deficiency) of revenues over expenditures	4,965,946	10,795,654	12,892,157	4,836,881	4,602,180	9,556,893	12,814,138	10,844,552	14,832,132	9,325,546
Other financing sources (uses):										
Issuance of bonds	10,644,739	-	69,980	-	7,082,817	-	-	-	57,468	412,470
Premium on debt proceeds	361,837	-	-	-	540,631	-	-	-	-	-
Issuance of refunding bonds	-	-	4,106,224	-	5,929,460	16,605,512	-	4,129,625	-	22,823,100
Refunded bond principal payments	-	-	(4,048,996)	-	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	(5,872,800)	(16,418,708)	-	(4,129,625)	-	(22,647,772)
Transfers in	504,783	126,333	26,150	6,450,066	464,020	546,826	283,272	18,524	4,761	325,036
Transfers out	(6,178,901)	(15,241,180)	(11,257,106)	(8,673,819)	(4,180,805)	(10,170,259)	(11,695,113)	(9,851,795)	(10,162,474)	(11,373,362)
Total other financing sources (uses)	5,332,458	(15,114,847)	(11,103,748)	(2,223,753)	3,963,323	(9,436,629)	(11,411,841)	(9,833,271)	(10,100,245)	(10,460,528)
Net changes in fund balances	10,298,404	(4,319,193)	1,788,409	2,613,128	8,565,503	120,264	1,402,297	1,011,281	4,731,887	(1,134,982)
Fund balance - beginning, as restated (1)	26,488,145	37,096,549	32,777,356	34,565,765	37,178,893	46,880,303	47,000,567	48,402,864	49,414,145	54,146,032
Fund balance - ending	\$ 36,786,549	\$ 32,777,356	\$ 34,565,765	\$ 37,178,893	\$ 45,744,396	\$ 47,000,567	\$ 48,402,864	\$ 49,414,145	\$ 54,146,032	\$ 53,011,050

(1) Beginning fund balance restated as of June 30, 2006 and June 30, 2011. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2007 and June 30, 2011.

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SCHOOL FUND
LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Intergovernmental	\$ 71,207,508	\$ 78,033,072	\$ 82,325,106	\$ 86,283,375	\$ 82,233,197	\$ 71,983,645	\$ 74,046,427	\$ 78,946,545	\$ 80,213,734	\$ 84,423,859
Revenue from use of money and property	32,611	31,600	34,279	6,748	1,314	527	136	106	-	-
Charges for services	395,382	1,344,909	1,380,153	1,367,940	1,228,196	1,504,368	1,556,187	1,468,451	1,471,332	1,169,484
Miscellaneous	343,074	159,662	208,542	111,542	230,075	804,264	1,197,197	590,372	520,942	726,730
Total revenues	71,978,575	79,569,243	83,948,080	87,769,605	83,692,782	74,292,804	76,799,947	81,005,474	82,206,008	86,320,073
Expenditures:										
Education:										
Instruction	55,484,371	60,849,179	63,943,555	66,182,342	61,342,226	54,022,173	54,189,572	57,096,206	57,686,592	61,909,077
Administration, attendance, and health	2,424,016	2,821,351	4,301,683	4,962,843	4,069,394	3,820,833	3,767,196	4,193,846	5,581,280	4,865,032
Pupil transportation services	3,774,716	4,112,219	4,698,221	4,122,671	3,508,602	3,786,131	4,418,735	4,661,286	4,690,144	4,828,845
Operations and maintenance	8,890,256	10,086,015	9,876,043	10,336,820	9,885,883	9,347,596	9,287,310	9,643,581	9,497,568	10,665,930
Food service and other	-	-	-	528	-	-	-	5,633	16,087	24,670
Facilities	-	-	-	55,414	64,784	48,403	40,563	87,879	20,365	10,163
Technology	-	-	-	-	2,048,301	2,037,654	2,362,774	2,049,937	3,244,460	3,525,049
Capital outlay	1,956,743	1,373,409	1,779,204	1,942,808	1,683,684	709,526	1,999,266	3,253,181	862,639	742,418
Debt service:										
Principal retirements	782,024	867,874	834,058	947,970	920,908	642,489	480,697	264,931	109,353	-
Interest payments	92,951	80,702	93,842	89,419	72,838	44,389	22,256	8,261	970	-
Total expenditures	73,405,077	80,190,749	85,526,606	88,640,815	83,596,620	74,459,194	76,568,369	81,264,741	81,709,458	86,571,184
Excess (deficiency) of revenues over expenditures	(1,426,502)	(621,506)	(1,578,526)	(871,210)	96,162	(166,390)	231,578	(259,267)	496,550	(251,111)
Other financing sources (uses):										
Capital lease proceeds	750,000	1,000,000	1,000,000	1,000,000	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	(433,046)	(23,726)	-	(26,655)	-	-
Total other financing sources (uses)	750,000	1,000,000	1,000,000	1,000,000	(433,046)	(23,726)	-	(26,655)	-	-
Net change in fund balances	(676,502)	378,494	(578,526)	128,790	(336,884)	(190,116)	231,578	(285,922)	496,550	(251,111)
Fund balance - beginning, as restated	1,539,683	863,181	1,241,675	663,149	791,939	455,055	264,939	496,517	210,595	707,145
Fund balance - ending	\$ 863,181	\$ 1,241,675	\$ 663,149	\$ 791,939	\$ 455,055	\$ 264,939	\$ 496,517	\$ 210,595	\$ 707,145	\$ 456,034

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SOLID WASTE MANAGEMENT FUND (2)
FINAL FOUR FISCAL YEARS

	Fiscal Year			
	2006	2007	2008	2009
Operating revenues:				
Charges for services and other operating revenues	\$ 7,219,229	\$ 7,276,645	\$ 6,313,555	\$ -
Total operating revenues	7,219,229	7,276,645	6,313,555	-
Operating expenses: (1)				
Personal services and benefits	1,780,192	1,836,677	1,735,135	-
Operation and maintenance	539,736	789,615	1,182,370	-
Supplies and materials	675,795	915,039	809,041	-
Administration	968,816	809,909	752,468	-
Landfill closure and postclosure care	(10,680)	492,408	1,404,613	-
Other charges	45,333	62,399	58,990	-
Depreciation	816,017	770,892	1,523,214	-
Total operating expenses	4,815,209	5,676,939	7,465,831	-
Operating income (loss)	2,404,020	1,599,706	(1,152,276)	-
Nonoperating revenues (expenses):				
Interest income	464,624	788,040	714,888	363,207
Governmental grants	204,134	201,735	204,314	-
Miscellaneous	43,347	65,594	81,774	889
Gain (loss) on disposition of assets	(14,922)	(12,540)	(805)	83,700
Interest on long-term debt	(301,809)	(238,168)	(243,528)	(118,078)
Total nonoperating revenues (expenses)	395,374	804,661	756,643	329,718
Income before contributions and transfers	2,799,394	2,404,367	(395,633)	329,718
Transfers in	732,529	732,529	1,572,529	-
Transfers out	(532,855)	(582,000)	(813,500)	(16,494,268)
Change in net assets	2,999,068	2,554,896	363,396	(16,164,550)
Total net assets - beginning	10,247,190	13,246,258	15,801,154	-
Ending net assets:				
Invested in capital assets, net of related debt	2,467,438	2,543,907	4,399,040	-
Restricted	-	-	-	-
Unrestricted	10,778,820	13,257,247	11,765,510	-
Total net assets - ending	\$ 13,246,258	\$ 15,801,154	\$ 16,164,550	\$ -

(1) Beginning in FY2005, operation and maintenance expenses reported in more detail.

(2) In FY2009 the Solid Waste Management Fund was closed.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
WATER FUND
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues:										
Charges for services and other operating revenues	\$ 10,352,303	\$ 10,397,780	\$ 11,269,882	\$ 11,705,595	\$ 12,029,026	\$ 12,462,594	\$ 12,314,865	\$ 12,985,275	\$ 13,478,920	\$ 14,703,923
Total operating revenues	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,314,865	12,985,275	13,478,920	14,703,923
Operating expenses:										
Personal services and benefits	2,953,729	3,175,057	3,696,365	3,886,560	4,010,326	4,253,120	3,835,816	4,385,357	4,345,690	4,350,457
Operation and maintenance	1,052,595	1,086,665	1,439,712	1,296,658	1,839,617	1,234,608	1,158,818	1,460,251	1,453,789	1,550,252
Supplies and materials	833,802	915,748	1,409,039	1,451,738	1,353,184	1,471,159	1,296,768	1,220,000	1,218,645	1,210,601
Administration	1,359,399	1,329,083	1,299,889	1,227,113	1,084,407	1,174,601	1,182,821	1,220,437	1,308,718	1,462,335
Other charges	68,637	57,613	55,342	61,621	52,684	67,481	60,133	65,424	60,118	77,950
Depreciation	1,771,749	1,796,958	2,072,079	2,090,517	2,468,788	2,519,349	2,701,356	2,711,581	2,757,951	2,852,246
Total operating expenses	8,039,911	8,361,124	9,972,426	10,014,207	10,809,006	10,720,318	10,235,712	11,063,050	11,144,911	11,503,841
Operating income	2,312,392	2,036,656	1,297,456	1,691,388	1,220,020	1,742,276	2,079,153	1,922,225	2,334,009	3,200,082
Nonoperating revenues (expenses):										
Interest income	264,029	629,409	343,836	82,842	22,207	30,674	40,275	2,729	21,508	21,514
Governmental grants	-	-	-	-	-	-	-	72,289	13,103	-
Miscellaneous	3,902	8,468	28,142	25,223	29,613	19,585	10,847	16,535	2,122	2,781
Gain (loss) on disposition of assets	(17,683)	(12,880)	-	-	-	(293)	-	-	7,314	9,219
Interest on long-term debt	(1,135,500)	(1,382,240)	(1,331,124)	(1,267,391)	(1,796,575)	(1,520,334)	(1,643,503)	(1,751,114)	(1,708,765)	(1,678,042)
IRS interest subsidy - Build America Bonds	-	-	-	-	243,211	125,799	251,598	251,598	231,596	233,357
Total nonoperating revenues (expenses)	(885,252)	(757,243)	(959,146)	(1,159,326)	(1,501,544)	(1,344,569)	(1,340,783)	(1,407,963)	(1,433,122)	(1,411,171)
Income before contributions and transfers	1,427,140	1,279,413	338,310	532,062	(281,524)	397,707	738,370	514,262	900,887	1,788,911
Capital contributions	-	-	-	-	-	-	24,000	9,500	-	5,000
Transfers out	(182,846)	(77,000)	(215,500)	-	-	-	-	-	-	-
Change in net position	1,244,294	1,202,413	122,810	532,062	(281,524)	397,707	762,370	523,762	900,887	1,793,911
Total net position - beginning, as restated (1) (2)	31,995,648	33,239,942	34,442,355	34,565,165	35,097,227	34,815,703	35,273,830	36,036,200	36,559,962	31,448,108
Ending net position:										
Net investment in capital assets	27,805,400	27,457,812	28,835,542	29,577,116	29,406,782	28,353,428	28,177,375	27,787,795	28,010,070	28,620,307
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	5,434,542	6,984,543	5,729,623	5,520,111	5,408,921	6,859,982	7,858,825	8,772,167	9,450,779	4,621,712
Total net position - ending	\$ 33,239,942	\$ 34,442,355	\$ 34,565,165	\$ 35,097,227	\$ 34,815,703	\$ 35,213,410	\$ 36,036,200	\$ 36,559,962	\$ 37,460,849	\$ 33,242,019

(1) Total net position - beginning, was restated as of June 30, 2011. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report for FY 2012 for an explanation.

(2) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Comprehensive Annual Financial Report for FY 2015 for an explanation.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
SEWER FUND
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues:										
Charges for services and other operating revenues	\$ 15,405,174	\$ 16,040,587	\$ 17,861,892	\$ 17,716,586	\$ 18,536,169	\$ 18,023,990	\$ 18,520,421	\$ 18,913,651	\$ 19,763,592	\$ 20,216,758
Total operating revenues	15,405,174	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990	18,520,421	18,913,651	19,763,592	20,216,758
Operating expenses:										
Personal services and benefits	1,919,958	2,094,012	2,497,423	2,580,269	2,690,817	2,821,960	2,963,550	2,731,139	2,871,425	2,944,024
Operation and maintenance	1,942,779	1,776,185	2,653,861	2,922,473	2,648,489	2,756,734	3,054,420	2,493,078	2,742,797	2,697,307
Supplies and materials	836,684	841,857	906,778	988,444	1,120,551	1,142,833	1,119,265	1,040,125	1,158,838	1,336,709
Administration	1,798,976	1,863,792	2,025,740	2,370,470	2,222,341	2,599,513	2,337,126	2,273,339	2,282,628	2,573,784
Other charges	40,887	34,347	35,078	35,903	45,466	39,915	70,699	33,447	44,651	66,946
Depreciation	3,954,820	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336	5,819,288	6,147,918	7,049,861	7,584,388
Total operating expenses	10,494,104	10,718,754	12,415,373	13,328,517	13,585,507	14,396,291	15,364,348	14,719,046	16,150,200	17,203,158
Operating income	4,911,070	5,321,833	5,446,519	4,388,069	4,950,662	3,627,699	3,156,073	4,194,605	3,613,392	3,013,600
Nonoperating revenues (expenses):										
Interest income	456,342	858,384	691,799	363,942	182,548	173,319	167,849	102,589	108,729	73,142
Governmental grants	38,500	38,500	38,500	38,500	93,000	93,000	-	93,667	10,759	-
Miscellaneous	29,183	6,558	5,800	257,943	15,985	15,936	125,336	11,999	11,170	10,400
Gain (loss) on disposition of assets	(24,334)	-	-	-	-	-	-	(160,294)	5,653	606
Interest on long-term debt	(1,777,407)	(1,901,244)	(1,838,986)	(1,632,263)	(1,496,908)	(1,477,230)	(1,359,726)	(1,234,971)	(1,148,525)	(1,086,336)
IRS interest subsidy - Build America Bonds	-	-	-	-	44,421	22,977	45,953	45,952	42,300	42,621
Total nonoperating revenues (expenses)	(1,277,716)	(997,802)	(1,102,887)	(971,878)	(1,160,954)	(1,171,998)	(1,020,588)	(1,141,058)	(969,914)	(959,567)
Income before contributions and transfers	3,633,354	4,324,031	4,343,632	3,416,191	3,789,708	2,455,701	2,135,485	3,053,547	2,643,478	2,054,033
Capital contributions	1,534,561	766,259	2,210,259	4,045,756	12,542,361	8,435,244	700,878	31,025	2,855,237	3,207,248
Transfers in (out)	(110,389)	(452,000)	(325,000)	-	-	-	(3,401)	-	126,734	126,734
Change in net position	5,057,526	4,638,290	6,228,891	7,461,947	16,332,069	10,890,945	2,832,962	3,084,572	5,625,449	5,388,015
Total net position - beginning, as restated (1) (2)	82,326,988	87,384,514	92,022,804	98,251,695	105,713,642	122,045,711	132,997,076	135,830,038	138,914,610	140,651,555
Ending net position:										
Net investment in capital assets	73,629,641	74,801,294	78,570,747	89,162,429	103,867,512	118,483,855	122,482,265	128,264,125	133,496,405	138,595,419
Unrestricted	13,754,873	17,221,510	19,680,948	16,551,213	18,178,199	14,452,801	13,347,773	10,650,485	11,043,654	7,444,151
Total net position - ending	\$ 87,384,514	\$ 92,022,804	\$ 98,251,695	\$ 105,713,642	\$ 122,045,711	\$ 132,936,656	\$ 135,830,038	\$ 138,914,610	\$ 144,540,059	\$ 146,039,570

(1) Total net position - beginning, was restated as of June 30, 2011. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report for FY 2012 for an explanation.

(2) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Comprehensive Annual Financial Report for FY 2015 for an explanation.

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
STORMWATER FUND
LAST THREE FISCAL YEARS**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating revenues:			
Charges for services and other operating revenues	\$ 3,355,267	\$ 3,124,545	\$ 3,268,776
Intergovernmental	<u>650,000</u>	<u>650,000</u>	<u>275,000</u>
Total operating revenues	<u>4,005,267</u>	<u>3,774,545</u>	<u>3,543,776</u>
Operating expenses:			
Personal services and benefits	281,160	414,356	362,502
Operation and maintenance	651,189	719,470	306,678
Supplies and materials	50,358	113,528	104,029
Administration	1,109,817	1,340,126	1,227,229
Other charges	4,804	8,233	11,916
Depreciation	<u>-</u>	<u>4,465</u>	<u>33,662</u>
Total operating expenses	<u>2,097,328</u>	<u>2,600,178</u>	<u>2,046,016</u>
Operating income	<u>1,907,939</u>	<u>1,174,367</u>	<u>1,497,760</u>
Nonoperating revenue:			
Miscellaneous	<u>1</u>	<u>-</u>	<u>61</u>
Total nonoperating revenue	<u>1</u>	<u>-</u>	<u>61</u>
Income before contributions and transfers	<u>1,907,940</u>	<u>1,174,367</u>	<u>1,497,821</u>
Capital contributions	-	-	-
Transfers out	<u>-</u>	<u>(126,734)</u>	<u>(162,676)</u>
Change in net position	<u>1,907,940</u>	<u>1,047,633</u>	<u>1,335,145</u>
Total net position - beginning, as restated (1)	<u>-</u>	<u>1,907,940</u>	<u>2,428,919</u>
Ending net position:			
Net investment in capital assets	99,062	771,687	2,002,495
Unrestricted	<u>1,808,878</u>	<u>2,183,886</u>	<u>1,761,569</u>
Total net position - ending	<u>\$ 1,907,940</u>	<u>\$ 2,955,573</u>	<u>\$ 3,764,064</u>

The Stormwater Fund was created in FY2013.

(1) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Comprehensive Annual Financial Report for FY2015 for an explanation.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
AIRPORT FUND
LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues:										
Charges for services and other operating revenues	\$ 1,762,826	\$ 1,848,109	\$ 1,839,685	\$ 1,967,871	\$ 2,152,132	\$ 2,093,668	\$ 2,011,159	\$ 2,124,073	\$ 2,235,749	\$ 2,254,531
Intergovernmental	146,198	129,582	132,487	178,948	179,276	168,209	158,129	135,566	136,178	142,601
Total operating revenues	1,909,024	1,977,691	1,972,172	2,146,819	2,331,408	2,261,877	2,169,288	2,259,639	2,371,927	2,397,132
Operating expenses: (2)										
Personal services and benefits	795,052	867,626	954,186	912,723	940,547	962,868	917,266	942,087	970,660	1,006,709
Operation and maintenance	695,575	751,314	710,025	825,665	962,156	993,088	979,812	1,008,265	1,160,643	1,166,823
Supplies and materials	111,521	96,152	117,270	99,852	107,755	118,586	122,848	113,371	133,670	12,803
Administration	231,161	235,657	231,223	203,813	242,702	233,300	263,522	243,385	233,277	239,614
Other charges	17,678	16,004	15,683	17,935	20,088	15,794	21,416	18,000	16,800	24,384
Depreciation	1,545,339	1,568,656	1,720,304	1,911,836	1,964,051	1,969,925	2,035,816	1,782,786	1,820,883	2,115,435
Total operating expenses	3,396,326	3,535,409	3,748,691	3,971,824	4,237,299	4,293,561	4,340,680	4,107,894	4,335,933	4,565,768
Operating loss	(1,487,302)	(1,557,718)	(1,776,519)	(1,825,005)	(1,905,891)	(2,031,684)	(2,171,392)	(1,848,255)	(1,964,006)	(2,168,636)
Nonoperating revenues (expenses):										
Interest income	63,986	106,412	33,985	15,788	3,198	2,672	2,658	3,659	2,464	2,254
Governmental grants	26,969	29,033	30,960	-	24,383	34,495	-	-	-	-
Passenger facility charges (3)	246,981	223,331	185,815	319,360	377,504	350,002	321,031	-	-	-
Miscellaneous	6,646	12,260	8,162	11,508	4,249	44,092	12,388	16,697	9,040	9,724
Gain (Loss) on disposition of assets	-	117,431	-	-	-	(17,651)	-	137,762	-	-
Interest on long-term debt	(89,365)	(103,910)	(108,456)	(86,964)	(73,265)	(64,581)	(54,416)	(45,020)	(39,411)	(8,061)
Total nonoperating revenues (expenses)	255,217	384,557	150,466	259,692	336,069	349,029	281,661	113,098	(27,907)	3,917
Loss before contributions and transfers	(1,232,085)	(1,173,161)	(1,626,053)	(1,565,313)	(1,569,822)	(1,682,655)	(1,889,731)	(1,735,157)	(1,991,913)	(2,164,719)
Capital contributions	1,285,354	7,928,973	5,094,296	422,853	2,184,294	1,685,180	961,868	2,452,072	2,512,162	3,065,217
Passenger facility charges (3)	-	-	-	-	-	-	-	335,209	329,951	323,963
Transfers in	398,485	367,337	359,364	295,850	261,260	259,950	421,362	336,330	218,809	96,600
Change in net position	451,754	7,123,149	3,827,607	(846,610)	875,732	262,475	(506,501)	1,388,454	1,069,009	1,321,061
Total net position - beginning - as restated (1,2)	23,289,680	23,741,434	30,864,583	34,692,190	33,845,580	34,721,312	35,003,927	34,497,426	35,885,880	35,756,707
Ending net position:										
Net investment in capital assets	21,640,700	29,582,661	34,351,746	33,350,032	33,807,415	33,495,323	32,131,518	33,305,694	34,631,136	35,973,930
Restricted	312,049	1,765	4,708	8,786	5,213	10,312	119,534	25,193	8,433	7,231
Unrestricted	1,788,685	1,280,157	335,736	486,762	908,684	1,478,152	2,246,374	2,554,993	2,315,320	1,096,607
Total net position - ending	\$ 23,741,434	\$ 30,864,583	\$ 34,692,190	\$ 33,845,580	\$ 34,721,312	\$ 34,983,787	\$ 34,497,426	\$ 35,885,880	\$ 36,954,889	\$ 37,077,768

(1) Total net position - beginning, was restated as of June 30, 2011. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report for FY2012 for an explanation.

(2) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Comprehensive Annual Financial Report for FY2015 for an explanation.

(3) Beginning in FY2013, Passenger facility charges are reported with capital contributions and transfers.

**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS**
(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real Estate	\$ 39,116,533	\$ 40,449,499	\$ 45,992,171	\$ 47,630,637	\$ 50,063,382	\$ 50,443,704	\$ 50,575,233	\$ 54,258,297	\$ 54,360,607	\$ 54,894,485
PSC Taxes	2,123,037	2,084,337	1,859,402	2,092,537	2,156,835	2,231,177	2,188,113	2,333,580	2,313,627	2,267,069
Personal Property Tax	18,512,544	13,601,986	15,404,439	14,888,406	14,735,238	15,452,280	16,138,693	16,757,814	17,578,172	17,578,905
Penalties and Interest	819,079	665,421	711,491	896,215	862,989	954,397	1,032,498	1,142,986	1,241,614	1,299,858
Sales and Use Tax	13,319,691	14,481,096	14,266,750	13,056,829	12,686,171	13,290,563	13,440,973	13,589,747	13,842,292	15,006,326
Utility Tax (1)	6,870,716	5,919,376	4,861,021	4,813,312	4,758,781	5,035,929	4,817,306	4,975,084	5,092,859	4,925,167
Business License Tax	7,237,403	7,569,060	7,649,395	7,324,838	7,297,765	6,999,206	7,197,936	7,463,878	8,037,473	8,185,869
Franchise License Tax (1)	584,346	316,824	4,277	500	4,527	8,554	4,527	500	-	-
Communication Sales and Use Tax (1)	-	1,669,968	3,893,158	3,537,283	3,552,028	3,534,449	3,462,621	3,471,805	3,412,734	3,382,915
Motor Vehicle Licenses	856,406	1,491,186	1,511,831	1,572,792	1,601,123	1,621,362	1,629,845	1,643,420	1,672,627	1,701,647
Bank Stock Taxes	598,733	503,322	442,123	500,385	685,879	901,240	817,990	722,734	769,284	831,103
Taxes on Recordation and Wills	786,799	809,424	661,671	401,833	525,417	381,719	461,835	549,056	486,321	592,113
Tobacco Taxes	972,337	1,002,130	1,014,759	1,044,465	953,513	936,648	974,864	1,025,289	975,078	936,024
Admission and Amusement Taxes	368,680	409,473	407,024	400,835	576,139	610,625	644,842	660,558	662,453	667,212
Hotel and Motel Room Taxes	1,491,943	1,565,191	1,698,848	1,742,232	1,667,064	1,738,042	1,787,719	1,967,393	2,125,145	2,066,200
Restaurant Food Taxes	9,382,349	9,974,012	10,289,669	10,426,915	10,424,786	10,904,781	11,585,083	11,874,579	12,666,743	13,435,756
Emergency Telephone Service Tax (1)	946,241	464,582	-	-	-	-	-	-	-	-
Total General Government Tax Revenues	\$ 103,986,837	\$ 102,976,887	\$ 110,668,029	\$ 110,330,014	\$ 112,551,637	\$ 115,044,676	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029	\$ 127,770,651

Source: Director of Financial Services, City of Lynchburg, Virginia.

- (1) In 2006 the General Assembly of the State of Virginia created a new tax called the Communication Sales & Use Tax. This tax will account for all communication taxes for telephone land line services and wireless services. Therefore, the utility taxes, franchise taxes, and emergency telephone service taxes will be less in FY2007 and future years.

**ASSESSED VALUE OF TAXABLE REAL PROPERTY,
LAST TEN FISCAL YEARS (1)**
(in thousands of dollars)

Fiscal Year	Residential Property(3)	Commercial Property	Industrial Property	Total Taxable Assessed Value (2)	Direct Tax Rate
2006	\$ 2,380,565,600	\$ 911,430,500	\$ 266,308,500	\$ 3,558,304,600	\$ 1.11
2007	2,454,171,000	941,845,300	275,614,800	3,671,631,100	1.11
2008	3,003,784,200	1,139,117,700	327,955,600	4,470,857,500	1.05
2009	3,115,326,600	1,176,377,700	330,533,200	4,622,237,500	1.05
2010	3,316,347,900	1,241,511,300	333,785,800	4,891,645,000	1.05
2011	3,346,989,900	1,273,290,400	343,349,000	4,963,629,300	1.05
2012	3,331,295,800	1,273,327,200	344,876,100	4,949,499,100	1.05
2013	3,349,936,800	1,280,432,600	355,677,600	4,986,047,000	1.11
2014	3,323,554,300	1,302,945,700	355,954,900	4,982,454,900	1.11
2015	3,358,581,200	1,312,217,000	356,639,200	5,027,437,400	1.11

Source: Real Estate Assessor, City of Lynchburg, Virginia

- (1) Assessed value is as of July 1 of each fiscal year.
(2) Excludes tax-exempt property.
(3) These figures include assessments that qualify for land use exemptions. Title 58.1-3230 through 3244 of the Code of Virginia provides for the assessment of land based on use value rather than market value. Use value is the assessment of the land for a specific purpose and is generally lower than market value. This is a local option statute adopted by the City of Lynchburg.

ASSESSED VALUE OF ALL TAXABLE PROPERTY (1)
LAST TEN FISCAL YEARS

Fiscal Year	Real Property (1)					Personal Property (3)				Machinery and Tools		Total Assessed Value of Taxable Property	Total Direct Tax Rate (10)
	Residential Property (2)(7)	Commercial Property (2)(8)	Public Service Corporation	Total	Tax Rate	Personal Property	Public Service Corporation	Total	Tax Rate	Machinery and Tools (2)	Tax Rate		
2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 464,880,808 (4)	\$ -	\$ 464,880,808	\$ 3.80	\$ 113,654,354 (4)	\$ 3.00	\$ 578,535,162	\$ 6.80
2006	2,380,565,600	1,177,739,000	166,819,698	3,725,124,298	1.11	497,307,627 (5)	21,891,230	519,198,857	3.80	112,864,422 (5)	3.00	4,357,187,577	7.91
2007	2,454,171,000 (9)	1,217,460,100	163,455,331	3,835,086,431	1.11	514,804,057 (5)	22,435,903	537,239,960	3.80	128,776,059 (5)	3.00	4,501,102,450	7.91
2008	3,003,784,200	1,467,073,300	150,948,376	4,621,805,876	1.05	554,580,281 (5)	24,595,702	579,175,983	3.80	129,957,629 (5)	3.00	5,330,939,488	7.85
2009	3,115,326,600	1,506,910,900	173,670,897	4,795,908,397	1.05	505,110,365 (5)	23,990,045	529,100,410	3.80	138,538,171 (5)	3.00	5,463,546,978	7.85
2010	3,316,347,900	1,575,297,100	177,590,861	5,069,235,861	1.05	530,818,005 (5)	26,216,286	557,034,291	3.80	138,218,372 (5)	3.00	5,764,488,524	7.85
2011	3,346,989,900	1,616,639,400	184,591,013	5,148,220,313	1.05	547,011,982 (5)	26,206,858	573,218,840	3.80	142,664,977 (5)	3.00	5,864,104,130	7.85
2012	3,331,295,800	1,618,203,300	182,357,853	5,131,856,953	1.05	573,684,320 (5)	24,189,993	597,874,313	3.80	159,096,582 (5)	3.00	5,888,827,848	7.85
2013	3,349,936,800	1,636,110,200	184,575,507	5,170,622,507	1.11	586,098,054 (5)	23,632,441	609,730,495	3.80	150,157,140 (5)	3.00	5,930,510,142	7.91
2014	3,323,554,300	1,658,900,600	180,026,914	5,162,481,814	1.11	603,981,655 (5)	25,839,427	629,821,082	3.80	152,877,609 (5)	3.00	5,945,180,505	7.91
2015	3,358,581,200	1,668,856,200	175,223,235	5,202,660,635	1.11	524,067,637 (6)	25,979,883	550,047,520	3.80	153,936,598 (6)	3.00	5,906,644,753	7.91

Sources: Real Estate Assessor and Commissioner of Revenue, City of Lynchburg, Virginia

- (1) Assessed value is as of July 1 of the fiscal year noted.
- (2) Real estate and machinery and tools are assessed at 100% of fair market value.
- (3) Effective July 1, 1989, personal property is assessed at 100% of average trade-in value.
- (4) 2005 Personal Property Tax Levy in FY2006.
- (5) These figures have been updated to reflect all billings associated with the levy.
- (6) 2015 Personal Property Tax Levy in FY2015. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY2016 to reflect all four billings.
- (7) These figures are net of land use exemptions. Title 58.1-3230 through 3244 of the Code of Virginia provides for the assessment of land based on use value rather than market value. Use value is the assessment of the land for a specific purpose and is generally lower than market value. This is a local option statute adopted by the City of Lynchburg.
- (8) Commercial property also includes industrial property.
- (9) The residential property amount for 2007 has been updated from the Fiscal Year 2007 CAFR to reflect net of land use exemption.
- (10) When a government's individual direct rates apply to the same proportion of the revenue base, and does not apply to only a portion (such as residential, commercial, industrial) the Total Direct Rate is the sum of individual direct rates.

PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2015				2006			
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2015 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
AEP - American Electric Power	Utility	\$ 80,513,404	1	1.36 %	\$ 906,762	1.12 %	-	-	- %
Frito Lay, Inc.	Food Manufacturer	54,214,901	2	0.92	1,144,599	1.41	31,245,896	4	0.72
Areva NP Inc.	Nuclear Power Design & Fuel	53,326,337	3	0.90	1,122,227	1.38	36,015,079	3	0.83
River Ridge, Ltd.	Shopping Mall	46,604,400	4	0.79	517,309	0.64	44,768,400	2	1.03
Genworth Financial, Inc. (fmr First Colony)	Life Insurance	42,584,249	5	0.72	774,495	0.95	30,828,664	5	0.71
Verizon Va, Inc.	Utility	39,612,860	6	0.67	453,773	0.56	-	-	-
Wal-Mart Real Estate Business Trust	Retail	37,819,140	7	0.64	491,543	0.60	12,757,200	10	0.29
R R Donnelly (fmr Meredith-Burda)	Periodical Publication Printing	32,157,377	8	0.54	675,366	0.83	46,218,580	1	1.07
Columbia Gas of Virginia, Inc.	Utility	28,830,464	9	0.49	320,109	0.39	-	-	-
J Crew Inc.	Clothing	23,410,765	10	0.40	382,646	0.47	-	-	-
C.B. Fleet Co.	Pharmaceuticals	20,025,859	11	0.34	364,970	0.45	15,367,604	9	0.36
CCRC, Inc.	Nursing Home/Assisted Living	18,802,100	12	0.32	208,703	0.26	17,671,300	8	0.41
LU Candler Station Holdings LLC	Shopping Mall	17,588,400	13	0.30	195,231	0.24	-	-	-
Bostic Development at Lynchburg, LLC	Real Estate	-	-	-	-	-	19,438,500	7	0.45
JDN Realty Corp, Inc.	Real Estate	-	-	-	-	-	20,028,300	6	0.46
Total		\$ 495,490,256		8.39 %	\$ 7,557,733	9.30 %	\$ 274,339,523		6.33 %
Total Assessed Valuation:		\$ 5,906,644,753					\$ 4,325,550,690		
Tax Levy:									
Real Estate		\$ 55,885,616							
Railroads and Pipelines		256,693							
Public Service Corporations		2,004,480							
Personal Property		23,100,714							
Total Tax Levy:		\$ 81,247,503							

Source: Real Estate Assessor and Commissioner of Revenue, City of Lynchburg, Virginia

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Levied for the Fiscal Year (1)		Adjusted Levy	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (4)	Total Collections to Date	
	Amount	Adjustments (2)		Amount	Percentage of Levy (3)		Amount	Percentage of Levy (3)
2006	\$ 72,804,276	\$ 785,239	\$ 73,589,515	\$ 64,525,107	88.63%	\$ 9,050,641	\$ 73,575,748	99.98%
2007	62,567,703	676,463	63,244,166	60,579,970	96.82%	2,642,267	63,222,237	99.97%
2008	69,433,693	425,442	69,859,135	67,913,137	97.81%	1,917,835	69,830,972	99.96%
2009	70,416,682	(237,506)	70,179,176	68,912,258	97.86%	1,224,640	70,136,898	99.94%
2010	73,945,100	366,475	74,311,575	71,488,683	96.68%	2,598,447	74,087,130	99.70%
2011	75,304,880	270,304	75,575,184	72,759,636	96.62%	2,568,101	75,327,737	99.67%
2012	76,467,417	306,891	76,774,308	73,256,961	95.80%	3,161,001	76,417,962	99.54%
2013	80,037,980	348,256	80,386,236	77,536,743	96.87%	2,300,923	79,837,666	99.32%
2014	80,297,119	457,580	80,754,699	78,239,826	97.44%	1,592,291	79,832,117	98.86%
2015	81,223,917	(505,070)	80,718,847	78,731,871	96.93%	-	78,731,871	97.54%

Source: Director of Financial Services, City of Lynchburg, Virginia

- (1) Total tax levy is calculated based on the sum of the initial Real Estate Tax and Personal Property Tax levies.
(2) Adjustments include supplemental billings and exonerations attributable to the year the tax was levied. The current year only includes exonerations.
(3) These columns represent the amount and percentage of the tax levy within the respective tax year reporting period.
(4) These columns represent collections in subsequent years for the tax levied in the noted fiscal year.

Notes:

a) The increase in the FY2006 levy is a result of the change in personal property tax billing to a two installment billing system. Both installments were levied in May 2006 for calendar year 2006 personal property tax. However, only the first installment was due in June 2006 with the second installment due in December 2006. Future fiscal years will include a May levy with installments due June 5 and December 5.

PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(per \$100 of assessed valuation)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Real Estate										
Locally Assessed	\$ 1.11	\$ 1.11	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.11	\$ 1.11	\$ 1.11
Personal Property										
Locally Assessed	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Machinery and Tools	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Automobiles, Trucks, and Business Equipment	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Public Service Corporations										
Equalized	1.11	1.11	1.05	1.05	1.05	1.05	1.05	1.11	1.11	1.11
Automobiles and Trucks	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Total Direct Tax Rate	7.91	7.91	7.85	7.85	7.85	7.85	7.85	7.91	7.91	7.91

Note: There is no overlapping government taxation.

Source: Information was obtained from Official Statements related to bond issuance for April 26, 2006, and July 19, 2007.
City of Lynchburg Adopted Budget Fiscal Year 2015
Commissioner of the Revenue for City of Lynchburg, Virginia www.lynchburgva.gov

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

(dollars expressed in thousands, except for per capita amounts)

Fiscal Year	Governmental Activities						Business-type Activities					Total Primary Government - Net Outstanding Debt Ratios		
	General Obligation Bonds	Literary Bonds	General Obligation Notes	Note Payable	Capital Leases	Net Deferred Amounts ⁽¹⁾	General Obligation Bonds	General Obligation Notes	Public Utility Revenue Bonds	Net Deferred Amounts ⁽¹⁾	Total Primary Government (Principal Only)	Total Primary Government - Net (Includes Net Deferred Amounts)	Percentage of Personal Income ⁽²⁾	Total Primary Government - Net Bonded Debt Per Capita ⁽²⁾
2006	\$ 116,709	\$ 87	\$ -	\$ 3,200	\$ 7,287	\$ 2,302	\$ 57,532	\$ 16,500	\$ 70,543	\$ 758	\$ 271,858	\$ 274,918	12.45%	3,900
2007	108,593	68	-	3,020	6,810	2,171	52,295	16,500	74,985	707	262,271	265,149	11.25%	3,666
2008	117,407	49	1,343	2,840	6,316	2,211	63,550	-	84,426	806	275,931	278,948	11.26%	3,778
2009	112,011	30	7,500	2,660	5,804	2,186	56,831	4,000	100,328	637	289,164	291,987	11.66%	3,883
2010	139,180	11	-	2,480	5,274	2,168	71,749	-	109,907	1,162	328,601	331,931	13.14%	4,378
2011	129,807	-	-	2,300	4,723	3,251	68,005	-	125,601	2,150	330,436	335,837	12.71%	4,393
2012	120,078	-	-	2,120	4,285	3,007	63,936	80	127,973	2,000	318,472	323,479	11.73%	4,190
2013	114,209	-	-	1,940	-	2,763	59,864	5,194	122,876	1,849	304,083	308,695	11.03%	3,990
2014	114,519	-	-	1,760	-	2,424	56,083	7,159	117,270	1,711	296,791	300,926	10.68%	3,864
2015	186,515	-	-	1,580	-	11,087	70,415	-	111,236	2,871	369,746	383,704	13.62%	10,605

Source: Director of Financial Services, City of Lynchburg, Virginia.

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

The City of Lynchburg is autonomous and entirely independent of any county or any other political subdivision of the Commonwealth of Virginia.

Therefore, there is no direct and no overlapping debt related to governmental activities.

(1) Net Deferred Amounts include Premiums and Discounts.

(2) See Table 23 for population and per capita personal income information. For FY2014 and FY2015, the FY2013 amount for per capita personal income of \$36,183 was utilized to calculate the Percentage of Personal Income.

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING,
LAST TEN FISCAL YEARS**

(dollars in thousands, except per capita)

Fiscal Year	Population (1)	Assessed Valuation (in thousands) (1)	Gross Bonded Debt (2)	Bonded Debt Payable From Enterprise Revenues (3)	Net Bonded Debt (3)	Net Deferred Amounts (4)	Net Bonded Debt (Includes Net Deferred Amounts)	Net Bonded Debt To Assessed Value (Includes Net Deferred Amounts)	Net Bonded Debt Per Capita (Includes Net Deferred Amounts)
2006	70,491	\$ 4,935,723	\$ 190,828	\$ 74,032	\$ 116,796	\$ 3,060	\$ 119,856	2.43%	\$ 1,700
2007	72,331	4,501,102	177,456	68,795	108,661	2,878	111,539	2.48%	1,542
2008	73,834	5,330,939	182,350	63,550	118,800	3,017	121,817	2.29%	1,650
2009	75,204	5,463,547	180,372	60,831	119,541	2,823	122,364	2.24%	1,627
2010	75,826	5,764,489	210,940	71,749	139,191	3,330	142,521	2.47%	1,880
2011	76,448	5,864,104	197,812	68,005	129,807	5,401	135,208	2.31%	1,769
2012	77,203	5,888,828 (5)	184,094	64,016	120,078	5,007	125,085	2.12%	1,620
2013	77,376	5,930,510 (5)	179,267	65,058	114,209	4,612	118,821	2.00%	1,536
2014	77,874	5,945,181 (5)	177,761	63,242	114,519	4,135	118,654	2.00%	1,524
2015	77,874	5,906,645 (6)	256,930	70,415	186,515	13,958	200,473	3.39%	2,574

Source: Director of Financial Services, City of Lynchburg, Virginia.

(1) See Table 15 for Assessed Valuations and Table 23 for population information.

(2) Includes governmental and business type activity general obligation principal only and excludes City of Lynchburg Public Utility revenue bonds.

(3) Enterprise fund general obligation debt is removed from net bonded debt because this debt is paid for through user charges of the respective Enterprise funds and not tax revenues.

(4) Net Deferred Amounts include Premiums and Discounts.

(5) These figures have been updated to reflect all billings associated with the personal property tax levy.

(6) These figures only reflect two of the four billings associated with the personal property tax levy.

These figures will be updated in FY2016 to reflect all four billings.

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

**LEGAL DEBT MARGIN INFORMATION,
LAST TEN FISCAL YEARS**

(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2015

Real Property Assessed Value	\$ 5,027,438
Public Service Corporations Real Property Assessed Value	175,223
Total Real Property Assessed Value (1)	<u>5,202,661</u>
Debt limit (10% of assessed value)	520,266
Debt applicable to limit:	
Less: General Obligation Debt	(256,930)
Legal Debt Margin	<u><u>\$ 263,336</u></u>

Description	Fiscal Years									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 372,512	\$ 383,509	\$ 462,181	\$ 479,591	\$ 506,924	\$ 514,821	\$ 513,186	\$ 517,062	\$ 516,248	\$ 520,266
Total net debt applicable to limit	190,828	177,456	182,350	180,372	210,940	197,812	184,094	179,267	177,761	256,930
Legal debt margin	<u>\$ 181,684</u>	<u>\$ 206,053</u>	<u>\$ 279,831</u>	<u>\$ 299,219</u>	<u>\$ 295,984</u>	<u>\$ 317,009</u>	<u>\$ 329,092</u>	<u>\$ 337,795</u>	<u>\$ 338,487</u>	<u>\$ 263,336</u>
Total net debt applicable to the limit as a percentage of the debt limit	51.23%	46.27%	39.45%	37.61%	41.61%	38.42%	35.87%	34.67%	34.43%	49.38%

Source: Director of Financial Services, City of Lynchburg, Virginia.

(1) See Table 15 for Real Property Assessed Value information.

Note: The Constitution of Virginia, Article 7, Section 10(a) sets forth the City's legal debt limit at ten percent (10%) of its assessed valuation of real estate subject to taxation for the City's issuance of any bonds or other interest-bearing obligations. In August 1999, City Council adopted a Debt Management Policy that limits tax-supported debt to five percent (5%) of its assessed valuation of real estate subject to taxation. In December 2006, City Council amended the Debt Management Policy that limits tax-supported debt to four and a half percent (4.5%) of its assessed valuation of real estate subject to taxation. All debt information included in this Table includes principal only as required by Virginia law.

**PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sewer Fund Operating Income	\$ 4,911,070	\$ 5,321,833	\$ 5,446,519	\$ 4,388,069	\$ 4,950,662	\$ 3,627,699	\$ 3,156,073	\$ 4,194,605	\$ 3,613,392	\$ 3,013,600
Plus:										
Depreciation and amortization	3,954,820	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336	5,819,288	6,147,918	7,049,861	7,584,388
Interest income received	456,342	858,384	691,799	363,942	226,969	173,319	167,849	102,589	108,729	73,142
Capital contributions from members										
Regional Sewerage Treatment Plant	384,746	385,623	386,530	394,761	431,486	474,581	451,645	480,922	614,353	1,015,339
Governmental grants and miscellaneous income	67,683	45,058	44,300	296,443	108,985	108,936	125,336	105,666	21,929	10,400
Intergovernmental transfer (4)	-	-	-	-	-	-	688,036	-	126,734	126,734
Capitalized cost (3)	-	-	-	-	-	229,662	258,186	220,691	159,026	151,044
Net Revenue per Indenture (1)	<u>\$ 9,774,661</u>	<u>\$ 10,719,459</u>	<u>\$ 10,865,641</u>	<u>\$ 9,874,173</u>	<u>\$ 10,575,945</u>	<u>\$ 9,649,533</u>	<u>\$ 10,666,413</u>	<u>\$ 11,252,391</u>	<u>\$ 11,694,024</u>	<u>\$ 11,974,647</u>
Debt Service										
General obligation bonds										
Principal (2)	\$ 2,210,090	\$ 2,386,638	\$ 4,207,969	\$ 1,810,056	\$ 2,103,851	\$ 2,259,476	\$ 2,061,150	\$ 2,053,469	\$ 1,860,166	\$ 1,962,544
Interest	1,204,587	1,445,911	1,411,626	1,233,745	1,128,126	1,139,108	1,053,216	961,054	908,213	1,058,566
Total	3,414,677	3,832,549	5,619,595	3,043,801	3,231,977	3,398,584	3,114,366	3,014,523	2,768,379	3,021,110
Revenue bonds										
Principal (5)	2,433,438	2,557,922	2,909,118	3,097,845	3,520,797	3,757,168	4,627,820	5,096,949	5,597,966	6,034,143
Interest	537,820	455,333	427,360	398,518	368,782	338,122	306,510	273,917	240,312	210,084
Total	2,971,258	3,013,255	3,336,478	3,496,363	3,889,579	4,095,290	4,934,330	5,370,866	5,838,278	6,244,227
Total Debt Service Principal and Interest	<u>\$ 6,385,935</u>	<u>\$ 6,845,804</u>	<u>\$ 8,956,073</u>	<u>\$ 6,540,164</u>	<u>\$ 7,121,556</u>	<u>\$ 7,493,874</u>	<u>\$ 8,048,696</u>	<u>\$ 8,385,389</u>	<u>\$ 8,606,657</u>	<u>\$ 9,265,337</u>
Debt Coverage	<u>1.53</u>	<u>1.57</u>	<u>1.21</u>	<u>1.51</u>	<u>1.49</u>	<u>1.29</u>	<u>1.33</u>	<u>1.34</u>	<u>1.36</u>	<u>1.29</u>

(1) On August 19, 1994, the Virginia Department of Environmental Quality (VDEQ) issued the City a discharge permit and a special Consent Order which established a compliance schedule and project priorities for implementation of a Combined Sewer Overflow (CSO) Control Plan. The compliance schedule did not contain fixed dates for finished CSO Control Plan Projects for achieving complete sewer system separation, but rather provided implementation that reflects the City's financial capability. On July 31, 2015, VDEQ issued a revised Consent Special Order which significantly changed the CSO Long-Term Control Plan that includes an alternate list of projects. The former Consent Order included a debt coverage requirement for determining City's financial capability within an annual range of 1.1 to 1.5. The revised Consent Order includes a debt coverage ratio requirement within a range of 1.1 to 1.5 computed under a rolling three year average.

(2) For FY2008 General obligation bond principal payments exclude \$6,500,000 from an August 2, 2007 current refunding bond issue that permanently financed the May 9, 2006 General obligation bond anticipation notes (BANS).

(3) Capitalizable cost includes internal labor charges applicable to time spent on capital project activities.

(4) For FY2012, the General Fund transferred \$688,036 to the Sewer Fund for maintenance and operation of the City's storm sewer system. For FY2014 and FY2015, the Stormwater Operating Fund transferred \$126,734 to the Sewer Operating Fund which are the first and second of three annual installments to reimburse the Sewer Operating Fund for Stormwater Operating Fund's set up costs.

(5) For FY2014 the deletions in Note 9 for Public utility revenue bonds are comprised of debt service payments of \$5,597,966 and a write down of \$7,779 for revenue bond debt.

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Fiscal Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment (5)	Unemployment Rate (6)
2006	70,491	2,191,424	\$ 31,314	35.1	8,808	4.0
2007	72,331	2,356,689	32,582	35.1	8,883	4.3
2008	73,834	2,476,245	33,538	35.1	8,715	5.6
2009	75,204	2,504,368	33,301	35.1	8,634	9.3
2010	75,826	2,525,157	33,302	30.3	8,597	9.2
2011	76,448	2,643,342	34,577	30.3	8,646	9.1
2012	77,203	2,757,382	35,716	30.3	8,688	8.9
2013	77,376	2,799,696	36,183	30.3	8,576	8.2
2014	77,874	*	*	30.3	8,583	7.1
2015	77,874	*	*	30.3	8,577	7.0

Source: Director of Financial Services, City of Lynchburg, Virginia.

(1) Weldon Cooper Center for Public Service, University of Virginia www.coopercenter.org

Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given. 2011, 2012, and 2013 are all based on a July 1st estimate published on January 27, 2014.

(2) U.S. Department of Commerce, Economic and Statistic Administration, Bureau of Economic Analysis per Capita Personal Income multiplied by Population. Annual dollars revised due to revisions in Per Capita Personal Income (see note 3 below).

(3) U.S. Department of Commerce, Economic and Statistic Administration, Bureau of Economic Analysis Report CA1-3 - Personal Income Summary - www.bea.gov/regional/docs/income

The information was last updated November 20, 2014. Estimates for 2010-2012 reflect population estimates available as of March 2014. The Table has been revised to reflect these changes.

(4) United States Census - 2010

(5) Virginia Department of Education reported by Lynchburg City Schools. Enrollment as of September 30 for each year presented.

These figures were previously reported based on preliminary information provided by Lynchburg City Schools and have been updated with the information available from the Virginia Department of Education. The figures given are as of September 30 of the prior year.

(6) Virginia Employment Commission & U.S. Department of Labor, Bureau of Labor Statistics, as of June 2015.

2014 Unemployment Rate has been adjusted to reflect the most current data available.

* Information unavailable

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2015		2006	
	Ownership	Employees (5)	Ownership	Employees (6)
Liberty University (4)	Private	8000 +		
Centra Health, Inc.	Public	6000-6999	Public	4,500
Areva (2)	Public	1500-1999	Public	1,512
Lynchburg City Schools	Local Government	1500-1999	Local Government	1,500
City of Lynchburg	Local Government	1000-1499	Local Government	1,309
Genworth Financial Inc. (1)	Public	1000-1499	Public	1,240
J. Crew Outfitters	Private	1000-1499	Private	800
Central Virginia Community College	Private	500-999		
Harris Corp. (8)	Public	500-999		
Horizon Behavioral Health (3)	Local Government	500-999		
Kroger	Public	500-999	Public	619
Southern Air, Inc	Private	500-999		
Walmart	Public	500-999		
Lynchburg College	Private	250-499	Private	599
Tri-Tech Laboratories, Inc.	Private	250-499		
Frito Lay	Public	250-499		
R.R. Donnelley	Public	250-499	Public	550
Nationwide Insurance Company	Public	0-249	Public	585
Thomas Road Baptist Church (7)			Private	3,321
Employed Civilian Labor Force (June 2015) Lynchburg City - Virginia Employment Commission				33,538
Employed Civilian Labor Force (June 2006) Lynchburg City - Virginia Employment Commission				30,413

Source: FY2015 numbers are derived from Office of Economic Development, City of Lynchburg, VA, or employer contact, as of June 30, 2015.

Source: FY2006 numbers are derived from City of Lynchburg CAFR.

(1) Formerly First Colony Life Insurance Co. and GE Financial Assurance

(2) Formerly Framatome

(3) Formerly Central Virginia Community Services

(4) Liberty University operates an online higher education institution, and as a result a number of employees live outside of the City.

(5) Beginning in FY2013 ranges were used for employee count due to privacy issues, as well as availability of data from employers.

(6) Numbers as reported in the FY2016 Comprehensive Annual Financial Report.

(7) Combined numbers for TRBC and Liberty University for 2006

(8) Formerly M/A-Com

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Functions/Programs	Full-Time Equivalent Employees as of June 30									
	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Adopted 2015 ⁽¹⁾
Primary government:										
Council Manager Offices	7	9	8	9	8	8	8.0	6.0	6.0	6.0
Parking Divison ⁽⁵⁾	-	-	-	-	3	4	4.5	5.0	5.0	5.0
City Assessor	13	12	12	12	12	10	10.0	10.0	9.6	9.6
City Attorney	7	7	7	7	7	7	6.9	6.9	6.9	6.9
Commissioner of Revenue	16	16	15	15	13	12	10.4	10.4	10.4	10.4
Communications and Marketing	3	3	3	4	4	4	4.0	4.0	4.0	4.0
Local Government Channel	-	-	2	2	2	2	2.0	2.0	2.0	2.0
Citizens First	2	2	4	4	4	3	3.5	3.5	3.0	3.0
Financial Services	49	49	47	46	44	42	42.0	42.0	41.7	41.7
Financial Services-Human Services	-	12	12	12	10	10	8.8	7.8	6.0	5.7
Human Resources	11	12	13	11	11	10	10.0	10.0	10.0	9.6
Information Technology	28	28	28	29	30	31	31.0	30.0	30.0	30.0
Internal Audit	3	2	2	2	2	2	2.0	-	-	-
Registrar and Electoral Board	3	3	3	3	2	2	2.3	2.3	2.5	2.5
State Treasurer (State)	2	2	2	2	2	2	2.0	2.0	2.0	2.0
Risk Management Fund	3	3	3	3	3	3	3.0	3.0	3.0	3.0
Circuit Court Clerk (State)	13	13	13	13	13	13	13.0	13.0	13.0	13.0
Circuit Court Judges	2	2	2	2	2	2	2.0	2.0	2.0	2.0
Commonwealth Attorney	35	14	16	16	17	17	16.7	17.7	17.7	16.8
Sheriff	31	31	31	31	31	29	30.4	30.4	30.6	30.6
Regional Juvenile Detention Center Fund	48	50	50	50	50	47	47.3	46.1	45.1	45.1
Police Department	200	198	207	204	204	203	202.7	197.9	199.8	199.8
Emergency Communications	31	31	31	31	36	35	32.0	35.0	35.6	35.6
Fire Department	180	180	185	186	186	187	187.0	185.0	187.5	187.5
Public Works Administration	6	-	-	11	11	11	11.0	10.0	10.0	10.0
Buildings and Grounds Maintenance	92	88	88	83	78	74	76.3	71.8	72.3	72.3
Engineering Division ⁽²⁾	35	-	-	-	38	31	32.8	30.8	30.7	31.2
Geographic Information System	3	-	-	-	-	-	-	-	-	-
Street, Traffic & Refuse Maintenance ⁽³⁾	42	36	38	57	53	50	52.4	52.2	47.5	48.5
Health and Human Services	181	188	188	184	175	169	169.9	164.4	170.1	165.5
Cultural and recreational	101	102	101	99	99	99	96.7	91.3	97.4	97.2
Community Planning and Economic Development ⁽²⁾	38	78	77	84	33	32	26.8	25.1	25.1	25.0
Tourism and Visitor Center ⁽⁷⁾	-	-	-	-	-	-	-	-	3.9	11.8
Fleet Services Fund	13	13	12	12	13	11	11.0	11.5	10.5	10.5
Business-type activities:										
Airport Fund	18	21	21	20	18	18	17.7	17.7	17.7	17.7
Water Fund	64	65	68	65	68	67	68.4	66.2	69.1	69.0
Sewer Fund	47	47	46	46	50	50	55.0	50.5	52.5	52.5
Stormwater Fund ⁽⁶⁾	-	-	-	-	-	-	-	5.8	5.8	6.8
Solid Waste Fund ⁽⁴⁾	46	43	43	-	-	-	-	-	-	-
Total	1,373	1,360	1,378	1,355	1,332	1,297	1,299.5	1,269.3	1,286.0	1,289.8

Source: Budget Office, City of Lynchburg, Virginia

- (1) FY2015 actual will be available with the FY2016 adopted budget.
- (2) During FY2007 the Engineering Division was moved to Community Planning and Economic Development.
- (3) Refuse Collection was moved to Public Works Division.
- (4) Solid Waste Fund Closed July 1, 2008.
- (5) The Parking Division was formed in FY2010.
- (6) The Stormwater Fund began in FY2013.
- (7) Tourism and Visitor Center were formed in FY2014.

**OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Physical Arrests	6,996	6,634	6,813	6,662	6,605	7,039	6,879	6,835	5,927	5,435
Traffic Violations	10,926	10,634	11,327	14,489	12,672	11,437	12,506	12,483	10,366	10,344
Parking Violations	6,306	7,741	7,786	6,370	4,599	3,943	6,338	4,481	4,854	6,812
Fire (5)										
Number of fire calls answered (per month)	463 (est)	501	517	506	518	574	511	315	268	241
Number of inspections conducted (3) (6)	293	253	368	641	567	767	469	254	291	192
Number of EMS calls	13,032	13,764	14,660	15,279	15,124	14,731	14,393	20,612	20,113	19,426
Sanitation and Refuse										
Refuse collected (tons/day) (1)	70.74	72.22	69.68	69.03	69.35	69.74	70.14	72.96	65.58	55.70
Recyclables collected (tons/day)	5.34	5.34	6.73	7.45	7.23	7.31	6.85	6.46	5.26	4.10
Airport										
Total number of passengers	124,093	115,560	98,423	142,569	178,387	169,174	152,064	157,450	157,074	153,729
Sewage										
Number of service connections (4)	18,179	18,310	18,486	18,549	18,606	18,706	18,785	18,916	19,057	19,060
Average daily treatment in million gallons (2)	12.20	12.35	10.86	10.68	12.99	11.09	10.57	10.35	12.20	11.33
Maximum daily average capacity of treatment plant in million gallons	22	22	22	22	22	22	22	22	22	22
Maximum daily capacity of treatment plant in million gallons	44	44	44	44	44	44	44	44	44	44
Water										
Number of service connections (4)	21,930	22,044	22,158	22,290	22,265	22,361	22,422	22,517	22,628	22,640
Average daily consumption of plant in million gallons	11	10	12	11	12	11	10	10	10	10
Maximum daily capacity of plant in million gallons	26	26	26	26	26	26	26	26	26	26

Source: City Departments, City of Lynchburg, Virginia

- (1) The numbers stated for FY2004-2006 differ from those previously reported and reflect the actual data based on the information provided by the Public Works Department.
- (2) The numbers stated for FY2004-2007 differ from those previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.
- (3) Fire had additional personnel conducting inspections beginning in Fiscal Year 2009.
- (4) The amounts for FY2012 have been revised to exclude stormwater accounts.
- (5) The City implemented an enhanced reporting system in FY2013. The new system more accurately reports fire calls, inspections, and EMS calls.
- (6) In FY2012, number of inspectors in the Fire Marshal's Office dropped from 4 to 3 and in FY 2015 the number dropped from 3 to 2 due to retirement.

**CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	54	55	57	57	57	57	57	57	57	60
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	16	16	16	16	16	16	16	22	22	20
Highways and Streets										
Street (miles) (1)	373.28	374.42	374.42	377.37	378.26	378.26	378.61	378.61	379.36	378.10
Streetlights (2)	9,822	9,899	9,926	9,990	9,966	9,982	9,982	10,167	10,287	10,347
Traffic signals	117	117	118	119	119	119	119	120	120	121
Culture and Recreation										
Community centers	7	7	7	7	7	7	7	6	7	7
Senior centers	1	1	1	1	1	1	1	1	1	1
Parks (10)	20	20	20	20	20	21	21	21	21	21
Parks acreage (3) (10)	917	917	917	917	917	948	948	948	948	948
Swimming pools	1	1	1	1	1	2	2	2	2	2
Tennis courts (4)	40	40	40	40	40	40	40	40	40	40
Gymnasiums	7	7	7	7	7	7	7	7	7	7
Sewage system										
Storm sewers (miles) (5)	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped
Water										
Fire hydrants	2,799	2,800	2,887	2,892	3,080	3,111	3,156	3,177	3,204	3,210
Storage capacity (thousands of gallons)	33,000	33,000	33,000	31,000	33,000	33,000	33,000	33,000	33,000	33,000
Sewer										
Average daily sewage treatment (MGD) (6)	12.20	12.35	10.86	10.68	12.99	11.09	10.57	10.35	12.20	11.33
Maximum daily sewage treatment (MGD)	27.11	33.44	26.37	28.65	33.69	29.54	31.68	31.03	39.07	30.47
Transit - route service buses (7)	29	29	37	37	38	38	39	39	39	39
Transit - paratransit service buses (8)	-	-	7	11	11	11	10	14	14	14
Facility and service not included in the reporting entity:										
Education										
Number of elementary schools (9)	11	11	11	11	11	11	11	11	11	11
Number of secondary schools	5	5	5	5	5	5	5	5	5	5
Number of community colleges	1	1	1	1	1	1	1	1	1	1
Number of universities or colleges	4	4	4	4	4	4	4	4	4	4
Hospitals										
Number of hospitals	2	2	2	2	2	2	2	2	2	2
Number of patient beds	587	587	575	575	513	519	519	519	519	519

Source: City Departments, City of Lynchburg, Virginia

- (1) The numbers stated for FY2003-2006 differ from previously reported and reflect the actual data based on the information provided by Public Works Department.
- (2) The numbers stated for FY2002-2006 differ from previously reported and reflect the actual data reported by American Electric Power.
- (3) Including Blackwater Creek Natural Area.
- (4) 10 locations with a total of 40 courts - including schools.
- (5) Mapping is under development. Complete information is not available.
- (6) The numbers stated for FY1999-2007 differ from previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.
- (7) The increase in the number of route service buses is due to additional route covered according to the agreement with Liberty University.
- (8) GLTC purchased new paratransit buses to better serve the elderly population.
- (9) Kizer Elementary School used for Special Education, therefore, excluded from total number of elementary schools for reporting purposes.
- (10) The numbers stated for FY2002-2010 differ from previously reported and reflect the actual data based on the information provided by the Parks & Recreation Department.

**CITY OF LYNCHBURG, VIRGINIA
 LYNCHBURG CITY SCHOOLS
 STUDENT ENROLLMENT, EMPLOYEES AND SCHOOLS BY FISCAL YEAR
 LAST TEN YEARS**

Student Enrollment, Employees and Schools by Fiscal Year										
<u>Description</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Elementary School Membership	3,793	3,877	3,916	3,937	3,934	3,968	3,987	3,975	4,020	3,921
Secondary School Membership	<u>4,809</u>	<u>4,745</u>	<u>4,447</u>	<u>4,583</u>	<u>4,438</u>	<u>4,359</u>	<u>4,317</u>	<u>4,133</u>	<u>4,171</u>	<u>4,216</u>
Total Membership	<u>8,602</u>	<u>8,622</u>	<u>8,363</u>	<u>8,520</u>	<u>8,372</u>	<u>8,327</u>	<u>8,304</u>	<u>8,108</u>	<u>8,191</u>	<u>8,137</u>
Teachers and Administrators (1)	776	772	774	780	759	977	851	836	850	967
Other Employees	<u>470</u>	<u>482</u>	<u>482</u>	<u>482</u>	<u>449</u>	<u>250</u>	<u>223</u>	<u>195</u>	<u>219</u>	<u>193</u>
Total Employees	<u>1,246</u>	<u>1,254</u>	<u>1,256</u>	<u>1,262</u>	<u>1,208</u>	<u>1,227</u>	<u>1,074</u>	<u>1,031</u>	<u>1,069</u>	<u>1,160</u>
Elementary Schools (2)	11	11	11	11	11	11	11	11	11	11
Secondary Schools	<u>5</u>									
Total Buildings	<u>16</u>									

(1) Includes only full-time equivalent positions funded through the operating budget.
 (2) Does not include LAUREL Regional Program, now being used for special education students.

**Actual Average Daily Student Enrollment by Grade & Fiscal Year
 (Based on September 30th Actual Enrollment)**

<u>Grade</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
K	670	722	732	732	718	696	740	735	732	567
1	655	675	673	673	702	726	705	720	738	719
2	634	629	648	648	648	670	676	662	692	696
3	628	629	653	653	632	620	643	643	619	658
4	593	625	606	608	639	629	615	601	642	638
5	613	597	604	622	595	627	608	614	597	643
6	707	618	613	635	598	605	621	609	604	615
7	664	694	581	604	619	593	586	608	607	608
8	687	662	625	614	581	622	593	567	613	585
9	823	867	777	797	706	642	669	629	599	639
10	726	661	647	732	719	666	580	623	609	596
11	669	621	654	702	619	672	625	534	606	612
12	<u>533</u>	<u>622</u>	<u>550</u>	<u>499</u>	<u>596</u>	<u>559</u>	<u>643</u>	<u>563</u>	<u>533</u>	<u>561</u>
Total	<u>8,602</u>	<u>8,622</u>	<u>8,363</u>	<u>8,519</u>	<u>8,372</u>	<u>8,327</u>	<u>8,304</u>	<u>8,108</u>	<u>8,191</u>	<u>8,137</u>

Note: The enrollment numbers reported for 2009 in the FY2009 CAFR were actually the enrollment numbers for 2010. These numbers have been updated.

COMPLIANCE SECTION

INDEPENDENT AUDITOR’S 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

To the Honorable Members of the City Council and the City Manager
City of Lynchburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *The Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia (the “City”), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 13, 2015.

Our report includes reference to other auditors who audited the financial statements of the Business Development Centre, Inc. 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 on compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards*.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 13, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Honorable Members of the City Council and the City Manager
City of Lynchburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Lynchburg, Virginia's (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the discretely presented component unit referred to as the Business Development Centre, Inc. (the "Centre"), which received \$516,212 in federal awards which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2015. Our audit, as described below, did not include the operations of the Centre because it engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lynchburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 13, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER FACILITY
CHARGE PROGRAM AUDIT GUIDE**

To the Honorable Members of the City Council and the City Manager
City of Lynchburg, Virginia

Report on Compliance

We have audited the City of Lynchburg, Virginia's (the "City") compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its passenger facility program (the "Program") for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Program.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Guide. Those standards and the Guide 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 the 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 consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to the Program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the Program. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the Program to determine the auditing procedures for the purpose of expressing an opinion on compliance, and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of the Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 13, 2015

CITY OF LYNCHBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2015

As more fully described in the Independent Auditor's 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*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Comprehensive Services Act
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls

State Agency Requirements

Education
Social Services
Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

FEDERAL AVIATION ADMINISTRATION COMPLIANCE MATTERS

Passenger Facility Charge Audit Guide for Public Agencies

Requirements of laws and regulations required by the Federal Aviation Administration in relation to the passenger facility charge program.

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** related to the audit of the financial statements were reported.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major programs of the City are:

Name of Program	CFDA #
Adoption Assistance	93.659
21 st Century Learning Centers	84.287
Supplemental Nutrition Assistance Program	10.561
Social Services Block Grant	93.667
TANF Block Grant	93.558
Community Development Block Grant Program, Entitlement Grants	14.218
Medicaid Assistance	93.778

8. The **threshold for** distinguishing Type A and B programs was **\$817,430**.
9. The City of Lynchburg was determined to be a **low-risk auditee**.
10. Passenger Facility Charge Program:
 - a. **No significant deficiencies** relating to the audit of the Passenger Facility Charge Program were reported in the Independent Auditor's Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with the *Passenger Facility Charge Program Audit Guide*.
 - b. The auditor's report on compliance for the Passenger Facility Program expresses an **unmodified opinion**.
 - c. The audit disclosed **no audit findings relating to the Passenger Facility Charge Program**.

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

E. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM

None.