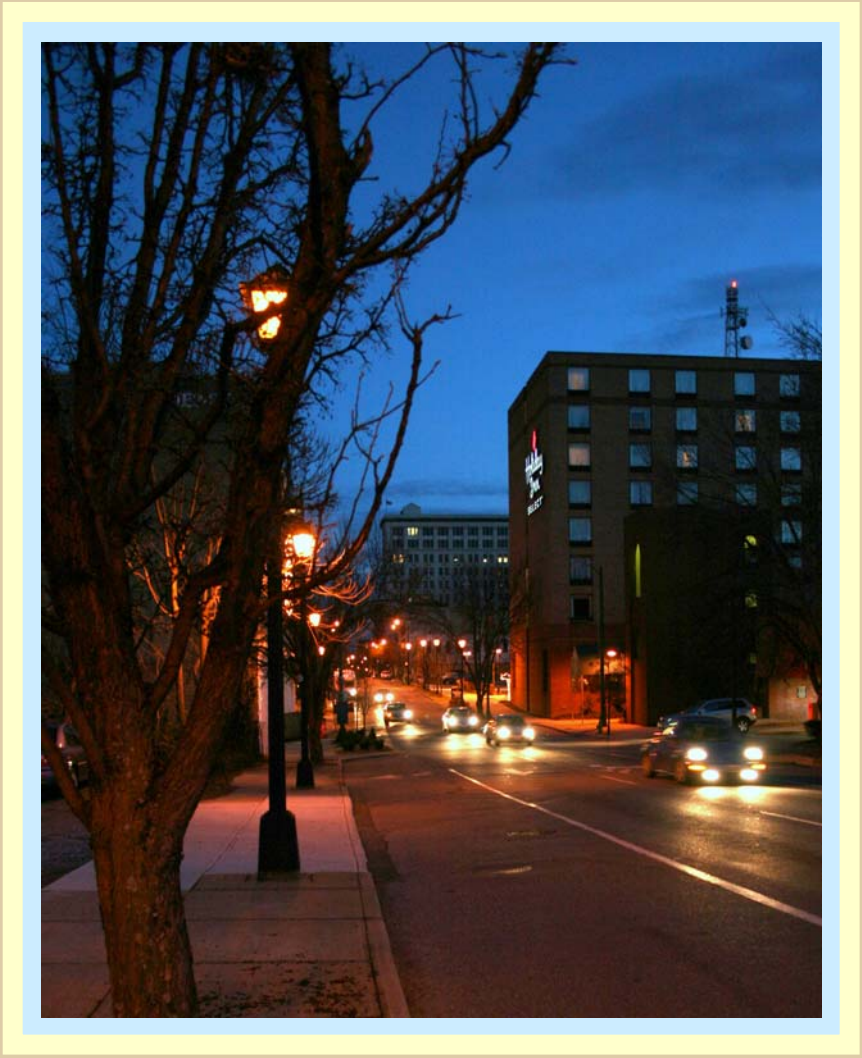
City of
Lynchburg, Virginia



Dusk in Downtown Lynchburg

VIRGINIA

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011

CITY OF
LYNCHBURG, VIRGINIA

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

CITY OF LYNCHBURG, VIRGINIA

Prepared by:
Financial Services

CITY OF LYNCHBURG, VIRGINIA

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INTRODUCTORY SECTION

THE CITY OF LYNCHBURG,

CITY HALL, 900 CHURCH STREET, LYNCHBURG, VIRGINIA 24504
(434) 455-3990
FAX (434) 847-1536

OFFICE OF THE
CITY MANAGER

November 11, 2011

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, 2011, 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, L.L.P. 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, L.L.P. 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 and fire protection, parks and recreation, libraries, museums, health, juvenile and social services, maintenance of streets and highways, economic development, and community development. The City also owns and operates water and sewer 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, 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 reaffirmed by City Council in December 2010. The Fund Balance Policy was revised in May 2011 to reflect Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. During the fiscal year, adherence to these financial policies helped the City manage its investment portfolio in a challenging market, close the year with a slightly stronger fund balance than projected, and guided the balancing of the FY 2012 budget in an economic downturn.

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 extensive budget preparation and a Council review process that includes a public hearing to receive citizen input, 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 approved 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. With an estimated population of 75,826, Lynchburg is an important commercial center for the four-county and two city region, known as Region 2000. The City benefits from an economy that remains diversified among the manufacturing, health services, technology, and trade sectors, as well as being the home to 5 colleges and universities.

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 a Mayor and Vice-Mayor from their members 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 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 of all departments and employees of the City.

Local Economic Condition and Outlook

While maintaining its role as an employment and commercial center for a four-county metropolitan area with a population of approximately 253,200, Lynchburg has dealt effectively with many of the challenges that face economies historically focused on manufacturing. Despite the onset of the national recession, health services, educational and nuclear technology sectors expanded. Real property and personal property assessments have experienced slight growth. Consumption driven revenues, though declining in FY 2009, stabilized in FY 2010, have also shown slight growth in FY 2011.

As part of a long-term financial plan, a five-year projection was developed with extensive effort on ensuring revenue forecasts were based on the latest economic conditions. The City's Fund Balance Policy was used to ensure compliance with the use of one-time funds for Capital Improvement Program pay-as-you-go type projects. The City has also undertaken a very broad "Sustainable Lynchburg" initiative to ensure policies and resources are in place to support the future viability of Lynchburg. This initiative and "new way of thinking and acting" are continuing to develop. The Sustainable Lynchburg initiative focuses on 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 and Environmental Resources, Neighborhoods, Safe Community, Land Use, and Transportation.

Areva NP, with North American headquarters in 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 July 2010, Areva in cooperation with the province of New Brunswick and the utility New Brunswick Power, have signed a letter of intent to develop a clean energy park near the Point Lepreau nuclear station (Canada). The project represents the third clean energy park in the world that would be developed by Areva. Also, earlier in this year, Areva and Nuclear Power Corporation of India Limited (NPCIL) signed major agreements for the construction of two EPR™ reactors, the first of a series of six, at Jaita-pur in the western state of Maharashtra, and for the supply of fuel for 25 years. Furthermore, the City is headquarters for two of Babcock & Wilcox Company Technologies (B&W) four main subsidiaries. In March 2010, Governor McDonnell visited the City to cut the ribbon for Babcock & Wilcox's new mPower facility. The Lynchburg-based B&W operating group will lead the development and deployment of a nuclear reactor design that company officials believe will speed the further development of nuclear power sources in the United States.

In the health services sector, CENTRA, which owns and operates both Lynchburg General and Virginia Baptist Hospitals in Lynchburg, received the highest rating for open heart surgery from The Society of Thoracic Surgeons (STS). CENTRA has received this rating from STS every year since its inception four years ago and is the only hospital in Virginia to earn this rating for each of those years. Also, CENTRA's Lynchburg General Hospital has been named one of the nation's 50 Top Cardiovascular Hospitals by Thomson Reuters. For the first time in the study's history, Thomson Reuters has singled out 50 hospitals instead of the traditional practice of naming 100 winners. This is the sixth time CENTRA has been rated as one of the nation's top cardiovascular hospitals. CENTRA's Virginia Baptist Hospital announced that The Center for Wound Care and Hyperbaric Medicine has been granted a full three-year accreditation by the Undersea and Hyperbaric Medical Society (UHMS). There are only 98 UHMS Accredited Hyperbaric Oxygen Therapy facilities in the United States.

Liberty University (LU) capped its enrollment of residential program students at 12,000 again this year but continues to expand its on-line program to exceed 61,000. In November 2010, LU announced capital improvement projects for the next two years including third and fourth floor renovations to DeMoss Hall, its main academic building, a Health Sciences building, an intramural complex, a new visitor's center, a recreational equestrian center, Campus North additions and an amphitheater. Since then, LU has announced plans for a $50 million Library which will be the anchor of a redesigned main campus.

Other academic institutions in the City are also making investments. Lynchburg College has recently initiated a Doctor of Physical Therapy program in a renovated building adjacent to its campus. Randolph College is constructing a new student center and Virginia University of Lynchburg has significantly increased its enrollment, is adding dormitory space and has undertaken several neighborhood redevelopment projects.

In 2011, Griffin Pipe continued work on a $35 million expansion adding over 52,000 square feet to its riverfront plant in downtown Lynchburg. In August 2010, a new Walmart opened bringing new jobs and an increase in tax revenue. J. Crew has also begun a large expansion of 100,000 square feet to its physical plant and will create over 170 new jobs.

In June 2011 City Council voted to approve the transfer of the Carter Glass Building on Church Street to the Economic Development Authority (EDA). The EDA has agreed to accept ownership of the building and to utilize it to support their economic development activities in a manner that ensures the greatest return on investment for the citizens of Lynchburg.

Major Initiatives and Accomplishments

Downtown and Riverfront Development/Redevelopment

The City continues its implementation of the Downtown/Riverfront Master Plan adopted in March 2001 and updated in September 2006. Implementation continues to focus on four areas; infrastructure/public space improvements, culture and entertainment, commercial development, and government projects, and is supported by City Council's continued commitment of capital funds. The goal of the infrastructure/public space improvements is to attract more activity and private development into the downtown area thereby increasing the City's tax base.

The City's commitment to downtown revitalization remains strong. City Council recently adopted an ordinance to establish an Arts and Cultural District downtown and pledged revenues from amusement taxes on arts and cultural activities within the District. The City also continues to implement the parking plan to ensure access to downtown businesses and residential development. At the May 24, 2011 City Council meeting a resolution was adopted to proceed with the construction of the entire Lower Bluffwalk Project as there is considerable private interest in completing this project in a timely manner rather than over a five year period. Despite the recession several loft projects and a number of new businesses have opened downtown, continuing a trend of increasing assessed value in the central business district.

Education

For 2011, the State of Virginia Department of Education notified Lynchburg City Schools that all sixteen public schools earned full accreditation. Three new 21st Century Learning Centers were put in place and four others will continue to operate thanks to a grant from the Virginia Department of Education. The new centers are located at Sandusky Middle School, Heritage Elementary School, and Robert S. Payne Elementary School. These schools received a total of $418,791 to develop programs intended to decrease the achievement gap among students and increase scores on standardized tests that measure Adequate Yearly Progress. The centers already in place that received $560,000 to continue their programs are Linkhorne Middle School, Perrymont Elementary School, Paul Laurence Dunbar Middle School for Innovation, and William Marvin Bass Elementary School.

Infrastructure

FY 2011 was a year of continued work on downtown redevelopment, the Combined Sewer Overflow (CSO) Program and maintenance type projects. Four major bridges were overhauled including repair of decks, bearings, joints, and foundations. In February 2011, D Street Bridge was reopened after being demolished and rebuilt to ensure safe passage to one of the City's historical neighborhoods. The CSO Program continued and 9 projects were completed in FY 2011. The Yoder Community Center was refurbished and Younger Park was re-opened affording the neighborhood beautiful facilities and renewed recreation opportunities. A task force was established to engage citizens in discussions regarding Heritage High School and the Future of Secondary Education. The replacement or refurbishing of Heritage High School will be the costliest public building project in the City for many years.

Transportation

Amtrak provides rail passenger service through Lynchburg between Boston and New Orleans via the Crescent Train Route. In addition, a new intercity route that starts and terminates in Lynchburg provides service up the East Coast as far as Boston. The service, which started in 2010 has out performed everyone's expectations and has exceeded its ridership target by over 147%.

The City is also served by the Lynchburg Regional Airport, a small-sized commercial airport with a significant general aviation presence. In October 2010, the City received notice that Delta Airlines would stop serving Lynchburg as of January 1, 2011. In response, U.S. Airways stepped up its service, adding regional jet service between Lynchburg and Charlotte. Through its Air Service Development Partnership with the Chamber of Commerce and areas businesses, the City is actively seeking new regional service to a northern hub airport.

The Lynchburg Regional Airport has two fixed base operators which provide fueling, maintenance, and charter service. In addition, Liberty University's rapidly growing Aeronautical Program is based at the airport.

Utilities

The Utilities Department earned the Virginia Department of Health's (VDH) Excellence in Waterworks Performance Award for the fifth consecutive year for both the Abert and College Hill Water Filtration Plants. The VDH Office of Drinking Water Recognition Program rewards water systems that have demonstrated excellence in performance and operations and for the treatment and distribution of drinking water to the public. Excellence in performance and operations is measured by achieving goals well beyond the established regulations and making a commitment to customer satisfaction.

Other Information Relating to Economic Strength

As a testament to the strong business community, the Lynchburg Region was ranked again by Forbes magazine as one of the nation's Top 50 Best Places for Business and Careers. Lynchburg's strong showing can be attributed to the low-cost business environment, quality higher education institutions, and a diverse economic base (health, nuclear, retail, education).

The Lynchburg Regional Convention and Visitors Bureau, with additional funding from the City, and has increased its marketing outreach both nationally and internationally. The Lynchburg Museum System saw an increase of 19% in visitors for FY 2011. Visitors came from all 50 states and 21 countries.

Prospects for the Future

The City of Lynchburg is guided by a vision that addresses the challenges of a central city and builds on the strengths inherent in the City and the region. That vision supports community character, economic prosperity, good government, multicultural diversity, and sees the City as a compelling destination for visitors.

While there are still many challenges for the City, economic development activities continue to focus on promoting the City as an excellent place to live and work within the region. Marketing efforts will continue to target prospects for both downtown and the City's public and private industrial parks. The City will continue to accommodate appropriate commercial development to serve the region, further enhancing the City as a shopping and dining destination. The Lynchburg Regional Airport will remain an important transportation link for the area and expanded intercity passenger rail service will be promoted. The City will continue to take the steps necessary to become the progressive community outlined in Council's Vision.

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, 2010. This is the City's fourteenth consecutive year in receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2010 Adopted Budget. This is the City's sixth 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 service of the staff of the Financial Services Department. Each member of the department has our appreciation for the contributions made by them in the preparation of this Report. Appreciation is expressed also 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, 2011

CITY COUNCIL

Joan F. Foster, Mayor

Ceasor Johnson, Vice-Mayor
Michael A. Gillette
J. Randolph Nelson
Hundson Cary, III
Jeff S. Helgeson
Edgar J. T. Perrow, Jr.

CITY OFFICIALS

L. Kimball Payne, III	City Manager
Bonnie Svrcek	Deputy City Manager
Walter Erwin	City Attorney
Donna Witt	Director of Financial Services

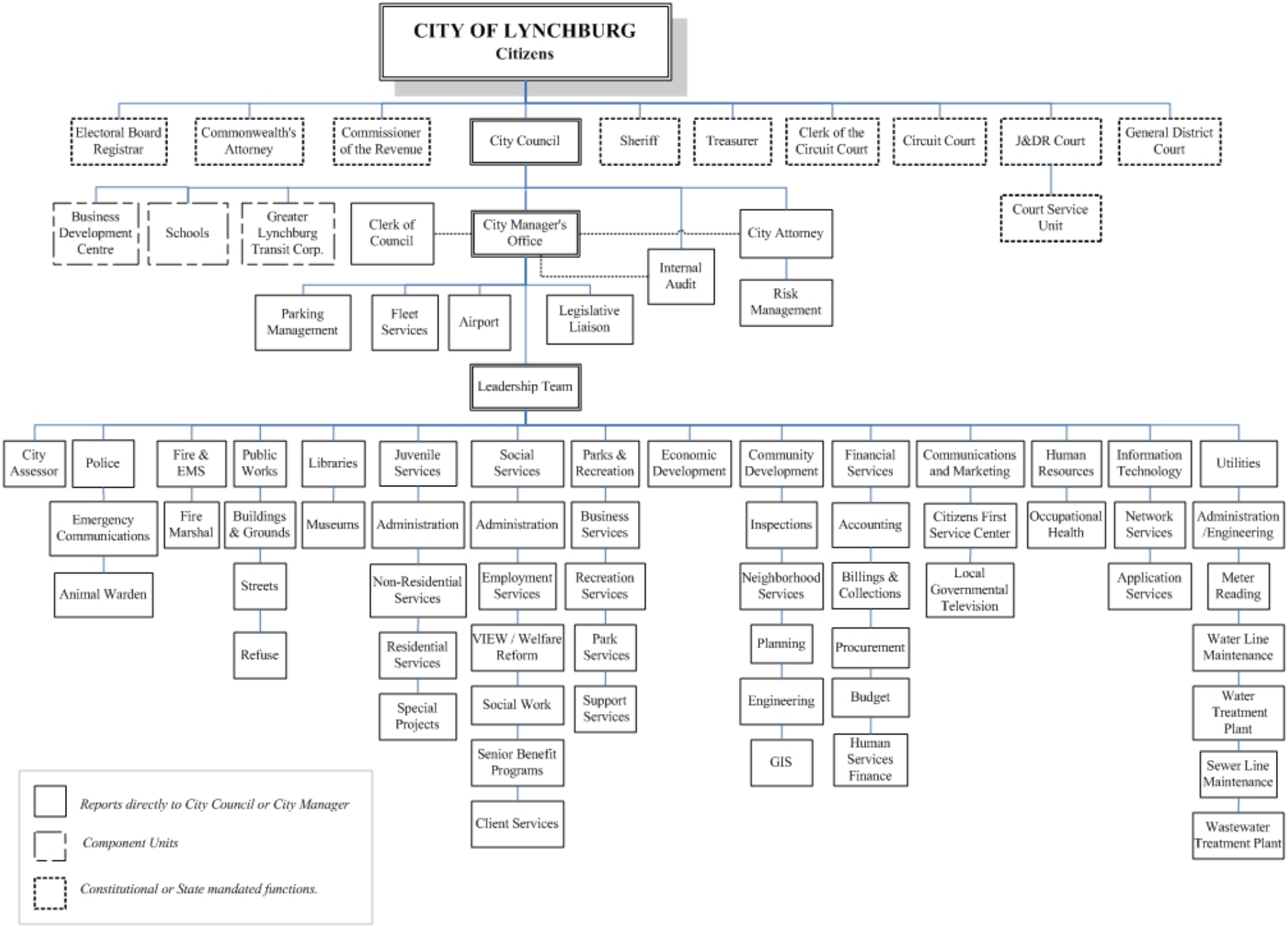
SCHOOL BOARD

Mary Ann H. Barker, Chair

Thomas H. Webb, Vice-Chair
Albert L. Billingsly
Troy L. McHenry
J. Marie Waller
Rev. Keith R. Anderson
Dr. Regina T. Dolan-Sewell
Treney L. Tweedy
Charles B. White

SCHOOL BOARD OFFICIALS

Dr. Paul McKendrick	Superintendent of Schools
William Coleman, Jr.	Assistant Superintendent
Edward Witt, Jr.	Assistant Superintendent
Vacant	Chief Financial Officer


CITY OF LYNCHBURG
Citizens
Electoral Board Registrar
Commonwealth's Attorney
Commissioner of the Revenue
City Council
Sheriff
Treasurer
Clerk of the Circuit Court
Circuit Court
J&DR Court
General District Court
Court Service Unit
Business Development Centre
Schools
Greater Lynchburg Transit Corp.
Clerk of Council
City Manager's Office
City Attorney
Internal Audit
Risk Management
Parking Management
Fleet Services
Airport
Legislative Liaison
Leadership Team
City Assessor
Police
Fire & EMS
Public Works
Libraries
Juvenile Services
Social Services
Parks & Recreation
Economic Development
Community Development
Financial Services
Communications and Marketing
Human Resources
Information Technology
Utilities
Emergency Communications
Animal Warden
Fire Marshal
Buildings & Grounds
Streets
Refuse
Museums
Administration
Non-Residential Services
Residential Services
Special Projects
Administration
Employment Services
VIEW / Welfare Reform
Social Work
Senior Benefit Programs
Client Services
Business Services
Recreation Services
Park Services
Support Services
Inspections
Neighborhood Services
Planning
Engineering
GIS
Accounting
Billings & Collections
Procurement
Budget
Human Services Finance
Citizens First Service Center
Local Governmental Television
Occupational Health
Network Services
Application Services
Administration /Engineering
Meter Reading
Water Line Maintenance
Water Treatment Plant
Sewer Line Maintenance
Wastewater Treatment Plant
Reports directly to City Council or City Manager
Component Units
Constitutional or State mandated functions.

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, 2010

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

President

Executive Director

FINANCIAL SECTION

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

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, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit referred to as the Business Development Centre, Inc., whose statements reflect total assets of $963,869 as of June 30, 2011, and total revenues of $354,302 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us; and our opinion, insofar as it relates to the amounts included for the Business Development Centre, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011, 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* and should be considered in assessing the results of our audit.

Your Success is Our Focus
319 McClanahan Street, S.W. • P.O. Box 12388 • Roanoke, VA 24025-2388 • 540-345-0936 • Fax: 540-342-6181 • www.BEcpas.com

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual non-major fund statements, non-major and City Capital Projects funds budgetary comparison statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 financial statements. In addition, the accompanying schedules of passenger facility charges and of expenditures of passenger facility charges are presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration, and are not a required part of the financial statements.

The combining and individual non-major fund financial statements, the non-major and City Capital Projects funds budgetary comparison statements, the schedule of expenditures of federal awards, and the schedules of passenger facility charges and of 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 financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 10, 2011

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, 2011. 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 of the City exceeded its total liabilities at June 30, 2011 by $449.3 million (net assets). Unrestricted net assets of $80.5 million were available to meet future obligations. This represented $61.8 million for governmental activities, which included the General Fund, and $18.7 million for business-type activities, which included the Enterprise Funds (Water, Sewer, and Airport).

- The General Fund's unassigned fund balance of $29.2 million was 18.4% of total General Fund revenues, which were $159.2 million. This was $13.3 million more than the City Council adopted Unassigned Fund Balance Policy requirement of 10%, or $15.9 million.

- In comparison with the prior fiscal year, the City's total net assets increased 4.0%, or $17.4 million, from FY 2010 as restated. Net assets of governmental activities increased 2.4%, or $5.9 million, from FY 2010 as restated; and, net assets of business-type activities increased 6.1%, or $11.5 million. The Schools' total net assets decreased 4.5%, or $0.1 million, from FY 2010. Please refer to Note 19 of this report for details regarding FY 2010 restated net assets.

- The City's total revenues of $221.0 million decreased 1.8%, or $4.0 million, and total expenses of $203.6 million increased 0.6%, or $1.2 million, from FY 2010. General revenues and transfers of $124.3 million were $17.4 million more than the expenses net of program revenues of $106.9 million.

- For the current fiscal year, the City's total liabilities of $378.6 million increased 0.5% or $1.7 million from FY 2010 as restated.

- Total new debt of $49.1 million was issued, of which $17.7 million was for governmental activities and $31.4 million was for business-type activities. New debt included advance refunding bonds and the Virginia Revolving Loan Program (VRL). In Fall 2010, two recalibrated ratings were maintained as Aa2 from Moody's Investors Services and AA+ from Fitch Ratings, while Standard and Poor's Ratings Services upgraded the City's credit rating from AA to AA+. In Fall 2011, the City issued a five-year General Obligation Bond Anticipation Note for a bank qualified line of credit up to $10,000,000 to provide interim financing for capital improvements.

- In accordance with Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, (GASB 54), the City implemented the standard and updated the financial policies for fund balance.

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

In the Statement of Net Assets 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, 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, 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 three enterprise funds: water, sewer, 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 Assets

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

Summary of Statement of Net Assets
As of June 30, 2011/2010
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change	Component Unit Schools	
	2011	2010 Restated	2011	2010	2011	2010 Restated	2011-2010	2011	2010
Current and other assets	$ 128.7	$ 129.3	$ 74.0	$ 74.5	$ 202.7	$ 203.8	-1%	$ 16.6	$ 16.4
Capital assets	297.5	300.6	327.7	304.4	625.2	605.0	3%	2.6	2.5
Total assets	426.2	429.9	401.7	378.9	827.9	808.8	2%	19.2	18.9
Long-term liabilities	152.3	159.4	196.8	183.6	349.1	343.0	2%	3.2	3.3
Other liabilities	23.6	26.1	5.9	7.8	29.5	33.9	-13%	13.9	13.4
Total liabilities	175.9	185.5	202.7	191.4	378.6	376.9	0%	17.1	16.7
Net Assets									
Invested in capital assets, net of related debt	164.8	161.8	180.3	167.1	345.1	328.9	5%	1.9	1.4
Restricted for Capital projects	20.3	18.7	-	-	20.3	18.7	9%	-	-
Restricted for Grants and other	3.4	-	-	-	3.4	-	0%	-	-
Unrestricted	61.8	63.9	18.7	20.4	80.5	84.3	-5%	0.2	0.8
Total net assets	$ 250.3	$ 244.4	$ 199.0	$ 187.5	$ 449.3	$ 431.9	4%	$ 2.1	$ 2.2

The City's total net assets of $449.3 million increased 4.0%, or $17.4 million, from FY 2010 as restated.

Net assets invested in capital, net of related debt; of $345.1 million were 76.8% of total net assets and increased 4.9%, or $16.2 million. Net assets invested in capital were not available for future expenses because they were 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 a strong financial position with 17.9%, or $80.5 million, of unrestricted net assets, which are comprised of 76.8%, or $61.8 million, for governmental activities, and 23.2%, or $18.7 million, for business-type activities. Unrestricted net assets available for providing services to the citizens decreased 4.5%, or $3.8 million from FY 2010 as restated. Restricted net assets of $23.7 million are comprised of $20.3 million of grant funds restricted for highway maintenance projects and $3.4 million of grant funds restricted mainly for economic development, comprehensive services for at risk youth, and public safety.

The Schools' component unit total net assets of $2.1 million decreased 4.5%, or $0.1 million from FY 2010. Unrestricted net assets of $0.2 million decreased 75%, or $0.6 million.

Statement of Activities

The City's total revenues and expenses for governmental activities, business-type activities, and the School's 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 Assets
For Fiscal Years Ended June 30, 2011/2010
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
Revenues:	2011	2010	2011	2010	2011	2010	2011-2010	2011	2010
Program Revenues:									
Charges for services	$ 12.0	$ 11.4	$ 32.5	$ 32.7	$ 44.5	$ 44.1	1%	$ 2.7	$ 2.5
Operating grants/contributions	29.7	29.4	0.2	0.2	29.9	29.6	1%	57.9	62.9
Capital grants/contributions	11.8	13.9	10.5	15.2	22.3	29.1	-23%	-	-
General Revenues:									
Property taxes	69.9	67.8	-	-	69.9	67.8	3%	-	-
Other taxes	46.1	45.3	-	-	46.1	45.3	2%	-	-
Unrestricted intergovernmental	5.4	5.6	-	-	5.4	5.6	-4%	-	-
Interest	0.6	0.8	0.2	0.2	0.8	1.0	-20%	-	-
IRS Subsidy Build America Bonds	0.2	0.3	0.2	0.3	0.4	0.6	-33%	-	-
Miscellaneous	1.5	1.7	0.1	0.1	1.6	1.8	-11%	0.9	0.3
Gain on sale of assets	0.1	0.1	-	-	0.1	0.1	0%	-	-
Transfers	(0.3)	(0.3)	0.3	0.3	-	-	-	-	-
City appropriation	-	-	-	-	-	-	-	30.3	29.5
Total Revenues	$ 177.0	$ 176.0	$ 44.0	$ 49.0	$ 221.0	$ 225.0	-2%	$ 91.8	$ 95.2
Expenses:									
General government	13.6	14.7	-	-	13.6	14.7	-7%	-	-
Judicial	6.3	5.6	-	-	6.3	5.6	13%	-	-
Public safety	44.4	42.8	-	-	44.4	42.8	4%	-	-
Public works	25.5	26.8	-	-	25.5	26.8	-5%	-	-
Health and human services	24.6	24.9	-	-	24.6	24.9	-1%	-	-
Cultural and recreational	10.2	9.9	-	-	10.2	9.9	3%	-	-
Community development	5.5	5.0	-	-	5.5	5.0	10%	-	-
Education	35.2	33.9	-	-	35.2	33.9	4%	91.9	94.7
Interest & other fiscal charges	5.6	6.3	-	-	5.6	6.3	-11%	-	-
Issuance costs	0.2	0.5	-	-	0.2	0.5	-60%	-	-
Airport	-	-	4.4	4.3	4.4	4.3	2%	-	-
Water	-	-	12.2	12.6	12.2	12.6	-3%	-	-
Sewer	-	-	15.9	15.1	15.9	15.1	5%	-	-
Total Expenses	$ 171.1	$ 170.4	$ 32.5	$ 32.0	$ 203.6	$ 202.4	1%	$ 91.9	$ 94.7
Change in net assets	5.9	5.6	11.5	17.0	17.4	22.6	-23%	(0.1)	0.5
Net assets beginning - restated	244.4	238.8	187.5	170.5	431.9	409.3	6%	2.2	1.7
Net assets ending	$ 250.3	$ 244.4	$ 199.0	$ 187.5	$ 449.3	$ 431.9	4%	$ 2.1	$ 2.2

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 assets of $250.3 million increased 2.4%, or $5.9 million from FY 2010 as restated.

Revenue highlights:

Revenues from governmental activities of $177.0 million increased 0.6%, or $1.0 million from FY 2010.

Program Revenues, specifically Charges for Services of $12.0 million increased $0.6 million primarily due to $0.3 million increase in parking fees and permits and $0.2 million increase in reimbursements from the localities for utilization of the City's residential youth programs. Operating grants and contributions increased $0.3 million. The overall increase is attributed to the receipt of new grants as well as the reduction in prior year grants. The City received the following new grants: $0.3 million for Chemical Biological Radiological Nuclear Explosive (CBRNE) Armored Incident Response Vehicle, $0.2 million for the purchase of an ambulance, and $0.1 million for heavy rescue equipment for the fire department along with an increase of $0.1 million for equipment and training for the fire department. The following grants decreased: $0.1 million decrease in Juvenile Correction Block Grant, $0.2 million decrease in Comprehensive Services Act (CSA) funds, and $0.1 million decrease in Workforce Investment Act Stimulus funds. Capital grants and contributions decreased $2.1 million due to the following: $1.0 million decrease in reimbursements from the Virginia Department of Transportation (VDOT) revenue sharing grants, $0.6 million decrease in reimbursements from VDOT federal reimbursement grants, $0.3 million decrease in State lottery proceeds from the City Schools, $0.6 million decrease in Federal Stimulus funds from the City Schools for capital projects, and $0.4 million increase in Street and Highway Maintenance funds.

General revenues, specifically Property Taxes of $69.9 million, increased $2.1 million. Property Taxes are comprised mainly of Real Property and Personal Property taxes. Real Property taxes increased $0.4 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, 2009 and resulted in an increase from $4.5 billion to $4.9 billion, or $0.4 billion, in assessed value of taxable real property. Personal Property Taxes increased $1.6 million and penalties and interest on delinquent taxes increased $0.1 million.

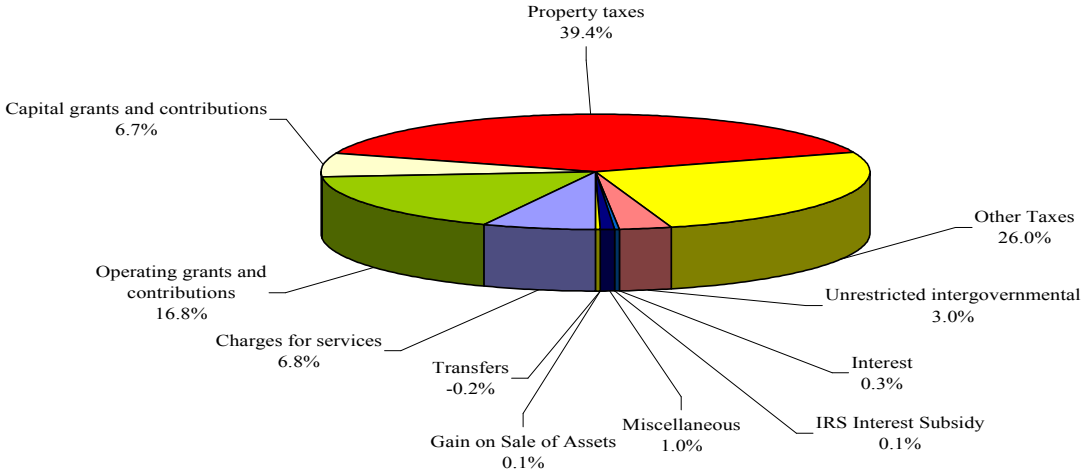
Other Taxes of $46.1 million increased $0.8 million. Other taxes are comprised mainly of revenue from Local Sales, Meals, Consumer Utilities, Business Licenses and Communications Sales and Use Taxes. The increase is mainly attributable to the following: an increase in local sales tax of $0.6 million; an increase in meals tax of $0.5 million; an increase in bank stock taxes of $0.2 million; and a decrease in business license taxes of $0.5 million.

Investment earnings of $0.6 million decreased $0.2 million due to lower interest rates and a decrease in funds available for investment. In accordance with the issuance of Build America Bonds, the City received $0.2 million for IRS Subsidy.

Miscellaneous revenue of $1.5 million decreased $0.2 million primarily due to a decrease in excess revenue payments received from the Region 2000 Services Authority.

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

Revenue by Source-Governmental Activities



Expense highlights:

Governmental activities expenses of $171.1 million increased 0.4%, or $0.7 million from FY 2010.

General government expenses decreased $1.1 million primarily due to savings in salaries and benefits along with $0.3 million decrease in one time business license and machinery and tools tax refunds in FY 2010.

Judicial expenses increased $0.7 million primarily due to depreciation on the Juvenile and Domestic Relations Court.

Public Safety expenses increased $1.6 million primarily due to increases in salaries and benefits along with an increase of $0.5 million in the contribution to the Blue Ridge Regional Jail.

Public Works expenses decreased $1.3 million, primarily due to a decrease in improvements to highways, streets, bridges, and roads.

Community Development expenses increased $0.5 million primarily due to an increase in contributions to the Lynchburg Regional Chamber of Commerce and the Greater Lynchburg Transit Company.

Education expenses increased $1.3 million due to a full year of depreciation for Sandusky Middle School.

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 2011/2010
(in millions)

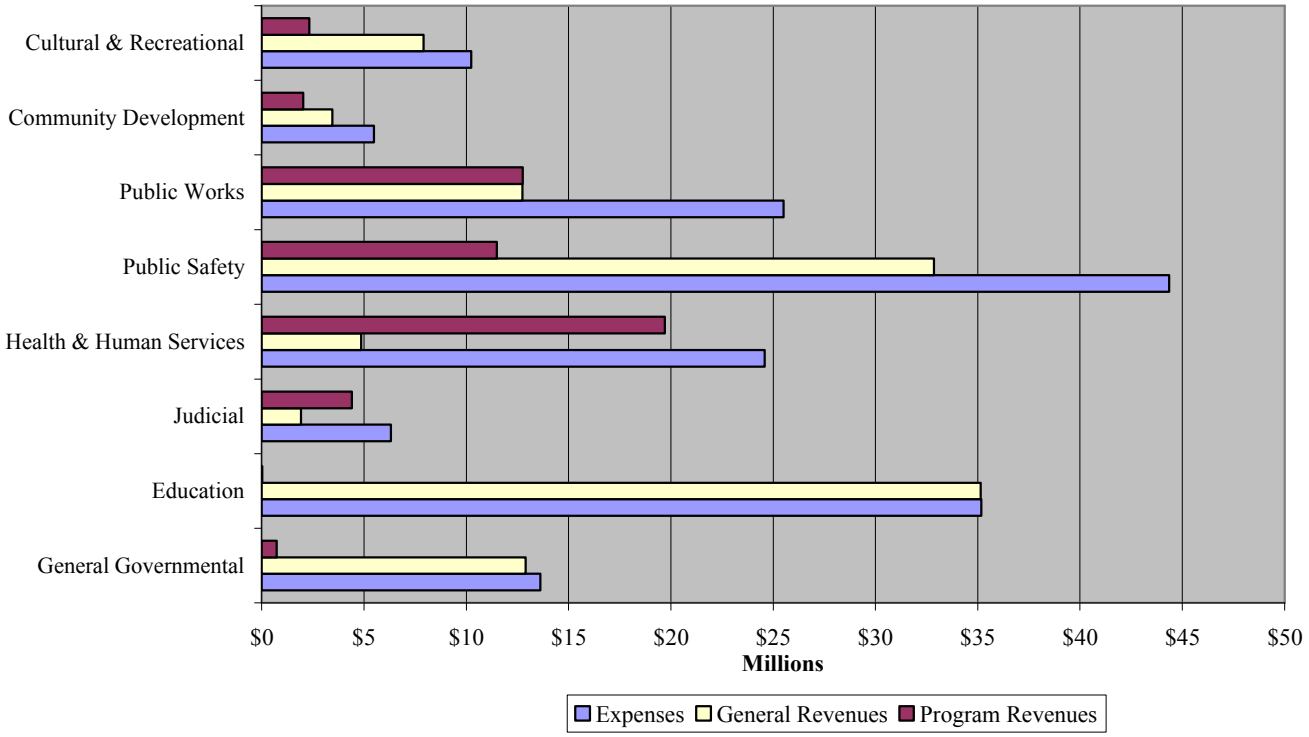
Governmental Activity	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2011	2010	2011-2010	2011	2010	2011-2010
General government	$ 13.6	$ 14.7	-7%	$ 12.9	$ 13.9	-7%
Judicial	6.3	5.6	13%	1.9	1.2	58%
Public safety	44.4	42.8	4%	32.9	32.6	1%
Public works	25.5	26.8	-5%	12.7	12.6	1%
Health and human services	24.6	24.9	-1%	4.9	5.3	-8%
Cultural and recreational	10.2	9.9	3%	7.9	7.6	4%
Community development	5.5	5.0	10%	3.5	2.8	25%
Education	35.2	33.9	4%	35.1	32.9	7%
Interest payments & other fiscal charges	5.6	6.3	-11%	5.6	6.3	-11%
Issuance costs & other	0.2	0.5	-60%	0.2	0.5	-60%
Total Governmental Activities	$ 171.1	$ 170.4	0.4%	$ 117.6	$ 115.7	2%

The four largest funded programs were public safety at 26.0%, or $44.4 million; local support for education at 20.6%, or $35.2 million; public works at 15%, or $25.5 million; and health and human services at 14.4%, or $24.6 million. Education and Public safety continued to be high priorities for the City.

The governmental activities total cost of services increased 0.4% from the prior year with a 2% increase in the net cost of services. The Statement of Activities shows that the $171.1 million in governmental activities program expenses were financed by $12.0 million from those receiving services, $29.7 million from operating grants and contributions, $11.8 million from capital grants and contributions and $117.6 million from general revenues. Overall, general revenues and transfers of $123.5 million were $5.9 million more than the $117.6 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.

Program Expenses and Program Revenues - Governmental Activities



Business-type Activities

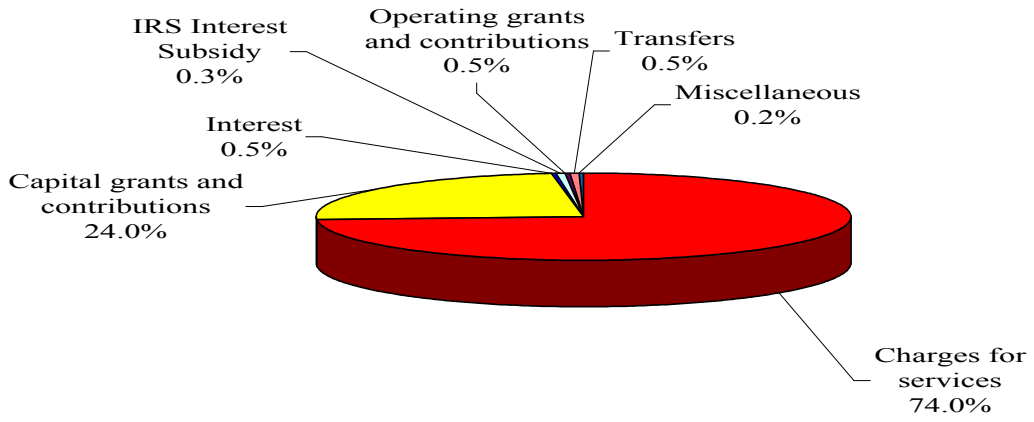
The business-type activities are comprised of Enterprise Funds for water, sewer, and airport operations. Total net assets of $199.0 million increased 6%, or $11.5 million from FY 2010.

Revenue highlights:

Business-type activities revenues of $44.0 million decreased $5.0 million from the prior year. This was primarily due to a decrease in capital grants and contributions of $4.7 million. In FY 2010, $11.5 million was received from the Virginia Clean Water Revolving Loan Program grant while $7.2 million was received in FY 2011 resulting in a decrease of $4.3 million. Additionally, the Airport received $0.5 million less in federal grants for capital projects.

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

Revenues by Source - Business-type Activities



Expense highlights:

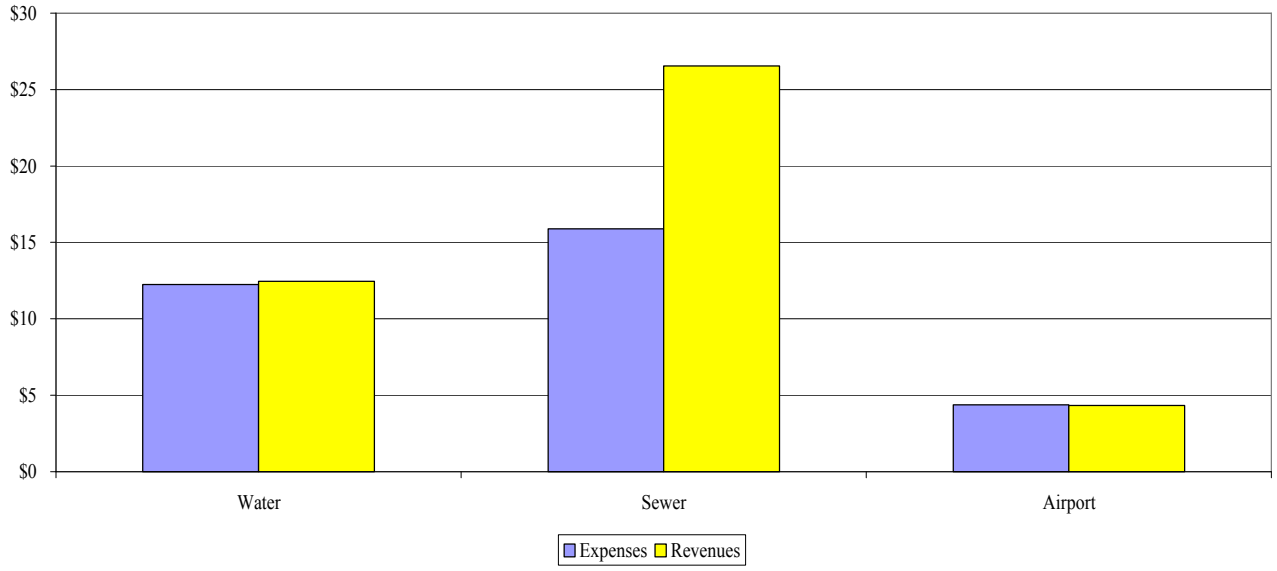
Business-type activities expenses of $32.5 million increased 1.6%, or $0.5 million, from the prior year. The increase was primarily due to increases in administrative service costs and depreciation.

Overall, business-type activities revenues of $44.0 million were $11.5 million more than expenses of $32.5 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 assets of $2.1 million decreased 4.5%, or $0.1 million, from FY 2010. This was primarily due to an increase in net assets invested in capital net of related debt of 35.7%, or $0.5 million and a decrease in unrestricted net assets of 75% or $0.6 million from FY 2010.

Revenue highlights:

Total revenues of $91.9 million decreased 3.8%, or $3.7 million in comparison with the prior year fund financial statements, primarily due to decreased revenues from the Commonwealth of Virginia. For FY 2011, 46.8%, or $43.0 million, of total revenues were received from the Commonwealth of Virginia as compared to $47.0 million received in the prior year. State sales tax receipts were $8.6 million for FY 2011. The City government contributed 33.0%, or $30.3 million, to education. Federal revenues of 16.3% or $15.0 million, included $5.4 million, (of which $2.0 million was Federal Stimulus funds), from Title I funds to provide educational services to economically disadvantaged students; and $1.0 million in State Fiscal Stabilization Funds (SFSF) primarily used for salaries. School Nutrition revenues of $3.4 million included $2.7 million from the federal government for the operation of the breakfast and lunch programs. Other revenue sources of 3.9%, or $3.6 million, 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 $91.9 million decreased 3.0%, or $2.8 million, from the prior year primarily due to personal services and benefits costs. For FY 2011, 72.0%, or $66.1 million, of total expenses related directly to providing instruction to 8,327 students and 14.1%, or $13.0 million, supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were 4.1%, or $3.8 million, while administration for the schools and attendance and health services for students were 4.4%, or $4.0 million. Technology costs were 2.7% or $2.5 million. Capital outlays in the fund financial statements of $1.9 million included the acquisition of equipment.

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. During FY 2011, the City implemented GASB 54 – *Fund Balance Reporting and Governmental Fund Type Definitions.* The new standard replaces the previous reserved, unreserved, and designated fund balance categories with five classifications: nonspendable, restricted, committed, assigned, and unassigned.

Fund balances are the differences between assets and liabilities in governmental funds.

- Nonspendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact.
- Restricted fund balance includes amounts than can be spent only for the specific purposes stipulated by external providers, such as grantors or bondholders, as well as amounts that are restricted through enabling legislation.
- Committed fund balance includes amounts that can be used only for the specific purposes that are determined by a formal action of the government's highest level of decision making authority.
- Assigned fund balance includes all remaining amounts that are reported in governmental funds that are not classified as nonspendable and are neither restricted nor committed and amounts in the general fund that are intended to be used for a specific purpose as expressed by the governing body or official to which the governing body has delegated authority to assign amounts to be used for specific purposes.
- Unassigned fund balance includes all amounts not contained in other classifications for the general fund, and deficit fund balances in any other governmental funds.

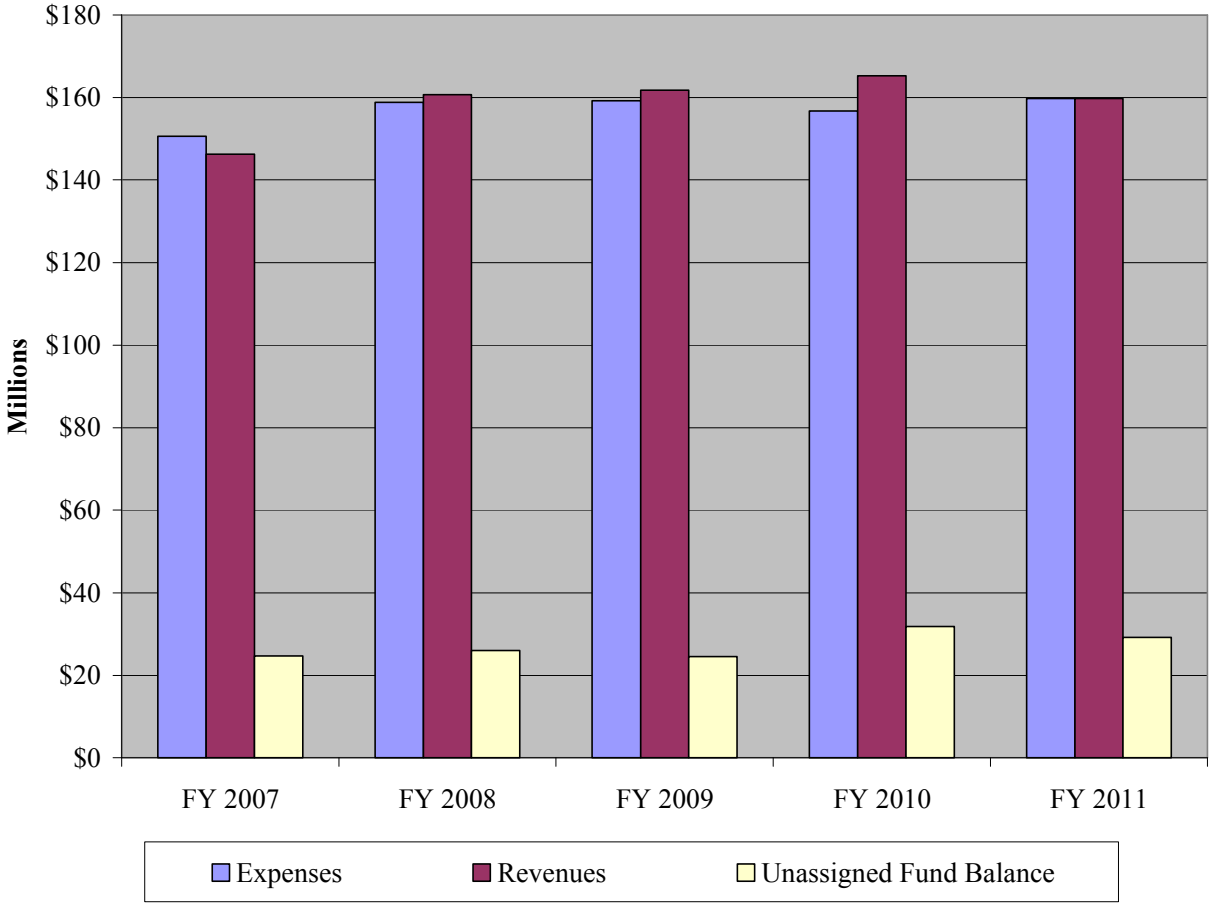
- For FY 2011, the City's Governmental Funds reported combined fund balances of $89.2 million, a decrease of $0.4 million from FY 2010 as restated. Of that amount, $0.5 million was nonspendable, $23.7 million was restricted, $32.1 million was committed, $4.2 million was assigned, and $28.7 million was unassigned. The General Fund's increase in fund balance was $0.2 million. The City Capital Projects Fund's decrease in fund balance was $0.8 million. Special Revenue Funds increase in fund balance was $0.2 million and School Capital Projects Fund did not change.

- 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 19.5% of total general fund expenditures, while total fund balance represents 31.4% 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 balances as well as a FY 2011 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, 2011
(in millions)

Description	Original Budget	Amended Budget	Actual	Amended versus Actual
Revenues & Other Financing Sources				
Taxes	$ 111.8	$ 111.8	$ 115.0	$ 3.2
Intergovernmental	31.6	33.5	33.2	(0.3)
Other	11.5	12.3	11.6	(0.7)
Total	154.9	157.6	159.8	2.2
Expenditures & Other Financing Uses				
Expenditures	153.8	157.5	148.9	8.6
Transfers	9.5	11.0	11.0	-
Total	163.3	168.5	159.9	8.6
Change in Fund Balance	$ (8.4)	$ (10.9)	$ (0.1)	$ 10.8

Actual expenditures and other financing uses of $159.9 million were greater than revenues and other financing sources of $159.8 million by $0.1 million, which resulted in a negative change in fund balance that was less than the amended budget projected decrease of $10.9 million. The FY 2011 adopted and amended budgets included the use of $8.4 million and $10.9 million, respectively, of the FY 2010 General Fund's undesignated fund balance primarily to resource a planned $6.4 million transfer out for general government capital projects and a $1.9 million transfer out for School capital projects. This was in accordance with City Council's adopted Fund Balance Policy (revised FY 2011), 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 $2.2 million and actual expenditures were below the amended budget by $8.6 million, resulting in a $0.1 million decrease in fund balance for FY 2011.

Actual revenues were greater than estimated and within 1.4%, or $2.2 million, of the amended budget. Personal Property, Public Service Corporations, Consumer Utility, Local Sales, Business License, and Meals taxes were above the amended budget for FY 2011. Intergovernmental revenue was less than anticipated in the amended budget by $0.3 million. The Other revenue category was $0.7 million less than the amended budget due in part to the following: permits, fees and licenses were $0.1 million less than the amended budget; charges for services was $0.5 million less than the amended budget; and miscellaneous revenue was $0.1 million less than the amended budget. The decrease in miscellaneous revenue is mostly attributable to the decreased revenue sharing payment received from the Region 2000 Services Authority. Due to the uncertainty of the amount of this payment, this item was not included in the amended budget.

Actual expenditures and transfers were $8.6 million less than the FY 2011 amended budget and attributable to the following unexpended appropriations:

- $2.6 million for general government
- $0.2 million for judicial
- $0.3 million for public safety
- $1.5 million for health and human services
- $0.3 million for cultural and recreation, and community development
- $3.4 million for education
- $0.3 million for debt service and issuance costs

Consistent with Financial Policies, City Council appropriated $1.2 million for a General Fund Reserve for Contingencies. City Council authorized 34.5%, or $0.4 million in expenditures. The remaining 65.5%, or $0.8 million, reverted to unassigned fund balance.

From the original budget of $163.3 million, City Council approved budget amendments to increase the budget 3.2%, or $5.2 million, resulting in an amended budget of $168.5 million. The budget amendments were primarily for the following purposes:

- $3.0 million 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 2011 amendment was comprised primarily of $0.6 million for general government, $0.4 million for public safety expenditures, and $1.9 million for health and human services programs.
- $3.0 million increase to the budget for prior year unexpended items requested to be re-appropriated in the current year to continue programs.
- $0.1 million increase for general government operations.
- $1.4 million increase to the budget for education for the return of the Schools fund balance.
- $1.0 million net increase to the budget for encumbrances.
- $2.5 million decrease to close budget designations that were moved into either committed or assigned fund balance.
- $0.9 million decrease in debt service.

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 $36.6 million decreased 2.1%, or $0.8 million, from FY 2010 as restated. Revenues and transfers of $11.3 million decreased 41.8%, or $8.1 million. The decrease is attributable to the following:

- $9.8 million decrease from bond proceeds
- $0.9 million decrease in State Revenue Sharing reimbursements
- $0.1 million decrease from donations for the spray-ground at Riverside Park
- $1.3 million decrease in transfers from the Fleet Fund
- $0.2 million decrease in Highway Maintenance funds
- $0.6 million decrease in VDOT funds for federal reimbursements
- $4.7 million increase in transfers from the General Fund
- $0.2 million increase from a transfer to the School Capital Projects Fund
- $0.1 million decrease from VDOT UCI funds

Expenditures and capital outlay of $12 million decreased 59.2%, or $17.4 million primarily due to the following:

- $6.6 million decrease for construction activities for the Juvenile and Domestic Relations Court
- $1.5 million decrease for Grace Street Retaining Wall
- $3.1 million decrease in Expressway Overlay
- $1.1 million decrease in Street Overlay
- $2.0 million decrease for Midtown Connector Phase I
- $1.7 million decrease for Greenview Drive Phase I
- $0.6 million decrease for Fifth Street
- $0.6 million decrease in expenditures for Kings Drive
- $0.2 million decrease for Old Forest Road Right of Way

Proprietary Funds

The proprietary funds are comprised of water, sewer, airport, and fleet services. The City accounts for the water, sewer, 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 assets of $35.2 million increased 1.1%, or $0.4 million, from FY 2010. Net assets invested in capital, net of related debt, of $28.4 million decreased 3.4%, or $1.0 million, and were 80.7% of total net assets. This was primarily due to completion of several distribution system improvement capital projects. Unrestricted net assets available to fund future expenses increased by 25.9% or $1.4 million. Unrestricted net assets were 19.3%, or $6.8 million, of total net assets. Operating revenues totaled $12.5 million, and increased 4.2%, or $0.5 million, primarily due to a 4.2**%** rate increase effective July 1, 2010. Operating expenses totaled $10.7 million and decreased 0.9%. Investment earnings increased $0.01 million. For FY 2011 the fund balance ratio was 40%, which compared favorably to City Council's financial policy target of 40%. The debt coverage ratio was 1.21, which compared favorably to City Council's adopted financial policy target of 1.2.

Sewer Fund

The Sewer Fund's total net assets of $133 million increased 9.0%, or $11.0 million, from FY 2010. Net assets invested in capital, net of debt, of $118.5 million increased 14.0%, or $14.6 million, due to completion of Combined Sewer Overflow (CSO) projects, the College Hill Warehouse and Meter Shop capital project, and $19.5 million of Virginia Revolving Loan (VRL) Program new long-term debt. Net assets invested in capital, net of related debt, were 89.1% of total net assets. Unrestricted net assets available to fund future expenses decreased by 20.3%, or $3.7 million due to the results of operations. Unrestricted net assets were 10.9%, or $14.5 million, of total net assets. Operating revenues totaled $18.0 million and decreased 2.7%, or $0.5 million. Operating expenses totaled $14.4 million and increased 6.0%, or $0.8 million. Investment earnings decreased $0.01 million. For FY 2011 the fund balance ratio was 24.0% 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 Statistical Section of this report for details.

Airport Fund

The Airport Fund's total net assets of $35.0 million increased 0.8%, or $0.3 million, from FY 2010. Net assets invested in capital, net of related debt, of $33.5 million, decreased 0.9%, or $0.3 million. Net assets invested in capital, net of related debt, were 95.7% of total net assets. Unrestricted net assets available to fund future expenses increased 62.7%, or $0.6 million, due to accumulation of state entitlement funds for future projects. Unrestricted net assets were 4.2%, or $1.5 million, of total net assets. Operating revenues totaled $2.3 million, which represents a 3.0% decrease from FY 2010. Operating expenses totaled $4.3 million, an increase of 1.3%, or $0.1 million, due to increases in maintenance and supplies expenses. Capital contributions totaled $1.7 million, a decrease of 22.9%, or $0.5 million, which represents decreased federal contributions towards airport capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of depreciation, were $625.2 million as reflected in the following schedule. The Schools had $2.6 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

Capital Assets
As of June 30, 2011/2010
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2011	2010	2011	2010	2011	2010	2011-2010	2011	2010
Capital assets, not being depreciated:									
Land	$ 16.1	$ 15.1	$ 5.0	$ 5.0	$ 21.1	$ 20.1	5%	$ -	$ -
Construction in progress	8.9	7.8	27.4	37.7	36.3	45.5	-20%	-	-
Capital assets, being depreciated:									
Land improvements	23.8	21.9	12.4	12.4	36.2	34.3	6%	-	-
Buildings and improvements	231.1	228.9	54.2	50.6	285.3	279.5	2%	-	-
Infrastructure	222.4	217.3	354.3	315.9	576.7	533.2	8%	-	-
Machinery and equipment	42.4	40.3	10.8	10.1	53.2	50.4	6%	8.5	8.1
Less: Accumulated depreciation	(247.2)	(230.7)	(136.4)	(127.3)	(383.6)	(358.0)	7%	(5.9)	(5.6)
Total Capital Assets	$ 297.5	$ 300.6	$ 327.7	$ 304.4	$ 625.2	$ 605.0	3%	$ 2.6	$ 2.5

During FY 2011, the City's net increase in capital assets was 3% or $20.2 million. Major capital asset events included the following (in millions):

Construction-in-progress converted to capital assets:

Completion of several Combined Sewer Overflow (CSO) replacement projects; financed by a combination of VRL Program funds, State and federal CSO grants and general obligation bonds	$36.2
Completion of D Street Bridge; financed by general obligation bonds and local pay-as-you-go capital monies.	3.6
Cost adjustments to the new Sandusky Middle School; financed by Qualified School Construction Bonds (QSCB).	1.6
Completion of Ivy Creek Nature Center including entrance roadway, parking lot, ponds, trails, signage, repairs to dam and spillway, refurbished log cabin, picnic shelter, playground and fishing pier: financed by general obligation bonds and local pay-as-you-go capital monies.	1.6
Completed North General Aviation Development / Terminal Upgrades AIP-33/34: financed by federal and state aviation entitlement funds	1.5

Completion of College Hill Warehouse and Meter Shop; financed by general obligation bonds and local pay-as-you-go capital monies.	1.2
Completion of Peddlar Dam Repairs: financed by general obligation bonds and local pay-as-you-go capital monies.	1.1
Total construction-in-progress converted to capital assets	$46.8
Donation of land to the City (old Allen-Morrison property)	.3
On-going replacement of the vehicle fleet, financed through local operating monies.	2.3
Total major asset events	$49.4

Construction-in-progress at the end of FY 2011 includes additional CSO abatement projects, additional James River Interceptor CSO projects, Kemper Street and Rivermont Avenue Bridges, continuation of the Midtown Connector projects Phase I and II and Wards Ferry Road Culvert Replacement as well as additional water projects including Fredonia and Easton Main Replacement and Leesville Road Tank Rehabilitation. Sewer projects include College Hill Old Filter Building Renovations and WWTP Secondary Treatment Upgrade. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term Debt

Total outstanding debt was $330.3 million with $193.6 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of $136.7 million. A capital lease of $4.7 million for the human services facility was included, while liabilities for compensated absences and workers' compensation of $6.5 million and other post employment benefits liability of $5.8 million were excluded.

Long-term Debt Obligations
As of June 30, 2011/2010
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2011	2010	2011	2010	2011	2010	2011-2010
General Obligation Bonds	$ 129.8	$ 139.2	$ 68.0	$ 71.8	$ 197.8	$ 211.0	-6%
Revenue Bonds	-	-	125.6	109.9	125.6	109.9	14%
General Obligation Notes	-	-	-	-	-	-	0%
Notes Payable	2.2	2.4	-	-	2.2	2.4	-8%
Capital Lease	4.7	5.3	-	-	4.7	5.3	-11%
Total	$ 136.7	$ 146.9	$ 193.6	$ 181.7	$ 330.3	$ 328.6	1%

Total new debt of $49.1 million was issued. It consisted of $17.7 million for governmental activities and $31.4 million for business-type activities. Governmental activities total new long-term debt was from tax exempt general obligation advance refunding bonds. Business-type activities new long-term debt consisted of $19.5 million from the Virginia Revolving Loan Program (VRL) for CSO sewer capital projects and improvements to the Regional Wastewater Treatment Plant; and, $11.9 million from tax exempt general obligation advance refunding bonds.

The City retired $47.4 million of outstanding principal, which included $28.2 million of refunded principal retirements and $19.2 million as planned principal retirements. The governmental activities principal retirements of $27.9 million consisted of $16.7 million of refunded debt and $11.2 million of planned retirements. The business-type activities principal retirements of $19.5 million consisted of $11.5 million of refunded debt and $8 million of planned retirements.

The City's general obligation bonds continued to maintain an Aa2 rating from Moody's Investors Service dated September 27, 2010, and an AA+ rating from Fitch Ratings dated September 22, 2010. Standard & Poor's Ratings Services upgraded the City's rating one level from an AA to an AA+, dated September 23, 2010. This rating increase is based on the City's "ongoing economic development and redevelopment, which continues to diversify the economy and expand the property tax base." Also, factored into the upgrade is the City's "historically solid financial position with very strong reserves, which has remained constant through various economic cycles." Standard & Poor's continued utilization of their Financial Management Assessment (FMA) model resulted in a second "strong" ranking for the City's management practices. These credit ratings were related to the City's issuance of the October 20, 2010, General Obligation Public Improvement Refunding Bonds, Series 2010 of $29,655,000 to advance refund the following general obligation public improvement bonds: $3,375,000 of Series 2001 (August 1, 2001); $9,415,000 of Series 2003A (February 1, 2003); and, $15,370,000 of Series 2004 (June 1, 2004).

On November 8, 2011, the City issued a five-year General Obligation Bond Anticipation Note and concurrently entered into a bank qualified line of credit Financing Agreement with Carter Bank & Trust for up to $10,000,000 to provide interim financing for qualifying capital improvements. Interest on the unpaid principal is two percent (2%) per annum and payable on May 1 and November 1 each year. Final maturity of the Note is November 1, 2016.

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 2011, outstanding tax-supported debt was 2.24% 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 Policy revision to debt service payments for revenue supported debt from twenty to thirty years. Detailed information on the City's long-term debt is included in Note 9 of this report.

ECONOMIC FACTORS

The City's unemployment rate fell from 9.2% in 2010 to 7.8% in September 2011. This decrease of 1.4% reflects the slight recovery in the economy that is also being seen in the City's consumption type revenues. Even though the rate has decreased, it is still higher than the State rate of 6.3%. The City does compare well to the National rate of 9.3% for the same period. This is the first decrease in the unemployment rate for the City in five years. The diversity of employers and the continued growth in college and university enrollments in the City has helped with the reduction.

Although, still an important sector, manufacturing no longer dominates the Lynchburg economy as it did in the past. The City remains the retail hub for the region and has seen significant growth in the medical services, engineering, and higher education sectors. Centra, the region's nonprofit health care provider, has remained the City's largest employer for over ten years employing 5,300 people. The City's second largest employer is Jerry Falwell Ministries, Inc. (JFM), which includes Thomas Road Baptist Church, Liberty University, and Liberty Christian Academy. JFM employs over 3,400 people. Enrollment for resident students at Liberty University remained at 12,000 for 2011 with a goal to reach 25,000 by 2020. The other four colleges in the City continue to see moderate growth. Lynchburg has a strong presence in the resurgent nuclear energy industry; both Babcock & Wilcox and Areva NP are hiring engineers as they develop new products for licensure to electric utilities. Other important sectors of the Lynchburg economy include wireless technology, finance, retail, and tourism.

Although per capita income remains below State and Federal averages, the City experienced slight growth until 2009. Also, while most localities in Virginia have experienced reductions in real estate assessments, the City experienced 1.6% growth in assessments for July 1, 2011 even though it was not a reassessment year.

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 2011 Operating and Capital Budgets, and FY 2011-2015 Capital Improvement Program are on the City's web site at www.lynchburgva.gov.

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BASIC FINANCIAL STATEMENTS

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT 1**

Statement of Net Assets
June 30, 2011

	Governmental Activities	Business Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Schools	Other	
Assets						
Cash and cash equivalents	$ 18,069,803	$ 10,182,831	$ 28,252,634	$ 3,388,448	$ 290,601	$ 31,931,683
Investments	69,602,338	10,471,746	80,074,084	5,996,259	-	86,070,343
Receivables, net	18,754,115	3,942,302	22,696,417	395,089	727,826	23,819,332
Due from primary government	-	-	-	-	506,496	506,496
Internal balances	4,281,425	(4,281,425)	-	-	-	-
Due from other governments	5,322,872	43,406,478	48,729,350	6,421,783	772,937	55,924,070
Due from component units	3,524,432	-	3,524,432	-	-	3,524,432
Inventory	106,617	410,786	517,403	122,686	218,794	858,883
Prepaids and other assets	2,300,213	-	2,300,213	66,932	57,885	2,425,030
Restricted assets:						
Cash and cash equivalents	2,627,081	3,378,484	6,005,565	249,323	-	6,254,888
Due from other governments	-	4,317,435	4,317,435	-	-	4,317,435
Deferred debt charges	4,117,795	2,205,356	6,323,151	-	-	6,323,151
Capital assets, net of accumulated depreciation:						
Land and improvements	32,799,903	5,920,814	38,720,717	-	53,033	38,773,750
Buildings and improvements	125,565,590	33,707,664	159,273,254	-	323,907	159,597,161
Machinery and equipment	17,719,482	3,018,636	20,738,118	2,566,314	15,583,446	38,887,878
Construction in progress	8,893,983	25,893,825	34,787,808	-	1,378,835	36,166,643
Infrastructure	112,497,847	259,171,496	371,669,343	-	-	371,669,343
Total assets	426,183,496	401,746,428	827,929,924	19,206,834	19,913,760	867,050,518
Liabilities						
Accounts payable and other liabilities	11,628,492	4,523,883	16,152,375	10,406,903	1,568,767	28,128,045
Accrued interest payable	1,637,724	966,562	2,604,286	-	-	2,604,286
Due to other governments	2,061,212	-	2,061,212	-	-	2,061,212
Due to primary government	-	-	-	3,399,432	125,000	3,524,432
Due to component units	506,496	-	506,496	-	-	506,496
Deposits payable from restricted assets	46,865	433,142	480,007	-	-	480,007
Unearned revenue	7,710,836	-	7,710,836	58,065	-	7,768,901
Noncurrent liabilities:						
Due within one year	11,064,206	8,762,699	19,826,905	992,442	377,166	21,196,513
Due in more than one year	141,215,633	188,007,714	329,223,347	2,214,884	100,113	331,538,344
Total liabilities	175,871,464	202,694,000	378,565,464	17,071,726	2,171,046	397,808,236
Net assets						
Invested in capital assets, net of related debt	164,804,823	180,332,606	345,137,429	1,960,656	17,339,221	364,437,306
Restricted for:						
Capital projects	20,321,864	-	20,321,864	-	-	20,321,864
Grants and other purposes	3,386,410	10,312	3,396,722	-	-	3,396,722
Unrestricted	61,798,935	18,709,510	80,508,445	174,452	403,493	81,086,390
Total net assets	$ 250,312,032	$ 199,052,428	$ 449,364,460	$ 2,135,108	$ 17,742,714	$ 469,242,282

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

Statement of Activities
For the Year Ended June 30, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
					Primary Government			Component Units		Total
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Schools	Other	Reporting Unit
Primary government:										
Governmental activities:										
General government	$ 13,623,646	$ 424,127	$ 309,247	$ -	$ (12,890,272)	$ -	$ (12,890,272)	$ -	$ -	$ (12,890,272)
Judicial	6,329,475	686,417	3,718,706	-	(1,924,352)	-	(1,924,352)	-	-	(1,924,352)
Public safety	44,365,150	5,343,055	6,164,505	-	(32,857,590)	-	(32,857,590)	-	-	(32,857,590)
Public works	25,504,881	786,813	189,761	11,785,155	(12,743,152)	-	(12,743,152)	-	-	(12,743,152)
Health and human services	24,577,656	2,364,654	17,345,641	-	(4,867,361)	-	(4,867,361)	-	-	(4,867,361)
Cultural and recreational	10,247,781	2,092,744	225,921	17,260	(7,911,856)	-	(7,911,856)	-	-	(7,911,856)
Community development	5,490,368	340,847	1,686,174	-	(3,463,347)	-	(3,463,347)	-	-	(3,463,347)
Education	35,171,968	-	-	31,022	(35,140,946)	-	(35,140,946)	-	-	(35,140,946)
Interest payments and other fiscal charges	5,625,344	-	-	-	(5,625,344)	-	(5,625,344)	-	-	(5,625,344)
Issuance costs	170,210	-	-	-	(170,210)	-	(170,210)	-	-	(170,210)
Total governmental activities	171,106,479	12,038,657	29,639,955	11,833,437	(117,594,430)	-	(117,594,430)	-	-	(117,594,430)
Business-type activities:										
Airport	4,374,509	2,093,668	202,704	2,035,182	-	(42,955)	(42,955)	-	-	(42,955)
Water	12,231,617	12,462,594	-	-	-	230,977	230,977	-	-	230,977
Sewer	15,889,515	18,023,990	-	8,528,244	-	10,662,719	10,662,719	-	-	10,662,719
Total business-type activities	32,495,641	32,580,252	202,704	10,563,426	-	10,850,741	10,850,741	-	-	10,850,741
Total primary government	$ 203,602,120	$ 44,618,909	$ 29,842,659	$ 22,396,863	(117,594,430)	10,850,741	(106,743,689)	-	-	(106,743,689)
Component units:										
Schools	$ 91,967,487	$ 2,734,691	$ 57,924,550	$ -	-	-	-	(31,308,246)	-	(31,308,246)
Greater Lynchburg Transit Company	9,319,710	1,163,197	5,942,686	8,079,931	-	-	-	-	5,866,104	5,866,104
Business Development Centre	362,307	231,927	122,375	-	-	-	-	-	(8,005)	(8,005)
Total component units	$ 101,649,504	$ 4,129,815	$ 63,989,611	$ 8,079,931	-	-	-	(31,308,246)	5,858,099	(25,450,147)
General revenues:										
Property taxes					69,849,510	-	69,849,510	-	-	69,849,510
Local sales and use tax					13,290,563	-	13,290,563	-	-	13,290,563
Meals taxes					10,975,580	-	10,975,580	-	-	10,975,580
Consumer utility taxes					4,692,477	-	4,692,477	-	-	4,692,477
Business license taxes					7,263,543	-	7,263,543	-	-	7,263,543
Communications sales and use tax					3,534,449	-	3,534,449	-	-	3,534,449
Other taxes					6,377,684	-	6,377,684	-	-	6,377,684
Unrestricted intergovernmental					5,418,525	-	5,418,525	-	-	5,418,525
Interest					601,999	206,665	808,664	-	-	808,664
IRS interest subsidy- Build America Bonds					146,839	148,776	295,615	-	-	295,615
Miscellaneous					1,498,803	79,613	1,578,416	898,410	20,870	2,497,696
Gain on sale of assets					95,976	-	95,976	-	-	95,976
City appropriation					-	-	-	30,341,624	-	30,341,624
Transfers					(259,950)	259,950	-	-	-	-
Total general revenues and transfers					123,485,998	695,004	124,181,002	31,240,034	20,870	155,441,906
Changes in net assets					5,891,568	11,545,745	17,437,313	(68,212)	5,878,969	23,248,070
Net assets - beginning, as restated (Note 19)					244,420,464	187,506,683	431,927,147	2,203,320	11,863,745	445,994,212
Net assets - ending					$ 250,312,032	$ 199,052,428	$ 449,364,460	$ 2,135,108	$ 17,742,714	$ 469,242,282

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

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT 3**

Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	City Capital Projects	Other Governmental	Total Governmental
Assets				
Cash and cash equivalents	$ 11,866,323	$ 3,189,564	$ 2,013,274	$ 17,069,161
Investments	34,364,766	31,288,991	2,798,667	68,452,424
Receivables, net of allowance:				
Taxes excluding penalties	11,798,513	-	-	11,798,513
Accounts	4,254,514	-	-	4,254,514
Other	589,334	500,000	608,758	1,698,092
Due from other funds	1,011,320	457,944	147,912	1,617,176
Due from other governments	1,749,847	1,843,730	1,729,295	5,322,872
Due from component units	3,399,432	-	125,000	3,524,432
Other assets	-	-	213	213
Restricted assets:				
Cash and cash equivalents	48,538	1,698,040	880,503	2,627,081
Total assets	$ 69,082,587	$ 38,978,269	$ 8,303,622	$ 116,364,478
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ 2,516,421	$ 1,559,012	$ 875,010	$ 4,950,443
Accrued liabilities	5,594,398	630	91,567	5,686,595
Due to other funds	147,912	12,740	1,256,524	1,417,176
Due to other governments	1,399,823	784,669	-	2,184,492
Due to component units	506,496	-	-	506,496
Deposits payable from restricted assets	46,865	-	-	46,865
Deferred revenue	11,870,105	-	514,411	12,384,516
Total liabilities	22,082,020	2,357,051	2,737,512	27,176,583
Fund balances:				
Nonspendable	-	500,000	-	500,000
Restricted	-	20,217,881	3,490,393	23,708,274
Committed	13,707,762	15,903,337	2,493,606	32,104,705
Assigned	4,077,230	-	121,599	4,198,829
Unassigned	29,215,575	-	(539,488)	28,676,087
Total fund balances	47,000,567	36,621,218	5,566,110	89,187,895
Total liabilities and fund balances	$ 69,082,587	$ 38,978,269	$ 8,303,622	$ 116,364,478

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

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT 4**

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

Amounts reported for governmental activities in the statement of net assets are different because:		
Ending fund balance - governmental funds		$ 89,187,895
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	297,476,805	
Less: Internal service capital assets	(12,148,324)	
		285,328,481
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		4,673,680
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds		2,300,000
Certain receivables are not available to pay for current-period expenditures and, therefore, are not reported in the funds		135,689
Internal service fund activity that has been allocated to the user departments.		4,081,425
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 assets.		10,715,881
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Bonds payable	(129,792,193)	
Accrued interest payable	(1,637,724)	
Capital leases payable	(4,723,513)	
Notes payable	(2,300,000)	
Compensated absences	(3,759,995)	
Workers' compensation	(1,949,553)	
Other post-employment benefits obligation	(5,370,942)	
	(149,533,920)	
Add back: Internal Service bonds payable	3,280,923	
Add back: Internal Service accrued interest payable	51,967	
Add back: Internal Service compensated absences	37,150	
Add back: Internal Service other post-employment benefits obligation	52,861	(146,111,019)
Net assets of governmental activities		$ 250,312,032

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

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT 5**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General	City Capital Projects	Other Governmental	Total Governmental
Revenues				
Taxes	$ 115,009,873	$ -	$ 34,803	$ 115,044,676
Regulatory licenses, permits and privilege fees	683,712	-	-	683,712
Intergovernmental	33,199,440	4,050,648	9,413,433	46,663,521
Fines and forfeitures	598,424	-	-	598,424
Revenue from use of money and property	840,217	88,573	1,033,274	1,962,064
Charges for services	7,907,113	-	4,070,795	11,977,908
Miscellaneous	945,324	23,374	895,022	1,863,720
Total revenues	159,184,103	4,162,595	15,447,327	178,794,025
Expenditures				
Current operating expenditures:				
General government	15,453,014	-	3,090	15,456,104
Judicial	4,426,215	-	1,137,414	5,563,629
Public safety	38,405,071	-	4,715,123	43,120,194
Public works	15,139,289	2,303,798	155,935	17,599,022
Health and human services	18,713,485	-	5,278,687	23,992,172
Cultural and recreational	7,397,754	-	1,716,474	9,114,228
Community development	3,883,971	5,036	1,618,832	5,507,839
Education	30,310,602	-	32,528	30,343,130
Capital outlay:				
Capital general government	-	9,691,773	2,134,206	11,825,979
Debt service:				
Principal retirements	10,354,910	-	517,502	10,872,412
Interest payments and other fiscal charges	5,380,142	-	291,154	5,671,296
Issuance costs	162,757	-	7,453	170,210
Total expenditures	149,627,210	12,000,607	17,608,398	179,236,215
Excess (deficiency) of revenues over expenditures	9,556,893	(7,838,012)	(2,161,071)	(442,190)
Other financing sources (uses)				
Issuance of refunding bonds	16,605,512	-	1,986,005	18,591,517
Payments to escrow agent	(16,418,708)	-	(1,978,552)	(18,397,260)
Transfers in	546,826	7,599,905	2,592,299	10,739,030
Transfers out	(10,170,259)	(508,718)	(268,608)	(10,947,585)
Total other financing sources (uses)	(9,436,629)	7,091,187	2,331,144	(14,298)
Net changes in fund balances	120,264	(746,825)	170,073	(456,488)
Fund balances - beginning, as restated (Note 19)	46,880,303	37,368,043	5,396,037	89,644,383
Fund balances - ending	$ 47,000,567	$ 36,621,218	$ 5,566,110	$ 89,187,895

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

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT 6**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	$ (456,488)
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.	
Capital outlay	12,891,432
Depreciation expense	(16,150,593)
The net effect of various transactions involving capital assets (sales, reduction in construction in progress, donated assets) is to decrease net assets.	254,606
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	591,338
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 assets. Also, governmental funds report the effect of issuance costs, 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.	10,467,826
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.	(1,651,526)
To eliminate transfers to the internal service fund	(51,395)
The net loss of certain activities of the internal service fund is reported with governmental activities.	(3,632)
Change in net assets of governmental activities.	$ 5,891,568

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

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT 7**

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	$ 111,784,226	$ 111,784,227	$ 115,009,873	$ 3,225,646
Regulatory licenses, permits and privilege fees	813,350	813,350	683,712	(129,638)
Intergovernmental	31,583,015	33,547,832	33,199,440	(348,392)
Fines and forfeitures	579,000	579,000	598,424	19,424
Revenue from use of money and property	666,812	666,812	830,202	163,390
Charges for services	8,437,226	8,461,226	7,907,113	(554,113)
Miscellaneous	1,030,200	1,037,200	887,662	(149,538)
Total revenues	154,893,829	156,889,647	159,116,426	2,226,779
Expenditures				
Current operating expenditures:				
General government	20,531,566	17,365,185	14,759,430	2,605,755
Judicial	4,429,018	4,589,020	4,426,215	162,805
Public safety	37,235,515	38,704,299	38,405,071	299,228
Public works	13,342,498	15,181,578	15,139,289	42,289
Health and human services	18,138,167	20,165,517	18,713,485	1,452,032
Cultural and recreational	7,721,923	7,791,276	7,397,754	393,522
Community development	3,378,545	3,773,061	3,883,971	(110,910)
Education	31,942,103	33,710,034	30,310,602	3,399,432
Debt service:				
Principal retirements	11,426,879	10,355,098	10,354,910	188
Interest payments and other fiscal charges	5,667,400	5,664,890	5,380,142	284,748
Issuance costs	-	186,295	162,757	23,538
Total expenditures	153,813,614	157,486,253	148,933,626	8,552,627
Excess (deficiency) of revenues over expenditures	1,080,215	(596,606)	10,182,800	10,779,406
Other financing sources (uses)				
Issuance of refunding bonds	-	16,605,512	16,605,512	-
Payments to escrow agent	-	(16,418,708)	(16,418,708)	-
Transfers in	-	546,826	546,826	-
Transfers out	(9,541,281)	(11,013,847)	(11,003,075)	10,772
Total other financing sources (uses)	(9,541,281)	(10,280,217)	(10,269,445)	10,772
Net changes in fund balances	(8,461,066)	(10,876,823)	(86,645)	10,790,178
Fund balances - beginning, as restated (Note 19)	44,467,853	44,467,853	44,467,853	-
Fund balances - ending	$ 36,006,787	$ 33,591,030	$ 44,381,208	$ 10,790,178

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

Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds				
	Water	Sewer	Airport	Total	Internal Service
Assets					
Current assets:					
Cash and cash equivalents	$ 1,815,910	$ 6,614,769	$ 1,752,152	$ 10,182,831	$ 1,000,642
Investments	5,144,045	5,327,701	-	10,471,746	1,149,914
Receivables, net of allowance:					
Accounts	1,381,205	2,397,881	57,489	3,836,575	-
Other	5,598	47,516	52,613	105,727	114,337
Due from other governments	-	-	170,107	170,107	-
Inventory	410,786	-	-	410,786	106,617
Due from members - Regional Sewage Treatment Plant	-	432,124	-	432,124	-
Total current assets	8,757,544	14,819,991	2,032,361	25,609,896	2,371,510
Noncurrent assets:					
Due from other governments	-	43,236,371	-	43,236,371	-
Restricted assets:					
Due from members - Regional Sewage Treatment Plant	-	3,885,311	-	3,885,311	-
Cash and cash equivalents	3,368,172	-	10,312	3,378,484	-
Deferred debt charges	1,039,768	1,126,478	39,110	2,205,356	49,944
Capital assets, net of accumulated depreciation:	64,545,191	228,252,448	34,914,796	327,712,435	12,148,324
Total noncurrent assets	68,953,131	276,500,608	34,964,218	380,417,957	12,198,268
Total assets	77,710,675	291,320,599	36,996,579	406,027,853	14,569,778
Liabilities					
Current liabilities:					
Accounts payable	727,465	3,462,376	159,105	4,348,946	369,629
Accrued liabilities	119,780	91,564	27,749	239,093	15,881
Accrued interest payable	622,882	326,847	16,833	966,562	51,967
Due to other funds	-	-	200,000	200,000	-
Due to other governments	1,493	-	-	1,493	-
Current portion of general obligation bonds	1,798,140	2,061,150	209,940	4,069,230	228,107
Current portion of public utility revenue bonds	-	4,627,820	-	4,627,820	-
Total current liabilities	3,269,760	10,569,757	613,627	14,453,144	665,584
Noncurrent liabilities:					
Deposits payable from restricted assets	433,142	-	-	433,142	-
Self insurance claims	10,207	96,750	-	106,957	-
Compensated absences	200,917	124,689	48,868	374,474	32,692
Other post-employment benefits obligation	214,818	150,275	101,654	466,747	52,861
General obligation bonds	38,368,421	26,469,528	1,248,643	66,086,592	3,102,760
Public utility revenue bonds	-	120,972,944	-	120,972,944	-
Total noncurrent liabilities	39,227,505	147,814,186	1,399,165	188,440,856	3,188,313
Total liabilities	42,497,265	158,383,943	2,012,792	202,894,000	3,853,897
Net Assets					
Invested in capital assets, net of related debt	28,353,428	118,483,855	33,495,323	180,332,606	8,867,401
Restricted for:					
Grants and other purposes	-	-	10,312	10,312	-
Unrestricted	6,859,982	14,452,801	1,478,152	22,790,935	1,848,480
Total net assets	$ 35,213,410	$ 132,936,656	$ 34,983,787	203,133,853	$ 10,715,881
Reconciliation with business type activities in the statement of net assets:					
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments				(4,081,425)	
Total net assets of business-type activities				$ 199,052,428	

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

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT 9**

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Funds				
	Water	Sewer	Airport	Total	Internal Service
Operating revenues					
Charges for services and other operating revenues	$ 12,462,594	$ 18,023,990	$ 2,093,668	$ 32,580,252	$ 5,475,092
Intergovernmental	-	-	168,209	168,209	-
Total operating revenues	12,462,594	18,023,990	2,261,877	32,748,461	5,475,092
Operating expenses					
Personal services and benefits	4,253,120	2,821,960	962,868	8,037,948	642,026
Operation and maintenance	1,234,608	2,756,734	993,088	4,984,430	2,504,287
Supplies and materials	1,471,159	1,142,833	118,586	2,732,578	24,394
Administration	1,174,601	2,599,513	233,300	4,007,414	2,011
Other charges	67,481	39,915	15,794	123,190	37,501
Depreciation	2,519,349	5,035,336	1,969,925	9,524,610	2,327,796
Total operating expenses	10,720,318	14,396,291	4,293,561	29,410,170	5,538,015
Operating income (loss)	1,742,276	3,627,699	(2,031,684)	3,338,291	(62,923)
Nonoperating revenues (expenses)					
Interest income	30,674	173,319	2,672	206,665	4,181
Governmental grants	-	93,000	34,495	127,495	-
Passenger facility charges	-	-	350,002	350,002	-
Miscellaneous	19,585	15,936	44,092	79,613	92,650
Gain (loss) on disposition of assets	(293)	-	(17,651)	(17,944)	95,976
Interest on long-term debt	(1,520,334)	(1,477,230)	(64,581)	(3,062,145)	(138,898)
IRS interest subsidy- Build America Bonds	125,799	22,977	-	148,776	-
Total nonoperating revenues (expenses)	(1,344,569)	(1,171,998)	349,029	(2,167,538)	53,909
Income (loss) before contributions and transfers	397,707	2,455,701	(1,682,655)	1,170,753	(9,014)
Capital contributions	-	8,435,244	1,685,180	10,120,424	-
Transfers in	-	-	259,950	259,950	-
Transfers out	-	-	-	-	(51,395)
Change in net assets	397,707	10,890,945	262,475	11,551,127	(60,409)
Total net assets - beginning	34,815,703	122,045,711	34,721,312	191,582,726	10,776,290
Total net assets - ending	$ 35,213,410	$ 132,936,656	$ 34,983,787	$ 203,133,853	$ 10,715,881

Reconciliation with business type activities in the statement of activities:	
Change in net assets - enterprise funds reports in this statement	$ 11,551,127
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments	(5,382)
Change in net assets of business-type activities:	$ 11,545,745

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Funds				
	Water	Sewer	Airport	Total	Internal Service
Operating activities					
Cash received from operations	$ 12,724,944	$ 18,274,059	$ 2,239,387	$ 33,238,390	$ 5,475,092
Cash paid to employees	(4,348,885)	(2,813,413)	(972,271)	(8,134,569)	(655,656)
Cash paid to suppliers	(3,989,779)	(6,748,487)	(1,309,487)	(12,047,753)	(2,391,323)
Net cash provided from (used in) operating activities	4,386,280	8,712,159	(42,371)	13,056,068	2,428,113
Noncapital financing activities					
Intergovernmental grants	-	93,000	-	93,000	-
Transfers in	-	-	259,950	259,950	-
Transfers out	-	-	-	-	(51,395)
Net cash provided from (used in) noncapital financing activities	-	93,000	259,950	352,950	(51,395)
Capital and related financing activities					
Proceeds from bond refunding	6,427,424	6,569,408	112,127	13,108,959	448,868
Escrow payments to refunding trust	(6,362,313)	(6,503,511)	(111,714)	(12,977,538)	(447,190)
Payment of long-term debt:					
General obligation bonds	(1,719,935)	(2,259,476)	(249,705)	(4,229,116)	(252,058)
Revenue bonds	-	(3,757,167)	-	(3,757,167)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	11,953,957	-	11,953,957	-
Payment of interest on long-term debt	(1,934,848)	(1,535,197)	(67,735)	(3,537,780)	(150,185)
Decrease in due to other funds for capital advance	-	-	(350,000)	(350,000)	-
Capital contributions received	-	11,176,278	1,939,793	13,116,071	-
Passenger facility charges collected	-	-	361,592	361,592	-
Proceeds from sale of capital assets	-	-	-	-	189,544
Additions to capital assets	(5,459,212)	(27,043,855)	(1,596,135)	(34,099,202)	(2,291,749)
Proceeds from other governments	-	246,268	44,092	290,360	-
Proceeds from other organizations	14,496	2,939	-	17,435	18,157
Net cash provided from (used in) capital and related financing activities	(9,034,388)	(11,150,356)	82,315	(20,102,429)	(2,484,613)
Investing activities					
Net purchase of investments	(2,832,116)	4,248,277	-	1,416,161	206,859
Interest income received	156,473	196,296	2,672	355,441	4,181
Net cash provided by (used in) investing activities	(2,675,643)	4,444,573	2,672	1,771,602	211,040
Net increase (decrease) in cash and cash equivalents	(7,323,751)	2,099,376	302,566	(4,921,809)	103,145
Cash and cash equivalents					
Beginning	12,507,833	4,515,393	1,459,898	18,483,124	897,497
Ending	$ 5,184,082	$ 6,614,769	$ 1,762,464	$ 13,561,315	$ 1,000,642
Reconciliation to Statement of Net Assets					
Current Assets	$ 1,815,910	$ 6,614,769	$ 1,752,152	$ 10,182,831	$ 1,000,642
Restricted Assets	3,368,172	-	10,312	3,378,484	-
	$ 5,184,082	$ 6,614,769	$ 1,762,464	$ 13,561,315	$ 1,000,642

(Continued)

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

CITY OF LYNCHBURG, VIRGINIA

EXHIBIT 10
(Concluded)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Funds				
	Water	Sewer	Airport	Total	Internal Service
Reconciliation of operating income (loss) to net cash provided from (used in) operating activities					
Operating income (loss)	$ 1,742,276	$ 3,627,699	$ (2,031,684)	$ 3,338,291	$ (62,923)
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:					
Depreciation	2,519,349	5,035,336	1,969,925	9,524,610	2,327,796
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable	243,865	250,069	(22,490)	471,444	-
Increase in inventory	(2,978)	-	-	(2,978)	(28,869)
Increase (decrease) in trade accounts payable	(38,983)	(209,492)	51,281	(197,194)	205,739
Increase in accrued expenses	76,193	128,128	32,798	237,119	12,905
Decrease in due to other funds	(171,958)	(119,581)	(42,201)	(333,740)	(26,535)
Decrease in due to other governments	31	-	-	31	-
Increase in deposits payable	18,485	-	-	18,485	-
Net cash provided from (used in) operating activities	$ 4,386,280	$ 8,712,159	$ (42,371)	$ 13,056,068	$ 2,428,113
Supplemental cash flow information					
Non-cash transactions					
Capitalized interest	$ 359,592	$ -	$ -	$ 359,592	$ -
Capital asset additions financed by retainage payable	125,270	676,416	28,497	830,183	-
Capital asset additions financed by accounts payable	376,063	2,556,266	56,276	2,988,605	-
Undrawn public utility revenue bond proceeds	-	43,236,371	-	43,236,371	-
Amortization of debt related items	6,839	21,047	1,796	29,682	1,728

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

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT 11**

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

Assets		
Cash and cash equivalents	$	591,313
Total assets	$	591,313
Liabilities		
Due to other governments	$	135,756
Amounts held for others		455,557
Total liabilities	$	591,313

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

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 and 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 all 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.

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.

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 Cities of Lynchburg and Bedford and the Counties of Halifax, Bedford, and Campbell. The Authority began operating the existing jail facilities in the Member Jurisdiction on July 1, 1998.

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

The City sold its existing jail facilities to the Authority during FY 1997. A new central jail facility was constructed in Lynchburg and opened in FY 2000. 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 FY2011, the City paid $4,494,339 to the Authority.

Central Virginia Community Services Board: The City, in conjunction with the counties of Amherst, Appomattox, Bedford and Campbell and the City of Bedford participate in the Central Virginia Community Services Board ("CVCSB"), which is composed of two members from each of the participating localities. The City appropriated $444,003 for an operating contribution to the CVCSB for FY2011.

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 FY2011, the Regional Commission 2000 received $1,150,546 in grant funds of which $322,992 was ARRA 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 FY2011, the City paid $853,243 to the Authority.

Joint Venture: The City participates in an intergovernmental agreement with the Counties of Amherst and Bedford and the City of Bedford for the operation of a regional radio communication system. The Central Virginia Regional Radio Communications Board is responsible for overseeing the management, operation and administration of the system. The project was financed originally by lease revenue bonds of the Industrial Development Authority of Amherst County and the City of Bedford (in the amount of $9,931,000 with interest at 5.72%), and the leasing of the project to the participating jurisdictions. On August 1, 2004, this lease revenue bond was refinanced with a $5,075,000 lease revenue note at 3.30% and a July 2011 maturity. Each participating jurisdiction maintains a leasehold interest in the project and shares costs of operation and maintenance equal to the jurisdiction's payment percentage as defined in the agreement. The City's participating interest is 33.10%. Future minimum lease payments in the amount of $135,629 are included in the governmental activities noncurrent liabilities. An asset in the amount of $598,061 is shown in the governmental activities capital assets, net of accumulated depreciation. Separate financial statements of this joint venture are not available.

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 FY2011, the City appropriated $193,843 to the LRHA from the Community Development Block Grant Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Industrial 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.

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. As permitted in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply to its enterprise funds Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Government-wide Statements: The statement of net assets 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.

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, liabilities, 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:

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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.

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, Detention Home, and Baseball Stadium.

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.

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, and Airport Funds.

The Water fund operates the water distribution system for the City and three surrounding counties. The Sewer Fund operates a regional wastewater treatment plant, a combined sewer system, and cleans, monitors, and repairs the wastewater collection system for the City and three surrounding counties. The Airport Fund accounts for the administration of the Lynchburg Regional Airport.

The total enterprise funds columns in the proprietary fund statement of net assets 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 Management Fund has been established to account for the operation and maintenance of City vehicles.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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. These funds consist of the Special Welfare and Central Virginia Regional Radio Board Funds.

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.

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 revenues. Reimbursement basis grants are recognized as revenue when all eligibility requirements are met. 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 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.

Expenditures in governmental funds are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exceptions to this general rule are principal and interest on general long-term debt, which are recognized when due.

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.

The City reports two major governmental funds, the General Fund and the City Capital Projects Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The City reports the following major proprietary funds: The Water Fund, Sewer Fund, and Airport Fund.

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.
- 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, 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, 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 a reservation of fund equity 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.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

- 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.

	General Fund
Net change in fund balance (non-GAAP budgetary basis)	$ (86,645)
Add: Net change in fund balance for Technology Fund	206,909
Net change in fund balance (GAAP basis)	$ 120,264

E. Assets, Liabilities and Net Assets

- **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 for the government as well as for its component units 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	$	2,098,676
General Fund, ambulance receivables	$	1,662,149
Enterprise Funds	$	161,165

- **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.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets (Continued)

- **Capital Assets (Continued)**

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.

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 FY2011, the enterprise funds incurred interest costs of $3,421,737 of which $359,592 was capitalized.

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

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

- **Deferred Revenue**

Deferred revenue consists primarily of property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years.

- **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.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets (Continued)

- **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.

- **Interfund Transactions**

  The City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, or satisfy certain obligations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers and other charges between the enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Subsidies between funds are recorded as transfers.

- **Net Assets/Fund Equity**

  Net Assets in government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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 statue.

  In the governmental fund financial statements, Fund Balance is reported as nonspendable, restricted, committed, assigned or unassigned. 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 City Council. 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. In accordance with Council Policy, the City Manager or his designee may assign fund balance. 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.

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.

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 in the amounts 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 Investor Service and A-1 or higher by Standard & Poor's, 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 Investor 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, 60% of the portfolio was invested in "AAA" rated obligations; 6% was invested in "Aa1" Municipal Obligations; 4% was invested in "Aa2" Municipal Obligations, and Commercial Paper; 6% was invested in Aa3 rated Commercial Paper; 6% was invested in A3 rated Commercial Paper; and 18% was invested in an "AAAm" rated LGIP fund. The "AAA" rated portion of the total portfolio included 7% of obligations guaranteed by the U. S. Government; 50% of Federal Agencies; and 3% of Municipal Obligations (percentages are based on the total portfolio). All credit ratings presented in this paragraph are either Standard & Poor's or Moody's ratings.

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.

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Concentration of Credit Risk: (Continued)

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

Investment Type	% of Portfolio
Federal Home Loan Mortgage Corporation	14%
Municipal Obligations (Virginia State Housing Development Authority)	5%
Commercial Paper (INTESA Funding)	6%
Federal Home Loan Bank	18%
Federal Farm Credit Bank	13%

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:

Investment Type	Fair Value	Weighted Average Maturity*
Money Market Funds – LGIP	$ 19,364,135	-
U.S. Treasury Bills	3,449,427	89
U.S. Treasury Notes	3,990,165	177
Federal Home Loan Mortgage Corporation	14,247,205	148
Federal National Mortgage Association	5,524,573	133
Federal Farm Credit Bank	13,641,700	148
Federal Home Loan Bank	19,369,152	113
Commercial Paper	15,799,189	74
Municipal Bonds	10,048,932	954
Total investments	$ 105,434,478	
Portfolio weighted average maturity		179

* Weighted average maturity in days.

Custodial Credit Risk:

The Policy requires that all investment securities shall be held in the 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.

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Custodial Credit Risk: (Continued)

Restricted cash and temporary cash investments of the General and Enterprise Funds include certain deposits, unexpended bond proceeds and amounts related to the Passenger Facility Charge Program at the Airport. 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:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	$ 17,250	$ 500
Deposits	17,868,127	1,237,271
Funds held in trust by others	-	97,378
Investments	97,038,219	8,396,259
	$ 114,923,596	$ 9,731,408
Statement of net assets:		
Cash and cash equivalents	$ 28,252,634	$ 3,388,448
Investments	80,074,084	5,996,259
Restricted cash and cash equivalents	6,005,565	249,323
Fiduciary fund cash and cash equivalents	591,313	97,378
	$ 114,923,596	$ 9,731,408

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.

Note 4. Interfund Receivables, Payables, and Transfer

Interfund balances at June 30 were as follows:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	$ 1,011,320	$ 147,912
Major Capital Projects Fund:		
City Capital Projects	457,944	12,740
Nonmajor Special Revenue Funds:		
City Federal/State Aid	-	989,625
Detention Home	147,912	266,899
Major Proprietary Funds:		
Airport	-	200,000
	$ 1,617,176	$ 1,617,176

Interfund receivables for governmental funds primarily represent advances to special revenue funds and proprietary funds to be repaid with future grant revenues.

Interfund transfers were as follows:

	To	From
Major Fund:		
General	$ 546,826	$ 10,170,259
Nonmajor Special Revenue Funds:		
City Federal/State Aid	132,436	238,108
Baseball Stadium	318,130	30,500
Major Fund – Capital Projects		
City Capital Projects	7,599,905	508,718
Non major Fund – Capital Projects		
School Capital Projects	2,141,733	-
Major Proprietary Funds:		
Airport	259,950	-
Internal Service	-	51,395
	$ 10,998,980	$ 10,998,980

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

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	Due To
Primary Government:		
Major Fund:		
General Fund	$ 3,399,432	$ 506,496
Nonmajor Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
	$ 3,524,432	$ 506,496
Component Units:		
Lynchburg City Schools	$ -	$ 3,399,432
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	506,496	-
	$ 506,496	$ 3,524,432

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	$ 5,322,872	$ 170,107	$ 6,421,783	$ 772,937
Virginia Revolving Loan	-	43,236,371	-	-
Members of Regional Sewage Treatment Plant	-	4,317,435	-	-
	$ 5,322,872	$ 47,723,913	$ 6,421,783	$ 772,937

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, the Bedford County Public Service Authority, and the Campbell County Utilities and Service Authority for their proportionate share (20%) 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 payments to be received are as follows:

Amount receivable within 1 year	$ 432,124
Amount receivable 1 to 5 years	2,083,136
Amount receivable beyond 5 years	1,802,175
	$ 4,317,435

Note 6. Due From Other Governments (Continued)

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	$ 4,866,426	$ 3,131,259	$ 6,611,447	$ 38,339
Virginia Revolving Loan	-	35,739,400	-	-
Members of Regional Sewage Treatment Plant	-	4,563,703	-	-
	$ 4,866,426	$ 43,434,362	$ 6,611,447	$ 38,339

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, the Bedford County Public Service Authority, and the Campbell County Utilities and Service Authority for their proportionate share (20%) 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 payments to be received are as follows:

Amount receivable within 1 year	$ 423,870
Amount receivable 1 to 5 years	2,078,936
Amount receivable beyond 5 years	2,060,897
	$ 4,563,703

Note 7. Receivables

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

	Taxes	Accounts	Other	Total
Major funds:				
General	$ 11,798,513	$ 4,254,514	$ 589,334	$ 16,642,361
City Capital Projects	-	-	500,000	500,000
Water	-	1,381,205	5,598	1,386,803
Sewer	-	2,397,881	47,516	2,445,397
Airport	-	57,489	52,613	110,102
Internal Service	-	-	114,337	114,337
Non major Governmental Funds	-	-	608,758	608,758
	$ 11,798,513	$ 8,091,089	$ 1,918,156	$ 21,807,758

Note 8. Capital Assets

Primary Government:

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

Governmental Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	$ 15,091,441	$ 1,046,929	$ -	$ 16,138,370
Construction in progress	7,845,453	11,660,183	10,611,653	8,893,983
Total capital assets, not being depreciated	22,936,894	12,707,112	10,611,653	25,032,353
Capital assets, being depreciated:				
Land improvements	21,929,362	1,915,890	15,655	23,829,597
Buildings and improvements	228,904,195	2,221,153	10,000	231,115,348
Infrastructure	217,311,929	5,070,731	13,660	222,369,000
Machinery and equipment	40,309,610	4,182,947	2,111,730	42,380,827
Total capital assets, being depreciated	508,455,096	13,390,721	2,151,045	519,694,772
Less – accumulated depreciation for:				
Land improvements	5,825,757	1,348,916	6,609	7,168,064
Buildings and improvements	98,755,543	6,804,215	10,000	105,549,758
Infrastructure	103,427,361	6,452,199	8,407	109,871,153
Machinery and equipment	22,772,354	3,873,059	1,984,068	24,661,345
Total accumulated depreciation	230,781,015	18,478,389	2,009,084	247,250,320
Total capital assets, being depreciated	277,674,081	(5,087,668)	141,961	272,444,452
Capital assets, net	$ 300,610,975	$ 7,619,444	$ 10,753,614	$ 297,476,805

Included above is property with a cost and net book value of $9,590,304 and $5,474,728 respectively, at June 30 financed by capital leases.

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation was charged to governmental functions as follows:

Governmental activities:	
General government	$ 692,321
Education	4,828,818
Judicial	715,746
Health and human services	361,419
Public safety	2,160,332
Public works	8,480,486
Community development	15,652
Cultural and recreational	900,319
Total governmental activities	18,155,093
Business-type activities:	
Water	87,081
Sewer	217,954
Airport	18,261
Total business-type activities	323,296
Total depreciation	$ 18,478,389

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 $323,296 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.

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:

Business-type Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	$ 4,978,534	$ 1,068	$ -	$ 4,979,602
Construction in progress	31,926,212	32,467,008	43,098,663	21,294,557
Total capital assets, not being depreciated	36,904,746	32,468,076	43,098,663	26,274,159
Capital assets, being depreciated:				
Land improvements	12,403,641	-	-	12,403,641
Buildings and improvements	50,594,016	3,857,313	264,761	54,186,568
Infrastructure	315,929,600	38,617,043	197,200	354,349,443
Machinery and equipment	10,093,106	671,239	8,785	10,755,560
Capitalized interest	5,766,000	359,592	-	6,125,592
Total capital assets, being depreciated	394,786,363	43,505,187	470,746	437,820,804
Less – accumulated depreciation for:				
Land improvements	11,209,033	253,396	-	11,462,429
Buildings and improvements	19,083,344	1,642,670	247,110	20,478,904
Infrastructure	88,290,134	7,085,013	197,200	95,177,947
Machinery and equipment	7,317,206	428,210	8,492	7,736,924
Capitalized interest	1,411,004	115,320	-	1,526,324
Total accumulated depreciation	127,310,721	9,524,609	452,802	136,382,528
Total capital assets, being depreciated	267,475,642	33,980,578	17,944	301,438,276
Capital assets, net	$ 304,380,388	$ 66,448,654	$ 43,116,607	$ 327,712,435

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
Capital assets, being depreciated				
Equipment	$ 7,401,285	$ 479,021	$ 206,404	$ 7,673,902
Equipment – Cafeteria	685,439	104,426	-	789,865
Total capital assets, being depreciated	8,086,724	583,447	206,404	8,463,767
Less – accumulated depreciation for:				
Equipment	5,101,612	402,022	132,437	5,371,197
Equipment – Cafeteria	483,974	42,282	-	526,256
Total accumulated depreciation	5,585,586	444,304	132,437	5,897,453
Capital assets, net	$ 2,501,138	$ 139,143	$ 73,967	$ 2,566,314

Included above is property with a cost and net book value of approximately $1.6 million and $1.0 million respectively, at June 30, financed by capital leases.

Details of capital assets of other Component Units are as follows:

Land, buildings, and improvements	$ 2,335,596
Construction in Progress	1,378,835
Machinery and equipment	21,589,348
	25,303,779
Less accumulated depreciation	7,964,558
	$ 17,339,221

Note 9. Long-Term Liabilities

General Obligation Debt:

	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Primary Government: Public Improvements	Primary Government: School Facilities	Primary Government: Proprietary Funds	Total All Funds
Serial Bonds								
VPSA General Obligation	4.90-6.35	11/12/1992	2013	$ 458,292	$ -	$ 55,861	$ -	$ 55,861
VA Resources Authority	0.00	03/24/1994	2027	3,976,369	-	-	1,945,987	1,945,987
VPSA General Obligation	6.10-6.60	11/22/1994	2015	2,100,362	-	509,138	-	509,138
Public Improvement	3.50-4.88	08/01/2001	2032	14,620,000	271,217	238,783	750,000	1,260,000
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	2,017,649	-	2,017,649
VPSA General Obligation	2.35-4.85	11/07/2002	2023	6,513,732	-	4,067,081	-	4,067,081
Public Improvement Refunding	2.00-5.00	02/01/2003	2014	23,670,000	683,431	52,411	644,158	1,380,000
Public Improvement	2.50-4.70	02/01/2003	2033	16,745,000	685,000	190,000	555,000	1,430,000
Public Improvement	3.00-5.00	06/01/2004	2034	28,160,000	2,095,000	1,620,000	1,125,000	4,840,000
Public Improvement Refunding	3.00-5.25	03/16/2005	2030	33,105,000	10,333,145	6,314,240	8,017,615	24,665,000
Taxable Refunding	3.90-4.86	03/16/2005	2014	3,810,000	-	1,760,000	-	1,760,000
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	4,978,232	-	4,978,232
Public Improvement	4.00-5.00	05/09/2006	2026	23,840,000	12,562,967	4,954,715	2,167,318	19,685,000
Public Improvement	4.00-5.00	08/02/2007	2038	33,300,000	12,998,497	-	17,066,503	30,065,000
Public Improvement Refunding	2.93	03/19/2008	2015	8,000,000	1,233,652	1,153,090	1,571,258	3,958,000
Public Improvement Series A Tax Exempt	1.00-5.00	08/13/2009	2022	17,230,000	4,580,000	6,490,000	5,155,000	16,225,000
Public Improvement Series B Taxable Build America Bonds (BABs)	5.05-6.61	08/13/2009	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	08/13/2009	2023	12,800,000	3,561,283	1,961,888	6,316,829	11,840,000
VPSA Gen Obligation	0.00	11/13/2009	2027	10,255,000	-	10,055,000	-	10,055,000
Public Improvement Refunding	2.00-5.00	10/20/2010	2034	29,655,000	9,768,144	7,506,648	12,380,208	29,655,000
					$ 63,171,731	$ 63,375,341	$ 71,264,876	$ 197,811,948

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 $45,478,043 at June 30, 2011.

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 $197,811,948 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. As shown in the Supplementary Statistical Table 19, outstanding tax-supported debt was 2.24% of net assessed valuation of taxable property. There are no overlapping tax jurisdictions.

Note 9. Long-Term Liabilities (Continued)

Revenue Debt:

	Interest Rates %	Date Issued	Final Maturity	Original Issue	Sewer Fund
Virginia Resources Authority:					
Public Utility Revenue Bonds	0.00	03/28/1995	2027	$ 6,571,207	$ 2,744,840
Public Utility Revenue Bonds	0.00	08/10/1995	2029	10,000,000	4,845,238
Public Utility Revenue Bonds	0.00	06/27/1996	2029	8,000,000	3,750,689
Public Utility Revenue Bonds	3.00	07/17/1997	2020	14,108,460	7,301,635
Public Utility Revenue Bonds	0.00	07/17/1997	2030	7,591,540	4,177,593
Public Utility Revenue Bonds	0.00	08/01/1998	2031	6,203,000	3,679,100
Public Utility Revenue Bonds	3.00	06/02/1999	2020	2,476,763	1,279,356
Public Utility Revenue Bonds	0.00	09/02/1999	2021	5,300,000	2,789,475
Public Utility Revenue Bonds	0.00	03/15/2001	2032	735,000	469,737
Public Utility Revenue Bonds	3.50	06/08/2001	2021	2,835,000	1,745,402
Public Utility Revenue Bonds	0.00	11/06/2001	2034	1,413,613	1,004,504
Public Utility Revenue Bonds	0.00	09/15/2003	2036	2,350,165	1,878,100
Public Utility Revenue Bonds	0.00	05/20/2004	2038	6,000,000	5,100,000
Public Utility Revenue Bonds	0.00	05/17/2005	2038	6,700,000	5,806,667
Public Utility Revenue Bonds	0.00	06/28/2006	2039	9,600,000	8,800,000
Public Utility Revenue Bonds	0.00	06/20/2007	2039	7,000,000	6,533,333
Public Utility Revenue Bonds	0.00	06/05/2008	2041	12,350,000	12,144,167
Public Utility Revenue Bonds	0.00	06/25/2009	2041	19,000,000	19,000,000
Public Utility Revenue Bonds	0.00	06/17/2010	2042	13,100,000	13,100,000
Public Utility Revenue Bonds	0.00	06/15/2011	2033	9,350,928	9,350,928
Public Utility Revenue Bonds	0.00	06/15/2011	2045	10,100,000	10,100,000
					$ 125,600,764

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. 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 21, the debt coverage ratio for the year ended June 30 was 1.29.

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

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Governmental Activities					
General obligation bonds	$ 139,179,721	$ 17,684,960	$ 27,058,146	$ 129,806,535	$ 9,728,916
Notes payable*	2,480,000	-	180,000	2,300,000	180,000
State literary fund loans	11,412	-	11,412	-	-
Adjust for deferred amounts:					
Issuance discounts	(906,251)		(53,309)	(852,942)	-
Issuance premiums	3,074,446	1,355,425	326,418	4,103,453	-
Upon refunding	(1,397,114)	(2,169,450)	(301,711)	(3,264,853)	-
Total bonds and notes	142,442,214	16,870,935	27,220,956	132,092,193	9,908,916
Workers' compensation**	1,977,864	751,548	514,011	2,215,401	265,848
Compensated absences**	3,721,334	2,693,697	2,655,036	3,759,995	451,199
Other post-employment benefits**	3,738,130	1,632,812	-	5,370,942	-
Capital lease obligations**	5,273,426	-	549,913	4,723,513	438,243
	$ 157,152,968	$ 21,948,992	$ 30,939,916	$ 148,162,044	$ 11,064,206

Note 9. Long-Term Liabilities (Continued)

Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Business-Type Activities					
General obligation bonds	$ 71,749,489	$ 11,970,040	$ 15,714,116	$ 68,005,413	$ 4,069,230
Public utility revenue bonds	109,907,003	19,450,928	3,757,167	125,600,764	4,627,820
Adjust for deferred amounts:					
Issuance discounts	-	-	-	-	-
Issuance premiums	1,162,118	1,138,918	150,627	2,150,409	-
Upon refunding	(893,128)	(1,492,537)	(180,309)	(2,205,356)	-
Total bonds and notes	181,925,482	31,067,349	19,441,601	193,551,230	8,697,050
Workers' compensation	65,364	64,206	8,028	121,542	14,585
Compensated absences	420,656	346,008	341,126	425,538	51,064
Other post-employment benefits	312,995	153,752	-	466,747	-
	$ 182,724,497	$ 31,631,315	$ 19,790,755	$ 194,565,057	$ 8,762,699

*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. Capital leases are liquidated by the General Fund.

Debt Service to Maturity:

Year Ending June 30	Governmental Activities			
	General Obligation		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2012	$ 9,728,916	$ 5,237,787	$ 438,243	$ 172,336
2013	9,819,822	4,873,570	314,278	158,397
2014	9,335,052	4,487,047	326,392	146,283
2015	8,575,186	4,105,674	338,973	133,703
2016	8,640,714	3,749,858	352,038	120,637
2017-2021	37,038,655	14,057,625	1,974,499	388,877
2022-2026	29,942,878	7,587,386	979,090	45,642
2027-2031	10,527,623	2,940,889	-	-
2032-2036	3,857,689	1,293,651	-	-
2037-2040	2,340,000	309,348	-	-
	$ 129,806,535	$ 48,642,835	$ 4,723,513	$ 1,165,875

Note 9. Long-Term Liabilities (Continued)

Debt Service to Maturity: (Continued)

	Business-Type Activities							
	General Obligation						Revenue Bonds	
Year Ending	Water Fund		Airport Fund		Sewer Fund		Sewer Fund	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 1,798,140	$ 1,841,513	$ 209,940	$ 56,233	$ 2,061,150	$ 1,058,392	$ 4,627,820	$ 310,527
2013	1,803,777	1,774,411	215,335	47,847	2,053,470	982,934	5,096,949	278,064
2014	1,755,694	1,703,297	164,651	41,214	1,860,165	908,430	5,597,967	244,593
2015	1,693,803	1,635,944	145,321	34,108	1,757,561	843,916	5,800,810	210,083
2016	1,741,654	1,566,361	112,479	27,675	1,772,254	777,282	6,004,725	174,502
2017-2021	7,194,533	6,879,058	350,207	87,485	6,650,079	3,053,581	28,844,390	324,911
2022-2026	6,005,762	5,481,598	217,083	31,775	4,419,247	2,099,260	22,703,442	-
2027-2031	6,190,169	3,971,086	-	-	3,245,628	1,293,328	19,307,304	-
2032-2036	6,348,052	2,280,465	-	-	2,489,259	614,207	15,293,191	-
2037-2041	4,547,423	508,088	-	-	1,202,577	94,662	10,709,166	-
2042-2045	-	-	-	-	-	-	1,615,000	-
	$ 39,079,007	$ 27,641,821	$ 1,415,016	$ 326,337	$ 27,511,390	$ 11,725,992	$ 125,600,764	$ 1,542,680

October 20, 2010 General Obligation Refunding Bond Issue - Advance Refunding of General Obligation Bond Issues, Series 2001, 2003A and 2004:

On October 20, 2010, the City issued $29,655,000 of General Obligation Public Improvement Refunding Bonds, Series 2010 to advance refund the following general obligation public improvement bonds: $3,375,000 of Series 2001 (August 1, 2001) with an average interest rate of 4.3%; $9,415,000 of Series 2003A (February 1, 2003) with an average interest rate of 3.75%; and, $15,370,000 of Series 2004 (June 1, 2004) with an average interest rate of 4.25%. The final maturity date is December 1, 2033 with interest rates ranging from 2% to 5% and a total interest cost of 3.03%. 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 all future debt service on the refunded bonds. These bonds are considered defeased and the liability for them has been removed from the financial statements for FY 2011. The advance refunding reduced the total debt service payments over the next 24 years by $2,356,592 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,707,610. This advance refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of $3,661,987. This difference, reported in the accompanying financial statements as deferred debt charges, is being amortized as a component of interest expenses as follows: $438,892 through FY 2032 over the life of the refunded bonds for the August 1, 2001 issue; $1,224,347 through FY 2033 over the life of the refunded bonds for the February 1, 2003A issue; and, $1,998,748 through FY 2034 over the life of the refunded bonds for the June 1, 2004 issue. The total outstanding principal of the in-substance defeased bonds was $28,160,000, detailed above by refunded bond issues, as of the refunding bond issue closing on October 20, 2010 as well as on June 30, 2011.

November 8, 2011 General Obligation Public Improvement Bond Anticipation Note, Series 2011, Bank Qualified Line of Credit:

On November 8, 2011, the City issued a five-year General Obligation Bond Anticipation Note and concurrently entered into a bank qualified line of credit Financing Agreement with Carter Bank & Trust. The Agreement provided for borrowings of up to $10,000,000 to provide interim financing for qualifying capital improvements. Interest on the unpaid principal is two percent (2%) per annum and payable on May 1 and November 1 each year. Final maturity of the Note is November 1, 2016.

Note 9. Long-Term Liabilities (Continued)

Component Unit – Lynchburg City Schools:

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

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	$ 650,023	$ 689,242	$ 640,067	$ 699,198	$ 511,745
Capital lease obligations	1,497,470	-	642,489	854,981	480,697
Other post-employment benefits	1,169,050	758,781	274,684	1,653,147	-
	$ 3,316,543	$ 1,448,023	$ 1,557,240	$ 3,207,326	$ 992,442

School Capital Leases:

Interest Rates	Date Issued	Final Maturity	Original Issue	Balance
4.12%	08/2006	08/2011	$ 500,000	$ 18,370
3.83	10/2006	10/2011	500,000	45,424
3.89	09/2007	09/2012	1,000,000	269,458
3.55	12/2008	12/2013	1,000,000	521,729
				$ 854,981

Following is a summary of debt service to maturity:

	Capital Lease Obligations	
June 30	Principal	Interest
2012	$ 480,697	$ 22,428
2013	265,237	8,262
2014	109,047	1,122
	$ 854,981	$ 31,812

Note 10. Fund Equity Balances

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 - 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. Formal Council action includes the annual adoption of the City's Budget Ordinance/Resolution, Council Resolutions appropriating funds and/or resources, Budget amendments appropriating funds and resources from third quarter adjustments and Budget amendments to carry forward appropriations that were unexpended at fiscal year end.

- 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.

- 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.

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 2011 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, 2011

	MAJOR FUNDS		NON MAJOR SPECIAL REVENUE FUNDS				
	GENERAL FUND	CITY CAPITAL PROJECTS	CITY FEDERAL STATE AID	COMMUNITY DEVELOPMENT BLOCK GRANT	LYNCHBURG BUSINESS DEVELOPMENT CENTRE	FORFEITED ASSETS	COMPREHENSIVE SERVICES ACT
FUND BALANCES							
Nonspendable							
Advance to Lynchburg United Soccer	$ -	$ 500,000	$ -	$ -	$ -	$ -	$ -
Restricted for:							
Transportation projects	-	20,200,621	-	-	-	-	-
Parks and Recreation project	-	17,260	-	-	-	-	-
EECBG Grant	-	-	239,000	-	-	-	-
Governor Opportunity Grant	-	-	1,600,000	-	-	-	-
Criminal Justice Academy	-	-	33,682	-	-	-	-
Litter Grant	-	-	9,806	-	-	-	-
Community Corrections	-	-	96,536	-	-	-	-
Fire Department	-	-	289,403	-	-	-	-
Emergency Communications	-	-	2,715	-	-	-	-
Grants	-	-	48,320	-	-	-	-
CDBG Projects	-	-	-	49,084	-	-	-
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	30,910	-
Federal Asset Forfeiture- Police	-	-	-	-	-	87,527	-
State Asset Forfeiture - Police	-	-	-	-	-	86,816	-
Health and Human Services	-	-	-	-	-	-	622,168
Lynchburg Expressway beautification	-	-	-	-	-	-	-
HOME projects	-	-	-	-	-	-	-
Sandusky Middle School	-	-	-	-	-	-	-
Snap QSCB Interest	-	-	-	-	-	-	-
Committed to:							
Technology	2,770,095	-	-	-	-	-	-
Detention Home Workers Compensation	80,000	-	-	-	-	-	-
Health Insurance Reserve	636,127	-	-	-	-	-	-
Schools for Textbooks	1,059,392	-	-	-	-	-	-
Schools for Health Insurance Reserve	700,000	-	-	-	-	-	-
Schools for Future Expenditure Needs	75,908	-	-	-	-	-	-
Schools for Budget balancing	440,608	-		-	-	-	-
Other Post Employment Benefits	811,310	-	-	-	-	-	-
Juvenile Services Capital Projects	325,000	-	-	-	-	-	-
Juvenile Services Prevention	25,000	-	-	-	-	-	-
Solid Waste Debt Retirement	1,910,014	-	-	-	-	-	-
Local Aid to the Commonwealth	314,108	-	-	-	-	-	-
Debt Service	1,071,781	-	-	-	-	-	-
Future Post Closure expenses	604,284	-	-	-	-	-	-
Self Insurance	2,492,018	-	-	-	-	-	-
Point of Honor	15,221	-	-	-	-	-	-
Tech Rescue	28,448	-	-	-	-	-	-
Parking Management	108,299	-	-	-	-	-	-
Cultural and Recreational	6,079	-	-	-	-	-	-
General Government	86,865	-	-	-	-	-	-
Health and Welfare	50,640	-	-	-	-	-	-
Judicial	5,907	-	-	-	-	-	-
Public Safety	55,826	-	-	-	-	-	-
Public Works	34,832	-	-	-	-	-	-
Sale of downtown GEFA building	-	116,388	-	-	-	-	-
Building projects	-	3,393,886	-	-	-	-	-
Transportation projects	-	7,901,652	-	-	-	-	-
Economic Development projects	-	2,279,407	-	-	-	-	-
Public Safety projects	-	61,984	-	-	-	-	-
Parks and Recreation projects	-	1,900,020	-	-	-	-	-
Waste Management projects	-	250,000	-	-	-	-	-
Provision of loan funds for small businesses	-	-	-	-	125,384	-	-
Baseball Stadium	-	-	-	-	-	-	-
Heritage High School	-	-	-	-	-	-	-
HVAC repairs and maintenance	-	-	-	-	-	-	-
Roof replacement	-	-	-	-	-	-	-
Paving	-	-	-	-	-	-	-
Security System upgrade	-	-	-	-	-	-	-
Future projects	-	-	-	-	-	-	-
Assigned to:							
Return of School Fund Balance	3,399,432	-	-	-	-	-	-
Law Library	69,969	-	-	-	-	-	-
Museum	47,374	-	-	-	-	-	-
Recreation Programs	177,300	-	-	-	-	-	-
Public Works Funds	39,925	-	-	-	-	-	-
Pier Program	17,150	-	-	-	-	-	-
Dental Claims Reserve	150,000	-	-	-	-	-	-
Community Development	56,500	-	-	-	-	-	-
Cultural and Recreational	8,432	-	-	-	-	-	-
General Government	24,457	-	-	-	-	-	-
Judicial	22,265	-	-	-	-	-	-
Public Safety	11,809	-	-	-	-	-	-
Public Works	52,617	-	-	-	-	-	-
Governors Opportunity Grant Interest	-	-	21,599	-	-	-	-
Major Maintenance and Equipment replacement	-	-	-	-	-	-	-
Unassigned:	29,215,575	-	(539,488)	-	-	-	-
Total Fund Balance	$ 47,000,567	$ 36,621,218	$ 1,801,573	$ 49,084	$ 125,384	$ 205,253	$ 622,168

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statement
As of June 30, 2011

	NON MAJOR SPECIAL REVENUE FUNDS				NON MAJOR CAPITAL PROJECT FUNDS	
	LYNCHBURG EXPRESSWAY APPEARANCE	HOME INVESTMENT TRUST	DETENTION HOME	BASEBALL STADIUM	SCHOOL CAPITAL PROJECTS	ALL FUNDS
FUND BALANCES						
Nonspendable						
Advance to Lynchburg United Soccer	$ -	$ -	$ -	$ -	$ -	$ 500,000
Restricted for:						
Transportation projects	-	-	-	-	-	20,200,621
Parks and Recreation project	-	-	-	-	-	17,260
EECBG Grant	-	-	-	-	-	239,000
Governor Opportunity Grant	-	-	-	-	-	1,600,000
Criminal Justice Academy	-	-	-	-	-	33,682
Litter Grant	-	-	-	-	-	9,806
Community Corrections	-	-	-	-	-	96,536
Fire Department	-	-	-	-	-	289,403
Emergency Communications	-	-	-	-	-	2,715
Grants	-	-	-	-	-	48,320
CDBG Projects	-	-	-	-	-	49,084
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	30,910
Federal Asset Forfeiture- Police	-	-	-	-	-	87,527
State Asset Forfeiture - Police	-	-	-	-	-	86,816
Health and Human Services	-	-	-	-	-	622,168
Lynchburg Expressway beautification	164,196	-	-	-	-	164,196
HOME projects	-	26,247	-	-	-	26,247
Sandusky Middle School	-	-	-	-	79,653	79,653
Snap QSCB Interest	-	-	-	-	24,330	24,330
Committed to:						
Technology	-	-	-	-	-	2,770,095
Detention Home Workers Compensation	-	-	-	-	-	80,000
Health Insurance Reserve	-	-	-	-	-	636,127
Schools for Textbooks	-	-	-	-	-	1,059,392
Schools for Health Insurance Reserve	-	-	-	-	-	700,000
Schools for Future Expenditure Needs	-	-	-	-	-	75,908
Schools for Budget balancing	-	-	-	-	-	440,608
Other Post Employment Benefits	-	-	-	-	-	811,310
Juvenile Services Capital Projects	-	-	-	-	-	325,000
Juvenile Services Prevention	-	-	-	-	-	25,000
Solid Waste Debt Retirement	-	-	-	-	-	1,910,014
Local Aid to the Commonwealth	-	-	-	-	-	314,108
Debt Service	-	-	-	-	-	1,071,781
Future Post Closure expenses	-	-	-	-	-	604,284
Self Insurance	-	-	-	-	-	2,492,018
Point of Honor	-	-	-	-	-	15,221
Tech Rescue	-	-	-	-	-	28,448
Parking Management	-	-	-	-	-	108,299
Cultural and Recreational	-	-	-	-	-	6,079
General Government	-	-	-	-	-	86,865
Health and Welfare	-	-	-	-	-	50,640
Judicial	-	-	-	-	-	5,907
Public Safety	-	-	-	-	-	55,826
Public Works	-	-	-	-	-	34,832
Sale of downtown GEFA building	-	-	-	-	-	116,388
Building projects	-	-	-	-	-	3,393,886
Transportation projects	-	-	-	-	-	7,901,652
Economic Development projects	-	-	-	-	-	2,279,407
Public Safety projects	-	-	-	-	-	61,984
Parks and Recreation projects	-	-	-	-	-	1,900,020
Waste Management projects	-	-	-	-	-	250,000
Provision of loan funds for small businesses	-	-	-	-	-	125,384
Baseball Stadium	-	-	-	283,272	-	283,272
Heritage High School	-	-	-	-	851,764	851,764
HVAC repairs and maintenance	-	-	-	-	450,000	450,000
Roof replacement	-	-	-	-	147,515	147,515
Paving	-	-	-	-	254,337	254,337
Security System upgrade	-	-	-	-	92,747	92,747
Future projects	-	-	-	-	288,587	288,587
Assigned to:						
Return of School Fund Balance	-	-	-	-	-	3,399,432
Law Library	-	-	-	-	-	69,969
Museum	-	-	-	-	-	47,374
Recreation Programs	-	-	-	-	-	177,300
Public Works Funds	-	-	-	-	-	39,925
Pier Program	-	-	-	-	-	17,150
Dental Claims Reserve	-	-	-	-	-	150,000
Community Development	-	-	-	-	-	56,500
Cultural and Recreational	-	-	-	-	-	8,432
General Government	-	-	-	-	-	24,457
Judicial	-	-	-	-	-	22,265
Public Safety	-	-	-	-	-	11,809
Public Works	-	-	-	-	-	52,617
Governors Opportunity Grant Interest	-	-	-	-	-	21,599
Major Maintenance and Equipment replacement	-	-	100,000	-	-	100,000
Unassigned:	-	-	-	-	-	28,676,087
Total Fund Balance	$ 164,196	$ 26,247	$ 100,000	$ 283,272	$ 2,188,933	$ 89,187,895

Note 11. Employee Benefit Plans

Defined Benefit Pension Plan:

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"). In addition, professional and non-professional employees of the Schools are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agency multiple-employer retirement system.

For the City, VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2. Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. For both Plan 1 and Plan 2, all full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs). This benefit is payable monthly for life in an amount equal to 1.7 percent of their average final compensation ("AFC") for each year of credited service for eligible employees, and 1.85 percent for sheriffs and other employees deemed by the employer to be in a hazardous duty positions. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to their unreduced Social Security eligibility age. The VRS also provides death and disability benefits. All School employees would be considered Plan 1 employees as the School's have opted to continue funding the 5% employee contribution.

Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded at their website, www.varetire.org/publications, or obtained by writing the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy: Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. For City Plan 1 employees, and for all School employees, the employer has assumed this 5% member contribution. For City Plan 2 employees, the 5% member contribution is deducted from employee pay. In addition, the City and the Schools are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code* and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2011 was 23.14% of annual covered payroll. The Schools' contribution rates for the fiscal year ended 2011 were 8.93% for professional employees and 12.28% for non-professional employees. Both the City's and the School's contribution rates include the employee's share of 5.00% paid by the employer for Plan 1 employees.

Annual Pension Cost: For 2011, the City's and Schools' annual pension costs of $11,032,304 and $4,769,117, respectively, were equal to their required and actual contributions. The required contributions were determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.00% investment rate of return; (b) projected salary increases ranging from 3.50% to 5.60% per year (depending on the employee's service and classification (general employee or uniformed officer)), and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City's and Schools' assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and Schools' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis within a period of 20 years.

***Note 11. Employee Benefit Plans* (Continued)**

Defined Benefit Pension Plan: (Continued)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Trend Information for the City of Lynchburg			
June 30, 2011	$ 11,032,304	100%	None
June 30, 2010	$ 10,099,477	100%	None
June 30, 2009	$ 10,340,018	100%	None
Trend Information for the Lynchburg City Schools			
June 30, 2011	$ 4,769,117	100%	None
June 30, 2010	$ 5,647,174	100%	None
June 30, 2009	$ 7,485,086	100%	None

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date for the City, the plan was 63.71% funded. The actuarial accrued liability for benefits was $311,470,329 and the actuarial value of assets was $198,428,147, resulting in an unfunded actuarial accrued liability (UAAL) of $113,042,182. The covered payroll (annual payroll of active employees covered by the plan) was $47,220,511, and the ratio of the UAAL to the covered payroll was 239.39%.

As of June 30, 2010, the most recent actuarial valuation date for the Schools, the plan was 81.61% funded. The actuarial accrued liability for benefits was $13,462,847 and the actuarial value of assets was $10,987,262 resulting in an unfunded actuarial accrued liability (UAAL) of $2,475,585. The covered payroll (annual payroll of active employees covered by the plan) was $3,590,809, and the ratio of the UAAL to the covered payroll was 68.94%.

The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 12. Other Post Employment Benefits

The Governmental Accounting Standards Board ("GASB") has issued its Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The Statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities in the financial statements. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The City and the Schools prospectively adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

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 at June 30, 2011 was as follows:

Actives	1,135
Retirees	476
Spouses	153
Total Participants	1,764

Funding Policy
The City currently funds postemployment health care benefits on a pay-as-you-go basis. During FY 2011, the City added $20,829 of interest to the funds designated for the OPEB liability. Total funds designated for OPEB at June 30, 2011 including interest are $811,310. 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, 2011, the City's annual OPEB cost (expense) was $4,084,022. The payment of current retiree claims net of retiree contributions towards premiums, which totaled $2,297,458 for retirees, resulted in a Net OPEB obligation of $5,837,689 for the year ended June 30, 2011.

Note 12. Other Post-Employment Benefits (Continued)

City of Lynchburg (Continued)

Annual required contribution	$ 4,080,773
Interest on net OPEB obligation	263,206
Adjustment to annual required contribution	(259,957)
Annual OPEB cost	4,084,022
Contributions made	(2,297,458)
Increase in net OPEB obligation	1,786,564
Net OPEB obligation-beginning of year	4,051,125
Net OPEB obligation-end of year	$ $5,837,689

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2009, FY 2010 and FY 2011 are as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2009	$3,893,000	83.8%	$2,560,468
06/30/2010	$3,894,134	61.7%	$4,051,125
06/30/2011	$4,084,022	56.3%	$5,837,689

Funded Status and Funding Progress
The funded status of the plan as of June 30, 2010 was as follows:

Actuarial Accrued Liability (AAL)	$58,445,937
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	58,445,937
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	47,102,629
UAAL as a Percentage of Covered Payroll	124.08%

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.

Note 12. Other Post-Employment Benefits (Continued)

City of Lynchburg (Continued)

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used to develop the AAL and the Normal Cost. Under this method, the post-retirement 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 6.75% discount 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 5.5%. 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, 2011 is 26 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 who 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 10 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 employer-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.

Membership
The number of participants at June 30, 2011 was as follows:

Active participants	1,131
Inactive participants	130
Total	1,261

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

Note 12. Other Post Employment Benefits (Continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation
For the fiscal year ended June 30, 2011, the School's annual OPEB cost (expense) was $721,777. The payment of current retiree claims net of retiree contributions towards premiums, which totaled $237,680 for retirees, resulted in a Net OPEB obligation of $1,653,147 for the year ended June 30, 2011.

Annual required contribution	$ 739,442
Interest on net OPEB obligation	45,282
Adjustment to annual required contribution	(62,947)
Annual OPEB cost	721,777
Contributions made	(237,680)
Increase in net OPEB obligation	484,097
Net OPEB obligation-beginning of year	1,169,050
Net OPEB obligation-end of year	$ 1,653,147

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2009, FY 2010 and FY 2011 are as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2009	$689,177	37.6%	$ 952,087
06/30/2010	$767,781	71.7%	$1,169,050
06/30/2011	$721,777	32.9%	$1,653,147

Funded Status and Funding Progress
The funded status of the plan as of June 30, 2010 was as follows:

Actuarial Accrued Liability (AAL)	$8,540,002
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	8,540,002
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	52,698,154
UAAL as a Percentage of Covered Payroll	16.21%

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.

Note 12. Other Post Employment Benefits (Continued)

Lynchburg City Schools (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 June 30, 2011 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. The fresh start method of amortization for the unfunded actuarial accrued liability was used for each year.

Note 13. 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:

	Operating Leases	
Year Ending June 30	Primary Government	Component Unit – Schools
2012	$ 332,021	$ 390,702
2013	83,431	330,639
2014	68,199	232,803
2015	52,967	135,260
2016	52,476	74,271
2017-2022	267,750	-
	$ 856,844	$ 1,163,675

For 2011, the City incurred rental expenditures of $360,102 in the General Fund, $30,464 in the Special Revenue Funds, and $15,371 in the Enterprise Funds. For 2011, the Schools incurred rental expenditures of $560,805.

Note 14. 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 assets. Total claims paid for the year ended June 30 amounted to $522,138.

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 $377 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 $498,333. 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 $250,000 per covered individual per contract year. For the year ended June 30, total claims expense of $6,747,958 was incurred. There were claims totaling $22,000 above the per individual limit that will be covered by the stop loss policy. Administrative fees and stop loss premiums for the year ended June 30 totaled $877,719. Estimated incurred, but not reported, claims at June 30 based on invoices received totaled $900,000 and have been funded by the City.

Changes in aggregate liabilities were as follows:

		Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Workers' Compensation	2011	$ 2,043,228	$ 815,854	$ 522,138	$ 2,336,944
	2010	985,976	1,808,948	751,696	2,043,228
General/Automotive Liability	2011	$ -	$ 387,490	$ 387,490	$ -
	2010	-	201,021	201,021	-
Healthcare	2011	$ 800,000	$ 6,847,958	$ 6,747,958	$ 900,000
	2010	900,000	7,517,659	7,617,659	800,000

Note 14. Risk Management (Continued)

General/Automobile Liability and Healthcare are considered current liabilities and are included in accounts payable and accrued liabilities in the Statement of Net Assets. 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 is 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 carries 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 $250,000 per covered individual per contract year. For the year ended June 30, total claims expense of $10,530,124, which did not exceed the stop loss provisions, was incurred. Administrative fees and stop loss premiums for the year ended June 30 totaled $753,519. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled $588,573.

Changes in aggregate liabilities were as follows:

		Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Healthcare	2011	$ 849,805	$ 10,268,892	$ 10,530,124	$ 588,573
	2010	$ 947,620	$ 8,997,374	$ 9,095,189	$ 849,805

Note 15. 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)	$ 91,967,487
Principal and other debt service expenses included in City	7,081,148
Total expenses/expenditures for School activities	$ 99,048,635

Note 16. Commitments and Contingencies

Combined Sewer Overflow:

In 2000, the City completed an update of the Combined Sewer Overflow ("CSO") program developed in 1989. The purpose was to reevaluate the conclusions and recommendations of the original program, prioritize remaining work, and provide a current cost estimate for this work. After detailed evaluation of a wide variety of control alternatives, the update concluded that sewer separation remained the most cost-effective CSO control option. Total cost to complete the program was estimated to be $276,000,000 in 1999 dollars. Updated estimates, as of June 30, 2011, indicate that the total remaining cost of CSO control work, including related work such as sewer replacement/rehabilitation, waterline replacement and street paving will total approximately $301,000,000 in 2011 dollars. The City is currently in the process of completing a new update of the CSO Program Long Term Control Plan (LTCP), which should be completed in early 2012. The purpose of this update is to re-evaluate the past plan of complete separation in light of new stormwater regulations being mandated by federal and state agencies.

In 1994, and with subsequent permit renewals, the Virginia Department of Environmental Quality ("VDEQ") issued a sewage discharge permit and Special Order of Consent containing the terms and conditions that will govern implementation of the City's CSO program. The permit requires the City to implement the 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.

The Special Order does not contain a strict compliance schedule for implementing the CSO control plan, but rather provides for implementation based on criteria reflecting the limits of the City's financial capability. The Special Order requires the City to meet several specific criteria such as: maintaining a sewer operating fund debt coverage ratio within a range of 1.1 to 1.5; ensure sewer fund reserves equal no more than 25 percent of the subsequent years' budgeted operating expenditures; and to maintain an average residential, yearly sewer bill equal to 1.25% of the median household income based on 7 hcf (hundred cubic feet) of use per month. The City is currently implementing the CSO control plan in accordance with the requirements of its permit and consent order. Further, the City is required by the Special Order to submit an annual report by December 1 of each year, including independent rate consultant reports to VDEQ on its compliance with the order and its progress with CSO control plan implementation. The current CSO Annual Report can be found at www.Lynchburgva.gov/cso under the "status" link.

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, 2011.

Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2011, the arbitrage rebate liability estimate was zero.

Note 16. Commitments and Contingencies (Continued)

Encumbrance Commitments:

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

MAJOR FUNDS	
General Fund	$ 470,976
City Capital Projects Fund	4,602,536
Total Major Funds	**$ 5,073,512**
NONMAJOR FUNDS	
City Federal State Aid	$ 181,702
Forfeited Assets	35,141
Lynchburg Expressway Appearance	4,672
Detention Home	3,373
Regional Radio	32,613
Baseball Stadium	963
School Capital Projects	100,177
Total Nonmajor Funds	**$ 358,641**
TOTAL ENCUMBRANCES	**$5,432,153**

Construction Commitments:

Included in the encumbrances above are construction commitments of $4,602,536 in the City Capital Projects fund and $100,177 in the School Capital Projects fund. The City also had construction commitments of $1,180,189 in the Water fund; $24,496,848 in the Sewer fund and $5,249 in the Airport fund as of June 30, 2011.

Note 17. Subsequent Events

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. Subsequent to year-end Bluffwalk did not make the August payment in the amount of $243,085. This is the fifth payment that Bluffwalk failed to make. The City fulfilled it's obligation to HUD by making the required payment using funds from the Community Development Block Grant (CDBG). The City expects to recover the funds for all five payments from Bluffwalk. During FY 2010, Bluffwalk entered into a payment arrangement with the City to repay, with interest, the funds the City has advanced to cover the missed payments.

Note 18. New Accounting Standards

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

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* was issued address issues related to the use of the alternative measurement method, and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The statement amends GASB No. 45, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. This statement will be effective for the year ending June 30, 2012.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* was issued to address service concession arrangements, which are a type of public-private or public-public partnership. The statement defines a service concession arrangement in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this statement establish recognition, measurement, and disclosure requirements for these types of arrangements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present to be included as a component unit. The statement also amends the criteria for reporting of blended component units. For component units that are blended based on the "substantively the same governing body" criterion, it additionally requires that a financial benefit or financial burden relationship exist or management of the primary government have operational responsibility for the activities of the component unit. The statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was issued to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB pronouncements issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position* is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53* was issued to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit provider. The statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The statement will be effective for the year ending June 30, 2012.

Management has not yet evaluated the effects, if any, of adopting these standards.

Note 19. Restatement of Fund Balances and Net Assets

The following is a summary of the restatements of fund balances/net assets effective June 30, 2011:

	Primary Government			
	General Fund	City Capital Projects Fund	Other Governmental Funds	Governmental Activities
Fund Balance/Net Assets June 30, 2010 as previously stated	$45,744,396	$38,152,712	$ 7,808,487	$246,481,676
Restatement to:				
Prior to the implementation of GASB 54, the City's special revenue funds included the Technology fund. 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.	2,412,450	-	(2,412,450)	-
Establish liability for amounts due to Region 2000 Services Authority ($1,057,203) and Campbell County ($219,340) as a result of an incorrect airspace calculation in the original sale of the City's landfill.	(1,276,543)	-	-	(1,276,543)
Establish liability for federal funds that will need to be paid back to VDOT for ineligible Midtown Expenditures	-	(784,669)	-	(784,669)
Net change in fund balance/net assets	1,135,907	(784,669)	(2,412,450)	(2,061,212)
Fund balance/Net assets June 30, 2011 as restated	$46,880,303	$37,368,043	$ 5,396,037	$244,420,464

The beginning fund balance of $44,467,853 on the non-GAAP General Fund Statement of Revenues, Expenditures and Changes in Fund Balances- Budget to Actual (Exhibit 7) does not include the $2,412,450 Technology fund restatement.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information **Exhibit 12**
Schedule of Funding Progress for Defined Benefit Pension Plan
As of June 30, 2011

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Lynchburg							
	June 30, 2008	$ 201,552,096	$ 270,546,947	$ 68,994,850	74.50%	$ 49,236,962	140.13%
	June 30, 2009	$ 202,019,421	$ 287,328,940	$ 85,309,520	70.31%	$ 50,210,090	169.91%
	June 30, 2010	$ 198,428,147	$ 311,470,329	$ 113,042,182	63.71%	$ 47,220,511	239.39%
Lynchburg City Schools Non-professional Employees							
	June 30, 2008	$ 10,950,127	$ 11,705,572	$ 755,445	93.55%	$ 3,907,886	19.33%
	June 30, 2009	$ 11,098,240	$ 12,575,079	$ 1,476,839	88.26%	$ 4,117,768	35.87%
	June 30, 2010	$ 10,987,262	$ 13,462,847	$ 2,475,585	81.61%	$ 3,590,809	68.94%

Required Supplemental Information **Exhibit 13**
Schedule of Funding Progress for Other Post Employment Benefits
As of June 30, 2011

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Lynchburg							
	July 1, 2006	$ -	$ 56,995,144	$ 56,995,144	0.00%	$ 22,586,532	252.34%
	June 30, 2008	$ -	$ 50,541,000	$ 50,541,000	0.00%	$ 50,839,048	99.41%
	June 30, 2010	$ -	$ 58,445,937	$ 58,445,937	0.00%	$ 47,102,629	124.08%
Lynchburg City Schools							
	June 30, 2009	$ -	$ 7,371,878	$ 7,371,875	0.00%	$ 43,014,930	17.14%
	June 30, 2010	$ -	$ 7,457,224	$ 7,457,224	0.00%	$ 50,221,239	14.85%
	June 30, 2011	$ -	$ 8,540,002	$ 8,540,002	0.00%	$ 52,698,154	16.21%

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OTHER SUPPLEMENTAL INFORMATION

Nonmajor Governmental Funds:

Nonmajor governmental funds consist of special revenue and capital projects 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 Projects 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 assistance.
- Detention Home 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 for drug related activities.
- 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.
- Technology Fund – Accounts for revenues received to support the acquisition of computer equipment and maintaining network equipment, servers, and the A/S 400.
- Baseball Stadium Fund – Accounts for revenues received from baseball activities at the Lynchburg City Stadium.

Capital Projects Funds account for all resources used for the acquisition or construction of capital facilities except those financed by Enterprise Funds and federal and state grants. The Fund in this category includes:

- School Capital Projects Fund – Accounts for budgeted capital projects approved by the Lynchburg City Schools related to educational activities.

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT A-1**

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Total Nonmajor Special Revenue	Total Nonmajor Capital Projects	Total Nonmajor Governmental
Assets			
Cash and cash equivalents	$ 1,089,216	$ 924,058	$ 2,013,274
Investments	1,499,835	1,298,832	2,798,667
Receivables, net of allowance:			
Other	608,758	-	608,758
Due from other funds	147,912	-	147,912
Due from other governments	1,729,295	-	1,729,295
Due from component unit	125,000	-	125,000
Other assets	213	-	213
Restricted assets:			
Cash and cash equivalents	735,091	145,412	880,503
Total assets	$ 5,935,320	$ 2,368,302	$ 8,303,622
Liabilities and fund balances			
Liabilities:			
Accounts payable	$ 695,641	$ 179,369	$ 875,010
Accrued liabilities	91,567	-	91,567
Due to other funds	1,256,524	-	1,256,524
Deferred revenue	514,411	-	514,411
Total liabilities	2,558,143	179,369	2,737,512
Fund balances:			
Restricted	3,386,410	103,983	3,490,393
Committed	408,656	2,084,950	2,493,606
Assigned	121,599	-	121,599
Unassigned	(539,488)	-	(539,488)
Total fund balances	3,377,177	2,188,933	5,566,110
Total liabilities and fund balances	$ 5,935,320	$ 2,368,302	$ 8,303,622

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Total Nonmajor Special Revenue	Total Nonmajor Capital Projects	Total Nonmajor Governmental
Revenues			
Taxes	$ 34,803	$ -	$ 34,803
Intergovernmental	9,413,433	-	9,413,433
Revenue from use of money and property	1,030,417	2,857	1,033,274
Charges for services	4,070,795	-	4,070,795
Miscellaneous	882,430	12,592	895,022
Total revenues	15,431,878	15,449	15,447,327
Expenditures			
Current operating expenditures:			
General government	3,090	-	3,090
Judicial	1,137,414	-	1,137,414
Public safety	4,715,123	-	4,715,123
Public works	155,935	-	155,935
Health and human services	5,278,687	-	5,278,687
Cultural and recreational	1,716,474	-	1,716,474
Community development	1,618,832	-	1,618,832
Education	-	32,528	32,528
Capital outlay:			
Capital general government	11,408	2,122,798	2,134,206
Debt Service:			
Principal retirements	517,502	-	517,502
Interest payments and other fiscal charges	291,154	-	291,154
Issuance costs	7,453	-	7,453
Total expenditures	15,453,072	2,155,326	17,608,398
Deficiency of revenues over expenditures	(21,194)	(2,139,877)	(2,161,071)
Other financing sources (uses)			
Issuance of refunding bonds	1,986,005	-	1,986,005
Payments to escrow agent	(1,978,552)	-	(1,978,552)
Transfers in	450,566	2,141,733	2,592,299
Transfers out	(268,608)	-	(268,608)
Total other financing sources (uses)	189,411	2,141,733	2,331,144
Net changes in fund balances	168,217	1,856	170,073
Fund balances - beginning, as restated	3,208,960	2,187,077	5,396,037
Fund balances - ending	$ 3,377,177	$ 2,188,933	$ 5,566,110

CITY OF LYNCHBURG, VIRGINIA

EXHIBIT B-1
PAGE 1

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act
Assets					
Cash and cash equivalents	$ 25,915	$ 28,450	$ 171	$ 205,573	$ 416,383
Investments	1,499,835	-	-	-	-
Receivables, net of allowance:					
Other	379,724	40,520	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	824,597	28,616	-	-	546,126
Due from component unit	-	-	125,000	-	-
Other assets	-	-	213	-	-
Restricted assets:					
Cash and cash equivalents	735,091	-	-	-	-
Total assets	$ 3,465,162	$ 97,586	$ 125,384	$ 205,573	$ 962,509
Liabilities and fund balance					
Liabilities:					
Accounts payable	$ 254,509	$ 29,704	$ -	$ 320	$ 338,997
Accrued liabilities	39,781	2,344	-	-	1,344
Due to other funds	989,625	-	-	-	-
Deferred revenue	379,674	16,454	-	-	-
Total liabilities	1,663,589	48,502	-	320	340,341
Fund balances :					
Restricted	2,319,462	49,084	-	205,253	622,168
Committed	-	-	125,384	-	-
Assigned	21,599	-	-	-	-
Unassigned	(539,488)	-	-	-	-
Total fund balances	1,801,573	49,084	125,384	205,253	622,168
Total liabilities and fund balances	$ 3,465,162	$ 97,586	$ 125,384	$ 205,573	$ 962,509

CITY OF LYNCHBURG, VIRGINIA

EXHIBIT B-1
PAGE 2

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

	Lynchburg Expressway Appearance	Home Investment Trust	Detention Home	Baseball Stadium	Total Nonmajor Special Revenue
Assets					
Cash and cash equivalents	$ 164,196	$ 26,347	$ 501	$ 221,680	$ 1,089,216
Investments	-	-	-	-	1,499,835
Receivables, net of allowance:					
Other	118,283	-	-	70,231	608,758
Due from other funds	-	-	147,912	-	147,912
Due from other governments	-	45,273	284,683	-	1,729,295
Due from component unit	-	-	-	-	125,000
Other assets	-	-	-	-	213
Restricted assets:					
Cash and cash equivalents	-	-	-	-	735,091
Total assets	$ 282,479	$ 71,620	$ 433,096	$ 291,911	$ 5,935,320
Liabilities and fund balance					
Liabilities:					
Accounts payable	$ -	$ 45,373	$ 18,099	$ 8,639	$ 695,641
Accrued liabilities	-	-	48,098	-	91,567
Due to other funds	-	-	266,899	-	1,256,524
Deferred revenue	118,283	-	-	-	514,411
Total liabilities	118,283	45,373	333,096	8,639	2,558,143
Fund balances :					
Restricted	164,196	26,247	-	-	3,386,410
Committed	-	-	-	283,272	408,656
Assigned	-	-	100,000	-	121,599
Unassigned	-	-	-	-	(539,488)
Total fund balances	164,196	26,247	100,000	283,272	3,377,177
Total liabilities and fund balances	$ 282,479	$ 71,620	$ 433,096	$ 291,911	$ 5,935,320

CITY OF LYNCHBURG, VIRGINIA

EXHIBIT B-2
PAGE 1

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act
Revenues					
Taxes	$ -	$ -	$ -	$ -	$ -
Intergovernmental	4,136,028	821,986	-	65,542	2,522,446
Revenue from use of money and property	13,503	-	31,354	349	-
Charges for services	515,826	5,364	-	-	1,546,132
Miscellaneous	442,373	-	-	-	89,526
Total revenues	5,107,730	827,350	31,354	65,891	4,158,104
Expenditures					
Current operating expenditures:					
General government	-	-	-	-	-
Judicial	1,095,827	-	-	41,587	-
Public safety	2,019,906	-	-	84,453	-
Public works	138,622	-	-	-	-
Health and human services	1,562,164	-	-	-	3,716,523
Cultural and recreational	1,066	-	-	-	-
Community development	-	850,028	31,354	-	-
Capital Outlay:					
Capital general government	11,408	-	-	-	-
Debt service:					
Principal retirements	180,000	-	-	-	-
Interest payments and other fiscal charges	130,283	-	-	-	-
Issuance costs	-	-	-	-	-
Total expenditures	5,139,276	850,028	31,354	126,040	3,716,523
Excess (deficiency) of revenues over expenditures	(31,546)	(22,678)	-	(60,149)	441,581
Other financing sources (uses)					
Issuance of refunding bonds	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-
Transfers in	132,436	-	-	-	-
Transfers out	(238,108)	-	-	-	-
Total other financing sources (uses)	(105,672)	-	-	-	-
Net changes in fund balances	(137,218)	(22,678)	-	(60,149)	441,581
Fund balances - beginning	1,938,791	71,762	125,384	265,402	180,587
Fund balances - ending	$ 1,801,573	$ 49,084	$ 125,384	$ 205,253	$ 622,168

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT B-2**

PAGE 2

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	Lynchburg Expressway Appearance	Home Investment Trust	Detention Home	Baseball Stadium	Total Nonmajor Special Revenue
Revenues					
Taxes	$ -	$ -	$ -	$ 34,803	$ 34,803
Intergovernmental	-	727,834	1,139,597	-	9,413,433
Revenue from use of money and property	-	-	-	985,211	1,030,417
Charges for services	-	-	1,744,707	258,766	4,070,795
Miscellaneous	56,350	-	274	293,907	882,430
Total revenues	56,350	727,834	2,884,578	1,572,687	15,431,878
Expenditures					
Current operating expenditures:					
General government	-	-	3,090	-	3,090
Judicial	-	-	-	-	1,137,414
Public safety	-	-	2,610,764	-	4,715,123
Public works	17,313	-	-	-	155,935
Health and human services	-	-	-	-	5,278,687
Cultural and recreational	-	-	-	1,715,408	1,716,474
Community development	-	737,450	-	-	1,618,832
Capital Outlay:					
Capital general government	-	-	-	-	11,408
Debt service:					
Principal retirements	-	-	234,424	103,078	517,502
Interest payments and other fiscal charges	-	-	59,084	101,787	291,154
Issuance costs	-	-	-	7,453	7,453
Total expenditures	17,313	737,450	2,907,362	1,927,726	15,453,072
Excess (deficiency) of revenues over expenditures	39,037	(9,616)	(22,784)	(355,039)	(21,194)
Other financing sources (uses)					
Issuance of refunding bonds	-	-	-	1,986,005	1,986,005
Payments to escrow agent	-	-	-	(1,978,552)	(1,978,552)
Transfers in	-	-	-	318,130	450,566
Transfers out	-	-	-	(30,500)	(268,608)
Total other financing sources (uses)	-	-	-	295,083	189,411
Net changes in fund balances	39,037	(9,616)	(22,784)	(59,956)	168,217
Fund balances - beginning	125,159	35,863	122,784	343,228	3,208,960
Fund balances - ending	$ 164,196	$ 26,247	$ 100,000	$ 283,272	$ 3,377,177

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City/Federal/State Aid Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 2,279,851	$ 5,647,500	$ 4,136,028	$ (1,511,472)
Revenue from use of money and property	-	-	13,503	13,503
Charges for services	-	20,000	515,826	495,826
Miscellaneous	22,570	141,189	442,373	301,184
Total revenues	2,302,421	5,808,689	5,107,730	(700,959)
Expenditures				
Current operating expenditures:				
Judicial	939,033	1,345,771	1,095,827	249,944
Public safety	215,000	2,173,168	2,019,906	153,262
Public works	11,162	463,199	138,622	324,577
Health and human services	1,164,296	1,861,075	1,562,164	298,911
Cultural and recreational	-	1,067	1,066	1
Community development	-	1,374,798	-	1,374,798
Capital outlay:				
Capital general government	-	471,392	11,408	459,984
Debt service:				
Principal retirements	-	-	180,000	(180,000)
Interest payments and other fiscal charges	-	-	130,283	(130,283)
Total expenditures	2,329,491	7,690,470	5,139,276	2,551,194
Deficiency of revenues over expenditures	(27,070)	(1,881,781)	(31,546)	1,850,235
Other financing sources (uses)				
Transfers in	27,070	133,758	132,436	(1,322)
Transfers out	-	(238,108)	(238,108)	-
Total other financing sources (uses)	27,070	(104,350)	(105,672)	(1,322)
Net changes in fund balances	-	(1,986,131)	(137,218)	1,848,913
Fund balances - beginning	1,938,791	1,938,791	1,938,791	-
Fund balances (deficits) - ending	$ 1,938,791	$ (47,340)	$ 1,801,573	$ 1,848,913

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 1,037,745	$ 1,938,699	$ 821,986	$ (1,116,713)
Charges for services	2,030	2,030	5,364	3,334
Total revenues	1,039,775	1,940,729	827,350	(1,113,379)
Expenditures				
Current operating expenditures:				
Community development	1,039,775	1,733,373	850,028	883,345
Total expenditures	1,039,775	1,733,373	850,028	883,345
Net changes in fund balances	-	207,356	(22,678)	(230,034)
Fund balances - beginning	71,762	71,762	71,762	-
Fund balances - ending	$ 71,762	$ 279,118	$ 49,084	$ (230,034)

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT B-5**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Forfeited Assets Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ -	$ -	$ 65,542	$ 65,542
Revenue from use of money and property	-	-	349	349
Total revenues	-	-	65,891	65,891
Expenditures				
Current operating expenditures:				
Judicial	34,652	43,652	41,587	2,065
Public safety	-	210,768	84,453	126,315
Total expenditures	34,652	254,420	126,040	128,380
Net changes in fund balances	(34,652)	(254,420)	(60,149)	194,271
Fund balances - beginning	265,402	265,402	265,402	-
Fund balances- ending	$ 230,750	$ 10,982	$ 205,253	$ 194,271

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Comprehensive Services Act Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 3,417,468	$ 3,722,025	$ 2,522,446	$ (1,199,579)
Charges for services	1,546,132	1,668,827	1,546,132	(122,695)
Miscellaneous	110,000	127,470	89,526	(37,944)
Total revenues	5,073,600	5,518,322	4,158,104	(1,360,218)
Expenditures				
Current operating expenditures:				
Health and human services	5,073,600	5,599,391	3,716,523	1,882,868
Total expenditures	5,073,600	5,599,391	3,716,523	1,882,868
Net changes in fund balances	-	(81,069)	441,581	522,650
Fund balances - beginning	180,587	180,587	180,587	-
Fund balances - ending	$ 180,587	$ 99,518	$ 622,168	$ 522,650

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Investment Trust Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 467,942	$ 1,539,006	$ 727,834	$ (811,172)
Total revenues	467,942	1,539,006	727,834	(811,172)
Expenditures				
Current operating expenditures:				
Community development	467,942	1,127,030	737,450	389,580
Total expenditures	467,942	1,127,030	737,450	389,580
Net changes in fund balances	-	411,976	(9,616)	(421,592)
Fund balances - beginning	35,863	35,863	35,863	-
Fund balances - ending	$ 35,863	$ 447,839	$ 26,247	$ (421,592)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Detention Home Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 1,140,340	$ 1,140,340	$ 1,139,597	$ (743)
Charges for services	1,799,662	1,799,662	1,744,707	(54,955)
Miscellaneous	-	-	274	274
Total revenues	2,940,002	2,940,002	2,884,578	(55,424)
Expenditures				
Current operating expenditures:				
General government	3,600	3,309	3,090	219
Public safety	2,642,894	2,651,748	2,610,764	40,984
Debt service:				
Principal retirements	234,424	234,424	234,424	-
Interest payments and other fiscal charges	59,084	59,084	59,084	-
Total expenditures	2,940,002	2,948,565	2,907,362	41,203
Net changes in fund balances	-	(8,563)	(22,784)	(14,221)
Fund balances - beginning	122,784	122,784	122,784	-
Fund balances - ending	$ 122,784	$ 114,221	$ 100,000	$ (14,221)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Baseball Stadium Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	$ 36,000	$ 36,000	$ 34,803	$ (1,197)
Revenue from use of money and property	1,001,000	1,001,000	985,211	(15,789)
Charges for services	305,000	305,000	258,766	(46,234)
Miscellaneous	358,000	358,000	293,907	(64,093)
Total revenues	1,700,000	1,700,000	1,572,687	(127,313)
Expenditures				
Current operating expenditures:				
Cultural and recreational	1,611,678	1,614,364	1,715,408	(101,044)
Debt service:				
Principal retirements	103,078	103,078	103,078	-
Interest payments and other fiscal charges	106,674	106,674	101,787	4,887
Issuance costs	-	7,453	7,453	-
Total expenditures	1,821,430	1,831,569	1,927,726	(96,157)
Deficiency of revenues over expenditures	(121,430)	(131,569)	(355,039)	(223,470)
Other financing sources (uses)				
Issuance of refunding bonds	-	1,986,005	1,986,005	-
Payments to escrow agent	-	(1,978,552)	(1,978,552)	-
Transfers in	318,130	318,130	318,130	-
Transfers out	-	-	(30,500)	(30,500)
Total other financing sources (uses)	318,130	325,583	295,083	(30,500)
Net changes in fund balances	196,700	194,014	(59,956)	(253,970)
Fund balances - beginning	343,228	343,228	343,228	-
Fund balances - ending	$ 539,928	$ 537,242	$ 283,272	$ (253,970)

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT C-1**

Balance Sheet
School Capital Projects
June 30, 2011

		School Capital Projects
Assets		
Cash and cash equivalents	$	924,058
Investments		1,298,832
Restricted assets:		
Cash and cash equivalents		145,412
Total assets	$	2,368,302
Liabilities and fund balances		
Liabilities:		
Accounts payable	$	179,369
Total liabilities		179,369
Fund balances:		
Restricted		103,983
Committed		2,084,950
Total fund balance		2,188,933
Total liabilities and fund balances	$	2,368,302

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT C-2**

Statement of Revenues, Expenditures, and Changes in Fund Balances
School Capital Projects
For the Year Ended June 30, 2011

	School Capital Projects
Revenues	
Revenue from use of money and property	$ 2,857
Miscellaneous	12,592
Total revenues	15,449
Expenditures	
Current operating expenditures:	
Education	32,528
Capital outlay:	
Capital general government	2,122,798
Total expenditures	2,155,326
Deficiency of revenues over expenditures	(2,139,877)
Other financing sources	
Transfers in	2,141,733
Total other financing sources	2,141,733
Net changes in fund balances	1,856
Fund balance - beginning	2,187,077
Fund balance - ending	$ 2,188,933

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Capital Projects
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Revenue from use of money and property	$ -	$ -	$ 2,857	2,857
Miscellaneous	-	-	12,592	12,592
Total revenues	-	-	15,449	15,449
Expenditures				
Current operating expenditures:				
Education	291,733	375,654	32,528	343,126
Capital outlay:				
Capital general government	1,650,000	3,595,351	2,122,798	1,472,553
Total expenditures	1,941,733	3,971,005	2,155,326	1,815,679
Deficiency of revenues over expenditures	(1,941,733)	(3,971,005)	(2,139,877)	1,831,128
Other financing sources				
Transfers in	1,941,733	2,141,733	2,141,733	-
Total other financing sources	1,941,733	2,141,733	2,141,733	-
Net changes in fund balance	-	(1,829,272)	1,856	1,831,128
Fund balances - beginning	2,187,077	2,187,077	2,187,077	-
Fund balances - ending	$ 2,187,077	$ 357,805	$ 2,188,933	$ 1,831,128

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 1,889,768	$ 44,792,286	$ 4,050,648	$ (40,741,638)
Revenue from use of money and property	-	37,207	88,573	51,366
Miscellaneous	-	27,694	23,374	(4,320)
Total revenues	1,889,768	44,857,187	4,162,595	(40,694,592)
Expenditures				
Current operating expenditures:				
Public works	3,965,557	6,579,293	2,303,798	4,275,495
Community development	-	5,071	5,036	35
Capital outlay:				
Capital general government	5,628,170	49,411,703	9,691,773	39,719,930
Total expenditures	9,593,727	55,996,067	12,000,607	43,995,460
Deficiency of revenues over expenditures	(7,703,959)	(11,138,880)	(7,838,012)	3,300,868
Other financing sources (uses)				
Issuance of bonds	952,100	3,833,812	-	(3,833,812)
Transfers in	6,751,859	7,599,905	7,599,905	-
Transfers out	-	(508,718)	(508,718)	-
Total other financing sources (uses)	7,703,959	10,924,999	7,091,187	(3,833,812)
Net changes in fund balance	-	(213,881)	(746,825)	(532,944)
Fund balances - beginning, as restated	37,368,043	37,368,043	37,368,043	-
Fund balance - ending	$ 37,368,043	$ 37,154,162	$ 36,621,218	$ (532,944)

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

	Special Welfare	Central Virginia Regional Radio Board	Total Agency
Assets			
Cash and cash equivalents	$ 106,454	$ 484,859	$ 591,313
Total Assets	$ 106,454	$ 484,859	$ 591,313
Liabilities			
Due to other governments	$ -	$ 135,756	$ 135,756
Amounts held for others	106,454	349,103	455,557
Total Liabilities	$ 106,454	$ 484,859	$ 591,313

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Special Welfare				
Assets				
Cash and cash equivalents	$ 92,864	$ 173,642	$ 160,052	$ 106,454
Total Assets	$ 92,864	$ 173,642	$ 160,052	$ 106,454
Liabilities				
Accounts payable	$ -	$ 26,507	$ 26,507	$ -
Amounts held for others	92,864	228,303	214,713	106,454
Total Liabilities	$ 92,864	$ 254,810	$ 241,220	$ 106,454
Central Virginia Regional Radio Board				
Assets				
Cash and cash equivalents	$ 539,244	$ 1,562,186	$ 1,616,571	$ 484,859
Due from other governments	-	492,452	492,452	-
Total Assets	$ 539,244	$ 2,054,638	$ 2,109,023	$ 484,859
Liabilities				
Due to other governments	$ 135,756	$ -	$ -	$ 135,756
Amounts held for others	403,488	2,013,324	2,067,709	349,103
Total Liabilities	$ 539,244	$ 2,013,324	$ 2,067,709	$ 484,859
Total All Agency Funds				
Assets				
Cash and cash equivalents	$ 632,108	$ 1,735,828	$ 1,776,623	$ 591,313
Receivables, net of allowance due from other governments	-	492,452	492,452	-
Total Assets	$ 632,108	$ 2,228,280	$ 2,269,075	$ 591,313
Liabilities				
Accounts payable	$ -	$ 26,507	$ 26,507	$ -
Due to other governments	135,756	-	-	135,756
Amounts held for others	496,352	2,241,627	2,282,422	455,557
Total Liabilities	$ 632,108	$ 2,268,134	$ 2,308,929	$ 591,313

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT E-1**

Discretely Presented Component Unit - Lynchburg City Schools
Combining Balance Sheet
June 30, 2011

	School Operating	School Federal Aid	Governor's School	School Cafeteria	Total Governmental
Assets					
Cash and cash equivalents	$ 1,565,152	$ 50,250	$ 285,232	$ 1,487,814	$ 3,388,448
Investments	5,996,259	-	-	-	5,996,259
Cash and cash equivalents, restricted	249,323	-	-	-	249,323
Receivables, net	381,022	175	-	13,892	395,089
Due from other funds	3,446,682	-	-	4,742	3,451,424
Due from other governments	1,608,834	4,812,949	-	-	6,421,783
Prepaid expenses	66,832	-	100	-	66,932
Inventory	-	-	-	122,686	122,686
Total assets	$ 13,314,104	$ 4,863,374	$ 285,332	$ 1,629,134	$ 20,091,944
Liabilities and fund balances					
Liabilities:					
Accounts payable	$ 613,808	$ 32,069	$ 809	$ 1,842	$ 648,528
Due to other funds	4,742	3,417,391	-	29,291	3,451,424
Due to primary government- return of local funding	3,399,432	-	-	-	3,399,432
Deferred revenue	793,756	41,265	16,800	-	851,821
Accrued liabilities	8,237,427	1,329,408	42,963	148,577	9,758,375
Total liabilities	13,049,165	4,820,133	60,572	179,710	18,109,580
Fund balances:					
Nonspendable:					
Prepaid items	66,832	-	100	-	66,932
Inventory	-	-	-	122,686	122,686
Restricted for:					
Technology	249,323	-	-	-	249,323
Education	-	40,884	202,830	1,326,738	1,570,452
Committed for:					
Education	15,616	2,357	21,930	-	39,903
Unassigned:	(66,832)	-	(100)	-	(66,932)
Total fund balances	264,939	43,241	224,760	1,449,424	1,982,364
Total liabilities and fund balances	$ 13,314,104	$ 4,863,374	$ 285,332	$ 1,629,134	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,566,314
Receivables on the statement of net assets that do not provide current financial resources are reported as deferred revenue in the funds.	793,756
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,207,326)
Net assets of governmental activities	$ 2,135,108

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2011

	School Operating	School Federal Aid	Governor's School	School Cafeteria	Total Governmental
Revenues					
Intergovernmental:					
State and Federal	$ 41,642,021	$ 13,260,616	$ 327,463	$ 2,718,997	$ 57,949,097
City of Lynchburg	30,341,624	-	-	-	30,341,624
Revenue from use of money and property	527	-	-	432	959
Charges for services	1,504,368	-	565,664	664,659	2,734,691
Miscellaneous	804,264	53,559	10,000	30,587	898,410
Total revenues	74,292,804	13,314,175	903,127	3,414,675	91,924,781
Expenditures					
Education:					
Instruction	54,022,173	11,260,298	804,100	-	66,086,571
Administration, attendance and health	3,820,833	171,567	2,026	-	3,994,426
Pupil transportation services	3,786,131	59,405	-	-	3,845,536
Operations and maintenance	9,347,596	10,963	43,267	-	9,401,826
Food service and other	-	250,095	-	3,380,442	3,630,537
Facilities	48,403	900	-	-	49,303
Technology	2,037,654	449,691	-	-	2,487,345
Capital outlay	709,526	1,133,806	-	117,085	1,960,417
Debt service:					
Principal retirement	642,489	-	-	-	642,489
Interest payments	44,389	-	-	-	44,389
Total expenditures	74,459,194	13,336,725	849,393	3,497,527	92,142,839
Excess (deficiency) of revenues over expenditures	(166,390)	(22,550)	53,734	(82,852)	(218,058)
Other Financing Sources (Uses)					
Transfers in (out)	(23,726)	23,726	-	-	-
Net change in fund balances	(190,116)	1,176	53,734	(82,852)	(218,058)
Fund balance - beginning	455,055	42,065	171,026	1,532,276	
Fund balance - ending	$ 264,939	$ 43,241	$ 224,760	$ 1,449,424	

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 ($583,447) exceeded depreciation expense ($444,304).	139,143
Loss on the disposition of capital assets not reflected in the fund statements.	(73,967)
Compensated absences are not due and payable at June 30 and, therefore, are not reported in the fund statements.	(49,175)
Other-post retirement benefits are not due and payable at June 30, and therefore are not reported in the fund statements.	(484,097)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(24,547)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.	642,489
Change in net assets of governmental activities.	$ (68,212)

Discretely Presented Component Unit - Lynchburg City Schools
School Operating Fund
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental:				
State and Federal	$ 42,267,920	$ 42,267,920	$ 41,642,021	$ (625,899)
City of Lynchburg	31,975,730	33,743,661	33,741,056	(2,605)
Revenue from use of money and property	-	-	527	527
Charges for services	1,218,140	1,228,140	1,504,368	276,228
Miscellaneous	201,500	360,717	804,264	443,547
Total revenues	75,663,290	77,600,438	77,692,236	91,798
Expenditures				
Education:				
Instruction	55,114,384	56,000,634	54,022,173	1,978,461
Administration, attendance and health	4,229,933	4,238,433	3,820,833	417,600
Pupil transportation services	3,667,669	3,767,669	3,786,131	(18,462)
Operations and maintenance	9,554,790	9,554,790	9,347,596	207,194
Facilities	61,395	61,395	48,403	12,992
Technology	2,010,991	2,010,991	2,037,654	(26,663)
Contingency reserve	-	500,000	-	500,000
Capital outlay	337,282	955,655	709,526	246,129
Debt service	686,846	686,846	686,878	(32)
Total expenditures	75,663,290	77,776,413	74,459,194	3,317,219
Excess (deficiency) of revenues over expenditures	-	(175,975)	3,233,042	3,409,017
Other Financing Sources (Uses)				
Capital lease proceeds	-	175,975	-	(175,975)
Transfer out	-	-	(23,726)	(23,726)
Net change in fund balances	$ -	$ -	3,209,316	$ 3,209,316
Less return of funds to the City			(3,399,432)	
			$ (190,116)	

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT E-4**

Discretely Presented Component Unit - Lynchburg City Schools
Agency Fund
For the Year Ended June 30, 2011

	Agency Fund
Assets	
Investments	$ 97,378
Liabilities	
Amounts held for others	$ 97,378

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT F-1**

Combining Statement of Net Assets
Other Component Units
June 30, 2011

	Component Units		
	Business Development Centre, Inc.	**Greater Lynchburg Transit Company**	**Total**
Assets			
Current assets:			
Cash and cash equivalents	$ 276,029	$ 14,572	$ 290,601
Receivables (net of allowance for uncollectibles)	681,217	46,609	727,826
Due from primary government	-	506,496	506,496
Due from other governments	-	772,937	772,937
Prepaid and other assets	711	57,174	57,885
Inventory	-	218,794	218,794
Capital assets:			
Non-depreciable	-	1,431,868	1,431,868
Depreciable	5,912	15,901,441	15,907,353
Total assets	963,869	18,949,891	19,913,760
Liabilities			
Current liabilities:			
Bank overdraft	-	12,603	12,603
Accounts payable and other current liabilities	582,469	973,695	1,556,164
Line of credit	-	377,166	377,166
Due to primary government	125,000	-	125,000
Total current liabilities	707,469	1,363,464	2,070,933
Noncurrent liabilities:			
Other post employment benefits	-	35,000	35,000
Compensated absences	-	65,113	65,113
Total noncurrent liabilities	-	100,113	100,113
Total liabilities	707,469	1,463,577	2,171,046
Net assets			
Invested in capital assets, net of related debt	5,912	17,333,309	17,339,221
Net assets, unrestricted	250,488	153,005	403,493
Total net assets	$ 256,400	$ 17,486,314	$ 17,742,714

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Other Component Units
For the Year Ended June 30, 2011

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating revenues			
Charges for services and other operating revenues	$ 231,927	$ 1,163,197	$ 1,395,124
Total operating revenues	231,927	1,163,197	1,395,124
Operating expenses			
Operations	324,920	5,948,288	6,273,208
Administration	7,728	1,405,106	1,412,834
Maintenance and repairs	29,659	1,562,268	1,591,927
Total operating expenses	362,307	8,915,662	9,277,969
Operating loss	(130,380)	(7,752,465)	(7,882,845)
Nonoperating revenue			
Subsidy of operations- City of Lynchburg	-	1,764,600	1,764,600
Subsidy of operations- Counties	-	45,735	45,735
Subsidy of operations- Liberty University	-	1,370,074	1,370,074
Subsidy of operations- State aid for public transportatio	-	933,519	933,519
Subsidy of operations- Federal operating grant	-	1,823,492	1,823,492
Donations and grants	122,375	5,266	127,641
Miscellaneous revenue	-	20,870	20,870
Loss on sale of capital assets	-	(404,048)	(404,048)
Total nonoperating revenue	122,375	5,559,508	5,681,883
Capital contributions	-	8,079,931	8,079,931
Change in net assets	(8,005)	5,886,974	5,878,969
Total net assets - beginning	264,405	11,599,340	11,863,745
Total net assets - ending	$ 256,400	$ 17,486,314	$ 17,742,714

Combining Statement of Cash Flows
Other Component Units
For the Year Ended June 30, 2011

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating activities			
Cash received from operations	$ 400,061	$ 1,175,709	$ 1,575,770
Cash paid to employees	(227,407)	(3,231,777)	(3,459,184)
Cash paid to suppliers for goods and services	(215,808)	(3,839,242)	(4,055,050)
New loans disbursed	(144,114)	-	(144,114)
Net cash used in operating activities	(187,268)	(5,895,310)	(6,082,578)
Noncapital financing activities			
Net change in line of credit	-	163,796	163,796
Subsidies	-	5,581,632	5,581,632
Operating grants and contributions	118,375	-	118,375
Net cash provided from noncapital financing activities	118,375	5,745,428	5,863,803
Capital and related financing activities			
Capital contributions received	-	7,353,671	7,353,671
Additions to capital assets	-	(7,412,223)	(7,412,223)
Proceeds from sale of capital assets	-	84,096	84,096
Miscellaneous receipts	-	20,870	20,870
Net cash provided from capital and related financing activities	-	46,414	46,414
Net increase in cash and cash equivalents	(68,893)	(103,468)	(172,361)
Cash and cash equivalents			
Beginning of year	344,922	118,040	462,962
End of year	$ 276,029	$ 14,572	$ 290,601
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	$ (130,380)	$ (7,752,465)	$ (7,882,845)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	436	1,803,591	1,804,027
Decrease in receivables	50,388	12,512	62,900
Increase in prepaid expenses and other assets	(53)	(34,963)	(35,016)
Decrease in inventory	-	733	733
Decrease in bank over draft	-	(16,004)	(16,004)
Increase (decrease) in accounts payable and other current liabilities	(52,823)	72,932	20,109
Increase in compensated absences and other post employement benefits	-	18,354	18,354
Decrease in amounts due to primary government	(54,836)	-	(54,836)
Net cash used in operating activities	$ (187,268)	$ (5,895,310)	$ (6,082,578)
Supplemental cash flow information			
Non-cash transactions:			
In-kind donation of furniture	$ 4,000	$ -	$ 4,000
Capital assets additions financed by accounts payable	-	697,568	697,568

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SUPPLEMENTAL SCHEDULES

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
Primary Government		
Department of Agriculture		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Supplemental Nutrition Assistance Program	10.561	$ 1,044,231
Department of Health and Human Services		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Family Preservation and Support	93.556	31,061
TANF Block Grant	93.558	1,109,869
Refugee and Entrant Assistance State - Administered Programs	93.566	2,740
Low Income Energy Assistance	93.568	62,851
Child Care Assistance	93.575	353,369
Child Care Development Fund	93.596	560,010
Chafee Education and Training Vouchers Program (ETV)	93.599	12,628
Child Welfare Services	93.645	4,106
Foster Care - Title IV-E	93.658	1,022,880
Foster Care - Title IV-E - ARRA	93.658	45,329
Adoption Assistance	93.659	956,423
Adoption Assistance - ARRA	93.659	63,459
Social Services Block Grant	93.667	706,480
Independent Living	93.674	29,588
Child Care and Development Block Grant - ARRA	93.713	37,301
Children's Insurance Program	93.767	27,173
Medicaid Assistance	93.778	625,697
Department of Housing and Urban Development		
Direct Payments:		
Community Development Block Grant Program, Entitlement Grants	14.218	672,830
Community Development Block Grant Program, Entitlement Grants - ARRA	14.218	177,198
Shelter Plus Care	14.238	76,155
Home Investment Partnership Program	14.239	737,450
Department of Justice		
Direct Payments:		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	106,235
Bulletproof Vest Partnership	16.607	12,495
Passed through Commonwealth of Virginia:		
Department of Criminal Justice Services:		
Violence Against Women Act - ARRA	16.013	16,758
Juvenile Accountability Incentive Block Grant	16.523	12,477
Title V_Delinquency Prevention Program	16.548	7,000
Victim-Witness Services	16.575	177,169
Violence Against Women Formula Grant	16.588	66,026
Byrne Memorial Justice Assistance Grant	16.738	208,150
Byrne Discretionary Grant - ARRA	16.804	87,964
Department of Labor		
Passed through Commonwealth of Virginia:		
Employment and Training Administration:		
WIA Adult Program	17.258	167,122
WIA Youth Activities	17.259	329,556
WIA Dislocated Workers (prior to 7/1/10)	17.260	79,022
WIA Dislocated Workers (after 7/1/10)	17.278	251,854

(Continued)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011
(Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
ARRA Funding:		
WIA Adult Program	17.258	$ 45,128
WIA Youth Activities	17.259	56,598
WIA Dislocated Workers	17.260	221,266
Department of Homeland Security		
Direct Payments:		
Transportation Security Administration:		
Airport LEO Cooperative Agreement	97.090	125,971
Department of Energy		
Direct Payments:		
Energy Efficiency and Conservation Block Grant Program	81.128	125,713
Department of Transportation		
Direct Payments:		
Highway Planning and Construction	20.205	1,889,511
Passed through Commonwealth of Virginia:		
Department of Motor Vehicles:		
Alcohol Impaired Driving Grants	20.600	43,558
Selective Enforcement Grants	20.601	46,471
Environmental Protection Agency		
Passed through Commonwealth of Virginia:		
State and Tribal Assistance Grant	66.202	733,400
Virginia Resources Authority:		
Revolving Loan - ARRA	66.458	7,464,836
Federal Aviation Administration		
Direct Payments:		
Department of Aviation:		
Airport Improvement Program	20.106	1,245,727
Federal Emergency Management Agency		
Direct Payments:		
Department of Homeland Security:		
Assistance to Firefighters	97.044	74,327
Passed through Commonwealth of Virginia:		
Department of Emergency Services:		
Homeland Security	97.073	446,683
Component Unit - Lynchburg Schools		
Department of Agriculture		
Passed through Commonwealth of Virginia:		
Department of Education:		
National School Lunch Program	10.555	1,970,959
National School Breakfast Program	10.553	681,640
Fresh Fruit and Vegetables	10.582	64,994
Department of Education		
Passed through Commonwealth of Virginia:		
Title I - Educationally Deprived Children - LEA	84.010	3,386,942
Title I - Neglected and Delinquent Children	84.013	22,916

(Continued)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011
(Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
ARRA Title I - Grants to LEA's	84.389	$ 2,078,283
Elementary and Secondary Education Act (ESEA):		
Title IV-B - Elementary and Secondary Education Act of 1965	84.287	746,202
Title VI-B - Special Education	84.027	2,075,279
ARRA State Fiscal Stabilization Fund - Education State Grants	84.394	1,013,787
Special Education Preschool Grants	84.173	51,995
ARRA Special Eduacation Grants to States	84.391	781,277
ARRA Special Education Preschool Grants	84.392	41,617
Technology Literacy Challenge Fund Grants	84.318	16,408
ARRA Technology Literacy Challenge Fund Grants	84.386	16,789
English Language Acquisition Grants	84.365	21,280
Title II - Part A Funds	84.367	697,834
Vocational Education:		
Basic Grants to States	84.048	256,462
Drug Free Schools and Communities	84.186	11,471
McKenney-Vento Homeless Education Assistance Improvements Act of 2001:		
Title X-C -No Child Left Behind Act	84.000	27,718
TOTAL		**$ 36,363,698**

		Donated Food Received
Primary Government		
Department of Agriculture		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Juvenile Detention Home (Commodities)	10.555	$ 2,235
Opportunity House (Commodities)	10.555	548
Sparc House (Commodities)	10.555	625
Component Unit - Lynchburg Schools		
Department of Agriculture		
Passed through Commonwealth of Virginia:		
Department of Education:		
National School Lunch Program (Commodities)	10.555	244,365
TOTAL		**$ 247,773**

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.

	Federal	State	Local
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	159,668	40,000	13,222
	$ 495,000	$ 40,000	$ 125,000

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.

Note 4. Subgrantees

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

Subrecipient	Community Development Block Grant	Community Development Block Grant ARRA	Home Investment Partnership Act	Workforce Investment Act Cluster	Workforce Investment Act Cluster ARRA
Bluffwalk Section 108 Loan	$ 247,198	$ -	$ -	$ -	$ -
Camp Kum-Ba-Yah	10,000	-	-	-	-
City Administration	84,854	23,740	15,333	-	-
City Projects - Diamond Hill Community Center	33,282	-	-	-	-
City Projects - Fifth Street	(52,949)	44,266	-	-	-
College Hill Neighborhood School	11,684	-	-	-	-
The Gateway House, Inc.	25,000	-	-	-	-
Habitat for Humanity	-	-	47,500	-	-
Interfaith	5,000	-	-	-	-
Lynchburg Community Action Group	45,154	70,000	265,850	-	-
Lynchburg Neighborhood Development	-	-	225,234	-	-
Lynchburg Redevelopment & Housing Authority	193,843	-	-	-	-
Miriam's House	20,000	-	-	-	-
Rebuilding Together	18,610	29,241	-	-	-
Region 2000 Local Governmental Council	-	-	-	827,554	322,992
Rush Lifetime Homes	-	-	183,533	-	-
Smart Beginnings	4,652	-	-	-	-
United Way	-	9,951	-	-	-
YWCA Domestic Violence Prevention	26,502	-	-	-	-
	$ 672,830	$ 177,198	$ 737,450	$ 827,554	$ 322,992

Note 5. Program Income

In accordance with terms of the Community Development Block Grant Program, program income totaling $5,214 was used 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, 2011, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of $133,065,599 which includes $ 7,464,835 of federal funds.

SCHEDULE 2

CITY OF LYNCHBURG, VIRGINIA

Schedule of Passenger Facility Charges
As of June 30, 2011

Passenger Facility Charges:

Federal Agency/Program Name/Application Number	PFC Balance July 1, 2010	PFC Collected	Interest Earnings	Expenditures	PFC Balance June 30, 2011
FEDERAL AVIATION ADMINISTRATION					
Passenger facility charges (05-04-C-00-LYH)	$ 5,213	$ 361,594	$ 24	$ 356,519	$ 10,312
	$ 5,214	$ 361,593	$ 24	$ 356,519	$ 10,312

SCHEDULE 3

Schedule of Expenditures of Passenger Facility Charges
As of June 30, 2011

Expenditures of Passenger Facility Charges:

Project	PFC Expenditures
Application 4 (05-04-C-00-LYH)	
Local share reimbursement (non-AIP) PFC development and administrative costs	$ 6,517
Local share reimbursement (AIP-29) Runway 4-22 extension, (construction)	350,002
Total PFC expenditures	$ 356,519

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. 97-102

FINANCIAL TRENDS

Tables 1-11 contain trend information to help the reader understand how the City's financial performance and well-being have changed over the time. 103-116

REVENUE CAPACITY

Tables 12-17 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 117-122

DEBT CAPACITY

Tables 18-21 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. 123-126

DEMOGRAPHIC AND ECONOMIC INDICATORS

Tables 22-23 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 127-128

OPERATING INFORMATION

Tables 24-27 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. 129-132

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, 2011

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 2008 (1)	73,834
United States Census 2009 (1)	75,204
United States Census 2010 (1)	75,826

(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.

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:

- $1.05 per $100 assessed value: 2008-2011
- $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: 2005-2011
- $3.30 per $100 assessed value: 1990-2004

Machinery and Tools:

- $3.00 per $100 assessed value: 1990-2011

Local Sales Tax:

- 1% + 4.0% VA tax: 2005-2011
- 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:
For Business with Gross Receipts/Purchases Not Exceeding Threshold:

- Threshold
  - Receipts/Purchases $10,000 and less – No fee
  - Receipts/Purchases $10,001 - $50,000 - $30 flat fee
  - Receipts/Purchases $50,001 - $100,000 - $50 flat fee
- Contractors – $0.16 per $100 of gross receipts
- Retail Merchants – $0.20 per $100 of gross receipts
- Wholesale Merchants – $0.28 per $100 of gross receipts plus $20 fee when gross purchases are over $100,000
- Repair, Personal, and Business Services – $0.36 per $100 of gross receipts
- Financial Real Estate and Professional Services – $0.58 per $100 of gross receipts

TAX RATES
(Continued)

Motor Vehicle License:

- $29.50 for vehicles weighing 4,000 pounds or less: 2005-2011
- $34.50 for vehicles weighing greater than $4,000 pounds: 2005-2011
- $25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- $0.35 on pack of twenty cigarettes: 2004-2011
- $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. Of the total lodging taxes, $1,100,000 is allocated for tourism.

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 – for the incidents classified as an emergency, the charge is $350 and an additional $8 for each mile the patient is transported. If it is classified as a non-emergency, the charge is $325.
- Advanced Life Support – for the incidents classified as an emergency, the fee is $450; non-emergency – $425.
- A fee of $575 is charged if three or more different medications combined with at least one Advanced Life Support procedure are administered.

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.

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 2008 and was revised in 2011, 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:

Unassigned Fund Balance:

- 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.

Committed Fund Balance:

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. Formal Council action includes the annual adoption of the City's Budget Ordinance/Resolution, Council Resolutions appropriating funds and/or resources, Budget amendments appropriating funds and resources from third quarter adjustments and Budget amendments to carry forward appropriations that were unexpended at fiscal year end.

Assigned Fund Balance:

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.

Restricted Fund Balance:

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.

NonSpendable Fund Balance:

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.

Policy on the order of spending resources:

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.

DEBT MANAGEMENT POLICY

The City council adopted a resolution on August 10, 1999, which was revised in 2008 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.

BUDGET POLICY

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

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, Stadium, Comprehensive Services Act, and Juvenile Detention 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 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.

CITY OF LYNCHBURG, VIRGINIA **TABLE 1**

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

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Governmental Activities										
Invested in capital assets, net of related debt	$ 127,767,609	$ 130,892,517	$ 135,832,636	$ 140,548,447	$ 139,205,720	$ 139,856,317	$ 143,158,392	$ 155,791,105	$ 161,777,277	$ 164,804,823
Restricted	5,212,611	55,409	-	-	171,844	-	19,975,370	20,149,056	18,733,893	23,708,274
Unrestricted	20,948,687	30,244,439	32,330,375	33,754,620	46,486,579	56,819,180	58,219,507	64,928,380	65,970,506	61,798,935
Total governmental activities net assets	$ 153,928,907	$ 161,192,365	$ 168,163,011	$ 174,303,067	$ 185,864,143	$ 196,675,497	$ 221,353,269	$ 240,868,541	$ 246,481,676	$ 250,312,032
Business-type activities										
Invested in capital assets, net of related debt	$ 106,057,802	$ 105,589,397	$ 112,022,931	$ 119,234,122	$ 125,543,179	$ 134,385,674	$ 146,157,075	$ 152,089,577	$ 167,081,709	$ 180,332,606
Restricted	1,055,706	7,184,652	-	-	-	1,765	4,708	8,786	5,213	10,312
Unrestricted	14,399,615	15,561,278	22,972,124	26,928,368	29,667,849	35,582,153	33,515,192	18,461,675	20,419,761	18,709,510
Total business-type activities net assets	$ 121,513,123	$ 128,335,327	$ 134,995,055	$ 146,162,490	$ 155,211,028	$ 169,969,592	$ 179,676,975	$ 170,560,038	$ 187,506,683	$ 199,052,428
Primary government										
Invested in capital assets, net of related debt	$ 233,825,411	$ 236,481,914	$ 247,855,567	$ 259,782,569	$ 264,748,899	$ 274,241,991	$ 289,315,467	$ 307,880,682	$ 328,858,986	$ 345,137,429
Restricted	6,268,317	7,240,061	-	-	171,844	1,765	19,980,078	20,157,842	18,739,106	23,718,586
Unrestricted	35,348,302	45,805,717	55,302,499	60,682,988	76,154,428	92,401,333	91,734,699	83,390,055	86,390,267	80,508,445
Total primary government net assets	$ 275,442,030	$ 289,527,692	$ 303,158,066	$ 320,465,557	$ 341,075,171	$ 366,645,089	$ 401,030,244	$ 411,428,579	$ 433,988,359	$ 449,364,460

CITY OF LYNCHBURG, VIRGINIA **TABLE 2**

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

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Expenses										
Governmental Activities:										
General Government	$ 13,407,536	$ 15,127,680	$ 9,474,943	$ 10,120,602	$ 11,727,655	$ 12,148,875	$ 13,397,520	$ 14,572,569	$ 14,710,937	$ 13,623,646
Judicial	3,455,684	3,846,581	4,336,165	4,717,917	5,099,725	5,471,591	5,626,570	5,707,528	5,633,105	6,329,475
Public Safety	28,899,317	28,911,487	33,858,886	35,823,077	39,639,402	40,397,195	43,152,656	43,233,506	42,794,498	44,365,150
Public Works	17,930,578	20,819,441	17,638,226	18,764,769	20,760,247	19,643,233	21,511,617	28,957,020	26,790,420	25,504,881
Health and Human Services	19,122,950	19,704,149	20,391,462	21,328,976	20,095,986	23,439,351	27,078,262	26,097,589	24,935,622	24,577,656
Culture and Recreation	2,098,535	4,262,645	7,895,722	8,195,390	8,943,345	9,432,337	10,247,701	10,364,636	9,852,641	10,247,781
Community Development	6,403,903	5,298,688	10,373,473	6,375,560	6,469,555	6,759,110	5,284,797	4,974,659	5,024,903	5,490,368
Education	39,746,612	28,371,163	27,680,572	28,638,013	32,618,426	33,539,288	36,727,401	35,807,016	33,876,792	35,171,968
Interest Payments and Fiscal Charges	2,334,975	4,230,625	3,520,381	4,634,912	4,999,355	5,444,098	5,821,141	5,605,088	6,286,182	5,625,344
Non-departmental	3,327,441	2,806,878	-	-	-	-	-	-	-	-
Issuance Costs	-	-	-	192,828	173,943	-	216,051	-	483,236	170,210
Total governmental activities expenses	136,727,531	133,379,337	135,169,830	138,792,044	150,527,639	156,275,078	169,063,716	175,319,611	170,388,336	171,106,479
Business-type activities:										
Solid Waste Management	4,805,161	5,488,691	6,902,366	5,794,660	5,599,954	6,436,950	8,240,113	206,551	-	-
Airport	3,178,673	3,118,741	3,623,207	3,405,121	3,505,550	3,545,346	3,882,343	4,062,502	4,308,441	4,374,509
Water	8,052,358	7,855,213	8,859,383	8,743,519	9,273,940	9,846,038	11,406,440	11,274,496	12,600,109	12,231,617
Sewer	10,677,119	11,093,129	13,165,634	11,800,236	12,431,230	12,757,627	14,431,645	14,976,951	15,069,642	15,889,515
Total business-type activities expenses	26,713,311	27,555,774	32,550,590	29,743,536	30,810,674	32,585,961	37,960,541	30,520,500	31,978,192	32,495,641
Total primary government expenses	$ 163,440,842	$ 160,935,111	$ 167,720,420	$ 168,535,580	$ 181,338,313	$ 188,861,039	$ 207,024,257	$ 205,840,111	$ 202,366,528	$ 203,602,120

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues (see Table 3)										
Governmental Activities:										
Charges for services:										
General government	$ 693,327	$ 284,055	$ 416,760	$ 401,099	$ 466,636	$ 398,188	$ 556,888	$ 548,729	$ 437,468	$ 424,127
Judicial	701,093	640,239	625,331	620,348	741,266	730,625	716,313	737,613	846,930	686,417
Public safety	5,571,231	3,885,871	3,124,914	3,185,126	4,917,707	5,398,675	5,059,318	4,104,152	4,452,849	5,343,055
Public works	769,117	572,327	209,994	140,291	185,474	98,025	198,841	993,935	989,613	786,813
Health and human services	564,261	754,347	709,578	2,386,199	1,685,316	1,817,260	2,458,875	2,385,901	2,037,083	2,364,654
Cultural and Recreational	530,239	517,625	1,350,148	1,675,398	1,810,243	1,888,695	1,916,356	2,126,732	2,069,822	2,092,744
Community development	1,018,332	753,452	1,097,437	693,244	1,093,999	887,401	916,926	600,480	544,603	340,847
Operating Grants and Contributions	26,702,238	28,241,733	34,083,736	29,927,625	32,475,807	33,925,919	36,346,157	32,423,390	29,398,177	29,639,955
Capital Grants and Contributions	3,014,959	3,353,102	2,062,659	4,119,640	2,435,928	2,217,419	24,914,181	12,940,905	13,954,135	11,833,437
Total governmental activities program services	39,564,797	39,002,751	43,680,557	43,148,970	45,812,376	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049
Business-type activities:										
Charges for services:										
Solid Waste Management	4,842,010	5,459,258	6,352,423	6,985,739	7,219,229	7,276,645	6,313,555	-	-	-
Airport	1,187,905	1,586,178	1,480,543	1,637,730	1,762,826	1,848,109	1,839,685	1,967,871	2,152,132	2,093,668
Water	8,312,263	8,607,032	9,001,806	9,488,676	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594
Sewer	12,705,123	13,932,357	13,919,612	14,682,219	15,405,174	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990
Operating Grants and Contributions	508,357	423,729	272,894	311,173	415,801	398,850	406,261	178,948	203,659	202,704
Capital Grants and Contributions	7,602,178	3,982,334	7,203,733	5,562,333	3,066,896	8,918,563	7,490,370	4,826,469	15,197,159	10,563,426
Total business-type activities program revenues	35,157,836	33,990,888	38,231,011	38,667,870	38,222,229	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382
Total primary government program revenues	$ 74,722,633	$ 72,993,639	$ 81,911,568	$ 81,816,840	$ 84,034,605	$ 92,242,741	$ 118,265,500	$ 93,257,306	$ 102,848,825	$ 96,858,431
Net (Expense) Revenue										
Governmental Activities	$ (97,162,734)	$ (94,376,586)	$ (91,489,273)	$ (95,643,074)	$ (104,715,263)	$ (108,912,871)	$ (95,979,861)	$ (118,457,774)	$ (115,657,656)	$ (117,594,430)
Business-type Activities	8,444,525	6,435,114	5,680,421	8,924,334	7,411,555	12,294,573	7,221,104	5,874,969	16,139,953	10,850,741
Total Primary Government Net Expenses	$ (88,718,209)	$ (87,941,472)	$ (85,808,852)	$ (86,718,740)	$ (97,303,708)	$ (96,618,298)	$ (88,758,757)	$ (112,582,805)	$ (99,517,703)	$ (106,743,689)

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property taxes	$ 44,751,894	$ 43,783,096	$ 47,696,680	$ 49,831,096	$ 60,191,431	$ 57,241,907	$ 63,187,947	$ 65,185,656	$ 67,786,672	$ 69,849,510
Local sales and use taxes	11,905,178	11,027,631	11,528,820	12,221,811	13,319,691	14,481,096	14,266,750	13,056,829	12,675,632	13,290,563
Meals taxes	6,924,931	6,984,195	7,561,387	8,666,117	9,423,830	10,000,796	10,326,953	10,477,061	10,477,700	10,975,580
Consumer utility taxes	6,183,638	6,826,740	6,892,926	8,397,849	6,840,948	5,835,367	4,793,431	4,739,261	4,700,202	4,692,477
Business license taxes	6,561,439	6,712,152	6,507,848	7,032,917	7,675,284	7,922,666	8,010,597	7,913,270	7,818,381	7,263,543
Communications sales and use tax	-	-	-	-	-	1,669,968	3,893,158	3,537,283	3,552,028	3,534,449
Other taxes	5,831,208	6,037,923	6,509,095	6,096,139	6,794,113	6,697,407	5,827,855	5,719,878	6,070,900	6,377,684
Unrestricted intergovernmental	8,627,063	8,961,598	8,450,138	8,405,457	9,434,886	9,687,718	6,227,484	5,601,254	5,576,232	5,418,525
Interest	987,575	613,103	235,434	954,317	1,785,705	3,082,813	3,522,533	1,716,449	794,471	601,999
IRS interest subsidy - Build America bonds	-	-	-	-	-	-	-	-	283,891	146,839
Miscellaneous	2,775,382	3,008,299	1,234,747	1,090,845	1,605,259	1,919,538	1,026,286	3,827,687	1,683,037	1,498,803
Transfers	1,322,247	571,552	(217,924)	(469,136)	(304,924)	11,134	(577,893)	16,198,418	(261,260)	(259,950)
Gain (Loss) on sale of assets	277,308	122,302	(22,450)	(705,032)	-	-	152,532	-	112,905	95,976
Total governmental activities	96,147,863	94,648,591	96,376,701	101,522,380	116,766,223	118,550,410	120,657,633	137,973,046	121,270,791	123,485,998
Business-type activities:										
Interest	852,564	952,358	340,736	582,522	1,248,981	2,382,245	1,784,508	825,779	207,953	206,665
IRS interest subsity - Build America Bonds	-	-	-	-	-	-	-	-	287,632	148,776
Miscellaneous	72,254	196,873	331,018	105,329	83,078	92,880	123,878	297,033	49,847	79,613
Transfers	(1,322,247)	(571,552)	217,924	469,136	304,924	(11,134)	577,893	(16,198,418)	261,260	259,950
Gain on sale of assets	(15,141)	(190,589)	(334,742)	(363,989)	-	-	-	83,700	-	-
Total business-type activities	(412,570)	387,090	554,936	792,998	1,636,983	2,463,991	2,486,279	(14,991,906)	806,692	695,004
Total primary government	$ 95,735,293	$ 95,035,681	$ 96,931,637	$ 102,315,378	$ 118,403,206	$ 121,014,401	$ 123,143,912	$ 122,981,140	$ 122,077,483	$ 124,181,002
Changes in Net Assets										
Governmental activities	$ (1,014,871)	$ 272,005	$ 4,887,428	$ 5,879,306	$ 12,050,960	$ 9,637,539	$ 24,677,772	$ 19,515,272	$ 5,613,135	$ 5,891,568
Business-type activities	8,031,955	6,822,204	6,235,357	9,717,332	9,048,538	14,758,564	9,707,383	(9,116,937)	16,946,645	11,545,745
Total primary government	$ 7,017,084	$ 7,094,209	$ 11,122,785	$ 15,596,638	$ 21,099,498	$ 24,396,103	$ 34,385,155	$ 10,398,335	$ 22,559,780	$ 17,437,313

PROGRAM REVENUES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function/Program										
Governmental Activities:										
General Government	$ 1,026,760	$ 577,940	$ 716,128	$ 726,708	$ 785,105	$ 734,876	$ 942,144	$ 900,082	$ 784,656	$ 733,374
Judicial	1,849,060	2,777,001	2,790,371	3,716,905	3,907,807	3,978,858	4,477,871	4,319,914	4,434,426	4,405,123
Public Safety	10,624,762	7,356,929	6,588,169	6,235,060	8,551,169	8,489,027	11,106,642	11,638,433	10,221,136	11,507,560
Public Works	10,057,326	8,854,787	7,557,688	8,821,426	9,246,609	9,143,028	31,409,029	13,461,837	14,184,338	12,761,729
Health and Human Services	10,973,496	13,065,116	15,501,010	15,273,759	15,728,602	17,439,083	20,030,396	20,093,434	19,645,184	19,710,295
Culture and Recreation	745,962	737,337	2,143,741	1,973,444	2,085,063	2,125,708	2,117,677	2,332,948	2,266,212	2,335,925
Community Development	4,226,879	4,004,873	7,060,174	3,114,730	3,658,669	3,239,533	2,134,843	3,322,867	2,217,737	2,027,021
Education	60,552	1,628,768	1,323,276	3,286,938	1,849,352	2,212,094	865,253	792,322	976,991	31,022
Subtotal governmental activities	39,564,797	39,002,751	43,680,557	43,148,970	45,812,376	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049
Business-type activities:										
Solid Waste Management (1)	5,040,888	5,650,297	6,554,259	7,185,377	7,423,363	7,478,380	6,517,869	-	-	-
Airport	2,689,846	2,554,723	4,004,944	3,213,025	3,468,328	10,159,028	7,283,243	2,889,032	4,917,589	4,331,554
Water	8,312,263	8,607,032	9,001,806	9,697,544	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594
Sewer	19,114,839	17,178,836	18,670,002	18,571,924	16,978,235	16,845,346	20,110,651	21,800,842	31,171,530	26,552,234
Subtotal business-type activities	35,157,836	33,990,888	38,231,011	38,667,870	38,222,229	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382
Total primary government	$ 74,722,633	$ 72,993,639	$ 81,911,568	$ 81,816,840	$ 84,034,605	$ 92,242,741	$ 118,265,500	$ 93,257,306	$ 102,848,825	$ 96,858,431

(1) The Solid Waste Management fund was closed during FY 2009.

CITY OF LYNCHBURG, VIRGINIA **TABLE 4**

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

	Pre-GASB 54								
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
General Fund									
Reserved	$ 438,570	$ 944,980	$ 933,133	$ 1,131,403	$ 879,657	$ 1,236,149	$ 2,406,773	$ 719,850	$ 1,457,305
Unreserved	22,143,078	20,912,864	22,830,309	25,356,742	35,906,892	31,541,207	32,158,992	36,459,043	44,287,091
Total General Fund	$ 22,581,648	$ 21,857,844	$ 23,763,442	$ 26,488,145	$ 36,786,549	$ 32,777,356	$ 34,565,765	$ 37,178,893	$ 45,744,396
All Other Governmental Funds									
Reserved	$ 408,325	$ 2,539,641	$ 14,416,749	$ 6,941,128	$ 6,687,005	$ 5,430,322	$ 44,832,256	$ 31,264,091	$ 9,752,227
Unreserved, reported in:									
Special revenue funds	1,148,588	3,019,561	3,901,971	3,464,014	4,071,768	3,219,576	1,082,960	4,263,967	4,265,193
Capital projects funds	969,282	3,185,163	730,434	(2,600,639)	9,825,526	13,985,011	6,697,269	11,646,868	31,943,779
Total All Other Governmental Funds	$ 2,526,195	$ 8,744,365	$ 19,049,154	$ 7,804,503	$ 20,584,299	$ 22,634,909	$ 52,612,485	$ 47,174,926	$ 45,961,199

	Post-GASB 54
	2011
General Fund	
Committed	$ 13,707,762
Assigned	4,077,230
Unassigned	29,215,575
Total General Fund	$ 47,000,567
All Other Governmental Funds	
Nonspendable	$ 500,000
Restricted	23,708,274
Committed	18,396,943
Assigned	121,599
Unassigned	(539,488)
Total All Other Governmental Funds	$ 42,187,328

Note: Nine years of data is available for GASB 34 compliance. One year of data is available for GASB 54 compliance.
GASB 54 was adopted in FY 2011.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	$ 79,972,330	$ 81,766,514	$ 86,781,006	$ 92,733,402	$ 103,986,837	$ 102,976,887	$ 110,668,029	$ 110,330,014	$ 112,551,637	$ 115,044,676
Regulatory licenses, permits and privilege fees	727,489	675,311	738,887	635,880	1,025,782	887,272	849,742	650,514	664,028	683,712
Intergovernmental	36,758,660	39,762,030	42,590,744	40,066,285	43,636,173	45,511,572	67,254,109	50,772,908	48,877,101	46,663,521
Fines and forfeitures	776,701	538,753	551,716	552,797	593,518	581,986	586,661	612,595	667,756	598,424
Revenue from use of money and property	1,653,469	1,070,082	1,473,169	2,236,442	3,092,260	4,438,852	4,843,948	3,113,910	2,177,785	1,962,064
Charges for services	6,588,909	5,725,305	8,384,511	9,968,139	10,362,547	10,480,891	11,155,656	11,782,655	11,846,063	11,977,908
Miscellaneous	3,496,031	4,618,072	3,125,934	1,880,832	2,158,618	2,019,557	1,035,977	2,317,772	2,281,001	1,863,720
Total revenues	129,973,589	134,156,067	143,645,967	148,073,777	164,855,735	166,897,017	196,394,122	179,580,368	179,065,371	178,794,025
Expenditures										
General government	13,258,157	14,601,433	12,130,482	12,772,780	13,236,092	14,284,594	14,978,175	16,046,197	16,125,721	15,157,924
Judicial	3,320,619	3,699,569	4,134,506	4,573,231	4,875,257	5,279,455	5,359,727	5,478,171	5,347,422	5,553,219
Public Safety	27,910,760	27,475,148	33,129,964	35,179,870	36,850,835	38,394,220	40,564,072	41,723,778	40,379,295	42,216,297
Public Works	12,112,402	13,549,915	10,271,407	16,347,027	14,294,952	13,054,801	14,583,441	22,154,990	18,834,896	17,746,056
Health and human services	18,738,254	17,590,464	26,853,682	20,883,082	20,815,071	22,886,119	26,320,281	25,693,662	24,400,078	23,992,172
Cultural and recreational	1,717,189	3,929,095	7,549,794	7,770,918	8,291,783	8,753,747	9,197,360	9,496,115	8,915,422	9,114,228
Community development	6,401,530	4,820,850	8,514,631	6,352,211	6,333,310	6,716,287	5,097,359	4,990,958	5,200,664	5,507,839
Education (1)	3,644	27,025,411	26,005,227	27,714,269	30,057,224	30,330,939	33,170,354	32,191,853	29,472,854	30,343,130
Non-departmental (2)	3,327,441	2,806,878	-	-	-	-	-	-	-	-
Capital Outlay										
Capital general government (4)	6,548,077	10,402,729	25,350,920	13,049,200	13,958,226	14,285,864	14,477,202	33,101,444	37,055,272	12,891,432
Debt Services										
Principal Retirement	5,219,573	23,058,352	18,957,684	7,431,610	18,870,007	8,428,304	8,400,119	8,582,070	17,214,799	10,872,412
Interest payments and other fiscal charges	2,357,402	3,862,166	4,417,364	4,584,994	4,554,384	5,113,526	5,519,494	5,455,250	5,619,800	5,671,296
Issuance costs	-	-	-	192,826	173,943	-	216,051	-	483,236	170,210
Total expenditures	100,915,048	152,822,010	177,315,661	156,852,018	172,311,084	167,527,856	177,883,635	204,914,488	209,049,459	179,236,215
Excess (deficiency) of revenues over expenditures	29,058,541	(18,665,943)	(33,669,694)	(8,778,241)	(7,455,349)	(630,839)	18,510,487	(25,334,120)	(29,984,088)	(442,190)

(Continued)

CITY OF LYNCHBURG, VIRGINIA

TABLE 5
(Continued)

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

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Other financing sources (uses)										
Proceeds from debt issues	$ -	$ 26,306,594	$ 47,234,898	$ -	$ 31,725,694	$ -	$ 16,788,389	$ 6,156,611	$ 36,180,000	$ -
Premium on debt proceeds	-	-	-	-	732,486	-	167,163	-	993,827	-
Discount on debt proceeds	-	-	-	-	-	-	-	-	(959,560)	-
Construction advance (3)	-	(3,525,664)	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	26,322,927	-	-	4,824,128	-	6,103,649	18,591,517
Issuance of refunding capital lease	-	-	-	1,679,825	-	-	-	-	-	-
Refunded bond principal payments	-	-	-	-	-	-	(4,756,894)	-	-	-
Payments to escrow agent	-	-	-	(28,063,727)	-	-	-	-	(6,046,285)	(18,397,260)
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	1,938,525	-	-	-	-	-	-
Transfers to component units	(31,462,089)	-	-	-	-	-	-	-	-	-
Transfers in	3,324,609	6,660,812	6,857,148	4,731,105	4,969,990	14,494,290	7,790,103	25,197,199	5,962,962	10,739,030
Transfers out	(5,133,287)	(7,786,893)	(8,544,661)	(6,550,242)	(6,894,621)	(16,995,849)	(11,557,391)	(8,844,121)	(4,898,729)	(10,947,585)
Total other financing sources (uses)	(33,270,767)	21,654,849	45,547,385	58,413	30,533,549	(2,501,559)	13,255,498	22,509,689	37,335,864	(14,298)
Net Change in fund balances	$ (4,212,226)	$ 2,988,906	$ 11,877,691	$ (8,719,828)	$ 23,078,200	$ (3,132,398)	$ 31,765,985	$ (2,824,431)	$ 7,351,776	$ (456,488)
Debt Service as a percentage of noncapital expenditures	8.03%	18.90%	15.38%	8.49%	14.90%	8.84%	8.65%	8.17%	13.56%	10.05%

(1) Education was included in transfers to component units prior to FY 2003
(2) Non-departmental expenditures began being allocated in FY 2004
(3) The construction advance was to fund the E.C. Glass High School renovation project that was ahead of the projected schedule for completion.
(4) Beginning with restating FY 2006, 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.

CITY OF LYNCHBURG, VIRGINIA

TABLE 6

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Taxes	$ 79,972,330	$ 80,652,301	$ 85,774,800	$ 91,739,497	$ 103,012,216	$ 102,480,268	$ 110,636,590	$ 110,297,053	$ 112,519,658	$ 115,009,873
Regulatory licenses, permits, and privilege fees	727,489	675,311	738,887	635,880	1,025,782	887,272	849,742	650,514	664,028	683,712
Intergovernmental	26,464,743	28,410,482	27,295,898	27,321,323	30,391,990	31,311,980	33,410,321	33,646,195	33,239,946	33,199,440
Fines & forfeitures	776,701	538,753	551,716	552,797	593,518	581,986	586,661	612,595	667,756	598,424
Revenues from use of money & property	1,395,847	920,401	797,531	1,373,658	2,130,172	3,377,730	3,308,104	1,403,024	995,450	840,217
Charges for services	3,177,610	3,486,991	6,371,250	6,442,510	7,376,311	7,083,847	7,198,099	7,593,070	7,905,479	7,907,113
Miscellaneous	3,009,763	3,283,568	666,969	955,066	1,261,164	387,005	452,272	1,168,236	1,132,221	945,324
Total revenues	115,524,483	117,967,807	122,197,051	129,020,731	145,791,153	146,110,088	156,441,789	155,370,687	157,124,538	159,184,103
Expenditures:										
Current operating expenditures:										
General government	13,258,157	14,421,107	11,960,240	12,499,485	13,176,072	14,111,441	14,561,922	15,808,721	15,896,808	15,453,014
Judicial	3,320,619	3,560,726	3,303,952	3,536,008	3,827,095	4,182,946	4,423,005	4,457,959	4,342,042	4,426,215
Public safety	21,951,566	22,472,414	29,178,810	31,113,303	32,782,350	34,640,217	36,703,695	36,981,993	36,756,234	38,405,071
Public works	11,998,157	13,541,234	10,244,342	10,616,660	11,801,684	11,565,845	11,257,662	17,209,120	14,432,901	15,139,289
Health and human services	14,844,129	14,596,916	21,317,811	15,744,061	16,111,220	16,577,034	18,890,171	19,126,038	18,532,152	18,713,485
Cultural & recreational	1,637,069	3,874,887	6,427,237	6,466,171	6,926,949	7,287,216	7,691,627	7,794,603	7,311,064	7,397,754
Community development	3,133,884	2,082,214	3,102,768	3,874,987	3,559,260	4,034,373	3,936,251	3,730,495	3,604,356	3,883,971
Education (1)	-	27,025,411	26,005,227	27,125,060	29,894,763	30,418,183	32,932,233	32,150,370	29,443,654	30,310,602
Non-departmental	3,327,391	2,683,294	-	-	-	-	-	-	-	-
Debt service:										
Principal retirements	3,293,886	21,322,543	17,839,066	7,024,174	18,326,124	7,702,865	7,812,969	8,152,512	16,708,675	10,354,910
Interest payments and other fiscal charges	1,882,148	3,479,744	3,848,634	4,246,388	4,273,525	4,794,314	5,212,231	5,121,995	5,307,936	5,380,142
Issuance costs	-	-	-	161,433	146,165	-	127,866	-	186,536	162,757
Total expenditures	78,647,006	129,060,490	133,228,087	122,407,730	140,825,207	135,314,434	143,549,632	150,533,806	152,522,358	149,627,210
Excess (deficiency) of revenues over expenditures	36,877,477	(11,092,683)	(11,031,036)	6,613,001	4,965,946	10,795,654	12,892,157	4,836,881	4,602,180	9,556,893
Other financing sources (uses):										
Issuance of bonds	-	15,648,755	19,063,115	-	10,644,739	-	69,980	-	7,082,817	-
Premium on debt proceeds	-	-	-	-	361,837	-	-	-	540,631	-
Issuance of refunding bonds	-	-	-	24,393,868	-	-	4,106,224	-	5,929,460	16,605,512
Refunded bond principal payments	-	-	-	-	-	-	(4,048,996)	-	-	-
Payments to escrow agent	-	-	-	(24,152,140)	-	-	-	-	(5,872,800)	(16,418,708)
Transfers in	729,759	1,696,702	927,197	994,616	504,783	126,333	26,150	6,450,066	464,020	546,826
Transfers out	(4,798,497)	(6,976,578)	(7,065,218)	(5,182,642)	(6,178,901)	(15,241,180)	(11,257,106)	(8,673,819)	(4,180,805)	(10,170,259)
Transfers to component units (1)	(31,462,089)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(35,530,827)	10,368,879	12,925,094	(3,946,298)	5,332,458	(15,114,847)	(11,103,748)	(2,223,753)	3,963,323	(9,436,629)
Net changes in fund balances	1,346,650	(723,804)	1,894,058	2,666,703	10,298,404	(4,319,193)	1,788,409	2,613,128	8,565,503	120,264
Fund balance - beginning, as restated (2)	21,234,998	22,581,648	21,869,384	23,821,442	26,488,145	37,096,549	32,777,356	34,565,765	37,178,893	46,880,303
Fund balance - ending	$ 22,581,648	$ 21,857,844	$ 23,763,442	$ 26,488,145	$ 36,786,549	$ 32,777,356	$ 34,565,765	$ 37,178,893	$ 45,744,396	$ 47,000,567

(1) For FY 2003 and prospectively, the General Fund transfer to Lynchburg City Schools (component unit) was reclassified as an education expenditure.

(2) Beginning fund balance restated as of June 30, 2003, June 30, 2004, and June 30, 2006. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004, June 30, 2005, and June 30, 2007.

CITY OF LYNCHBURG, VIRGINIA

TABLE 7

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Intergovernmental	$ 34,896,406	$ 35,813,533	$ 63,603,079	$ 67,442,823	$ 71,207,508	$ 78,033,072	$ 82,325,106	$ 86,283,375	$ 82,233,197	$ 71,983,645
Revenue from use of money & property	4,807	-	1,643	2,100	32,611	31,600	34,279	6,748	1,314	527
Charges for services	394,267	390,409	386,744	324,097	395,382	1,344,909	1,380,153	1,367,940	1,228,196	1,504,368
Miscellaneous	206,984	27,266,567	203,831	392,233	343,074	159,662	208,542	111,542	230,075	804,264
Total revenues	35,502,464	63,470,509	64,195,297	68,161,253	71,978,575	79,569,243	83,948,080	87,769,605	83,692,782	74,292,804
Expenditures:										
Education:										
Instruction	1,830,300	49,580,140	49,693,140	52,327,742	55,484,371	60,849,179	63,943,555	66,182,342	61,342,226	54,022,173
Administration, attendance, and health	48,509,600	1,741,567	2,062,680	2,128,927	2,424,016	2,821,351	4,301,683	4,962,843	4,069,394	3,820,833
Pupil transportation services	2,903,845	2,990,460	3,001,085	3,214,586	3,774,716	4,112,219	4,698,221	4,122,671	3,508,602	3,786,131
Operations and maintenance	6,571,305	7,349,258	7,575,110	7,976,868	8,890,256	10,086,015	9,876,043	10,336,820	9,885,883	9,347,596
Food service and other	-	-	-	-	-	-	-	528	-	-
Facilities	-	-	858,962	-	-	-	-	55,414	64,784	48,403
Technology	-	-	-	-	-	-	-	-	2,048,301	2,037,654
Capital outlay	2,994,244	2,183,590	1,471,364	2,698,587	1,956,743	1,373,409	1,779,204	1,942,808	1,683,684	709,526
Debt service: (1)										
Principal retirements	1,929,342	-	737,511	724,075	782,024	867,874	834,058	947,970	920,908	642,489
Interest payments	1,696,173	-	58,727	48,412	92,951	80,702	93,842	89,419	72,838	44,389
Total expenditures	66,434,809	63,845,015	65,458,579	69,119,197	73,405,077	80,190,749	85,526,606	88,640,815	83,596,620	74,459,194
Excss (deficiency) of revenues over expenditures	(30,932,345)	(374,506)	(1,263,282)	(957,944)	(1,426,502)	(621,506)	(1,578,526)	(871,210)	96,162	(166,390)
Other financing sources (uses):										
Capital lease proceeds	1,000,000	1,000,000	-	1,500,000	750,000	1,000,000	1,000,000	1,000,000	-	-
Transfers in (out)	(1,063,986)	(120,810)	-	-	-	-	-	-	(433,046)	(23,726)
Transfers from primary government (1)	31,162,089	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	31,098,103	879,190	-	1,500,000	750,000	1,000,000	1,000,000	1,000,000	(433,046)	(23,726)
Net change in fund balances	165,758	504,684	(1,263,282)	542,056	(676,502)	378,494	(578,526)	128,790	(336,884)	(190,116)
Fund balance - beginning (2)	2,188,087	2,353,845	2,260,909	997,627	1,539,683	863,181	1,241,675	663,149	791,939	455,055
Fund balance - ending	$ 2,353,845	$ 2,858,529	$ 997,627	$ 1,539,683	$ 863,181	$ 1,241,675	$ 663,149	$ 791,939	$ 455,055	$ 264,939

(1) For FY 2003 and prospectively, transfers in from primary government were reclassified as intergovernmental revenue. Also, debt service expenditures were reclassified as debt service for the primary government rather than the component unit.

(2) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.

CITY OF LYNCHBURG, VIRGINIA

TABLE 8

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SOLID WASTE MANAGEMENT FUND (3)
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Operating revenues:								
Charges for services and other operating revenues	$ 4,842,010	$ 5,412,580	$ 6,352,423	$ 6,985,739	$ 7,219,229	$ 7,276,645	$ 6,313,555	$ -
Total operating revenues	4,842,010	5,412,580	6,352,423	6,985,739	7,219,229	7,276,645	6,313,555	-
Operating expenses: (2)								
Personal services and benefits	-	-	-	1,704,262	1,780,192	1,836,677	1,735,135	-
Operation and maintenance	3,194,415	3,023,374	4,882,140	481,135	539,736	789,615	1,182,370	-
Supplies and materials	-	-	-	735,989	675,795	915,039	809,041	-
Administration	756,780	701,245	67,791	1,046,949	968,816	809,909	752,468	-
Landfill closure and postclosure care	(378,687)	245,102	348,643	147,355	(10,680)	492,408	1,404,613	-
Other charges	-	-	-	68,429	45,333	62,399	58,990	-
Depreciation	814,662	869,917	905,666	836,599	816,017	770,892	1,523,214	-
Total operating expenses	4,387,170	4,839,638	6,204,240	5,020,718	4,815,209	5,676,939	7,465,831	-
Operating income (loss)	454,840	572,942	148,183	1,965,021	2,404,020	1,599,706	(1,152,276)	-
Nonoperating revenues (expenses):								
Interest income	252,415	129,867	77,098	193,886	464,624	788,040	714,888	363,207
Governmental grants	198,878	191,039	201,836	199,638	204,134	201,735	204,314	-
Miscellaneous	42,182	46,678	113,451	67,665	43,347	65,594	81,774	889
Gain (loss) on disposition of assets	(1,498)	(190,589)	(95,876)	(49,893)	(14,922)	(12,540)	(805)	83,700
Interest on long-term debt	(407,047)	(334,840)	(327,127)	(303,528)	(301,809)	(238,168)	(243,528)	(118,078)
Total nonoperating revenues (expenses)	84,930	(157,845)	(30,618)	107,768	395,374	804,661	756,643	329,718
Income before contributions and transfers	539,770	415,097	117,565	2,072,789	2,799,394	2,404,367	(395,633)	329,718
Transfers in	-	135,371	284,282	732,529	732,529	732,529	1,572,529	-
Transfers out	(1,205,438)	-	-	(371,855)	(532,855)	(582,000)	(813,500)	(16,494,268)
Change in net assets	(665,668)	550,468	401,847	2,433,463	2,999,068	2,554,896	363,396	(16,164,550)
Total net assets - beginning, as restated (1)	7,194,671	6,529,003	7,411,880	7,813,727	10,247,190	13,246,258	15,801,154	-
Ending net assets:								
Invested in capital assets, net of related debt	1,586,793	1,430,278	2,035,525	2,271,866	2,467,438	2,543,907	4,399,040	-
Restricted	6,229	-	-	-	-	-	-	-
Unrestricted	4,935,981	5,649,193	5,778,202	7,975,324	10,778,820	13,257,247	11,765,510	-
Total net assets - ending	$ 6,529,003	$ 7,079,471	$ 7,813,727	$ 10,247,190	$ 13,246,258	$ 15,801,154	$ 16,164,550	$ -

(1) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.
(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.
(3) In FY 2009 the Solid Waste Management Fund was closed.

CITY OF LYNCHBURG, VIRGINIA

TABLE 9

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating revenues:										
Charges for services and other operating revenues	$ 8,312,263	$ 8,607,032	$ 9,001,806	$ 9,488,676	$ 10,352,303	$ 10,397,780	$ 11,269,882	$ 11,705,595	$ 12,029,026	$ 12,462,594
Total operating revenues	8,312,263	8,607,032	9,001,806	9,488,676	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594
Operating expenses: (2)										
Personal services and benefits	-	-	-	2,830,609	2,953,729	3,175,057	3,696,365	3,886,560	4,010,326	4,253,120
Operation and maintenance	4,521,720	4,449,546	3,752,474	1,120,155	1,052,595	1,086,665	1,439,712	1,296,658	1,839,617	1,234,608
Supplies and materials	-	-	-	650,421	833,802	915,748	1,409,039	1,451,738	1,353,184	1,471,159
Administration	1,030,596	910,404	2,129,563	1,318,927	1,359,399	1,329,083	1,299,889	1,227,113	1,084,407	1,174,601
Other charges	-	-	-	48,269	68,637	57,613	55,342	61,621	52,684	67,481
Depreciation	1,609,740	1,575,929	1,952,385	1,743,936	1,771,749	1,796,958	2,072,079	2,090,517	2,468,788	2,519,349
Total operating expenses	7,162,056	6,935,879	7,834,422	7,712,317	8,039,911	8,361,124	9,972,426	10,014,207	10,809,006	10,720,318
Operating income	1,150,207	1,671,153	1,167,384	1,776,359	2,312,392	2,036,656	1,297,456	1,691,388	1,220,020	1,742,276
Nonoperating revenues (expenses):										
Interest income	151,034	69,732	57,640	123,527	264,029	629,409	343,836	82,842	22,207	30,674
Miscellaneous	19,695	54,449	17,052	26,984	3,902	8,468	28,142	25,223	29,613	19,585
Loss on disposition of assets	-	-	(238,743)	(8,422)	(17,683)	(12,880)	-	-	-	(293)
Interest on long-term debt	(858,389)	(875,982)	(971,932)	(963,889)	(1,135,500)	(1,382,240)	(1,331,124)	(1,267,391)	(1,796,575)	(1,520,334)
IRS interest subsidy - Build America Bonds	-	-	-	-	-	-	-	-	243,211	125,799
Total nonoperating revenues (expenses)	(687,660)	(751,801)	(1,135,983)	(821,800)	(885,252)	(757,243)	(959,146)	(1,159,326)	(1,501,544)	(1,344,569)
Income before contributions and transfers	462,547	919,352	31,401	954,559	1,427,140	1,279,413	338,310	532,062	(281,524)	397,707
Capital contributions	-	-	-	208,868	-	-	-	-	-	-
Transfers out	(401,998)	(452,628)	(161,000)	(147,123)	(182,846)	(77,000)	(215,500)	-	-	-
Change in net assets	60,549	466,724	(129,599)	1,016,304	1,244,294	1,202,413	122,810	532,062	(281,524)	397,707
Total net assets - beginning, as restated (1)	30,757,634	30,818,183	31,108,943	30,979,344	31,995,648	33,239,942	34,442,355	34,565,165	35,097,227	34,815,703
Ending net assets:										
Invested in capital assets, net of related debt	25,031,692	25,514,601	24,348,833	25,767,489	27,805,400	27,457,812	28,835,542	29,577,116	29,406,782	28,353,428
Restricted	13,608	7,515	-	-	-	-	-	-	-	-
Unrestricted	5,772,883	5,762,791	6,630,511	6,228,159	5,434,542	6,984,543	5,729,623	5,520,111	5,408,921	6,859,982
Total net assets - ending	$ 30,818,183	$ 31,284,907	$ 30,979,344	$ 31,995,648	$ 33,239,942	$ 34,442,355	$ 34,565,165	$ 35,097,227	$ 34,815,703	$ 35,213,410

(1) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.

(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.

CITY OF LYNCHBURG, VIRGINIA

TABLE 10

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating revenues:										
Charges for services and other operating revenue	$ 12,705,123	$ 13,273,211	$ 13,919,612	$ 14,682,219	$ 15,405,174	$ 16,040,587	$ 17,861,892	$ 17,716,586	$ 18,536,169	$ 18,023,990
Total operating revenues	12,705,123	13,273,211	13,919,612	14,682,219	15,405,174	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990
Operating expenses: (2)										
Personal services and benefits	-	-	-	1,894,076	1,919,958	2,094,012	2,497,423	2,580,269	2,690,817	2,821,960
Operation and maintenance	3,930,346	4,116,454	5,749,871	1,684,070	1,942,779	1,776,185	2,653,861	2,922,473	2,648,489	2,756,734
Supplies and materials	-	-	-	773,012	836,684	841,857	906,778	988,444	1,120,551	1,142,833
Administration	1,849,859	1,704,560	858,727	1,744,083	1,798,976	1,863,792	2,025,740	2,370,470	2,222,341	2,599,513
Other charges	-	-	-	23,902	40,887	34,347	35,078	35,903	45,466	39,915
Depreciation	3,156,787	3,312,342	3,662,382	3,777,969	3,954,820	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336
Total operating expenses	8,936,992	9,133,356	10,270,980	9,897,112	10,494,104	10,718,754	12,415,373	13,328,517	13,585,507	14,396,291
Operating income	3,768,131	4,139,855	3,648,632	4,785,107	4,911,070	5,321,833	5,446,519	4,388,069	4,950,662	3,627,699
Nonoperating revenues (expenses):										
Interest income	421,275	744,837	200,511	248,236	456,342	858,384	691,799	363,942	182,548	173,319
Governmental grants	38,500	38,500	38,500	38,500	38,500	38,500	38,500	38,500	93,000	93,000
Miscellaneous	7,729	140,041	103,553	5,157	29,183	6,558	5,800	257,943	15,985	15,936
Gain (loss) on disposition of assets	(13,643)	(3,851)	2,080	(305,674)	(24,334)	-	-	-	-	-
Interest on long-term debt	(1,695,680)	(1,919,090)	(2,818,973)	(1,777,877)	(1,777,407)	(1,901,244)	(1,838,986)	(1,632,263)	(1,496,908)	(1,477,230)
IRS interest subsidy - Build America Bonds	-	-	-	-	-	-	-	-	44,421	22,977
Total nonoperating revenues (expenses)	(1,241,819)	(999,563)	(2,474,329)	(1,791,658)	(1,277,716)	(997,802)	(1,102,887)	(971,878)	(1,160,954)	(1,171,998)
Income before contributions and transfers	2,526,312	3,140,292	1,174,303	2,993,449	3,633,354	4,324,031	4,343,632	3,416,191	3,789,708	2,455,701
Capital contributions	6,371,216	3,867,125	4,711,890	3,851,205	1,534,561	766,259	2,210,259	4,045,756	12,542,361	8,435,244
Transfers out	(328,346)	(806,668)	(396,189)	(164,394)	(110,389)	(452,000)	(325,000)	-	-	-
Change in net assets	8,569,182	6,200,749	5,490,004	6,680,260	5,057,526	4,638,290	6,228,891	7,461,947	16,332,069	10,890,945
Total net assets - beginning, as restated (1)	53,663,821	62,233,003	68,706,621	75,646,728	82,326,988	87,384,514	92,022,804	98,251,695	105,713,642	122,045,711
Ending net assets:										
Invested in net assets, net of related debt	58,225,166	57,318,081	63,406,634	69,171,836	73,629,641	74,801,294	78,570,747	89,162,429	103,867,512	118,483,855
Restricted	11,352	7,043,943	-	-	-	-	-	-	-	-
Unrestricted	3,996,485	4,071,728	10,789,991	13,155,152	13,754,873	17,221,510	19,680,948	16,551,213	18,178,199	14,452,801
Total net assets - ending	$ 62,233,003	$ 68,433,752	$ 74,196,625	$ 82,326,988	$ 87,384,514	$ 92,022,804	$ 98,251,695	$ 105,713,642	$ 122,045,711	$ 132,936,656

(1) Beginning fund balance restated as of June 30, 2003 and June 30, 2004. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004 and June 30, 2005.

(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.

CITY OF LYNCHBURG, VIRGINIA

TABLE 11

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating revenues:										
Charges for services and other operating revenues	$ 1,151,542	$ 1,401,379	$ 1,480,514	$ 1,637,730	$ 1,762,826	$ 1,848,109	$ 1,839,685	$ 1,967,871	$ 2,152,132	$ 2,093,668
Intergovernmental	36,363	179,502	32,588	71,309	146,198	129,582	132,487	178,948	179,276	168,209
Total operating revenues	1,187,905	1,580,881	1,513,102	1,709,039	1,909,024	1,977,691	1,972,172	2,146,819	2,331,408	2,261,877
Operating expenses: (2)										
Personal services and benefits	-	-	-	1,009,935	795,052	867,626	954,186	912,723	940,547	962,868
Operation and maintenance	1,495,605	1,193,299	1,665,851	424,166	695,575	751,314	710,025	825,665	962,156	993,088
Supplies and materials	-	-	-	88,525	111,521	96,152	117,270	99,852	107,755	118,586
Administration	115,420	425,436	558,515	191,387	231,161	235,657	231,223	203,813	242,702	233,300
Other charges	-	-	-	19,803	17,678	16,004	15,683	17,935	20,088	15,794
Depreciation	1,406,045	1,397,321	1,492,120	1,546,691	1,545,339	1,568,656	1,720,304	1,911,836	1,964,051	1,969,925
Total operating expenses	3,017,070	3,016,056	3,716,486	3,280,507	3,396,326	3,535,409	3,748,691	3,971,824	4,237,299	4,293,561
Operating loss	(1,829,165)	(1,435,175)	(2,203,384)	(1,571,468)	(1,487,302)	(1,557,718)	(1,776,519)	(1,825,005)	(1,905,891)	(2,031,684)
Nonoperating revenues (expenses):										
Interest income	27,840	7,922	5,487	16,873	63,986	106,412	33,985	15,788	3,198	2,672
Governmental grants	134,947	8,532	-	1,726	26,969	29,033	30,960	-	24,383	34,495
Passenger facility charges	136,032	185,658	230,179	256,800	246,981	223,331	185,815	319,360	377,504	350,002
Miscellaneous	2,648	12,386	96,961	5,523	6,646	12,260	8,162	11,508	4,249	44,092
Gain (Loss) on disposition of assets	-	-	(2,203)	-	-	117,431	-	-	-	(17,651)
Interest on long-term debt	(150,993)	(93,583)	(120,904)	(107,691)	(89,365)	(103,910)	(108,456)	(86,964)	(73,265)	(64,581)
Total nonoperating revenues (expenses)	150,474	120,915	209,520	173,231	255,217	384,557	150,466	259,692	336,069	349,029
Loss before contributions and transfers	(1,678,691)	(1,314,260)	(1,993,864)	(1,398,237)	(1,232,085)	(1,173,161)	(1,626,053)	(1,565,313)	(1,569,822)	(1,682,655)
Capital contributions	1,230,962	769,649	2,491,843	1,245,460	1,285,354	7,928,973	5,094,296	422,853	2,184,294	1,685,180
Transfers in	613,535	552,373	490,831	419,980	398,485	367,337	359,364	295,850	261,260	259,950
Change in net assets	165,806	7,762	988,810	267,203	451,754	7,123,149	3,827,607	(846,610)	875,732	262,475
Total net assets - beginning - as restated (1)	21,865,042	22,030,848	22,033,667	23,022,477	23,289,680	23,741,434	30,864,583	34,692,190	33,845,580	34,721,312
Ending net assets:										
Invested in capital assets, net of related debt	21,197,318	21,326,437	22,231,939	22,022,931	21,640,700	29,582,661	34,351,746	33,350,032	33,807,415	33,495,323
Restricted	1,024,517	133,194	-	-	312,049	1,765	4,708	8,786	5,213	10,312
Unrestricted	(190,987)	578,979	790,538	1,266,749	1,788,685	1,280,157	335,736	486,762	908,684	1,478,152
Total net assets - ending	$ 22,030,848	$ 22,038,610	$ 23,022,477	$ 23,289,680	$ 23,741,434	$ 30,864,583	$ 34,692,190	$ 33,845,580	$ 34,721,312	$ 34,983,787

(1) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.
(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Real Estate	$ 29,980,713	$ 30,820,001	$ 34,033,120	$ 34,949,790	$ 39,116,533	$ 40,449,499	$ 45,992,171	$ 47,630,637	$ 50,063,382	$ 50,443,704
PSC Taxes	2,218,855	2,407,289	2,440,156	2,441,684	2,123,037	2,084,337	1,859,402	2,092,537	2,156,835	2,231,177
Personal Property Tax	10,006,956	10,197,416	10,643,759	12,337,162	18,512,544	13,601,986	15,404,439	14,888,406	14,735,238	15,452,280
Penalties & Interest	632,433	650,448	663,897	682,712	819,079	665,421	711,491	896,215	862,989	954,397
Sales & Use Tax	11,905,178	11,027,631	11,528,820	12,221,813	13,319,691	14,481,096	14,266,750	13,056,829	12,686,171	13,290,563
Utility Tax (1)	6,183,639	6,826,740	6,892,926	7,087,224	6,870,716	5,919,376	4,861,021	4,813,312	4,758,781	5,035,929
Business License Tax	6,561,438	6,712,152	6,507,848	7,371,507	7,237,403	7,569,060	7,649,395	7,324,838	7,297,765	6,999,206
Franchise License Tax (1)	805,383	545,624	570,921	574,721	584,346	316,824	4,277	500	4,527	8,554
Communication Sales & Use Tax (1)	-	-	-	-	-	1,669,968	3,893,158	3,537,283	3,552,028	3,534,449
Motor Vehicles Licenses	1,248,753	1,233,855	1,246,702	1,498,014	856,406	1,491,186	1,511,831	1,572,792	1,601,123	1,621,362
Bank Stock Taxes	1,074,795	647,929	590,123	545,221	598,733	503,322	442,123	500,385	685,879	901,240
Taxes on Recordation and Wills	309,720	359,561	414,598	561,009	786,799	809,424	661,671	401,833	525,417	381,719
Tobacco Taxes	553,676	652,156	1,083,020	1,087,358	972,337	1,002,130	1,014,759	1,044,465	953,513	936,648
Admission and Amusement Taxes	288,175	311,639	261,647	344,161	368,680	409,473	407,024	400,835	576,139	610,625
Hotel and Motel Room Taxes	1,277,686	1,275,664	1,363,085	1,392,866	1,491,943	1,565,191	1,698,848	1,742,232	1,667,064	1,738,042
Restaurant Food Taxes	6,921,931	6,984,195	7,561,387	8,666,119	9,382,349	9,974,012	10,289,669	10,426,915	10,424,786	10,904,781
Emergency Telephone Service Tax (1)	-	1,114,213	978,995	972,043	946,241	464,582	-	-	-	-
Total General Government Tax Revenues	$ 79,969,331	$ 81,766,513	$ 86,781,004	$ 92,733,404	$ 103,986,837	$ 102,976,887	$ 110,668,029	$ 110,330,014	$ 112,551,637	$ 115,044,676

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 FY 2007 and future years.

ASSESSED VALUE AND ESTIMATED ACTUAL 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)	Total Direct Tax Rate
2002	$ 1,817,921,235	$ 656,406,200	$ 269,264,050	$ 2,743,591,485	1.11
2003	1,872,517,185	675,181,050	274,750,900	2,822,449,135	1.11
2004	2,027,995,200	811,633,000	276,950,200	3,116,578,400	1.11
2005	2,091,324,700	827,888,000	271,014,300	3,190,227,000	1.11
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

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

	Real Propery (1)					Personal Property (3)				Machinery and Tools		
Fiscal Year	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	Estimated Actual Value of Taxable Property
2002	$ 1,817,921,235	$ 925,670,250	$ 163,282,375	$ 2,906,873,860	$ 1.11	$ 419,024,367	$ 33,883,382	$ 452,907,749	$ 3.30	$ 106,329,586	$ 3.00	$ 3,466,111,195
2003	1,872,517,185	949,931,950	187,708,383	3,010,157,518	1.11	449,743,493	27,292,958	477,036,451	3.30	117,085,047	3.00	3,604,279,016
2004	2,027,995,200	1,088,583,200	185,826,527	3,302,404,927	1.11	458,996,765	28,684,711	487,681,476	3.30	125,639,040	3.00	3,915,725,443
2005	2,091,324,700	1,098,902,300	191,327,640	3,381,554,640	1.11	441,221,304	25,901,179	467,122,483	3.80	106,245,785	3.00	3,954,922,908
2006	-	-	-	-	-	464,880,808 (4)	-	464,880,808	3.80	113,654,354 (4)	3.00	578,535,162
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
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
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
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
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
2011	3,346,989,900	1,616,639,400	184,579,772	5,148,209,072	1.05	468,687,301 (6)	26,206,858	494,894,159	3.80	142,145,286 (6)	3.00	5,785,248,517

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 FY 2006.
(5) These figures have been updated to reflect all billings associated with the levy.
(6) 2011 Personal Property Tax Levy in FY 2011. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2012 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 assesment 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.

CITY OF LYNCHBURG, VIRGINIA

TABLE 15

PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO

		2011					2002				
Taxpayer	Type of Business	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2011 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2002 Total Tax Levy	Percentage of Total Tax Levy
AEP	Utility	$ 70,462,662	1	1.22 %	$ 639,689	0.84 %	$ 48,927,078	5	1.41 %	$ 545,187	1.12 %
Verizon Va, Inc.	Utility	62,451,032	2	1.08	668,677	0.88	80,203,731	2	2.31	913,865	1.88
Areva NP Inc.	Nuclear Power Design & Fuel	61,630,367	3	1.07	1,417,613	1.86	30,569,552	6	0.88	535,369	1.10
River Ridge, Ltd.	Shopping Mall	54,815,400	4	0.95	575,562	0.75	32,315,384	7	0.93	365,608	0.75
R R Donnelley Printing Co.	Periodical Publication Printing	50,014,221	5	0.86	1,126,206	1.47	45,113,082	1	1.30	984,897	2.02
Frito Lay, Inc.	Food Manufacturer	44,497,521	6	0.77	837,781	1.10	25,175,875	9	0.73	280,273	0.58
Genworth Financial, Inc.	Life Insurance	40,030,206	7	0.69	658,621	0.86	47,471,998	4	1.37	723,636	1.49
Wal-Mart Real Estate Business Trust	Real Estate Company	35,151,800	8	0.61	369,093	0.48	-	-	-	-	-
LU Candlers Station Holdings LLC	Shopping Mall	21,085,400	9	0.36	221,397	0.29	-	-	-	-	-
CCRC, Inc.	Nursing Home/Assisted Living	18,802,100	10	0.33	197,422	0.26	-	-	-	-	-
B.A. Langley	Real Estate Company	-	-	-	-	-	26,523,724	8	0.77	294,462	0.60
Ericsson-GE Mobile Communications	Mobile Communications	-	-	-	-	-	44,778,965	3	1.29	766,951	1.57
Bell Atlantic-Virginia, Inc.	Utility	-	-	-	-	-	23,851,527	10	0.69	264,917	0.54
Total		$ 458,940,709		7.94 %	$ 6,712,061	8.79 %	$ 404,930,916		11.68 %	$ 5,675,165	11.65 %
Total Assessed Valuation:		$ 5,785,248,517					$ 3,466,111,195				

Tax Levy:	
Real Estate	$ 52,118,108
Railroads and Pipelines	200,076
Public Service Corporations	2,032,569
Personal Property	22,030,477
Total Tax Levy:	$ 76,381,230

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)	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (3)	Total Collections to Date	
		Amount	Percentage of Levy (2)		Amount	Percentage of Levy (2)
2002	$ 48,710,267	$ 47,306,624	97.12%	$ 794,603	$ 48,101,227	98.75%
2003	50,084,951	48,306,161	96.45%	1,267,317	49,573,478	98.98%
2004	54,014,300	52,095,333	96.45%	1,166,686	53,262,019	98.61%
2005	55,674,712	54,679,067	98.21%	1,112,876	55,791,943	100.21%
2006	67,559,478	64,525,107	95.51%	2,535,023	67,060,130	99.26%
2007	63,281,557	60,579,970	95.73%	1,400,993	61,980,963	97.94%
2008	69,302,787	67,913,137	97.99%	1,940,759	69,853,896	100.80%
2009	70,934,803	68,912,258	97.15%	1,647,883	70,560,141	99.47%
2010	73,855,430	71,488,683	96.80%	1,474,783	72,963,466	98.79%
2011	75,345,301	72,759,636	96.57%	-	72,759,636	96.57%

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

(1) Total tax levy is calculated based on the sum of Real Estate Tax and Personal Property Tax levies and any supplemental bills. Due to the implementation of a new personal property tax billing system these figures will be updated each year to reflect the supplemental bills attributable to the year the tax should have been levied.
(2) These columns represent the amount and percentage on the tax levy within the respective tax year reporting period.
(3) This column represents delinquent taxes collected within the respective reporting period. Beginning with FY 2003 this column represents collections in subsequent years for the tax levied in the noted fiscal year.

Note:

The increase in the FY 2006 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.

CITY OF LYNCHBURG, VIRGINIA **TABLE 17**

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

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Real Estate										
Locally Assessed	$ 1.11	$ 1.11	$ 1.11	$ 1.11	$ 1.11	$ 1.11	$ 1.05	$ 1.05	$ 1.05	$ 1.05
Personal Property										
Locally Assessed	3.30	3.30	3.30	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	3.30	3.30	3.30	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Public Service Corporations										
Equalized	1.11	1.11	1.11	1.11	1.11	1.11	1.05	1.05	1.05	1.05
Automobiles and Trucks	3.30	3.30	3.30	3.80	3.80	3.80	3.80	3.80	3.80	3.80

Source: Information was obtained from Official Statements related to bond issuance for June 27, 2000, April 26, 2006, and July 19, 2007.
City of Lynchburg Adopted Budget Fiscal Year 2011
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)

	Governmental Activities					Business-type Activities						
Fiscal Year	General Obligation Bonds	Literary Bonds	General Obligation Notes	Note Payable	Capital Leases	General Obligation Bonds	General Obligation Notes	Public Utility Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income[1]	Total Primary Government Bonded Debt Per Capita[1]
2002	$ 71,901	$ 283	$ 9,290	$ -	$ 2,397	$ 63,499	$ -	$ 56,096	$ -	$ 203,466	11.52%	$ 3,061
2003	85,006	225	610	-	2,187	64,141	-	52,973	-	205,142	11.18%	3,046
2004	100,251	166	7,500	3,200	8,396	66,896	-	59,152	-	245,561	12.62%	3,594
2005	93,990	127	7,500	3,200	7,747	61,935	-	63,526	-	238,025	11.64%	3,433
2006	116,709	87	-	3,200	7,287	57,532	16,500	70,543	-	271,858	12.31%	3,857
2007	108,593	68	-	3,020	6,810	52,295	16,500	74,985	-	262,271	11.11%	3,626
2008	117,407	49	1,343	2,840	6,316	63,550	-	84,426	-	275,931	11.07%	3,737
2009	112,011	30	7,500	2,660	5,804	56,831	4,000	100,328	-	289,164	11.54%	3,845
2010	139,180	11	-	2,480	5,274	71,749	-	109,907	-	328,601	13.01%	4,334
2011	129,807	-	-	2,300	4,723	68,005	-	125,601	-	330,436	13.08%	4,358

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) See Table 22 for population and per capita personal income information. For FY 2010 and FY 2011, the FY 2009 amount for per capita personal income of $33,308 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)	Gross Bonded Debt (2)	Debt Payable From Enterprise Revenues (2)	Net Bonded Debt	Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
2002	$ 66,471	$ 3,466,111	$ 144,973	$ 63,499	$ 81,474	2.35%	$ 1,226
2003	67,354	3,604,279	149,981	64,140	85,841	2.38%	1,274
2004	68,319	3,915,725	174,813	66,896	107,917	2.76%	1,580
2005	69,340	3,954,923	163,552	61,935	101,617	2.57%	1,465
2006	70,491	4,935,723	190,828	74,032	116,796	2.37%	1,657
2007	72,331	4,501,102	177,456	68,795	108,661	2.41%	1,502
2008	73,834	5,330,939	182,350	63,550	118,800	2.23%	1,609
2009	75,204	5,463,547	180,372	60,831	119,541	2.19%	1,590
2010	75,826	5,764,489 (3)	210,940	71,749	139,191	2.41%	1,836
2011	75,826	5,785,249 (4)	197,812	68,005	129,807	2.24%	1,712

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

(1) Data from the Weldon Cooper Center for Public Service, University of Virginia, Charlottesville, Virginia, for 2002-2009 Revised Final Estimates based on the United States Bureau of the Census 2010. United States Bureau of the Census 2010 and the 2011 population is an estimate based on 2010.
(2) Excludes City of Lynchburg Public Utility Revenue Bonds.
(3) These figures have been updated to reflect all billings associated with the personal property tax levy.
(4) These figures only reflect two of the four billings associated with the personal property tax levy.
These figures will be updated in FY 2012 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 2011

Real Property Assessed Value	$ 4,963,629
Public Service Corporations Real Property Assessed Value	184,580
Total Real Property Assessed Value (1)	5,148,209
Debt limit (10% of assessed value)	514,821
Debt applicable to limit:	
Less: General Obligation Debt	(197,812)
Legal Debt Margin	$ 317,009

	Fiscal Years									
Description	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Debt limit	$ 290,687	$ 301,016	$ 330,240	$ 338,155	$ 372,512	$ 383,509	$ 462,181	$ 479,591	$ 506,924	$ 514,821
Total net debt applicable to limit (2)	144,973	149,981	174,813	163,552	190,828	177,456	182,350	180,372	210,940	197,812
Legal debt margin	$ 145,713	$ 151,036	$ 155,427	$ 174,603	$ 181,684	$ 206,053	$ 279,831	$ 299,219	$ 295,984	$ 317,009
Total net debt applicable to the limit as a percentage of the debt limit	49.87%	49.82%	52.94%	48.37%	51.23%	46.27%	39.45%	37.61%	41.61%	38.42%

Source: Director of Financial Services, City of Lynchburg

(1) See Table 14 for Real Property Assessed Value information.
(2) For fiscal years 2001 through 2005, the total net debt applicable to limit amounts were revised to include bond anticipation notes.

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.

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sewer Fund Operating Income	$ 3,768,131	$ 4,139,855	$ 3,648,632	$ 4,785,102	$ 4,911,070	$ 5,321,833	$ 5,446,519	$ 4,388,069	$ 4,950,662	$ 3,627,699
Plus:										
Depreciation & amortization	3,156,787	3,312,342	3,662,382	3,777,969	3,954,820	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336
Interest income received	421,275	55,615	200,511	248,236	456,342	858,384	691,799	363,942	226,969	173,319
Capital contributions from members										
Regional Sewerage Treatment Plant	597,353	785,015	272,336	383,901	384,746	385,623	386,530	394,761	431,486	474,581
Governmental grants & miscellaneous income	46,229	178,541	142,053	43,657	67,683	45,058	44,300	296,443	108,985	108,936
Capitalized cost (3)	-	-	-	-	-	-	-	-	-	229,662
Net Revenue per Indenture (1)	$ 7,989,775	$ 8,471,368	$ 7,925,914	$ 9,238,865	$ 9,774,661	$ 10,719,459	$ 10,865,641	$ 9,874,173	$ 10,575,945	$ 9,649,533
Debt Service										
General obligation bonds										
Principal (2)	$ 879,291	$ 2,007,725	$ 1,775,308	$ 2,217,270	$ 2,210,090	$ 2,386,638	$ 4,207,969	$ 1,810,056	$ 2,103,851	$ 2,259,476
Interest	1,530,736	1,406,731	1,319,116	1,415,544	1,204,587	1,445,911	1,411,626	1,233,745	1,128,126	1,139,108
Total	2,410,027	3,414,456	3,094,424	3,632,814	3,414,677	3,832,549	5,619,595	3,043,801	3,231,977	3,398,584
Revenue bonds										
Principal	3,803,884	3,109,085	2,320,353	2,391,300	2,433,438	2,557,922	2,909,118	3,097,845	3,520,797	3,757,168
Interest	486,109	515,368	541,101	773,675	537,820	455,333	427,360	398,518	368,782	338,122
Total	4,289,993	3,624,453	2,861,454	3,164,975	2,971,258	3,013,255	3,336,478	3,496,363	3,889,579	4,095,290
Total Debt Service Principal and Interest	$ 6,700,020	$ 7,038,909	$ 5,955,878	$ 6,797,789	$ 6,385,935	$ 6,845,804	$ 8,956,073	$ 6,540,164	$ 7,121,556	$ 7,493,874
Debt Coverage	1.19	1.20	1.33	1.36	1.53	1.57	1.21	1.51	1.49	1.29

(1) In August 1994, the Virginia Department of Environmental Quality (DEQ) 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 does not contain fixed dates for implementing the CSO Control Plan, but rather provides for implementation that reflects the Citys financial capability. The debt coverage calculation above is utilized to determine the City's financial capability for Consent Order compliance based on a minimum debt coverage ratio of 1.2.

(2) For FY 2008 General obligation bond princial 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.

CITY OF LYNCHBURG, VIRGINIA **TABLE 22**

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)
2002	66,471	$ 1,765,736	$ 26,564	35.1	9,063	6.2
2003	67,354	1,835,262	27,248	35.1	8,955	6.1
2004	68,319	1,945,042	28,470	35.1	8,775	5.6
2005	69,340	2,045,114	29,494	35.1	8,620	5.2
2006	70,491	2,208,413	31,329	35.1	8,614	4.0
2007	72,331	2,360,016	32,628	35.1	8,622	4.3
2008	73,834	2,493,522	33,772	35.1	8,414	5.6
2009	75,204	2,504,895	33,308	35.1	8,655	9.3
2010	75,826	*	*	35.1	8,614	9.2
2011	75,826	*	*	30.3	8,662	8.3

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. 2002 through 2009 have been revised in accordane with the 2010 census revisions.

(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 revision in Population (see note 1 above).

(3) U.S. Department of Commerce, Economic and Statistic Administration, Bureau of Economic Analysis
Report AMSA04 - Advanced Metropolitan Statistical Area Income Summary www.bea.gov/regional/reis/
New estimates for 2009 and revisions for 2007 - 2008 were released on April 21, 2011. 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 2011.
2010 Unemployment Rate has been adjusted to reflect the most current data available.

* Information unavailable

CITY OF LYNCHBURG, VIRGINIA **TABLE 23**

PRINCIPAL EMPLOYERS ,
CURRENT YEAR AND NINE YEARS AGO

	2011			2002		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Centra Health, Inc.	5,300	1	14.61%	3,800	1	12.39%
TRBC, Liberty University	3,422	2	9.44%	1,000	9	3.26%
Areva (2)	1,928	3	5.32%	1,400	6	4.57%
Lynchburg City Schools	1,606	4	4.43%	1,554	5	5.07%
Genworth Financial Inc. (1)	1,600	5	4.41%	1,607	3	5.24%
J. Crew Outfitters	1,350	6	3.72%	1,000	8	3.26%
City of Lynchburg	1,193	7	3.29%	1,150	7	3.75%
Central Virginia Community Svcs	763	8	2.10%	1,600	4	5.22%
Walmart	672	9	1.85%	-	-	-
Lynchburg College	630	10	1.74%	-	-	-
BWX Technologies	-	-	-	1,940	2	6.33%
R.R. Donnelley	-	-	-	739	10	2.41%
Total	18,464			15,790		

Employed Civilian Labor Force (June 2011) Lynchburg City - Virginia Employment Commission	36,265
Employed Civilian Labor Force (June 2002) Lynchburg City - Virginia Employment Commission	30,659

Source: FY 2011 numbers are derived from Office of Economic Development,
City of Lynchburg, Virginia as of June 30, 2010

Source: FY 2002 numbers are derived from Official Statement for bond issue February 1, 2003.

(1) Formerly First Colony Life Insurance Co. and GE Financial Assurance
(2) Formerly Framatome

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Full-Time Equivalent Employees as of June 30									
Functions/Programs	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Adopted 2011 (1)
Primary government:										
Council Manager Offices	10	8	8	8	7	9	8	9	8	8
Parking Divison (5)	-	-	-	-	-	-	-	-	3	3
City Assessor	11	11	11	13	13	12	12	12	12	10
City Attorney	7	7	7	7	7	7	7	7	7	7
Commissioner of Revenue	14	14	15	16	16	16	15	15	13	12
Communications & Marketing	3	3	3	3	3	3	3	4	4	4
Local Government Channel	-	-	-	-	-	-	2	2	2	2
Customer Service	3	3	3	4	2	2	4	4	4	4
Financial Services	48	49	51	50	49	49	47	46	44	42
Financial Services-Human Services	-	-	-	-	-	12	12	12	10	10
Human Resources	10	10	10	12	11	12	13	11	11	10
Information Technology	22	23	25	27	28	28	28	29	30	31
Internal Audit	3	3	3	3	3	2	2	2	2	2
Registrar and Electoral Board	2	2	2	3	3	3	3	3	2	2
State Treasurer (State)	3	3	3	2	2	2	2	2	2	2
Risk Management Fund	3	3	3	3	3	3	3	3	3	3
Circuit Court Clerk (State)	13	13	13	13	13	13	13	13	13	13
Circuit Court Judges	2	2	2	2	2	2	2	2	2	2
Commonwealth Attorney	21	34	37	36	35	14	16	16	17	18
Sheriff	27	27	27	31	31	31	31	31	31	29
Regional Juvenile Detention Center Fund	50	51	51	51	48	50	50	50	50	48
Police Department	187	190	192	199	200	198	207	204	204	203
Emergency Communications	30	31	31	31	31	31	31	31	36	35
Fire Department	182	183	182	183	180	180	185	186	186	187
Public Works Administration	7	7	6	6	6	-	-	11	11	11
Buildings & Grounds Maintenance	76	78	78	98	92	88	88	83	78	74
Engineering Division (2)	38	31	31	36	35	-	-	-	38	31
Geographic Information System	-	3	3	3	3	-	-	-	-	-
Street, Traffic & Refuse Maintenance (3)	40	40	40	42	42	36	38	57	53	50
Health & Human Services	178	192	186	178	181	188	188	184	175	169
Cultural and recreational	93	83	83	97	101	102	101	99	99	104
Community Planning & Economic Development (2)	31	35	36	38	38	78	77	84	33	28
Fleet Services Fund	14	13	13	13	13	13	12	12	13	12
Business-type activities:										
Airport Fund	20	20	20	21	18	21	21	20	18	18
Water Fund	58	57	61	60	64	65	68	65	68	68
Sewer Fund	45	43	44	47	47	47	46	46	50	50
Solid Waste Fund (4)	43	42	42	42	46	43	43	-	-	-
Source: Budget Office, City of Lynchburg, Virginia	1,293	1,314	1,322	1,378	1,373	1,360	1,378	1,355	1,332	1,302

(1) FY 2011 actual will be available with the FY 2012 adopted budget.
(2) During FY 2007 the Engineering Division was moved to Community Planning & 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 FY 2010

OPERATING INDICATORS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function/Program										
Police										
Physical Arrests	7,563	6,295	6,449	6,717	6,996	6,634	6,813	6,662	6,605	7,039
Traffic Violations	15,190	8,759	9,628	11,477	10,926	10,634	11,327	14,489	12,672	11,437
Parking Violations	9,930	8,113	7,308	6,806	6,306	7,741	7,786	6,370	4,599	3,943
Fire										
Number of calls answered (per month) (1)	602 (est)	619(est)	227 (est)	328 (est)	463 (est)	501	517	506	518	574
Number of inspections conducted (4)	1,425	1,430	1,280	1,089	293	253	368	641	567	767
EMS calls	11,864	14,552	12,197	12,782	13,032	13,764	14,660	15,279	15,124	14,731
Sanitation and Refuse										
Refuse collected (tons/day) (2)	57.79	59.95	62.30	66.45	70.74	72.22	69.68	69.03	69.35	69.74
Recyclables collected (tons/day)	19.13	8.43	7.60	6.42	5.34	5.34	6.73	7.45	7.23	7.31
Airport										
Total number of passengers	107,455	92,779	109,940	128,811	124,093	115,560	98,423	142,569	178,387	169,174
Sewage										
Number of service connections	17,300	17,500	17,595	17,768	18,179	18,310	18,486	18,549	18,606	18,706
Average daily treatment in million gallons (3)	10.96	14.27	13.90	12.60	12.20	12.35	10.86	10.68	12.99	11.09
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	21,386	21,586	21,341	21,522	21,930	22,044	22,158	22,290	22,265	22,361
Average daily consumption of plant in million gallons	12	11	11	11	11	10	12	11	12	11
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) Fire calls only, not EMS
(2) The numbers stated for FY 2001-2006 differ from those previously reported and reflect the actual data based on the information provided by the Public Works Department.
(3) The numbers stated for FY 1999-2007 differ from those previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.
(4) Fire had additional personnel conducting inspections beginning in Fiscal Year 2009.

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function/Program										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	45	53	53	53	54	55	57	57	57	57
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	14	14	15	15	16	16	16	16	16	16
Highways and Streets										
Street (miles) (1)	314.00	365.95	368.23	372.23	373.28	374.42	374.42	377.37	378.26	378.26
Streetlights (2)	9,520	9,590	9,672	9,747	9,822	9,899	9,926	9,990	9,966	9,982
Traffic signals	110	110	110	113	117	117	118	119	119	119
Culture and Recreation										
Community centers	7	7	7	7	7	7	7	7	7	7
Senior centers	-	-	-	1	1	1	1	1	1	1
Parks (10)	20	20	20	20	20	20	20	20	20	21
Parks acreage (3) (10)	917	917	917	917	917	917	917	917	917	948
Swimming pools	1	1	1	1	1	1	1	1	1	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	2,274	2,324	2,451	2,788	2,799	2,800	2,887	2,892	3,080	3,111
Storage capacity (thousands of gallons)	not specified	not specified	not specified	not specified	33,000	33,000	33,000	31,000	33,000	33,000
Sewer										
Average daily sewage treatment (MGD) (6)	10.96	14.27	13.90	12.60	12.20	12.35	10.86	10.68	12.99	11.09
Maximum daily sewage treatment (MGD)	34.62	36.85	28.28	27.11	27.11	33.44	26.37	28.65	33.69	29.54
Transit - route service buses (7)	29	29	29	29	29	29	37	37	38	38
Transit - paratransit service buses (8)	-	-	-	-	-	-	7	11	11	11
Facility and service not included in the reporting entity:										
Education										
Number of elementary schools (9)	11	10	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	636	554	554	554	587	587	575	575	513	519

Source: City Departments, City of Lynchburg, Virginia

(1) The numbers stated for FY 2003-2006 differ from previously reported and reflect the actual data based on the information provided by Public Works Department.
(2) The numbers stated for FY 2002-2006 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 FY 1999-2007 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 parantransit 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 FY 2002-2010 differ from previously reported and reflect the actual data based on the information provided by the Parks & Recreation Department

LYNCHBURG CITY SCHOOLS
STUDENT ENROLLMENT, EMPLOYEES AND SCHOOLS BY FISCAL YEAR
LAST TEN YEARS

	Student Enrollment, Employees and Schools by Fiscal Year									
Description	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Elementary School Membership	4,049	3,968	3,910	3,840	3,793	3,877	3,916	3,937	3,934	3,968
Secondary School Membership	5,015	4,987	4,872	4,785	4,809	4,745	4,447	4,583	4,438	4,359
Total Membership	9,064	8,955	8,782	8,625	8,602	8,622	8,363	8,520	8,372	8,327
Teachers and Administrators (1)	807	782	762	753	776	772	774	780	759	977
Other Employees	494	474	467	471	470	482	482	482	449	250
Total Employees	1,301	1,256	1,229	1,224	1,246	1,254	1,256	1,262	1,208	1,227
Elementary Schools (2)	12	11	11	11	11	11	11	11	11	11
Secondary Schools	5	5	5	5	5	5	5	5	5	5
Total Buildings	17	16	16	16	16	16	16	16	16	16

(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)

Grade	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
K	655	674	700	666	670	722	732	732	718	696
1	661	628	651	628	655	675	673	673	702	726
2	716	664	608	647	634	629	648	648	648	670
3	649	689	641	583	628	629	653	653	632	620
4	695	633	690	630	593	625	606	608	639	629
5	673	680	620	686	613	597	604	622	595	627
6	729	686	689	658	707	618	613	635	598	605
7	707	697	661	680	664	694	581	604	619	593
8	730	737	697	660	687	662	625	614	581	622
9	869	904	856	857	823	867	777	797	706	642
10	757	730	740	772	726	661	647	732	719	666
11	666	676	656	627	669	621	654	702	619	672
12	557	557	573	531	533	622	550	499	596	559
Total	9,064	8,955	8,782	8,625	8,602	8,622	8,363	8,520	8,372	8,327

Source: Superintendent of Schools, City of Lynchburg, Virginia.

Note: The enrollment numbers reported for 2009 in the FY2009 CAFR were actually the enrollment numbers for 2010. These numbers have been updated.

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COMPLIANCE SECTION

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

We have audited 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, as of and for the year ended June 30, 2011 which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Other auditors 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 compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

A *deficiency in internal control* 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.

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

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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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of finding and questioned costs as Items 11-1 and 11-2.**

We noted certain matters that we reported to management of the City in a separate letter dated November 10, 2011.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response, and accordingly, we express no opinion on it.

****

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

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 10, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

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

Compliance

We have audited the City of Lynchburg, Virginia's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the discretely presented component unit referred to as the Business Development Centre, Inc., which received $519,605 in federal awards during the year ended June 30, 2011 that are not included in the Schedule of Findings and Questioned Costs. Our audit, 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*.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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Internal Control over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. **Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.**

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

Our consideration of 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 deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

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

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 10, 2011

BROWNEDWARDS
certified public accountants

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

Compliance

We have audited the City of Lynchburg, Virginia's compliance with the 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, 2011. Compliance with the requirements of laws and regulations applicable to its Program is the responsibility of management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its Program for the year ended June 30, 2011.

Internal Control over Compliance

Management 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, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on the Program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with 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.**

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Internal Control over Compliance (Continued)

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.

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 deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

This report is intended solely for the information and use of the audit committee, management, others within the City, the Federal Aviation Administration, and City Council. It is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 10, 2011

CITY OF LYNCHBURG, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2011

As more fully described in the 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 passenger facility charges.

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **No significant deficiencies** related to the audit of the financial statements**.**
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 with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major programs of the City are:

Name of Program	CFDA #
Airport Improvement Program	20.106
Revolving Loan – ARRA	66.458
Title IV-B – Special Education – Grants to States	84.027
Title IV-B – Special Education – Preschool Grants	84.173
ARRA – Special Education – Grants to States	84.391
ARRA – Special Education – Preschool Grants	84.392
Title I – Educationally Deprived Children – Local Education Agencies	84.010
ARRA – Title I Grants to Local Education Agencies	84.389
ARRA – State Fiscal Stabilization Fund – Education State Grants	84.394
WIA – Adult Program	17.258
WIA – Youth Activities	17.259
WIA - Dislocated Workers (prior to 07/01/10)	17.260
WIA – Dislocated Workers (after 07/01/10)	17.278
ARRA – WIA – Adult Program	17.258
ARRA – WIA – Youth Activities	17.259
ARRA – WIA – Dislocated Workers	17.260

8. The **threshold for** distinguishing Type A and B programs was **$1,098,344**.
9. The City of Lynchburg was **not** determined to be a **low-risk auditee**.
10. Passenger Facility Charge Program:
    a. Material weakness identified? No
    b. Significant deficiency not considered to be a material weakness? None reported
    c. Noncompliance material to the passenger facility charge program? No
    d. Type of auditor's report on compliance for the program. Unqualified
    e. Any audit findings disclosed. No

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM

None.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

E. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

11-1: Timely Disclosure Statement Submission

Condition:

Two out of seventy-five members of City appointed boards did not file the official disclosure statement by the January 15 deadline as set forth by the *Code of Virginia*.

Four out of nine members of School appointed boards did not file the official disclosure statement by the January 15 deadline as set forth by the *Code of Virginia*.

Recommendation:

Steps should be taken to ensure that these statements are filed in a timely manner.

Management's Response:

Management recognizes the importance of filing the disclosure statements in a timely manner. Procedures are in place to send out an initial notification, first reminder notice, and second reminder notice. Failure to respond to the notices results in phone calls to the individuals until the disclosure statements are filed.

11-2: Social Services VDSS System Access – City

Condition:

The five terminated employees tested were noted as not having their access privileges to all VDSS systems removed within three working days of employee termination set forth by the *Code of Virginia*.

Recommendation:

Steps should be taken to ensure that terminated employees access to all VDSS systems is removed within three working days of termination.

Management's Response:

The City agrees with the recommendation. The Director of Social Services has addressed the finding with all supervisory staff and implemented steps to ensure the timely removal of access privileges for terminated employees.