City of
Lynchburg, Virginia

Virginia 10 Miler Annual Event, September 2011

THE CITY OF LYNCHBURG

VIRGINIA

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2013

CITY OF
LYNCHBURG, VIRGINIA

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

CITY OF LYNCHBURG, VIRGINIA

Prepared by:
Financial Services

CITY OF LYNCHBURG, VIRGINIA

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INTRODUCTORY SECTION

The City of Lynchburg, Virginia

CITY HALL, 900 CHURCH STREET, LYNCHBURG, VIRGINIA 24504
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OFFICE OF THE
CITY MANAGER

November 12, 2013

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, 2013, 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, sewer and stormwater systems and a regional airport. The City's discretely presented component units, Lynchburg City Schools (Schools), Business Development Centre, Inc., and Greater Lynchburg Transit Company (GLTC), provide public education, various small business services, and public transportation, respectively, to the citizens of the City. Each of these component units' governing bodies is appointed by City Council. Excluded are the financial statements of the Lynchburg Redevelopment and Housing Authority and the City's Economic Development Authority. These organizations are associated with the City, but are legally separate entities. Also, excluded are the financial statements of the Blue Ridge Regional Jail Authority, Horizon Behavioral Health, (formerly the Central Virginia Community Services Board), and the Region 2000 Services Authority which are jointly governed organizations.

City Council has approved Debt Management, Fund Balance, Budget, and Investment policies to guide fiscal decision-making and to ensure continued strong financial health. These policies were revised and re-adopted by City Council in February 2013. During the fiscal year, adherence to these financial policies helped the City manage its investment portfolio in a challenging market, close the year with a strong fund balance, and

guided the balancing of the FY 2014 budget in an arduous environment of limited resources and competing demands.

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, citizen engagement, and a Council review process that includes multiple work sessions and a public hearing, City Council adopts the annual budget. The annual budget includes all funds represented in the City's Comprehensive Annual Financial Report. The budget must be 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 77,203, Lynchburg is an important commercial center for the four-county region (including Appomattox County) known as Region 2000. The City benefits from an economy that remains diversified among the manufacturing, health services, technology, retail, and trade sectors, as well as being the home to five 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 are staggered so a portion of the 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

The City continues to maintain its role as an employment and commercial center for a four county metropolitan statistical area with a population of approximately 255,700. While Lynchburg historically was dependent on an economy focused on manufacturing, its diverse economic sectors including health services, education, advanced engineering and technology, insurance, and retail continue to expand.

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 January 2013, Areva announced it has been selected to provide spent fuel level instrumentation upgrades at a U.S. nuclear plant.

In the health services sector, CENTRA, which owns and operates both Lynchburg General and Virginia Baptist hospitals in the City, completed work on its $3 million Central Virginia Center for Simulation and Virtual Learning. This center is one of the most comprehensive virtual healthcare learning facilities in Virginia.

Other business sector growth includes Banker Steel, which will expand its facility in Lynchburg and hire 50 people after being awarded a major contract in New York. Banker Steel, which fabricates steel structures, will help build the first phase of a $4.9-billion, 15-building residential and commercial project called Atlantic Yards in Brooklyn. Also, J. Crew, a New York-based retailer, opened a $20 million addition to its Lynchburg distribution center to support company growth. This addition supported 170 new full-time jobs added to the more than 1,300 J. Crew employees in Lynchburg.

Liberty University (LU) continues to work on a major campus transformation. The $50 million Jerry Falwell Library is scheduled to open in January 2014. In spring 2014, a $40 million Center for Medical and Health Sciences is scheduled to be complete. The Center is expected to create an additional 400 new jobs in the

next five years. New construction was recently started on an observatory as well as the first of six eight-story residence halls which will replace current one-story residence halls. The 2,500 seat baseball stadium and a three court basketball practice facility both opened in time for their 2013 seasons.

Other academic institutions in the City are also making significant capital investments. Lynchburg College broke ground on the $12 million expansion and renovation of its Student Center in April 2013. In February 2013, Randolph College opened its renovated student center, a $6 million project. Lynchburg College and Randolph College were also ranked in the 2013 edition of *U.S. News & World Report's Best Colleges*.

Real property assessments have experienced very slight growth and personal property assessments have experienced unexpected growth due to used vehicles holding their value. Consumption driven revenues, though declining in FY 2009, stabilized in FY 2010, have realized modest growth since FY 2011. Looking ahead, it is anticipated that real property values will remain relatively stable, while personal property values and consumption tax revenues will continue to grow gradually.

As part of a long-term financial plan, five-year revenue projections are developed annually with a focus on ensuring that forecasts are based on the latest economic conditions. The City's Fund Balance Policy is used to ensure compliance with the use of one-time funds for pay-as-you-go projects within the Capital Improvement Program.

In FY 2008, the City developed a "Sustainable Lynchburg" initiative to ensure policies and resources are in place to support the future viability and livability of the community. The Sustainable Lynchburg initiative focused 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 Resources, Neighborhoods, Safe Community, Land Use, and Transportation.

Major Initiatives and Accomplishments

Downtown and Riverfront Development/Redevelopment

The City's commitment to downtown revitalization remains strong. With Phase I of the Bluffwalk project completed, significant progress has been made on Phase II or the Lower Bluffwalk. The Lower Bluffwalk is a planned pedestrian, mixed-use, retail and residential corridor. The City's focus on downtown revitalization continues to encourage private sector investment in thousands of square feet of newly renovated residential and commercial space. In FY 2013, $11 million in new private capital was invested, not including significant progress on existing projects and new property acquisitions. Over 72 new residential units are on the market, with the Grand Parlor Lofts on Main Street the most recently completed redevelopment project. There are three new loft projects under construction that will bring 150 additional living spaces downtown. Sustained by the expanding residential population, 8 new businesses opened and 20 new jobs were created.

Education

For 2013, the Commonwealth of Virginia Department of Education notified Lynchburg City Schools that thirteen of the sixteen public schools earned full accreditation and three were accredited with a warning in mathematics. Both E. C. Glass and Heritage high schools were included in the May 2013 ranking of the *Washington Post's* most challenging high schools. Eligibility for this honor is based on the number of college-level tests given in the school year divided by the number of graduates for that year. Lynchburg City Schools continues to provide the most Advanced Placement courses in this area. The School Board has adopted a Comprehensive Plan that focuses on achievement, behavior and culture for all students and staff in the school system and a vision of "Every Child, By Name and By Need, to Graduation".

Infrastructure

FY 2013 was a year of continued work on downtown redevelopment, the Combined Sewer Overflow (CSO) Program and maintenance type projects. The first phase of the Midtown Connector which includes the re-working of a major intersection is well underway. Phase II of the 5th Street corridor was recently completed. This second phase included replacing the water and sewer lines, streetscape, and on-street parking. Phase III is currently under design. 5th Street serves as a major gateway into the downtown and midtown areas of the City. Also underway is the $6 million renovation of the Miller Center which houses administrative offices for Parks and Recreation as well as a community center. This project is partially funded with the sale of State historical tax credits. The renovation will increase the delivery of recreation services by making the building 100% accessible as well as updating facilities for classes and community meetings.

Technology

The City continues to be a leader in using technology to assist in service delivery. e.Republic's Center for Digital Government and Digital Communities Program has ranked Lynchburg fifth among the top-ranked digital city governments in the 75,000 – 124,999 population categories in the 12th annual Digital Cities Survey. This is Lynchburg's ninth year of ranking in the top ten for communities of its size.

Transportation

Greater Lynchburg Transit Company (GLTC) provides public bus service for Lynchburg citizens. Ground breaking for a new bus transfer station was held in January 2013. Design has begun on a new bus maintenance and operations facility. These facilities are designed to improve convenience, amenities, and customer service.

The City is also served by the Lynchburg Regional Airport, a small-sized commercial airport with a significant general aviation presence. Passenger loads on daily flights average around 80% and airport revenues have improved due to increased traffic over the last several years. Through its Air Service Development Partnership with the Chamber of Commerce and area businesses, the City is actively seeking new regional service to a northern hub airport. In FY 2013, the Lynchburg Regional Airport received a $2.7 million grant from the Federal Aviation Administration for a carrier ramp and taxiway improvement project.

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.

Water Resources

The Department of Water Resources has repeatedly earned the Virginia Department of Health (VDH) Office of Drinking Water's Excellence in Water Treatment Plant Performance Award. This year both water filtration plants earned the silver award. The VDH Office of Drinking Water Recognition Program rewards water systems that produce water that is at least three times cleaner than is required by the U.S. Environmental Protection Agency and have demonstrated excellence in performance and operations and for the treatment and distribution of drinking water to the public. Additionally, the City's Pedlar Dam and raw water line have been recognized by the American Water Works Association as National Historic Water Landmarks. The Pedlar Dam has been awarded the Virginia Lakes and Watersheds Association's award for the Best Maintained Publically Owned Dam. This past year the Department of Water Resources was awarded the American Academy of Environmental Engineers and Scientists Excellence in Environmental Engineering Award for the Holistic Combined Sewer Overflow (CSO) Long Term Control Plan Update. The Department also has received national attention in magazine articles focusing on the City's commitment to providing safe drinking water and protecting the environment. This commitment to environmental stewardship is also demonstrated by the quality of its wastewater treatment operations and the development of a stormwater utility.

Prospects for the Future

The City has worked diligently through its economic development authority (EDA) to ensure that Lynchburg continues to be a dynamic, vibrant economy where there are economic opportunities for all. To this end, in September of 2012, the EDA retained Garner Economics LLC of Atlanta to conduct an economic development strategy for the City. The focus of this engagement was for the Authority to understand economic growth opportunities facing the City. The goal was then to use that knowledge to develop a road map to fully leverage those opportunities and utilize the City's assets. With this information, the Authority is poised to strengthen Lynchburg's competitive position as a place where the world's most innovative companies and talent want to locate and live.

The resulting report, *Opportunity Lynchburg: Lynchburg's Strategy for Jobs & Competitiveness* and the process that yielded it are intended to be the start of an even broader collaboration to enhance the City's economic future. The recommendations in this strategy serve as a framework within which the City can define its economic development priorities and undertake an integrated and unified agenda for growth.

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 for its CAFR for the fiscal year ended June 30, 2012. This is the City's sixteenth consecutive year in receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City for its FY 2012 Adopted Budget. This is the City's eighth consecutive year in receiving this award.

Acknowledgments

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

Respectfully submitted,

L. Kimball Payne, III
City Manager

Donna S. Witt
Director of Financial Services

CITY OF LYNCHBURG, VIRGINIA

COUNCIL-MANAGER FORM OF GOVERNMENT

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2013

CITY COUNCIL

Dr. Michael A. Gillette, Mayor

Rev. Ceasor T. Johnson, Vice-Mayor
Hunsdon "H" Cary, III
Joan F. Foster
Jeff S. Helgeson
J. Randolph "Randy" Nelson
Edgar J. T. Perrow, Jr.

CITY OFFICIALS

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

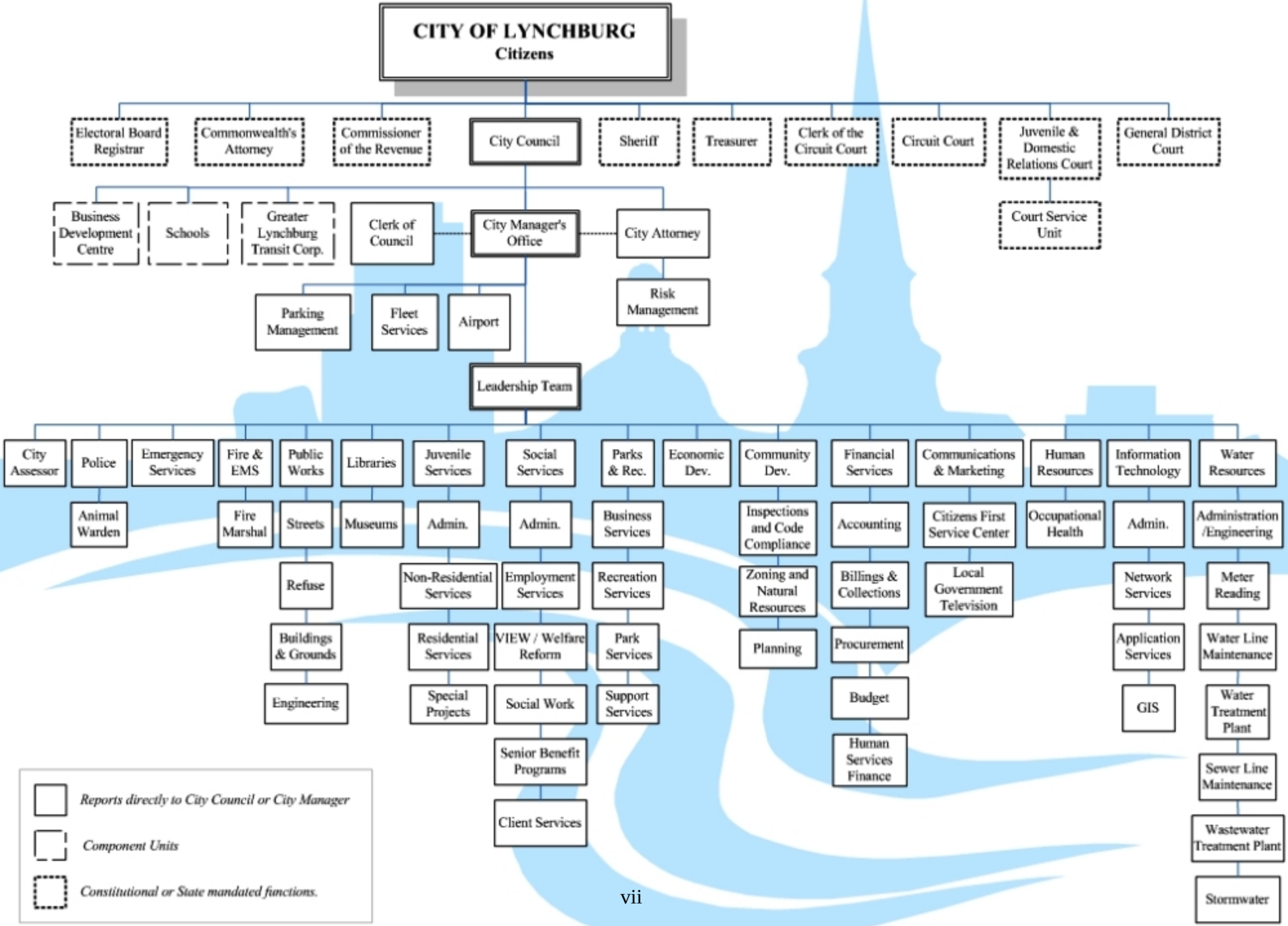
SCHOOL BOARD

Regina T. Dolan-Sewell, Chair

Treney L. Tweedy, Vice Chair
Mary Ann Hoss
Michael J. Nilles
Jennifer R. Poore
Katie K. Snyder
J. Marie Waller
Thomas H. Webb
Charles B. White

SCHOOL BOARD OFFICIALS

Dr. Scott S. Brabrand	Superintendent of Schools
William A. Coleman, Jr.	Assistant Superintendent
Ben W. Copeland	Assistant Superintendent
Anthony E. Beckles, Sr.	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
Juvenile & Domestic Relations Court
General District Court
Court Service Unit
Business Development Centre
Schools
Greater Lynchburg Transit Corp.
Clerk of Council
City Manager's Office
City Attorney
Risk Management
Parking Management
Fleet Services
Airport
Leadership Team
City Assessor
Police
Emergency Services
Fire & EMS
Public Works
Libraries
Juvenile Services
Social Services
Parks & Rec.
Economic Dev.
Community Dev.
Financial Services
Communications & Marketing
Human Resources
Information Technology
Water Resources
Animal Warden
Fire Marshal
Streets
Museums
Admin.
Admin.
Business Services
Inspections and Code Compliance
Accounting
Citizens First Service Center
Occupational Health
Admin.
Administration /Engineering
Refuse
Non-Residential Services
Employment Services
Recreation Services
Zoning and Natural Resources
Billings & Collections
Local Government Television
Network Services
Meter Reading
Buildings & Grounds
Residential Services
VIEW / Welfare Reform
Park Services
Planning
Procurement
Application Services
Water Line Maintenance
Engineering
Special Projects
Social Work
Support Services
Budget
GIS
Water Treatment Plant
Senior Benefit Programs
Human Services Finance
Sewer Line Maintenance
Client Services
Wastewater Treatment Plant
Stormwater
Reports directly to City Council or City Manager
Component Units
Constitutional or State mandated functions.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lynchburg Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

FINANCIAL SECTION

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit referred to as the Business Development Centre, Inc., whose statements reflect total assets of $1,782,761 as of June 30, 2013, and total revenues of $311,966 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us; and our opinion, insofar as it relates to the amounts included for the Business Development Centre, Inc., as of June 30, 2013 and for the year then ended is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Your Success is Our Focus

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Other Matters

Required Supplementary Information

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.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 12, 2013

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, 2013. The Lynchburg City Schools (Schools) component unit is included in this narrative also. The information presented here should be considered in conjunction with additional information provided in the Letter of Transmittal.

FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of resources of the City exceeded its total liabilities and deferred inflows of resources at June 30, 2013 by $475.1 million (net position). Unrestricted net position of $93.7 million was available to meet future obligations. This represented $73.9 million for governmental activities, which included the general fund, and $19.8 million for business-type activities, which included the enterprise funds (water, sewer, stormwater, and airport).

- The general fund's unassigned fund balance of $31.7 million was 18.7% of total general fund revenues, which were $169.3 million. This was $14.8 million more than the City Council adopted unassigned fund balance policy requirement of 10%, or $16.9 million.

- In comparison with the prior fiscal year, the City's total net position increased 3.4%, or $15.4 million, from FY 2012. Net position of governmental activities increased 3.3%, or $8.5 million, from FY 2012; and, net position of business-type activities increased 3.4%, or $6.9 million. The Schools' total net position increased 11%, or $0.3 million, from FY 2012.

- The City's total revenues of $230.5 million increased 7.0%, or $15.2 million, and total expenses of $215.1 million increased 4.0%, or $8.1 million, from FY 2012. General revenues and transfers of $131.6 million were $15.4 million more than the expenses net of program revenues of $116.2 million.

- The City began the stormwater enterprise fund in FY 2013 to provide the required resources for stormwater management across the City and for maintaining compliance with federal and state regulations. These include development of plans to meet water quality requirements, education and outreach, and perform operation and maintenance activities that ensure roadways and ditches drain properly. Several hundred miles of pipes and culverts are maintained and replaced as needed.

- For the current fiscal year, the City's total liabilities of $345.8 million decreased 4.9% or $17.9 million from FY 2012.

- Total new debt of $9.2 million was issued, of which $4.1 million was for governmental activities, and $5.1 million was for business-type activities. In fall 2011, the City issued a five-year General Obligation Bond Anticipation Note for a bank qualified line of credit up to $10 million to interim finance capital improvements. New debt included $5.1 million for the line of credit for water capital projects and $4.1 million from a general obligation public improvement refunding bond to refinance a capital lease. In fall 2013, the City issued a $10 million General Obligation Public Improvement Bond for general government transportation and school capital projects and fire public safety capital equipment. 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 summer 2012, Fitch Ratings reaffirmed their AA+ rating for the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These

statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

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

Summary of Statement of Net Position
As of June 30, 2013/2012
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change	Component Unit Schools	
	2013	2012	2013	2012	2013	2012	2013-2012%	2013	2012
Current and other assets	$ 130.2	$ 130.3	$ 37.4	$ 51.2	$ 167.6	$ 181.5	-8%	$ 13.7	$ 17.0
Capital assets	289.4	291.0	367.9	350.9	657.3	641.9	2%	4.5	3.3
Total assets	419.6	421.3	405.3	402.1	824.9	823.4	0%	18.2	20.3
Total deferred outflows of resources*	2.7	-	1.9	-	4.6	-	0%	-	-
Long-term liabilities	129.5	140.7	190.8	194.9	320.3	335.6	-5%	3.7	3.1
Other liabilities	18.3	23.2	7.2	4.9	25.5	28.1	-9%	11.5	14.5
Total liabilities	147.8	163.9	198.0	199.8	345.8	363.7	-5%	15.2	17.6
Total deferred inflows of resources*	8.6	-	-	-	8.6	-	0%	-	-
Net Position									
Net investment in capital assets	175.2	166.9	189.4	182.8	364.6	349.7	4%	4.3	3.1
Restricted for Capital projects	15.5	17.5	-	-	15.5	17.5	-11%	-	-
Restricted for Grants and other	1.3	1.2	-	0.1	1.3	1.3	0%	-	-
Unrestricted	73.9	71.8	19.8	19.4	93.7	91.2	3%	(1.3)	(0.4)
Total net position	$ 265.9	$ 257.4	$ 209.2	$ 202.3	$ 475.1	$ 459.7	3%	$ 3.0	$ 2.7

*Note: The City implemented GASB 63 and GASB 65 in FY 2013. Prior year information is not available.

The City's total net position of $475.1 million increased 3.4%, or $15.4 million, from FY 2012.

Net investment in capital assets of $364.6 million was 76.7 % of total net position and increased 4.3%, or $14.9 million. Net position invested in capital assets was not available for future expenses because the assets are facilities, equipment, and infrastructure, etc. utilized to provide services. Please refer to Notes 8 and 9 of this report and the MD&A's capital assets and long-term debt sections.

The City has a strong financial position with 19.7%, or $93.7 million, of unrestricted net position, which is comprised of 79%, or $73.9 million, for governmental activities, and 21%, or $19.8 million, for business-type activities. Unrestricted net position available for providing services to the citizens increased 2.7%, or $2.5 million from FY 2012. Restricted net position of $16.8

million is comprised of $15.5 million of grant funds restricted for transportation projects and $1.3 million of grant funds restricted mainly for public safety and comprehensive services for at risk youth.

The Schools' component unit total net position of $3.0 million increased 11%, or $0.3 million from FY 2012. Unrestricted net position of $(1.3) million decreased by $0.9 million.

Statement of Activities

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

Summary of Changes in Net Position
For Fiscal Years Ended June 30, 2013/2012
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
Revenues:	2013	2012	2013	2012	2013	2012	2013-2012	2013	2012
Program Revenues:									
Charges for services	$ 13.5	$ 11.7	$ 37.4	$ 32.9	$ 50.9	$ 44.6	14%	$ 2.7	$ 2.8
Operating grants/contributions	39.9	30.2	1.0	0.1	40.9	30.3	35%	56.8	59.1
Capital grants/contributions	4.3	11.5	2.8	2.0	7.1	13.5	-47%	-	-
General Revenues:									
Property taxes	74.4	70.1	-	-	74.4	70.1	6%	-	-
Other taxes	47.5	48.2	-	-	47.5	48.2	-1%	-	-
Unrestricted intergovernmental	6.0	5.9	-	-	6.0	5.9	2%	-	-
Interest	0.2	0.4	0.1	0.2	0.3	0.6	-50%	-	-
IRS Subsidy Build America Bonds	0.3	0.3	0.3	0.3	0.6	0.6	0%	-	-
Miscellaneous	1.6	1.2	-	0.2	1.6	1.4	14%	0.8	1.3
Gain on sale of assets	1.0	0.1	0.2	-	1.2	0.1	1100%	-	-
City appropriation	-	-	-	-	-	-	-	35.3	31.7
Total Revenues	188.7	179.6	41.8	35.7	230.5	215.3	7%	95.6	94.9
Expenses:									
General government	15.1	14.2	-	-	15.1	14.2	6%	-	-
Judicial	6.4	6.6	-	-	6.4	6.6	-3%	-	-
Public safety	47.4	44.7	-	-	47.4	44.7	6%	-	-
Public works	26.5	25.5	-	-	26.5	25.5	4%	-	-
Health and human services	25.3	24.6	-	-	25.3	24.6	3%	-	-
Cultural and recreational	8.5	8.4	-	-	8.5	8.4	1%	-	-
Community development	5.1	7.8	-	-	5.1	7.8	-35%	-	-
Education	40.6	36.7	-	-	40.6	36.7	11%	95.3	94.3
Interest & other fiscal charges	5.0	5.5	-	-	5.0	5.5	-9%	-	-
Stormwater	-	-	2.0	-	2.0	-	0%	-	-
Airport	-	-	4.2	4.4	4.2	4.4	-5%	-	-
Water	-	-	12.8	11.9	12.8	11.9	8%	-	-
Sewer	-	-	16.2	16.7	16.2	16.7	-3%	-	-
Total Expenses	179.9	174.0	35.2	33.0	215.1	207.0	4%	95.3	94.3
Increase in net position before transfers	8.8	5.6	6.6	2.7	15.4	8.3	86%	0.3	0.6
Transfers	(0.3)	(0.4)	0.3	0.4	-	-	-	-	-
Increase in net position	8.5	5.2	6.9	3.1	15.4	8.3	86%	0.3	0.6
Net position beginning	257.4	252.2	202.3	199.2	459.7	451.4	2%	2.7	2.1
Net position ending	$265.9	$257.4	$209.2	$202.3	$475.1	$459.7	3%	$ 3.0	$ 2.7

Governmental Activities

The City's governmental activities are comprised of the general fund, fleet internal services fund, special revenue funds, and capital projects funds. Total net position of $265.9 million increased 3.3%, or $8.5 million from FY 2012.

Revenue highlights:

Revenues from governmental activities of $188.7 million increased 5.0%, or $9.1 million from FY 2012.

Program revenues, specifically charges for services of $13.5 million had an overall increase of $1.8 million due to the following: $1.1 million increase in payments from the new stormwater fund for services provided by public works and community development, $0.3 million increase in ambulance service fees, $0.3 million increase in police off duty fees, and $0.1 million increase in court collection fees.

Operating grants and contributions increased $9.7 million. The increase is mainly attributed to a reclassification of street and highway maintenance funds of $9.5 million from capital grants to operating grants to more accurately report the use of these funds for operational and maintenance needs. The remaining increase of $0.2 million is attributed to a net gain between the receipt of new grants as well as the reduction in prior year grants. Public safety received $0.7 million in new grants for fire and EMS staffing, paramedic training, and self-contained breathing apparatus (SCBA) equipment. Comprehensive Services Act (CSA) funds increased $0.3 million, Community Development Block grant (CDBG) funds increased $0.3 million and House Bill 599 funding for the Law Enforcement Assistance Grant increased $0.5 million for a total increase in grants of $1.8 million. Decreases in grants of $1.6 million are comprised of the following: $0.5 million decrease for Home Investment Trust funds, $0.1 million decrease in State funds for the commonwealth attorney, and $1.0 million decrease in funds from the Federal Emergency Management Agency and the Virginia Department of Emergency Management.

Capital grants and contributions decreased $7.2 million. Included in the decrease is $10.0 million in street and highway maintenance funds received in FY 2012. As discussed above, these funds are now reported as operating grants and contributions. The remaining $2.8 million increase is mainly attributed to the following: $0.4 million decrease in stimulus funds from the Energy Efficiency and Conservation Block grant program; $0.4 million increase in reimbursements from the Virginia Department of Transportation (VDOT) revenue sharing program, $2.7 million increase in reimbursements from VDOT federal reimbursement grants, $0.2 million increase in Federal Highway Safety Improvement Program funds for the Wards Road pedestrian crossing, $0.1 million increase in contributions to the City for City Hall improvements, $0.1 million increase in miscellaneous state reimbursements, and $0.3 million decrease in funds from the Schools for capital projects.

General revenues, specifically property taxes of $74.4 million, increased $4.3 million. Property taxes are comprised mainly of real property and personal property taxes. Real property taxes increased $3.7 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, 2011 and resulted in a nominal increase in assessed value of taxable real property. Personal property taxes increased $0.6 million.

Other taxes revenue of $47.5 million decreased $0.7 million. Other taxes are comprised mainly of revenue from local sales, meals, consumer utilities, business licenses, motor vehicle licenses, and communications sales and use taxes. The decrease is mainly attributable to decreases in motor vehicle license, meals and lodging taxes.

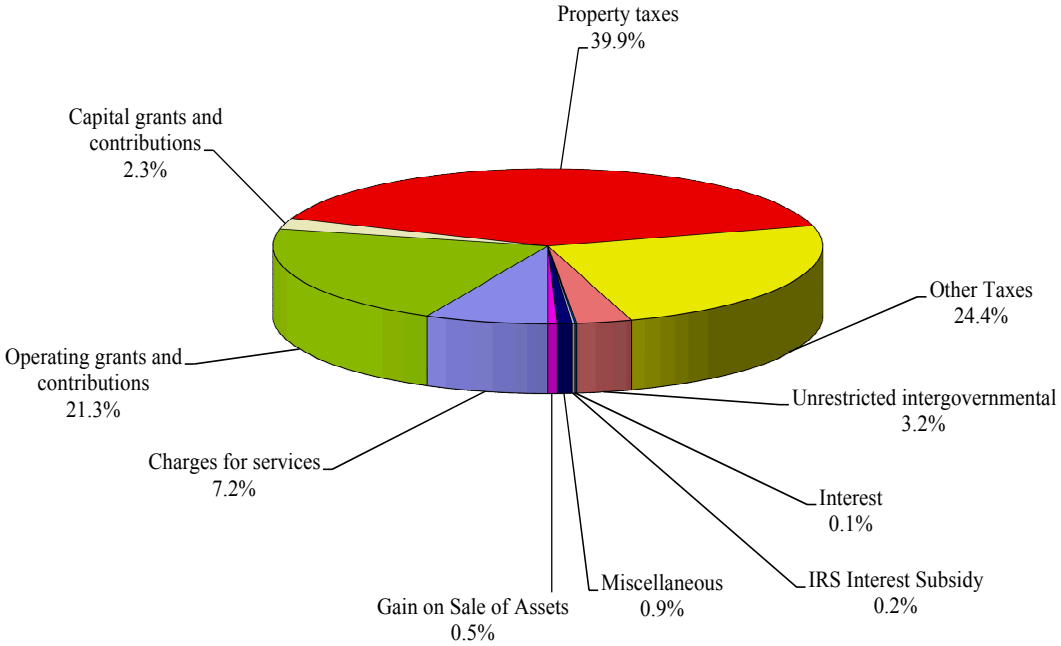
Investment earnings of $0.2 million decreased $0.2 million due to lower interest rates and a decrease in funds available for investment. In accordance with the issuance of Build America Bonds, the City received $0.3 million for IRS Subsidy.

Miscellaneous income increased $0.4 million primarily due to increases in profit sharing proceeds from the Regional Services Authority and the Lynchburg Baseball Corporation along with insurance proceeds for damages to a City parking deck.

Gain on sale of assets increased $0.9 million primarily due to the sale of property at 3901 Old Forest Road. This property had been acquired with transportation funds and transferred to the City from the Virginia Department of Transportation. Proceeds will be used for transportation projects.

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

Revenue by Source-Governmental Activities



Expense highlights:

Governmental activities expenses of $179.9 million increased 3.4%, or $5.9 million from FY 2012.

During FY 2013, Virginia General Assembly action required locality employees to contribute 5% toward their Virginia Retirement System (VRS) benefit. Previously, the 5% had been contributed by the City. In an effort to offset the impact to employees, City Council approved a 5.6% salary increase. Additionally, the VRS group life insurance costs increased from .28% to 1.32%.

General government expenses increased $0.9 million primarily due to increases in salaries, benefits, and health care costs.

Judicial expenses overall decreased $0.2 million primarily due to decreased grant expenditures over the prior year.

Public safety expenses increased $2.7 million primarily due to increase in salaries and related benefits for VRS and an additional salary increase of 1.5% to enhance public safety recruitment and reduce turnover. Other increases included $0.3 million for payments to the Region 2000 Radio Communications Board, $0.1 million for rescue vehicles and equipment, $0.2 million for contributions to the Lynchburg Humane Society, and $0.7 million for self-contained breathing apparatus (SCBA) equipment. Decreases included $0.4 million for the contribution to the Blue Ridge Regional Jail and $0.2 million for workers compensation and compensated absence expense.

Public works expenses increased $1.0 million due to a combination of increases and decreases in expenses as follows: $0.3 million increase in salaries, $0.1 million increase in software purchases, $0.2 million increase in electricity costs, $0.2 million increase in payments to the Region 2000 Services Authority, $0.2 million increase in building maintenance, $0.2 million increase in traffic maintenance supplies, $0.1 million decrease in highway and street repairs, and $0.1 million decrease in contractual services for the derecho cleanup.

Health and human services expenses increased $0.7 million primarily due to increases in salaries, benefits and health care costs.

Cultural and recreational expenses increased $0.1 million primarily due to increases in salaries, benefits and health care costs.

Community development expenses decreased $2.7 million primarily due to the following: $0.1 million increase in contributions to the Lynchburg Regional Chamber of Commerce for the tourism program, $0.5 million decrease in contributions to the Greater Lynchburg Transit Company, $1.5 million decrease for the return of unearned Governor's Opportunity Grant funds to the State of Virginia, $0.1 million decrease for Governor's Opportunity Grant funds disbursed, $0.4 million decrease for a contribution to the City's Economic Development Authority, $0.1 million increase in the disbursement of enterprise and technology zone credits, and $0.4 million decrease for miscellaneous contractual services for the HOME Investment Trust Fund.

Education expenses increased $3.9 million due to the following: $3.6 million increase in local funding to the Schools, $0.1 million increase in depreciation, and $0.2 million increase in building repairs and maintenance.

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

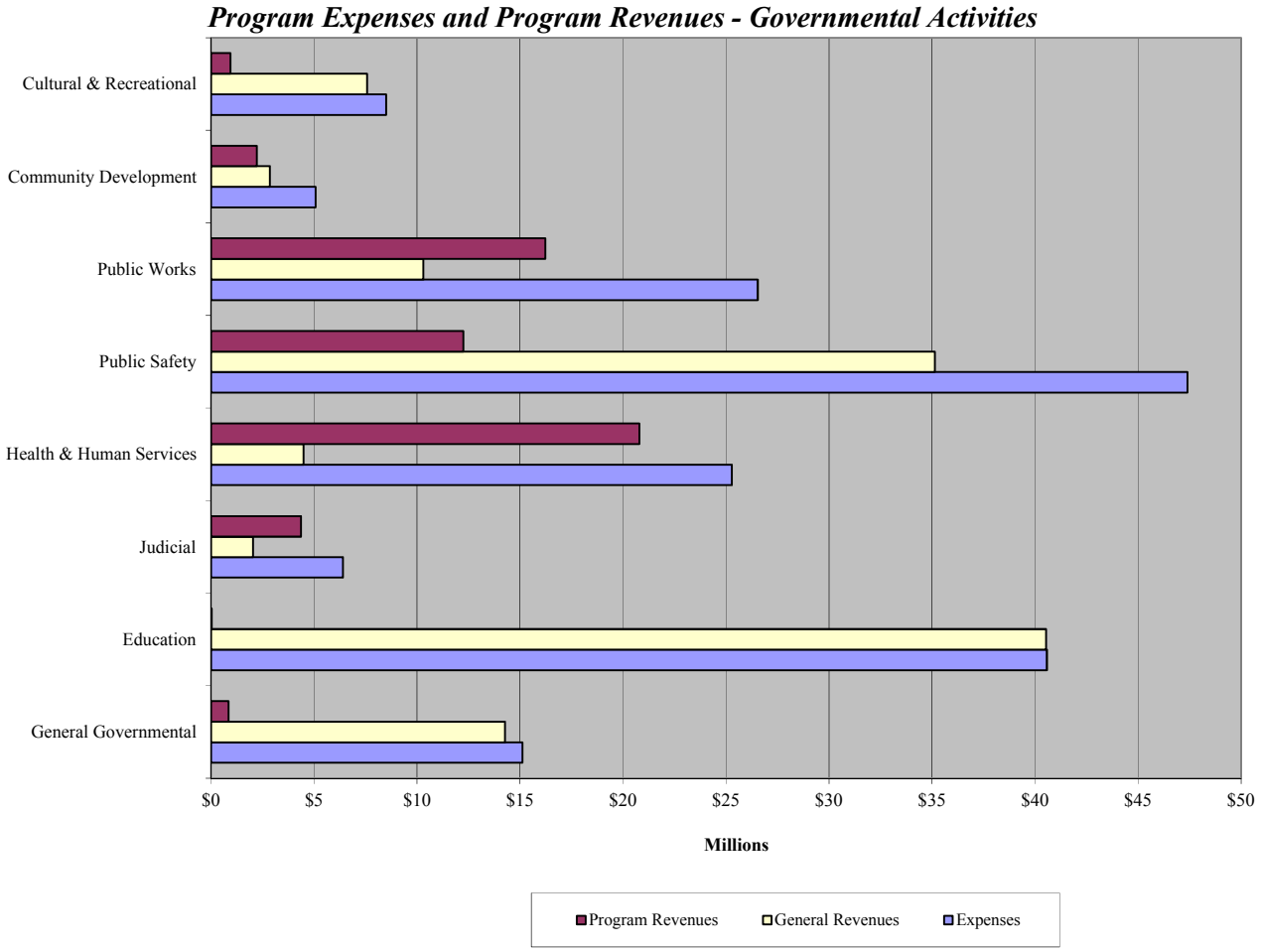
Net Cost of Governmental Activities
For Fiscal Years Ended FY 2013/2012
(in millions)

Governmental Activity	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2013	2012	2013-2012	2013	2012	2013-2012
General government	$ 15.1	$ 14.2	6%	$ 14.3	$ 13.4	7%
Judicial	6.4	6.6	-3%	2.0	1.9	5%
Public safety	47.4	44.7	6%	35.1	33.8	4%
Public works	26.5	25.5	4%	10.3	11.9	-13%
Health and human services	25.3	24.6	3%	4.5	4.9	-8%
Cultural and recreational	8.5	8.4	1%	7.6	7.6	0%
Community development	5.1	7.8	-35%	2.9	5.3	-45%
Education	40.6	36.7	11%	40.5	36.3	12%
Interest payments & other fiscal charges	5.0	5.5	-9%	5.0	5.5	-9%
Total Governmental Activities	$ 179.9	$ 174.0	3.4%	$ 122.2	$ 120.6	1%

The four largest funded programs were public safety at 26.3%, or $47.4 million; local support for education at 22.6%, or $40.6 million; public works at 14.7%, or $26.5 million; and health and human services at 14.1%, or $25.3 million. Education and public safety continued to be high priorities for the City.

The governmental activities total cost of services increased 3.4% from the prior year with a 1% increase in the net cost of services. The Statement of Activities shows that the $179.9 million in governmental activities program expenses were financed by $13.5 million from those receiving services, $39.9 million from operating grants and contributions, $4.3 million from capital grants and contributions and $122.2 million from general revenues. Overall, general revenues and transfers of $130.7 million were $8.5 million more than the $122.2 million of expenses net of program revenues.

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



Business-type Activities

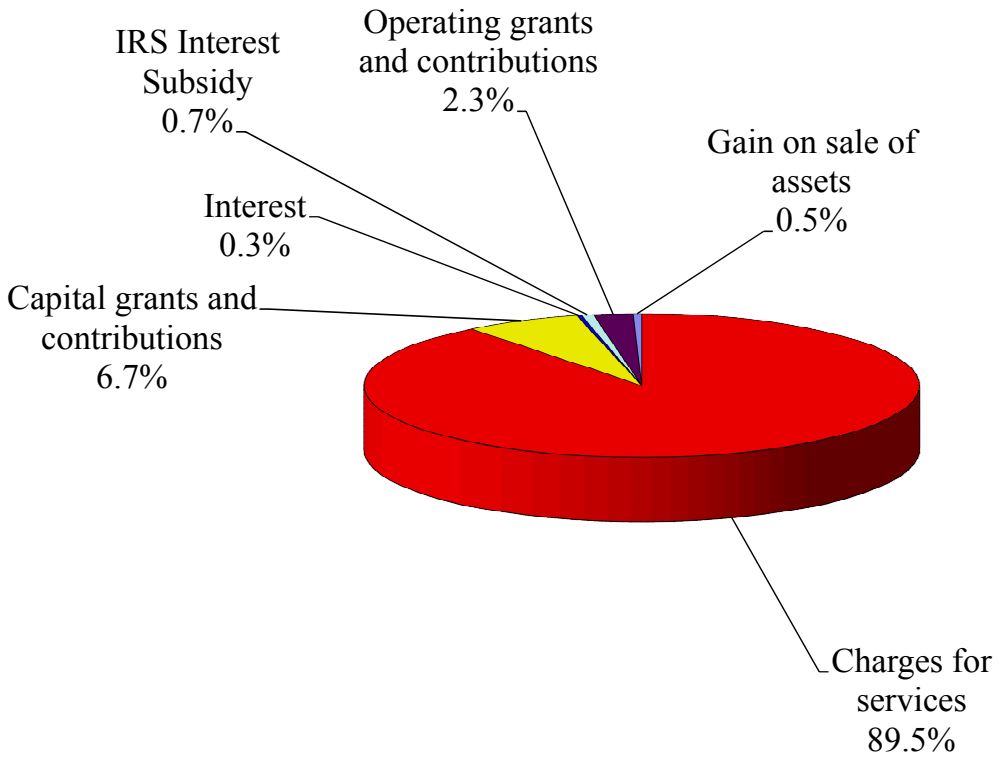
The business-type activities are comprised of enterprise funds for water, sewer, stormwater, and airport operations. Total net position of $209.2 million increased 3.4%, or $6.9 million from FY 2012.

Revenue highlights:

Business-type activities revenues of $41.8 million increased $6.1 million from the prior year. This was primarily due to the addition of the stormwater fund which brought in $3.4 million in charges for services and $0.6 million in operating grants, and a 4% rate increase in the water fund. The airport fund had an overall increase in capital grants of $1.5 million.

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

Revenues by Source - Business-type Activities



Expense highlights:

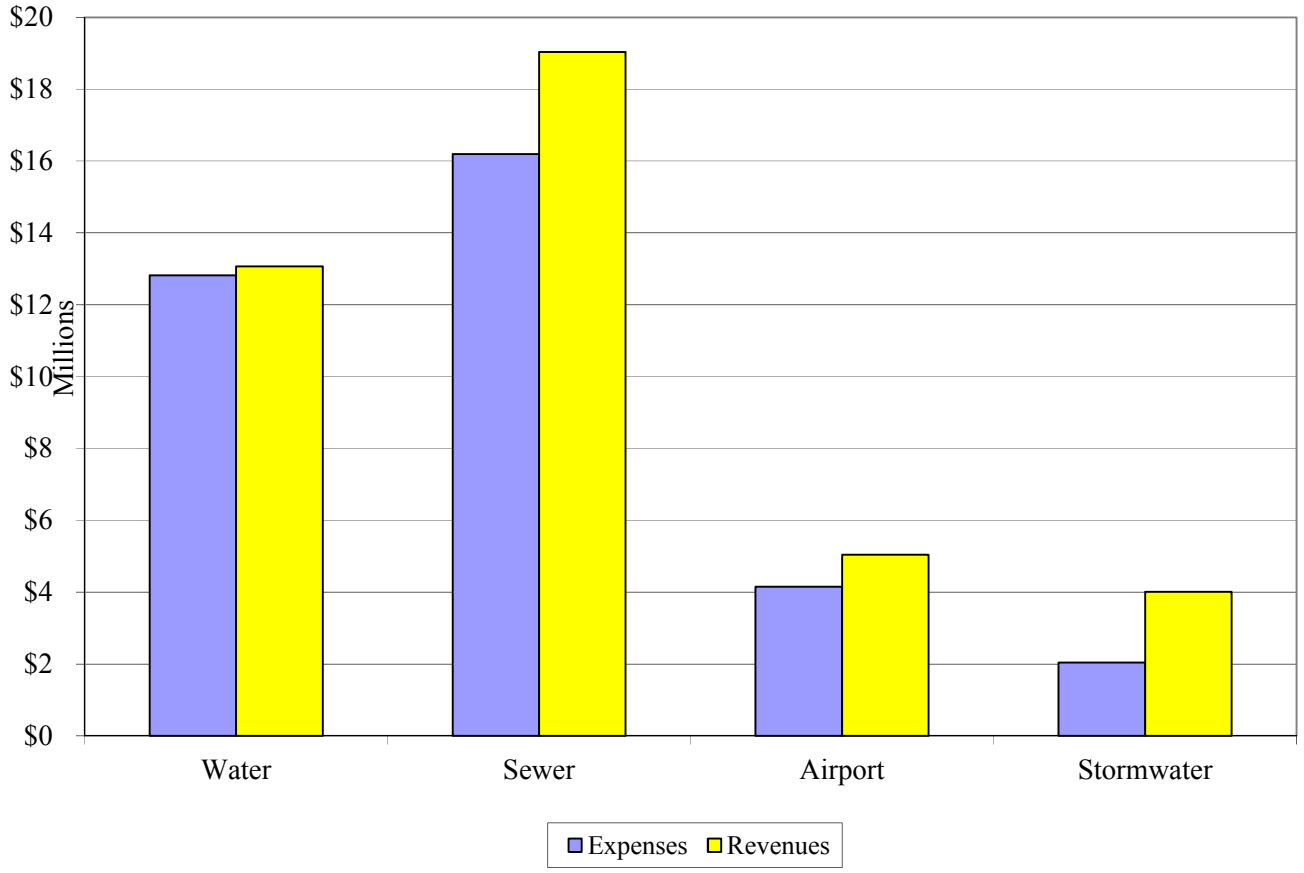
Business-type activities expenses of $35.2 million increased 6.7%, or $2.2 million, from the prior year. The increase was primarily due to the addition of the stormwater fund.

Overall, business-type activities revenues of $41.8 million were $6.6 million more than expenses of $35.2 million.

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

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

Program Expenses and Program Revenues - Business-type Activities



Component Unit – Schools

The Schools' total net position of $3.0 million increased 11%, or $0.3 million, from FY 2012. This was primarily due to an increase in net investment in capital assets of 38.7%, or $1.2 million and a decrease in unrestricted net position of $0.9 million from FY 2012.

Revenue highlights:

Total revenues of $95.4 million increased 0.6%, or $0.6 million in comparison with the prior year fund financial statements, primarily due to increases in revenues from the City government. For FY 2013, 47.3%, or $45.1 million, of total revenues were received from the Commonwealth of Virginia as compared to $42.4 million received in the prior year. State sales tax receipts were $8.7 million for FY 2013. The City government contributed 37.0%, or $35.3 million, to education. Federal revenues of 12.0% or $11.5 million, included $4.2 million from Title I funds to provide educational services to economically disadvantaged students. School Nutrition revenues of $3.7 million included $2.9 million from the federal government for the operation of the breakfast and lunch programs. Other revenue sources of 3.7%, or $3.5 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 $95.8 million increased 0.8%, or $0.8 million, from the prior year fund financial statements primarily due to increases in capital outlay costs, along with increases in administration, attendance, health, pupil transportation, and operations and maintenance costs. For FY 2013, 69.8%, or $66.9 million, of total expenses related directly to providing instruction to 8,108 students and 14.3%, or $13.7 million, supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were 4.9%, or $4.7 million, while administration for the schools and attendance and health services for students were 4.4%, or $4.2 million. Technology costs were 2.1% or $2.0 million. Capital outlays in the fund financial statements of $4.0 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.

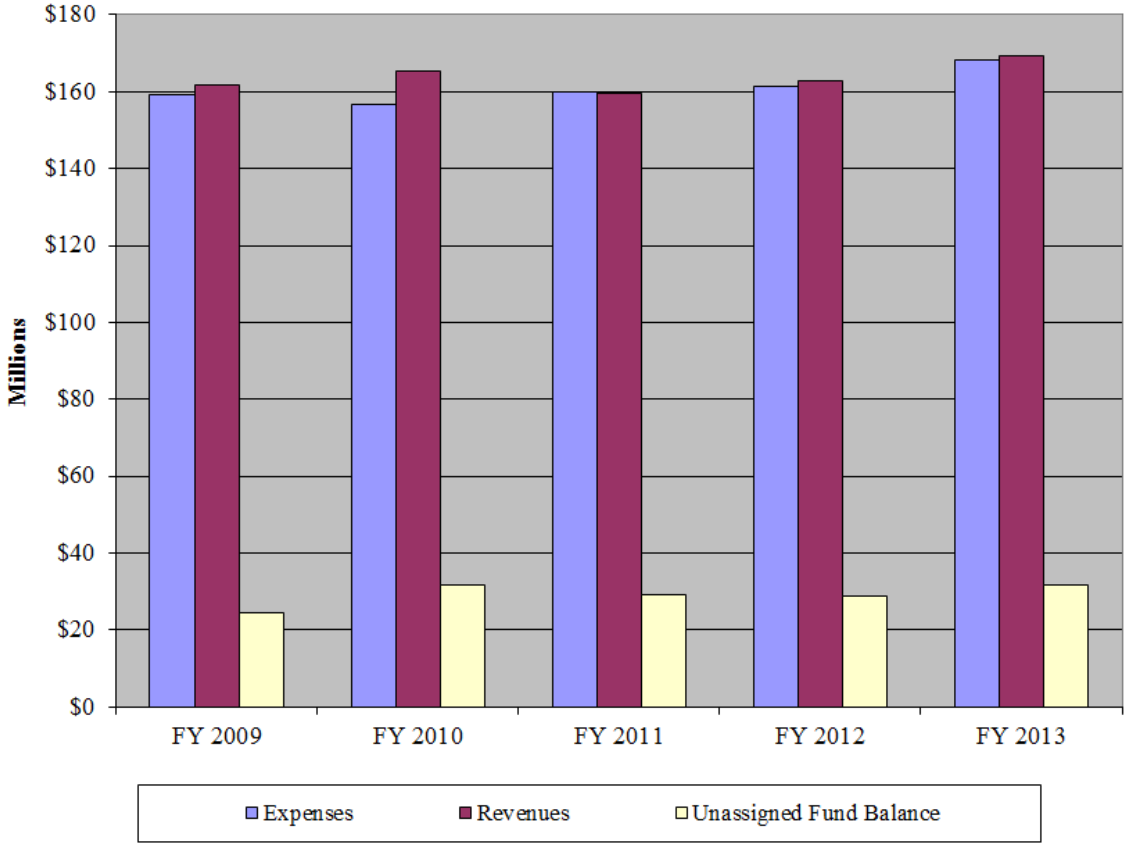
- For FY 2013, the City's governmental funds reported combined fund balances of $84.3 million, a decrease of $4.7 million from FY 2012. Of that amount, $0.5 million was nonspendable, $16.8 million was restricted, $32.4 million was committed, $3.2 million was assigned, and $31.4 million was unassigned. The general fund's increase in fund balance was $1.0 million. The city capital projects fund's decrease in fund balance was $7.1 million. Special revenue funds increase in fund balance was $0.1 million and school capital projects fund increase in fund balance was $1.2 million.

- As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20.0% of total general fund expenditures, while total fund balance represents 31.2% of that same amount.

General Fund

The general fund is the chief operating fund of the City. The following graph and table present a five-year summary of financial information for expenditures, revenues, and unassigned fund balance as well as a FY 2013 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, 2013
(in millions)

	General Fund Budgetary Highlights			
Description	Original Budget	Amended Budget	Actual	Amended versus Actual
Revenues & Other Financing Sources				
Taxes	$ 118.3	$ 118.3	$ 122.4	$ 4.1
Intergovernmental	30.9	33.4	33.7	0.3
Other	12.6	12.7	13.2	0.5
Total	161.8	164.4	169.3	4.9
Expenditures & Other Financing Uses				
Expenditures	161.1	164.8	157.8	7.0
Transfers	6.3	10.5	10.5	-
Total	167.4	175.3	168.3	7.0
Change in Fund Balance	$ (5.6)	$ (10.9)	$ 1.0	$ 11.9

Actual expenditures and other financing uses of $168.3 million was less than revenues and other financing sources of $169.3 million by $1.0 million, which resulted in a positive change in fund balance that was more than the amended budget projected decrease of $10.9 million. The FY 2013 adopted and amended budgets included the use of $5.6 million and $10.9 million, respectively, of the FY 2012 general fund's unassigned fund balance primarily to resource a planned $4.3 million transfer out for general government capital projects and a $1.0 million transfer out for school capital projects. This was in accordance with City Council's adopted Fund Balance Policy (revised FY 2011, and re-adopted in FY 2013), which states that funds in excess of the targeted fund balance of ten percent (10%) of general fund revenues may be considered to supplement "pay-as-you-go" capital outlay expenditures. In summary, actual revenues were above the amended budget by $4.9 million and actual expenditures were below the amended budget by $7.0 million, resulting in a $1.0 million increase in fund balance for FY 2013.

Actual revenues were greater than estimated and within 3.0%, or $4.9 million, of the amended budget. Personal property, local sales, business license, meals, motor vehicle, delinquent, and other local taxes were above the amended budget for FY 2013. Intergovernmental revenue was on pace with the amended budget. The other revenue category was $0.5 million more than the amended budget due in part to increases in regulatory licenses, permits and privilege fees, and miscellaneous revenue.

Actual expenditures and transfers were $7.0 million less than the FY 2013 amended budget and mostly attributable to the following unexpended appropriations:

- $1.5 million for general government
- $0.4 million for cultural and recreational
- $1.0 million for public safety
- $0.8 million for health and human services
- $0.6 million for community development
- $0.5 million for education
- $2.2 million for principal retirements

Expenditures for public works were approximately $0.4 million over the amended budget, primarily due to the windstorm that impacted the City at the end of June 2012.

Consistent with Financial Policies, City Council appropriated $1.2 million for a General Fund Reserve for Contingencies. City Council authorized 35.0%, or $0.4 million in expenditures. The remaining 65.0%, or $0.8 million, reverted to unassigned fund balance.

From the original budget of $167.4 million, City Council approved budget amendments to increase the budget 4.7%, or $7.9 million, resulting in an amended budget of $175.3 million. The budget amendments were primarily for the following purposes:

- $2.5 million net increase for third quarter budget amendment requests. Each fiscal year, management reviews current year expenditures and revenue collection patterns and presents to City Council a third quarter budget amendment. The FY 2013 amendment was comprised primarily of $0.6 million for public works, and $1.8 million for health and human services programs.
- $1.7 million increase to the budget for prior year unexpended items requested to be re-appropriated in the current year to continue programs.
- $3.5 million increase for the design and architectural work for Heritage High School.

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 $29.4 million decreased 19.5%, or $7.1 million, from FY 2012. Revenues and transfers of $12.9 million increased 16.2%, or $1.8 million. The increase is attributable to the following:

- $0.6 million increase in Highway Maintenance Reimbursement
- $0.5 million increase in State funds for Northwest Expressway Drainage, Timberlake Road at Logans Lane, Main Street Retaining Wall, and Intersection Improvements at Lakeside/Park/Memorial
- $2.9 million increase in Virginia Department of Transportation funds for federal reimbursements
- $1.2 million increase from proceeds received from the sale of property
- $3.2 million decrease in transfers from the general fund
- $0.2 million decrease from a transfer to the comprehensive services act fund

Expenditures, capital outlay, and capital contributions of $20.0 million increased 77.0%, or $8.7 million primarily due to the following:

- $4.7 million increase in capital contributions for Miller Center Renovations
- $0.1 million decrease in Animal Shelter contributions
- $0.3 million increase for Street Overlay
- $0.1 million increase for Wards Road at Candlers Mountain Road Bridge
- $0.3 million increase for Bridge Maintenance
- $0.2 million increase for Building Repairs
- $0.2 million increase in contributions for Public Transportation
- $0.4 million decrease in contributions for the Lynchburg Industrial Development Authority
- $4.0 million increase for Midtown Connector
- $0.3 million decrease for Florida Avenue Bridge Replacement
- $0.3 million decrease for Lower Bluffwalk

Proprietary Funds

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

Water Fund

The water fund's total net position of $36.5 million increased 1.4%, or $0.5 million, from FY 2012. Net investment in capital assets of $27.8 million decreased 1.4%, or $0.4 million, and was 76.0% of total net position. This was primarily due to an increase in debt used to finance capital projects. Unrestricted net position available to fund future expenses increased by 11.5% or $0.9 million. Unrestricted net position was 24.0%, or $8.7 million, of total net position. Operating revenues totaled $13.0 million, and increased 5.7%, or $0.7 million, primarily due to a rate increase of 4% effective July 1, 2012 and administrative expense reimbursements from the stormwater fund that started July 1, 2012. Operating expenses totaled $11.0 million and increased 7.8%. Investment earnings decreased $0.04 million. For FY 2013 the fund balance ratio was 51%, which compared favorably to City Council's financial policy target of 40%. The debt coverage ratio was 1.42, which compared favorably to City Council's adopted financial policy target of 1.2.

Sewer Fund

The sewer fund's total net position of $138.9 million increased 2.3%, or $3.1 million, from FY 2012. Net investment in capital assets of $128.3 million increased 4.7%, or $5.8 million, due to completion of Combined Sewer Overflow (CSO) projects and the Waste Water Treatment Plant Upgrade. Net investment in capital assets was 92.4% of total net position. Unrestricted net position available to fund future expenses decreased by 20.3%, or $2.7 million primarily due to infrastructure replacements and plant upgrades. Unrestricted net position was 7.6%, or $10.6 million, of total net position. Operating revenues totaled $18.9 million and increased 2.2%, or $0.4 million. Operating expenses totaled $14.7 million and decreased 4.5%, or $0.7 million. Investment earnings decreased $0.07 million. For FY 2013 the fund balance ratio was 30.7% as compared to the financial policy target of 25%. The debt coverage ratio was 1.34, 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.

Stormwater Fund

The stormwater fund began July 1, 2012 and thus there is no comparative financial information for the prior fiscal year. The stormwater fund's total net position was $1.9 million. Net investment in capital assets was 5.3% of total net position. Net investment in capital assets of $0.1 million represents capital projects that were uncompleted. Unrestricted net position was 94.7% or $1.8 million of total net position. Operating revenues totaled $4.0 million and operating expenses totaled $2.1 million.

Airport Fund

The airport fund's total net position of $35.9 million increased 4.0%, or $1.4 million, from FY 2012. Net investment in capital assets, of $33.3 million, increased 3.7%, or $1.2 million. Net investment in capital assets was 92.8% of total net position. Net position, unrestricted, increased 18.2%, or $0.4 million, due to accumulation of state entitlement funds for future projects. Net position, unrestricted, was 7.2%, or $2.6 million, of net position. Operating revenues totaled $2.3 million, which represents a 4.5% increase from FY 2012. Operating expenses totaled $4.1 million, which represents a 4.7% decrease. Capital contributions totaled $2.5 million, an increase of 150.0%, or $1.5 million, which represents increased federal contributions towards airport capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of depreciation, were $657.3 million as reflected in the following schedule. The Schools had $4.5 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

Capital Assets
As of June 30, 2013/2012
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2013	2012	2013	2012	2013	2012	2013-2012	2013	2012
Capital assets, not being depreciated:									
Land	$ 16.8	$ 16.6	$ 5.0	$ 5.0	$ 21.8	$ 21.6	1%	$ -	$ -
Construction in progress	18.5	13.2	37.1	51.5	55.6	64.7	-14%	-	-
Capital assets, being depreciated:									
Land improvements	24.6	23.8	12.4	12.4	37.0	36.2	2%	-	-
Buildings and improvements	233.8	230.3	56.5	56.9	290.3	287.2	1%	-	-
Infrastructure	230.3	226.5	391.3	360.4	621.6	586.9	6%	-	-
Machinery and equipment	42.8	40.3	20.4	11.4	63.2	51.7	22%	10.9	9.6
Less: Accumulated depreciation	(277.4)	(259.7)	(154.8)	(146.8)	(432.2)	(406.5)	6%	(6.4)	(6.3)
Total Capital Assets	$ 289.4	$ 291.0	$ 367.9	$ 350.8	$ 657.3	$ 641.8	2%	$ 4.5	$ 3.3

During FY 2013, the City's net increase in capital assets was 2% or $15.5 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 Virginia Revolving Loan Program funds, State and federal CSO grants and general obligation bonds.	$30.1
Completion of Waste Water Treatment Plant Secondary Treatment Process Upgrade; financed by state Virginia Clean Water Revolving Loan Fund.	9.5
Completion of Jefferson Street South; financed by general obligation bonds and local pay-as-you-go capital monies.	2.2
Completion of North West Expressway Drainage Improvements; financed by state revenue sharing, and local pay-as-you-go capital monies.	.7
Completion of Heritage High School Curtain Wall; financed by general obligation bonds, and local pay-as-you-go capital monies.	.7
Completion of Hood Street Water Main Replacement; financed by general obligation bonds and local pay-as-you-go capital monies.	.6
Completion of Library HVAC (Heating, Ventilation and Air Conditioning) System financed by the Energy Efficiency and Conservation Block grant program, a federal stimulus grant.	.6
Completion of Wards Ferry Road Culvert; financed by local pay-as-you-go capital monies.	.5
Total construction-in-progress converted to capital assets	$44.9
Donation of land to the City (Land & Playground Equipment)	.3
On-going replacement of the vehicle fleet, financed through local operating monies.	2.6
Total major asset events	$47.8

Construction-in-progress at the end of FY 2013 includes additional CSO abatement projects, additional James River Interceptor CSO projects, Wards Road Pedestrian Improvements, Lower Bluff-Walk Phase 1 & 2, Airport Terminal Apron Rehabilitation and Heritage High School Renovations. Sewer projects include Blue Ridge Farms Water System Improvements Phase 1 & 2 and Sanitary Sewer Evaluation Survey. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term Debt

Total outstanding debt was $304.1 million with $188 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of $116.1 million. Liabilities for compensated absences and workers' compensation of $6.7 million and other post-employment benefits liability of $4.1 million were excluded.

Long-term Debt Obligations
As of June 30, 2013/2012
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2013	2012	2013	2012	2013	2012	2013-2012
General Obligation Bonds	$ 114.2	$ 120.1	$ 59.9	$ 63.9	$ 174.1	$ 184.0	-5%
Revenue Bonds	-	-	122.9	128.0	122.9	128.0	-4%
General Obligation Notes	-	-	5.2	0.1	5.2	0.1	100%
Note Payable	1.9	2.0	-	-	1.9	2.0	-5%
Capital Lease	-	4.3	-	-	-	4.3	-100%
Total	$ 116.1	$ 126.4	$ 188.0	$ 192.0	$ 304.1	$ 318.4	-4%

Total new debt of $9.2 million was issued, of which $4.1 million was for governmental activities, and $5.1 million was for business-type activities. It consisted of $4.1 million from a general obligation public improvement refunding bond to refinance a capital lease; and, $5.1 million from a bond anticipation note bank qualified line of credit for water capital projects.

The City retired $23.5 million of outstanding principal, all of which were planned retirements with the exception of the $4.1 million refunding bond to refinance the capital lease. The governmental activities principal retirements were $14.4 million and the business-type activities principal retirements were $9.1 million.

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. On August 22, 2012, Fitch Ratings reaffirmed their AA+ rating for the City.

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.

On December 19, 2012, the City issued $4,129,625.08 of General Obligation Public Improvement Refunding Bonds, Series 2012 to current refund the Lynchburg Redevelopment and Housing Authority Lease Revenue Bond, Series 2003, dated August 29, 2003 for the J. W. Ould Building renovation project. The City of Lynchburg and the Lynchburg Redevelopment and Housing Authority had entered into a capital lease arrangement for the use of the J. W. Ould Building for the City's Social Services office. The refunding bond proceeds were utilized to pay off the lease revenue bond with SunTrust Bank in the amount of $4,129,625.08: and, the capital lease was terminated as the deed to the property was transferred to the City.

On October 23, 2013 the City issued $10,000,000 of General Obligation Public Improvement Bonds, Series 2013 dated October 23, 2013 through a proposal process resulting in a private placement of these bonds with Banc of America Preferred Funding Corporation. The proceeds will be used to fund governmental activities as follows: $7 million of transportation capital projects, $1 million of school capital projects; and, $2 million for fire public safety capital equipment, which included two pumper engines and a ladder truck. The final maturity date is December 1, 2028 with a 2.75% fixed interest rate and ten year call option.

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 2013, outstanding tax-supported debt was 1.95% of net assessed valuation. In addition, the City Council adopted Budget Policy was amended in December 2006. It established that pay-as-you-go funding, as a percentage of the City's Five Year Capital Improvement Program, shall not be less than 10%, and it set a goal of 15%. Both policies were reaffirmed by City Council on November 23, 2010 with one Debt Management Policy revision to debt service payments for revenue supported debt from twenty to thirty years. Most recently, on February 26, 2013, City Council amended the Debt Management Policy to revise the 10-Year Principal Payout Ratio. The revision included the following provision for the Capital Improvement Program. "The 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program for Tax-Supported General Obligation Indebtedness." Detailed information on the City's long-term debt is included in Note 9 of this report.

ECONOMIC FACTORS

The City's unemployment rate decreased from 8.9% in June 2012 to 8.4% in June 2013. This decrease of 0.5% reflects the slight growth in the economy. The City's unemployment rate typically trends above the State rate, which was 5.9% in June 2013. The City's unemployment rate also typically trends below the National rate, which was 7.8% for the same period. The City's unemployment rate was actually slightly higher than the National rate for this period due to the high student population in the City. The diversity of employers and the continued growth in college and university enrollments in the City makes the unemployment rate trend differently than the State and National rates.

Although still an important sector, manufacturing no longer dominates the Lynchburg economy as it did in the past. AEP, the region's electric utility provider, remains the City's largest property taxpayer with a 2.6% increase in taxable assessed value over FY 2012. Genworth Financial, Inc., a predominant employer in the City, also saw a 1.2% increase in taxable assessed value over FY 2012. Even though the ten principal property taxpayers, as a whole, realized a 4% decrease in taxable assessed value, the total assessed valuation for the City increased slightly by .6% when compared to FY 2012. The City remains the retail hub for the region and has seen significant growth in the medical services, engineering, and higher education sectors. Other important sectors of the Lynchburg economy include wireless technology, finance, retail, and tourism.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, City of Lynchburg, 900 Church Street, Lynchburg, VA, 24504, or via telephone at 434-455-3968. This report, the FY 2013 Operating and Capital Budgets, and FY 2013-2017 Capital Improvement Program are on the City's web site at www.lynchburgva.gov.

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BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2013

	Governmental Activities	Business Type Activities	Total Primary Government	Component Units: Lynchburg City Schools	Component Units: Other	Total Reporting Unit
Assets						
Cash and cash equivalents	$ 28,825,530	$ 13,413,724	$ 42,239,254	$ 7,770,725	$ 1,520,002	$ 51,529,981
Investments	59,126,385	8,406,995	67,533,380	-	-	67,533,380
Receivables, net of allowance	21,447,462	4,787,494	26,234,956	530,816	1,273,802	28,039,574
Internal balances	3,854,761	(3,854,761)	-	-	-	-
Due from other governments	7,307,827	9,682,981	16,990,808	5,141,154	912,173	23,044,135
Due from component units	1,659,029	-	1,659,029	-	-	1,659,029
Inventory	87,102	391,695	478,797	118,869	175,380	773,046
Prepaids and other assets	6,666,129	-	6,666,129	176,336	77,660	6,920,125
Restricted assets:						
Cash and cash equivalents	497,710	652,518	1,150,228	-	-	1,150,228
Due from other governments	-	3,880,667	3,880,667	-	-	3,880,667
Issuance discounts	746,324	-	746,324	-	-	746,324
Capital assets, net of accumulated depreciation	289,373,355	367,948,386	657,321,741	4,451,218	20,181,933	681,954,892
Total assets	419,591,614	405,309,699	824,901,313	18,189,118	24,140,950	867,231,381
Deferred Outflows of Resources						
Deferred charge on refunding	2,763,306	1,918,281	4,681,587	-	-	4,681,587
Total deferred outflows of resources	2,763,306	1,918,281	4,681,587	-	-	4,681,587
Liabilities						
Accounts payable and other liabilities	7,782,675	5,365,449	13,148,124	707,683	1,218,158	15,073,965
Accrued payroll and related liabilities	4,162,153	255,913	4,418,066	10,002,043	-	14,420,109
Accrued interest payable	1,457,792	899,943	2,357,735	-	-	2,357,735
Due to other governments	4,869,381	32,000	4,901,381	-	1,202,000	6,103,381
Due to primary government	-	-	-	787,305	871,724	1,659,029
Deposits payable from restricted assets	82,162	627,325	709,487	-	-	709,487
Noncurrent liabilities:						
Due within one year	10,591,623	9,457,332	20,048,955	678,630	-	20,727,585
Due in more than one year	118,870,663	181,343,408	300,214,071	3,018,660	151,318	303,384,049
Total liabilities	147,816,449	197,981,370	345,797,819	15,194,321	3,443,200	364,435,340
Deferred Inflows of Resources						
Property taxes	8,604,922	-	8,604,922	-	-	8,604,922
Total deferred inflows of resources	8,604,922	-	8,604,922	-	-	8,604,922
Net Position						
Net investment in capital assets	175,165,215	189,456,676	364,621,891	4,341,865	20,181,933	389,145,689
Restricted for:						
Capital projects	15,469,573	-	15,469,573	-	-	15,469,573
Grants and other purposes	1,335,752	25,193	1,360,945	-	-	1,360,945
Unrestricted	73,963,009	19,764,741	93,727,750	(1,347,068)	515,817	92,896,499
Total net position	$ 265,933,549	$ 209,246,610	$ 475,180,159	$ 2,994,797	$ 20,697,750	$ 498,872,706

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

Statement of Activities
For the Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
					Primary Government			Component Units		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Lynchburg City Schools	Other	Total Reporting Unit
Primary government:										
Governmental activities:										
General government	$ 15,116,426	$ 530,988	$ 311,607	$ -	$ (14,273,831)	$ -	$ (14,273,831)	$ -	$ -	$ (14,273,831)
Judicial	6,406,888	917,900	3,451,490	-	(2,037,498)	-	(2,037,498)	-	-	(2,037,498)
Public safety	47,390,090	6,090,401	6,158,687	-	(35,141,002)	-	(35,141,002)	-	-	(35,141,002)
Public works	26,539,357	1,711,835	10,277,070	4,236,186	(10,314,266)	-	(10,314,266)	-	-	(10,314,266)
Health and human services	25,274,269	2,631,082	18,155,911	-	(4,487,276)	-	(4,487,276)	-	-	(4,487,276)
Cultural and recreational	8,503,945	660,626	216,635	55,000	(7,571,684)	-	(7,571,684)	-	-	(7,571,684)
Community development	5,076,676	936,595	1,279,981	-	(2,860,100)	-	(2,860,100)	-	-	(2,860,100)
Education	40,568,308	-	-	29,284	(40,539,024)	-	(40,539,024)	-	-	(40,539,024)
Interest payments and other fiscal charges	5,005,302	-	-	-	(5,005,302)	-	(5,005,302)	-	-	(5,005,302)
Issuance costs	29,815	-	-	-	(29,815)	-	(29,815)	-	-	(29,815)
Total governmental activities	179,911,076	13,479,427	39,851,381	4,320,470	(122,259,798)	-	(122,259,798)	-	-	(122,259,798)
Business-type activities:										
Stormwater	2,038,265	3,355,267	650,000	-	-	1,967,002	1,967,002	-	-	1,967,002
Airport	4,151,032	2,124,073	135,566	2,787,281	-	895,888	895,888	-	-	895,888
Water	12,822,767	12,985,275	72,289	9,500	-	244,297	244,297	-	-	244,297
Sewer	16,195,043	18,913,651	93,667	31,025	-	2,843,300	2,843,300	-	-	2,843,300
Total business-type activities	35,207,107	37,378,266	951,522	2,827,806	-	5,950,487	5,950,487	-	-	5,950,487
Total primary government	$ 215,118,183	$ 50,857,693	$ 40,802,903	$ 7,148,276	(122,259,798)	5,950,487	(116,309,311)	-	-	(116,309,311)
Component units:										
Lynchburg City Schools	$ 95,302,076	$ 2,718,030	$ 56,760,586	$ -	-	-	-	(35,823,460)	-	(35,823,460)
Greater Lynchburg Transit Company	8,521,832	1,188,120	5,123,750	2,791,049	-	-	-	-	581,087	581,087
Business Development Centre	285,063	232,020	79,946	-	-	-	-	-	26,903	26,903
Total component units	$ 104,108,971	$ 4,138,170	$ 61,964,282	$ 2,791,049	-	-	-	(35,823,460)	607,990	(35,215,470)
General revenues:										
Property taxes					74,446,360	-	74,446,360	-	-	74,446,360
Local sales and use tax					13,589,747	-	13,589,747	-	-	13,589,747
Meals taxes					11,916,522	-	11,916,522	-	-	11,916,522
Consumer utility taxes					4,628,647	-	4,628,647	-	-	4,628,647
Business license taxes					8,057,554	-	8,057,554	-	-	8,057,554
Communications sales and use tax					3,471,805	-	3,471,805	-	-	3,471,805
Other taxes					5,823,989	-	5,823,989	-	-	5,823,989
Unrestricted intergovernmental					6,052,604	-	6,052,604	-	-	6,052,604
Interest					201,735	108,977	310,712	-	-	310,712
IRS interest subsidy - Build America Bonds					293,680	297,550	591,230	-	-	591,230
Miscellaneous					1,606,926	45,232	1,652,158	804,761	-	2,456,919
Gain on sale of assets					1,024,231	209,250	1,233,481	-	15,078	1,248,559
City appropriation					-	-	-	35,272,769	-	35,272,769
Transfers					(336,330)	336,330	-	-	-	-
Total general revenues and transfers					130,777,470	997,339	131,774,809	36,077,530	15,078	167,867,417
Changes in net position					8,517,672	6,947,826	15,465,498	254,070	623,068	16,342,636
Net position - beginning					257,415,877	202,298,784	459,714,661	2,740,727	20,074,682	482,530,070
Net position - ending					$ 265,933,549	$ 209,246,610	$ 475,180,159	$ 2,994,797	$ 20,697,750	$ 498,872,706

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

Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	City Capital Projects	Other Governmental	Total Governmental
Assets				
Cash and cash equivalents	$ 16,169,154	$ 8,529,845	$ 2,906,494	$ 27,605,493
Investments	29,333,703	25,786,166	2,699,441	57,819,310
Receivables, net of allowance:				
Taxes excluding penalties	13,145,038	-	-	13,145,038
Accounts	4,846,479	-	-	4,846,479
Other	1,020,578	450,000	444,293	1,914,871
Due from other funds	873,072	257,944	266,597	1,397,613
Due from other governments	3,781,902	1,577,216	1,948,709	7,307,827
Due from component units	1,534,029	-	125,000	1,659,029
Other assets	-	-	213	213
Restricted assets:				
Cash and cash equivalents	82,162	-	415,548	497,710
Total assets	$ 70,786,117	$ 36,601,171	$ 8,806,295	$ 116,193,583
Liabilities				
Accounts payable and other liabilities	$ 2,407,585	$ 2,453,290	$ 1,548,078	$ 6,408,953
Accrued payroll and related liabilities	4,259,715	1,981	124,233	4,385,929
Due to other funds	444,205	-	1,131,016	1,575,221
Due to other governments	-	4,725,916	143,465	4,869,381
Deposits payable from restricted assets	82,162	-	-	82,162
Total liabilities	7,193,667	7,181,187	2,946,792	17,321,646
Deferred Inflows of Resources				
Unavailable/unearned revenue	14,178,305	-	420,537	14,598,842
Total deferred inflows of resources	14,178,305	-	420,537	14,598,842
Fund Balances				
Nonspendable	-	450,000	-	450,000
Restricted	-	15,469,573	1,335,752	16,805,325
Committed	14,610,825	13,500,411	4,261,159	32,372,395
Assigned	3,128,072	-	100,000	3,228,072
Unassigned	31,675,248	-	(257,945)	31,417,303
Total fund balances	49,414,145	29,419,984	5,438,966	84,273,095
Total liabilities, deferred inflows of resources, and fund balances	$ 70,786,117	$ 36,601,171	$ 8,806,295	$ 116,193,583

The Notes to the 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 Position
June 30, 2013

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Ending fund balance - governmental funds		$ 84,273,095
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	289,373,355	
Less: Internal service capital assets	(12,190,780)	
		277,182,575
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		5,993,920
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds		1,940,000
Certain receivables are not available to pay for current-period expenditures and, therefore, are not reported in the funds		5,014,390
Internal service fund activity that has been allocated to the user departments.		4,021,782
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.		11,726,947
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	(114,208,140)	
Accrued interest payable	(1,457,792)	
Notes payable	(1,940,000)	
Compensated absences	(3,990,845)	
Workers' compensation	(1,784,447)	
Other postemployment benefits obligation	(3,785,890)	
	(127,167,114)	
Add back: Internal Service bonds payable	2,818,440	
Add back: Internal Service accrued interest payable	48,375	
Add back: Internal Service compensated absences	46,155	
Add back: Internal Service other postemployment benefits obligation	34,984	(124,219,160)
Net position of governmental activities		$ 265,933,549

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General	City Capital Projects	Other Governmental	Total Governmental
Revenues				
Taxes	$ 122,436,720	$ -	$ -	$ 122,436,720
Regulatory licenses, permits, and privilege fees	991,098	-	-	991,098
Intergovernmental	33,669,141	6,620,226	9,956,347	50,245,714
Fines and forfeitures	726,438	-	-	726,438
Revenue from use of money and property	437,531	33,839	34,660	506,030
Charges for services	9,949,886	-	3,737,481	13,687,367
Miscellaneous	1,097,217	1,312,138	454,198	2,863,553
Total revenues	169,308,031	7,966,203	14,182,686	191,456,920
Expenditures				
Current operating expenditures:				
General government	16,408,318	-	25,518	16,433,836
Judicial	4,650,024	-	1,117,911	5,767,935
Public safety	42,026,411	75,000	4,774,058	46,875,469
Public works	15,547,537	3,641,261	155,933	19,344,731
Health and human services	18,905,329	-	6,210,852	25,116,181
Cultural and recreational	7,560,762	112,128	-	7,672,890
Community development	3,504,251	500,295	1,068,011	5,072,557
Education	35,308,205	-	283,872	35,592,077
Capital outlay:				
Capital general government	-	10,918,746	3,259,529	14,178,275
Debt service:				
Principal retirements	9,693,099	-	410,135	10,103,234
Interest payments and other fiscal charges	4,829,728	-	156,147	4,985,875
Issuance costs	29,815	-	-	29,815
Total expenditures	158,463,479	15,247,430	17,461,966	191,172,875
Excess (deficiency) of revenues over expenditures	10,844,552	(7,281,227)	(3,279,280)	284,045
Other financing sources (uses)				
Issuance of refunding bonds	4,129,625	-	-	4,129,625
Payments to escrow agent	(4,129,625)	-	-	(4,129,625)
Capital contribution	-	(4,725,916)	-	(4,725,916)
Transfers in	18,524	4,950,827	4,591,456	9,560,807
Transfers out	(9,851,795)	-	(45,342)	(9,897,137)
Total other financing sources (uses)	(9,833,271)	224,911	4,546,114	(5,062,246)
Net changes in fund balances	1,011,281	(7,056,316)	1,266,834	(4,778,201)
Fund balances - beginning	48,402,864	36,476,300	4,172,132	89,051,296
Fund balances - ending	$ 49,414,145	$ 29,419,984	$ 5,438,966	$ 84,273,095

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	$ (4,778,201)
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	14,864,174
Depreciation expense	(16,594,344)
The net effect of various transactions involving capital assets (sales, reduction in construction in progress, donated assets) is to decrease net assets.	(105,985)
Contributions that consumed current financial resources in the capital projects fund resulted in a long-term receivable for the rights to the future improvement of City owned facilities under a tax credit arrangement.	4,725,916
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(535,342)
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.	9,914,637
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.	716,861
The net loss of certain activities of the internal service fund is reported with governmental activities.	309,956
Change in net position of governmental activities.	$ 8,517,672

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	$ 118,284,431	$ 118,284,431	$ 122,436,720	$ 4,152,289
Regulatory licenses, permits, and privilege fees	631,700	631,700	991,098	359,398
Intergovernmental	30,955,179	33,438,882	33,669,141	230,259
Fines and forfeitures	566,000	566,000	726,438	160,438
Revenue from use of money and property	643,566	643,566	432,688	(210,878)
Charges for services	10,227,461	10,227,461	9,949,886	(277,575)
Miscellaneous	497,349	623,840	1,089,763	465,923
Total revenues	161,805,686	164,415,880	169,295,734	4,879,854
Expenditures				
Current operating expenditures:				
General government	18,628,173	17,353,974	15,788,794	1,565,180
Judicial	4,597,055	4,728,843	4,650,024	78,819
Public safety	42,087,595	43,008,902	42,026,411	982,491
Public works	13,596,338	15,176,195	15,547,537	(371,342)
Health and human services	17,826,960	19,730,523	18,905,329	825,194
Cultural and recreational	7,823,805	7,942,504	7,560,762	381,742
Community development	4,011,398	4,124,392	3,504,251	620,141
Education	35,670,457	35,820,282	35,308,205	512,077
Debt service:				
Principal retirements	11,922,900	11,922,900	9,693,099	2,229,801
Interest payments and other fiscal charges	4,984,614	4,984,516	4,829,728	154,788
Issuance costs	-	42,000	29,815	12,185
Total expenditures	161,149,295	164,835,031	157,843,955	6,991,076
Excess (deficiency) of revenues over expenditures	656,391	(419,151)	11,451,779	11,870,930
Other financing sources (uses)				
Issuance of refunding bonds	-	4,129,625	4,129,625	-
Payments to escrow agent	-	(4,129,625)	(4,129,625)	-
Transfers in	-	18,524	18,524	-
Transfers out	(6,284,916)	(10,533,232)	(10,530,392)	2,840
Total other financing sources (uses)	(6,284,916)	(10,514,708)	(10,511,868)	2,840
Net changes in fund balances	(5,628,525)	(10,933,859)	939,911	11,873,770
Fund balances - beginning	45,807,592	45,807,592	45,807,592	-
Fund balances - ending	$ 40,179,067	$ 34,873,733	$ 46,747,503	$ 11,873,770

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

Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds					
	Water	Sewer	Stormwater	Airport	Total	Internal Service
Assets						
Current assets:						
Cash and cash equivalents	$ 3,174,330	$ 5,993,960	$ 1,419,613	$ 2,825,821	$ 13,413,724	$ 1,220,037
Investments	5,509,758	2,897,237	-	-	8,406,995	1,307,075
Receivables, net of allowance:						
Accounts	1,522,958	2,595,797	454,184	46,579	4,619,518	-
Other	671	114,625	-	52,680	167,976	56,546
Due from other funds	81,421	41,812	32,303	11,485	167,021	10,587
Due from other governments	44,627	93,667	-	172,063	310,357	-
Inventory	391,695	-	-	-	391,695	87,102
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	433,024	-	-	433,024	-
Total current assets	10,725,460	12,170,122	1,906,100	3,108,628	27,910,310	2,681,347
Noncurrent assets:						
Due from other governments	-	9,372,624	-	-	9,372,624	-
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	3,447,643	-	-	3,447,643	-
Cash and cash equivalents	627,325	-	-	25,193	652,518	-
Capital assets, net of accumulated depreciation:	68,494,899	265,056,726	99,062	34,297,699	367,948,386	12,190,780
Total noncurrent assets	69,122,224	277,876,993	99,062	34,322,892	381,421,171	12,190,780
Total assets	79,847,684	290,047,115	2,005,162	37,431,520	409,331,481	14,872,127
Deferred Outflows of Resources						
Deferred charge on refunding	900,869	989,346	-	28,066	1,918,281	45,451
Total deferred outflows of resources	900,869	989,346	-	28,066	1,918,281	45,451
Liabilities						
Current liabilities:						
Accounts payable and other liabilities	670,430	4,284,163	44,094	366,762	5,365,449	177,668
Accrued payroll and related liabilities	178,306	110,889	10,563	35,010	334,768	25,097
Accrued interest payable	603,699	281,935	-	14,309	899,943	48,375
Due to other governments	-	-	32,000	-	32,000	-
Current portion of general obligation bonds	1,755,694	1,860,166	-	164,651	3,780,511	180,156
Current portion of public utility revenue bonds	-	5,597,966	-	-	5,597,966	-
Total current liabilities	3,208,129	12,135,119	86,657	580,732	16,010,637	431,296
Noncurrent liabilities:						
Deposits payable from restricted assets	627,325	-	-	-	627,325	-
Self insurance claims	97,977	46,825	-	-	144,802	-
Compensated absences	231,038	141,013	12,168	49,262	433,481	40,616
Other postemployment benefits obligation	171,843	102,455	(1,603)	88,292	360,987	34,984
Notes payable	5,193,865	-	-	-	5,193,865	-
General obligation bonds	34,658,414	22,418,411	-	855,420	57,932,245	2,683,735
Public utility revenue bonds	-	117,278,028	-	-	117,278,028	-
Total noncurrent liabilities	40,980,462	139,986,732	10,565	992,974	181,970,733	2,759,335
Total liabilities	44,188,591	152,121,851	97,222	1,573,706	197,981,370	3,190,631
Net Position						
Net investment in capital assets	27,787,795	128,264,125	99,062	33,305,694	189,456,676	9,372,340
Restricted for:						
Grants and other purposes	-	-	-	25,193	25,193	-
Unrestricted	8,772,167	10,650,485	1,808,878	2,554,993	23,786,523	2,354,607
Total net position	$ 36,559,962	$ 138,914,610	$ 1,907,940	$ 35,885,880	213,268,392	$ 11,726,947
Reconciliation with business-type activities in the statement of net position:						
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments					(4,021,782)	
Total net position of business-type activities					$ 209,246,610	

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds					
	Water	Sewer	Stormwater	Airport	Total	Internal Service
Operating revenues						
Charges for services and other operating revenues	$ 12,985,275	$ 18,913,651	$ 3,355,267	$ 2,124,073	$ 37,378,266	$ 5,795,014
Intergovernmental	-	-	650,000	135,566	785,566	-
Total operating revenues	12,985,275	18,913,651	4,005,267	2,259,639	38,163,832	5,795,014
Operating expenses						
Personal services and benefits	4,385,357	2,731,139	281,160	942,087	8,339,743	666,214
Operation and maintenance	1,460,251	2,493,078	651,189	1,008,265	5,612,783	2,509,460
Supplies and materials	1,220,000	1,040,125	50,358	113,371	2,423,854	37,509
Administration	1,220,437	2,273,339	1,109,817	243,385	4,846,978	1,153
Other charges	65,424	33,447	4,804	18,000	121,675	22,246
Depreciation	2,711,581	6,147,918	-	1,782,786	10,642,285	2,372,081
Total operating expenses	11,063,050	14,719,046	2,097,328	4,107,894	31,987,318	5,608,663
Operating income (loss)	1,922,225	4,194,605	1,907,939	(1,848,255)	6,176,514	186,351
Nonoperating revenues (expenses)						
Interest income (expense)	2,729	102,589	-	3,659	108,977	(260)
Governmental grants	72,289	93,667	-	-	165,956	-
Miscellaneous	16,535	11,999	1	16,697	45,232	124,144
Gain (loss) on disposition of assets	-	(160,294)	-	137,762	(22,532)	167,576
Interest on long-term debt	(1,751,114)	(1,234,971)	-	(45,020)	(3,031,105)	(124,757)
IRS interest subsidy - Build America Bonds	251,598	45,952	-	-	297,550	-
Total nonoperating revenues (expenses)	(1,407,963)	(1,141,058)	1	113,098	(2,435,922)	166,703
Income (loss) before contributions and transfers	514,262	3,053,547	1,907,940	(1,735,157)	3,740,592	353,054
Capital contributions	9,500	31,025	-	2,452,072	2,492,597	-
Passenger facility charges	-	-	-	335,209	335,209	-
Transfers in	-	-	-	336,330	336,330	-
Change in net position	523,762	3,084,572	1,907,940	1,388,454	6,904,728	353,054
Total net position - beginning	36,036,200	135,830,038	-	34,497,426	206,363,664	11,373,893
Total net position - ending	$ 36,559,962	$ 138,914,610	$ 1,907,940	$ 35,885,880	$ 213,268,392	$ 11,726,947

Reconciliation with business-type activities in the statement of activities:	
Change in net position - enterprise funds reported in this statement	$ 6,904,728
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments	43,098
Change in net position of business-type activities:	$ 6,947,826

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds					
	Water	Sewer	Stormwater	Airport	Total	Internal Service
Operating activities						
Cash received from operations	$ 13,000,529	$ 19,033,184	$ 3,551,083	$ 2,244,873	$ 37,829,669	$ 5,795,014
Cash paid to employees	(4,179,004)	(2,708,671)	(264,345)	(947,664)	(8,099,684)	(655,020)
Cash paid to suppliers	(3,951,286)	(5,873,396)	(1,788,844)	(1,400,857)	(13,014,383)	(2,662,679)
Net cash provided by (used in) operating activities	4,870,239	10,451,117	1,497,894	(103,648)	16,715,602	2,477,315
Noncapital financing activities						
Transfers in	-	-	-	336,330	336,330	-
Net cash provided by noncapital financing activities	-	-	-	336,330	336,330	-
Capital and related financing activities						
Proceeds from issuance of long-term debt:						
Notes payable	5,114,160	-	-	-	5,114,160	-
Payment of long-term debt:						
General obligation bonds	(1,803,777)	(2,053,469)	-	(215,335)	(4,072,581)	(230,922)
Revenue bonds	-	(5,096,949)	-	-	(5,096,949)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	14,495,045	-	-	14,495,045	-
Payment of interest on long-term debt	(1,813,110)	(1,261,448)	-	(47,847)	(3,122,405)	(129,891)
Capital contributions received	-	31,025	-	2,644,376	2,675,401	-
Passenger facility charges collected	-	-	-	337,814	337,814	-
Proceeds from sale of capital assets	-	71,000	-	138,250	209,250	198,566
Additions to capital assets	(5,516,739)	(17,671,906)	(78,282)	(2,508,480)	(25,775,407)	(2,082,819)
Proceeds from other governments	9,500	449,896	-	16,697	476,093	-
Proceeds from other organizations	19,175	91,439	1	-	110,615	129,519
Net cash provided by (used in) capital and related financing activities	(3,990,791)	(10,945,367)	(78,281)	365,475	(14,648,964)	(2,115,547)
Investing activities						
Net sales (purchases) of investments	(362,982)	831,556	-	502,490	971,064	(107,653)
Net, interest income	254,327	148,541	-	3,659	406,527	(260)
Net cash provided by (used in) investing activities	(108,655)	980,097	-	506,149	1,377,591	(107,913)
Net increase in cash and cash equivalents	770,793	485,847	1,419,613	1,104,306	3,780,559	253,855
Cash and cash equivalents						
Beginning	3,030,862	5,508,113	-	1,746,708	10,285,683	966,182
Ending	$ 3,801,655	$ 5,993,960	$ 1,419,613	$ 2,851,014	$ 14,066,242	$ 1,220,037
Reconciliation to Statement of Net Position						
Current Assets	$ 3,174,330	$ 5,993,960	$ 1,419,613	$ 2,825,821	$ 13,413,724	$ 1,220,037
Restricted Assets	627,325	-	-	25,193	652,518	-
	$ 3,801,655	$ 5,993,960	$ 1,419,613	$ 2,851,014	$ 14,066,242	$ 1,220,037

(Continued)

The Notes to the 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, 2013

	Enterprise Funds					
	Water	Sewer	Stormwater	Airport	Total	Internal Service
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ 1,922,225	$ 4,194,605	$ 1,907,939	$ (1,848,255)	$ 6,176,514	$ 186,351
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	2,711,581	6,147,918	-	1,782,786	10,642,285	2,372,081
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	(148,812)	119,533	(454,184)	(14,766)	(498,229)	-
Decrease (increase) in due from other funds	83,762	65,504	(32,303)	17,095	134,058	11,633
Decrease (increase) in inventory	7,883	-	-	-	7,883	(29,158)
Increase (decrease) in accounts payable	6,943	(33,407)	23,314	(34,931)	(38,081)	(63,153)
Increase (decrease) in accrued liabilities	122,591	(43,036)	21,128	(5,577)	95,106	(439)
Increase in due to other governments	-	-	32,000	-	32,000	-
Increase in deposits payable	164,066	-	-	-	164,066	-
Net cash provided by (used in) operating activities	$ 4,870,239	$ 10,451,117	$ 1,497,894	$ (103,648)	$ 16,715,602	$ 2,477,315
Supplemental cash flow information						
Non-cash transactions						
Capitalized interest	$ 53,558	$ -	$ -	$ -	$ 53,558	$ -
Capital asset additions financed by retainage payable	$ 151,567	$ 548,794	$ -	$ 222,727	$ 923,088	$ -
Capital asset additions financed by accounts payable	$ 400,315	$ 3,518,958	$ 20,780	$ 75,416	$ 4,015,469	$ 46,723
Undrawn public utility revenue bond proceeds	$ -	$ 9,372,624	$ -	$ -	$ 9,372,624	$ -
Amortization of debt related items	$ 5,818	$ 175	$ -	$ 1,096	$ 7,089	$ (1,728)

The Notes to the 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, 2013

Assets		
Cash and cash equivalents	$	105,930
Total assets	$	105,930
Liabilities		
Accounts payable	$	2,691
Amounts held for others		103,239
Total liabilities	$	105,930

The Notes to the 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 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. In accordance with the Memorandum of Understanding signed in FY2013, when GLTC has an operating surplus, the City will establish a Special Reserve to support transit operations. The reserve will be used to cover unplanned cash shortfalls in the annual budget.

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

Business Development Centre, Inc. 147 Mill Ridge Road Lynchburg, Virginia 24502	Greater Lynchburg Transit Company Post Office Box 797 Lynchburg, Virginia 24505-0797

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blue Ridge Regional Jail Authority: *(Continued)*

The City sold its existing jail facilities to the Authority during FY1997. A new central jail facility was constructed in Lynchburg and opened in FY2000. It is owned and operated by the Authority. Each Member Jurisdiction pays a per diem charge for each day that one of its prisoners is at any Regional Jail Facility. In accordance with the Service Agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based on an agreed-upon number of prisoner days, and is subject to an adjustment at the end of each fiscal year. During FY2013, the City paid $5,453,628 to the Authority.

Horizon Behavioral Health (formerly Central Virginia Community Services Board): The City, in conjunction with the counties of Amherst, Appomattox, Bedford, and Campbell and the City of Bedford participate in Horizon Behavioral Health, which is composed of two members from each of the participating localities. The City appropriated $444,003 for an operating contribution in FY2013.

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 FY2013, the Regional Commission 2000 received $1,246,911 in grant funds.

Region 2000 Services Authority: During 2008, the City, in conjunction with the Counties of Campbell and Nelson and the City of Bedford, created the Region 2000 Services Authority (the "Authority"). The Authority commenced operations on July 1, 2008. The Authority operates two landfills. Each member jurisdiction pays a per-ton disposal charge for all waste transferred to the Authority. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-ton charge is based upon an assumed number of tons and is subject to adjustment at the end of each year. The governing board is composed of one member from each of the participating localities. In accordance with the member use agreement, the City provided the authority $300,000 in initial start up costs. During FY2013, the City paid $884,249 to the Authority.

Region 2000 Radio Communications Board: During 2012, the Central Virginia Regional Radio Communications Board was dissolved and replaced by the Region 2000 Radio Communications Board (the "Board"). Since the current regional radio system was in need of significant upgrade and replacement before July 1, 2014, the Board was formed in order to manage the project operations and maintenance, including the issuance of debt to finance the upgrades and replacements in an efficient and cost effective manner. The Board consists of representatives from Amherst County, Bedford County, the City of Bedford, the City of Lynchburg, collectively the "Member Jurisdictions" and Virginia's Region 2000 Local Government Council ("Council"). The Member Jurisdictions and the Council entered into a Cooperative Agreement which requires each Member Jurisdiction to contribute their pro rata share for annual capital costs, operational costs, and any annual deficit. The City's pro rata share is 33.1% effective through July 1, 2013. In accordance with the Cooperative Agreement, the City transferred the title to all 1996 Assets to the Council. An intangible asset in the amount of $199,354 is shown in the governmental activities capital assets, net of accumulated amortization representing the City's portion of the 1996 assets. Once the new system is in place, the City will record an intangible asset in the governmental activities capital assets in accordance with the City's pro rata share. The City made the final debt payment of $135,629 for the 1996 assets during 2012. The Council issued debt of $13,100,000 in May 2012 to finance the upgrade and replacement of the existing radio system. Each Member Jurisdiction contributes toward the debt service payments made by the Council through their pro rata share of capital costs. The City's pro rata share of capital costs is 30.1%. Should the Council fail to make debt service payments, the Member Jurisdictions have a moral non-binding obligation to pay the debt service. During FY2013, the City paid $631,247 to the Board. The City's scheduled capital cost payment for FY14 is $606,814.

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

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

Lynchburg Redevelopment and Housing Authority: Under the *Code of Virginia* ("*Code*"), the Commonwealth of Virginia ("Commonwealth") created in each city and county a redevelopment and housing authority which is a separate political subdivision of the Commonwealth. In April 1956, City Council activated the Lynchburg Redevelopment and Housing Authority (the "LRHA") which owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the LRHA are appointed by City Council; however, City Council is not financially accountable for LRHA. During FY2013, the City appropriated $211,655 to the LRHA from the Community Development Block Grant Fund.

Economic Development Authority of the City of Lynchburg: Under the *Code*, City Council passed an ordinance on March 14, 1967, which created the Industrial Development Authority of the City of Lynchburg (the "IDA"). The IDA was established to promote industry and develop trade within the City. The IDA is governed by a board of seven directors appointed by City Council; however, City Council is not financially accountable for the IDA. In 2008 City Council changed the name from the Industrial Development Authority (IDA) to the Economic Development Authority (EDA) to more accurately reflect the work of the Authority beyond the focus of industrial development. During FY2013, the City paid $250,000 to the Economic Development Authority.

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

B. Basis of Presentation

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various fund categories and fund types presented in the financial statements are described below:

Governmental Fund Types:

The City reports the following major governmental funds:

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

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

The City reports the following non-major governmental funds:

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

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, Stormwater, 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 Stormwater Fund performs the operations and maintenance of the storm sewer collection system, manages the City's Small Municipal Separate Storm Sewer System [MS4] General Permit requirements that incorporates water quality compliance goals established by Total Maximum Daily Loads [TMDLs] which include the Chesapeake Bay and the James River Basin TMDLs. The Airport Fund accounts for the administration of the Lynchburg Regional Airport.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

Additionally, the City reports the following fund types:

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

Fiduciary Fund Types:

Agency Funds: Agency Funds account for assets held by the City as an agent or custodian for others. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds consist of the Special Welfare and Central Virginia Regional Radio Board Funds.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. **Measurement Focus and Basis of Accounting (Continued)**

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

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

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

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

	General Fund
Net change in fund balance (non-GAAP budgetary basis)	$ 939,911
Add: Net change in fund balance for Technology Fund	71,370
Net change in fund balance (GAAP basis)	$ 1,011,281

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

- **Cash and Cash Equivalents**

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

- **Investments**

Investments 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **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	$	2,721,555
General Fund, ambulance receivables	$	2,273,668
Enterprise Funds	$	199,613

- **Inventory**

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

- **Capital Assets**

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

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

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 FY2013, the enterprise funds incurred interest costs of $3,084,663 of which $53,558 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 Outflows / Inflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of items. One item occurs only under a modified accrual basis of accounting. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the premium on bond refunding reported in the government-wide statement of net position and in the proprietary funds statement of net position. The premium on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- **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, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (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.

- **Net Position/Fund Equity**

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

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

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaids or they are legally or contractually required to be maintained intact.

- Restricted fund balance includes amounts that have constraints placed on their use by external sources such as creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority - City Council. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

F. Estimates

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

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

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Credit Risk: (Continued)

As of June 30, 57% of the portfolio was invested in "Aaa" rated obligations; 4% was invested in "Aa1" Municipal Obligations; 5% was invested in "Aa2" Municipal Obligations; 1% was invested in "Aa3" rated Certificate of Deposits; 2% was invested in "A1" rated Commercial Paper; 4% was invested in "A2" rated Commercial Paper; and 27% was invested in an "AAAm" rated LGIP fund. The "Aaa" rated portion of the total portfolio included 8% of obligations guaranteed by the U.S. Government; 42% of Federal Agencies; and 7% of Municipal Obligations (percentages are based on the total portfolio). On August 5, 2011, Standard & Poor's downgraded the long-term sovereign credit rating of the United States of America from "AAA" to "AA+" and affirmed the "A-1+" short-term rating. This downgrade relates to 57% of the City's portfolio previously noted as "Aaa" by Moody's Investors Service. All credit ratings presented in this paragraph are either Moody's or Standard & Poor's.

Concentration of Credit Risk:

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

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

Investment Type	% of Portfolio
Municipal Bonds	16%
Federal Home Loan Mortgage Corporation	11%
Federal Home Loan Bank	11%
Federal Farm Credit Bank	12%
Federal National Mortgage Association	9%
Commercial Paper	7%

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	$ 24,464,060	-
U.S. Treasury Bills	1,799,802	93
U.S. Treasury Notes	5,315,349	197
Federal Home Loan Mortgage Corporation	9,999,855	26
Federal National Mortgage Association	8,017,875	165
Federal Farm Credit Bank	10,637,792	189
Federal Home Loan Bank	10,284,117	139
Commercial Paper	6,199,182	79
Certificate of Deposits	902,708	2
Municipal Bonds	14,376,700	1,104
Total investments	$ 91,997,440	
Portfolio weighted average maturity		246

* Weighted average maturity in days.

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Custodial Credit Risk:

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

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

The above items are reflected in the statements as follows:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	$ 16,600	$ 500
Deposits	26,222,212	562,765
Funds held in trust by others	-	165,975
Investments	84,789,980	7,207,460
	$ 111,028,792	$ 7,936,700
Statement of net position:		
Cash and cash equivalents	$ 42,239,254	$ 7,770,725
Investments	67,533,380	-
Restricted cash and cash equivalents	1,150,228	-
Fiduciary fund cash and cash equivalents	105,930	165,975
	$ 111,028,792	$ 7,936,700

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 Transfers

Interfund balances at June 30, 2013 were as follows:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	$ 873,072	$ 444,205
Major Capital Projects Fund:		
City Capital Projects	257,944	-
Non-major Special Revenue Funds:		
City Federal/State Aid	263,741	995,453
Community Development Block Grant	-	75,598
Comprehensive Services Act	731	-
Home Investment Trust	-	18,840
Lynchburg Regional Juvenile Detention Center	2,125	41,125
Major Proprietary Funds:		
Airport	11,485	-
Sewer	41,812	-
Water	81,421	-
Stormwater	32,303	-
Internal Service	10,587	-
	$ 1,575,221	$ 1,575,221

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

Interfund transfers were as follows:

	To	From
Major Fund:		
General	$ 18,524	$ 9,851,795
Non-major Special Revenue Funds:		
City Federal/State Aid	136,456	36,342
Community Development Block Grant	-	9,000
Major Fund – Capital Projects		
City Capital Projects	4,950,827	-
Non- major Fund – Capital Projects		
School Capital Projects	4,455,000	-
Major Proprietary Funds:		
Airport	336,330	-
	$ 9,897,137	$ 9,897,137

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

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	$ 1,534,029	$ -
Nonmajor Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
	$ 1,659,029	$ -
Component Units:		
Lynchburg City Schools	$ -	$ 787,305
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	-	746,724
	$ -	$ 1,659,029

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	$ 7,307,827	$ 310,357	$ 5,141,154	$ 912,173
Virginia Revolving Loan	-	9,372,624	-	-
Members of Regional Sewage Treatment Plant	-	3,880,667	-	-
	$ 7,307,827	$ 13,563,648	$ 5,141,154	$ 912,173

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"). Effective July 1, 2013, the amount due from the Bedford County Public Service Authority was transferred to the Bedford Regional Water Authority. 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	$ 433,024
Amount receivable 2 to 5 years	1,687,200
Amount receivable beyond 5 years	1,760,443
	$ 3,880,667

Note 7. Receivables

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

	Taxes	Accounts	Other	Total
Major funds:				
General	$ 13,145,038	$ 4,846,479	$ 1,020,578	$ 19,012,095
City Capital Projects	-	-	450,000	450,000
Water	-	1,522,958	671	1,523,629
Sewer	-	2,595,797	114,625	2,710,422
Stormwater	-	454,184	-	454,184
Airport	-	46,579	52,680	99,259
Internal Service	-	-	56,546	56,546
Non major Governmental Funds	-	-	444,293	444,293
	$ 13,145,038	$ 9,465,997	$ 2,139,393	$ 24,750,428

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	$ 16,589,808	$ 599,908	$ (343,200)	$ 16,846,516
Construction in progress	13,248,884	14,186,282	(8,935,792)	18,499,374
Total capital assets, not being depreciated	29,838,692	14,786,190	(9,278,992)	35,345,890
Capital assets, being depreciated:				
Land improvements	23,834,990	759,534	-	24,594,524
Accumulated depreciation	(8,542,999)	(1,380,767)	-	(9,923,766)
Net land improvements	15,291,991	(621,233)	-	14,670,758
Buildings and improvements	230,293,547	3,477,465	-	233,771,012
Accumulated depreciation	(110,561,731)	(6,910,200)	-	(117,471,931)
Net buildings and improvements	119,731,816	(3,432,735)	-	116,299,081
Infrastructure	226,448,969	3,806,357	-	230,255,326
Accumulated depreciation	(116,556,280)	(6,893,467)	-	(123,449,747)
Net infrastructure	109,892,689	(3,087,110)	-	106,805,579
Machinery and equipment	40,370,110	3,796,848	(1,368,301)	42,798,657
Accumulated depreciation	(24,076,623)	(3,781,991)	1,312,004	(26,546,610)
Net machinery and equipment	16,293,487	14,857	(56,297)	16,252,047
Total capital assets being depreciated	520,947,616	11,840,204	(1,368,301)	531,419,519
Less: accumulated depreciation	(259,737,633)	(18,966,425)	1,312,004	(277,392,054)
Total capital assets, being depreciated	261,209,983	(7,126,221)	(56,297)	254,027,465
Capital assets, net	$ 291,048,675	$ 7,659,969	$ (9,335,289)	$ 289,373,355

There are no assets included above financed by capital leases as of June 30, 2013.

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation was charged to governmental functions as follows:

Governmental activities:	
General government	$ 701,831
Education	4,977,486
Judicial	734,632
Health and human services	311,631
Public safety	2,173,545
Public works	8,750,970
Community development	20,587
Cultural and recreational	919,637
Total governmental activities	18,590,319
Business-type activities:	
Water	97,757
Sewer	250,970
Airport	27,379
Total business-type activities	376,106
Total depreciation	$ 18,966,425

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 $376,106 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	$ 5,020,102	$ -	$ (488)	$ 5,019,614
Construction in progress	45,168,147	27,745,425	(42,226,852)	30,686,720
Total capital assets, not being depreciated	50,188,249	27,745,425	(42,227,340)	35,706,334
Capital assets, being depreciated:				
Land improvements	12,403,641	-	(24,520)	12,379,121
Accumulated depreciation	(11,704,050)	(78,042)	24,520	(11,757,572)
Net land improvements	699,591	(78,042)	-	621,549
Buildings and improvements	56,960,316	50,230	(469,001)	56,541,545
Accumulated depreciation	(22,255,048)	(1,836,237)	434,398	(23,656,887)
Net buildings and improvements	34,705,268	(1,786,007)	(34,603)	32,884,658
Infrastructure	360,411,725	32,137,644	(1,264,888)	391,284,481
Accumulated depreciation	(103,052,453)	(8,041,567)	1,264,888	(109,829,132)
Net infrastructure	257,359,272	24,096,077	-	281,455,349
Machinery and equipment	11,400,529	10,213,387	(1,164,002)	20,449,914
Accumulated depreciation	(8,162,514)	(560,289)	967,311	(7,755,492)
Net machinery and equipment	3,238,015	9,653,098	(196,691)	12,694,422
Capitalized interest	6,307,502	53,558	-	6,361,060
Accumulated depreciation	(1,648,836)	(126,150)	-	(1,774,986)
Net capitalized interest	4,658,666	(72,592)	-	4,586,074
Total capital assets being depreciated	447,483,713	42,454,819	(2,922,411)	487,016,121
Less: accumulated depreciation	(146,822,901)	(10,642,285)	2,691,117	(154,774,069)
Total capital assets, being depreciated	300,660,812	31,812,534	(231,294)	332,242,052
Capital assets, net	$ 350,849,061	$ 59,557,959	$ (42,458,634)	$ 367,948,386

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	$ 8,717,356	$ 1,623,419	$ 519,590	$ 9,821,185
Accumulated depreciation	(5,760,420)	(529,851)	(508,823)	(5,781,448)
Net equipment	2,956,936	1,093,568	10,767	4,039,737
Equipment – cafeteria	955,100	81,088	-	1,036,188
Accumulated depreciation	(574,839)	(49,868)	-	(624,707)
Net equipment – cafeteria	380,261	31,220	-	411,481
Total capital assets being depreciated	9,672,456	1,704,507	519,590	10,857,373
Less: accumulated depreciation	(6,335,259)	(579,719)	(508,823)	(6,406,155)
Capital assets, net	$ 3,337,197	$ 1,124,788	$ 10,767	$ 4,451,218

Included above is property with a cost and net book value of approximately $0.6 million and $0.3 million respectively, at June 30, financed by capital leases.

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

Land, buildings, and improvements	$ 3,476,021
Construction in progress	3,727,091
Machinery and equipment	23,677,068
	30,880,180
Less accumulated depreciation	10,698,247
	$ 20,181,933

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
Bond Anticipation Note								
Public Improvement- Line of Credit for Five Years	2.0 fixed	11/08/2011	2016	$ 10,000,000	$ -	$ -	$ 5,193,865	$ 5,193,865
Serial Bonds								
VA Resources Authority	0.00	03/24/1994	2027	3,976,369	-	-	1,686,523	1,686,523
VPSA General Obligation	6.10-6.60	11/22/1994	2015	2,100,362	-	263,155	-	263,155
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	1,677,695	-	1,677,695
VPSA General Obligation	2.35-4.85	11/07/2002	2023	6,513,732	-	3,440,125	-	3,440,125
Public Improvement Refunding	2.00-5.00	02/01/2003	2014	23,670,000	225,334	17,281	212,385	455,000
Public Improvement	3.00-5.00	06/01/2004	2034	28,160,000	1,050,000	810,000	560,000	2,420,000
Public Improvement Refunding	3.00-5.25	03/16/2005	2030	33,105,000	7,972,355	4,862,720	6,159,925	18,995,000
Taxable Refunding	3.90-4.86	03/16/2005	2014	3,810,000	-	615,000	-	615,000
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	4,375,901	-	4,375,901
Public Improvement	4.00-5.00	05/09/2006	2026	23,840,000	11,347,196	4,475,226	1,957,578	17,780,000
Public Improvement	4.00-5.00	08/02/2007	2038	33,300,000	11,373,685	-	16,291,315	27,665,000
Public Improvement Refunding	2.93	03/19/2008	2015	8,000,000	317,297	296,574	404,129	1,018,000
Public Improvement Series A Tax Exempt	1.00-5.00	08/13/2009	2022	17,230,000	3,740,000	5,310,000	4,320,000	13,370,000
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	3,007,126	1,651,201	5,306,673	9,965,000
VPSA Gen Obligation	0.00	11/13/2009	2027	10,255,000	-	9,640,000	-	9,640,000
Public Improvement Refunding	2.00-5.00	10/20/2010	2034	29,655,000	9,714,804	7,424,688	12,195,508	29,335,000
Public Improvement Refunding	3.80	12/19/2012	2023	4,129,625	3,950,943	-	-	3,950,943
					$ 57,098,135	$ 54,310,171	$ 67,857,901	$ 179,266,207

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 $47,393,043 at June 30, 2013.

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 $179,266,207 and less than the state limit. In December 2006, City Council amended the Debt Management Policy, which limited tax-supported debt to four and a half percent (4.5%) of its net assessed valuation of taxable property. City Council reaffirmed the Debt Policy on November 23, 2010 with one revision to debt service payments for revenue supported debt from twenty to thirty years. City Council revised the Debt Policy on February 26, 2013 in the section entitled Tax-Supported Debt, Item 6. Previously, the Policy stated that the 10-Year Principal Payout Ratio shall not be less than 60%. With this revision, the Policy now states that the 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program. The principal payout ratio for the year ended June 30 was 82.8%. As shown in the Supplementary Statistical Table 20, outstanding tax-supported debt was 1.95% 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	3/28/1995	2027	$ 6,571,207	$ 2,378,862
Public Utility Revenue Bonds	0.00	8/10/1995	2029	10,000,000	4,257,936
Public Utility Revenue Bonds	0.00	6/27/1996	2029	8,000,000	3,296,060
Public Utility Revenue Bonds	0.00	7/17/1997	2030	7,591,540	3,713,416
Public Utility Revenue Bonds	3.00	7/17/1997	2020	14,108,460	5,746,001
Public Utility Revenue Bonds	0.00	8/21/1998	2031	6,203,000	3,291,826
Public Utility Revenue Bonds	3.00	5/27/1999	2020	2,476,763	1,006,786
Public Utility Revenue Bonds	0.00	2/11/2000	2021	5,300,000	2,231,579
Public Utility Revenue Bonds	0.00	2/15/2001	2032	735,000	422,763
Public Utility Revenue Bonds	3.50	06/8/2001	2021	2,835,000	1,443,017
Public Utility Revenue Bonds	0.00	11/6/2001	2034	1,413,613	911,062
Public Utility Revenue Bonds	0.00	9/15/2003	2036	2,350,165	1,721,593
Public Utility Revenue Bonds	0.00	5/20/2004	2038	6,000,000	4,700,000
Public Utility Revenue Bonds	0.00	5/17/2005	2038	6,700,000	5,359,999
Public Utility Revenue Bonds	0.00	6/28/2006	2039	9,600,000	8,160,000
Public Utility Revenue Bonds	0.00	6/20/2007	2039	7,000,000	6,066,667
Public Utility Revenue Bonds	0.00	06/5/2008	2041	12,350,000	11,320,833
Public Utility Revenue Bonds	0.00	6/25/2009	2041	19,000,000	17,733,333
Public Utility Revenue Bonds	0.00	6/17/2010	2042	13,100,000	12,663,333
Public Utility Revenue Bonds	0.00	6/15/2011	2033	9,350,928	9,350,928
Public Utility Revenue Bonds	0.00	6/15/2011	2045	10,100,000	10,100,000
Public Utility Revenue Bonds	0.00	06/6/2012	2044	7,000,000	7,000,000
					$ 122,875,994

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 22, the debt coverage ratio for the year ended June 30 was 1.34.

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

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Governmental Activities					
General obligation bonds	$ 120,077,619	$ 4,129,625	$ 9,998,504	$ 114,208,740	$ 9,689,389
Notes payable*	2,120,000	-	180,000	1,940,000	180,000
Adjust for deferred amounts:					
Issuance discounts	(799,633)	-	(53,309)	(746,324)	-
Issuance premiums	3,806,242	-	297,212	3,509,030	-
Deferred Outflow-Refunding	(3,014,079)	-	(250,773)	(2,763,306)	-
Total bonds and notes	122,190,149	4,129,625	10,171,634	116,148,140	9,869,389
Workers' compensation**	2,131,759	583,044	687,022	2,027,781	243,334
Compensated absences**	4,213,955	2,964,387	3,187,497	3,990,845	478,900
Other post-employment benefits**	4,073,434	3,120,731	3,408,275	3,785,890	-
Capital lease obligations**	4,285,278	-	4,285,278	-	-
	$ 136,894,575	$ 10,797,787	$ 21,739,706	$ 125,952,656	$ 10,591,623

Note 9. Long-Term Liabilities (Continued)

Primary Government:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Business-Type Activities					
Bond anticipation notes	$ 79,705	$ 5,114,160	$ -	$ 5,193,865	$ -
General obligation bonds	63,936,183	-	4,072,581	59,863,602	3,780,511
Public utility revenue bonds	127,972,943	-	5,096,949	122,875,994	5,597,966
Adjust for deferred amounts:					
Issuance premiums	1,999,781	-	150,627	1,849,154	-
Deferred Outflow-Refunding	(2,061,819)	-	(143,538)	(1,918,281)	-
Total bonds and notes	191,926,793	5,114,160	9,176,619	187,864,334	9,378,477
Workers' compensation	100,400	143,561	79,414	164,547	19,745
Compensated absences	462,548	394,368	364,325	492,591	59,110
Other post-employment benefits	394,004	358,345	391,362	360,987	-
	$ 192,883,745	$ 6,010,434	$ 10,011,720	$ 188,882,459	$ 9,457,332

*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 postemployment benefits are liquidated by the Internal Service Fund. The remaining portion of the workers' compensation, compensated absences, and other postemployment benefits are liquidated by the General Fund. Capital leases are liquidated by the General Fund.

Debt Service to Maturity:

Year Ending	Governmental Activities			
	General Obligation		Note Payable	
June 30	Principal	Interest	Principal	Interest
2014	$ 9,689,389	$ 4,565,329	$ 180,000	$ 104,048
2015	8,936,843	4,176,636	180,000	94,805
2016	9,009,843	3,813,349	180,000	85,310
2017	8,892,151	3,469,591	180,000	75,554
2018	8,478,134	3,129,967	180,000	65,591
2019-2023	35,198,989	11,463,122	1,040,000	169,038
2024-2028	22,973,562	5,275,109	-	-
2029-2033	6,790,878	2,123,295	-	-
2034-2038	3,068,951	872,650	-	-
2039-2040	1,170,000	77,337	-	-
	$ 114,208,740	$ 38,966,385	$ 1,940,000	$ 594,346

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
2014	$ 1,755,694	$ 1,703,297	$ 164,651	$ 41,214	$ 1,860,166	$ 908,430	$ 5,597,966	$ 244,593
2015	1,693,803	1,635,944	145,320	34,108	1,757,561	843,916	6,034,143	210,083
2016	1,741,654	1,566,362	112,479	27,675	1,772,254	777,282	6,238,058	174,501
2017	1,694,463	1,499,970	107,492	23,330	1,688,542	714,933	6,274,744	137,815
2018	1,610,944	1,431,819	100,078	21,336	1,570,788	653,562	6,312,571	99,989
2019-2023	6,358,109	6,315,206	223,606	61,465	5,340,298	2,632,954	26,971,785	87,108
2024-2028	6,001,886	4,891,686	136,115	13,129	3,846,119	1,758,673	23,243,647	-
2029-2033	6,243,518	3,317,960	-	-	2,967,014	1,005,029	18,770,738	-
2034-2038	6,637,019	1,547,317	-	-	2,364,029	374,684	14,774,841	-
2039-2043	1,740,000	116,336	-	-	230,000	15,203	7,919,167	-
2044-2045	-	-	-	-	-	-	738,334	-
	$ 35,477,090	$ 24,025,897	$ 989,741	$ 222,257	$ 23,396,771	$ 9,684,666	$ 122,875,994	$ 954,089

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); $9,415,000 of Series 2003A (February 1, 2003); and, $15,370,000 of Series 2004 (June 1, 2004). The refunding bond proceeds are in an irrevocable trust with an escrow agent and invested in U.S. Government securities maturing to fund the refunded bonds future debt service. As of June 30, 2013, the total outstanding principal of the in-substance defeased bonds was $15,370,000 (Series 2004).

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. As of June 30, 2013, $5,193,865 was outstanding for water capital projects only.

December 19, 2012 General Obligation Public Improvement Refunding Bond, Series 2012:

On December 19, 2012, the City issued a $4,129,625.08 General Obligation Public Improvement Refunding Bond, Series 2012 to current refund the Lynchburg Redevelopment and Housing Authority Lease Revenue Bond, Series 2003, dated August 29, 2003 for the J. W. Ould Building renovation project. The City of Lynchburg and the Lynchburg Redevelopment and Housing Authority had entered into a capital lease arrangement for the use of the J. W. Ould Building for the City's Social Services office. The refunding bond proceeds were utilized to pay off the lease revenue bond with SunTrust Bank in the amount of $4,129,625.08; and, the capital lease was terminated as the deed to the property was transferred to the City.

Note 9. Long-Term Liabilities (Continued)

October 23, 2013 General Obligation Public Improvement Bond, Series 2013

On October 23, 2013, the City issued a $10,000,000 General Obligation Public Improvement Bond, Series 2013 dated October 23, 2013 through a proposal process resulting in a private placement of these bonds with Banc of America Preferred Funding Corporation. The proceeds will be used to fund governmental activities as follows: $7 million of transportation capital projects, $1 million of school capital projects, and $2 million for fire public safety capital equipment, which included two pumper engines and a ladder truck. The final maturity date is December 1, 2028 with a 2.75% fixed interest rate and ten year call option.

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	$ 651,704	$ 734,466	$ 612,521	$ 773,649	$ 569,277
Capital lease obligations	374,284	-	264,931	109,353	109,353
Other postemployment benefits	2,146,476	1,005,860	338,048	2,814,288	-
	$ 3,172,464	$ 1,740,326	$ 1,215,500	$ 3,697,290	$ 678,630

School Capital Leases:

Interest Rates	Date Issued	Final Maturity	Original Issue	Balance
3.55%	12/2008	12/2013	$ 1,000,000	$ 109,353

Following is a summary of debt service to maturity:

	Capital Lease Obligations	
June 30	Principal	Interest
2014	$ 109,353	$ 1,122

Note 10. Fund Equity Balances

Fund Balance Policy:

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

For FY2013, the City was in compliance with the Fund Balance Policy.

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

	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	$ -	$ 450,000	$ -	$ -	$ -	$ -	$ -
Restricted for:							
Transportation projects	-	15,413,688	-	-	-	-	-
Building projects	-	55,885	-	-	-	-	-
Criminal Justice Academy	-	-	23,297	-	-	-	-
Litter Grant	-	-	11,383	-	-	-	-
Community Corrections	-	-	5,500	-	-	-	-
Fire Department	-	-	189,950	-	-	-	-
Police Department	-	-	360	-	-	-	-
Economic Development	-	-	5,016	-	-	-	-
Shelter Plus Care	-	-	10,000	-	-	-	-
Emergency Services	-	-	74,350	-	-	-	-
Registrar	-	-	2,119	-	-	-	-
Circuit Court	-	-	5,631	-	-	-	-
Grants	-	-	95,265	-	-	-	-
CDBG Projects	-	-	-	200	-	-	-
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	53,065	-
Federal Asset Forfeiture- Police	-	-	-	-	-	72,460	-
State Asset Forfeiture - Police	-	-	-	-	-	100,872	-
Health and Human Services	-	-	-	-	-	-	466,552
Lynchburg Expressway beautification	-	-	-	-	-	-	-
HOME projects	-	-	-	-	-	-	-
Committed to:							
Technology	2,699,756	-	-	-	-	-	-
Detention Home Workers Compensation	100,000	-	-	-	-	-	-
Health Insurance Reserve	677,017	-	-	-	-	-	-
Schools for Textbooks	1,432,254	-	-	-	-	-	-
Schools for Health Insurance Reserve	1,440,608	-	-	-	-	-	-
Schools for Future Expenditure Needs	75,908	-	-	-	-	-	-
Schools for Special Education Disprop	321,000	-	-	-	-	-	-
Other Post Employment Benefits	1,364,510	-	-	-	-	-	-
Solid Waste Debt Retirement	1,186,075	-	-	-	-	-	-
Debt Service CVRRA	5,929	-	-	-	-	-	-
Future Post Closure expenses	604,284	-	-	-	-	-	-
Heritage High School Debt Service	624,297	-	-	-	-	-	-
GLTC Special Reserve	746,724	-	-	-	-	-	-
Public Safety Compensation	13,968	-	-	-	-	-	-
Self Insurance	2,425,848	-	-	-	-	-	-
Community Development	147,667	-	-	-	-	-	-
Cultural and Recreational	9,668	-	-	-	-	-	-
General Government	351,069	-	-	-	-	-	-
Health and Welfare	14,875	-	-	-	-	-	-
Judicial	6,211	-	-	-	-	-	-
Public Safety	74,899	-	-	-	-	-	-
Public Works	288,258	-	-	-	-	-	-
Sale of downtown GEFA building	-	116,388	-	-	-	-	-
Building projects	-	4,603,059	-	-	-	-	-
Transportation projects	-	7,162,977	-	-	-	-	-
Economic Development projects	-	678,445	-	-	-	-	-
Public Safety projects	-	148,616	-	-	-	-	-
Parks and Recreation projects	-	540,926	-	-	-	-	-
Waste Management projects	-	250,000	-	-	-	-	-
Provision of loan funds for small businesses	-	-	-	-	125,384	-	-
Heritage High School	-	-	-	-	-	-	-
Hutcherson E.L.C.	-	-	-	-	-	-	-
HVAC repairs and maintenance	-	-	-	-	-	-	-
Roof replacement	-	-	-	-	-	-	-
Paving	-	-	-	-	-	-	-
E.C. Glass Tennis Court	-	-	-	-	-	-	-
Painting	-	-	-	-	-	-	-
IT Infrastructure	-	-	-	-	-	-	-
Security System upgrade	-	-	-	-	-	-	-
Other projects	-	-	-	-	-	-	-
Future projects	-	-	-	-	-	-	-
Assigned to:							
Return of School Fund Balance	787,305	-	-	-	-	-	-
Law Library	79,965	-	-	-	-	-	-
Museum	50,028	-	-	-	-	-	-
Recreation Programs	184,282	-	-	-	-	-	-
Pier Program	19,658	-	-	-	-	-	-
Dental Claims Reserve	150,000	-	-	-	-	-	-
Health Insurance Reserve	364,538	-	-	-	-	-	-
Future Post Closure expenses	204,438	-	-	-	-	-	-
Fire Equipment	100,000	-	-	-	-	-	-
Line of Duty Death Benefit	211,904	-	-	-	-	-	-
Line of Duty Health Claim Reserve	145,000	-	-	-	-	-	-
Parking Operations	69,560	-	-	-	-	-	-
Point of Honor	2,653	-	-	-	-	-	-
Police Range Operations	569	-	-	-	-	-	-
Health Management Plan	500,000	-	-	-	-	-	-
Public Works - Snow	34,498	-	-	-	-	-	-
Adopt-A-Bed	3,281	-	-	-	-	-	-
Community Development	2,900	-	-	-	-	-	-
General Government	3,150	-	-	-	-	-	-
Health and Welfare	12,108	-	-	-	-	-	-
Judicial	44	-	-	-	-	-	-
Public Safety	3,807	-	-	-	-	-	-
Public Works	198,384	-	-	-	-	-	-
Major Maintenance and Equipment replacement	-	-	-	-	-	-	-
Unassigned:	31,675,248	-	(257,945)	-	-	-	-
Total Fund Balance	$ 49,414,145	$ 29,419,984	$ 164,926	$ 200	$ 125,384	$ 226,397	$ 466,552

	NON MAJOR SPECIAL REVENUE FUNDS			NON MAJOR CAPITAL PROJECT FUNDS	
	LYNCHBURG EXPRESSWAY APPEARANCE	HOME INVESTMENT TRUST	LYNCHBURG REGIONAL JUVENILE DETENTION CENTER	SCHOOL CAPITAL PROJECTS	ALL FUNDS
FUND BALANCES					
Nonspendable					
Advance to Lynchburg United Soccer	$ -	$ -	$ -	$ -	$ 450,000
Restricted for:					
Transportation projects	-	-	-	-	15,413,688
Building projects	-	-	-	-	55,885
Criminal Justice Academy	-	-	-	-	23,297
Litter Grant	-	-	-	-	11,383
Community Corrections	-	-	-	-	5,500
Fire Department	-	-	-	-	189,950
Police Department	-	-	-	-	360
Economic Development	-	-	-	-	5,016
Shelter Plus Care	-	-	-	-	10,000
Emergency Services	-	-	-	-	74,350
Registrar	-	-	-	-	2,119
Circuit Court	-	-	-	-	5,631
Grants	-	-	-	-	95,265
CDBG Projects	-	-	-	-	200
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	53,065
Federal Asset Forfeiture- Police	-	-	-	-	72,460
State Asset Forfeiture - Police	-	-	-	-	100,872
Health and Human Services	-	-	-	-	466,552
Lynchburg Expressway beautification	193,485	-	-	-	193,485
HOME projects	-	26,247	-	-	26,247
Committed to:					
Technology	-	-	-	-	2,699,756
Detention Home Workers Compensation	-	-	-	-	100,000
Health Insurance Reserve	-	-	-	-	677,017
Schools for Textbooks	-	-	-	-	1,432,254
Schools for Health Insurance Reserve	-	-	-	-	1,440,608
Schools for Future Expenditure Needs	-	-	-	-	75,908
Schools for Special Education Disprop	-	-	-	-	321,000
Other Post Employment Benefits	-	-	-	-	1,364,510
Solid Waste Debt Retirement	-	-	-	-	1,186,075
Debt Service CVRRA	-	-	-	-	5,929
Future Post Closure expenses	-	-	-	-	604,284
Heritage High School Debt Service	-	-	-	-	624,297
GLTC Special Reserve	-	-	-	-	746,724
Public Safety Compensation	-	-	-	-	13,968
Self Insurance	-	-	-	-	2,425,848
Community Development	-	-	-	-	147,667
Cultural and Recreational	-	-	-	-	9,668
General Government	-	-	-	-	351,069
Health and Welfare	-	-	-	-	14,875
Judicial	-	-	-	-	6,211
Public Safety	-	-	-	-	74,899
Public Works	-	-	-	-	288,258
Sale of downtown GEFA building	-	-	-	-	116,388
Building projects	-	-	-	-	4,603,059
Transportation projects	-	-	-	-	7,162,977
Economic Development projects	-	-	-	-	678,445
Public Safety projects	-	-	-	-	148,616
Parks and Recreation projects	-	-	-	-	540,926
Waste Management projects	-	-	-	-	250,000
Provision of loan funds for small businesses	-	-	-	-	125,384
Heritage High School	-	-	-	2,332,473	2,332,473
Hutcherson E.L.C.	-	-	-	119,614	119,614
HVAC repairs and maintenance	-	-	-	109,976	109,976
Roof replacement	-	-	-	636,408	636,408
Paving	-	-	-	111,359	111,359
E.C. Glass Tennis Court	-	-	-	200,000	200,000
Painting	-	-	-	72,558	72,558
IT Infrastructure	-	-	-	75,000	75,000
Security System upgrade	-	-	-	28,169	28,169
Other projects	-	-	-	12,390	12,390
Future projects	-	-	-	437,828	437,828
Assigned to:					
Return of School Fund Balance	-	-	-	-	787,305
Law Library	-	-	-	-	79,965
Museum	-	-	-	-	50,028
Recreation Programs	-	-	-	-	184,282
Pier Program	-	-	-	-	19,658
Dental Claims Reserve	-	-	-	-	150,000
Health Insurance Reserve	-	-	-	-	364,538
Future Post Closure expenses	-	-	-	-	204,438
Fire Equipment	-	-	-	-	100,000
Line of Duty Death Benefit	-	-	-	-	211,904
Line of Duty Health Claim Reserve	-	-	-	-	145,000
Parking Operations	-	-	-	-	69,560
Point of Honor	-	-	-	-	2,653
Police Range Operations	-	-	-	-	569
Health Management Plan	-	-	-	-	500,000
Public Works - Snow	-	-	-	-	34,498
Adopt-A-Bed	-	-	-	-	3,281
Community Development	-	-	-	-	2,900
General Government	-	-	-	-	3,150
Health and Welfare	-	-	-	-	12,108
Judicial	-	-	-	-	44
Public Safety	-	-	-	-	3,807
Public Works	-	-	-	-	198,384
Major Maintenance and Equipment replacement	-	-	100,000	-	100,000
Unassigned:	-	-	-	-	31,417,303
Total Fund Balance	$ 193,485	$ 26,247	$ 100,000	$ 4,135,775	$ 84,273,095

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.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least thirty years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least twenty five years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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. The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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 3.00%. During years of no inflation or deflation, the COLA is 0.00%. Participating local law enforcement officers, firefighters, and sheriffs may be eligible to receive a monthly benefit supplement if they retire prior to their unreduced Social Security eligibility age. The VRS also provides death and disability benefits.

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

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

Defined Benefit Pension Plan: (Continued)

Funding Policy: Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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 2013 was 25.89% of annual covered payroll. The Schools' contribution rates for the fiscal year ended 2013 were 16.66% for professional employees and 15.03% for non-professional employees. Both the City's and the School's contribution rates include the employee's share of 5.00%.

Annual Pension Cost: For 2013, the City's and Schools' annual pension costs of $10,380,289 and $5,871,687, respectively, were equal to their required and actual contributions. The required contributions were determined as part of the June 30, 2012 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 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a per year cost-of-living adjustment of 2.50% for Plan 1 employees and 2.25% for Plan 2 employees. 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 level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Trend Information for the City of Lynchburg			
June 30, 2013	$ 10,380,289	100%	None
June 30, 2012	$ 10,084,711	100%	None
June 30, 2011	$ 11,032,304	100%	None
Trend Information for the Lynchburg City Schools			
June 30, 2013	$ 5,871,687	100%	None
June 30, 2012	$ 5,676,277	100%	None
June 30, 2011	$ 4,769,117	100%	None

Note 11. Employee Benefit Plans (Continued)

Defined Benefit Pension Plan: (Continued)

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date for the City, the plan was 60.33% funded. The actuarial accrued liability for benefits was $326,424,240 and the actuarial value of assets was $196,945,220, resulting in an unfunded actuarial accrued liability (UAAL) of $129,479,020. The covered payroll (annual payroll of active employees covered by the plan) was $46,957,864, and the ratio of the UAAL to the covered payroll was 275.73%.

As of June 30, 2012, the most recent actuarial valuation date for the Schools, the plan was 78.37% funded. The actuarial accrued liability for benefits was $13,854,004 and the actuarial value of assets was $10,857,437 resulting in an unfunded actuarial accrued liability (UAAL) of $2,996,567. The covered payroll (annual payroll of active employees covered by the plan) was $3,493,026, and the ratio of the UAAL to the covered payroll was 85.79%.

The schedules of funding progress, presented as Required Supplemental 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 Postemployment Benefits

City of Lynchburg

Plan Description

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

Benefits Provided

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

(1) Full-time Classified employees hired on or after July 1, 1996 are currently eligible to participate in the City's health and dental plans at the retiree's expense when they retire directly from the City with at least fifteen (15) years of full-time service with the City. The retiree must pay the current premium value of the medical coverage.

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

(3) Full-time Classified employees hired prior to July 1, 1990 are currently eligible for health and dental plan participation and receive City contributions for their coverage when they retire directly from the City.

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

Membership

The number of participants as of the most recent valuation, July 1, 2012, was as follows:

Actives	1,176
Retirees	376
Spouses	89
Total Participants	1,641

Note 12. Other Postemployment Benefits (Continued)

City of Lynchburg (Continued)

Funding Policy

The City currently funds postemployment health care benefits on a pay-as-you-go basis. During FY2013, the City added $33,279 interest earnings to the funds committed for the OPEB liability. Total funds committed for OPEB at June 30, 2013 including interest are $1,364,510. 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, 2013, the City's Annual OPEB Cost (expense) was $3,479,076. The payment of current retiree claims net of retiree contributions towards premiums, which totaled $2,968,466 for retirees, along with an Implicit Rate Subsidy of $831,171 resulted in a Net OPEB obligation of $4,146,877 for the year ended June 30, 2013.

Annual required contribution	$ 3,521,173
Interest on net OPEB obligation	301,552
Adjustment to annual required contribution	(343,649)
Annual OPEB cost	3,479,076
Contributions made	(3,799,637)
Decrease in net OPEB obligation	(320,561)
Net OPEB obligation-beginning of year	4,467,438
Net OPEB obligation-end of year	$ 4,146,877

The Implicit Rate Subsidy is the *de facto* subsidy of retirees by permitting them to pay lower than age-adjusted premiums through the use of a single common or blended premium for both retirees and active employees. Prior to FY2012, the Implicit Rate Subsidy was not included in the contribution total for the fiscal year; therefore the expense recorded each year was higher than necessary. Since the GASB allows employers to take this credit, the City has begun including Implicit Rate Subsidy amounts in the total contribution for the fiscal year.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2011, FY2012 and FY2013 are as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2011	$4,084,022	72.0%	$3,823,689
06/30/2012	$4,025,764	84.0%	$4,467,438
06/30/2013	$3,479,076	109.0%	$4,146,877

Note 12. Other Post Employment Benefits (Continued)

City of Lynchburg (Continued)

Funded Status and Funding Progress

The funded status of the plan as of the most recent valuation, June 30, 2012, was as follows:

Actuarial Accrued Liability (AAL)	$ 60,963,806
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 60,963,806
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	$ 48,564,229
UAAL as a Percentage of Covered Payroll	125.53%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used to develop the AAL and the Normal Cost. Under this method, the postretirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 6.75% discount rate, a 2.5% inflation rate, and an initial annual healthcare cost trend of 10% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 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, 2013 is 24 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 postemployment medical, dental, and vision benefits to its retirees and their eligible dependents that elect to stay in the plans. At retirement, retirees may stay in one of two PPO plans with an additional choice of prescription drug benefits and can continue coverage under all the benefits until age 65. The retiree pays the premium for these benefits.

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

Note 12. Other Post Employment Benefits (Continued)

Lynchburg City Schools (Continued)

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 VRS 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, 2013 was as follows:

Active participants	1,141
Inactive participants	96
Total	1,237

Funding Policy

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

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2013, the School's annual OPEB cost (expense) was $1,005,860. The payment of current retiree claims net of retiree contributions towards premiums, which totaled $338,048 for retirees, resulted in a Net OPEB obligation of $2,814,288 for the year ended June 30, 2013.

Annual required contribution	$ 1,039,356
Interest on net OPEB obligation	85,859
Adjustment to annual required contribution	(119,355)
Annual OPEB cost	1,005,860
Contributions made	(338,048)
Increase in net OPEB obligation	667,812
Net OPEB obligation-beginning of year	2,146,476
Net OPEB obligation-end of year	$ 2,814,288

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2011, FY2012 and FY2013 are as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2011	$721,777	32.9%	$1,653,147
06/30/2012	$979,200	49.6%	$2,146,476
06/30/2013	$1,005,860	33.6%	$2,814,288

Note 12. Other Post Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013 was as follows:

Actuarial Accrued Liability (AAL)	$	7,666,529
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability (UAAL)	$	7,666,529
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0%
Covered Payroll (Active Plan Members)	$	54,033,601
UAAL as a Percentage of Covered Payroll		14.19%

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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the June 30, 2013 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used a 4% discount rate, and an initial annual healthcare cost trend of 9% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5.0%. The unfunded actuarial accrued liability is being amortized over 30 years and is based on a closed group. The fresh start method of amortization for the unfunded actuarial accrued liability was used for each year.

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:

Year Ending June 30	Operating Leases: Primary Government	Operating Leases: Component Unit – Schools
2014	$ 404,640	$ 407,242
2015	302,268	384,061
2016	75,180	354,429
2017	57,996	286,105
2018	57,996	232,241
2019-2023	130,491	-
	$ 1,028,571	$ 1,664,078

For 2013, the City incurred rental expenditures of $256,748 in the General Fund, $24,464 in the Special Revenue Funds, and $75,000 in the City Capital Project Funds. For 2013, the Schools incurred rental expenditures of $647,660.

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 position. Total claims paid for the year ended June 30 amounted to $766,436.

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 $438 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 $556,268. 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 (after $50,000 aggregate claims cost) per covered individual per contract year. For the year ended June 30, total claims expense of $8,298,716 was incurred. Administrative fees and stop loss premiums for the year ended June 30 totaled $1,138,625. Estimated incurred, but not reported, claims at June 30 based on invoices received totaled approximately $400,000 and have been funded by the City.

Note 14. Risk Management (Continued)

Changes in aggregate liabilities were as follows:

		Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Workers' Compensation	2013	$ 2,232,159	$ 726,605	$ 766,436	$ 2,192,328
	2012	$ 2,336,944	$ 598,817	$ 703,602	$ 2,232,159
General/Automotive Liability	2013	$ -	$ 295,803	$ 295,803	$ -
	2012	$ -	$ 160,873	$ 160,873	$ -
Healthcare	2013	$ 710,271	$ 7,988,445	$ 8,298,716	$ 400,000
	2012	$ 900,000	$ 7,087,702	$ 7,277,431	$ 710,271

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

Healthcare: The Schools' professionally administered self-insurance program provides healthcare coverage for employees and retirees of the Schools on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the Schools. Under the program, the Schools are obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of $300,000 per covered individual per contract year. Total claims expense of $8,175,497 was incurred in the current year, and there were no claims above the per individual limit that would have been covered by the stop loss policy. Administrative fees and stop loss premiums for the current year totaled $612,781. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled $679,143 and have been recorded as a liability by the Schools.

Changes in aggregate liabilities were as follows:

		Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Healthcare	2103	$ 1,557,448	$ 7,297,192	$ 8,175,497	$ 679,143
	2012	$ 588,573	$ 9,645,834	$ 8,676,959	$ 1,557,448

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)	$ 95,302,076
Principal and other debt service expenses included in City	6,897,714
Total expenses/expenditures for School activities	$ 102,199,790

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, 2013-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 $273,600,000 in 2013 dollars. A proposal was submitted to Virginia Department of Environmental Quality ("VDEQ") in May, 2013 that would make significant modifications to the CSO Program Long-Term Control Plan that includes significant savings in costs and time to complete. The City and VDEQ are anticipated to have an agreement on the modified CSO long-term control plan in 2014.

In 1994, and with subsequent permit renewals, the VDEQ issued a sewage discharge permit and Special Order of Consent containing the terms and conditions that 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.

Note 16. Commitments and Contingencies (Continued)

Contribution Agreement:

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

In conjunction therewith, the City contributed $4,725,916 to the EDA, which the EDA will loan to the LLCs for the rehabilitation. The City may, from time to time, demand any loan repayments received by the EDA be contributed back to the City. The contribution of these funds to the EDA created a long-term receivable representing the City's right to future title to the rehabilitation improvements.

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

The City also entered a co-development agreement with the LLCs under which it will provide various services and personnel for the project. As part of the co-development agreement, the City will be compensated approximately $966,500 for services provided during the rehabilitation project. This amount is payable, by the LLCs, from the proceeds of the sale of historic tax credits.

Environmental Protection Agency (EPA):

The EPA inspected the Municipal Separate Storm Sewer System (MS4) Program Implementation for stormwater discharges on March 5 and 6, 2012. As a settlement of the inspection findings, the EPA issued a Consent Agreement and Final Order on August 14, 2013. The City is required to complete the following administrative actions by January 8, 2014:

1. Develop and implement a plan to inspect all active construction sites with erosion and sediment controls on an established schedule and to pursue enforcement on active construction sites.

2. Develop and implement a plan to ensure the post-construction structural stormwater management facilities are inspected by the applicable owners and that proper enforcement measures are taken when necessary.

3. Develop and implement a plan to review, modify and implement Standard Operating Procedures (SOP) as necessary and provide training regarding SOP modifications for appropriate city employees to meet the pollution prevention/good housekeeping goals for municipal operations outlined in Lynchburg's MS4 Permit.

The City anticipates to complete all required actions prior to January 8, 2014.

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, 2013.

Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2013, 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	$ 1,507,486
City Capital Projects Fund	18,226,015
Total Major Funds	**19,733,501**
NONMAJOR FUNDS	
City Federal State Aid	90,544
Lynchburg Expressway Appearance	4,000
Lynchburg Regional Juvenile Detention Center	5,045
School Capital Projects	3,097,189
Total Nonmajor Funds	**3,196,778**
TOTAL ENCUMBRANCES	**$22,930,279**

Construction Commitments:

Included in the encumbrances above are construction commitments of $18,226,015 in the City Capital Projects fund and $3,097,189 in the School Capital Projects fund. The City also had construction commitments of $1,594,765 in the Water fund; $6,160,985 in the Sewer fund and $1,006,812 in the Airport fund as of June 30, 2013.

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 pay the required August payment of $234,310. The City fulfilled its obligation to HUD by making the required payment, obtaining the remaining funds from the Community Development Block Grant (CDBG). The City expects to recover the funds for all missed payments from Bluffwalk. During FY2010, Bluffwalk entered into a payment arrangement with the City to repay, with interest, the funds the City has advanced to cover the missed payments. Subsequent to June 30, Bluffwalk began negotiations to refinance its outstanding debt and repay the City the total amount advanced including interest.

Note 18. New Accounting Standards

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

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62,* was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The Statement amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The Statement also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 25 and No. 50* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial Statements and in 10-year RSI schedules. This Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 27 and No. 50* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with *GASB Statement No. 34*. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also provides guidance on the accounting for the government if they are the obligor in the transaction and on intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend or receive nonexchange financial guarantees. This Statement will be effective for the year ending June 30, 2014.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information **Exhibit 12**
Schedule of Funding Progress for Defined Benefit Pension Plan
As of June 30, 2013

	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, 2012	$ 196,945,220	$ 326,424,240	$ 129,479,020	60.33%	$ 46,957,864	275.73%
	June 30, 2011	$ 200,045,493	$ 318,926,726	$ 118,881,233	62.72%	$ 47,222,852	251.75%
	June 30, 2010	$ 198,428,147	$ 311,470,329	$ 113,042,182	63.71%	$ 47,220,511	239.39%
	June 30, 2009	$ 202,019,421	$ 287,328,940	$ 85,309,519	70.31%	$ 50,210,090	169.91%
	June 30, 2008	$ 201,552,096	$ 270,546,947	$ 68,994,850	74.50%	$ 49,236,962	140.13%
	June 30, 2007	$ 184,515,996	$ 243,719,371	$ 59,203,375	75.71%	$ 43,077,273	137.44%
Lynchburg City Schools Non-professional Employees							
	June 30, 2012	$ 10,857,437	$ 13,854,004	$ 2,996,567	78.37%	$ 3,493,026	85.79%
	June 30, 2011	$ 10,964,882	$ 13,656,067	$ 2,691,185	80.29%	$ 3,449,053	78.03%
	June 30, 2010	$ 10,987,262	$ 13,462,847	$ 2,475,585	81.61%	$ 3,590,809	68.94%
	June 30, 2009	$ 11,098,240	$ 12,575,079	$ 1,476,839	88.26%	$ 4,117,768	35.87%
	June 30, 2008	$ 10,950,127	$ 11,705,572	$ 755,445	93.55%	$ 3,907,886	19.33%
	June 30, 2007	$ 9,948,359	$ 11,082,613	$ 1,134,254	89.77%	$ 3,668,492	30.92%

Required Supplemental Information **Exhibit 13**
Schedule of Funding Progress for Other Post Employment Benefits
As of June 30, 2013

	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, 2012	$ -	$ 60,963,806	$ 60,963,806	0.00%	$ 48,564,229	125.53%
	June 30, 2010	$ -	$ 58,445,937	$ 58,445,937	0.00%	$ 47,102,629	124.08%
	June 30, 2008	$ -	$ 50,541,000	$ 50,541,000	0.00%	$ 50,839,048	99.41%
Lynchburg City Schools							
	June 30, 2013	$ -	$ 7,666,529	$ 7,666,529	0.00%	$ 54,033,601	14.19%
	June 30, 2012	$ -	$ 8,780,625	$ 8,780,625	0.00%	$ 58,331,131	15.05%
	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 Fund – Accounts for various federal and state grants for such purposes as building projects, certain social service and community development programs, and public safety.
- Community Development Block Grant Fund – Accounts for revenues from the Department of Housing and Urban Development which are used for various development projects.
- Lynchburg Business Development Centre Fund – Accounts for revenues received to support a local business incubator and for monies received from the Economic Development Administration for a revolving loan fund and certain other economic development assistance.
- Lynchburg Regional Juvenile Detention Center Fund – Accounts for revenues received and expenditures made to support the operations of the City's Juvenile Detention Home.
- Forfeited Assets Fund – Accounts for revenues received from the sale of confiscated assets which are related to illegal drug sales and are used for law enforcement expenditures.
- Lynchburg Expressway Appearance Fund – Accounts for the revenues and expenditures associated with beautification of the Lynchburg Expressway Area.
- Comprehensive Services Act Fund – Accounts for revenues received and expenditures made to support the Comprehensive Services Act for At-Risk Youth and Families adopted by the Virginia General Assembly.
- Home Investment Trust Fund – Accounts for revenues received from the Department of Housing and Urban Development for support of affordable housing needs in the City.

Capital Projects Funds account for all resources used for the acquisition or construction of capital facilities and equipment 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.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Total Nonmajor Special Revenue	Total Nonmajor Capital Projects	Total Nonmajor Governmental
Assets			
Cash and cash equivalents	$ 618,999	$ 2,287,495	$ 2,906,494
Investments	-	2,699,441	2,699,441
Receivables, net of allowance:			
Other	444,293	-	444,293
Due from other funds	266,597	-	266,597
Due from other governments	1,948,709	-	1,948,709
Due from component unit	125,000	-	125,000
Other assets	213	-	213
Restricted assets:			
Cash and cash equivalents	415,548	-	415,548
Total assets	$ 3,819,359	$ 4,986,936	$ 8,806,295
Liabilities			
Accounts payable and other liabilities	$ 696,917	$ 851,161	$ 1,548,078
Accrued payroll and related liabilities	124,233	-	124,233
Due to other funds	1,131,016	-	1,131,016
Due to other governments	143,465	-	143,465
Total liabilities	2,095,631	851,161	2,946,792
Deferred Inflows of Resources			
Unavailable revenue	420,537	-	420,537
Total deferred inflows of resources	420,537	-	420,537
Fund Balances			
Restricted	1,335,752	-	1,335,752
Committed	125,384	4,135,775	4,261,159
Assigned	100,000	-	100,000
Unassigned	(257,945)	-	(257,945)
Total fund balances	1,303,191	4,135,775	5,438,966
Total liabilities, deferred inflows of resources, and fund balances	$ 3,819,359	$ 4,986,936	$ 8,806,295

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Total Nonmajor Special Revenue	Total Nonmajor Capital Projects	Total Nonmajor Governmental
Revenues			
Intergovernmental	$ 9,956,347	$ -	$ 9,956,347
Revenue from use of money and property	34,565	95	34,660
Charges for services	3,737,481	-	3,737,481
Miscellaneous	454,198	-	454,198
Total revenues	14,182,591	95	14,182,686
Expenditures			
Current operating expenditures:			
General government	25,518	-	25,518
Judicial	1,117,911	-	1,117,911
Public safety	4,774,058	-	4,774,058
Public works	155,933	-	155,933
Health and human services	6,210,852	-	6,210,852
Community development	1,068,011	-	1,068,011
Education	-	283,872	283,872
Capital outlay:			
Capital general government	279,008	2,980,521	3,259,529
Debt Service:			
Principal retirements	410,135	-	410,135
Interest payments and other fiscal charges	156,147	-	156,147
Total expenditures	14,197,573	3,264,393	17,461,966
Deficiency of revenues over expenditures	(14,982)	(3,264,298)	(3,279,280)
Other financing sources (uses)			
Transfers in	136,456	4,455,000	4,591,456
Transfers out	(45,342)	-	(45,342)
Total other financing sources (uses)	91,114	4,455,000	4,546,114
Net changes in fund balances	76,132	1,190,702	1,266,834
Fund balances - beginning	1,227,059	2,945,073	4,172,132
Fund balances - ending	$ 1,303,191	$ 4,135,775	$ 5,438,966

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act
Assets					
Cash and cash equivalents	$ -	$ -	$ 171	$ 252,542	$ 166,608
Receivables, net of allowance:					
Other	356,424	22,835	-	-	-
Due from other funds	263,741	-	-	-	731
Due from other governments	764,898	80,016	-	-	825,470
Due from component unit	-	-	125,000	-	-
Other assets	-	-	213	-	-
Restricted assets:					
Cash and cash equivalents	415,548	-	-	-	-
Total assets	$ 1,800,611	$ 102,851	$ 125,384	$ 252,542	$ 992,809
Liabilities					
Accounts payable and other liabilities	$ 106,451	$ 21,278	$ -	$ 3,939	$ 524,755
Accrued payroll and related liabilities	60,048	2,746	-	-	1,502
Due to other funds	995,453	75,598	-	-	-
Due to other governments	121,259	-	-	22,206	-
Total liabilities	1,283,211	99,622	-	26,145	526,257
Deferred Inflows of Resources					
Unavailable revenue	352,474	3,029	-	-	-
Total deferred inflows of resources	352,474	3,029	-	-	-
Fund Balances					
Restricted	422,871	200	-	226,397	466,552
Committed	-	-	125,384	-	-
Assigned	-	-	-	-	-
Unassigned	(257,945)	-	-	-	-
Total fund balances	164,926	200	125,384	226,397	466,552
Total liabilities, deferred inflows of resources, and fund balances	$ 1,800,611	$ 102,851	$ 125,384	$ 252,542	$ 992,809

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	Lynchburg Expressway Appearance	Home Investment Trust	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
Assets				
Cash and cash equivalents	$ 195,945	$ -	$ 3,733	$ 618,999
Receivables, net of allowance:				
Other	65,034	-	-	444,293
Due from other funds	-	-	2,125	266,597
Due from other governments	-	67,615	210,710	1,948,709
Due from component unit	-	-	-	125,000
Other assets	-	-	-	213
Restricted assets:				
Cash and cash equivalents	-	-	-	415,548
Total assets	$ 260,979	$ 67,615	$ 216,568	$ 3,819,359
Liabilities				
Accounts payable and other liabilities	$ 2,460	$ 22,025	$ 16,009	$ 696,917
Accrued payroll and related liabilities	-	503	59,434	124,233
Due to other funds	-	18,840	41,125	1,131,016
Due to other governments	-	-	-	143,465
Total liabilities	2,460	41,368	116,568	2,095,631
Deferred Inflows of Resources				
Unavailable revenue	65,034	-	-	420,537
Total deferred inflows of resources	65,034	-	-	420,537
Fund Balances				
Restricted	193,485	26,247	-	1,335,752
Committed	-	-	-	125,384
Assigned	-	-	100,000	100,000
Unassigned	-	-	-	(257,945)
Total fund balances	193,485	26,247	100,000	1,303,191
Total liabilities, deferred inflows of resources, and fund balances	$ 260,979	$ 67,615	$ 216,568	$ 3,819,359

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act
Revenues					
Intergovernmental	$ 4,373,713	$ 992,346	$ -	$ 93,749	$ 3,132,244
Revenue from use of money and property	-	-	34,286	279	-
Charges for services	547,305	2,300	-	-	1,535,393
Miscellaneous	399,968	-	-	-	51,230
Total revenues	5,320,986	994,646	34,286	94,028	4,718,867
Expenditures					
Current operating expenditures:					
General government	21,808	-	-	-	-
Judicial	1,095,196	-	-	22,715	-
Public safety	2,187,998	-	-	60,166	-
Public works	146,283	-	-	-	-
Health and human services	1,628,993	-	-	-	4,581,859
Community development	85,619	749,183	34,286	-	-
Capital outlay:					
Capital general government	17,295	245,463	-	-	-
Debt service:					
Principal retirements	180,000	-	-	-	-
Interest payments and other fiscal charges	113,084	-	-	-	-
Total expenditures	5,476,276	994,646	34,286	82,881	4,581,859
Excess (deficiency) of revenues over expenditures	(155,290)	-	-	11,147	137,008
Other financing sources (uses)					
Transfers in	136,456	-	-	-	-
Transfers out	(36,342)	(9,000)	-	-	-
Total other financing sources (uses)	100,114	(9,000)	-	-	-
Net changes in fund balances	(55,176)	(9,000)	-	11,147	137,008
Fund balances - beginning	220,102	9,200	125,384	215,250	329,544
Fund balances - ending	$ 164,926	$ 200	$ 125,384	$ 226,397	$ 466,552

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	Lynchburg Expressway Appearance	Home Investment Trust	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
Revenues				
Intergovernmental	$ -	$ 197,726	$ 1,166,569	$ 9,956,347
Revenue from use of money and property	-	-	-	34,565
Charges for services	-	-	1,652,483	3,737,481
Miscellaneous	3,000	-	-	454,198
Total revenues	3,000	197,726	2,819,052	14,182,591
Expenditures				
Current operating expenditures:				
General government	-	-	3,710	25,518
Judicial	-	-	-	1,117,911
Public safety	-	-	2,525,894	4,774,058
Public works	9,650	-	-	155,933
Health and human services	-	-	-	6,210,852
Community development	-	198,923	-	1,068,011
Capital outlay:				
Capital general government	-	-	16,250	279,008
Debt service:				
Principal retirements	-	-	230,135	410,135
Interest payments and other fiscal charges	-	-	43,063	156,147
Total expenditures	9,650	198,923	2,819,052	14,197,573
Excess (deficiency) of revenues over expenditures	(6,650)	(1,197)	-	(14,982)
Other financing sources (uses)				
Transfers in	-	-	-	136,456
Transfers out	-	-	-	(45,342)
Total other financing sources (uses)	-	-	-	91,114
Net changes in fund balances	(6,650)	(1,197)	-	76,132
Fund balances - beginning	200,135	27,444	100,000	1,227,059
Fund balances - ending	$ 193,485	$ 26,247	$ 100,000	$ 1,303,191

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City/Federal/State Aid Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 2,365,004	$ 5,795,128	$ 4,373,713	$ (1,421,415)
Charges for services	-	57,873	547,305	489,432
Miscellaneous	26,830	179,345	399,968	220,623
Total revenues	2,391,834	6,032,346	5,320,986	(711,360)
Expenditures				
Current operating expenditures:				
General government	-	24,327	21,808	2,519
Judicial	1,110,258	1,228,730	1,095,196	133,534
Public safety	240,000	2,261,023	2,187,998	73,025
Public works	5,000	162,677	146,283	16,394
Health and human services	1,048,296	2,653,066	1,628,993	1,024,073
Community development	-	111,867	85,619	26,248
Capital outlay:				
Capital general government	-	17,295	17,295	-
Debt service:				
Principal retirements	-	-	180,000	(180,000)
Interest payments and other fiscal charges	-	-	113,084	(113,084)
Total expenditures	2,403,554	6,458,985	5,476,276	982,709
Deficiency of revenues over expenditures	(11,720)	(426,639)	(155,290)	271,349
Other financing sources (uses)				
Transfers in	11,720	137,981	136,456	(1,525)
Transfers out	-	(36,342)	(36,342)	-
Total other financing sources (uses)	11,720	101,639	100,114	(1,525)
Net changes in fund balances	-	(325,000)	(55,176)	269,824
Fund balances - beginning	220,102	220,102	220,102	-
Fund balances (deficits) - ending	$ 220,102	$ (104,898)	$ 164,926	$ 269,824

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 639,243	$ 1,772,596	$ 992,346	$ (780,250)
Charges for services	2,030	(6,710)	2,300	9,010
Total revenues	641,273	1,765,886	994,646	(771,240)
Expenditures				
Current operating expenditures:				
Community development	641,273	1,288,187	749,183	539,004
Capital Outlay:				
Capital general government	-	182,800	245,463	(62,663)
Total expenditures	641,273	1,470,987	994,646	476,341
Excess of revenues over expenditures	-	294,899	-	(294,899)
Other financing sources (uses)				
Transfers out	-	(9,000)	(9,000)	-
Total other financing sources (uses)	-	(9,000)	(9,000)	-
Net changes in fund balances	-	285,899	(9,000)	(294,899)
Fund balances - beginning	9,200	9,200	9,200	-
Fund balances - ending	$ 9,200	$ 295,099	$ 200	$ (294,899)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Forfeited Assets Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ -	$ -	$ 93,749	$ 93,749
Revenue from use of money and property	-	-	279	279
Total revenues	-	-	94,028	94,028
Expenditures				
Current operating expenditures:				
Judicial	-	30,000	22,715	7,285
Public safety	-	168,523	60,166	108,357
Total expenditures	-	198,523	82,881	115,642
Net changes in fund balances	-	(198,523)	11,147	209,670
Fund balances - beginning	215,250	215,250	215,250	-
Fund balances- ending	$ 215,250	$ 16,727	$ 226,397	$ 209,670

CITY OF LYNCHBURG, VIRGINIA **EXHIBIT B-6**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Comprehensive Services Act Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 3,417,468	$ 4,675,116	$ 3,132,244	$ (1,542,872)
Charges for services	1,535,393	1,759,833	1,535,393	(224,440)
Miscellaneous	110,000	104,525	51,230	(53,295)
Total revenues	5,062,861	6,539,474	4,718,867	(1,820,607)
Expenditures				
Current operating expenditures:				
Health and human services	5,062,861	6,527,594	4,581,859	1,945,735
Total expenditures	5,062,861	6,527,594	4,581,859	1,945,735
Net changes in fund balances	-	11,880	137,008	125,128
Fund balances - beginning	329,544	329,544	329,544	-
Fund balances - ending	$ 329,544	$ 341,424	$ 466,552	$ 125,128

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Investment Trust Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 283,839	$ 855,426	$ 197,726	$ (657,700)
Total revenues	283,839	855,426	197,726	(657,700)
Expenditures				
Current operating expenditures:				
Community development	283,839	308,367	198,923	109,444
Total expenditures	283,839	308,367	198,923	109,444
Net changes in fund balances	-	547,059	(1,197)	(548,256)
Fund balances - beginning	27,444	27,444	27,444	-
Fund balances - ending	$ 27,444	$ 574,503	$ 26,247	$ (548,256)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Lynchburg Regional Juvenile Detention Center Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 1,140,120	$ 1,140,120	$ 1,166,569	$ 26,449
Charges for services	1,796,789	1,796,789	1,652,483	(144,306)
Total revenues	2,936,909	2,936,909	2,819,052	(117,857)
Expenditures				
Current operating expenditures:				
General government	3,684	3,710	3,710	-
Public safety	2,660,027	2,659,159	2,525,894	133,265
Capital outlay:				
Capital general government	-	-	16,250	(16,250)
Debt service:				
Principal retirements	230,135	230,135	230,135	-
Interest payments and other fiscal charges	43,063	43,063	43,063	-
Total expenditures	2,936,909	2,936,067	2,819,052	117,015
Net changes in fund balances	-	842	-	(842)
Fund balances - beginning	100,000	100,000	100,000	-
Fund balances - ending	$ 100,000	$ 100,842	$ 100,000	$ (842)

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

Balance Sheet
School Capital Projects
June 30, 2013

	School Capital Projects
Assets	
Cash and cash equivalents	$ 2,287,495
Investments	2,699,441
Total assets	$ 4,986,936
Liabilities	
Accounts payable and other liabilities	$ 851,161
Total liabilities	851,161
Fund Balance	
Committed	4,135,775
Total fund balance	4,135,775
Total liabilities and fund balance	$ 4,986,936

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, 2013

	School Capital Projects
Revenues	
Revenue from use of money and property	$ 95
Total revenues	95
Expenditures	
Current operating expenditures:	
Education	283,872
Capital outlay:	
Capital general government	2,980,521
Total expenditures	3,264,393
Deficiency of revenues over expenditures	(3,264,298)
Other financing sources	
Transfers in	4,455,000
Total other financing sources	4,455,000
Net changes in fund balance	1,190,702
Fund balance - beginning	2,945,073
Fund balance - ending	$ 4,135,775

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Capital Projects
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Revenue from use of money and property	$ -	$ -	$ 95	$ 95
Total revenues	-	-	95	95
Expenditures				
Current operating expenditures:				
Education	800,000	723,997	283,872	440,125
Capital outlay:				
Capital general government	175,000	3,305,455	2,980,521	324,934
Total expenditures	975,000	4,029,452	3,264,393	765,059
Deficiency of revenues over expenditures	(975,000)	(4,029,452)	(3,264,298)	765,154
Other financing sources				
Transfers in	975,000	4,455,000	4,455,000	-
Total other financing sources	975,000	4,455,000	4,455,000	-
Net changes in fund balance	-	425,548	1,190,702	765,154
Fund balances - beginning	2,945,073	2,945,073	2,945,073	-
Fund balances - ending	$ 2,945,073	$ 3,370,621	$ 4,135,775	$ 765,154

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 2,518,461	$ 17,180,659	$ 6,620,226	$ (10,560,433)
Revenue from use of money and property	-	81,570	33,839	(47,731)
Miscellaneous	880,000	2,332,137	1,312,138	(1,019,999)
Total revenues	3,398,461	19,594,366	7,966,203	(11,628,163)
Expenditures				
Current operating expenditures:				
Public safety	-	106,316	75,000	31,316
Public works	3,399,217	7,450,621	3,641,261	3,809,360
Culture and recreation	-	556,351	112,128	444,223
Community development	-	777,096	500,295	276,801
Capital outlay:				
Capital general government	6,943,003	34,009,513	10,918,746	23,090,767
Total expenditures	10,342,220	42,899,897	15,247,430	27,652,467
Deficiency of revenues over expenditures	(6,943,759)	(23,305,531)	(7,281,227)	16,024,304
Other financing sources (uses)				
Issuance of bonds	3,652,000	9,926,812	-	(9,926,812)
Capital contribution	-	(4,725,916)	(4,725,916)	-
Transfers in	4,291,759	4,950,827	4,950,827	-
Total other financing sources (uses)	7,943,759	10,151,723	224,911	(9,926,812)
Net changes in fund balance	1,000,000	(13,153,808)	(7,056,316)	6,097,492
Fund balances - beginning	36,476,300	36,476,300	36,476,300	-
Fund balance - ending	$ 37,476,300	$ 23,322,492	$ 29,419,984	$ 6,097,492

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

	Special Welfare	Central Virginia Regional Radio Board	Total Agency
Assets			
Cash and cash equivalents	$ 105,930	$ -	$ 105,930
Total Assets	$ 105,930	$ -	$ 105,930
Liabilities			
Accounts payable	$ 2,691	$ -	$ 2,691
Amounts held for others	103,239	-	103,239
Total Liabilities	$ 105,930	$ -	$ 105,930

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Special Welfare				
Assets				
Cash and cash equivalents	$ 77,116	$ 148,240	$ 119,426	$ 105,930
Total Assets	$ 77,116	$ 148,240	$ 119,426	$ 105,930
Liabilities				
Accounts payable	$ 674	$ 35,213	$ 33,196	$ 2,691
Amounts held for others	76,442	166,405	139,608	103,239
Total Liabilities	$ 77,116	$ 201,618	$ 172,804	$ 105,930
Central Virginia Regional Radio Board				
Assets				
Cash and cash equivalents	$ 458,258	$ 53,900	$ 512,158	$ -
Total Assets	$ 458,258	$ 53,900	$ 512,158	$ -
Liabilities				
Due to other governments	$ 81,856	$ -	$ 81,856	$ -
Amounts held for others	376,402	494,811	871,213	-
Total Liabilities	$ 458,258	$ 494,811	$ 953,069	$ -
Total All Agency Funds				
Assets				
Cash and cash equivalents	$ 535,374	$ 202,140	$ 631,584	$ 105,930
Total Assets	$ 535,374	$ 202,140	$ 631,584	$ 105,930
Liabilities				
Accounts payable	$ 674	$ 35,213	$ 33,196	$ 2,691
Due to other governments	81,856	-	81,856	-
Amounts held for others	452,844	661,216	1,010,821	103,239
Total Liabilities	$ 535,374	$ 696,429	$ 1,125,873	$ 105,930

Discretely Presented Component Unit - Lynchburg City Schools
Combining Balance Sheet
June 30, 2013

	School Operating	School Federal Aid	Governor's School	School Cafeteria	Total Governmental
Assets					
Cash and cash equivalents	$ 6,601,371	$ 78,641	$ 308,646	$ 782,067	$ 7,770,725
Receivables, net of allowance	480,825	23,030	-	26,961	530,816
Due from other funds	1,810,377	-	-	2,888	1,813,265
Due from other governments	2,144,374	2,987,030	9,750	-	5,141,154
Prepaid expenses	173,796	187	2,353	-	176,336
Inventory	-	-	-	118,869	118,869
Total assets	$ 11,210,743	$ 3,088,888	$ 320,749	$ 930,785	$ 15,551,165
Liabilities					
Accounts payable and other liabilities	$ 630,471	$ 74,776	$ 460	$ 1,976	$ 707,683
Accrued payroll and related liabilities	8,730,384	1,084,252	51,444	135,963	10,002,043
Due to other funds	1,955	1,776,370	-	34,940	1,813,265
Due to primary government - return of local funding	507,487	-	-	-	507,487
Due to primary government - other	279,818	-	-	-	279,818
Total liabilities	10,150,115	2,935,398	51,904	172,879	13,310,296
Deferred Inflows of Resources					
Unavailable revenue	850,033	67,387	16,800	-	934,220
Total deferred inflows of resources	850,033	67,387	16,800	-	934,220
Fund balances					
Nonspendable:					
Prepaid items	173,796	187	2,353	-	176,336
Inventory	-	-	-	118,869	118,869
Restricted for:					
Education	-	85,916	-	639,037	724,953
Committed for:					
Education	36,799	-	249,692	-	286,491
Total fund balances	210,595	86,103	252,045	757,906	1,306,649
Total liabilities, deferred inflows of resources, and fund balances	$ 11,210,743	$ 3,088,888	$ 320,749	$ 930,785	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,451,218
Receivables on the Statement of Net Position that do not provide current financial resources are reported as deferred revenue in the funds.	934,220
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,697,290)
Net position of governmental activities	$ 2,994,797

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2013

	School Operating	School Federal Aid	Governor's School	School Cafeteria	Total Governmental
Revenues					
Intergovernmental:					
State and Federal	$ 43,673,776	$ 9,659,808	$ 310,406	$ 3,013,510	$ 56,657,500
City of Lynchburg	35,272,769	-	-	-	35,272,769
Revenue from use of money and property	106	-	-	604	710
Charges for services	1,468,451	-	595,788	653,791	2,718,030
Miscellaneous	590,372	174,443	10,000	29,236	804,051
Total revenues	81,005,474	9,834,251	916,194	3,697,141	95,453,060
Expenditures					
Education:					
Instruction	57,096,206	9,021,592	860,400	-	66,978,198
Administration, attendance, and health	4,193,846	3,500	-	-	4,197,346
Pupil transportation services	4,661,286	-	-	-	4,661,286
Operations and maintenance	9,643,581	12,181	46,780	-	9,702,542
Food service and other	5,633	118,841	-	3,795,151	3,919,625
Facilities	87,879	-	-	-	87,879
Technology	2,049,937	-	-	-	2,049,937
Capital outlay	3,253,181	673,142	-	94,943	4,021,266
Debt service:					
Principal retirement	264,931	-	-	-	264,931
Interest payments	8,261	-	-	-	8,261
Total expenditures	81,264,741	9,829,256	907,180	3,890,094	95,891,271
Excess (deficiency) of revenues over expenditures	(259,267)	4,995	9,014	(192,953)	(438,211)
Other financing sources (uses)					
Transfers in (out)	(26,655)	26,655	-	-	-
Net change in fund balances	(285,922)	31,650	9,014	(192,953)	(438,211)
Fund balance - beginning	496,517	54,453	243,031	950,859	
Fund balance - ending	$ 210,595	$ 86,103	$ 252,045	$ 757,906	

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($1,704,507) exceeded depreciation expense ($579,719).	1,124,788
Loss on the disposition of capital assets not reflected in the fund statements.	(10,767)
Compensated absences are not due and payable at June 30, and therefore are not reported in the fund statements.	(121,945)
Other postretirement benefits are not due and payable at June 30, and therefore are not reported in the fund statements.	(667,812)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	103,086
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.	264,931
Change in net position of governmental activities.	$ 254,070

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, 2013

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental:				
State and Federal	$ 43,972,592	$ 43,988,259	$ 43,673,776	$ (314,483)
City of Lynchburg	35,634,774	35,825,555	35,780,256	(45,299)
Revenue from use of money and property	-	-	106	106
Charges for services	1,650,828	1,641,828	1,468,451	(173,377)
Miscellaneous	103,000	545,353	590,372	45,019
Total revenues	81,361,194	82,000,995	81,512,961	(488,034)
Expenditures				
Education:				
Instruction	58,770,726	58,444,726	57,096,206	1,348,520
Administration, attendance, and health	4,758,509	4,342,023	4,193,846	148,177
Pupil transportation services	4,550,708	4,530,284	4,661,286	(131,002)
Operations and maintenance	9,290,407	9,706,483	9,643,581	62,902
Food service and other	-	-	5,633	(5,633)
Facilities	88,384	95,130	87,879	7,251
Technology	2,272,806	2,053,073	2,049,937	3,136
Capital outlay	1,322,528	2,555,778	3,253,181	(697,403)
Debt service	307,126	273,498	273,192	306
Total expenditures	81,361,194	82,000,995	81,264,741	736,254
Excess (deficiency) of revenues over expenditures	-	-	248,220	248,220
Other financing sources (uses)				
Capital lease proceeds	-	-	-	-
Transfer out	-	-	(26,655)	(26,655)
Net change in fund balances	$ -	$ -	221,565	$ 221,565
Less return of funds to the City			(507,487)	
			$ (285,922)	

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

Discretely Presented Component Unit - Lynchburg City Schools
Agency Fund
For the Year Ended June 30, 2013

	Agency Fund
Assets	
Investments	$ 165,975
Liabilities	
Amounts held for others	$ 165,975

Combining Statement of Net Position
Other Component Units
June 30, 2013

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 530,721	$ 989,281	$ 1,520,002
Receivables, net of allowance	1,247,690	26,112	1,273,802
Due from other governments	-	912,173	912,173
Inventory	-	175,380	175,380
Prepaid and other assets	140	77,520	77,660
Capital assets:			
Non-depreciable	-	4,921,374	4,921,374
Depreciable	4,210	15,256,349	15,260,559
Total assets	1,782,761	22,358,189	24,140,950
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	184,229	1,033,929	1,218,158
Due to other governments	1,202,000	-	1,202,000
Due to primary government	125,000	746,724	871,724
Total current liabilities	1,511,229	1,780,653	3,291,882
Noncurrent liabilities:			
Other postemployment benefits	-	77,000	77,000
Compensated absences	-	74,318	74,318
Total noncurrent liabilities	-	151,318	151,318
Total liabilities	1,511,229	1,931,971	3,443,200
Net position			
Net investment in capital assets	4,210	20,177,723	20,181,933
Unrestricted	267,322	248,495	515,817
Total net position	$ 271,532	$ 20,426,218	$ 20,697,750

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Other Component Units
For the Year Ended June 30, 2013

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating revenues			
Charges for services and other operating revenues	$ 232,020	$ 1,188,120	$ 1,420,140
Total operating revenues	232,020	1,188,120	1,420,140
Operating expenses			
Operations	266,051	6,059,277	6,325,328
Administration	364	1,303,250	1,303,614
Maintenance and repairs	18,648	1,159,305	1,177,953
Total operating expenses	285,063	8,521,832	8,806,895
Operating loss	(53,043)	(7,333,712)	(7,386,755)
Nonoperating revenue			
Subsidy of operations - City of Lynchburg	-	622,538	622,538
Subsidy of operations - Counties	-	57,492	57,492
Subsidy of operations - Liberty University	-	1,162,567	1,162,567
Subsidy of operations - State aid for public transportation	-	1,432,987	1,432,987
Subsidy of operations - Federal operating grant	-	1,845,335	1,845,335
Donations and grants	79,946	2,831	82,777
Miscellaneous revenue	-	-	-
Gain on sale of capital assets	-	15,078	15,078
Total nonoperating revenue	79,946	5,138,828	5,218,774
Capital contributions	-	2,791,049	2,791,049
Change in net position	26,903	596,165	623,068
Total net position - beginning	244,629	19,830,053	20,074,682
Total net position - ending	$ 271,532	$ 20,426,218	$ 20,697,750

Combining Statement of Cash Flows
Other Component Units
For the Year Ended June 30, 2013

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating activities			
Cash received from operations	$ 512,864	$ 1,320,598	$ 1,833,462
Cash paid to employees	(147,140)	(2,819,101)	(2,966,241)
Cash paid to suppliers for goods and services	(142,335)	(3,528,569)	(3,670,904)
Cash received to fund loan pools	822,500	-	822,500
New loans disbursed	(831,950)	-	(831,950)
Net cash provided from (used in) operating activities	213,939	(5,027,072)	(4,813,133)
Noncapital financing activities			
Net change in line of credit	-	-	-
Subsidies	-	(152,384)	(152,384)
Operating grants and contributions	79,946	5,805,525	5,885,471
Net cash provided from noncapital financing activities	79,946	5,653,141	5,733,087
Capital and related financing activities			
Capital contributions received	-	2,188,739	2,188,739
Additions to capital assets	-	(2,165,489)	(2,165,489)
Proceeds from sale of capital assets	-	16,950	16,950
Net cash provided from capital and related financing activities	-	40,200	40,200
Net increase in cash and cash equivalents	293,885	666,269	960,154
Cash and cash equivalents			
Beginning of year	236,836	323,012	559,848
End of year	$ 530,721	$ 989,281	$ 1,520,002
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	$ (53,043)	$ (7,333,712)	$ (7,386,755)
Adjustments to reconcile operating loss to net cash provided from (used in) operating activities:			
Depreciation	851	2,232,412	2,233,263
Decrease (increase) in receivables	(540,023)	132,478	(407,545)
Decrease (increase) in prepaid expenses and other assets	1,081	(63,858)	(62,777)
Decrease in inventory	-	6,782	6,782
Increase (decrease) in accounts payable and other current liabilities	98,073	(72,728)	25,345
Increase in compensated absences and other postemployement benefits	-	71,554	71,554
Increase in amount due to other governments	707,000	-	707,000
Net cash provided from (used in) operating activities	$ 213,939	$ (5,027,072)	$ (4,813,133)
Supplemental cash flow information			
Non-cash transactions:			
Capital assets additions financed by accounts payable	$ -	$ 856,375	$ 856,375

SUPPLEMENTAL SCHEDULES

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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	$ 1,054,866
National School Lunch Program	10.555	22,395
National School Breakfast Program	10.553	30,922
Department of Health and Human Services		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Family Preservation and Support	93.556	20,480
TANF Block Grant	93.558	1,104,770
Refugee and Entrant Assistance State - Administered Programs	93.566	3,939
Low Income Energy Assistance	93.568	67,956
Child Care Development Fund	93.596	142,351
Chafee Education and Training Vouchers Program (ETV)	93.599	6,558
Child Welfare Services	93.645	5,145
Foster Care - Title IV-E	93.658	982,242
Adoption Assistance	93.659	1,415,350
Social Services Block Grant	93.667	863,385
Independent Living	93.674	15,057
Children's Insurance Program	93.767	22,330
Medicaid Assistance	93.778	626,265
Department of Housing and Urban Development		
Direct Payments:		
Community Development Block Grant Program, Entitlement Grants	14.218	994,646
Shelter Plus Care	14.238	85,484
Home Investment Partnership Program	14.239	183,273
Department of Justice		
Direct Payments:		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	185,583
Bulletproof Vest Partnership	16.607	15,987
Passed through Commonwealth of Virginia:		
Department of Criminal Justice Services:		
Victim-Witness Services	16.575	169,418
Violence Against Women Formula Grant	16.588	72,224
Byrne Memorial Justice Assistance Grant	16.738	105,760
Department of Labor		
Passed through Commonwealth of Virginia:		
Employment and Training Administration:		
WIA Adult Program	17.258	474,260
WIA Youth Activities	17.259	477,451
WIA Dislocated Workers (after 7/1/10)	17.278	295,200

(Continued)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012
(Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
Department of Homeland Security		
Direct Payments:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	$ 548,883
Transportation Security Administration:		
Airport LEO Cooperative Agreement	97.090	107,446
Department of Energy		
Direct Payments:		
Energy Efficiency and Conservation Block Grant Program	81.128	149,046
Department of Transportation		
Direct Payments:		
Highway Planning and Construction	20.205	3,420,818
Passed through Commonwealth of Virginia:		
Department of Motor Vehicles:		
Alcohol Impaired Driving Grants	20.600	42,327
Alcohol Open Container Requirements Grants	20.607	6,222
Environmental Protection Agency		
Passed through Commonwealth of Virginia:		
Virginia Resources Authority:		
Revolving Loan	66.458	13,157,148
Federal Aviation Administration		
Direct Payments:		
Department of Aviation:		
Airport Improvement Program	20.106	1,867,318
Federal Emergency Management Agency		
Direct Payments:		
Department of Homeland Security:		
Assistance to Firefighters	97.044	445,712
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	138,228
Passed through Commonwealth of Virginia:		
Department of Emergency Services:		
Homeland Security	97.073	157,906
Component Unit - Lynchburg Schools		
Department of Agriculture		
Passed through Commonwealth of Virginia:		
Department of Education:		
National School Lunch Program	10.555	2,176,674
National School Breakfast Program	10.553	759,924
Fresh Fruit and Vegetables	10.582	134,206
Department of Education		
Passed through Commonwealth of Virginia:		
Title I - Educationally Deprived Children - LEA	84.010	3,713,694
Title I - Neglected and Delinquent Children	84.013	2,885

(Continued)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012
(Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
Department of Education (Continued)		
Elementary and Secondary Education Act (ESEA):		
Title IV-B - Elementary and Secondary Education Act of 1965	84.287	$ 1,240,717
Title VI-B - Special Education	84.027	1,987,246
Special Education Preschool Grants	84.173	79,626
Technology Literacy Challenge Fund Grants	84.318	12,204
English Language Acquisition Grants	84.365	26
Title II - Part A Funds	84.367	531,877
Vocational Education:		
Basic Grants to States	84.048	166,049
McKenney-Vento Homeless Education Assistance Improvements Act of 2001:		
Title X-C -No Child Left Behind Act	84.000	20,168
TOTAL		**$ 40,309,647**

		Donated Food Received
Primary Government		
Department of Agriculture		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Juvenile Detention Home (Commodities)	10.555	$ 2,545
Opportunity House (Commodities)	10.555	68
Sparc House (Commodities)	10.555	320
Component Unit - Lynchburg Schools		
Department of Agriculture		
Passed through Commonwealth of Virginia:		
Department of Education:		
National School Lunch Program (Commodities)	10.555	220,960
TOTAL		**$ 223,893**

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 Trust, and the Workforce Investment Act Cluster programs include grants to subrecipients as follows:

Subrecipient	Community Development Block Grant	Home Investment Trust	Workforce Investment Act Cluster
Bluffwalk Section 108 Loan	$ 263,084	$ -	$ -
City Administration	93,562	17,861	-
City Projects - Fifth Street	254,715	-	-
Habitat for Humanity	-	51,000	-
Lynchburg Community Action Group	129,346	108,012	-
Lynchburg Neighborhood Development	-	6,400	-
Lynchburg Redevelopment & Housing Authority	211,664	-	-
Rebuilding Together	42,275	-	-
Region 2000 Local Governmental Council	-	-	1,246,911
	$ 994,646	$ 183,273	$ 1,246,911

Note 5. Program Income

In accordance with terms of the Community Development Block Grant Program, program income totaling $2,300 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, 2013, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of $122,875,994 which includes $39,114,261 of federal funded loans. Expenditures associated with the federally funded loans totaled $13,157,148 in FY 2013.

SCHEDULE 2

CITY OF LYNCHBURG, VIRGINIA

Schedule of Passenger Facility Charges
As of June 30, 2013

Passenger Facility Charges:

Federal Agency/Program Name/Application Number	PFC Balance July 1, 2012	Adjustments	PFC Collected	Interest Earnings	Expenditures	PFC Balance June 30, 2013
FEDERAL AVIATION ADMINISTRATION						
Passenger facility charges (12-06-C-00-LYH)	$ 119,534	$ -	$ 337,814	$ 121	$ 432,276	$ 25,193
	$ 119,534	$ -	$ 337,814	$ 121	$ 432,276	$ 25,193

SCHEDULE 3

Schedule of Expenditures of Passenger Facility Charges
As of June 30, 2013

Expenditures of Passenger Facility Charges:

Project	PFC Expenditures
Application 6 (12-06-C-00-LYH)	
Local share reimbursement (non-AIP) PFC development and administrative costs	$ 5,974
Local share reimbursement – "Local" expense	84,443
Local share reimbursement – "State Entitlements" expense	341,859
Total PFC expenditures	$ 432,276

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. 95-99

FINANCIAL TRENDS

Tables 1-12 contain trend information to help the reader understand how the City's financial performance and well-being have changed over the time. 100-113

REVENUE CAPACITY

Tables 13-18 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 114-119

DEBT CAPACITY

Tables 19-22 present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 120-123

DEMOGRAPHIC AND ECONOMIC INDICATORS

Tables 23-24 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 124-125

OPERATING INFORMATION

Tables 25-28 contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs. 126-129

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, 2013

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 2009 (1)	75,204
United States Census 2010 (1)	75,826
United States Census 2011 (1)	76,448
United States Census 2012 (1)	77,203

(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:

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

Tangible Personal Property:

- $3.80 per $100 assessed value: 2005-2013
- $3.30 per $100 assessed value: 1990-2004

Machinery and Tools:

- $3.00 per $100 assessed value: 1990-2013

Local Sales Tax:

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

Utility Consumers' Tax:

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

Business, Professional, and Occupational License:

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

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

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

TAX RATES
(Continued)

Motor Vehicle License:

- $29.50 for vehicles weighing 4,000 pounds or less: 2005-2013
- $34.50 for vehicles weighing greater than $4,000 pounds: 2005-2013
- $25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- $0.35 on pack of twenty cigarettes: 2004-2013
- $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, $1,324,170 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
  - Non-emergency transport fee - $325
  - Emergency transport fee - $425
- Advanced Life Support
  - Non-emergency transport fee - $425
  - Emergency transport fee - $500
  - Emergency transport fee if three or more different medications combined with at least one Advanced Life Support procedure are administered- $700
- A fee of $9/mile is charged for each mile that the patient is transported
- A fee of $100 is charged when the patient is evaluated and treated by emergency medical services personnel when no transport occurs.

TAXES DUE

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

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

DELINQUENT TAXES

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

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

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

DEBT MANAGEMENT POLICY

The City council adopted a resolution on August 10, 1999, which was reaffirmed in 2008, revised in 2011, and revised and re-adopted in 2013, establishing guidelines for the planning, issuance and management of debt, for and on behalf of City of Lynchburg. The City will issue debt for the purpose of acquiring or constructing capital projects and for making major renovations to existing capital projects. The City shall comply with all its undertakings in accordance with Securities and Exchange Commission Rule 15c2-12 and will follow the Government Finance Officers’ Association and Securities and Exchange Commission requirements for continuing disclosure. Two types of debt obligations are used by the City:

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

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

BUDGET POLICY

The City council adopted a resolution November 14, 2000 which was revised in 2008, reaffirmed in 2011, and re-adopted in 2013.

Principles

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

QUARTERLY FINANCIAL REPORTING

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

Third Quarter Review

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

INVESTMENT POLICY

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

CITY OF LYNCHBURG, VIRGINIA **TABLE 1**

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

	Fiscal Year									
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Governmental activities										
Net investment in capital assets	$ 135,832,636	$ 140,548,447	$ 139,205,720	$ 139,856,317	$ 143,158,392	$ 155,791,105	$ 161,777,277	$ 164,804,823	$ 166,830,517	$ 175,165,215
Restricted	-	-	171,844	-	19,975,370	20,149,056	18,733,893	23,708,274	18,760,659	16,805,325
Unrestricted	32,330,375	33,754,620	46,486,579	56,819,180	58,219,507	64,928,380	65,970,506	61,798,935	71,824,701	73,963,009
Total governmental activities net position	$ 168,163,011	$ 174,303,067	$ 185,864,143	$ 196,675,497	$ 221,353,269	$ 240,868,541	$ 246,481,676	$ 250,312,032	$ 257,415,877	$ 265,933,549
Business-type activities										
Net investment in capital assets	$ 112,022,931	$ 119,234,122	$ 125,543,179	$ 134,385,674	$ 146,157,075	$ 152,089,577	$ 167,081,709	$ 180,332,606	$ 182,791,158	$ 189,456,676
Restricted	-	-	-	1,765	4,708	8,786	5,213	10,312	119,534	25,193
Unrestricted	22,972,124	26,928,368	29,667,849	35,582,153	33,515,192	18,461,675	20,419,761	18,709,510	19,388,092	19,764,741
Total business-type activities net position	$ 134,995,055	$ 146,162,490	$ 155,211,028	$ 169,969,592	$ 179,676,975	$ 170,560,038	$ 187,506,683	$ 199,052,428	$ 202,298,784	$ 209,246,610
Primary government										
Net investment in capital assets	$ 247,855,567	$ 259,782,569	$ 264,748,899	$ 274,241,991	$ 289,315,467	$ 307,880,682	$ 328,858,986	$ 345,137,429	$ 349,621,675	$ 364,621,891
Restricted	-	-	171,844	1,765	19,980,078	20,157,842	18,739,106	23,718,586	18,880,193	16,830,518
Unrestricted	55,302,499	60,682,988	76,154,428	92,401,333	91,734,699	83,390,055	86,390,267	80,508,445	91,212,793	93,727,750
Total primary government net position	$ 303,158,066	$ 320,465,557	$ 341,075,171	$ 366,645,089	$ 401,030,244	$ 411,428,579	$ 433,988,359	$ 449,364,460	$ 459,714,661	$ 475,180,159

CITY OF LYNCHBURG, VIRGINIA **TABLE 2**

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

	Fiscal Year									
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Expenses										
Governmental Activities:										
General Government	$ 9,474,943	$ 10,120,602	$ 11,727,655	$ 12,148,875	$ 13,397,520	$ 14,572,569	$ 14,710,937	$ 13,623,646	$ 14,209,838	$ 15,116,426
Judicial	4,336,165	4,717,917	5,099,725	5,471,591	5,626,570	5,707,528	5,633,105	6,329,475	6,546,970	6,406,888
Public Safety	33,858,886	35,823,077	39,639,402	40,397,195	43,152,656	43,233,506	42,794,498	44,365,150	44,743,484	47,390,090
Public Works	17,638,226	18,764,769	20,760,247	19,643,233	21,511,617	28,957,020	26,790,420	25,504,881	25,535,985	26,539,357
Health and Human Services	20,391,462	21,328,976	20,095,986	23,439,351	27,078,262	26,097,589	24,935,622	24,577,656	24,620,381	25,274,269
Culture and Recreation	7,895,722	8,195,390	8,943,345	9,432,337	10,247,701	10,364,636	9,852,641	10,247,781	8,413,428	8,503,945
Community Development	10,373,473	6,375,560	6,469,555	6,759,110	5,284,797	4,974,659	5,024,903	5,490,368	7,757,830	5,076,676
Education	27,680,572	28,638,013	32,618,426	33,539,288	36,727,401	35,807,016	33,876,792	35,171,968	36,667,051	40,568,308
Interest payments and fiscal charges	3,520,381	4,634,912	4,999,355	5,444,098	5,821,141	5,605,088	6,286,182	5,625,344	5,481,482	5,005,302
Issuance costs	-	192,828	173,943	-	216,051	-	483,236	170,210	28,450	29,815
Total governmental activities expenses	135,169,830	138,792,044	150,527,639	156,275,078	169,063,716	175,319,611	170,388,336	171,106,479	174,004,899	179,911,076
Business-type activities:										
Solid Waste Management	6,902,366	5,794,660	5,599,954	6,436,950	8,240,113	206,551	-	-	-	-
Stormwater (1)	-	-	-	-	-	-	-	-	-	2,038,265
Airport	3,623,207	3,405,121	3,505,550	3,545,346	3,882,343	4,062,502	4,308,441	4,374,509	4,394,934	4,151,032
Water	8,859,383	8,743,519	9,273,940	9,846,038	11,406,440	11,274,496	12,600,109	12,231,617	11,881,318	12,822,767
Sewer	13,165,634	11,800,236	12,431,230	12,757,627	14,431,645	14,976,951	15,069,642	15,889,515	16,705,588	16,195,043
Total business-type activities expenses	32,550,590	29,743,536	30,810,674	32,585,961	37,960,541	30,520,500	31,978,192	32,495,641	32,981,840	35,207,107
Total primary government expenses	$ 167,720,420	$ 168,535,580	$ 181,338,313	$ 188,861,039	$ 207,024,257	$ 205,840,111	$ 202,366,528	$ 203,602,120	$ 206,986,739	$ 215,118,183

(1)The Stormwater fund was created in FY 2013.

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues (see Table 3)										
Governmental Activities:										
Charges for services:										
General government	$ 416,760	$ 401,099	$ 466,636	$ 398,188	$ 556,888	$ 548,729	$ 437,468	$ 424,127	$ 523,344	$ 530,988
Judicial	625,331	620,348	741,266	730,625	716,313	737,613	846,930	686,417	781,941	917,900
Public safety	3,124,914	3,185,126	4,917,707	5,398,675	5,059,318	4,104,152	4,452,849	5,343,055	5,875,575	6,090,401
Public works	209,994	140,291	185,474	98,025	198,841	993,935	989,613	786,813	813,474	1,711,835
Health and human services	709,578	2,386,199	1,685,316	1,817,260	2,458,875	2,385,901	2,037,083	2,364,654	2,462,151	2,631,082
Cultural and Recreational	1,350,148	1,675,398	1,810,243	1,888,695	1,916,356	2,126,732	2,069,822	2,092,744	647,929	660,626
Community development	1,097,437	693,244	1,093,999	887,401	916,926	600,480	544,603	340,847	622,156	936,595
Operating Grants and Contributions	34,083,736	29,927,625	32,475,807	33,925,919	36,346,157	32,423,390	29,398,177	29,639,955	30,194,337	39,851,381
Capital Grants and Contributions	2,062,659	4,119,640	2,435,928	2,217,419	24,914,181	12,940,905	13,954,135	11,833,437	11,546,586	4,320,470
Total governmental activities program services	43,680,557	43,148,970	45,812,376	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049	53,467,493	57,651,278
Business-type activities:										
Charges for services:										
Solid Waste Management	6,352,423	6,985,739	7,219,229	7,276,645	6,313,555	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-	-	3,355,267
Airport	1,480,543	1,637,730	1,762,826	1,848,109	1,839,685	1,967,871	2,152,132	2,093,668	2,011,159	2,124,073
Water	9,001,806	9,488,676	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,314,865	12,985,275
Sewer	13,919,612	14,682,219	15,405,174	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990	18,520,421	18,913,651
Operating Grants and Contributions	272,894	311,173	415,801	398,850	406,261	178,948	203,659	202,704	158,129	951,522
Capital Grants and Contributions	7,203,733	5,562,333	3,066,896	8,918,563	7,490,370	4,826,469	15,197,159	10,563,426	2,007,777	2,827,806
Total business-type activities program revenues	38,231,011	38,667,870	38,222,229	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382	35,012,351	41,157,594
Total primary government program revenues	$ 81,911,568	$ 81,816,840	$ 84,034,605	$ 92,242,741	$ 118,265,500	$ 93,257,306	$ 102,848,825	$ 96,858,431	$ 88,479,844	$ 98,808,872
Net (Expense) Revenue										
Governmental Activities	$ (91,489,273)	$ (95,643,074)	$ (104,715,263)	$ (108,912,871)	$ (95,979,861)	$ (118,457,774)	$ (115,657,656)	$ (117,594,430)	$ (120,537,406)	$ (122,259,798)
Business-type Activities	5,680,421	8,924,334	7,411,555	12,294,573	7,221,104	5,874,969	16,139,953	10,850,741	2,030,511	5,950,487
Total Primary Government Net Expenses	$ (85,808,852)	$ (86,718,740)	$ (97,303,708)	$ (96,618,298)	$ (88,758,757)	$ (112,582,805)	$ (99,517,703)	$ (106,743,689)	$ (118,506,895)	$ (116,309,311)

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	$ 47,696,680	$ 49,831,096	$ 60,191,431	$ 57,241,907	$ 63,187,947	$ 65,185,656	$ 67,786,672	$ 69,849,510	$ 70,054,855	$ 74,446,360
Local sales and use taxes	11,528,820	12,221,811	13,319,691	14,481,096	14,266,750	13,056,829	12,675,632	13,290,563	13,440,973	13,589,747
Meals taxes	7,561,387	8,666,117	9,423,830	10,000,796	10,326,953	10,477,061	10,477,700	10,975,580	11,658,371	11,916,522
Consumer utility taxes	6,892,926	8,397,849	6,840,948	5,835,367	4,793,431	4,739,261	4,700,202	4,692,477	4,475,316	4,628,647
Business license taxes	6,507,848	7,032,917	7,675,284	7,922,666	8,010,597	7,913,270	7,818,381	7,263,543	7,885,841	8,057,554
Communications sales and use tax	-	-	-	1,669,968	3,893,158	3,537,283	3,552,028	3,534,449	3,462,621	3,471,805
Other taxes	6,509,095	6,096,139	6,794,113	6,697,407	5,827,855	5,719,878	6,070,900	6,377,684	7,299,554	5,823,989
Unrestricted intergovernmental	8,450,138	8,405,457	9,434,886	9,687,718	6,227,484	5,601,254	5,576,232	5,418,525	5,940,422	6,052,604
Interest	235,434	954,317	1,785,705	3,082,813	3,522,533	1,716,449	794,471	601,999	438,375	201,735
IRS interest subsidy - Build America bonds	-	-	-	-	-	-	283,891	146,839	293,680	293,680
Miscellaneous	1,234,747	1,090,845	1,605,259	1,919,538	1,026,286	3,827,687	1,683,037	1,498,803	1,162,435	1,606,926
Transfers	(217,924)	(469,136)	(304,924)	11,134	(577,893)	16,198,418	(261,260)	(259,950)	(417,961)	(336,330)
Gain (loss) on sale of assets	(22,450)	(705,032)	-	-	152,532	-	112,905	95,976	73,749	1,024,231
Total governmental activities	96,376,701	101,522,380	116,766,223	118,550,410	120,657,633	137,973,046	121,270,791	123,485,998	125,768,231	130,777,470
Business-type activities:										
Interest	340,736	582,522	1,248,981	2,382,245	1,784,508	825,779	207,953	206,665	210,782	108,977
IRS interest subsity - Build America Bonds	-	-	-	-	-	-	287,632	148,776	297,551	297,550
Miscellaneous	331,018	105,329	83,078	92,880	123,878	297,033	49,847	79,613	148,571	45,232
Transfers	217,924	469,136	304,924	(11,134)	577,893	(16,198,418)	261,260	259,950	-	336,330
Gain on sale of assets	(334,742)	(363,989)	-	-	-	83,700	-	-	417,961	209,250
Total business-type activities	554,936	792,998	1,636,983	2,463,991	2,486,279	(14,991,906)	806,692	695,004	1,074,865	997,339
Total primary government	$ 96,931,637	$ 102,315,378	$ 118,403,206	$ 121,014,401	$ 123,143,912	$ 122,981,140	$ 122,077,483	$ 124,181,002	$ 126,843,096	$ 131,774,809
Changes in Net Position										
Governmental activities	$ 4,887,428	$ 5,879,306	$ 12,050,960	$ 9,637,539	$ 24,677,772	$ 19,515,272	$ 5,613,135	$ 5,891,568	$ 5,230,825	$ 8,517,672
Business-type activities	6,235,357	9,717,332	9,048,538	14,758,564	9,707,383	(9,116,937)	16,946,645	11,545,745	3,105,376	6,947,826
Total primary government	$ 11,122,785	$ 15,596,638	$ 21,099,498	$ 24,396,103	$ 34,385,155	$ 10,398,335	$ 22,559,780	$ 17,437,313	$ 8,336,201	$ 15,465,498

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Governmental Activities:										
General Government	$ 716,128	$ 726,708	$ 785,105	$ 734,876	$ 942,144	$ 900,082	$ 784,656	$ 733,374	$ 842,476	$ 842,595
Judicial	2,790,371	3,716,905	3,907,807	3,978,858	4,477,871	4,319,914	4,434,426	4,405,123	4,685,775	4,369,390
Public Safety	6,588,169	6,235,060	8,551,169	8,489,027	11,106,642	11,638,433	10,221,136	11,507,560	10,901,882	12,249,088
Public Works	7,557,688	8,821,426	9,246,609	9,143,028	31,409,029	13,461,837	14,184,338	12,761,729	13,637,579	16,225,091
Health and Human Services	15,501,010	15,273,759	15,728,602	17,439,083	20,030,396	20,093,434	19,645,184	19,710,295	19,756,196	20,786,993
Culture and Recreation	2,143,741	1,973,444	2,085,063	2,125,708	2,117,677	2,332,948	2,266,212	2,335,925	842,913	932,261
Community Development	7,060,174	3,114,730	3,658,669	3,239,533	2,134,843	3,322,867	2,217,737	2,027,021	2,445,719	2,216,576
Education	1,323,276	3,286,938	1,849,352	2,212,094	865,253	792,322	976,991	31,022	354,953	29,284
Subtotal governmental activities	43,680,557	43,148,970	45,812,376	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049	53,467,493	57,651,278
Business-type activities:										
Solid Waste Management (1)	6,554,259	7,185,377	7,423,363	7,478,380	6,517,869	-	-	-	-	-
Stormwater (2)	-	-	-	-	-	-	-	-	-	4,005,267
Airport	4,004,944	3,213,025	3,468,328	10,159,028	7,283,243	2,889,032	4,917,589	4,331,554	3,452,187	5,046,920
Water	9,001,806	9,697,544	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,338,865	13,067,064
Sewer	18,670,002	18,571,924	16,978,235	16,845,346	20,110,651	21,800,842	31,171,530	26,552,234	19,221,299	19,038,343
Subtotal business-type activities	38,231,011	38,667,870	38,222,229	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382	35,012,351	41,157,594
Total primary government	$ 81,911,568	$ 81,816,840	$ 84,034,605	$ 92,242,741	$ 118,265,500	$ 93,257,306	$ 102,848,825	$ 96,858,431	$ 88,479,844	$ 98,808,872

(1) The Solid Waste Management fund was closed during FY 2009.
(2) The Stormwater fund was created in FY 2013.

TABLE 4

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

	Pre-GASB 54						
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
General Fund							
Reserved	$ 933,133	$ 1,131,403	$ 879,657	$ 1,236,149	$ 2,406,773	$ 719,850	$ 1,457,305
Unreserved	22,830,309	25,356,742	35,906,892	31,541,207	32,158,992	36,459,043	44,287,091
Total General Fund	$ 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	$ 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	3,901,971	3,464,014	4,071,768	3,219,576	1,082,960	4,263,967	4,265,193
Capital projects funds	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	$ 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	**2012**	**2013**
General Fund			
Committed	$ 13,707,762	$ 13,992,915	$ 14,610,825
Assigned	4,077,230	5,574,299	3,128,072
Unassigned	29,215,575	28,835,650	31,675,248
Total General Fund	$ 47,000,567	$ 48,402,864	$ 49,414,145
All Other Governmental Funds			
Nonspendable	$ 500,000	$ 500,000	$ 450,000
Restricted	23,708,274	18,760,659	16,805,325
Committed	18,396,943	21,518,899	17,761,570
Assigned	121,599	126,818	100,000
Unassigned	(539,488)	(257,944)	(257,945)
Total All Other Governmental Funds	$ 42,187,328	$ 40,648,432	$ 34,858,950

Note: Seven years of data is available for GASB 34 compliance. Three years 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	$ 86,781,006	$ 92,733,402	$103,986,837	$102,976,887	$110,668,029	$ 110,330,014	$ 112,551,637	$ 115,044,676	$ 116,760,078	$ 122,436,720
Regulatory licenses, permits, and privilege fees	738,887	635,880	1,025,782	887,272	849,742	650,514	664,028	683,712	916,546	991,098
Intergovernmental	42,590,744	40,066,285	43,636,173	45,511,572	67,254,109	50,772,908	48,877,101	46,663,521	47,320,286	50,245,714
Fines and forfeitures	551,716	552,797	593,518	581,986	586,661	612,595	667,756	598,424	721,839	726,438
Revenue from use of money and property	1,473,169	2,236,442	3,092,260	4,438,852	4,843,948	3,113,910	2,177,785	1,962,064	749,017	506,030
Charges for services	8,384,511	9,968,139	10,362,547	10,480,891	11,155,656	11,782,655	11,846,063	11,977,908	11,467,834	13,687,367
Miscellaneous	3,125,934	1,880,832	2,158,618	2,019,557	1,035,977	2,317,772	2,281,001	1,863,720	1,828,931	2,863,553
Total revenues	143,645,967	148,073,777	164,855,735	166,897,017	196,394,122	179,580,368	179,065,371	178,794,025	179,764,531	191,456,920
Expenditures										
General government	12,130,482	12,772,780	13,236,092	14,284,594	14,978,175	16,046,197	16,125,721	15,157,924	15,499,218	16,130,210
Judicial	4,134,506	4,573,231	4,875,257	5,279,455	5,359,727	5,478,171	5,347,422	5,553,219	5,790,132	5,767,935
Public Safety	33,129,964	35,179,870	36,850,835	38,394,220	40,564,072	41,723,778	40,379,295	42,216,297	42,427,687	46,421,193
Public Works	10,271,407	16,347,027	14,294,952	13,054,801	14,583,441	22,154,990	18,834,896	17,746,056	17,681,810	19,474,530
Health and human services	26,853,682	20,883,082	20,815,071	22,886,119	26,320,281	25,693,662	24,400,078	23,992,172	24,172,488	25,059,481
Cultural and recreational	7,549,794	7,770,918	8,291,783	8,753,747	9,197,360	9,496,115	8,915,422	9,114,228	7,383,687	7,672,890
Community development	8,514,631	6,352,211	6,333,310	6,716,287	5,097,359	4,990,958	5,200,664	5,507,839	7,734,642	5,072,557
Education (1)	26,005,227	27,714,269	30,057,224	30,330,939	33,170,354	32,191,853	29,472,854	30,343,130	31,830,468	35,590,981
Capital Outlay										
Capital general government (2)	25,350,920	13,049,200	13,958,226	14,285,864	14,477,202	33,101,444	37,055,272	12,891,432	10,688,906	14,864,174
Debt Services										
Principal Retirement	18,957,684	7,431,610	18,870,007	8,428,304	8,400,119	8,582,070	17,214,799	10,872,412	10,119,044	10,103,234
Interest payments and other fiscal charges	4,417,364	4,584,994	4,554,384	5,113,526	5,519,494	5,455,250	5,619,800	5,671,296	5,399,200	4,985,875
Issuance costs	-	192,826	173,943	-	216,051	-	483,236	170,210	28,450	29,815
Total expenditures	177,315,661	156,852,018	172,311,084	167,527,856	177,883,635	204,914,488	209,049,459	179,236,215	178,755,732	191,172,875
Excess (deficiency) of revenues over expenditures	(33,669,694)	(8,778,241)	(7,455,349)	(630,839)	18,510,487	(25,334,120)	(29,984,088)	(442,190)	1,008,799	284,045
Other financing sources (uses)										
Proceeds from debt issues	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)	-	-	-
Issuance of refunding bonds	-	26,322,927	-	-	4,824,128	-	6,103,649	18,591,517	-	4,129,625
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)	-	(4,129,625)
Capital contributions	-	1,938,525	-	-	-	-	-	-	-	(4,725,916)
Transfers in	6,857,148	4,731,105	4,969,990	14,494,290	7,790,103	25,197,199	5,962,962	10,739,030	11,057,987	9,560,807
Transfers out	(8,544,661)	(6,550,242)	(6,894,621)	(16,995,849)	(11,557,391)	(8,844,121)	(4,898,729)	(10,947,585)	(12,203,385)	(9,897,137)
Total other financing sources (uses)	45,547,385	58,413	30,533,549	(2,501,559)	13,255,498	22,509,689	37,335,864	(14,298)	(1,145,398)	(5,062,246)
Net Change in fund balances	$ 11,877,691	$ (8,719,828)	$ 23,078,200	$ (3,132,398)	$ 31,765,985	$ (2,824,431)	$ 7,351,776	$ (456,488)	$ (136,599)	$ (4,778,201)
Debt Service as a percentage of noncapital expenditures	15.38%	8.49%	14.90%	8.84%	8.65%	8.17%	13.56%	10.05%	9.25%	8.58%

(1) Education was included in transfers to component units prior to FY 2003
(2) 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.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	$ 85,774,800	$ 91,739,497	$ 103,012,216	$ 102,480,268	$ 110,636,590	$ 110,297,053	$ 112,519,658	$ 115,009,873	$ 116,760,078	$ 122,436,720
Regulatory licenses, permits, and privilege fees	738,887	635,880	1,025,782	887,272	849,742	650,514	664,028	683,712	916,546	991,098
Intergovernmental	27,295,898	27,321,323	30,391,990	31,311,980	33,410,321	33,646,195	33,239,946	33,199,440	35,030,474	33,669,141
Fines & forfeitures	551,716	552,797	593,518	581,986	586,661	612,595	667,756	598,424	721,839	726,438
Revenues from use of money & property	797,531	1,373,658	2,130,172	3,377,730	3,308,104	1,403,024	995,450	840,217	690,069	437,531
Charges for services	6,371,250	6,442,510	7,376,311	7,083,847	7,198,099	7,593,070	7,905,479	7,907,113	7,676,012	9,949,886
Miscellaneous	666,969	955,066	1,261,164	387,005	452,272	1,168,236	1,132,221	945,324	871,056	1,097,217
Total revenues	122,197,051	129,020,731	145,791,153	146,110,088	156,441,789	155,370,687	157,124,538	159,184,103	162,666,074	169,308,031
Expenditures:										
Current operating expenditures:										
General government	11,960,240	12,499,485	13,176,072	14,111,441	14,561,922	15,808,721	15,896,808	15,453,014	15,908,597	16,408,318
Judicial	3,303,952	3,536,008	3,827,095	4,182,946	4,423,005	4,457,959	4,342,042	4,426,215	4,421,907	4,650,024
Public safety	29,178,810	31,113,303	32,782,350	34,640,217	36,703,695	36,981,993	36,756,234	38,405,071	38,845,495	42,026,411
Public works	10,244,342	10,616,660	11,801,684	11,565,845	11,257,662	17,209,120	14,432,901	15,139,289	14,436,170	15,547,537
Health and human services	21,317,811	15,744,061	16,111,220	16,577,034	18,890,171	19,126,038	18,532,152	18,713,485	18,268,410	18,905,329
Cultural & recreational	6,427,237	6,466,171	6,926,949	7,287,216	7,691,627	7,794,603	7,311,064	7,397,754	7,383,687	7,560,762
Community development	3,102,768	3,874,987	3,559,260	4,034,373	3,936,251	3,730,495	3,604,356	3,883,971	3,930,173	3,504,251
Education	26,005,227	27,125,060	29,894,763	30,418,183	32,932,233	32,150,370	29,443,654	30,310,602	31,696,712	35,308,205
Debt service:										
Principal retirements	17,839,066	7,024,174	18,326,124	7,702,865	7,812,969	8,152,512	16,708,675	10,354,910	9,706,899	9,693,099
Interest payments and other fiscal charges	3,848,634	4,246,388	4,273,525	4,794,314	5,212,231	5,121,995	5,307,936	5,380,142	5,225,436	4,829,728
Issuance costs	-	161,433	146,165	-	127,866	-	186,536	162,757	28,450	29,815
Total expenditures	133,228,087	122,407,730	140,825,207	135,314,434	143,549,632	150,533,806	152,522,358	149,627,210	149,851,936	158,463,479
Excess (deficiency) of revenues over expenditures	(11,031,036)	6,613,001	4,965,946	10,795,654	12,892,157	4,836,881	4,602,180	9,556,893	12,814,138	10,844,552
Other financing sources (uses):										
Issuance of bonds	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	-	4,129,625
Refunded bond principal payments	-	-	-	-	(4,048,996)	-	-	-	-	-
Payments to escrow agent	-	(24,152,140)	-	-	-	-	(5,872,800)	(16,418,708)	-	(4,129,625)
Transfers in	927,197	994,616	504,783	126,333	26,150	6,450,066	464,020	546,826	283,272	18,524
Transfers out	(7,065,218)	(5,182,642)	(6,178,901)	(15,241,180)	(11,257,106)	(8,673,819)	(4,180,805)	(10,170,259)	(11,695,113)	(9,851,795)
Total other financing sources (uses)	12,925,094	(3,946,298)	5,332,458	(15,114,847)	(11,103,748)	(2,223,753)	3,963,323	(9,436,629)	(11,411,841)	(9,833,271)
Net changes in fund balances	1,894,058	2,666,703	10,298,404	(4,319,193)	1,788,409	2,613,128	8,565,503	120,264	1,402,297	1,011,281
Fund balance - beginning, as restated (1)	21,869,384	23,821,442	26,488,145	37,096,549	32,777,356	34,565,765	37,178,893	46,880,303	47,000,567	48,402,864
Fund balance - ending	$ 23,763,442	$ 26,488,145	$ 36,786,549	$ 32,777,356	$ 34,565,765	$ 37,178,893	$ 45,744,396	$ 47,000,567	$ 48,402,864	$ 49,414,145

(1) Beginning fund balance restated as of June 30, 2004, June 30, 2006 and June 30, 2011. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2005, June 30, 2007 and June 30, 2011.

CITY OF LYNCHBURG, VIRGINIA

TABLE 7

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Intergovernmental	$ 63,603,079	$ 67,442,823	$ 71,207,508	$ 78,033,072	$ 82,325,106	$ 86,283,375	$ 82,233,197	$ 71,983,645	$ 74,046,427	$ 78,946,545
Revenue from use of money & property	1,643	2,100	32,611	31,600	34,279	6,748	1,314	527	136	106
Charges for services	386,744	324,097	395,382	1,344,909	1,380,153	1,367,940	1,228,196	1,504,368	1,556,187	1,468,451
Miscellaneous	203,831	392,233	343,074	159,662	208,542	111,542	230,075	804,264	1,197,197	590,372
Total revenues	64,195,297	68,161,253	71,978,575	79,569,243	83,948,080	87,769,605	83,692,782	74,292,804	76,799,947	81,005,474
Expenditures:										
Education:										
Instruction	49,693,140	52,327,742	55,484,371	60,849,179	63,943,555	66,182,342	61,342,226	54,022,173	54,189,572	57,096,206
Administration, attendance, and health	2,062,680	2,128,927	2,424,016	2,821,351	4,301,683	4,962,843	4,069,394	3,820,833	3,767,196	4,193,846
Pupil transportation services	3,001,085	3,214,586	3,774,716	4,112,219	4,698,221	4,122,671	3,508,602	3,786,131	4,418,735	4,661,286
Operations and maintenance	7,575,110	7,976,868	8,890,256	10,086,015	9,876,043	10,336,820	9,885,883	9,347,596	9,287,310	9,643,581
Food service and other	-	-	-	-	-	528	-	-	-	5,633
Facilities	858,962	-	-	-	-	55,414	64,784	48,403	40,563	87,879
Technology	-	-	-	-	-	-	2,048,301	2,037,654	2,362,774	2,049,937
Capital outlay	1,471,364	2,698,587	1,956,743	1,373,409	1,779,204	1,942,808	1,683,684	709,526	1,999,266	3,253,181
Debt service:										
Principal retirements	737,511	724,075	782,024	867,874	834,058	947,970	920,908	642,489	480,697	264,931
Interest payments	58,727	48,412	92,951	80,702	93,842	89,419	72,838	44,389	22,256	8,261
Total expenditures	65,458,579	69,119,197	73,405,077	80,190,749	85,526,606	88,640,815	83,596,620	74,459,194	76,568,369	81,264,741
Excss (deficiency) of revenues over expenditures	(1,263,282)	(957,944)	(1,426,502)	(621,506)	(1,578,526)	(871,210)	96,162	(166,390)	231,578	(259,267)
Other financing sources (uses):										
Capital lease proceeds	-	1,500,000	750,000	1,000,000	1,000,000	1,000,000	-	-	-	-
Transfers in (out)	-	-	-	-	-	-	(433,046)	(23,726)	-	(26,655)
Total other financing sources (uses)	-	1,500,000	750,000	1,000,000	1,000,000	1,000,000	(433,046)	(23,726)	-	(26,655)
Net change in fund balances	(1,263,282)	542,056	(676,502)	378,494	(578,526)	128,790	(336,884)	(190,116)	231,578	(285,922)
Fund balance - beginning	2,260,909	997,627	1,539,683	863,181	1,241,675	663,149	791,939	455,055	264,939	496,517
Fund balance - ending	$ 997,627	$ 1,539,683	$ 863,181	$ 1,241,675	$ 663,149	$ 791,939	$ 455,055	$ 264,939	$ 496,517	$ 210,595

CITY OF LYNCHBURG, VIRGINIA TABLE 8

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

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

(1) Beginning in FY 2005, operation and maintenance expenses reported in more detail.
(2) 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 POSITION
WATER FUND
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating revenues:										
Charges for services and other operating revenues	$ 9,001,806	$ 9,488,676	$ 10,352,303	$ 10,397,780	$ 11,269,882	$ 11,705,595	$ 12,029,026	$ 12,462,594	$ 12,314,865	$ 12,985,275
Total operating revenues	9,001,806	9,488,676	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,314,865	12,985,275
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	3,835,816	4,385,357
Operation and maintenance	3,752,474	1,120,155	1,052,595	1,086,665	1,439,712	1,296,658	1,839,617	1,234,608	1,158,818	1,460,251
Supplies and materials	-	650,421	833,802	915,748	1,409,039	1,451,738	1,353,184	1,471,159	1,296,768	1,220,000
Administration	2,129,563	1,318,927	1,359,399	1,329,083	1,299,889	1,227,113	1,084,407	1,174,601	1,182,821	1,220,437
Other charges	-	48,269	68,637	57,613	55,342	61,621	52,684	67,481	60,133	65,424
Depreciation	1,952,385	1,743,936	1,771,749	1,796,958	2,072,079	2,090,517	2,468,788	2,519,349	2,701,356	2,711,581
Total operating expenses	7,834,422	7,712,317	8,039,911	8,361,124	9,972,426	10,014,207	10,809,006	10,720,318	10,235,712	11,063,050
Operating income	1,167,384	1,776,359	2,312,392	2,036,656	1,297,456	1,691,388	1,220,020	1,742,276	2,079,153	1,922,225
Nonoperating revenues (expenses):										
Interest income	57,640	123,527	264,029	629,409	343,836	82,842	22,207	30,674	40,275	2,729
Governmental grants	-	-	-	-	-	-	-	-	-	72,289
Miscellaneous	17,052	26,984	3,902	8,468	28,142	25,223	29,613	19,585	10,847	16,535
Loss on disposition of assets	(238,743)	(8,422)	(17,683)	(12,880)	-	-	-	(293)	-	-
Interest on long-term debt	(971,932)	(963,889)	(1,135,500)	(1,382,240)	(1,331,124)	(1,267,391)	(1,796,575)	(1,520,334)	(1,643,503)	(1,751,114)
IRS interest subsidy - Build America Bonds	-	-	-	-	-	-	243,211	125,799	251,598	251,598
Total nonoperating revenues (expenses)	(1,135,983)	(821,800)	(885,252)	(757,243)	(959,146)	(1,159,326)	(1,501,544)	(1,344,569)	(1,340,783)	(1,407,963)
Income before contributions and transfers	31,401	954,559	1,427,140	1,279,413	338,310	532,062	(281,524)	397,707	738,370	514,262
Capital contributions	-	208,868	-	-	-	-	-	-	24,000	9,500
Transfers out	(161,000)	(147,123)	(182,846)	(77,000)	(215,500)	-	-	-	-	-
Change in net position	(129,599)	1,016,304	1,244,294	1,202,413	122,810	532,062	(281,524)	397,707	762,370	523,762
Total net position - beginning, as restated (1)	31,108,943	30,979,344	31,995,648	33,239,942	34,442,355	34,565,165	35,097,227	34,815,703	35,273,830	36,036,200
Ending net position:										
Net investment in capital assets	24,348,833	25,767,489	27,805,400	27,457,812	28,835,542	29,577,116	29,406,782	28,353,428	28,177,375	27,787,795
Unrestricted	6,630,511	6,228,159	5,434,542	6,984,543	5,729,623	5,520,111	5,408,921	6,859,982	7,858,825	8,772,167
Total net position - ending	$ 30,979,344	$ 31,995,648	$ 33,239,942	$ 34,442,355	$ 34,565,165	$ 35,097,227	$ 34,815,703	$ 35,213,410	$ 36,036,200	$ 36,559,962

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating revenues:										
Charges for services and other operating revenues	$ 13,919,612	$ 14,682,219	$ 15,405,174	$ 16,040,587	$ 17,861,892	$ 17,716,586	$ 18,536,169	$ 18,023,990	$ 18,520,421	$ 18,913,651
Total operating revenues	13,919,612	14,682,219	15,405,174	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990	18,520,421	18,913,651
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	2,963,550	2,731,139
Operation and maintenance	5,749,871	1,684,070	1,942,779	1,776,185	2,653,861	2,922,473	2,648,489	2,756,734	3,054,420	2,493,078
Supplies and materials	-	773,012	836,684	841,857	906,778	988,444	1,120,551	1,142,833	1,119,265	1,040,125
Administration	858,727	1,744,083	1,798,976	1,863,792	2,025,740	2,370,470	2,222,341	2,599,513	2,337,126	2,273,339
Other charges	-	23,902	40,887	34,347	35,078	35,903	45,466	39,915	70,699	33,447
Depreciation	3,662,382	3,777,969	3,954,820	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336	5,819,288	6,147,918
Total operating expenses	10,270,980	9,897,112	10,494,104	10,718,754	12,415,373	13,328,517	13,585,507	14,396,291	15,364,348	14,719,046
Operating income	3,648,632	4,785,107	4,911,070	5,321,833	5,446,519	4,388,069	4,950,662	3,627,699	3,156,073	4,194,605
Nonoperating revenues (expenses):										
Interest income	200,511	248,236	456,342	858,384	691,799	363,942	182,548	173,319	167,849	102,589
Governmental grants	38,500	38,500	38,500	38,500	38,500	38,500	93,000	93,000	-	93,667
Miscellaneous	103,553	5,157	29,183	6,558	5,800	257,943	15,985	15,936	125,336	11,999
Gain (loss) on disposition of assets	2,080	(305,674)	(24,334)	-	-	-	-	-	-	(160,294)
Interest on long-term debt	(2,818,973)	(1,777,877)	(1,777,407)	(1,901,244)	(1,838,986)	(1,632,263)	(1,496,908)	(1,477,230)	(1,359,726)	(1,234,971)
IRS interest subsidy - Build America Bonds	-	-	-	-	-	-	44,421	22,977	45,953	45,952
Total nonoperating revenues (expenses)	(2,474,329)	(1,791,658)	(1,277,716)	(997,802)	(1,102,887)	(971,878)	(1,160,954)	(1,171,998)	(1,020,588)	(1,141,058)
Income before contributions and transfers	1,174,303	2,993,449	3,633,354	4,324,031	4,343,632	3,416,191	3,789,708	2,455,701	2,135,485	3,053,547
Capital contributions	4,711,890	3,851,205	1,534,561	766,259	2,210,259	4,045,756	12,542,361	8,435,244	700,878	31,025
Transfers out	(396,189)	(164,394)	(110,389)	(452,000)	(325,000)	-	-	-	(3,401)	-
Change in net position	5,490,004	6,680,260	5,057,526	4,638,290	6,228,891	7,461,947	16,332,069	10,890,945	2,832,962	3,084,572
Total net position - beginning, as restated (1)	68,706,621	75,646,728	82,326,988	87,384,514	92,022,804	98,251,695	105,713,642	122,045,711	132,997,076	135,830,038
Ending net position:										
Net investment in capital assets	63,406,634	69,171,836	73,629,641	74,801,294	78,570,747	89,162,429	103,867,512	118,483,855	122,482,265	128,264,125
Unrestricted	10,789,991	13,155,152	13,754,873	17,221,510	19,680,948	16,551,213	18,178,199	14,452,801	13,347,773	10,650,485
Total net position - ending	$ 74,196,625	$ 82,326,988	$ 87,384,514	$ 92,022,804	$ 98,251,695	$ 105,713,642	$ 122,045,711	$ 132,936,656	$ 135,830,038	$ 138,914,610

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

	2013
Operating revenues:	
Charges for services and other operating revenues	$ 3,355,267
Intergovernmental	650,000
Total operating revenues	4,005,267
Operating expenses:	
Personal services and benefits	281,160
Operation and maintenance	651,189
Supplies and materials	50,358
Administration	1,109,817
Other charges	4,804
Total operating expenses	2,097,328
Operating income	1,907,939
Nonoperating revenue:	
Miscellaneous	1
Total nonoperating revenue	1
Change in net position	1,907,940
Total net position - beginning	-
Ending net position:	
Net investment in capital assets	99,062
Unrestricted	1,808,878
Total net position - ending	$ 1,907,940

The Stormwater Fund was created in FY 2013.

CITY OF LYNCHBURG, VIRGINIA

TABLE 12

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

	Fiscal Year									
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Operating revenues:										
Charges for services and other operating revenues	$ 1,480,514	$ 1,637,730	$ 1,762,826	$ 1,848,109	$ 1,839,685	$ 1,967,871	$ 2,152,132	$ 2,093,668	$ 2,011,159	$ 2,124,073
Intergovernmental	32,588	71,309	146,198	129,582	132,487	178,948	179,276	168,209	158,129	135,566
Total operating revenues	1,513,102	1,709,039	1,909,024	1,977,691	1,972,172	2,146,819	2,331,408	2,261,877	2,169,288	2,259,639
Operating expenses: (2)										
Personal services and benefits	-	1,009,935	795,052	867,626	954,186	912,723	940,547	962,868	917,266	942,087
Operation and maintenance	1,665,851	424,166	695,575	751,314	710,025	825,665	962,156	993,088	979,812	1,008,265
Supplies and materials	-	88,525	111,521	96,152	117,270	99,852	107,755	118,586	122,848	113,371
Administration	558,515	191,387	231,161	235,657	231,223	203,813	242,702	233,300	263,522	243,385
Other charges	-	19,803	17,678	16,004	15,683	17,935	20,088	15,794	21,416	18,000
Depreciation	1,492,120	1,546,691	1,545,339	1,568,656	1,720,304	1,911,836	1,964,051	1,969,925	2,035,816	1,782,786
Total operating expenses	3,716,486	3,280,507	3,396,326	3,535,409	3,748,691	3,971,824	4,237,299	4,293,561	4,340,680	4,107,894
Operating loss	(2,203,384)	(1,571,468)	(1,487,302)	(1,557,718)	(1,776,519)	(1,825,005)	(1,905,891)	(2,031,684)	(2,171,392)	(1,848,255)
Nonoperating revenues (expenses):										
Interest income	5,487	16,873	63,986	106,412	33,985	15,788	3,198	2,672	2,658	3,659
Governmental grants	-	1,726	26,969	29,033	30,960	-	24,383	34,495	-	
Passenger facility charges **(3)**	230,179	256,800	246,981	223,331	185,815	319,360	377,504	350,002	321,031	-
Miscellaneous	96,961	5,523	6,646	12,260	8,162	11,508	4,249	44,092	12,388	16,697
Gain (loss) on disposition of assets	(2,203)	-	-	117,431	-	-	-	(17,651)	-	137,762
Interest on long-term debt	(120,904)	(107,691)	(89,365)	(103,910)	(108,456)	(86,964)	(73,265)	(64,581)	(54,416)	(45,020)
Total nonoperating revenues (expenses)	209,520	173,231	255,217	384,557	150,466	259,692	336,069	349,029	281,661	113,098
Loss before contributions and transfers	(1,993,864)	(1,398,237)	(1,232,085)	(1,173,161)	(1,626,053)	(1,565,313)	(1,569,822)	(1,682,655)	(1,889,731)	(1,735,157)
Capital contributions	2,491,843	1,245,460	1,285,354	7,928,973	5,094,296	422,853	2,184,294	1,685,180	961,868	2,452,072
Passenger facility charges **(3)**	-	-	-	-	-	-	-	-	-	335,209
Transfers in	490,831	419,980	398,485	367,337	359,364	295,850	261,260	259,950	421,362	336,330
Change in net position	988,810	267,203	451,754	7,123,149	3,827,607	(846,610)	875,732	262,475	(506,501)	1,388,454
Total net position - beginning - as restated (1)	22,033,667	23,022,477	23,289,680	23,741,434	30,864,583	34,692,190	33,845,580	34,721,312	35,003,927	34,497,426
Ending net position:										
Net investment in capital assets	22,231,939	22,022,931	21,640,700	29,582,661	34,351,746	33,350,032	33,807,415	33,495,323	32,131,518	33,305,694
Restricted	-	-	312,049	1,765	4,708	8,786	5,213	10,312	119,534	25,193
Unrestricted	790,538	1,266,749	1,788,685	1,280,157	335,736	486,762	908,684	1,478,152	2,246,374	2,554,993
Total net position - ending	$ 23,022,477	$ 23,289,680	$ 23,741,434	$ 30,864,583	$ 34,692,190	$ 33,845,580	$ 34,721,312	$ 34,983,787	$ 34,497,426	$ 35,885,880

(1) Total net position - beginning, was restated as of June 30, 2011. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report for FY 2012 for an explanation.
(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.
(3) Beginning in FY 2013, Passenger facility charges are reported with capital contributions and transfers.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real Estate	$ 34,033,120	$ 34,949,790	$ 39,116,533	$ 40,449,499	$ 45,992,171	$ 47,630,637	$ 50,063,382	$ 50,443,704	$ 50,575,233	$ 54,258,297
PSC Taxes	2,440,156	2,441,684	2,123,037	2,084,337	1,859,402	2,092,537	2,156,835	2,231,177	2,188,113	2,333,580
Personal Property Tax	10,643,759	12,337,162	18,512,544	13,601,986	15,404,439	14,888,406	14,735,238	15,452,280	16,138,693	16,757,814
Penalties & Interest	663,897	682,712	819,079	665,421	711,491	896,215	862,989	954,397	1,032,498	1,142,986
Sales & Use Tax	11,528,820	12,221,813	13,319,691	14,481,096	14,266,750	13,056,829	12,686,171	13,290,563	13,440,973	13,589,747
Utility Tax (1)	6,892,926	7,087,224	6,870,716	5,919,376	4,861,021	4,813,312	4,758,781	5,035,929	4,817,306	4,975,084
Business License Tax	6,507,848	7,371,507	7,237,403	7,569,060	7,649,395	7,324,838	7,297,765	6,999,206	7,197,936	7,463,878
Franchise License Tax (1)	570,921	574,721	584,346	316,824	4,277	500	4,527	8,554	4,527	500
Communication Sales & Use Tax (1)	-	-	-	1,669,968	3,893,158	3,537,283	3,552,028	3,534,449	3,462,621	3,471,805
Motor Vehicles Licenses	1,246,702	1,498,014	856,406	1,491,186	1,511,831	1,572,792	1,601,123	1,621,362	1,629,845	1,643,420
Bank Stock Taxes	590,123	545,221	598,733	503,322	442,123	500,385	685,879	901,240	817,990	722,734
Taxes on Recordation and Wills	414,598	561,009	786,799	809,424	661,671	401,833	525,417	381,719	461,835	549,056
Tobacco Taxes	1,083,020	1,087,358	972,337	1,002,130	1,014,759	1,044,465	953,513	936,648	974,864	1,025,289
Admission and Amusement Taxes	261,647	344,161	368,680	409,473	407,024	400,835	576,139	610,625	644,842	660,558
Hotel and Motel Room Taxes	1,363,085	1,392,866	1,491,943	1,565,191	1,698,848	1,742,232	1,667,064	1,738,042	1,787,719	1,967,393
Restaurant Food Taxes	7,561,387	8,666,119	9,382,349	9,974,012	10,289,669	10,426,915	10,424,786	10,904,781	11,585,083	11,874,579
Emergency Telephone Service Tax (1)	978,995	972,043	946,241	464,582	-	-	-	-	-	-
Total General Government Tax Revenues	$ 86,781,004	$ 92,733,404	$ 103,986,837	$ 102,976,887	$ 110,668,029	$ 110,330,014	$ 112,551,637	$ 115,044,676	$ 116,760,078	$ 122,436,720

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

Fiscal Year	Residential Property(3)	Commercial Property	Industrial Property	Total Taxable Assessed Value (2)	Direct Tax Rate
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
2012	3,331,295,800	1,273,327,200	344,876,100	4,949,499,100	1.05
2013	3,349,936,800	1,280,432,600	355,677,600	4,986,047,000	1.11

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	Total Assessed Value of Taxable Property	Total Direct Tax Rate (10)
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	$ 7.41
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	7.91
2006	-	-	-	-	-	464,880,808 (4)	-	464,880,808	3.80	113,654,354 (4)	3.00	578,535,162	6.80
2006	2,380,565,600	1,177,739,000	166,819,698	3,725,124,298	1.11	497,307,627 (5)	21,891,230	519,198,857	3.80	112,864,422 (5)	3.00	4,357,187,577	7.91
2007	2,454,171,000 (9)	1,217,460,100	163,455,331	3,835,086,431	1.11	514,804,057 (5)	22,435,903	537,239,960	3.80	128,776,059 (5)	3.00	4,501,102,450	7.91
2008	3,003,784,200	1,467,073,300	150,948,376	4,621,805,876	1.05	554,580,281 (5)	24,595,702	579,175,983	3.80	129,957,629 (5)	3.00	5,330,939,488	7.85
2009	3,115,326,600	1,506,910,900	173,670,897	4,795,908,397	1.05	505,110,365 (5)	23,990,045	529,100,410	3.80	138,538,171 (5)	3.00	5,463,546,978	7.85
2010	3,316,347,900	1,575,297,100	177,590,861	5,069,235,861	1.05	530,818,005 (5)	26,216,286	557,034,291	3.80	138,218,372 (5)	3.00	5,764,488,524	7.85
2011	3,346,989,900	1,616,639,400	184,591,013	5,148,220,313	1.05	547,011,982 (5)	26,206,858	573,218,840	3.80	142,664,977 (5)	3.00	5,864,104,130	7.85
2012	3,331,295,800	1,618,203,300	182,357,853	5,131,856,953	1.05	573,684,320 (5)	24,189,993	597,874,313	3.80	158,999,951 (5)	3.00	5,888,731,217	7.85
2013	3,349,936,800	1,636,110,200	184,575,507	5,170,622,507	1.11	499,827,352 (6)	23,632,441	523,459,793	3.80	150,154,720 (6)	3.00	5,844,237,020	7.91

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

(1) Assessed value is as of July 1 of the fiscal year noted.
(2) Real estate and machinery and tools are assessed at 100% of fair market value.
(3) Effective July 1, 1989, personal property is assessed at 100% of average trade-in value.
(4) 2005 Personal Property Tax Levy in FY 2006.
(5) These figures have been updated to reflect all billings associated with the levy.
(6) 2013 Personal Property Tax Levy in FY 2013. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2014 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.
(10) When a government's individual direct rates apply to the same proportion of the revenue base, and does not apply to only a portion (such as residential, commercial, industrial) the Total Direct Rate is the sum of individual direct rates.

CITY OF LYNCHBURG, VIRGINIA **TABLE 16**

PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO

		2013					2004				
Taxpayer	**Type of Business**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**2013 Total Tax Levy**	**Percentage of Total Tax Levy**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**2003 Total Tax Levy**	**Percentage of Total Tax Levy**
AEP	Utility	$ 75,753,034	1	1.30 %	$ 846,368	1.04 %	$ 50,109,632	2	1.28 %	$ 554,335	1.03 %
Areva NP Inc.	Nuclear Power Design & Fuel	55,975,543	2	0.96	1,222,896	1.51	35,898,479	6	0.92	692,353	1.28
Frito Lay, Inc.	Food Manufacturer	52,766,043	3	0.90	1,101,133	1.36	25,170,225	7	0.64	279,979	0.52
Verizon Va, Inc.	Utility	52,485,054	4	0.90	596,808	0.74	93,468,473	1	2.39	1,059,291	1.96
River Ridge, Ltd.	Shopping Mall	46,604,400	5	0.80	517,309	0.64	38,115,914	5	0.97	420,529	0.78
Genworth Financial, Inc.	Life Insurance	41,561,923	6	0.71	735,646	0.91	38,947,294	4	0.99	657,807	1.22
Meredith-Burda (fmr R R Donnelley)	Periodical Publication Printing	36,208,130	7	0.62	723,538	0.89	46,441,709	3	1.19	1,024,796	1.90
Wal-Mart Real Estate Business Trust	Real Estate Company	35,151,800	8	0.60	390,185	0.48	-		-	-	-
CCRC, Inc.	Nursing Home/Assisted Living	18,802,100	9	0.32	208,703	0.26	-		-	-	-
LU Candlers Station Holdings LLC	Shopping Mall	17,588,400	10	0.30	195,231	0.24	-		-	-	-
C.B. Fleet Co.	Pharmaceuticals	-	-	-	-	-	14,536,889	9	0.37	258,286	0.48
Rock-Tenn Company Mill Div.	Paperboard Manufacturer	-	-	-	-	-	13,557,512	10	0.35	348,098	0.64
Columbia Gas of Virginia, Inc.	Utility	-	-	-	-	-	22,737,383	8	0.58	252,640	0.47
Total		$ 432,896,427		7.41 %	$ 6,537,817	8.07 %	$ 378,983,510		9.68 %	$ 5,548,114	10.28 %
Total Assessed Valuation:		$ 5,844,237,020					$ 3,915,725,443				

Tax Levy:	
Real Estate	$ 55,299,746
Railroads and Pipelines	255,873
Public Service Corporations	2,077,707
Personal Property	23,388,916
Total Tax Levy:	$ 81,022,242

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)
2004	$ 54,014,300	$ 52,095,333	96.45%	$ 1,166,867	$ 53,262,200	98.61%
2005	55,674,712	54,679,067	98.21%	1,115,795	55,794,862	100.22%
2006	67,559,478	64,525,107	95.51%	2,605,098	67,130,205	99.36%
2007	63,281,557	60,579,970	95.73%	1,502,899	62,082,869	98.11%
2008	69,302,787	67,913,137	97.99%	2,010,586	69,923,723	100.90%
2009	70,934,803	68,912,258	97.15%	1,808,276	70,720,534	99.70%
2010	73,855,430	71,488,683	96.80%	2,024,773	73,513,456	99.54%
2011	75,345,301	72,759,636	96.57%	1,376,520	74,136,156	98.40%
2012	75,852,982	73,256,961	96.58%	2,222,051	75,479,012	99.51%
2013	80,180,463	77,536,743	96.70%	-	77,536,743	96.70%

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 fiscal year 2004 this column represents collections in subsequent years for the tax levied in the noted fiscal year.

Notes:

a) 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.

b) Fiscal Years 2005 and 2008 show more collected than levied due to subsequent adjustments to the tax owed.

CITY OF LYNCHBURG, VIRGINIA **TABLE 18**

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real Estate										
Locally Assessed	$ 1.11	$ 1.11	$ 1.11	$ 1.11	$ 1.05	$ 1.05	$ 1.05	$ 1.05	$ 1.05	$ 1.11
Personal Property										
Locally Assessed	3.30	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Machinery and Tools	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Automobiles, Trucks and Business Equipment	3.30	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Public Service Corporations										
Equalized	1.11	1.11	1.11	1.11	1.05	1.05	1.05	1.05	1.05	1.11
Automobiles and Trucks	3.30	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Total Direct Tax Rate	7.41	7.91	7.91	7.91	7.85	7.85	7.85	7.85	7.85	7.91

Note: There is no overlapping government taxation.

Source: Information was obtained from Official Statements related to bond issuance for April 26, 2006, and July 19, 2007.
City of Lynchburg Adopted Budget Fiscal Year 2013
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					Total Primary Government - Net Outstanding Debt Ratios		
Fiscal Year	General Obligation Bonds	Literary Bonds	General Obligation Notes	Note Payable	Capital Leases	Net Deferred Amounts[1]	General Obligation Bonds	General Obligation Notes	Public Utility Revenue Bonds	Net Deferred Amounts[1]	Total Primary Government (Principal Only)	Total Primary Government - Net (Includes Net Deferred Amounts)	Percentage of Personal Income[2]	Total Primary Government - Net Bonded Debt Per Capita[2]
2004	$ 100,251	$ 166	$ 7,500	$ 3,200	$ 8,396	$ 291	$ 66,896	$ -	$ 59,152	$ (707)	$ 245,561	$ 245,145	12.71%	$ 3,588
2005	93,990	127	7,500	3,200	7,747	(288)	61,935	-	63,526	(626)	238,025	237,111	11.72%	3,420
2006	116,709	87	-	3,200	7,287	527	57,532	16,500	70,543	(487)	271,858	271,898	12.47%	3,857
2007	108,593	68	-	3,020	6,810	574	52,295	16,500	74,985	(383)	262,271	262,462	11.28%	3,629
2008	117,407	49	1,343	2,840	6,316	792	63,550	-	84,426	(128)	275,931	276,595	11.29%	3,746
2009	112,011	30	7,500	2,660	5,804	851	56,831	4,000	100,328	(47)	289,164	289,968	12.12%	3,856
2010	139,180	11	-	2,480	5,274	771	71,749	-	109,907	269	328,601	329,641	13.39%	4,347
2011	129,807	-	-	2,300	4,723	(14)	68,005	-	125,601	(55)	330,436	330,367	12.84%	4,321
2012	120,078	-	-	2,120	4,285	(7)	63,936	80	127,973	(62)	318,472	318,403	12.25%	4,124
2013	114,209	-	-	1,940	-	(1)	59,864	5,194	122,876	(69)	304,083	304,013	11.70%	3,938

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

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.
The City of Lynchburg is autonomous and entirely independent of any county or any other political subdivision of the Commonwealth of Virginia.
Therefore, there is no direct and no overlapping debt related to governmental activities.

(1) Net Deferred Amounts include Premiums, Discounts and Loss of Refundings.
(2) See Table 23 for population and per capita personal income information. For FY 2012 and FY 2013, the FY 2011 amount for per capita personal income of $33,664 was utilized to calculate the Percentage of Personal Income.

CITY OF LYNCHBURG, VIRGINIA **TABLE 20**

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING,
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

Fiscal Year	Population (1)	Assessed Valuation (in thousands) (1)	Gross Bonded Debt (2)	Bonded Debt Payable From Enterprise Revenues (2)	Net Bonded Debt (2)	Net Deferred Amounts (3)	Net Bonded Debt (Includes Net Deferred Amounts)	Net Bonded Debt To Assessed Value (Includes Net Deferred Amounts)	Net Bonded Debt Per Capita (Includes Net Deferred Amounts)
2004	68,319	$ 3,915,725	$ 174,813	$ 66,896	$ 107,917	$ (416)	$ 107,501	2.75%	$ 1,574
2005	69,340	3,954,923	163,552	61,935	101,617	(914)	100,703	2.55%	1,452
2006	70,491	4,935,723	190,828	74,032	116,796	40	116,836	2.37%	1,657
2007	72,331	4,501,102	177,456	68,795	108,661	191	108,852	2.42%	1,505
2008	73,834	5,330,939	182,350	63,550	118,800	664	119,464	2.24%	1,618
2009	75,204	5,463,547	180,372	60,831	119,541	804	120,345	2.20%	1,600
2010	75,826	5,764,489	210,940	71,749	139,191	1,040	140,231	2.43%	1,849
2011	76,448	5,864,104	197,812	68,005	129,807	(69)	129,738	2.21%	1,697
2012	77,203	5,888,731 (4)	184,094	64,016	120,078	(69)	120,009	2.04%	1,554
2013	77,203	5,844,237 (5)	179,267	65,058	114,209	(70)	114,139	1.95%	1,478

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

(1) See Table 15 for Assessed Valuations and Table 23 for population information.
(2) Includes principal only and excludes City of Lynchburg Public Utility Revenue Bonds.
(3) Net Deferred Amounts include Premiums, Discounts, and Loss of Refundings.
(4) These figures have been updated to reflect all billings associated with the personal property tax levy.
(5) These figures only reflect two of the four billings associated with the personal property tax levy.
These figures will be updated in FY 2014 to reflect all four billings.

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

CITY OF LYNCHBURG, VIRGINIA **TABLE 21**

LEGAL DEBT MARGIN INFORMATION,
LAST TEN FISCAL YEARS
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2013

Real Property Assessed Value	$ 4,986,047
Public Service Corporations Real Property Assessed Value	184,576
Total Real Property Assessed Value (1)	5,170,623
Debt limit (10% of assessed value)	517,062
Debt applicable to limit:	
Less: General Obligation Debt	(179,267)
Legal Debt Margin	$ 337,795

	Fiscal Years									
Description	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Debt limit	$ 330,240	$ 338,155	$ 372,512	$ 383,509	$ 462,181	$ 479,591	$ 506,924	$ 514,821	$ 513,186	$ 517,062
Total net debt applicable to limit (2)	174,813	163,552	190,828	177,456	182,350	180,372	210,940	197,812	184,094	179,267
Legal debt margin	$ 155,427	$ 174,603	$ 181,684	$ 206,053	$ 279,831	$ 299,219	$ 295,984	$ 317,009	$ 329,092	$ 337,795
Total net debt applicable to the limit as a percentage of the debt limit	52.94%	48.37%	51.23%	46.27%	39.45%	37.61%	41.61%	38.42%	35.87%	34.67%

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

(1) See Table 15 for Real Property Assessed Value information.
(2) For fiscal years 2004 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. All debt information included in this Table includes principal only as required by Virginia law.

CITY OF LYNCHBURG, VIRGINIA **TABLE 22**

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sewer Fund Operating Income	$ 3,648,632	$ 4,785,102	$ 4,911,070	$ 5,321,833	$ 5,446,519	$ 4,388,069	$ 4,950,662	$ 3,627,699	$ 3,156,073	$ 4,194,605
Plus:										
Depreciation & amortization	3,662,382	3,777,969	3,954,820	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336	5,819,288	6,147,918
Interest income received	200,511	248,236	456,342	858,384	691,799	363,942	226,969	173,319	167,849	102,589
Capital contributions from members										
Regional Sewerage Treatment Plant	272,336	383,901	384,746	385,623	386,530	394,761	431,486	474,581	451,645	480,922
Governmental grants & miscellaneous income	142,053	43,657	67,683	45,058	44,300	296,443	108,985	108,936	125,336	105,666
Intergovernmental transfer (4)	-	-	-	-	-	-	-	-	688,036	-
Capitalized cost (3)	-	-	-	-	-	-	-	229,662	258,186	220,691
Net Revenue per Indenture (1)	$ 7,925,914	$ 9,238,865	$ 9,774,661	$10,719,459	$ 10,865,641	$ 9,874,173	$10,575,945	$ 9,649,533	$10,666,413	$ 11,252,391
Debt Service										
General obligation bonds										
Principal (2)	$ 1,775,308	$ 2,217,270	$ 2,210,090	$ 2,386,638	$ 4,207,969	$ 1,810,056	$ 2,103,851	$ 2,259,476	$ 2,061,150	$ 2,053,469
Interest	1,319,116	1,415,544	1,204,587	1,445,911	1,411,626	1,233,745	1,128,126	1,139,108	1,053,216	961,054
Total	3,094,424	3,632,814	3,414,677	3,832,549	5,619,595	3,043,801	3,231,977	3,398,584	3,114,366	3,014,523
Revenue bonds										
Principal	2,320,353	2,391,300	2,433,438	2,557,922	2,909,118	3,097,845	3,520,797	3,757,168	4,627,820	5,096,949
Interest	541,101	773,675	537,820	455,333	427,360	398,518	368,782	338,122	306,510	273,917
Total	2,861,454	3,164,975	2,971,258	3,013,255	3,336,478	3,496,363	3,889,579	4,095,290	4,934,330	5,370,866
Total Debt Service Principal and Interest	$ 5,955,878	$ 6,797,789	$ 6,385,935	$ 6,845,804	$ 8,956,073	$ 6,540,164	$ 7,121,556	$ 7,493,874	$ 8,048,696	$ 8,385,389
Debt Coverage	1.33	1.36	1.53	1.57	1.21	1.51	1.49	1.29	1.33	1.34

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

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

(4) For FY 2012, the General Fund transferred $688,036 to the Sewer Fund for maintenance and operation of the City's storm sewer system.

CITY OF LYNCHBURG, VIRGINIA **TABLE 23**

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)
2004	68,319	$ 1,929,329	$ 28,240	35.1	8,775	5.6
2005	69,340	2,023,411	29,181	35.1	8,620	5.2
2006	70,491	2,180,569	30,934	35.1	8,808	4.0
2007	72,331	2,327,105	32,173	35.1	8,883	4.3
2008	73,834	2,450,846	33,194	35.1	8,715	5.6
2009	75,204	2,393,367	31,825	35.1	8,634	9.3
2010	75,826	2,461,009	32,456	30.3	8,597	9.2
2011	76,448	2,573,545	33,664	30.3	8,646	9.1
2012	77,203	*	*	30.3	8,688	8.9
2013	77,203	*	*	30.3	8,576	8.4

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. 2010 is based on a July 1, 2010 estimate, 2011 is based on a July 1, 2011 estimate and 2012 is based on a July 1, 2012 estimate.

(2) U.S. Department of Commerce, Economic and Statistic Administration, Bureau of Economic Analysis per Capita Personal Income multiplied by Population. Annual dollars revised due to revisions in Per Capita Personal Income (see note 3 below).

(3) U.S. Department of Commerce, Economic and Statistic Administration, Bureau of Economic Analysis
Report CA1-3 - Personal Income Summary - www.bea.gov/regional/docs/income
New estimates for 2011 and revisions for 2009 - 2010 were released on November 26, 2012. 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 2013
2012 Unemployment Rate has been adjusted to reflect the most current data available.

* Information unavailable

CITY OF LYNCHBURG, VIRGINIA **TABLE 24**

PRINCIPAL EMPLOYERS ,
CURRENT YEAR AND NINE YEARS AGO

	2013			2004		
Employer	**Ownership**	**Employees (4)**	**Rank**	**Ownership**	**Employees (5)**	**Rank**
Liberty University (3)	Private	5000+	1	Private	1,000	7
Centra Health, Inc.	Public	5000+	2	Public	4,000	1
Areva (2)	Public	1500-1999	3	Public	1,700	2
Lynchburg City Schools	Local Government	1500-1999	4	Local Government	1,554	4
J. Crew Outfitters	Private	1000-1499	5	Private	-	-
City of Lynchburg	Local Government	1000-1499	6	Local Government	1,150	6
Genworth Financial Inc. (1)	Public	1000-1499	7	Public	1,200	5
Central Virginia Community Svcs	Private	500-999	8	Private		
Kroger	Public	500-999	9	Public	674	9
Walmart	Public	500-999	10	Public	-	-
Southern Air, Inc.		-	-	Private	680	8
Central Virginia Training Center		-	-	Private	1,600	3
R.R. Donnelley		-	-	Public	600	10

Employed Civilian Labor Force (June 2013) Lynchburg City - Virginia Employment Commission	35,128
Employed Civilian Labor Force (June 2004) Lynchburg City - Virginia Employment Commission	31,101

Source: FY 2013 numbers are derived from Office of Economic Development, City of Lynchburg, VA, or employer contact, as of June 30, 2013.

Source: FY 2004 numbers are derived from Official Statement for bond issue dated June 1, 2004.

(1) Formerly First Colony Life Insurance Co. and GE Financial Assurance
(2) Formerly Framatome
(3) Liberty University operates an online higher education institution, and as a result a number employees live outside of the City.
(4) Beginning in FY 2013 ranges will be used for employee count due to privacy issues as well as availabilty of data from employers.
(5) Numbers as reported in the Official Statement.

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

	Full-Time Equivalent Employees as of June 30									
Functions/Programs	**Actual 2004**	**Actual 2005**	**Actual 2006**	**Actual 2007**	**Actual 2008**	**Actual 2009**	**Actual 2010**	**Actual 2011**	**Actual 2012**	**Adopted 2013 (1)**
Primary government:										
Council Manager Offices	8	8	7	9	8	9	8	8	8.0	6.0
Parking Divison(5)	-	-	-	-	-	-	3	4	4.5	4.5
City Assessor	11	13	13	12	12	12	12	10	10.0	10.3
City Attorney	7	7	7	7	7	7	7	7	6.9	6.9
Commissioner of Revenue	15	16	16	16	15	15	13	12	10.4	10.4
Communications & Marketing	3	3	3	3	3	4	4	4	4.0	4.0
Local Government Channel	-	-	-	-	2	2	2	2	2.0	2.0
Citizens First	3	4	2	2	4	4	4	3	3.5	3.5
Financial Services	51	50	49	49	47	46	44	42	42.0	42.0
Financial Services-Human Services	-	-	-	12	12	12	10	10	8.8	7.8
Human Resources	10	12	11	12	13	11	11	10	10.0	10.0
Information Technology	25	27	28	28	28	29	30	31	31.0	30.0
Internal Audit	3	3	3	2	2	2	2	2	2.0	-
Registrar and Electoral Board	2	3	3	3	3	3	2	2	2.3	2.3
State Treasurer (State)	3	2	2	2	2	2	2	2	2.0	2.0
Risk Management Fund	3	3	3	3	3	3	3	3	3.0	3.0
Circuit Court Clerk (State)	13	13	13	13	13	13	13	13	13.0	13.0
Circuit Court Judges	2	2	2	2	2	2	2	2	2.0	2.0
Commonwealth Attorney	37	36	35	14	16	16	17	17	16.7	16.7
Sheriff	27	31	31	31	31	31	31	29	30.4	29.4
Regional Juvenile Detention Center Fund	51	51	48	50	50	50	50	47	47.3	47.3
Police Department	192	199	200	198	207	204	204	203	202.7	198.0
Emergency Communications	31	31	31	31	31	31	36	35	32.0	35.0
Fire Department	182	183	180	180	185	186	186	187	187.0	185.0
Public Works Administration	6	6	6	-	-	11	11	11	11.0	10.0
Buildings & Grounds Maintenance	78	98	92	88	88	83	78	74	76.3	77.0
Engineering Division (2)	31	36	35	-	-	-	38	31	32.8	30.8
Geographic Information System	3	3	3	-	-	-	-	-		
Street, Traffic & Refuse Maintenance (3)	40	42	42	36	38	57	53	50	52.4	49.8
Health & Human Services	186	178	181	188	188	184	175	169	169.9	167.4
Cultural and recreational	83	97	101	102	101	99	99	99	96.7	100.3
Community Planning & Economic Development (2)	36	38	38	78	77	84	33	32	26.8	25.0
Fleet Services Fund	13	13	13	13	12	12	13	11	11.0	11.5
Business-type activities:										
Airport Fund	20	21	18	21	21	20	18	18	17.7	17.7
Water Fund	61	60	64	65	68	65	68	67	68.4	66.2
Sewer Fund	44	47	47	47	46	46	50	50	55.0	50.5
Stormwater Fund (6)	-	-	-	-	-	-	-	-	-	5.8
Solid Waste Fund (4)	42	42	46	43	43	-	-	-	-	-
Source: Budget Office, City of Lynchburg, Virginia	1,322	1,378	1,373	1,360	1,378	1,355	1,332	1,297	1,299.5	1,283.1

(1) FY 2013 actual will be available with the FY 2014 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.
(6) The Stormwater Fund began in FY 2013.

CITY OF LYNCHBURG, VIRGINIA **TABLE 26**

OPERATING INDICATORS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Police										
Physical Arrests	6,449	6,717	6,996	6,634	6,813	6,662	6,605	7,039	6,879	6,835
Traffic Violations	9,628	11,477	10,926	10,634	11,327	14,489	12,672	11,437	12,506	12,483
Parking Violations	7,308	6,806	6,306	7,741	7,786	6,370	4,599	3,943	6,338	4,481
Fire (5)										
Number of Fire calls answered (per month)	227 (est)	328 (est)	463 (est)	501	517	506	518	574	511	315
Number of inspections conducted (3)	1,280	1,089	293	253	368	641	567	767	469	254
Number of EMS calls	12,197	12,782	13,032	13,764	14,660	15,279	15,124	14,731	14,393	20,612
Sanitation and Refuse										
Refuse collected (tons/day) (1)	62.30	66.45	70.74	72.22	69.68	69.03	69.35	69.74	70.14	72.96
Recyclables collected (tons/day)	7.60	6.42	5.34	5.34	6.73	7.45	7.23	7.31	6.85	6.46
Airport										
Total number of passengers	109,940	128,811	124,093	115,560	98,423	142,569	178,387	169,174	152,064	157,450
Sewage										
Number of service connections (4)	17,595	17,768	18,179	18,310	18,486	18,549	18,606	18,706	18,785	18,916
Average daily treatment in million gallons (2)	13.90	12.60	12.20	12.35	10.86	10.68	12.99	11.09	10.57	10.35
Maximum daily average capacity of treatment plant in million gallons	22	22	22	22	22	22	22	22	22	22
Maximum daily capacity of treatment plant in million gallons	44	44	44	44	44	44	44	44	44	44
Water										
Number of service connections (4)	21,341	21,522	21,930	22,044	22,158	22,290	22,265	22,361	22,422	22,517
Average daily consumption of plant in million gallons	11	11	11	10	12	11	12	11	10	10
Maximum daily capacity of plant in million gallons	26	26	26	26	26	26	26	26	26	26

Source: City Departments, City of Lynchburg, Virginia

(1) The numbers stated for FY 2004-2006 differ from those previously reported and reflect the actual data based on the information provided by the Public Works Department.
(2) The numbers stated for FY 2004-2007 differ from those previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.
(3) Fire had additional personnel conducting inspections beginning in Fiscal Year 2009.
(4) The amounts for FY 2012 have been revised to exclude stormwater accounts.
(5) The City implemented an enhanced reporting system in FY 2013. The new system more accurately reports fire calls, inspections and EMS calls.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	53	53	54	55	57	57	57	57	57	57
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	15	15	16	16	16	16	16	16	16	22
Highways and Streets										
Street (miles) (1)	368.23	372.23	373.28	374.42	374.42	377.37	378.26	378.26	378.61	378.61
Streetlights (2)	9,672	9,747	9,822	9,899	9,926	9,990	9,966	9,982	9,982	10,167
Traffic signals	110	113	117	117	118	119	119	119	119	120
Culture and Recreation										
Community centers	7	7	7	7	7	7	7	7	7	6
Senior centers	-	1	1	1	1	1	1	1	1	1
Parks (10)	20	20	20	20	20	20	20	21	21	21
Parks acreage (3) (10)	917	917	917	917	917	917	917	948	948	948
Swimming pools	1	1	1	1	1	1	1	2	2	2
Tennis courts (4)	40	40	40	40	40	40	40	40	40	40
Gymnasiums	7	7	7	7	7	7	7	7	7	7
Sewage system										
Storm sewers (miles) (5)	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped
Water										
Fire hydrants	2,451	2,788	2,799	2,800	2,887	2,892	3,080	3,111	3,156	3,177
Storage capacity (thousands of gallons)	not specified	not specified	33,000	33,000	33,000	31,000	33,000	33,000	33,000	33,000
Sewer										
Average daily sewage treatment (MGD) (6)	13.90	12.60	12.20	12.35	10.86	10.68	12.99	11.09	10.57	10.35
Maximum daily sewage treatment (MGD)	28.28	27.11	27.11	33.44	26.37	28.65	33.69	29.54	31.68	31.03
Transit - route service buses (7)	29	29	29	29	37	37	38	38	39	39
Transit - paratransit service buses (8)	-	-	-	-	7	11	11	11	10	14
Facility and service not included in the reporting entity:										
Education										
Number of elementary schools (9)	11	11	11	11	11	11	11	11	11	11
Number of secondary schools	5	5	5	5	5	5	5	5	5	5
Number of community colleges	1	1	1	1	1	1	1	1	1	1
Number of universities or colleges	4	4	4	4	4	4	4	4	4	4
Hospitals										
Number of hospitals	2	2	2	2	2	2	2	2	2	2
Number of patient beds	554	554	587	587	575	575	513	519	519	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.

TABLE 28

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

	Student Enrollment, Employees and Schools by Fiscal Year									
Description	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Elementary School Membership	3,910	3,840	3,793	3,877	3,916	3,936	3,934	3,968	3,987	3,975
Secondary School Membership	4,872	4,785	4,809	4,745	4,447	4,583	4,438	4,359	4,317	4,133
Total Membership	8,782	8,625	8,602	8,622	8,363	8,519	8,372	8,327	8,304	8,108
Teachers and Administrators (1)	762	753	776	772	774	780	759	977	851	836
Other Employees	467	471	470	482	482	482	449	250	223	195
Total Employees	1,229	1,224	1,246	1,254	1,256	1,262	1,208	1,227	1,074	1,031
Elementary Schools (2)	11	11	11	11	11	11	11	11	11	11
Secondary Schools	5	5	5	5	5	5	5	5	5	5
Total Buildings	16	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	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
K	700	666	670	722	732	732	718	696	740	735
1	651	628	655	675	673	673	702	726	705	720
2	608	647	634	629	648	648	648	670	676	662
3	641	583	628	629	653	653	632	620	643	643
4	690	630	593	625	606	608	639	629	615	601
5	620	686	613	597	604	622	595	627	608	614
6	689	658	707	618	613	635	598	605	621	609
7	661	680	664	694	581	604	619	593	586	608
8	697	660	687	662	625	614	581	622	593	567
9	856	857	823	867	777	797	706	642	669	629
10	740	772	726	661	647	732	719	666	580	623
11	656	627	669	621	654	702	619	672	625	534
12	573	531	533	622	550	499	596	559	643	563
Total	8,782	8,625	8,602	8,622	8,363	8,519	8,372	8,327	8,304	8,108

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.

COMPLIANCE SECTION

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *The Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2013.

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet import enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. **Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

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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 findings and questioned costs as Items 13-1, 13-2, and 13-3.**

City of Lynchburg, Virginia's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 12, 2013

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lynchburg, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the discretely presented component unit referred to as the Business Development Centre, Inc., which received $530,653 in federal awards which is not included in the schedule during the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City of Lynchburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 12, 2013

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER FACILITY CHARGE PROGRAM AUDIT GUIDE

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

Report on Compliance

We have audited the City of Lynchburg, Virginia's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its passenger facility program (the "Program") for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Program.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to the Program for the year ended June 30, 2013.

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Report Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the Program. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the Program to determine the auditing procedures for the purpose of expressing an opinion on compliance, and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of the Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance in accordance with the Guide is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 12, 2013

CITY OF LYNCHBURG, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2013

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Comprehensive Services Act
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls

State Agency Requirements
Education
Social Services
Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

FEDERAL AVIATION ADMINISTRATION COMPLIANCE MATTERS

Passenger Facility Charge Audit Guide for Public Agencies

Requirements of laws and regulations required by the Federal Aviation Administration in relation to the passenger facility charge program.

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** related to the audit of the financial statements were reported**.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major programs of the City are:

Name of Program	CFDA #
Highway Planning and Construction	20.205
National School Lunch Program	10.555
National School Breakfast Program	10.553
Title IV-B – Special Education – Grants to States	84.027
Title IV-B – Special Education – Preschool Grants	84.173
Title I – Educationally Deprived Children – Local Education Agencies	84.010

8. The **threshold for** distinguishing Type A and B programs was **$1,216,006**.
9. The City of Lynchburg was determined to be a **low-risk auditee**.
10. Passenger Facility Charge Program:
    a. **No significant deficiencies** relating to the audit of the Passenger Facility Charge Program were reported in the Independent Auditor's Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with the *Passenger Facility Charge Program Audit Guide*.
    b. The auditor's report on compliance for the Passenger Facility Program expresses an **unmodified opinion**.
    c. The audit disclosed **no audit findings relating to Passenger Facility Charge Program**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

13-1: Social Services Annual Review of Access – City

Condition:

The access to OASIS, VaCMS, ADAPT, and EAS for three out of five employees tested was not reviewed in the past year.

Recommendation:

Employees' access to each application should be reviewed quarterly to ensure their access aligns with their respective job responsibilities.

Management's Response:

Management recognizes the importance of reviewing employees' access to each application. The City is currently reviewing the access quarterly but has not documented the review in the employee file. Going forward, the City will ensure the review is properly documented.

13-2: Social Services Compliance with Information Security Policy – City

Condition:

One out of five employees tested did not sign the 2012 VDSS Information Security Program and Acceptable Use Awareness Acknowledgement Form until after the November 30, 2012 deadline.

Recommendation:

Steps should be taken to ensure that all Information Security Program and Acceptable Use Awareness Acknowledgement Forms are signed and filed prior to November 30.

Management's Response:

The City agrees with the recommendation. Steps have been taken to ensure that all employees sign the acknowledgement form before the deadline. Further, the information must be documented in the SAMS system for the employee to access State systems. Failure to document this requirement in SAMS will result in suspension of employee access. All new employees will have 30 days to comply with this requirement.

C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)

13-3: Timely Disclosure Statement Submission – City

Condition:

One out of seventy-nine 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*.

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.

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

None.

E. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM

None.