

City of Lynchburg, Virginia



VIRGINIA

**Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2014**

**CITY OF
LYNCHBURG, VIRGINIA**

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2014

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2014

**CITY OF LYNCHBURG,
VIRGINIA**

Prepared by:
Financial Services

CITY OF LYNCHBURG, VIRGINIA

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INTRODUCTORY SECTION



The City of Lynchburg, Virginia

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OFFICE OF THE
CITY MANAGER

November 7, 2014

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, 2014, 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, fire protection and emergency medical services, parks and recreation, libraries, museums, juvenile and social services, maintenance of streets and highways, economic development, tourism and community development. The City also owns and operates water, sewer and stormwater systems and a regional airport. The City's discretely presented component units, Lynchburg City Schools (Schools), Business Development Centre, Inc., and Greater Lynchburg Transit Company (GLTC), provide public education, various small business services, and public transportation, respectively, to the citizens of the City. Each of these component units' governing bodies is appointed by City Council. Excluded are the financial statements of the Lynchburg Redevelopment and Housing Authority and the City's Economic Development Authority. These organizations are associated with the City, but are legally separate entities. Also, excluded are the financial statements of the Blue Ridge Regional Jail Authority, Horizon Behavioral Health, (formerly the Central Virginia Community Services Board), and the Region 2000 Services Authority which are jointly governed organizations.

City Council has approved Debt Management, Fund Balance, Budget, and Investment policies to guide fiscal decision-making and to ensure continued strong financial health. These policies were revised and re-adopted by City Council in February 2013. During the fiscal year, adherence to these financial policies helped

the City manage its investment portfolio in a challenging market, close the year with a stronger fund balance than projected, prepare for the additional debt service for the largest bond issue in the City's history and guided the balancing of the FY 2015 budget in a difficult environment of 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 adopted no later than the day the fiscal year begins (July 1).

The City of Lynchburg was incorporated in 1805 by the Virginia General Assembly and became an independent city in 1852. Encompassing 50 square miles, Lynchburg is located adjacent to Amherst, Bedford, and Campbell Counties, on the eastern edge of the beautiful Blue Ridge Mountains, and is within 54 miles of the geographic center of the Commonwealth of Virginia. The County of Appomattox is also included in the Lynchburg Metropolitan Statistical Area. With an estimated population of 77,376, Lynchburg is an important commercial center for the four county region known as Region 2000. It serves a regional population of over 250,000 and benefits from an economy that remains diversified among the manufacturing, health services, technology, retail, trade, and higher education sectors. The City is home to five colleges and universities with a sixth in Amherst County.

The City of Lynchburg has been organized under the Council-Manager form of government since 1920. City Council is the governing body that makes all policy decisions for the proper administration of the City. City Council is elected by the voters and is comprised of seven members, who elect a Mayor and Vice-Mayor from its 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 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 257,567. While Lynchburg historically was dependent on an economy focused on manufacturing, its diverse economic sectors including health services, higher education, retail, and nuclear technology continue to expand. Real property assessments have experienced slight growth and personal property assessments have experienced unexpected growth due to the increased volume of new car sales. Consumption driven revenues, though declining in FY 2009, stabilized in FY 2010, have realized 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 the economy allows.

As part of a long-term financial plan, five-year revenue projections are developed with a focus on ensuring that forecasts are based on the latest economic conditions. The City's Fund Balance Policy is used to ensure 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 very broad "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. In FY 2014, a twelfth element, Social Equity, was added and the Sustainable Lynchburg Summary Report was folded into a new Vision for the City – "*A Great Place to Live, Work and Play!*" – with

goal statements for each of the twelve elements, now called pillars, that support the vision. The vision and pillars were adopted by City Council and are reviewed annually for progress.

Areva NP, with three major facilities in greater Lynchburg, is the world's largest nuclear power plant designer, manufacturer and service provider and has built one-third of the three hundred plus plants in existence in the world. In December 2013, Areva announced plans to invest \$26.3 million in its operations in Lynchburg and Campbell County. This capital infusion will support 1,900 jobs, procure additional advanced machinery and tools, and establish those facilities as its Operational Center of Excellence for Nuclear Products and Services in North America.

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

Other business sector growth includes Porter's Fabrication, a North Carolina-based manufacturer of sheet metal products. A former supplier to Diebold, Porter's acquired Diebold's Lynchburg plant, invested in new machinery, and retained 80 existing positions while creating 40 new jobs. Porter's invested \$1.8 million in its Lynchburg facility.

Also, a major new retail development, Lakeside Crossing, opened in 2013 at the intersection of Lakeside Drive and the Lynchburg Expressway. Analysis has shown this location to be a "sweet spot" able to serve the Boonsboro area of Lynchburg and the Forest area of Bedford County. Anchored by a Fresh Market grocery store, the 63,176 square-foot retail center opened with 95% occupancy and has had a considerable impact on property tax and sales and meals tax receipts. Lakeside Crossing not only injected \$16 million in new dollars into the Lynchburg economy, the success of the project has prompted renewed interest in new retail development in the area.

Liberty University (LU) announced plans in October 2013 to increase its online and resident student population and expansive "campus transformation" through over \$500 million in new construction. This transformation includes the \$50 million Jerry Falwell Library, which opened in January 2014, the completion of the \$40 million Center for Medical and Health Sciences, and the first of six nine-story residence halls which opened for Fall Semester 2014. A new 1,472 space parking garage was completed in spring 2014, and a ground breaking ceremony for the new Center for Music & the Worship Arts took place in April 2014.

Another academic institution in the City is also making significant capital investments. Lynchburg College held the formal opening in October 2014 of its just completed \$12 million renovation and expansion of the Drysdale Student Center. The expansion brings the Student Center to a total of 72,000 square feet and includes a welcome center, a fitness center, meeting rooms, multicultural center, a Commons space, veterans' lounge, dance and aerobics space, a game room, and additional food options.

Lynchburg College is also in a signature educational and workforce development partnership with the Office of Economic Development and the Lynchburg Economic Development Authority through the Grow One Program. Grow One provides elementary and middle school students with practical, hands-on entrepreneurial experiences.

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 that will be completed in early

2015. The City's investment continues to promote redevelopment growth from the private sector downtown with thousands of square feet of newly renovated residential and commercial space. Downtown now contains more than 600 residential units. These new residents are driving demand downtown, spurring the establishment of new businesses. The number of downtown businesses has increased by more than 205% in ten years and the assessed value of downtown property has doubled in the same timeframe.

Education

Lynchburg City Schools (LCS) is actively engaged in programs and opportunities focused on growing student capacity in the areas of science, technology, engineering, and math (STEM). It is currently designated as the fiscal agent for two regional schools with a focus on science and technology, the Central Virginia Governor's School for Science and Technology (CVGS) and the newly established XLR8-Lynchburg Regional Governor's STEM Academy. Both of these innovative schools highlight the collaborative nature of the Lynchburg region by serving not only Lynchburg students, but also students from the counties of Bedford, Campbell, Appomattox, and Amherst. CVGS and XLR8 have industry advisory boards and internship programs to ensure curriculum is relevant to the targeted workforce needs and growth patterns of the region.

Also in FY 2014, as part of the Lynchburg City Schools vision of "Every Child, By Name and By Need, to Graduation", a course was set to meet the 21st Century needs of students through the LCS-ONE initiative, which will provide a personal mobile device for all students in grades four through twelve.

Infrastructure

FY 2014 was a year of continued work on downtown redevelopment, the Combined Sewer Overflow (CSO) Program and transportation projects. The first phase of the Midtown Connector, which included the re-working of a major intersection, was completed earlier this year and the second phase of this project is well underway. 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 and class room space. The Miller Center is expected to re-open in December 2014 and will increase the delivery of recreation services by making the building 100% accessible as well as updating facilities for classes and community meetings. This project is partially funded with State historical tax credits.

Construction of the new Heritage High School commenced in May 2014, supported by the largest general obligation bond sale, \$115.2 million, in the City's history. The total project costs are estimated at \$76.9 million which includes demolition of the existing school, the construction of new athletic fields and a new field house. The school will be occupied in August 2016 with final completion of all project phases in July 2017.

Technology

The City continues to be a leader in using technology to assist in service delivery. e.Republic's Center for Digital Government and Digital Communities Program has ranked Lynchburg sixth 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 tenth 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. A new LEED Certified bus transfer station opened in June 2014. Construction of a new bus maintenance and operations facility will start in early 2015. These facilities are designed to improve convenience, amenities, and customer service.

The City is also served by the Lynchburg Regional Airport, an FAA-designated small non-hub commercial airport with significant general aviation flight and training activity. Airline service includes 6 daily departures provided by American Airlines with 80% passenger loads resulting in continuing increases in airport

revenues. Through its Air Service Development Partnership with the Chamber of Commerce and area businesses the City is actively seeking new airline service to a northern hub airport as well as investigating possibilities for adding service with ultra-low cost carriers to popular tourist destinations. In FY 2014, Lynchburg Regional Airport was nearing completion on a \$7.7 million two phase multi-year project to rehabilitate, reconfigure and expand several aprons, ramps, and taxiways to improve the safety and utility of the airport.

The Lynchburg Regional Airport has had two fixed base operators (FBOs) providing a full range of aeronautical services such as fueling, maintenance, flight training, and charter services. One of the FBOs, Freedom Aviation, acquired the other, Virginia Aviation, in the summer of 2014. The City is considering how best to provide these services in the future. In addition, Liberty University's rapidly growing School of Aeronautics is based at the airport.

Prospects for the Future

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

Certificates of Achievement for Excellence

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lynchburg for its CAFR for the fiscal year ended June 30, 2013. This is the City's seventeenth consecutive year in receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2013 Adopted Budget. This is the City's ninth consecutive year in receiving this award.

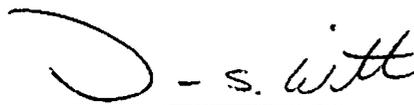
Acknowledgments

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

Respectfully submitted,



L. Kimball Payne, III
City Manager



Donna S. Witt
Director of Financial Services

CITY OF LYNCHBURG, VIRGINIA
COUNCIL-MANAGER FORM OF GOVERNMENT

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2014

CITY COUNCIL

Dr. Michael A. Gillette, Mayor

Rev. Ceasor T. Johnson, Vice-Mayor
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
Bonnie M. Svrcek
Walter C. Erwin, III
Donna S. Witt

City Manager
Deputy City Manager
City Attorney
Director of Financial Services

SCHOOL BOARD

Dr. Regina T. Dolan-Sewell, Chair

Mary Ann Hoss, Vice Chair
Dr. James E. Coleman
Dr. Michael J. Nilles
Jennifer R. Poore

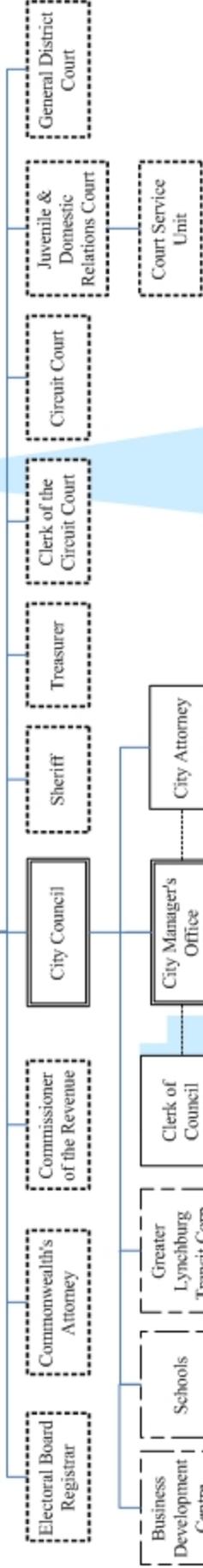
Katie K. Snyder
J. Marie Waller
Thomas H. Webb
Charles B. White

SCHOOL BOARD OFFICIALS

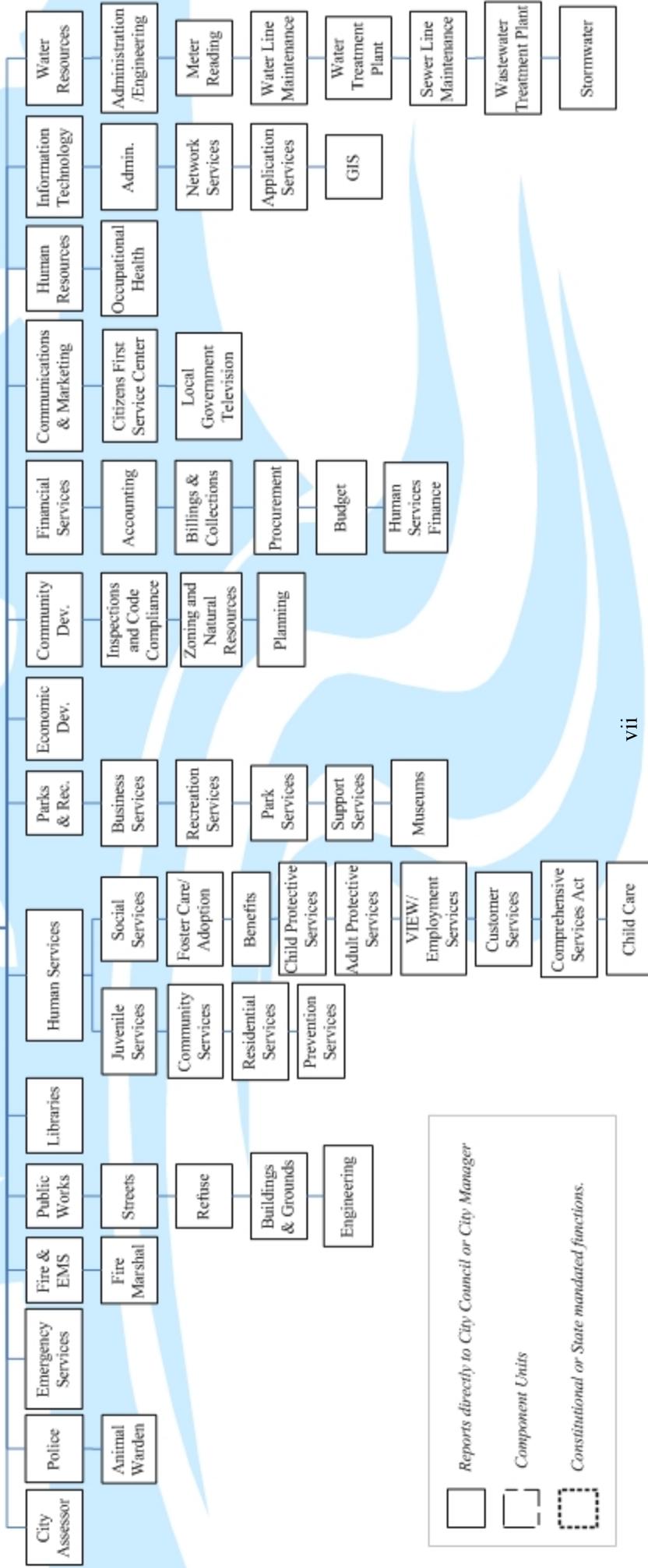
Dr. Scott S. Brabrand
Dr. John C. McClain
Ben W. Copeland
Anthony E. Beckles, Sr.

Superintendent of Schools
Assistant Superintendent
Assistant Superintendent
Chief Financial Officer

CITY OF LYNCHBURG Citizens



Leadership Team



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, 2013

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia (the "City") as of and for the year ended June 30, 2014, 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 \$1,803,021 as of June 30, 2014, and total revenues of \$261,878 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us; and our opinion, insofar as it relates to the amounts included for the Business Development Centre, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia, as of June 30, 2014, 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.

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 7, 2014

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, 2014. 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, 2014 by \$487.6 million (net position). Unrestricted net position of \$90.8 million was available to meet future obligations. This represented \$69.8 million for governmental activities, which included the general fund, and \$21.0 million for business-type activities, which included the enterprise funds (water, sewer, stormwater, and airport).
- The general fund's unassigned fund balance of \$33.9 million was 19.5% of total general fund revenues, which were \$173.6 million. This was \$16.6 million more than the City Council adopted unassigned fund balance policy requirement of 10%, or \$17.3 million.
- In comparison with the prior fiscal year, the City's total net position increased 2.6%, or \$12.5 million, from FY 2013. Net position of governmental activities increased 1.4%, or \$3.8 million, from FY 2013; and, net position of business-type activities increased 4.2%, or \$8.7 million. The Schools' total net position increased 36.7%, or \$1.1 million, from FY 2013.
- The City's total revenues of \$236.4 million increased 2.6%, or \$5.9 million, and total expenses of \$223.9 million increased 4.1%, or \$8.8 million, from FY 2013. General revenues and transfers of \$133.6 million were \$12.5 million more than the expenses net of program revenues of \$121.1 million.
- For the current fiscal year, the City's total liabilities and deferred inflows of resources of \$347.7 million decreased 1.9% or \$6.7 million from FY 2013.
- Total new debt of \$12 million was issued, of which \$10 million was for governmental activities, and \$2 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 \$2 million for the line of credit for water capital projects. 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 summer 2014, the City issued a \$115.2 million General Obligation Public Improvement and Refunding Bonds. New bond proceeds totaled \$101.7 million of which \$83.2 million was for governmental activities and \$18.5 million was for business-type activities including a current refunding for the line of credit pay off. Lastly, the City issued \$13.5 million to advance refund \$14.5 million of the May 9, 2006 General Obligation Public Improvement Bonds. Of this \$13.5 million in refunding bonds, \$13.1 million was governmental activities and \$0.4 million was for business-type activities. The refunded bonds were \$14.1 million of governmental activities and \$0.4 million of business-type activities. With this bond issue, the City's general obligation bonds continued to maintain an Aa2 rating from Moody's Investors Service; an AA+ rating from Fitch Ratings; and, an AA+ from Standard & Poor's Ratings Services.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

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

***Summary of Statement of Net Position
As of June 30, 2014/2013
(in millions)***

	Governmental Activities		Business-Type Activities		Total Primary Government		Percentage Change 2014-2013	Component Unit Schools	
	2014	2013	2014	2013	2014	2013		2014	2013
Current and other assets	\$ 134.1	\$ 130.2	\$ 33.2	\$ 37.4	\$ 167.3	\$ 167.6	0%	\$ 16.6	\$ 13.7
Capital assets	292.5	289.4	371.2	367.9	663.7	657.3	1%	5.5	4.5
Total assets	426.6	419.6	404.4	405.3	831.0	824.9	1%	22.1	18.2
Total deferred outflows of resources	2.5	2.7	1.8	1.9	4.3	4.6	0%	-	-
Long-term liabilities	130.9	129.5	183.4	190.8	314.3	320.3	-2%	3.9	3.7
Other liabilities	19.9	18.3	4.9	7.2	24.8	25.5	-3%	14.1	11.5
Total liabilities	150.8	147.8	188.3	198.0	339.1	345.8	-2%	18.0	15.2
Total deferred inflows of resources	8.6	8.6	-	-	8.6	8.6	0%	-	-
Net Position									
Net investment in capital assets	184.0	175.2	196.9	189.4	380.9	364.6	4%	5.4	4.3
Restricted for Capital projects	13.0	15.5	-	-	13.0	15.5	-16%	-	-
Restricted for Grants and other	2.9	1.3	-	-	2.9	1.3	123%	-	-
Unrestricted	69.8	73.9	21.0	19.8	90.8	93.7	-3%	(1.3)	(1.3)
Total net position	\$ 269.7	\$ 265.9	\$ 217.9	\$ 209.2	\$ 487.6	\$ 475.1	3%	\$ 4.1	\$ 3.0

The City's total net position of \$487.6 million increased 2.6%, or \$12.5 million, from FY 2013.

Net investment in capital assets of \$380.9 million was 78.1% of total net position and increased 4.5%, or \$16.3 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 18.6%, or \$90.8 million, of unrestricted net position, which is comprised of 76.9%, or \$69.8 million, for governmental activities, and 23.1%, or \$21.0 million, for business-type activities. Unrestricted net position available for providing services to the citizens decreased 3.1%, or \$2.9 million from FY 2013. Restricted net position

of \$15.9 million is comprised of \$13.0 million of grant funds restricted for transportation projects and \$2.9 million of grant funds restricted mainly for public safety, comprehensive services for at risk youth, and community development.

The Schools' component unit total net position of \$4.1 million increased 36.7%, or \$1.1 million from FY 2013. Unrestricted net position of \$(1.3) million did not change from FY 2013.

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, 2014/2013
(in millions)***

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2014	2013	2014	2013	2014	2013	2014-2013	2014	2013
Revenues:									
Program Revenues:									
Charges for services	\$ 15.3	\$ 13.5	\$ 38.6	\$ 37.4	\$ 53.9	\$ 50.9	6%	\$ 2.7	\$ 2.7
Operating grants/contributions	40.0	39.9	0.8	1.0	40.8	40.9	0%	57.1	56.8
Capital grants/contributions	2.4	4.3	5.7	2.8	8.1	7.1	14%	1.0	-
General Revenues:									
Property taxes	75.0	74.4	-	-	75.0	74.4	1%	-	-
Other taxes	49.8	47.5	-	-	49.8	47.5	5%	-	-
Unrestricted intergovernmental	6.2	6.0	-	-	6.2	6.0	3%	-	-
Interest	0.3	0.2	0.1	0.1	0.4	0.3	33%	-	-
IRS Subsidy Build America Bonds	0.3	0.3	0.3	0.3	0.6	0.6	0%	-	-
Miscellaneous	1.5	1.6	-	-	1.5	1.6	-6%	0.9	0.8
Gain on sale of assets	0.1	1.0	-	0.2	0.1	1.2	-92%	-	-
City appropriation	-	-	-	-	-	-	-	35.6	35.3
Total Revenues	<u>190.9</u>	<u>188.7</u>	<u>45.5</u>	<u>41.8</u>	<u>236.4</u>	<u>230.5</u>	<u>3%</u>	<u>97.3</u>	<u>95.6</u>
Expenses:									
General government	13.3	15.1	-	-	13.3	15.1	-12%	-	-
Judicial	6.5	6.4	-	-	6.5	6.4	2%	-	-
Public safety	48.8	47.4	-	-	48.8	47.4	3%	-	-
Public works	29.3	26.5	-	-	29.3	26.5	11%	-	-
Health and human services	25.8	25.3	-	-	25.8	25.3	2%	-	-
Cultural and recreational	9.0	8.5	-	-	9.0	8.5	6%	-	-
Community development	6.7	5.1	-	-	6.7	5.1	31%	-	-
Education	42.6	40.6	-	-	42.6	40.6	5%	96.2	95.3
Interest & other fiscal charges	4.9	5.0	-	-	4.9	5.0	-2%	-	-
Stormwater	-	-	2.5	2.0	2.5	2.0	0%	-	-
Airport	-	-	4.4	4.2	4.4	4.2	5%	-	-
Water	-	-	12.8	12.8	12.8	12.8	0%	-	-
Sewer	-	-	17.3	16.2	17.3	16.2	7%	-	-
Total Expenses	<u>186.9</u>	<u>179.9</u>	<u>37.0</u>	<u>35.2</u>	<u>223.9</u>	<u>215.1</u>	<u>4%</u>	<u>96.2</u>	<u>95.3</u>
Increase in net position before transfers	<u>4.0</u>	<u>8.8</u>	<u>8.5</u>	<u>6.6</u>	<u>12.5</u>	<u>15.4</u>	<u>-19%</u>	<u>1.1</u>	<u>0.3</u>
Transfers	<u>(0.2)</u>	<u>(0.3)</u>	<u>0.2</u>	<u>0.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>3.8</u>	<u>8.5</u>	<u>8.7</u>	<u>6.9</u>	<u>12.5</u>	<u>15.4</u>	<u>-19%</u>	<u>1.1</u>	<u>0.3</u>
Net position beginning	<u>265.9</u>	<u>257.4</u>	<u>209.2</u>	<u>202.3</u>	<u>475.1</u>	<u>451.4</u>	<u>5%</u>	<u>3.0</u>	<u>2.7</u>
Net position ending	<u>\$269.7</u>	<u>\$265.9</u>	<u>\$217.9</u>	<u>\$209.2</u>	<u>\$487.6</u>	<u>\$475.1</u>	<u>3%</u>	<u>\$ 4.1</u>	<u>\$ 3.0</u>

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 \$269.7 million increased 1.4%, or \$3.8 million from FY 2013.

Revenue highlights:

Revenues from governmental activities of \$190.9 million increased 1.2%, or \$2.2 million from FY 2013.

Program revenues, specifically charges for services of \$15.3 million had an overall increase of \$1.8 million due to the following: \$1.7 million increase in program income due to the repayment by the developer of funds advanced from the Community Development Block Grant in payment of the Section 108 loan for the Bluffwalk Center project, \$0.1 million decrease in ambulance service fees, \$0.4 million increase in police off duty fees, \$0.1 million decrease in court fines and forfeitures, and \$0.1 million decrease in Comprehensive Services Act revenue.

Operating grants and contributions increased \$0.1 million. The net increase of \$0.1 million is attributed to a net gain between the receipt of new grants and/or increase in recurring grants as well as the reduction in prior year grants. Increases in grants of \$1.7 million are comprised of the following: State grants for the Commonwealth Attorney and Sheriff increased \$0.4 million, Health and Human Services grants increased \$0.6 million, Home Investment Trust funds increased \$0.3 million, Street and Highway Maintenance funds increased \$0.2 million, and the Police and Commonwealth Attorney received an increase in Forfeited Asset funds of \$0.2 million from a federal lawsuit against a drug company. Decreases in grants of \$1.6 million are comprised of the following: Comprehensive Services Act (CSA) funds decreased \$0.2 million, Community Development Block grant (CDBG) funds decreased \$0.4 million, Federal Emergency Management Agency and the Virginia Department of Emergency Management funds decreased \$0.6 million, Public Safety grants decreased \$0.3 million, and Energy Efficiency and Conservation Block grants decreased \$0.1 million.

Capital grants and contributions decreased \$1.9 million. The decrease is mainly attributed to the following: \$0.4 million decrease in reimbursements from the Virginia Department of Transportation (VDOT) revenue sharing program; \$1.7 million decrease in reimbursements from VDOT federal reimbursement grants; \$0.2 million decrease in Federal Highway Safety Improvement Program funds for the Wards Road pedestrian crossing; and \$0.4 million increase in contributions for the Library story time room.

General revenues, specifically property taxes of \$75.0 million, increased \$0.6 million. Property taxes are comprised mainly of real property and personal property taxes. Real property taxes increased \$0.1 million. The City's general reassessment of real property occurs biennially and is effective on July 1 of the fiscal year. The City's biennial reassessment occurred July 1, 2013 and resulted in a nominal increase in assessed value of taxable real property. Personal property taxes increased \$0.5 million.

Other taxes revenue of \$49.8 million increased \$2.3 million. Other taxes are comprised mainly of revenue from local sales, meals, lodging, consumer utilities, business licenses, motor vehicle licenses, and communications sales and use taxes. The increase is mainly attributable to increases in local sales, meals, lodging, business licenses, and motor vehicle licenses tax.

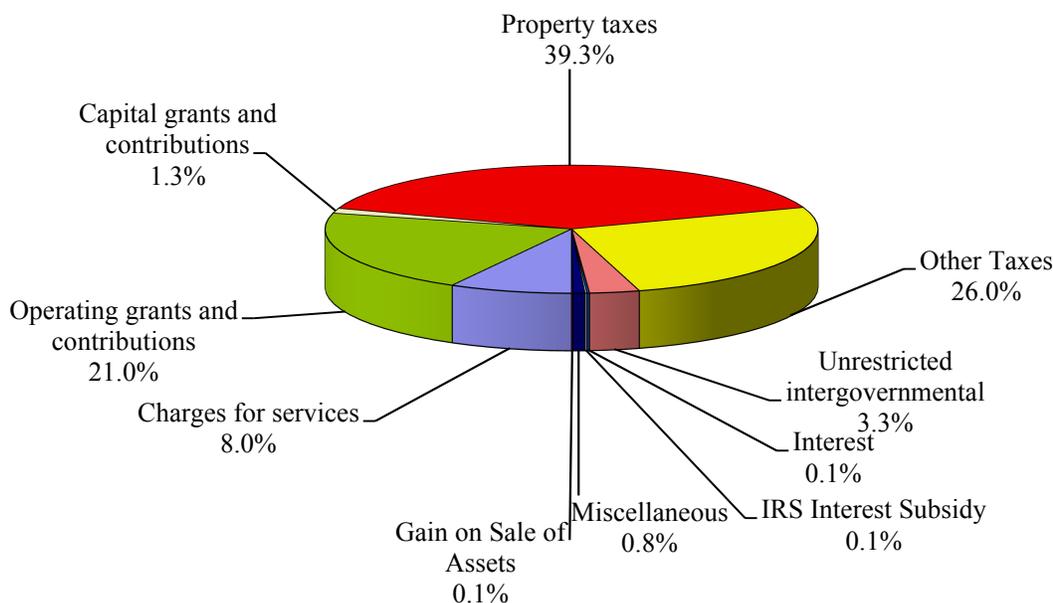
Investment earnings of \$0.3 million increased \$0.1 million due to earnings on Virginia Department of Transportation funds. In accordance with the issuance of Build America Bonds, the City received \$0.3 million for IRS Subsidy.

Miscellaneous income decreased \$0.1 million primarily due to a decrease in insurance proceeds from the prior year for a City parking deck; decreases in insurance proceeds for damages from the derecho; and an increase in developer fees from the Miller Center Project.

Gain on sale of assets decreased \$0.9 million primarily due to the following: the sale of property at 3901 Old Forest Road in the prior year; the sale of Armstrong School in the current year; and the write down of Heritage High School assets due to the construction of the new Heritage High School.

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

Revenue by Source-Governmental Activities



Expense highlights:

Governmental activities expenses of \$186.9 million increased 3.9%, or \$7.0 million from FY 2013.

General government expenses decreased \$1.8 million primarily due to a decrease in the cost of health benefits for retirees along with a reclassification of expenses for the department of Communications and Marketing to Community Development. The reclassification is necessary to report expenses in accordance with the guidelines from the Auditor of Public Accounts for the State of Virginia.

Judicial expenses overall increased \$0.1 million primarily due to the 3% salary increase implemented for all City employees on July 3, 2013.

Public safety expenses increased \$1.4 million primarily due to a combination of increases and decreases in expenses. Increases included: workers compensation expenses of \$0.2 million, compensated absences expenses of \$0.3 million, other post-employment benefit (OPEB) expenses of \$0.6 million, payments to the Region 2000 Radio Communications Board of \$0.2 million, contributions to the Lynchburg Humane Society of \$0.2 million, police off duty expenses of \$0.3 million, and Detention Home expenses of \$0.1 million. Decreases included \$0.1 million for the contribution to the Blue Ridge Regional Jail Authority and \$0.4 million for equipment and apparel expenses.

Public works expenses increased \$2.8 million due to a combination of increases and decreases in expenses as follows: \$0.6 million decrease in contractual services for the derecho cleanup, \$1.9 million increase in closure costs for the City’s portion of the Lynchburg landfill, \$0.3 million decrease in traffic maintenance supplies, \$2.1 million increase in improvements to streets, roads, bridges, and buildings, \$0.1 million increase in other post-employment benefits (OPEB), and \$0.4 million decrease in depreciation expense.

Health and human services expenses increased \$0.5 million primarily due to increases in other post-employment benefits (OPEB), adoption expenses and foster care services.

Cultural and recreational expenses increased \$0.5 million due to an increase in depreciation expense of \$0.3 million and an increase in other post-employment benefits (OPEB) of \$0.2 million.

Community development expenses increased \$1.6 million primarily due to the following: \$0.7 million decrease in contributions to the Lynchburg Regional Chamber of Commerce for the Tourism Program as Tourism is now a City department, \$0.2 million increase in contributions to the Greater Lynchburg Transit Company, \$0.3 million increase for the write-off of a loan to the Economic Development Authority related to the restructuring of the Bluffwalk loan; \$0.4 million increase in capital funds for the Greater Lynchburg Transit Company; \$0.1 million increase in depreciation expense; \$0.3 million increase in expenses for the new Tourism department and \$0.4 million increase for miscellaneous contractual services for the HOME Investment Trust Fund. Additionally, the Communications and Marketing department was reclassified to Community Development resulting in an increase from the prior year of \$0.6 million.

Education expenses increased \$2.0 million due to the following: \$0.4 million increase in local funding to the Schools, \$1.0 million increase in local funding for school buses, \$0.1 million increase in depreciation expense, and \$0.5 million increase in loss on disposition of assets.

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

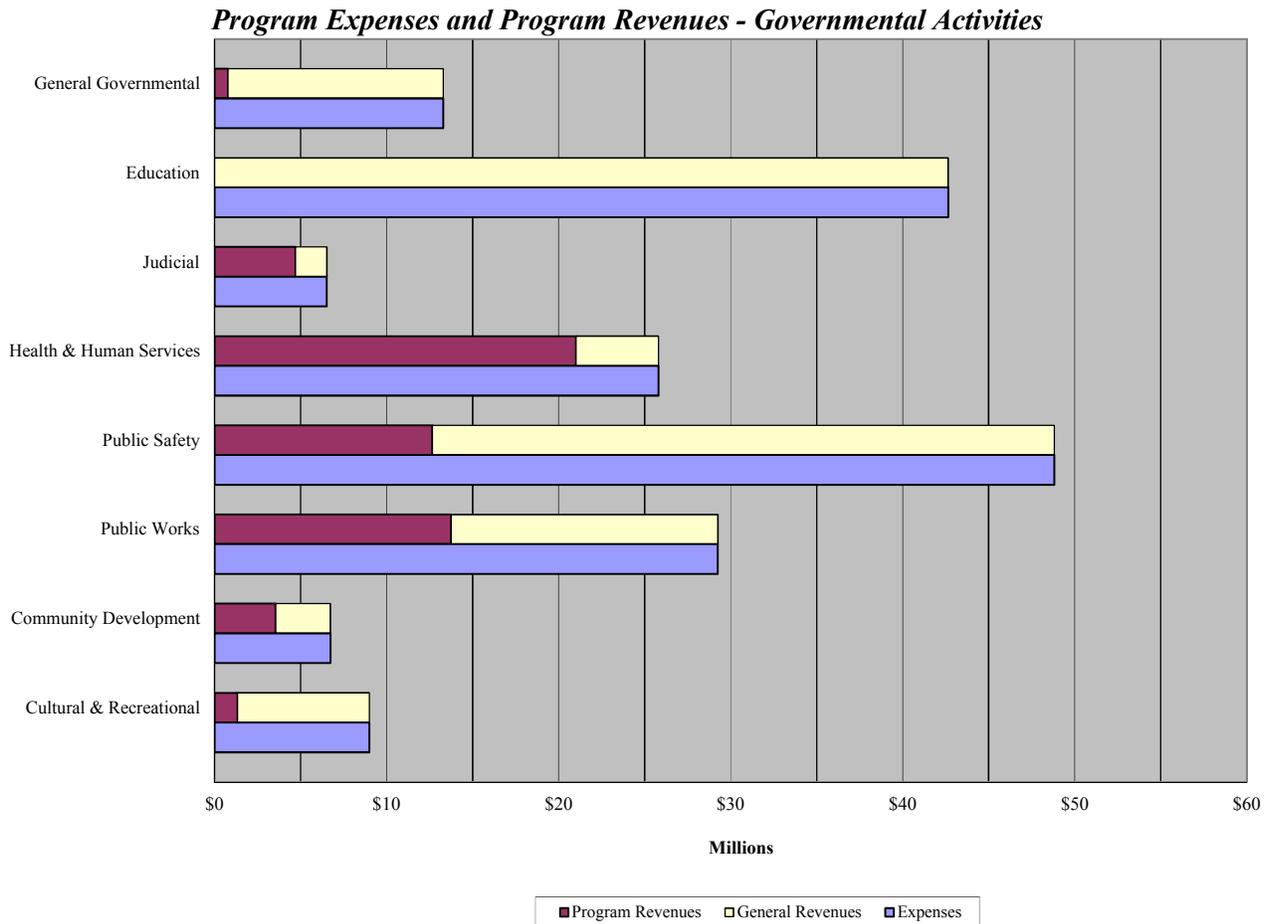
***Net Cost of Governmental Activities
For Fiscal Years Ended FY 2014/2013
(in millions)***

Governmental Activity	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2014	2013	Change 2014-2013	2014	2013	Change 2014-2013
General government	\$ 13.3	\$ 15.1	-12%	\$ 12.5	\$ 14.3	-13%
Judicial	6.5	6.4	2%	1.8	2.0	-10%
Public safety	48.8	47.4	3%	36.2	35.1	3%
Public works	29.3	26.5	11%	15.5	10.3	50%
Health and human services	25.8	25.3	2%	4.8	4.5	7%
Cultural and recreational	9.0	8.5	6%	7.7	7.6	1%
Community development	6.7	5.1	31%	3.2	2.9	10%
Education	42.6	40.6	5%	42.6	40.5	5%
Interest payments & other fiscal charges	4.9	5.0	-2%	4.9	5.0	-2%
Total Governmental Activities	\$ 186.9	\$ 179.9	3.9%	\$ 129.2	\$ 122.2	6%

The four largest funded programs were public safety at 26.1%, or \$48.8 million; local support for education at 22.8%, or \$42.6 million; public works at 15.7%, or \$29.3 million; and health and human services at 13.8%, or \$25.8 million. Education and public safety continued to be high priorities for the City.

The governmental activities total cost of services increased 3.9% from the prior year with a 6% increase in the net cost of services. The Statement of Activities shows that the \$186.9 million in governmental activities program expenses were financed by \$15.3 million from those receiving services, \$40.0 million from operating grants and contributions, \$2.4 million from capital grants and contributions and \$129.2 million from general revenues. Overall, general revenues and transfers of \$133.0 million were \$3.8 million more than the \$129.2 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

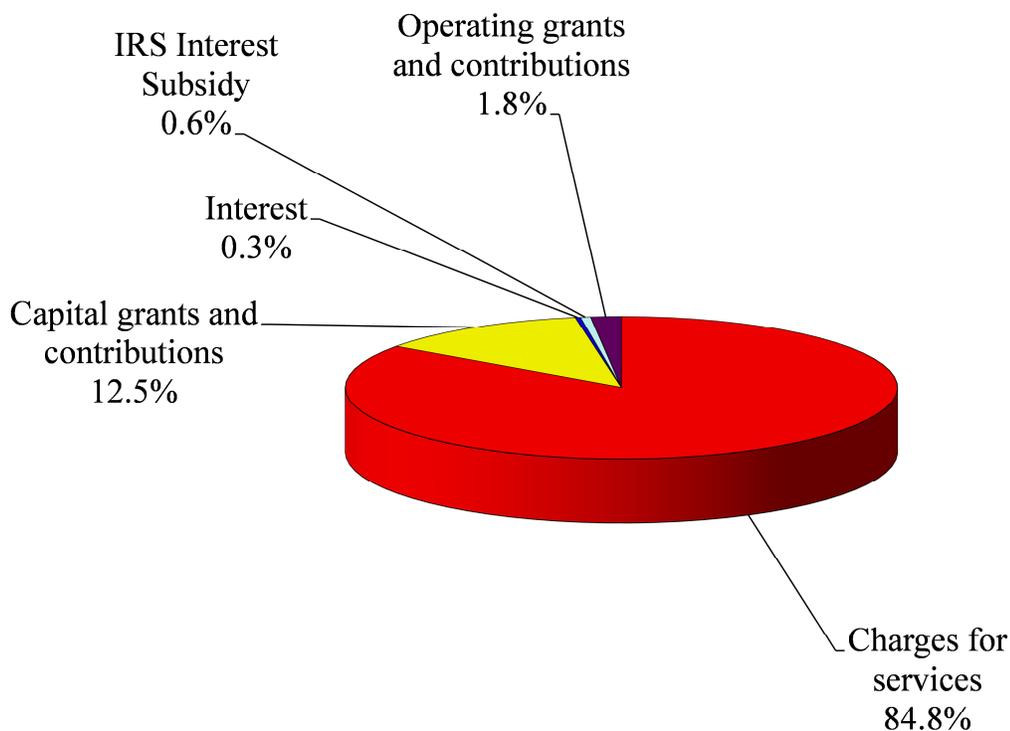
The business-type activities are comprised of enterprise funds for water, sewer, stormwater, and airport operations. Total net position of \$217.9 million increased 4.2%, or \$8.7 million from FY 2013.

Revenue highlights:

Business-type activities revenues of \$45.5 million increased \$3.7 million from the prior year. This was primarily due to an increase of \$2.8 million in sewer capital grants resulting from contributions from members of the Regional Sewage Treatment Plant for improvements to Joint-Use Facilities, a 3.62% rate increase in the water fund, and a decrease in operating grants from the derecho clean-up.

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

Revenues by Source - Business-type Activities



Expense highlights:

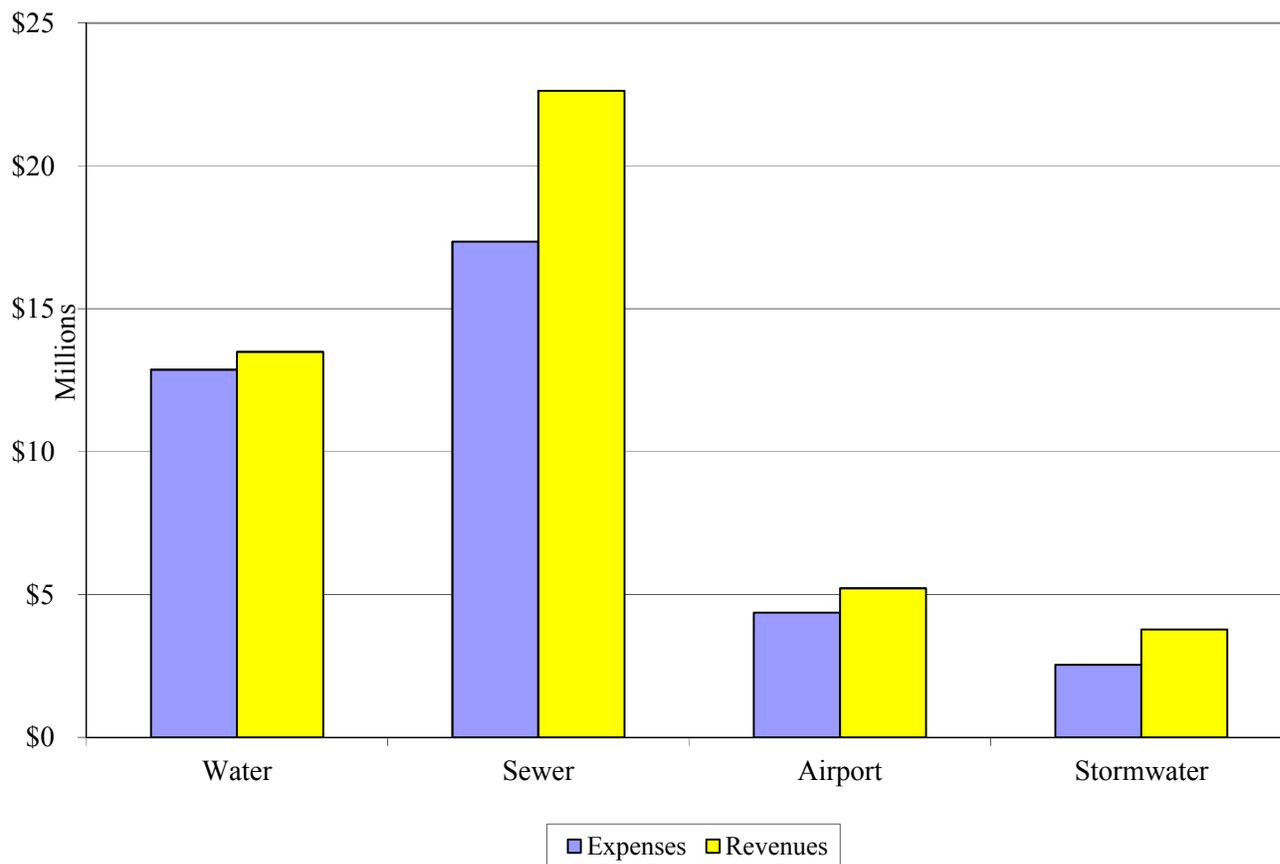
Business-type activities expenses of \$37.0 million increased 5.1%, or \$1.8 million, from the prior year. The increase was primarily due to an increase in depreciation expense of \$1.0 million and an increase of \$0.5 million in Stormwater fund operating expenses to meet the City’s Municipal Separate Storm Sewer System (MS4) permit requirements including addressing water quality issues associated with the Chesapeake Bay Total Maximum Daily Load (TMDL).

Overall, business-type activities revenues of \$45.5 million were \$8.5 million more than expenses of \$37.0 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 \$4.1 million increased 36.7%, or \$1.1 million, from FY 2013. This was primarily due to an increase in net investment in capital assets of 25.6%, or \$1.1 million. Unrestricted net position of \$(1.3) million did not change from FY 2013.

Revenue highlights:

Total revenues of \$96.2 million increased 0.8%, or \$0.8 million in comparison with the prior year fund financial statements, primarily due to increases in revenues from the Commonwealth of Virginia and revenues from the City government. For FY 2014, 47.9%, or \$46.1 million, of total revenues were received from the Commonwealth of Virginia as compared to \$45.1 million received in the prior year. State sales tax receipts were \$9.4 million for FY 2014. The City government contributed 37.0%, or \$35.6 million, to education. Federal revenues of 11.4% or \$11.0 million, included \$3.7 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 3.6%, 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 \$96.0 million increased 0.2%, or \$0.2 million, from the prior year fund financial statements primarily due to increases in instruction, administration, attendance, health, technology, and operations and maintenance costs. For FY 2014, 70.1%, or \$67.3 million, of total expenses related directly to providing instruction to 8,191 students and 14.4%, or \$13.8 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 5.8%, or \$5.6 million. Technology costs were 3.3% or \$3.2 million. Capital outlays in the fund financial statements of \$1.3 million included the acquisition of equipment.

FUND FINANCIAL ANALYSIS

Governmental Funds

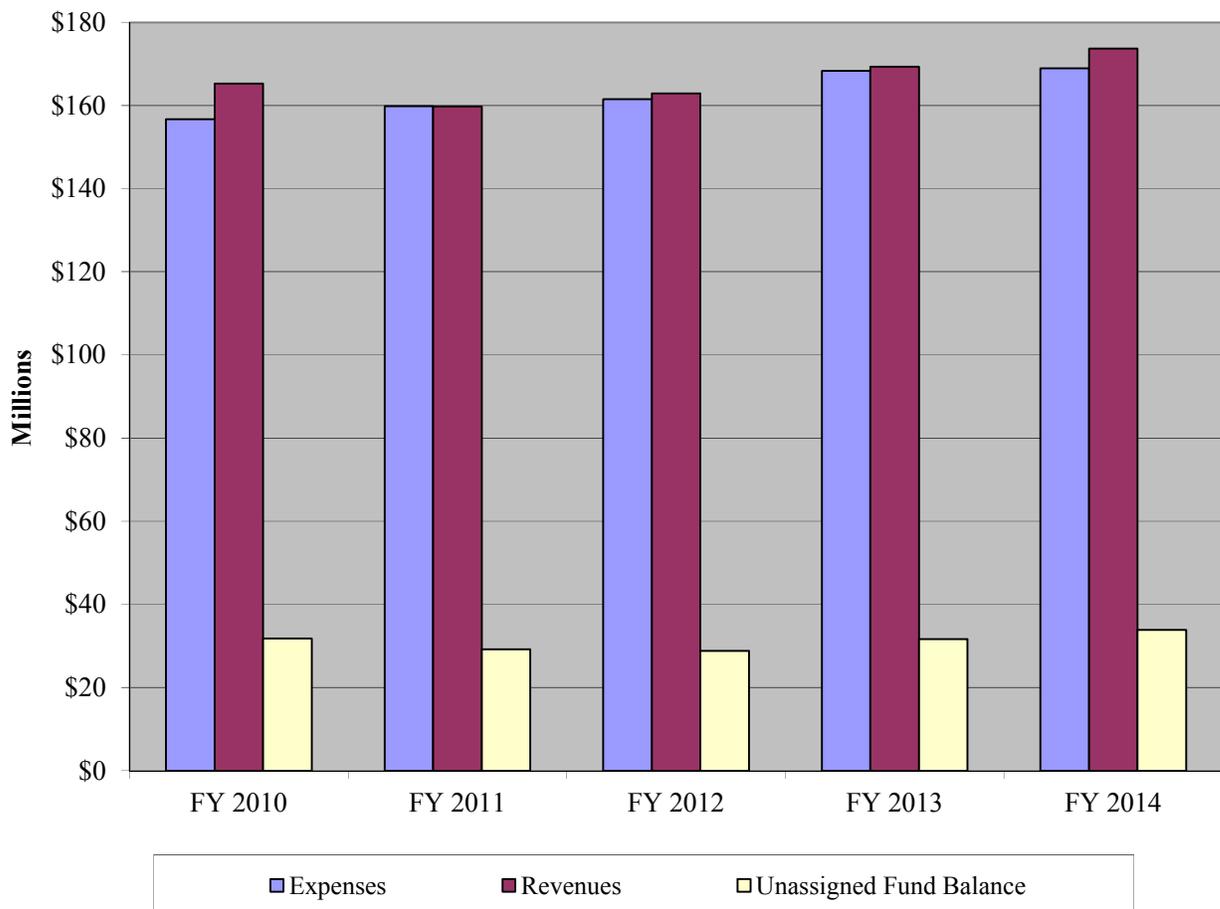
Governmental funds include the general fund, special revenue funds and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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 2014, the City's governmental funds reported combined fund balances of \$84.4 million, an increase of \$0.1 million from FY 2013. Of that amount, \$0.4 million was nonspendable, \$15.9 million was restricted, \$29.1 million was committed, \$5.1 million was assigned, and \$33.9 million was unassigned. The general fund's increase in fund balance was \$4.7 million. The city capital projects fund's decrease in fund balance was \$3.2 million. Special revenue funds increase in fund balance was \$1.8 million and school capital projects fund decrease in fund balance was \$3.1 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 21.3% of total general fund expenditures, while total fund balance represents 34.1% 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 2014 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, 2014
(in millions)

<u>Description</u>	<u>General Fund Budgetary Highlights</u>			
	Original Budget	Amended Budget	Actual	Amended versus Actual
<u>Revenues & Other Financing Sources</u>				
Taxes	\$ 120.0	\$ 120.0	\$ 125.2	\$ 5.2
Intergovernmental	33.2	34.3	34.3	-
Other	13.4	14.0	14.1	0.1
Total	166.6	168.3	173.6	5.3
<u>Expenditures & Other Financing Uses</u>				
Expenditures	165.8	171.6	158.3	13.3
Transfers	7.9	10.8	10.8	-
Total	173.7	182.4	169.1	13.3
<u>Change in Fund Balance</u>	\$ (7.1)	\$ (14.1)	\$ 4.5	\$ 18.6

Actual expenditures and other financing uses of \$169.1 million was less than revenues and other financing sources of \$173.6 million by \$4.5 million, which resulted in a positive change in fund balance that was more than the amended budget projected decrease of \$14.1 million. The FY 2014 adopted and amended budgets included the use of \$7.1 million and \$14.1 million, respectively, of the FY 2013 general fund's unassigned fund balance primarily to resource a planned \$3.8 million transfer out for general government capital projects and a \$2.2 million transfer and \$1.0 million transfer out for school capital projects, and school buses, respectively. This was in accordance with City Council's adopted Fund Balance Policy (revised 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 \$5.3 million and actual expenditures were below the amended budget by \$13.3 million, resulting in a \$4.5 million increase in fund balance for FY 2014.

Actual revenues were greater than estimated and within 3.1%, or \$5.3 million, of the amended budget. Real property, personal property, local sales, business license, meals, motor vehicle license, delinquent, consumer utility, bankstock, lodging, and other local taxes were above the amended budget for FY 2014. Intergovernmental revenue was on pace with the amended budget. The other revenue category was \$0.1 million more than the amended budget due in part to increases in regulatory licenses, permits and privilege fees, interest income, and miscellaneous revenue.

Actual expenditures and transfers were \$13.3 million less than the FY 2014 amended budget and mostly attributable to the following unexpended appropriations:

- \$1.9 million for general government
- \$0.6 million for cultural and recreational
- \$2.3 million for public safety
- \$1.2 million for health and human services
- \$0.5 million for community development
- \$0.2 million for judicial
- \$3.1 million for education
- \$3.0 million for principal retirements
- \$0.4 million for issuance costs

Consistent with Council adopted Financial Policies; City Council appropriated \$1.2 million for a General Fund Reserve for Contingencies. City Council authorized 36.6%, or \$0.4 million in expenditures. The remaining 63.4%, or \$0.8 million, reverted to unassigned fund balance.

From the original budget of \$173.7 million, City Council approved budget amendments to increase the budget 5.0%, or \$8.7 million, resulting in an amended budget of \$182.4 million. The budget amendments were primarily for the following purposes:

- \$1.0 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 2014 amendment was comprised primarily of \$1.0 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.
- \$1.2 million increase for property acquisition, engineering and construction services for Heritage High School.
- \$0.6 million increase for architectural services for Heritage High School.
- \$1.9 million increase for post closure costs of the Lynchburg landfill.
- \$0.5 million increase for School Operating appropriations to fund maintenance and security needs.
- \$0.2 million increase for GLTC capital projects.
- \$0.2 million increase for renovation of gymnasium at Old Armstrong 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 \$26.2 million decreased 10.9%, or \$3.2 million, from FY 2013.

Revenues, issuance of bonds, and transfers of \$17.1 million increased 32.6%, or \$4.2 million. The increase is attributable to the following:

- \$0.2 million decrease in Federal Highway Safety Improvement Program funds for the Wards Road pedestrian crossing
- \$0.4 million increase in contributions for the Library story time room
- \$0.3 million increase in Street and Highway maintenance funds
- \$0.4 million decrease in reimbursements from the Virginia Department of Transportation (VDOT) revenue sharing program
- \$0.1 million increase in Federal Highway Improvement Safety program funds for Memorial Avenue
- \$0.1 million increase in miscellaneous revenue
- \$1.7 million decrease in Virginia Department of Transportation funds for federal reimbursements
- \$1.1 million decrease from proceeds received from the sale of property
- \$0.1 million decrease in contributions
- \$0.2 million decrease in transfers from the general fund
- \$7.0 million increase from bond proceeds

Expenditures, capital outlay, and capital contributions of \$20.3 million increased 1.5%, or \$0.3 million primarily due to the following:

- \$4.7 million decrease in capital contributions for Miller Center Renovations
- \$0.2 million decrease for Kemper Street Slope Repairs
- \$2.2 million increase for Street Overlay
- \$1.2 million increase for Wards Road at Candler's Mountain Road Bridge
- \$0.2 million decrease for Monument Terrace Renovations
- \$0.4 million decrease for Public Elevator Walkway Bridge Repairs
- \$0.4 million increase in contributions for Public Transportation
- \$0.3 million decrease for Midtown Connector
- \$0.2 million decrease for McConville Road Culvert Replacement
- \$1.2 million increase for General Government Capital Projects
- \$1.3 million increase 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 \$37.4 million increased 2.5%, or \$0.9 million, from FY 2013. Net investment in capital assets of \$28.0 million increased 0.7%, or \$0.2 million, and was 74.9% of total net position. This is primarily due to reduction of outstanding long-term debt and decrease in debt used to finance capital projects. Unrestricted net position available to fund future expenses increased by 8.0% or \$0.7 million. Unrestricted net position was 25.1%, or \$9.4 million, of total net position. Operating revenues totaled \$13.5 million, and increased 3.8%, or \$0.5 million, primarily due to a rate-increase of 3.62% effective July 1, 2013. Operating expenses totaled \$11.2 million and increased 1.8%. Investment earnings increased \$0.02 million. For FY 2014 the fund balance ratio was 60%, which compared favorably to City Council's financial policy target of 40%. The debt coverage ratio was 1.54, which compared favorably to City Council's adopted financial policy target of 1.2.

Sewer Fund

The sewer fund's total net position of \$144.5 million increased 4.0%, or \$5.6 million, from FY 2013. Net investment in capital assets of \$133.5 million increased 4.1%, or \$5.2 million, primarily due to a reduction of outstanding long-term debt that was used to finance capital projects. Net investment in capital assets was 92.4% of total net position. Unrestricted net position available to fund future expenses increased by 3.8%, or \$0.4 million. Unrestricted net position was 7.6%, or \$11.0 million, of total net position. Operating revenues totaled \$19.8 million and increased 4.8%, or \$0.9 million. Operating expenses totaled \$16.2 million and increased 10.2%, or \$1.5 million mostly due to increased depreciation related to capital projects completed in FY 2013. Investment earnings increased \$0.01 million. For FY 2014 the fund balance ratio was 32.4% as compared to the financial policy target of 25%. The debt coverage ratio was 1.36, 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's total net position of \$3.0 million increased 57.9%, or \$1.1 million, from FY 2013. Net investment in capital assets of \$0.8 million increased 700.0%, or \$0.7 million primarily due to capital projects that were started in FY 2014 and are on-going. Net investment in capital assets was 26.7% of total net position. Unrestricted net position available to fund future expenses increased by 22.2%, or \$0.4 million, mostly attributable to increased cash and cash equivalents derived from operating income. Unrestricted net position was 73.3%, or \$2.2 million, of total net position. Operating revenues totaled \$3.8 million and decreased 5.0%, or \$0.2 million. Operating expenses totaled \$2.6 million and increased 23.8%, or \$0.5 million mostly due to increased personal services, supplies and materials to fund increasing Storm Sewer System (MS4) General Permit requirements. For FY 2014 the fund balance ratio was 33%.

Airport Fund

The airport fund's total net position of \$36.9 million increased 2.8%, or \$1.0 million, from FY 2013. Net investment in capital assets, of \$34.6 million, increased 3.9%, or \$1.3 million. Net investment in capital assets was 93.7% of total net position. Net position, unrestricted, decreased 11.5%, or \$0.3 million, due to heavy use of state entitlement funds during the year. Net position, unrestricted, was 6.3%, or \$2.3 million, of net position. Operating revenues totaled \$2.4 million, which represents a 4.4% increase from FY 2013. Operating expenses totaled \$4.3 million, which represents a 4.9% increase. Capital contributions totaled \$2.5 million, an increase of 2.5%, or \$0.1 million, which represents an increase of federal contributions towards airport capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of depreciation, were \$663.7 million as reflected in the following schedule. The City of Lynchburg owns the land, buildings, and facilities used by Lynchburg City Schools. The Schools had \$5.5 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

Capital Assets
As of June 30, 2014/2013
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2014	2013	2014	2013	2014	2013	2014 - 2013	2014	2013
Capital assets, not being depreciated:									
Land	\$ 17.3	\$ 16.8	\$ 5.1	\$ 5.0	\$ 22.4	\$ 21.8	3%	\$ -	\$ -
Construction in progress	33.6	18.5	16.5	37.1	50.1	55.6	-10%	-	-
Capital assets, being depreciated:									
Land improvements	23.2	24.6	12.4	12.4	35.6	37.0	-4%	-	-
Buildings and improvements	236.3	233.8	56.9	56.5	293.2	290.3	1%	-	-
Infrastructure	231.9	230.3	425.6	391.3	657.5	621.6	6%	-	-
Machinery and equipment	43.8	42.8	21.0	20.4	64.8	63.2	3%	12.3	10.9
Less: Accumulated depreciation	(293.6)	(277.4)	(166.3)	(154.8)	(459.9)	(432.2)	6%	(6.8)	(6.4)
Total Capital Assets	\$ 292.5	\$ 289.4	\$ 371.2	\$ 367.9	\$ 663.7	\$ 657.3	1%	\$ 5.5	\$ 4.5

During FY 2014, the City's net increase in capital assets was 1% or \$6.4 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.	\$21.6
Completion of Airport Terminal Apron and Taxiways rehabilitation financed by 90% Federal grants and 10% State grants.	2.7
Completion of Fifth St Phase II Utility - Streetscape; financed by local pay-as-you-go capital monies.	2.7
Completion of Blue Ridge Farms water and sewer improvements Phase I; financed by general obligation bonds, and local pay-as-you-go capital monies.	2.1
Completion of Modified General Aviation Apron financed by 80% State grants and 20% local pay-as-you-go capital monies.	1.2
Completion of Fifth Street improvements Phase I & II; financed by local pay-as-you-go capital monies, and Community Development Block grant funds.	1.2
Completion of Hutcherson Early Learning Center renovations; financed by local pay-as-you-go capital monies.	1.1
Completion of Sanitary Sewer Evaluation Survey; financed by local pay-as-you-go capital monies.	1.0
Purchase of land for Heritage High School; financed by general obligation bonds.	0.6
Total construction-in-progress converted to capital assets	34.2
Donation of property at 2505 Concord Turnpike from the Region 2000 Services Authority.	0.6
On-going replacement of the vehicle fleet, financed through local operating monies.	1.5
Total major asset events	\$36.3

Construction-in-progress at the end of FY 2014 includes additional CSO abatement projects, additional James River Interceptor CSO projects, Wards Road Pedestrian Improvements, Lower Bluff-Walk Phase I & II, Miller Center Renovations, City Football Stadium Restoration, and Heritage High School Construction. Water & Sewer projects include the Midtown Connector. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term Debt

Total outstanding debt was \$296.8 million with \$180.6 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$116.2 million. Liabilities for compensated absences and workers' compensation of \$7.2 million and other post-employment benefits liability of \$5.5 million were excluded.

***Long-term Debt Obligations
As of June 30, 2014/2013
(in millions)***

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change 2014-2013
	2014	2013	2014	2013	2014	2013	
General Obligation Bonds	\$ 114.5	\$ 114.2	\$ 56.1	\$ 59.9	\$ 170.6	\$ 174.1	-2%
Revenue Bonds	-	-	117.3	122.9	117.3	122.9	-5%
General Obligation Notes	-	-	7.2	5.2	7.2	5.2	38%
Note Payable	1.7	1.9	-	-	1.7	1.9	-11%
Total	\$ 116.2	\$ 116.1	\$ 180.6	\$ 188.0	\$ 296.8	\$ 304.1	-2%

Total new debt of \$12 million was issued, of which \$10 million was for governmental activities, and \$2 million was for business-type activities. It consisted of \$10 million from a general obligation public improvement bond for transportation and schools projects, and fire capital equipment; and, \$2 million from a bond anticipation note bank qualified line of credit for water capital projects.

The City retired \$19.3 million of outstanding principal, all of which was planned retirements. The governmental activities principal retirements were \$9.9 million and the business-type activities principal retirements were \$9.4 million.

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

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

On 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 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.

On July 10, 2014, the City issued \$115,190,000 of General Obligation Public Improvement and Refunding Bonds, Series 2014 dated July 10, 2014 from its competitive bond sale on June 10, 2014. New bond proceeds totaled \$101.7 million of which \$83.2 million was for governmental activities and \$18.5 million was for business-type activities. The \$83.2 million of new proceeds will be used to fund governmental activities as follows: \$62.5 million for a new Heritage High School; \$7.1 million for City Stadium renovations; \$3.6 million for a new Group Home facility; \$6.4 million for transportation; and, \$3.6 million for other general government projects. The \$18.5 million of new proceeds will be used to fund business-type activities as follows: \$5.3 million for sewer projects; \$6.6 million for water projects; and, \$6.6 million for water projects to current refund and permanently finance the line of credit bond anticipation note with Carter Bank & Trust dated November 8, 2011. Lastly, the City issued \$13.5 million to advance refund \$14.5 million of the May 9, 2006 General Obligation Public Improvement Bonds for maturities from FY 2017 to FY 2026. Of this \$13.5 million in refunding bonds, \$13.1 million was governmental activities and \$0.4 million was for business-type activities. The refunded bonds of \$14.5 million were \$14.1 million of governmental activities and \$0.4 million of business-type activities. Over the next twelve years, the advance refunding reduced total debt service payments by \$1.1 million and resulted in an economic gain of \$1.1 million.

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." The Principal Payout Ratio as of June 30, 2014 was 84.29%. 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 8.2% in June 2013 to 7.7% in June 2014. This decrease of 0.5% reflects the continued slight growth in the economy. The City's unemployment rate typically trends above the State rate, which was 5.4% in June 2014. The City's unemployment rate also typically trends below the National rate, which was 6.3% for the same period. The City's unemployment rate was actually higher than the National rate for this period due to the increasing student population in the City and the Lynchburg economy typically lags the nation in both recession and recovery.

Although still an important sector, manufacturing no longer dominates the Lynchburg economy as it did in the past. AEP, the region's electric utility provider, remains the City's largest property taxpayer with a 3.8% increase in taxable assessed value over FY 2013. Wal-Mart Real Estate Business Trust, a predominant employer in the City, also saw a 6.9% increase in taxable assessed value over FY 2013. The ten principal property taxpayers, as a whole, realized a slight increase of 0.6% in taxable assessed value when compared to FY 2013. 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, restaurants, and tourism.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, City of Lynchburg, 900 Church Street, Lynchburg, VA, 24504, or via telephone at 434-455-3968. This report, the FY 2014 Operating and Capital Budgets, and FY 2014-2018 Capital Improvement Program are on the City's web site at www.lyncburgva.gov.

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BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2014

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Lynchburg City Schools	Other	
Assets						
Cash and cash equivalents	\$ 31,841,049	\$ 17,012,361	\$ 48,853,410	\$ 11,627,985	\$ 873,920	\$ 61,355,315
Investments	52,766,352	6,475,040	59,241,392	-	-	59,241,392
Receivables, net of allowance	20,205,615	5,109,200	25,314,815	492,487	1,548,709	27,356,011
Internal balances	3,840,782	(3,840,782)	-	-	-	-
Due from other governments	5,785,367	2,034,693	7,820,060	4,199,949	1,776,601	13,796,610
Due from component units	3,834,871	-	3,834,871	-	-	3,834,871
Inventory	77,520	381,141	458,661	103,341	152,856	714,858
Prepays and other assets	8,561,606	-	8,561,606	226,767	22,530	8,810,903
Restricted assets:						
Cash and cash equivalents	6,541,398	780,894	7,322,292	-	-	7,322,292
Due from other governments	-	5,294,604	5,294,604	-	-	5,294,604
Issuance discounts	693,015	-	693,015	-	-	693,015
Capital assets, net of accumulated depreciation	292,456,453	371,164,531	663,620,984	5,462,412	25,431,541	694,514,937
Total assets	426,604,028	404,411,682	831,015,710	22,112,941	29,806,157	882,934,808
Deferred Outflows of Resources						
Deferred charge on refunding	2,512,532	1,779,406	4,291,938	-	-	4,291,938
Total deferred outflows of resources	2,512,532	1,779,406	4,291,938	-	-	4,291,938
Liabilities						
Accounts payable and other liabilities	9,494,927	2,966,849	12,461,776	797,454	1,955,061	15,214,291
Accrued payroll and related liabilities	4,463,160	296,395	4,759,555	9,840,079	-	14,599,634
Accrued interest payable	1,429,479	875,057	2,304,536	-	-	2,304,536
Due to other governments	3,214,489	111	3,214,600	-	1,202,000	4,416,600
Due to primary government	-	-	-	3,349,440	485,431	3,834,871
Unearned revenue	-	-	-	84,600	-	84,600
Deposits payable from restricted assets	1,267,020	772,461	2,039,481	-	-	2,039,481
Noncurrent liabilities:						
Due within one year	10,562,080	9,711,952	20,274,032	581,336	-	20,855,368
Due in more than one year	120,351,502	173,682,116	294,033,618	3,351,667	193,804	297,579,089
Total liabilities	150,782,657	188,304,941	339,087,598	18,004,576	3,836,296	360,928,470
Deferred Inflows of Resources						
Property taxes	8,639,304	-	8,639,304	-	-	8,639,304
Total deferred inflows of resources	8,639,304	-	8,639,304	-	-	8,639,304
Net Position						
Net investment in capital assets	183,957,611	196,909,298	380,866,909	5,462,412	25,431,541	411,760,862
Restricted for:						
Capital projects	13,041,119	-	13,041,119	-	-	13,041,119
Grants and other purposes	2,894,034	8,433	2,902,467	-	-	2,902,467
Unrestricted	69,801,835	20,968,416	90,770,251	(1,354,047)	538,320	89,954,524
Total net position	\$ 269,694,599	\$ 217,886,147	\$ 487,580,746	\$ 4,108,365	\$ 25,969,861	\$ 517,658,972

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

Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total Reporting Unit
					Governmental Activities	Business-type Activities	Total	Lynchburg City Schools	Other	
Primary government:										
Governmental activities:										
General government	\$ 13,291,661	\$ 460,961	\$ 311,959	\$ -	\$ (12,518,741)	\$ -	\$ (12,518,741)	\$ -	\$ -	\$ (12,518,741)
Judicial	6,518,627	816,341	3,888,989	-	(1,813,297)	-	(1,813,297)	-	-	(1,813,297)
Public safety	48,816,945	6,629,609	6,025,583	-	(36,161,753)	-	(36,161,753)	-	-	(36,161,753)
Public works	29,261,348	1,806,816	9,941,450	1,987,771	(15,525,311)	-	(15,525,311)	-	-	(15,525,311)
Health and human services	25,805,934	2,503,303	18,506,117	-	(4,796,514)	-	(4,796,514)	-	-	(4,796,514)
Cultural and recreational	9,001,804	684,094	231,198	420,000	(7,666,512)	-	(7,666,512)	-	-	(7,666,512)
Community development	6,730,055	2,422,730	1,127,531	-	(3,179,794)	-	(3,179,794)	-	-	(3,179,794)
Education	42,640,199	-	-	-	(42,640,199)	-	(42,640,199)	-	-	(42,640,199)
Interest payments and other fiscal charges	4,721,429	-	-	-	(4,721,429)	-	(4,721,429)	-	-	(4,721,429)
Issuance costs	204,180	-	-	-	(204,180)	-	(204,180)	-	-	(204,180)
Total governmental activities	186,992,182	15,323,854	40,032,827	2,407,771	(129,227,730)	-	(129,227,730)	-	-	(129,227,730)
Business-type activities:										
Stormwater	2,542,077	3,124,545	650,000	-	-	1,232,468	1,232,468	-	-	1,232,468
Airport	4,370,888	2,235,749	136,178	2,842,113	-	843,152	843,152	-	-	843,152
Water	12,867,800	13,478,920	13,103	-	-	624,223	624,223	-	-	624,223
Sewer	17,350,599	19,763,592	10,759	2,855,237	-	5,278,989	5,278,989	-	-	5,278,989
Total business-type activities	37,131,364	38,602,806	810,040	5,697,350	-	7,978,832	7,978,832	-	-	7,978,832
Total primary government	\$ 224,123,546	\$ 53,926,660	\$ 40,842,867	\$ 8,105,121	(129,227,730)	7,978,832	(121,248,898)	-	-	(121,248,898)
Component units:										
Lynchburg City Schools	\$ 96,201,805	\$ 2,651,014	\$ 57,149,912	\$ 970,908	-	-	-	(35,429,971)	-	(35,429,971)
Greater Lynchburg Transit Company	9,292,073	1,226,239	5,543,733	7,770,547	-	-	-	-	5,248,446	5,248,446
Business Development Centre	238,213	252,628	9,250	-	-	-	-	-	23,665	23,665
Total component units	\$ 105,732,091	\$ 4,129,881	\$ 62,702,895	\$ 8,741,455	-	-	-	(35,429,971)	5,272,111	(30,157,860)
General revenues:										
Property taxes					74,994,389	-	74,994,389	-	-	74,994,389
Local sales and use taxes					13,842,292	-	13,842,292	-	-	13,842,292
Meals taxes					12,549,321	-	12,549,321	-	-	12,549,321
Consumer utility taxes					4,738,343	-	4,738,343	-	-	4,738,343
Business license taxes					8,580,699	-	8,580,699	-	-	8,580,699
Communications sales and use taxes					3,412,734	-	3,412,734	-	-	3,412,734
Other taxes					6,638,042	-	6,638,042	-	-	6,638,042
Unrestricted intergovernmental					6,240,433	-	6,240,433	-	-	6,240,433
Interest					295,656	132,701	428,357	147	-	428,504
IRS interest subsidy- Build America Bonds					270,332	273,896	544,228	-	-	544,228
Miscellaneous					1,480,036	22,332	1,502,368	904,380	-	2,406,748
Gain on sale of assets					165,312	12,967	178,279	-	-	178,279
City appropriation					-	-	-	35,639,012	-	35,639,012
Transfers					(218,809)	218,809	-	-	-	-
Total general revenues and transfers					132,988,780	660,705	133,649,485	36,543,539	-	170,193,024
Changes in net position					3,761,050	8,639,537	12,400,587	1,113,568	5,272,111	18,786,266
Net position - beginning					265,933,549	209,246,610	475,180,159	2,994,797	20,697,750	498,872,706
Net position - ending					\$ 269,694,599	\$ 217,886,147	\$ 487,580,746	\$ 4,108,365	\$ 25,969,861	\$ 517,658,972

Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	City Capital Projects	Other Governmental	Total Governmental
Assets				
Cash and cash equivalents	\$ 20,566,317	\$ 4,457,221	\$ 5,539,714	\$ 30,563,252
Investments	28,913,585	21,793,270	-	50,706,855
Receivables, net of allowance:				
Taxes excluding penalties	13,109,639	-	-	13,109,639
Accounts	5,205,234	-	-	5,205,234
Other	931,702	400,000	161,399	1,493,101
Due from other funds	881,472	-	307,929	1,189,401
Due from other governments	3,724,455	42,679	2,018,233	5,785,367
Due from component units	3,709,871	-	125,000	3,834,871
Other assets	-	-	213	213
Restricted assets:				
Cash and cash equivalents	107,282	4,869,747	1,445,229	6,422,258
Total assets	<u>\$ 77,149,557</u>	<u>\$ 31,562,917</u>	<u>\$ 9,597,717</u>	<u>\$ 118,310,191</u>
Liabilities				
Accounts payable and other liabilities	\$ 2,236,927	\$ 2,999,004	\$ 4,130,467	\$ 9,366,398
Accrued payroll and related liabilities	4,561,789	4,154	143,373	4,709,316
Due to other funds	513,144	-	881,472	1,394,616
Due to other governments	1,868,629	1,237,355	108,505	3,214,489
Deposits payable from restricted assets	101,970	1,165,050	-	1,267,020
Total liabilities	<u>9,282,459</u>	<u>5,405,563</u>	<u>5,263,817</u>	<u>19,951,839</u>
Deferred Inflows of Resources				
Unavailable/unearned revenue	13,721,066	-	203,951	13,925,017
Total deferred inflows of resources	<u>13,721,066</u>	<u>-</u>	<u>203,951</u>	<u>13,925,017</u>
Fund Balances				
Nonspendable	-	400,000	-	400,000
Restricted		13,041,119	2,894,033	15,935,152
Committed	15,237,982	12,716,235	1,135,904	29,090,121
Assigned	5,029,549	-	100,012	5,129,561
Unassigned	33,878,501	-	-	33,878,501
Total fund balances	<u>54,146,032</u>	<u>26,157,354</u>	<u>4,129,949</u>	<u>84,433,335</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 77,149,557</u>	<u>\$ 31,562,917</u>	<u>\$ 9,597,717</u>	<u>\$ 118,310,191</u>

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014**

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

Ending fund balance - governmental funds		\$ 84,433,335
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	292,456,453	
Less: Internal service capital assets	<u>(11,127,543)</u>	
		281,328,910
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
		5,285,713
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
		1,760,000
Deferred outflow of resources used to reflect deferred losses on debt refunding bonds are not reported in the governmental funds.		
		2,469,328
Certain receivables are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
		5,180,198
Internal service fund activity that has been allocated to the user departments.		
		4,025,223
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.		
		11,776,853
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	(116,942,886)	
Accrued interest payable	(1,429,479)	
Notes payable	(1,760,000)	
Compensated absences	(4,241,199)	
Workers' compensation	(1,976,365)	
Other post-employment benefits obligation	<u>(5,030,613)</u>	
	(131,380,542)	
Add back: Internal Service bonds payable	4,679,123	
Add back: Internal Service accrued interest payable	49,588	
Add back: Internal Service compensated absences	44,362	
Add back: Internal Service other post-employment benefits obligation	<u>42,508</u>	
		<u>(126,564,961)</u>
Net position of governmental activities		<u>\$ 269,694,599</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>City Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Revenues				
Taxes	\$ 125,237,029	\$ -	\$ -	\$ 125,237,029
Regulatory licenses, permits and privilege fees	1,068,270	-	-	1,068,270
Intergovernmental	34,333,156	4,690,513	9,302,556	48,326,225
Fines and forfeitures	634,485	-	-	634,485
Revenue from use of money and property	640,544	28,783	32,773	702,100
Charges for services	10,555,494	-	5,360,811	15,916,305
Miscellaneous	1,150,545	657,530	708,841	2,516,916
Total revenues	<u>173,619,523</u>	<u>5,376,826</u>	<u>15,404,981</u>	<u>194,401,330</u>
Expenditures				
Current operating expenditures:				
General government	14,507,532	-	3,975	14,511,507
Judicial	4,655,974	-	1,112,888	5,768,862
Public safety	42,455,002	-	4,554,580	47,009,582
Public works	16,403,344	6,161,935	32,236	22,597,515
Health and human services	19,184,011	-	6,144,747	25,328,758
Cultural and recreational	7,479,777	138,205	-	7,617,982
Community development	4,283,676	910,170	1,325,482	6,519,328
Education	35,709,226	-	1,296,546	37,005,772
Capital outlay:				
Capital general government	-	13,085,125	7,968,604	21,053,729
Debt service:				
Principal retirements	9,359,924	-	329,299	9,689,223
Interest payments and other fiscal charges	4,544,745	-	138,430	4,683,175
Issuance costs	204,180	-	-	204,180
Total expenditures	<u>158,787,391</u>	<u>20,295,435</u>	<u>22,906,787</u>	<u>201,989,613</u>
Excess (deficiency) of revenues over expenditures	<u>14,832,132</u>	<u>(14,918,609)</u>	<u>(7,501,806)</u>	<u>(7,588,283)</u>
Other financing sources (uses)				
Issuance of bonds	57,468	7,005,957	937,213	8,000,638
Transfers in	4,761	4,706,960	5,267,042	9,978,763
Transfers out	(10,162,474)	(56,938)	(11,466)	(10,230,878)
Total other financing sources (uses)	<u>(10,100,245)</u>	<u>11,655,979</u>	<u>6,192,789</u>	<u>7,748,523</u>
Net changes in fund balances	4,731,887	(3,262,630)	(1,309,017)	160,240
Fund balances - beginning	<u>49,414,145</u>	<u>29,419,984</u>	<u>5,438,966</u>	<u>84,273,095</u>
Fund balances - ending	<u>\$ 54,146,032</u>	<u>\$ 26,157,354</u>	<u>\$ 4,129,949</u>	<u>\$ 84,433,335</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2014**

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

Net change in fund balances - total governmental funds	\$ 160,240
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the detail of the two components.</p>	
Capital outlay	22,122,653
Depreciation expense	(16,641,457)
<p>The net effect of various transactions involving capital assets (donations and loss on disposition of assets) do not provide or use current financial resources and are not reported as revenues or expenditures in the governmental funds.</p>	
	(1,334,861)
<p>Contributions that consumed current financial resources in the capital projects fund resulted in a long-term receivable for the rights to the future improvement of City-owned facilities under a tax credit arrangement.</p>	
	115,391
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(657,790)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.</p>	
	1,595,265
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
	(1,651,738)
<p>To eliminate transfers to the internal service fund</p>	
	33,306
<p>The net loss of certain activities of the internal service fund is reported with governmental activities.</p>	
	<u>20,041</u>
Change in net position of governmental activities.	<u>\$ 3,761,050</u>

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 120,047,571	\$ 120,047,571	\$ 125,237,029	\$ 5,189,458
Regulatory licenses, permits and privilege fees	783,900	783,900	1,068,270	284,370
Intergovernmental	33,224,368	34,298,918	34,333,156	34,238
Fines and forfeitures	591,000	591,000	634,485	43,485
Revenue from use of money and property	516,826	516,826	634,614	117,788
Charges for services	11,039,509	11,039,509	10,555,494	(484,015)
Miscellaneous	471,519	471,519	1,134,042	662,523
Total revenues	<u>166,674,693</u>	<u>167,749,243</u>	<u>173,597,090</u>	<u>5,847,847</u>
Expenditures				
Current operating expenditures:				
General government	19,072,040	15,961,790	14,012,926	1,948,864
Judicial	4,648,864	4,823,577	4,655,974	167,603
Public safety	42,773,354	44,773,285	42,455,002	2,318,283
Public works	13,059,097	16,452,800	16,403,344	49,456
Health and human services	18,939,254	20,401,895	19,184,011	1,217,884
Cultural and recreational	7,665,881	8,092,192	7,479,777	612,415
Community development	4,490,344	4,762,708	4,283,676	479,032
Education	38,271,750	38,779,237	35,709,226	3,070,011
Debt service:				
Principal retirements	12,404,592	12,404,592	9,359,924	3,044,668
Interest payments and other fiscal charges	4,454,634	4,590,995	4,544,745	46,250
Issuance costs	-	626,308	204,180	422,128
Total expenditures	<u>165,779,810</u>	<u>171,669,379</u>	<u>158,292,785</u>	<u>13,376,594</u>
Excess (deficiency) of revenues over expenditures	<u>894,883</u>	<u>(3,920,136)</u>	<u>15,304,305</u>	<u>19,224,441</u>
Other financing sources (uses)				
Issuance of bonds	-	626,308	57,468	(568,840)
Transfers in	-	4,761	4,761	-
Transfers out	(7,986,824)	(10,819,926)	(10,821,292)	(1,366)
Total other financing sources (uses)	<u>(7,986,824)</u>	<u>(10,188,857)</u>	<u>(10,759,063)</u>	<u>(570,206)</u>
Net changes in fund balances	<u>(7,091,941)</u>	<u>(14,108,993)</u>	<u>4,545,242</u>	<u>18,654,235</u>
Fund balances - beginning	<u>46,747,503</u>	<u>46,747,503</u>	<u>46,747,503</u>	<u>-</u>
Fund balances - ending	<u>\$ 39,655,562</u>	<u>\$ 32,638,510</u>	<u>\$ 51,292,745</u>	<u>\$ 18,654,235</u>

**Statement of Net Position
Proprietary Funds
June 30, 2014**

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Assets						
Current assets:						
Cash and cash equivalents	\$ 4,480,998	\$ 7,951,443	\$ 2,012,843	\$ 2,567,077	\$ 17,012,361	\$ 1,277,797
Investments	4,791,585	1,683,455	-	-	6,475,040	2,059,497
Receivables, net of allowance:						
Accounts	1,619,024	2,806,126	447,012	28,950	4,901,112	-
Other	15,761	139,647	-	52,680	208,088	58,750
Due from other funds	98,644	66,358	6,514	12,925	184,441	20,774
Due from other governments	7,679	93,447	-	1,039,216	1,140,342	-
Inventory	381,141	-	-	-	381,141	77,520
Prepays and other assets	-	-	-	-	-	1,960,086
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	531,884	-	-	531,884	-
Total current assets	<u>11,394,832</u>	<u>13,272,360</u>	<u>2,466,369</u>	<u>3,700,848</u>	<u>30,834,409</u>	<u>5,454,424</u>
Noncurrent assets:						
Due from other governments	-	894,351	-	-	894,351	-
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	4,762,720	-	-	4,762,720	-
Cash and cash equivalents	772,461	-	-	8,433	780,894	119,140
Capital assets, net of accumulated depreciation:	<u>68,922,859</u>	<u>266,011,599</u>	<u>771,687</u>	<u>35,458,386</u>	<u>371,164,531</u>	<u>11,127,543</u>
Total noncurrent assets	<u>69,695,320</u>	<u>271,668,670</u>	<u>771,687</u>	<u>35,466,819</u>	<u>377,602,496</u>	<u>11,246,683</u>
Total assets	<u>81,090,152</u>	<u>284,941,030</u>	<u>3,238,056</u>	<u>39,167,667</u>	<u>408,436,905</u>	<u>16,701,107</u>
Deferred Outflows of Resources						
Deferred charge on refunding	834,305	922,558	-	22,543	1,779,406	43,204
Total deferred outflows of resources	<u>834,305</u>	<u>922,558</u>	<u>-</u>	<u>22,543</u>	<u>1,779,406</u>	<u>43,204</u>
Liabilities						
Current liabilities:						
Accounts payable and other liabilities	553,939	987,521	249,618	1,175,771	2,966,849	128,529
Accrued payroll and related liabilities	196,161	124,154	17,003	40,201	377,519	28,671
Accrued interest payable	599,019	263,427	-	12,611	875,057	49,588
Due to other governments	111	-	-	-	111	-
Current portion of general obligation bonds	1,693,803	1,757,561	-	145,321	3,596,685	317,356
Current portion of public utility revenue bonds	-	6,034,143	-	-	6,034,143	-
Total current liabilities	<u>3,043,033</u>	<u>9,166,806</u>	<u>266,621</u>	<u>1,373,904</u>	<u>13,850,364</u>	<u>524,144</u>
Noncurrent liabilities:						
Deposits payable from restricted assets	772,461	-	-	-	772,461	-
Self insurance claims	118,793	32,205	-	2,236	153,234	-
Compensated absences	235,910	143,071	12,698	49,991	441,670	39,039
Other post-employment benefits obligation	240,120	146,444	3,164	104,718	494,446	42,508
Notes payable	7,158,894	-	-	-	7,158,894	-
General obligation bonds	32,894,397	20,598,897	-	704,472	54,197,766	4,361,767
Public utility revenue bonds	-	111,236,106	-	-	111,236,106	-
Total noncurrent liabilities	<u>41,420,575</u>	<u>132,156,723</u>	<u>15,862</u>	<u>861,417</u>	<u>174,454,577</u>	<u>4,443,314</u>
Total liabilities	<u>44,463,608</u>	<u>141,323,529</u>	<u>282,483</u>	<u>2,235,321</u>	<u>188,304,941</u>	<u>4,967,458</u>
Net Position						
Net investment in capital assets	28,010,070	133,496,405	771,687	34,631,136	196,909,298	6,610,764
Restricted for:						
Grants and other purposes	-	-	-	8,433	8,433	-
Unrestricted	9,450,779	11,043,654	2,183,886	2,315,320	24,993,639	5,166,089
Total net position	<u>\$ 37,460,849</u>	<u>\$ 144,540,059</u>	<u>\$ 2,955,573</u>	<u>\$ 36,954,889</u>	<u>221,911,370</u>	<u>\$ 11,776,853</u>
Reconciliation with business-type activities in the Statement of Net Position:						
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					(4,025,223)	
Total net position of business-type activities					<u>\$ 217,886,147</u>	

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014**

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Operating revenues						
Charges for services and other operating revenues	\$ 13,478,920	\$ 19,763,592	\$ 3,124,545	\$ 2,235,749	\$ 38,602,806	\$ 5,462,717
Intergovernmental	-	-	650,000	136,178	786,178	-
Total operating revenues	<u>13,478,920</u>	<u>19,763,592</u>	<u>3,774,545</u>	<u>2,371,927</u>	<u>39,388,984</u>	<u>5,462,717</u>
Operating expenses						
Personal services and benefits	4,345,690	2,871,425	414,356	970,660	8,602,131	700,841
Operation and maintenance	1,453,789	2,742,797	719,470	1,160,643	6,076,699	2,335,591
Supplies and materials	1,218,645	1,158,838	113,528	133,670	2,624,681	41,459
Administration	1,308,718	2,282,628	1,340,126	233,277	5,164,749	999
Other charges	60,118	44,651	8,233	16,800	129,802	18,907
Depreciation	2,757,951	7,049,861	4,465	1,820,883	11,633,160	2,381,551
Total operating expenses	<u>11,144,911</u>	<u>16,150,200</u>	<u>2,600,178</u>	<u>4,335,933</u>	<u>34,231,222</u>	<u>5,479,348</u>
Operating income (loss)	<u>2,334,009</u>	<u>3,613,392</u>	<u>1,174,367</u>	<u>(1,964,006)</u>	<u>5,157,762</u>	<u>(16,631)</u>
Nonoperating revenues (expenses)						
Interest income	21,508	108,729	-	2,464	132,701	2,881
Governmental grants	13,103	10,759	-	-	23,862	-
Miscellaneous	2,122	11,170	-	9,040	22,332	22,805
Gain on disposition of assets	7,314	5,653	-	-	12,967	162,006
Interest on long-term debt	(1,708,765)	(1,148,525)	-	(39,411)	(2,896,701)	(154,461)
IRS interest subsidy- Build America Bonds	231,596	42,300	-	-	273,896	-
Total nonoperating revenues (expenses)	<u>(1,433,122)</u>	<u>(969,914)</u>	<u>-</u>	<u>(27,907)</u>	<u>(2,430,943)</u>	<u>33,231</u>
Income (loss) before contributions and transfers	900,887	2,643,478	1,174,367	(1,991,913)	2,726,819	16,600
Capital contributions	-	2,855,237	-	2,512,162	5,367,399	-
Passenger facility charges	-	-	-	329,951	329,951	-
Transfers in	-	126,734	-	218,809	345,543	33,306
Transfers out	-	-	(126,734)	-	(126,734)	-
Change in net position	900,887	5,625,449	1,047,633	1,069,009	8,642,978	49,906
Total net position - beginning	<u>36,559,962</u>	<u>138,914,610</u>	<u>1,907,940</u>	<u>35,885,880</u>	<u>213,268,392</u>	<u>11,726,947</u>
Total net position - ending	<u>\$ 37,460,849</u>	<u>\$ 144,540,059</u>	<u>\$ 2,955,573</u>	<u>\$ 36,954,889</u>	<u>\$ 221,911,370</u>	<u>\$ 11,776,853</u>
Reconciliation with business-type activities in the Statement of Activities:						
Change in net position - enterprise funds reported in this statement					\$ 8,642,978	
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					(3,441)	
Change in net assets of business-type activities:					<u>\$ 8,639,537</u>	

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014**

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Operating activities						
Cash received from operations	\$ 13,527,990	\$ 19,553,263	\$ 3,781,717	\$ 2,389,556	\$ 39,252,526	\$ 5,462,717
Cash paid to employees	(4,278,755)	(2,851,279)	(404,820)	(946,078)	(8,480,932)	(701,507)
Cash paid to suppliers	(3,907,644)	(6,104,891)	(2,193,928)	(1,566,887)	(13,773,350)	(2,417,940)
Net cash provided by (used in) operating activities	<u>5,341,591</u>	<u>10,597,093</u>	<u>1,182,969</u>	<u>(123,409)</u>	<u>16,998,244</u>	<u>2,343,270</u>
Noncapital financing activities						
Transfers in	-	126,734	-	218,809	345,543	33,306
Transfers out	-	-	(126,734)	-	(126,734)	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>126,734</u>	<u>(126,734)</u>	<u>218,809</u>	<u>218,809</u>	<u>33,306</u>
Capital and related financing activities						
Proceeds from issuance of long-term debt:						
General obligation bonds	-	-	-	-	-	1,999,362
Notes payable	1,965,029	-	-	-	1,965,029	-
Payment of long-term debt:						
General obligation bonds	(1,755,694)	(1,860,166)	-	(164,651)	(3,780,511)	(180,156)
Revenue bonds	-	(5,597,966)	-	-	(5,597,966)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	8,470,494	-	-	8,470,494	-
Payment of interest on long-term debt	(1,849,984)	(1,162,198)	-	(41,214)	(3,053,396)	(154,975)
Capital contributions received	-	826,947	-	1,645,009	2,471,956	-
Passenger facility charges collected	-	-	-	329,951	329,951	-
Proceeds from sale of capital assets	7,314	5,653	-	-	12,967	222,391
Additions to capital assets	(3,292,585)	(11,425,399)	(463,005)	(2,151,503)	(17,332,492)	(3,357,358)
Proceeds from other governments	77,824	625,332	-	9,040	712,196	20,601
Payments to other organizations	(12,968)	(13,852)	-	-	(26,820)	-
Net cash used in capital and related financing activities	<u>(4,861,064)</u>	<u>(10,131,155)</u>	<u>(463,005)</u>	<u>(373,368)</u>	<u>(15,828,592)</u>	<u>(1,450,135)</u>
Investing activities						
Net sales (purchase) of investments	718,173	1,213,782	-	-	1,931,955	(752,422)
Interest income received	253,104	151,029	-	2,464	406,597	2,881
Net cash provided by (used in) investing activities	<u>971,277</u>	<u>1,364,811</u>	<u>-</u>	<u>2,464</u>	<u>2,338,552</u>	<u>(749,541)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,451,804</u>	<u>1,957,483</u>	<u>593,230</u>	<u>(275,504)</u>	<u>3,727,013</u>	<u>176,900</u>
Cash and cash equivalents						
Beginning	3,801,655	5,993,960	1,419,613	2,851,014	14,066,242	1,220,037
Ending	<u>\$ 5,253,459</u>	<u>\$ 7,951,443</u>	<u>\$ 2,012,843</u>	<u>\$ 2,575,510</u>	<u>\$ 17,793,255</u>	<u>\$ 1,396,937</u>
Reconciliation to Statement of Net Position						
Current Assets	\$ 4,480,998	\$ 7,951,443	\$ 2,012,843	\$ 2,567,077	\$ 17,012,361	\$ 1,277,797
Restricted Assets	772,461	-	-	8,433	780,894	119,140
	<u>\$ 5,253,459</u>	<u>\$ 7,951,443</u>	<u>\$ 2,012,843</u>	<u>\$ 2,575,510</u>	<u>\$ 17,793,255</u>	<u>\$ 1,396,937</u>

(Continued)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 2,334,009	\$ 3,613,392	\$ 1,174,367	\$ (1,964,006)	\$ 5,157,762	\$ (16,631)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	2,757,951	7,049,861	4,465	1,820,883	11,633,160	2,381,551
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	(96,066)	(210,329)	7,172	17,629	(281,594)	-
Decrease (increase) in due from other funds	(44,885)	(24,546)	25,789	(1,440)	(45,082)	(10,187)
Decrease in inventory	10,554	-	-	-	10,554	9,582
Increase (decrease) in accounts payable	123,072	124,023	(8,561)	(21,057)	217,477	(30,566)
Increase in accrued expenses	111,820	44,692	11,737	24,582	192,831	9,521
Decrease in due to other governments	-	-	(32,000)	-	(32,000)	-
Increase in deposits payable	145,136	-	-	-	145,136	-
Net cash provided by (used in) operating activities	<u>\$ 5,341,591</u>	<u>\$ 10,597,093</u>	<u>\$ 1,182,969</u>	<u>\$ (123,409)</u>	<u>\$ 16,998,244</u>	<u>\$ 2,343,270</u>
Supplemental cash flow information						
Non-cash transactions						
Capitalized interest	\$ 132,889	\$ -	\$ -	\$ -	\$ 132,889	\$ -
Capital asset additions financed by retainage payable	\$ 76,652	\$ 268,893	\$ -	\$ 267,007	\$ 612,552	\$ -
Capital asset additions financed by accounts payable	\$ 235,667	\$ 378,194	\$ 234,865	\$ 861,202	\$ 1,709,928	\$ 28,150
Undrawn public utility revenue bond proceeds	\$ -	\$ 894,351	\$ -	\$ -	\$ 894,351	\$ -
Amortization of debt related items	\$ 3,650	\$ 4,835	\$ -	\$ 105	\$ 8,590	\$ (1,727)
Capital contributions financed by due from other governments	\$ -	\$ 2,028,290	\$ -	\$ -	\$ 2,028,290	\$ -

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2014

	<u>Special Welfare</u>
Assets	
Cash and cash equivalents	\$ 112,266
Total assets	<u>\$ 112,266</u>
Liabilities	
Accounts payable	\$ 1,467
Amounts held for others	<u>110,799</u>
Total liabilities	<u>\$ 112,266</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

Lynchburg City Schools: The Lynchburg City Schools (the “Schools”) operates one pre-school, eleven elementary schools, three middle schools, and two high schools in the City. The Schools are fiscally dependent on the City and are prohibited from issuing bonded debt without approval of City Council.

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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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 FY2014, the City paid \$5,325,696 to the Authority.

Horizon Behavioral Health (formerly Central Virginia Community Services Board): The City, in conjunction with the counties of Amherst, Appomattox, Bedford, and Campbell participate in Horizon Behavioral Health, the governing Board of which is composed of two members from each of the participating localities. The City appropriated \$444,003 for an operating contribution in FY2014.

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 FY2014, the Regional Commission 2000 received \$1,293,326 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 FY2014, the City paid \$884,031 to the Authority.

Region 2000 Radio Communications Board: During 2012, the Central Virginia Regional Radio Communications Board was dissolved and replaced by the Region 2000 Radio Communications Board (the "Board"). Since the current regional radio system was in need of significant upgrade and replacement before July 1, 2014, the Board was formed in order to manage the project operations and maintenance, including the issuance of debt to finance the upgrades and replacements in an efficient and cost effective manner. The Board consists of representatives from Amherst County, Bedford County, the Town of Bedford, the City of Lynchburg, collectively the "Member Jurisdictions" and Virginia's Region 2000 Local Government Council ("Council"). The Member Jurisdictions and the Council entered into a Cooperative Agreement which requires each Member Jurisdiction to contribute their pro rata share for annual capital costs, operational costs, and any annual deficit. The City's pro rata share was 33.1% effective through July 1, 2013. In accordance with the Cooperative Agreement, the City transferred the title to all 1996 assets to the Council. The resulting intangible asset that represented the City's portion of the 1996 assets has been fully amortized as of June 30, 2014. 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 FY2014, the City paid \$817,514 to the Board. The City's scheduled capital cost payment for FY15 is \$688,369.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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 FY2014, the City appropriated \$146,202 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 FY2014, the City paid \$250,000 to the Economic Development Authority.

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

B. Basis of Presentation

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

Governmental Fund Types:

The City reports the following major governmental funds:

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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. The City's agency fund is the Special Welfare Fund.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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.

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.
- 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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

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

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

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ 4,545,242
Add: Net change in fund balance for Technology Fund	<u>186,645</u>
Net change in fund balance (GAAP basis)	<u>\$ 4,731,887</u>

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

Cash and Cash Equivalents

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

Investments

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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	\$	2,819,298
General Fund, ambulance receivables	\$	2,402,947
Enterprise Funds	\$	300,294

- **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. School buildings and other facilities are capital assets for the City government and not for the component unit.

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

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

Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized. The City follows the policy of capitalizing, during the period of construction, the net interest costs on funds borrowed to finance the construction of enterprise funds' capital assets. During FY2014, the enterprise funds incurred interest costs of \$3,029,589 of which \$132,888 was capitalized.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Capital Assets (Continued)**

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

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

- **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category, which 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 net position and certain governmental funds balance sheets report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has 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. At the government-wide level, the City reports deferred inflows for unearned property taxes which are billed and/or collected but are intended to fund future years. The 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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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

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

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaids or they are legally or contractually required to be maintained intact.
- Restricted fund balance includes amounts that have constraints placed on their use by external sources such as creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority - City Council. 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, the Director of Finance, in accordance with the Council adopted fund balance policy.
- Unassigned fund balance is the positive fund balance within the General fund which has not been classified as Restricted, Committed, or Assigned and negative fund balances in other governmental funds.

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

F. Estimates

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 2. Cash and Investments

Deposits:

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

Investments:

Investment Policy:

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

Credit Risk:

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

As of June 30, 51% 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 “A1” rated Commercial Paper; 3% was invested in “A2” rated Commercial Paper; 2% was invested in “Aa3” rated Commercial Paper; and 34% was invested in an “AAAm” rated LGIP fund. The “Aaa” rated portion of the total portfolio included 10% of obligations guaranteed by the U. S. Government; 34% 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 Moody’s or Standard & Poor’s as necessary.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Concentration of Credit Risk:

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

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

<u>Investment Type</u>	<u>% of Portfolio</u>
Municipal Bonds	16%
Federal Home Loan Mortgage Corporation	17%
Federal Home Loan Bank	8%
Federal Farm Credit Bank	5%
Commercial Paper	6%

Interest Rate Risk:

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity*</u>
Money Market Funds – LGIP	\$ 29,990,819	-
U.S. Treasury Notes	8,613,181	267
Federal Home Loan Mortgage Corporation	14,877,949	97
Federal National Mortgage Association	4,006,102	186
Federal Farm Credit Bank	4,204,409	245
Federal Home Loan Bank	7,527,683	189
Commercial Paper	5,299,704	50
Municipal Bonds	14,712,362	835
	<u>\$ 89,232,209</u>	
Total investments		
Portfolio weighted average maturity		218

* Weighted average maturity in days.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Custodial Credit Risk:

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

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

The above items are reflected in the statements as follows:

	<u>Primary Government</u>	<u>School Board Component Unit</u>
Deposits and investments:		
Cash on hand	\$ 17,200	\$ 800
Deposits	32,779,951	5,127,185
Funds held in trust by others	-	190,894
Investments	82,732,209	6,500,000
	<u>\$ 115,529,360</u>	<u>\$ 11,818,879</u>
Statement of net position:		
Cash and cash equivalents	\$ 48,853,410	\$ 11,627,985
Investments	59,241,392	-
Restricted cash and cash equivalents	7,322,292	-
Fiduciary fund cash and cash equivalents	112,266	190,894
	<u>\$ 115,529,360</u>	<u>\$ 11,818,879</u>

Note 3. Property Taxes

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

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 4. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2014 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 881,472	\$ 513,144
Non-major Special Revenue Funds:		
City Federal/State Aid	272,719	599,130
Comprehensive Services Act	754	35,343
Home Investment Trust	-	84,704
Lynchburg Regional Juvenile Detention Center	34,456	162,295
Major Proprietary Funds:		
Airport	12,925	-
Sewer	66,358	-
Water	98,644	-
Stormwater	6,514	-
Internal Service	20,774	-
	<u>\$ 1,394,616</u>	<u>\$ 1,394,616</u>

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:

	<u>To</u>	<u>From</u>
Major Fund:		
General	\$ 4,761	\$ 10,162,474
Non-major Special Revenue Funds:		
City Federal/State Aid	233,146	11,466
Lynchburg Regional Juvenile Detention Center	6,705	-
Major Fund – Capital Projects:		
City Capital Projects	4,706,960	56,938
Non-major Fund – Capital Projects:		
School Capital Projects	5,027,191	-
Major Proprietary Funds:		
Sewer	126,734	-
Stormwater	-	126,734
Airport	218,809	-
Internal Services	33,306	-
	<u>\$ 10,357,612</u>	<u>\$ 10,357,612</u>

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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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

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

	Due From Component Units	Due To Primary Government
Primary Government:		
Major Fund:		
General Fund	\$ 3,709,871	\$ -
Non-major Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
	<u>\$ 3,834,871</u>	<u>\$ -</u>
Component Units:		
Lynchburg City Schools	\$ -	\$ 3,349,440
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	-	360,431
	<u>\$ -</u>	<u>\$ 3,834,871</u>

Note 6. Due From Other Governments

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

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 5,785,367	\$ 1,140,342	\$ 4,199,949	\$ 1,776,601
Virginia Revolving Loan	-	894,351	-	-
Members of Regional Sewage Treatment Plant	-	5,294,604	-	-
	<u>\$ 5,785,367</u>	<u>\$ 7,329,297</u>	<u>\$ 4,199,949</u>	<u>\$ 1,776,601</u>

Due from members of the Regional Sewage Treatment Plant:

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

Amount receivable within 1 year	\$ 531,884
Amount receivable 2 to 5 years	1,996,615
Amount receivable beyond 5 years	<u>2,766,105</u>
	<u>\$ 5,294,604</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 7. Receivables

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

	<u>Taxes</u>	<u>Accounts</u>	<u>Other</u>	<u>Total</u>
Major funds:				
General	\$ 13,109,639	\$ 5,205,234	\$ 931,702	\$ 19,246,575
City Capital Projects	-	-	400,000	400,000
Water	-	1,619,024	15,761	1,634,785
Sewer	-	2,806,126	139,647	2,945,773
Stormwater	-	447,012	-	447,012
Airport	-	28,950	52,680	81,630
Internal Service	-	-	58,750	58,750
Non-major Governmental Funds	-	-	161,399	161,399
	<u>\$ 13,109,639</u>	<u>\$ 10,106,346</u>	<u>\$ 1,759,939</u>	<u>\$ 24,975,924</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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
<u>Capital assets, not being depreciated:</u>				
Land	\$ 16,759,066 *	\$ 815,853	\$ (320,045)	\$ 17,254,874
Construction in progress	18,499,374	20,972,674	(5,918,331)	33,553,717
Total capital assets, not being depreciated	35,258,440	21,788,527	(6,238,376)	50,808,591
<u>Capital assets, being depreciated:</u>				
Land improvements	24,681,974 *	158,001	(1,607,278)	23,232,697
Accumulated depreciation	(9,923,766)	(1,387,103)	1,113,842	(10,197,027)
Net land improvements	14,758,208	(1,229,102)	(493,436)	13,035,670
Buildings and improvements	233,771,012	3,609,392	(1,089,251)	236,291,153
Accumulated depreciation	(117,471,931)	(6,948,907)	589,699	(123,831,139)
Net buildings and improvements	116,299,081	(3,339,515)	(499,552)	112,460,014
Infrastructure	230,255,326	1,633,413	-	231,888,739
Accumulated depreciation	(123,449,747)	(6,896,234)	-	(130,345,981)
Net infrastructure	106,805,579	(5,262,821)	-	101,542,758
Machinery and equipment	42,798,657	2,230,350	(1,181,895)	43,847,112
Accumulated depreciation	(26,546,610)	(3,790,764)	1,099,682	(29,237,692)
Net machinery and equipment	16,252,047	(1,560,414)	(82,213)	14,609,420
Total capital assets being depreciated	531,506,969	7,631,156	(3,878,424)	535,259,701
Less: accumulated depreciation	(277,392,054)	(19,023,008)	2,803,223	(293,611,839)
Total capital assets, being depreciated	254,114,915	(11,391,852)	(1,075,201)	241,647,862
Capital assets, net	\$ 289,373,355	\$ 10,396,675	\$ (7,313,577)	\$ 292,456,453

There are no assets included above financed by capital leases as of June 30, 2014.

*The beginning balance on Land & Land Improvements has been adjusted to properly classify the balances.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 646,360
Education	5,029,053
Judicial	737,005
Health and human services	311,061
Public safety	2,161,313
Public works	8,366,208
Community development	165,720
Cultural and recreational	1,235,615
	<hr/>
Total governmental activities	18,652,335
	<hr/>
Business-type activities:	
Water	110,360
Sewer	241,730
Airport	18,583
	<hr/>
Total business-type activities	370,673
	<hr/>
Total depreciation	\$ 19,023,008

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 \$370,673 of business-type depreciation reflected above is the allocation of this depreciation and is not reflected on the business-type activities asset information reported below.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

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

<u>Business-type Activities</u>	<u>Beginning Balances</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balances</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 4,979,114 *	\$ 82,357	\$ -	\$ 5,061,471
Construction in progress	30,686,720	14,363,815	(35,080,048)	9,970,487
Total capital assets, not being depreciated	35,665,834	14,446,172	(35,080,048)	15,031,958
<u>Capital assets, being depreciated:</u>				
Land improvements	12,419,621 *	-	-	12,419,621
Accumulated depreciation	(11,757,572)	(75,777)	-	(11,833,349)
Net land improvements	662,049	(75,777)	-	586,272
Buildings and improvements	56,541,545	375,719	-	56,917,264
Accumulated depreciation	(23,656,887)	(1,830,127)	-	(25,487,014)
Net buildings and improvements	32,884,658	(1,454,408)	-	31,430,250
Infrastructure	391,284,481	34,359,924	(7,426)	425,636,979
Accumulated depreciation	(109,829,132)	(8,654,559)	7,426	(118,476,265)
Net infrastructure	281,455,349	25,705,365	-	307,160,714
Machinery and equipment	20,449,914	614,650	(30,441)	21,034,123
Accumulated depreciation	(7,755,492)	(945,476)	30,441	(8,670,527)
Net machinery and equipment	12,694,422	(330,826)	-	12,363,596
Capitalized interest	6,361,060	132,888	-	6,493,948
Accumulated depreciation	(1,774,986)	(127,221)	-	(1,902,207)
Net capitalized interest	4,586,074	5,667	-	4,591,741
Total capital assets being depreciated	487,056,621	35,483,181	(37,867)	522,501,935
Less: accumulated depreciation	(154,774,069)	(11,633,160)	37,867	(166,369,362)
Total capital assets, being depreciated	332,282,552	23,850,021	-	356,132,573
Capital assets, net	\$ 367,948,386	\$ 38,296,193	\$ (35,080,048)	\$ 371,164,531

*The beginning balance on Land & Land Improvements has been adjusted to properly classify the balances.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 8. Capital Assets (Continued)

Component Units:

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

Lynchburg City Schools	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
<u>Capital assets, being depreciated:</u>				
Equipment	\$ 9,821,185	\$ 1,711,119	\$ 407,966	\$ 11,124,338
Accumulated depreciation	(5,781,448)	(753,428)	(407,966)	(6,126,910)
Net equipment	4,039,737	957,691		4,997,428
Equipment – cafeteria	1,036,188	126,728	-	1,162,916
Accumulated depreciation	(624,707)	(73,225)	-	(697,932)
Net equipment – cafeteria	411,481	53,503	-	464,984
Total capital assets being depreciated	10,857,373	1,837,847	407,966	12,287,254
Less: accumulated depreciation	(6,406,155)	(826,653)	(407,966)	(6,824,842)
Capital assets, net	\$ 4,451,218	\$ 1,011,194	\$ -	\$ 5,462,412

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

Land, buildings, and improvements	\$ 12,547,946
Construction in progress	2,245,902
Machinery and equipment	23,742,152
	38,536,000
Less accumulated depreciation	13,104,459
	\$ 25,431,541

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 9. Long-Term Liabilities

General Obligation Debt:

As of June 30, 2014	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Primary Government			Total
					Public Improvements	School Facilities	Proprietary Funds	
Bond Anticipation Note								
Public Improvement- Line of Credit for Five Years	2.0 fixed	11/08/2011	2016	\$ 10,000,000	\$ -	\$ -	\$ 7,158,894	\$ 7,158,894
Serial Bonds								
VA Resources Authority	0.00	03/24/1994	2027	3,976,369	-	-	1,556,789	1,556,789
VPSA General Obligation	6.10-6.60	11/22/1994	2015	2,100,362	-	133,876	-	133,876
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	1,503,909	-	1,503,909
VPSA General Obligation	2.35-4.85	11/07/2002	2023	6,513,732	-	3,121,946	-	3,121,946
Public Improvement	3.00-5.00	06/01/2004	2034	28,160,000	525,000	405,000	280,000	1,210,000
Public Improvement Refunding	3.00-5.25	03/16/2005	2030	33,105,000	6,750,160	4,111,360	5,198,480	16,060,000
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	4,070,316	-	4,070,316
Public Improvement	4.00-5.00	05/09/2006	2026	23,840,000	10,693,040	4,217,234	1,844,726	16,755,000
Public Improvement	4.00-5.00	08/02/2007	2038	33,300,000	10,561,279	-	15,883,721	26,445,000
Public Improvement Refunding	2.93	03/19/2008	2015	8,000,000	155,533	145,374	198,093	499,000
Public Improvement Series A Tax Exempt	1.00-5.00	08/13/2009	2022	17,230,000	3,325,000	4,720,000	3,890,000	11,935,000
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	2,549,057	1,396,022	4,479,921	8,425,000
VPSA Gen Obligation	0.00	11/13/2009	2027	10,255,000	-	9,425,000	-	9,425,000
Public Improvement Refunding	2.00-5.00	10/20/2010	2034	29,655,000	9,443,932	7,199,429	11,801,639	28,445,000
Public Improvement Refunding	3.80	12/19/2012	2023	4,129,625	3,596,617	-	-	3,596,617
Public Improvement	2.75	10/23/2013	2028	10,000,000	7,063,425	937,213	1,999,362	10,000,000
					<u>\$ 59,062,438</u>	<u>\$ 50,837,284</u>	<u>\$ 67,861,625</u>	<u>\$ 177,761,347</u>

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

Authorized and unissued general obligation public improvement bonds amounted to \$181,060,000 at June 30, 2014.

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 \$177,761,347 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 84.29%. As shown in the Supplementary Statistical Table 20, outstanding tax-supported debt was 2.03% of net assessed valuation of taxable property. There are no overlapping tax jurisdictions.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 9. Long-Term Liabilities (Continued)

Revenue Debt:

As of June 30, 2014	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	\$ 2,195,872
Public Utility Revenue Bonds	0.00	8/10/1995	2029	10,000,000	3,964,286
Public Utility Revenue Bonds	0.00	6/27/1996	2029	8,000,000	3,068,746
Public Utility Revenue Bonds	0.00	7/17/1997	2030	7,591,540	3,481,328
Public Utility Revenue Bonds	3.00	7/17/1997	2020	14,108,460	4,932,745
Public Utility Revenue Bonds	0.00	8/21/1998	2031	6,203,000	3,098,189
Public Utility Revenue Bonds	3.00	5/27/1999	2020	2,476,763	864,291
Public Utility Revenue Bonds	0.00	2/11/2000	2021	5,300,000	1,952,631
Public Utility Revenue Bonds	0.00	2/15/2001	2032	735,000	399,276
Public Utility Revenue Bonds	3.50	06/8/2001	2021	2,835,000	1,283,771
Public Utility Revenue Bonds	0.00	11/6/2001	2034	1,413,613	864,340
Public Utility Revenue Bonds	0.00	9/15/2003	2036	2,350,165	1,643,338
Public Utility Revenue Bonds	0.00	5/20/2004	2038	6,000,000	4,500,000
Public Utility Revenue Bonds	0.00	5/17/2005	2038	6,700,000	5,136,667
Public Utility Revenue Bonds	0.00	6/28/2006	2039	9,600,000	7,840,000
Public Utility Revenue Bonds	0.00	6/20/2007	2039	7,000,000	5,833,333
Public Utility Revenue Bonds	0.00	06/5/2008	2041	12,350,000	10,909,167
Public Utility Revenue Bonds	0.00	6/25/2009	2041	19,000,000	17,099,999
Public Utility Revenue Bonds	0.00	6/17/2010	2042	13,100,000	12,226,667
Public Utility Revenue Bonds	0.00	6/15/2011	2033	9,350,928	8,875,603
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
					<u>\$ 117,270,249</u>

The revenue bonds have been issued in accordance with the terms of an indenture agreement with the Virginia Resources Authority (VRA) of the Commonwealth of Virginia. 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 1.36.

The following is a summary of changes in long-term liabilities for FY 2014:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Governmental Activities					
General obligation bonds	\$ 114,208,740	\$ 10,000,000	\$ 9,689,378	\$ 114,519,362	\$ 9,603,635
Notes payable*	1,940,000	-	180,000	1,760,000	180,000
Adjust for deferred amounts:					
Issuance discounts	(746,324)	-	(53,309)	(693,015)	-
Issuance premiums	3,509,030	-	392,491	3,116,539	-
Total bonds and notes	118,911,446	10,000,000	10,208,560	118,702,886	9,783,635
Workers' compensation**	2,027,781	950,860	732,772	2,245,869	269,504
Compensated absences**	3,990,845	2,914,094	2,663,740	4,241,199	508,941
Other post-employment benefits**	3,785,890	3,141,182	1,896,459	5,030,613	-
	<u>\$ 128,715,962</u>	<u>\$ 17,006,136</u>	<u>\$ 15,501,531</u>	<u>\$ 130,220,567</u>	<u>\$ 10,562,080</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 9. Long-Term Liabilities (Continued)

Primary Government:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Business-Type Activities					
Bond anticipation notes	\$ 5,193,865	\$ 1,965,029	-	\$ 7,158,894	\$ -
General obligation bonds	59,863,602	-	3,780,511	56,083,091	3,596,685
Public utility revenue bonds	122,875,994	-	5,605,745	117,270,249	6,034,143
Adjust for deferred amounts:					
Issuance premiums	1,849,154	-	137,794	1,711,360	-
Total bonds and notes	189,782,615	1,965,029	9,524,050	182,223,594	9,630,828
Workers' compensation	164,547	37,507	27,924	174,130	20,896
Compensated absences	492,591	375,221	365,914	501,898	60,228
Other post-employment benefits	360,987	360,693	227,234	494,446	-
	<u>\$ 190,800,740</u>	<u>\$ 2,738,450</u>	<u>\$ 10,145,122</u>	<u>\$ 183,394,068</u>	<u>\$ 9,711,952</u>

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

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

Debt Service to Maturity:

Year Ending June 30	Governmental Activities			
	General Obligation		Note Payable	
	Principal	Interest	Principal	Interest
2015	\$ 9,603,635	\$ 4,442,673	\$ 180,000	\$ 94,805
2016	9,676,838	4,060,840	180,000	85,310
2017	9,559,146	3,698,740	180,000	75,554
2018	9,145,129	3,340,773	180,000	65,591
2019	8,223,036	3,006,969	180,000	55,448
2020-2024	36,894,705	10,843,400	860,000	113,590
2025-2029	22,375,102	4,572,469	-	-
2030-2034	5,531,771	1,801,220	-	-
2035-2039	2,925,000	676,699	-	-
2040	585,000	19,334	-	-
	<u>\$ 114,519,362</u>	<u>\$ 36,463,117</u>	<u>\$ 1,760,000</u>	<u>\$ 490,298</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 9. Long-Term Liabilities (Continued)

Debt Service to Maturity: (Continued)

Year Ending June 30	Business-Type Activities							
	Water Fund		General Obligation				Revenue Bonds	
	Principal	Interest	Airport Fund		Sewer Fund		Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,693,803	\$ 1,635,944	\$ 145,321	\$ 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	1,411,907	1,367,516	68,528	17,352	1,320,461	598,637	6,351,572	60,990
2020-2024	6,161,280	6,043,492	198,387	50,578	4,900,514	2,451,424	25,394,235	26,118
2025-2029	6,057,060	4,590,932	92,805	6,664	3,647,927	1,598,975	22,539,693	-
2030-2034	6,227,755	2,979,949	-	-	2,766,089	869,077	17,799,479	-
2035-2039	6,232,530	1,177,201	-	-	1,997,469	264,629	14,113,254	-
2040-2044	890,000	29,415	-	-	115,000	3,801	6,044,167	-
2045	-	-	-	-	-	-	168,333	-
	<u>\$ 33,721,396</u>	<u>\$ 22,322,600</u>	<u>\$ 825,090</u>	<u>\$ 181,043</u>	<u>\$ 21,536,605</u>	<u>\$ 8,776,236</u>	<u>\$ 117,270,249</u>	<u>\$ 709,496</u>

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, 2014, \$7,158,894 was outstanding for water capital projects only.

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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 9. Long-Term Liabilities (Continued)

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

The City issued \$115,190,000 of General Obligation Public Improvement and Refunding Bonds, Series 2014 dated July 10, 2014 from its competitive bond sale on June 10, 2014. As of June 30, 2014, the underwriter's good faith fee of \$1,165,050 is reported as restricted cash and cash equivalents and as a restricted deposit payable within the governmental activities financial statements. General government projects including issuance costs were financed for twenty years with the exception of transportation projects which were financed for thirty years. Schools, water, and sewer projects including issuance costs were financed for thirty years. The refunding bonds including issuance costs were financed for twelve years. The final maturity date is June 1, 2044, with interest rates ranging from 0.15% to 4.0% and a total interest cost of 3.4%. The proceeds were allocated for capital projects as follows: \$20,760,000 for general government including \$7,140,000 for City Stadium renovations, \$3,655,000 for a new Group Home facility, \$6,400,000 for transportation, and \$3,565,000 for other general government; \$62,465,000 for schools for construction of a new Heritage High School; \$5,330,000 for sewer projects; \$6,530,000 for water projects; and, \$6,645,000 for a current refunding to permanently finance \$7,158,894 of interim financing through the line of credit bond anticipation note with Carter Bank & Trust dated November 8, 2011. This line of credit interim financed water capital projects only resulting in a total of \$13,175,000 for water projects financed with this bond issue.

Lastly, \$13,460,000 of bonds with an average interest rate of 5% were issued to advance refund \$14,545,000 of principal for the May 9, 2006 General Obligation Public Improvement Bond Issue. There was no call premium for these refunded bonds. The City deposited the net proceeds from the refunding bonds in an irrevocable trust with an escrow agent that purchased U. S. Government securities. The trust will provide funds for future debt service on the refunded bonds for maturities from FY2017 thru FY2026. The City will fund maturities in FY2015 and FY2016. As of the bond closing date of July 10, 2014, these refunded bonds will be considered defeased and the liability for them will be removed from the financial statements. The advance refunding reduced the total debt service payments over the next 12 years by \$1,131,683 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,098,088. This advance refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of \$1,274,554. This difference will be reported in the FY2015 financial statements as deferred debt charges, and will be amortized as a component of interest expenses through FY2026 over the life of the refunded bonds, which is the same fiscal year as the life of the refunding bonds. The outstanding principal of the Series 2006 in-substance defeased bonds was \$0 at June 30, 2014; and, as of July 10, 2014, it will be \$14,545,000 until the redemption date of January 15, 2016.

Component Unit – Lynchburg City Schools:

The following is a summary of changes in other long-term liabilities for FY2014:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	\$ 773,649	\$ 769,970	\$ 877,481	\$ 666,138	\$ 581,336
Capital lease obligations	109,353	-	109,353	-	-
Other post-employment benefits	2,814,288	895,582	443,005	3,266,865	-
	<u>\$ 3,697,290</u>	<u>\$ 1,665,552</u>	<u>\$ 1,429,839</u>	<u>\$ 3,933,003</u>	<u>\$ 581,336</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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 FY2014 the City was in compliance with the Fund Balance Policy.

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

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CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statement
As of June 30, 2013

	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	\$ -	\$ 400,000	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Transportation projects	-	12,757,852	-	-	-	-	-
Building projects	-	283,267	-	-	-	-	-
Criminal Justice Academy	-	-	56,272	-	-	-	-
Litter Grant	-	-	10,231	-	-	-	-
Community Corrections	-	-	5,483	-	-	-	-
Fire Department	-	-	220,254	-	-	-	-
Police Department	-	-	4,592	-	-	-	-
Economic Development	-	-	5,016	-	-	-	-
Shelter Plus Care	-	-	20,000	-	-	-	-
Emergency Services	-	-	100,758	-	-	-	-
Registrar	-	-	2,119	-	-	-	-
Circuit Court	-	-	9,084	-	-	-	-
Commonwealth Attorney	-	-	7,029	-	-	-	-
Social Services	-	-	6,418	-	-	-	-
Grants	-	-	22,701	-	-	-	-
CDBG - Bluffwalk	-	-	-	1,430,364	-	-	-
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	66,065	-
Federal Asset Forfeiture - Police	-	-	-	-	-	91,337	-
State Asset Forfeiture - Police	-	-	-	-	-	104,431	-
Treasury Asset Forfeiture - Police	-	-	-	-	-	61,735	-
Treasury Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	29,785	-
Health and Human Services	-	-	-	-	-	-	423,103
Lynchburg Expressway beautification	-	-	-	-	-	-	-
HOME projects	-	-	-	-	-	-	-
Committed to:							
Technology	2,901,331	-	-	-	-	-	-
Detention Home Workers Compensation	100,000	-	-	-	-	-	-
Health Insurance Reserve	695,467	-	-	-	-	-	-
Schools for Textbooks	1,432,254	-	-	-	-	-	-
Schools for Health Insurance Reserve	1,440,608	-	-	-	-	-	-
Schools for Special Education Disprop	321,000	-	-	-	-	-	-
Other Post Employment Benefits	1,627,471	-	-	-	-	-	-
Solid Waste Debt Retirement	841,605	-	-	-	-	-	-
Debt Service CVRRA	5,929	-	-	-	-	-	-
Heritage High School Debt Service	1,894,223	-	-	-	-	-	-
GLTC Special Reserve	904,291	-	-	-	-	-	-
Public Safety Compensation	13,968	-	-	-	-	-	-
Self Insurance	2,339,824	-	-	-	-	-	-
Armstrong School	250,000	-	-	-	-	-	-
Community Development	97,113	-	-	-	-	-	-
Cultural and Recreational	14,569	-	-	-	-	-	-
General Government	165,700	-	-	-	-	-	-
Health and Welfare	14,020	-	-	-	-	-	-
Judicial	14,877	-	-	-	-	-	-
Public Safety	26,323	-	-	-	-	-	-
Public Works	137,409	-	-	-	-	-	-
Sale of downtown GEFA building	-	116,388	-	-	-	-	-
Building projects	-	3,751,889	-	-	-	-	-
Transportation projects	-	7,808,363	-	-	-	-	-
Public Safety projects	-	42,518	-	-	-	-	-
Parks and Recreation projects	-	747,077	-	-	-	-	-
Waste Management projects	-	250,000	-	-	-	-	-
Provision of loan funds for small businesses	-	-	-	-	125,384	-	-
School Construction and Maintenance	-	-	-	-	-	-	-
Assigned to:							
Return of School Fund Balance	3,349,440	-	-	-	-	-	-
Law Library	64,929	-	-	-	-	-	-
Museum	50,028	-	-	-	-	-	-
Recreation Programs	234,629	-	-	-	-	-	-
Pier Program	49,232	-	-	-	-	-	-
Dental Claims Reserve	150,000	-	-	-	-	-	-
Health Insurance Reserve	364,538	-	-	-	-	-	-
Fire Equipment	144,380	-	-	-	-	-	-
Line of Duty Death Benefit	211,904	-	-	-	-	-	-
Line of Duty Health Claim Reserve	145,000	-	-	-	-	-	-
Parking Operations	112,085	-	-	-	-	-	-
Point of Honor	2,653	-	-	-	-	-	-
Police Range Operations	1,889	-	-	-	-	-	-
Fire Restitution	50	-	-	-	-	-	-
Adopt-A-Bed	3,113	-	-	-	-	-	-
Virginia Land Conservancy	2,314	-	-	-	-	-	-
Health and Welfare	10,364	-	-	-	-	-	-
Cultural and Recreational	8,690	-	-	-	-	-	-
Public Safety	36,418	-	-	-	-	-	-
Public Works	87,893	-	-	-	-	-	-
Major Maintenance and Equipment replacement	-	-	-	-	-	-	-
Unassigned:	33,878,501	-	-	-	-	-	-
Total Fund Balance	\$ 54,146,032	\$ 26,157,354	\$ 469,957	\$ 1,430,364	\$ 125,384	\$ 353,353	\$ 423,103

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statement
As of June 30, 2013

	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	\$ -	\$ -	\$ -	\$ -	\$ 400,000
Restricted for:					
Transportation projects	-	-	-	-	12,757,852
Building projects	-	-	-	-	283,267
Criminal Justice Academy	-	-	-	-	56,272
Litter Grant	-	-	-	-	10,231
Community Corrections	-	-	-	-	5,483
Fire Department	-	-	-	-	220,254
Police Department	-	-	-	-	4,592
Economic Development	-	-	-	-	5,016
Shelter Plus Care	-	-	-	-	20,000
Emergency Services	-	-	-	-	100,758
Registrar	-	-	-	-	2,119
Circuit Court	-	-	-	-	9,084
Commonwealth Attorney	-	-	-	-	7,029
Social Services	-	-	-	-	6,418
Grants	-	-	-	-	22,701
CDBG - Bluffwalk	-	-	-	-	1,430,364
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	66,065
Federal Asset Forfeiture - Police	-	-	-	-	91,337
State Asset Forfeiture - Police	-	-	-	-	104,431
Treasury Asset Forfeiture - Police	-	-	-	-	61,735
Treasury Asset Forfeiture - Commonwealth Attorney	-	-	-	-	29,785
Health and Human Services	-	-	-	-	423,103
Lynchburg Expressway beautification	191,009	-	-	-	191,009
HOME projects	-	26,247	-	-	26,247
Committed to:					
Technology	-	-	-	-	2,901,331
Detention Home Workers Compensation	-	-	-	-	100,000
Health Insurance Reserve	-	-	-	-	695,467
Schools for Textbooks	-	-	-	-	1,432,254
Schools for Health Insurance Reserve	-	-	-	-	1,440,608
Schools for Special Education Disprop	-	-	-	-	321,000
Other Post Employment Benefits	-	-	-	-	1,627,471
Solid Waste Debt Retirement	-	-	-	-	841,605
Debt Service CVRRA	-	-	-	-	5,929
Heritage High School Debt Service	-	-	-	-	1,894,223
GLTC Special Reserve	-	-	-	-	904,291
Public Safety Compensation	-	-	-	-	13,968
Self Insurance	-	-	-	-	2,339,824
Armstrong School	-	-	-	-	250,000
Community Development	-	-	-	-	97,113
Cultural and Recreational	-	-	-	-	14,569
General Government	-	-	-	-	165,700
Health and Welfare	-	-	-	-	14,020
Judicial	-	-	-	-	14,877
Public Safety	-	-	-	-	26,323
Public Works	-	-	-	-	137,409
Sale of downtown GEFA building	-	-	-	-	116,388
Building projects	-	-	-	-	3,751,889
Transportation projects	-	-	-	-	7,808,363
Public Safety projects	-	-	-	-	42,518
Parks and Recreation projects	-	-	-	-	747,077
Waste Management projects	-	-	-	-	250,000
Provision of loan funds for small businesses	-	-	-	-	125,384
School Construction and Maintenance	-	-	-	1,010,520	1,010,520
Assigned to:					
Return of School Fund Balance	-	-	-	-	3,349,440
Law Library	-	-	-	-	64,929
Museum	-	-	-	-	50,028
Recreation Programs	-	-	-	-	234,629
Pier Program	-	-	-	-	49,232
Dental Claims Reserve	-	-	-	-	150,000
Health Insurance Reserve	-	-	-	-	364,538
Fire Equipment	-	-	-	-	144,380
Line of Duty Death Benefit	-	-	-	-	211,904
Line of Duty Health Claim Reserve	-	-	-	-	145,000
Parking Operations	-	-	-	-	112,085
Point of Honor	-	-	-	-	2,653
Police Range Operations	-	-	-	-	1,889
Fire Restitution	-	-	-	-	50
Adopt-A-Bed	-	-	-	-	3,113
Virginia Land Conservancy	-	-	-	-	2,314
Health and Welfare	-	-	-	-	10,364
Cultural and Recreational	-	-	-	-	8,690
Public Safety	-	-	-	-	36,418
Public Works	-	-	-	-	87,893
Major Maintenance and Equipment replacement	-	-	100,012	-	100,012
Unassigned:					
	-	-	-	-	33,878,501
Total Fund Balance	<u>\$ 191,009</u>	<u>\$ 26,247</u>	<u>\$ 100,012</u>	<u>\$ 1,010,520</u>	<u>\$ 84,433,335</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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”). All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set out below:

VRS PLAN 1

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election – VRS non-hazardous duty covered plan members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan were not eligible to elect the Hybrid Retirement Plan and remain as plan members or ORP.

Retirement Contributions – Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to both determine their eligibility for retirement, and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement if the employer offers the health insurance credit.

Vesting – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

Calculating the Benefit – The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

VRS PLAN 1 (Continued)

Average Final Compensation – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

Normal Retirement Age – Age 65.

Earliest Unreduced Retirement Eligibility – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 55 with at least five years of creditable service or age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage – For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

VRS PLAN 1 (Continued)

Purchase of Prior Service – members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave, or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement, and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS PLAN 2

VRS Plan 2 is the same as VRS Plan 1 except for the following:

Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Average Final Compensation – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Normal Retirement Age – Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Disability Coverage – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

HYBRID RETIREMENT PLAN

The Hybrid Retirement Plan is the same as VRS Plan 1 except for the following:

About the Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window.

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees.
- School division employees.
- Judges appointed or elected to an original term on or after January 1, 2014.
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS).
- Members of the Virginia Law Officers' Retirement System (VaLORS).
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Retirement Contributions – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

HYBRID RETIREMENT PLAN (Continued)

Creditable Service

Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Calculating the Benefit

Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation – Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier – The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

HYBRID RETIREMENT PLAN (Continued)

Normal Retirement Age

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Not applicable.

Disability Coverage – Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. The City has elected to opt-out of VLDP. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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, 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 2014 was 25.89% of annual covered payroll. The Schools' contribution rates for the fiscal year ended 2014 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%.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

HYBRID RETIREMENT PLAN (Continued)

Annual Pension Cost: For 2014, the City’s and Schools’ annual pension costs of \$10,574,818 and \$6,261,204 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 3.50% to 5.35% per year for general government employees, 3.50% to 5.35% 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, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 28 years.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Trend Information for the City of Lynchburg			
June 30, 2014	\$ 10,574,818	100%	None
June 30, 2013	\$ 10,380,289	100%	None
June 30, 2012	\$ 10,084,711	100%	None
Trend Information for the Lynchburg City Schools			
June 30, 2014	\$ 6,261,204	100%	None
June 30, 2013	\$ 5,871,687	100%	None
June 30, 2012	\$ 5,676,277	100%	None

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date for the City, the plan was 61.32% funded. The actuarial accrued liability for benefits was \$327,454,876 and the actuarial value of assets was \$200,789,530, resulting in an unfunded actuarial accrued liability (UAAL) of \$126,665,346. The covered payroll (annual payroll of active employees covered by the plan) was \$49,759,064, and the ratio of the UAAL to the covered payroll was 254.56%.

As of June 30, 2013, the most recent actuarial valuation date for the Schools, the plan was 81.52% funded. The actuarial accrued liability for benefits was \$13,727,582 and the actuarial value of assets was \$11,190,693 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,536,889. The covered payroll (annual payroll of active employees covered by the plan) was \$3,751,377, and the ratio of the UAAL to the covered payroll was 67.63%.

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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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, 2014, was as follows:

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

Funding Policy

The City currently funds postemployment health care benefits on a pay-as-you-go basis. During FY2014, the City added \$12,962 in interest earnings to the funds committed for the OPEB liability. Total funds committed for OPEB at June 30, 2014 including interest are \$1,627,471. 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, 2014, the City's Annual OPEB Cost (expense) was \$3,501,875. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$1,659,135 for retirees, along with an Implicit Rate Subsidy of \$464,558 resulted in a Net OPEB obligation of \$5,525,059 for the year ended June 30, 2014.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 12. Other Post Employment Benefits (Continued)

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

City of Lynchburg (Continued)

Annual required contribution	\$ 3,452,241
Interest on net OPEB obligation	279,914
Adjustment to annual required contribution	<u>(230,280)</u>
Annual OPEB cost	3,501,875
Contributions made	<u>(2,123,693)</u>
Increase in net OPEB obligation	1,378,182
Net OPEB obligation-beginning of year	<u>4,146,877</u>
Net OPEB obligation-end of year	<u><u>\$ 5,525,059</u></u>

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2012, FY2013, and FY2014 are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2012	\$4,025,764	84.0%	\$4,467,438
06/30/2013	\$3,479,076	109.0%	\$4,146,877
06/30/2014	\$3,501,875	60.6%	\$5,525,059

Funded Status and Funding Progress

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents 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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 12. Other Post Employment Benefits (Continued)

City of Lynchburg (Continued)

Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used to develop the AAL and the Normal Cost. Under this method, the postretirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 4.0% discount rate, a 3.0% inflation rate, and an initial annual healthcare cost trend of 10% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.75%. The unfunded actuarial accrued liability is being amortized over 30 years using the Level Percentage of Pay method. The remaining closed amortization period at June 30, 2014 is 23 years.

Lynchburg City Schools

Plan Description

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

Benefits Provided

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

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

Early Retirement Incentive Plan

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

Membership

The number of participants at June 30, 2014 was as follows:

Active participants	1,141
Inactive participants	<u>96</u>
Total	<u>1,237</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 12. Other Post Employment Benefits (Continued)

Lynchburg City Schools (Continued)

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, 2014, the School's annual OPEB cost (expense) was \$895,582. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$443,005 for retirees, resulted in a Net OPEB obligation of \$3,266,865 for the year ended June 30, 2014.

Annual required contribution	\$ 939,498
Interest on net OPEB obligation	112,572
Adjustment to annual required contribution	<u>(156,488)</u>
Annual OPEB cost	895,582
Contributions made	<u>(443,005)</u>
Increase in net OPEB obligation	452,577
Net OPEB obligation-beginning of year	<u>2,814,288</u>
Net OPEB obligation-end of year	<u><u>\$ 3,266,865</u></u>

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2012, FY2013, and FY2014 are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2012	\$979,200	49.6%	\$2,146,476
06/30/2013	\$1,005,860	33.6%	\$2,814,288
06/30/2014	\$895,582	49.5%	\$3,266,865

Funded Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	\$ 7,984,513
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 7,984,513</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 56,023,045
UAAL as a Percentage of Covered Payroll	14.25%

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 12. Other Post Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Funded Status and Funding Progress (Continued)

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, 2014 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	Component Unit – Schools
2015	\$ 492,823	\$ 382,837
2016	97,365	354,429
2017	79,534	286,105
2018	58,534	232,241
2019	57,996	28,617
2020-2024	130,491	8,880
	<u>\$ 916,743</u>	<u>\$ 1,293,109</u>

For 2014, the City incurred rental expenditures of \$308,279 in the General Fund, \$24,464 in the Special Revenue Funds, and \$200,000 in the City Capital Project Funds. For 2014, the Schools incurred rental expenditures of \$578,865.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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 \$760,696.

General Liability and Other: The City is self-insured for general liability and automobile liability claims and purchases insurance coverage for risks related to property, boiler and machinery, surety bonds, and airport liability. City property is insured up to a limit of approximately \$442 million per occurrence. Other liability policies provide up to \$60,000,000 coverage in the aggregate. Police professional liability and public officials' liability claims with a \$500,000 deductible per claim are covered through a policy with the States Self Insurance Risk Group. Total premiums for purchased coverage for the year ended June 30 were \$553,987. The City has designated a portion of its fund balance in the General Fund to fund future general liability claims. City management believes any incurred but not reported claims at June 30 would be insignificant.

Healthcare: The City's professionally administered self-insurance program provides healthcare coverage for employees and retirees of the City on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the City. Under the program, the City is obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$300,000 per covered individual per contract year, once the aggregating specific of \$50,000 has been met. The City is responsible for all claims over the stated specific deductible up to a certain amount (the aggregating specific deductible). In return, the City receives a certain amount of premium relief for sharing in the claims risk of the aggregating specific. For the year ended June 30, total claims expense of \$8,025,614 was incurred. Administrative fees and stop loss premiums for the year ended June 30 totaled \$856,094. Estimated incurred, but not reported, claims at June 30 based on invoices received totaled approximately \$347,000 and have been funded by the City.

Changes in aggregate liabilities were as follows:

		Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Workers' Compensation	2014	\$ 2,192,328	\$ 988,367	\$ 760,696	\$ 2,419,999
	2013	\$ 2,232,159	\$ 726,605	\$ 766,436	\$ 2,192,328
General/Automotive Liability	2014	\$ -	\$ 200,009	\$ 200,009	\$ -
	2013	\$ -	\$ 295,803	\$ 295,803	\$ -
Healthcare	2014	\$ 400,000	\$ 7,972,398	\$ 8,025,614	\$ 346,784
	2013	\$ 710,271	\$ 7,988,445	\$ 8,298,716	\$ 400,000

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 14. Risk Management (Continued)

The Risk Management Programs of the Schools are as follows:

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

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

Healthcare: The Schools' professionally administered self-insurance program provides healthcare coverage for employees and retirees of the Schools on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the Schools. Under the program, the Schools are obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$330,000 per covered individual per contract year. Total claims expense of \$6,847,993 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 \$739,933. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled \$454,293 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	2014	\$ 679,143	\$ 6,623,143	\$ 6,847,993	\$ 454,293
	2013	\$ 1,557,448	\$ 7,297,192	\$ 8,175,497	\$ 679,143

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)	\$ 96,201,805
Principal and other debt service expenses included in City	<u>6,580,193</u>
Total expenses/expenditures for School activities	<u>\$ 102,781,998</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 16. Commitment and Contingencies

Combined Sewer Overflow:

In 1994, and with subsequent permit renewals, the VDEQ issued a sewage discharge permit and Special Order of Consent containing the terms and conditions that would govern implementation of the City's CSO program. 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.

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, 2014 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 \$266,600,000 in 2014 dollars. On September 5, 2014, Virginia Department of Environmental Quality ("VDEQ") approved significant modifications to the CSO Long-Term Control Plan that reflect a significant savings in costs to the City as well as meeting water quality standards.

VDEQ plans to develop a new consent order with the City that more accurately reflects the new CSO Long-Term Control Plan which moves from complete separation of the combined sewer system to a plan of capture, storage, and treatment of combined flows at the wastewater treatment plant. Until that time, the current Special Order of Consent remains in effect. It does not contain a strict compliance schedule for implementing the CSO Long-Term Control Plan, but rather provides for implementation based on criteria reflecting the limits of the City's financial capability. The current Special Order of Consent 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 that equals or exceeds 1.25% of the median household income based on 7 hcf (hundred cubic feet) of use per month. The City has successfully implemented its CSO Long-Term Control Plan since 1994 in accordance with the requirements of its permit and Special Order of Consent. The City is also required by the Special Order of Consent to submit an annual report by December 1 of each year to VDEQ on its compliance with the order and its progress with the CSO Long-Term Control Plan implementation. The report includes a review of the required financial targets by an independent consultant.

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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 16. Commitment and Contingencies (Continued)

Contribution Agreement: (Continued)

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.

During FY2014, the City contributed an additional \$115,391 to the EDA and recognized \$338,891 in Developer Fees.

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, 2014.

Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2014, the arbitrage rebate liability estimate was zero.

Encumbrance Commitments:

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

<u>MAJOR FUNDS</u>	
General Fund	\$ 772,946
City Capital Projects Fund	14,184,378
Total Major Funds	14,957,324
<u>NON-MAJOR FUNDS</u>	
City Federal State Aid	203,277
Lynchburg Regional Juvenile Detention Center	16,483
School Capital Projects	8,199,717
Total Non-major Funds	8,419,477
TOTAL ENCUMBRANCES	\$ 23,376,801

Construction Commitments:

Included in the encumbrances above are construction commitments of \$14,184,378 in the City Capital Projects fund and \$8,199,717 in the School Capital Projects fund. The City also had construction commitments of \$854,102 in the Water fund; 6,895,608 in the Sewer fund, and \$2,304,953 in the Airport fund as of June 30, 2014.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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. Bluffwalk failed to make all of the required payments to the City. The City fulfilled its obligation to HUD by making the required payments, obtaining the remaining funds from the Community Development Block Grant (CDBG). During FY 2014, Bluffwalk repaid the City, with interest, all missed principal and interest payments. The City, in accordance with guidance from HUD, will retain these funds for future principal and interest payments. Bluffwalk entered into another agreement with the City, whereby Bluffwalk agreed to pay \$100,000 in two semi-annual payments of \$50,000 each toward the HUD loan. The City will use the retained funds along with the \$100,000 to make the semi-annual payments to HUD. Subsequent to year end, Bluffwalk paid \$50,000 towards the required principal and interest payment.

Note 18. New Accounting Standards

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* 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. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* was issued to address an issue regarding application of the transition provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. This Statement amends *GASB Statement No. 68* to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This Statement will be effective for the year ending June 30, 2015.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information
Schedule of Funding Progress for Defined Benefit Pension Plan
As of June 30, 2014

Exhibit 12

	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, 2013	\$ 200,789,530	\$ 327,454,876	\$ 126,665,346	61.32%	\$ 49,759,064	254.56%
	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%
Lynchburg City Schools Non-professional Employees							
	June 30, 2013	\$ 11,190,693	\$ 13,727,582	\$ 2,536,889	81.52%	\$ 3,751,377	67.63%
	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%

Required Supplemental Information
Schedule of Funding Progress for Other Post Employment Benefits
As of June 30, 2014

Exhibit 13

	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, 2014	\$ -	\$ 89,784,846	\$ 89,784,846	0.00%	\$ 47,572,054	188.73%
	June 30, 2012	\$ -	\$ 60,963,806	\$ 60,963,806	0.00%	\$ 48,564,229	125.53%
	June 30, 2010	\$ -	\$ 58,445,937	\$ 58,445,937	0.00%	\$ 47,102,629	124.08%
	June 30, 2008	\$ -	\$ 50,541,000	\$ 50,541,000	0.00%	\$ 50,839,048	99.41%
Lynchburg City Schools							
	June 30, 2014	\$ -	\$ 7,984,513	\$ 7,984,513	0.00%	\$ 56,023,045	14.25%
	June 30, 2013	\$ -	\$ 7,666,529	\$ 7,666,529	0.00%	\$ 54,033,601	14.19%
	June 30, 2012	\$ -	\$ 8,780,625	\$ 8,780,625	0.00%	\$ 58,331,131	15.05%
	June 30, 2011	\$ -	\$ 8,540,002	\$ 8,540,002	0.00%	\$ 52,698,154	16.21%

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OTHER SUPPLEMENTAL INFORMATION

CITY OF LYNCHBURG, VIRGINIA

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

Nonmajor Governmental Funds:

Nonmajor governmental funds consist of special revenue 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, 2014

	<u>Total Nonmajor Special Revenue</u>	<u>Total Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental</u>
Assets			
Cash and cash equivalents	\$ 2,070,784	\$ 3,468,930	\$ 5,539,714
Receivables, net of allowance:			
Other	161,399	-	161,399
Due from other funds	307,929	-	307,929
Due from other governments	2,018,233	-	2,018,233
Due from component unit	125,000	-	125,000
Other assets	213	-	213
Restricted assets:			
Cash and cash equivalents	508,016	937,213	1,445,229
Total assets	<u>\$ 5,191,574</u>	<u>\$ 4,406,143</u>	<u>\$ 9,597,717</u>
Liabilities			
Accounts payable and other liabilities	\$ 734,844	\$ 3,395,623	\$ 4,130,467
Accrued payroll and related liabilities	143,373	-	143,373
Due to other funds	881,472	-	881,472
Due to other governments	108,505	-	108,505
Total liabilities	<u>1,868,194</u>	<u>3,395,623</u>	<u>5,263,817</u>
Deferred Inflows of Resources			
Unavailable revenue	203,951	-	203,951
Total deferred inflows of resources	<u>203,951</u>	<u>-</u>	<u>203,951</u>
Fund Balances			
Restricted	2,894,033	-	2,894,033
Committed	125,384	1,010,520	1,135,904
Assigned	100,012	-	100,012
Total fund balances	<u>3,119,429</u>	<u>1,010,520</u>	<u>4,129,949</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,191,574</u>	<u>\$ 4,406,143</u>	<u>\$ 9,597,717</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014**

	<u>Total Nonmajor Special Revenue</u>	<u>Total Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental</u>
Revenues			
Intergovernmental	\$ 9,302,556	\$ -	\$ 9,302,556
Revenue from use of money and property	32,773	-	32,773
Charges for services	5,360,811	-	5,360,811
Miscellaneous	708,841	-	708,841
Total revenues	<u>15,404,981</u>	<u>-</u>	<u>15,404,981</u>
Expenditures			
Current operating expenditures:			
General government	3,975	-	3,975
Judicial	1,112,888	-	1,112,888
Public safety	4,554,580	-	4,554,580
Public works	32,236	-	32,236
Health and human services	6,144,747	-	6,144,747
Community development	1,325,482	-	1,325,482
Education	-	1,296,546	1,296,546
Capital outlay:			
Capital general government	175,491	7,793,113	7,968,604
Debt Service:			
Principal retirements	329,299	-	329,299
Interest payments and other fiscal charges	138,430	-	138,430
Total expenditures	<u>13,817,128</u>	<u>9,089,659</u>	<u>22,906,787</u>
Excess (deficiency) of revenues of expenditures	<u>1,587,853</u>	<u>(9,089,659)</u>	<u>(7,501,806)</u>
Other financing sources (uses)			
Issuance of bonds	-	937,213	937,213
Transfers in	239,851	5,027,191	5,267,042
Transfers out	(11,466)	-	(11,466)
Total other financing sources (uses)	<u>228,385</u>	<u>5,964,404</u>	<u>6,192,789</u>
Net changes in fund balances	1,816,238	(3,125,255)	(1,309,017)
Fund balances - beginning	<u>1,303,191</u>	<u>4,135,775</u>	<u>5,438,966</u>
Fund balances - ending	<u>\$ 3,119,429</u>	<u>\$ 1,010,520</u>	<u>\$ 4,129,949</u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2014

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act
Assets					
Cash and cash equivalents	\$ -	\$ 1,470,319	\$ 171	\$ 362,135	\$ -
Receivables, net of allowance:					
Other	84,723	2,392	-	-	-
Due from other funds	272,719	-	-	-	754
Due from other governments	571,506	1,761	-	-	958,684
Due from component unit	-	-	125,000	-	-
Other assets	-	-	213	-	-
Restricted assets:					
Cash and cash equivalents	508,016	-	-	-	-
Total assets	<u>\$ 1,436,964</u>	<u>\$ 1,474,472</u>	<u>\$ 125,384</u>	<u>\$ 362,135</u>	<u>\$ 959,438</u>
Liabilities					
Accounts payable and other liabilities	\$ 109,100	\$ 38,656	\$ -	\$ 8,782	\$ 499,317
Accrued payroll and related liabilities	69,647	3,060	-	-	1,675
Due to other funds	599,130	-	-	-	35,343
Due to other governments	108,505	-	-	-	-
Total liabilities	<u>886,382</u>	<u>41,716</u>	<u>-</u>	<u>8,782</u>	<u>536,335</u>
Deferred Inflows of Resources					
Unavailable revenue	80,625	2,392	-	-	-
Total deferred inflows of resources	<u>80,625</u>	<u>2,392</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted	469,957	1,430,364	-	353,353	423,103
Committed	-	-	125,384	-	-
Assigned	-	-	-	-	-
Total fund balances	<u>469,957</u>	<u>1,430,364</u>	<u>125,384</u>	<u>353,353</u>	<u>423,103</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,436,964</u>	<u>\$ 1,474,472</u>	<u>\$ 125,384</u>	<u>\$ 362,135</u>	<u>\$ 959,438</u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2014

	<u>Lynchburg Expressway Appearance</u>	<u>Home Investment Trust</u>	<u>Lynchburg Regional Juvenile Detention Center</u>	<u>Total Nonmajor Special Revenue</u>
Assets				
Cash and cash equivalents	\$ 237,659	\$ -	\$ 500	\$ 2,070,784
Receivables, net of allowance:				
Other	74,284	-	-	161,399
Due from other funds	-	-	34,456	307,929
Due from other governments	-	155,581	330,701	2,018,233
Due from component unit	-	-	-	125,000
Other assets	-	-	-	213
Restricted assets:				
Cash and cash equivalents	-	-	-	508,016
Total assets	<u>\$ 311,943</u>	<u>\$ 155,581</u>	<u>\$ 365,657</u>	<u>\$ 5,191,574</u>
Liabilities				
Accounts payable and other liabilities	\$ -	\$ 43,230	\$ 35,759	\$ 734,844
Accrued payroll and related liabilities	-	1,400	67,591	143,373
Due to other funds	-	84,704	162,295	881,472
Due to other governments	-	-	-	108,505
Total liabilities	<u>-</u>	<u>129,334</u>	<u>265,645</u>	<u>1,868,194</u>
Deferred Inflows of Resources				
Unavailable revenue	120,934	-	-	203,951
Total deferred inflows of resources	<u>120,934</u>	<u>-</u>	<u>-</u>	<u>203,951</u>
Fund Balances				
Restricted	191,009	26,247	-	2,894,033
Committed	-	-	-	125,384
Assigned	-	-	100,012	100,012
Total fund balances	<u>191,009</u>	<u>26,247</u>	<u>100,012</u>	<u>3,119,429</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 311,943</u>	<u>\$ 155,581</u>	<u>\$ 365,657</u>	<u>\$ 5,191,574</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2014

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act
Revenues					
Intergovernmental	\$ 3,806,725	\$ 587,746	\$ -	\$ 318,806	\$ 2,954,368
Revenue from use of money and property	-	-	32,549	224	-
Charges for services	582,766	1,724,816	-	-	1,435,393
Miscellaneous	633,429	-	-	-	55,430
Total revenues	<u>5,022,920</u>	<u>2,312,562</u>	<u>32,549</u>	<u>319,030</u>	<u>4,445,191</u>
Expenditures					
Current operating expenditures:					
General government	-	-	-	-	-
Judicial	1,088,298	-	-	24,590	-
Public safety	1,842,029	-	-	167,484	-
Public works	9,810	-	-	-	-
Health and human services	1,656,107	-	-	-	4,488,640
Community development	59,277	706,907	32,549	-	-
Capital Outlay:					
Capital general government	-	175,491	-	-	-
Debt service:					
Principal retirements	180,000	-	-	-	-
Interest payments and other fiscal charges	104,048	-	-	-	-
Total expenditures	<u>4,939,569</u>	<u>882,398</u>	<u>32,549</u>	<u>192,074</u>	<u>4,488,640</u>
Excess (deficiency) of revenues over expenditures	<u>83,351</u>	<u>1,430,164</u>	<u>-</u>	<u>126,956</u>	<u>(43,449)</u>
Other financing sources (uses)					
Transfers in	233,146	-	-	-	-
Transfers out	(11,466)	-	-	-	-
Total other financing sources (uses)	<u>221,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	305,031	1,430,164	-	126,956	(43,449)
Fund balances - beginning	<u>164,926</u>	<u>200</u>	<u>125,384</u>	<u>226,397</u>	<u>466,552</u>
Fund balances - ending	<u>\$ 469,957</u>	<u>\$ 1,430,364</u>	<u>\$ 125,384</u>	<u>\$ 353,353</u>	<u>\$ 423,103</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014**

	<u>Lynchburg Expressway Appearance</u>	<u>Home Investment Trust</u>	<u>Lynchburg Regional Juvenile Detention Center</u>	<u>Total Nonmajor Special Revenue</u>
Revenues				
Intergovernmental	\$ -	\$ 526,749	\$ 1,108,162	\$ 9,302,556
Revenue from use of money and property	-	-	-	32,773
Charges for services	-	-	1,617,836	5,360,811
Miscellaneous	19,950	-	32	708,841
Total revenues	<u>19,950</u>	<u>526,749</u>	<u>2,726,030</u>	<u>15,404,981</u>
Expenditures				
Current operating expenditures:				
General government	-	-	3,975	3,975
Judicial	-	-	-	1,112,888
Public safety	-	-	2,545,067	4,554,580
Public works	22,426	-	-	32,236
Health and human services	-	-	-	6,144,747
Community development	-	526,749	-	1,325,482
Capital Outlay:				
Capital general government	-	-	-	175,491
Debt service:				
Principal retirements	-	-	149,299	329,299
Interest payments and other fiscal charges	-	-	34,382	138,430
Total expenditures	<u>22,426</u>	<u>526,749</u>	<u>2,732,723</u>	<u>13,817,128</u>
Excess (deficiency) of revenues over expenditures	<u>(2,476)</u>	<u>-</u>	<u>(6,693)</u>	<u>1,587,853</u>
Other financing sources (uses)				
Transfers in	-	-	6,705	239,851
Transfers out	-	-	-	(11,466)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,705</u>	<u>228,385</u>
Net changes in fund balances	<u>(2,476)</u>	<u>-</u>	<u>12</u>	<u>1,816,238</u>
Fund balances - beginning	<u>193,485</u>	<u>26,247</u>	<u>100,000</u>	<u>1,303,191</u>
Fund balances - ending	<u>\$ 191,009</u>	<u>\$ 26,247</u>	<u>\$ 100,012</u>	<u>\$ 3,119,429</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City/Federal/State Aid Fund
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 2,855,714	\$ 5,972,221	\$ 3,806,725	\$ (2,165,496)
Charges for services	50,820	56,569	582,766	526,197
Miscellaneous	26,830	148,980	633,429	484,449
Total revenues	<u>2,933,364</u>	<u>6,177,770</u>	<u>5,022,920</u>	<u>(1,154,850)</u>
Expenditures				
Current operating expenditures:				
General government	-	2,519	-	2,519
Judicial	1,082,395	1,277,262	1,088,298	188,964
Public safety	747,528	2,026,254	1,842,029	184,225
Public works	11,045	27,440	9,810	17,630
Health and human services	1,099,116	3,156,773	1,656,107	1,500,666
Community development	35,000	72,751	59,277	13,474
Debt service:				
Principal retirements	-	-	180,000	(180,000)
Interest payments and other fiscal charges	-	-	104,048	(104,048)
Total expenditures	<u>2,975,084</u>	<u>6,562,999</u>	<u>4,939,569</u>	<u>1,623,430</u>
Excess (deficiency) of revenues over expenditures	<u>(41,720)</u>	<u>(385,229)</u>	<u>83,351</u>	<u>468,580</u>
Other financing sources (uses)				
Transfers in	41,720	233,305	233,146	(159)
Transfers out	-	(11,466)	(11,466)	-
Total other financing sources (uses)	<u>41,720</u>	<u>221,839</u>	<u>221,680</u>	<u>(159)</u>
Net changes in fund balances	-	(163,390)	305,031	468,421
Fund balances - beginning	<u>164,926</u>	<u>164,926</u>	<u>164,926</u>	<u>-</u>
Fund balances - ending	<u>\$ 164,926</u>	<u>\$ 1,536</u>	<u>\$ 469,957</u>	<u>\$ 468,421</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 607,179	\$ 1,493,745	\$ 587,746	\$ (905,999)
Charges for services	2,030	1,911	1,724,816	1,722,905
Total revenues	<u>609,209</u>	<u>1,495,656</u>	<u>2,312,562</u>	<u>816,906</u>
Expenditures				
Current operating expenditures:				
Community development	609,209	1,358,058	706,907	651,151
Capital Outlay				
Capital general government	-	-	175,491	(175,491)
Total expenditures	<u>609,209</u>	<u>1,358,058</u>	<u>882,398</u>	<u>475,660</u>
Net changes in fund balances	-	137,598	1,430,164	1,292,566
Fund balances - beginning	<u>200</u>	<u>200</u>	<u>200</u>	<u>-</u>
Fund balances - ending	<u>\$ 200</u>	<u>\$ 137,798</u>	<u>\$ 1,430,364</u>	<u>\$ 1,292,566</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Forfeited Assets Fund
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ -	\$ -	\$ 318,806	\$ 318,806
Revenue from use of money and property	-	-	224	224
Total revenues	<u>-</u>	<u>-</u>	<u>319,030</u>	<u>319,030</u>
Expenditures				
Current operating expenditures:				
Judicial	-	30,000	24,590	5,410
Public safety	-	416,174	167,484	248,690
Total expenditures	<u>-</u>	<u>446,174</u>	<u>192,074</u>	<u>254,100</u>
Net changes in fund balances	-	(446,174)	126,956	573,130
Fund balances - beginning	<u>226,397</u>	<u>226,397</u>	<u>226,397</u>	<u>-</u>
Fund balances (deficits) - ending	<u>\$ 226,397</u>	<u>\$ (219,777)</u>	<u>\$ 353,353</u>	<u>\$ 573,130</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Comprehensive Services Act Fund
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 3,517,468	\$ 4,168,325	\$ 2,954,368	\$ (1,213,957)
Charges for services	1,435,393	1,446,547	1,435,393	(11,154)
Miscellaneous	110,000	110,000	55,430	(54,570)
Total revenues	<u>5,062,861</u>	<u>5,724,872</u>	<u>4,445,191</u>	<u>(1,279,681)</u>
Expenditures				
Current operating expenditures:				
Health and human services	5,062,861	5,917,657	4,488,640	1,429,017
Total expenditures	<u>5,062,861</u>	<u>5,917,657</u>	<u>4,488,640</u>	<u>1,429,017</u>
Net changes in fund balances	-	(192,785)	(43,449)	149,336
Fund balances - beginning	<u>466,552</u>	<u>466,552</u>	<u>466,552</u>	<u>-</u>
Fund balances - ending	<u>\$ 466,552</u>	<u>\$ 273,767</u>	<u>\$ 423,103</u>	<u>\$ 149,336</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Investment Trust Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ 269,647	\$ 969,495	\$ 526,749	\$ (442,746)
Total revenues	<u>269,647</u>	<u>969,495</u>	<u>526,749</u>	<u>(442,746)</u>
Expenditures				
Current operating expenditures:				
Community development	269,647	757,233	526,749	230,484
Total expenditures	<u>269,647</u>	<u>757,233</u>	<u>526,749</u>	<u>230,484</u>
Net changes in fund balances	-	212,262	-	(212,262)
Fund balances - beginning	<u>26,247</u>	<u>26,247</u>	<u>26,247</u>	<u>-</u>
Fund balances - ending	<u>\$ 26,247</u>	<u>\$ 238,509</u>	<u>\$ 26,247</u>	<u>\$ (212,262)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Lynchburg Regional Juvenile Detention Center Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,140,120	\$ 1,140,120	\$ 1,108,162	\$ (31,958)
Charges for services	1,676,322	1,676,322	1,617,836	(58,486)
Miscellaneous	-	-	32	32
Total revenues	<u>2,816,442</u>	<u>2,816,442</u>	<u>2,726,030</u>	<u>(90,412)</u>
Expenditures				
Current operating expenditures:				
General government	3,684	3,975	3,975	-
Public safety	2,624,874	2,613,145	2,545,067	68,078
Debt service:				
Principal retirements	149,299	149,299	149,299	-
Interest payments and other fiscal charges	34,382	34,382	34,382	-
Total expenditures	<u>2,812,239</u>	<u>2,800,801</u>	<u>2,732,723</u>	<u>68,078</u>
Excess (deficiency) of revenues over expenditures	<u>4,203</u>	<u>15,641</u>	<u>(6,693)</u>	<u>(22,334)</u>
Other financing sources				
Transfers in	-	6,705	6,705	-
Total other financing sources	<u>-</u>	<u>6,705</u>	<u>6,705</u>	<u>-</u>
Net changes in fund balances	<u>4,203</u>	<u>22,346</u>	<u>12</u>	<u>(22,334)</u>
Fund balances - beginning	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Fund balances - ending	<u>\$ 104,203</u>	<u>\$ 122,346</u>	<u>\$ 100,012</u>	<u>\$ (22,334)</u>

Balance Sheet
School Capital Projects
June 30, 2014

	School Capital Projects
Assets	
Cash and cash equivalents	\$ 3,468,930
Restricted assets:	
Cash and cash equivalents	937,213
Total assets	<u>\$ 4,406,143</u>
Liabilities	
Accounts payable and other liabilities	\$ 3,395,623
Total liabilities	<u>3,395,623</u>
Fund Balance	
Committed	1,010,520
Total fund balance	<u>1,010,520</u>
Total liabilities and fund balance	<u>\$ 4,406,143</u>

**Statement of Revenues, Expenditures, and Changes in Fund Balance
School Capital Projects
For the Year Ended June 30, 2014**

	School Capital Projects
Revenues	\$ -
Total revenues	<u>-</u>
Expenditures	
Current operating expenditures:	
Education	1,296,546
Capital outlay:	
Capital general government	<u>7,793,113</u>
Total expenditures	<u>9,089,659</u>
Deficiency of revenues over expenditures	<u>(9,089,659)</u>
Other financing sources	
Issuance of bonds	937,213
Transfers in	<u>5,027,191</u>
Total other financing sources	<u>5,964,404</u>
Net changes in fund balance	(3,125,255)
Fund balance - beginning	<u>4,135,775</u>
Fund balance - ending	<u>\$ 1,010,520</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 School Capital Projects
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current operating expenditures:				
Education	140,000	1,487,510	1,296,546	190,964
Capital outlay:				
Capital general government	4,218,460	2,708,212	7,793,113	(5,084,901)
Total expenditures	<u>4,358,460</u>	<u>4,195,722</u>	<u>9,089,659</u>	<u>(4,893,937)</u>
Deficiency of revenues over expenditures	<u>(4,358,460)</u>	<u>(4,195,722)</u>	<u>(9,089,659)</u>	<u>(4,893,937)</u>
Other financing sources				
Issuance of bonds	-	1,106,000	937,213	(168,787)
Transfers in	3,252,460	5,027,191	5,027,191	-
Total other financing sources	<u>3,252,460</u>	<u>6,133,191</u>	<u>5,964,404</u>	<u>(168,787)</u>
Net changes in fund balance	<u>(1,106,000)</u>	<u>1,937,469</u>	<u>(3,125,255)</u>	<u>(5,062,724)</u>
Fund balances - beginning	<u>4,135,775</u>	<u>4,135,775</u>	<u>4,135,775</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,029,775</u>	<u>\$ 6,073,244</u>	<u>\$ 1,010,520</u>	<u>\$ (5,062,724)</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 5,035,728	\$ 16,130,210	\$ 4,690,513	\$ (11,439,697)
Revenue from use of money and property	-	47,730	28,783	(18,947)
Miscellaneous	200,000	1,700,816	657,530	(1,043,286)
Total revenues	<u>5,235,728</u>	<u>17,878,756</u>	<u>5,376,826</u>	<u>(12,501,930)</u>
Expenditures				
Current operating expenditures:				
Public safety	-	10,000	-	10,000
Public works	5,317,420	9,534,213	6,161,935	3,372,278
Cultural and recreational	120,000	486,007	138,205	347,802
Community development	-	1,960,725	910,170	1,050,555
Capital outlay:				
Capital general government	14,863,186	39,865,098	13,085,125	26,779,973
Total expenditures	<u>20,300,606</u>	<u>51,856,043</u>	<u>20,295,435</u>	<u>31,560,608</u>
Deficiency of revenues over expenditures	<u>(15,064,878)</u>	<u>(33,977,287)</u>	<u>(14,918,609)</u>	<u>19,058,678</u>
Other financing sources (uses)				
Issuance of bonds	12,287,000	22,213,812	7,005,957	(15,207,855)
Transfers in	2,777,878	4,706,960	4,706,960	-
Transfers out	-	(56,938)	(56,938)	-
Total other financing sources (uses)	<u>15,064,878</u>	<u>26,863,834</u>	<u>11,655,979</u>	<u>(15,207,855)</u>
Net changes in fund balance	-	(7,113,453)	(3,262,630)	3,850,823
Fund balances - beginning	<u>29,419,984</u>	<u>29,419,984</u>	<u>29,419,984</u>	-
Fund balance - ending	<u>\$ 29,419,984</u>	<u>\$ 22,306,531</u>	<u>\$ 26,157,354</u>	<u>\$ 3,850,823</u>

Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Special Welfare				
Assets				
Cash and cash equivalents	\$ 105,930	\$ 138,573	\$ 132,237	\$ 112,266
Total Assets	<u>\$ 105,930</u>	<u>\$ 138,573</u>	<u>\$ 132,237</u>	<u>\$ 112,266</u>
Liabilities				
Accounts payable	\$ 2,691	\$ 42,400	\$ 43,624	\$ 1,467
Amounts held for others	103,239	269,594	262,034	110,799
Total Liabilities	<u>\$ 105,930</u>	<u>\$ 311,994</u>	<u>\$ 305,658</u>	<u>\$ 112,266</u>

Discretely Presented Component Unit - Lynchburg City Schools
Combining Balance Sheet
June 30, 2014

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>Governor's School</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
Assets					
Cash and cash equivalents	\$ 10,610,138	\$ 57,332	\$ 448,443	\$ 512,072	\$ 11,627,985
Receivables, net of allowance	489,748	-	-	2,739	492,487
Due from other funds	814,956	-	-	7,373	822,329
Due from other governments	2,201,182	1,904,014	-	94,753	4,199,949
Prepaid expenses	206,668	18,954	1,145	-	226,767
Inventory	-	-	-	103,341	103,341
Total assets	<u>\$ 14,322,692</u>	<u>\$ 1,980,300</u>	<u>\$ 449,588</u>	<u>\$ 720,278</u>	<u>\$ 17,472,858</u>
Liabilities					
Accounts payable and other liabilities	\$ 771,730	\$ 20,246	\$ 408	\$ 5,070	\$ 797,454
Accrued payroll and related liabilities	8,587,930	1,006,585	58,361	187,203	9,840,079
Due to other funds	7,373	780,690	-	34,266	822,329
Due to primary government- return of local funding	3,069,622	-	-	-	3,069,622
Due to primary government- other	279,818	-	-	-	279,818
Unearned revenue	-	-	84,600	-	84,600
Total liabilities	<u>12,716,473</u>	<u>1,807,521</u>	<u>143,369</u>	<u>226,539</u>	<u>14,893,902</u>
Deferred Inflows of Resources					
Unavailable revenue	899,074	124,923	-	-	1,023,997
Total deferred inflows of resources	<u>899,074</u>	<u>124,923</u>	<u>-</u>	<u>-</u>	<u>1,023,997</u>
Fund balances					
Nonspendable:					
Prepaid items	206,668	18,954	1,145	-	226,767
Inventory	-	-	-	103,341	103,341
Restricted for:					
Education	-	28,902	-	390,398	419,300
Committed for:					
Education	500,477	-	305,074	-	805,551
Total fund balances	<u>707,145</u>	<u>47,856</u>	<u>306,219</u>	<u>493,739</u>	<u>1,554,959</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,322,692</u>	<u>\$ 1,980,300</u>	<u>\$ 449,588</u>	<u>\$ 720,278</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,462,412
Receivables on the Statement of Net Position that do not provide current financial resources are reported as deferred inflows of resources in the funds.	1,023,997
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,933,003)</u>
Net position of governmental activities	<u>\$ 4,108,365</u>

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2014

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>Governor's School</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
Revenues					
Intergovernmental:					
State and Federal	\$ 44,574,722	\$ 9,116,777	\$ 324,783	\$ 3,043,853	\$ 57,060,135
City of Lynchburg	35,639,012	-	-	-	35,639,012
Revenue from use of money and property	-	-	-	147	147
Charges for services	1,471,332	-	603,263	576,419	2,651,014
Miscellaneous	520,942	235,033	10,000	138,405	904,380
Total revenues	<u>82,206,008</u>	<u>9,351,810</u>	<u>938,046</u>	<u>3,758,824</u>	<u>96,254,688</u>
Expenditures					
Education:					
Instruction	57,686,592	8,773,514	813,566	-	67,273,672
Administration, attendance and health	5,581,280	250	96	-	5,581,626
Pupil transportation services	4,690,144	-	-	-	4,690,144
Operations and maintenance	9,497,568	42,227	41,049	-	9,580,844
Food service and other	16,087	127,087	-	4,017,298	4,160,472
Facilities	20,365	-	-	-	20,365
Technology	3,244,460	-	-	-	3,244,460
Capital outlay	862,639	446,979	29,161	5,693	1,344,472
Debt service:					
Principal retirement	109,353	-	-	-	109,353
Interest payments	970	-	-	-	970
Total expenditures	<u>81,709,458</u>	<u>9,390,057</u>	<u>883,872</u>	<u>4,022,991</u>	<u>96,006,378</u>
Net changes in fund balances	496,550	(38,247)	54,174	(264,167)	248,310
Fund balances - beginning	<u>210,595</u>	<u>86,103</u>	<u>252,045</u>	<u>757,906</u>	
Fund balances - ending	<u>\$ 707,145</u>	<u>\$ 47,856</u>	<u>\$ 306,219</u>	<u>\$ 493,739</u>	

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$866,939) exceeded depreciation expense (\$826,653).	40,286
Donated capital assets contributed by the City are not reported in the fund statements, but are reported as revenue in the government-wide statements	970,908
Compensated absences are not due and payable at June 30, and therefore are not reported in the fund statements.	107,511
Other post-employment benefits are not due and payable at June 30, and therefore are not reported in the fund statements.	(452,577)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	89,777
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.	<u>109,353</u>
Change in net position of governmental activities.	<u>\$ 1,113,568</u>

Discretely Presented Component Unit - Lynchburg City Schools
School Operating Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
State and Federal	\$ 44,206,131	\$ 44,206,131	\$ 44,574,722	\$ 368,591
City of Lynchburg	38,201,147	38,708,634	38,708,634	-
Charges for services	1,490,640	1,490,640	1,471,332	(19,308)
Miscellaneous	351,500	388,398	520,942	132,544
Total revenues	<u>84,249,418</u>	<u>84,793,803</u>	<u>85,275,630</u>	<u>481,827</u>
Expenditures				
Education:				
Instruction	62,021,774	60,327,560	57,686,592	2,640,968
Administration, attendance and health	5,741,235	5,747,223	5,581,280	165,943
Pupil transportation services	4,318,976	4,767,226	4,690,144	77,082
Operations and maintenance	9,316,313	9,329,627	9,497,568	(167,941)
Food service and other	-	12,000	16,087	(4,087)
Facilities	21,743	18,964	20,365	(1,401)
Technology	2,299,973	3,346,962	3,244,460	102,502
Capital outlay	420,205	1,135,042	862,639	272,403
Debt service	109,199	109,199	110,323	(1,124)
Total expenditures	<u>84,249,418</u>	<u>84,793,803</u>	<u>81,709,458</u>	<u>3,084,345</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	3,566,172	<u>\$ 3,566,172</u>
Less return of funds to the City			<u>(3,069,622)</u>	
			<u>\$ 496,550</u>	

Discretely Presented Component Unit - Lynchburg City Schools
Agency Fund
For the Year Ended June 30, 2014

	<u>Agency Fund</u>
Assets	
Investments	\$ 190,894
Liabilities	
Amounts held for others	\$ 190,894

Combining Statement of Net Position
Other Component Units
June 30, 2014

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 473,060	\$ 400,860	\$ 873,920
Receivables, net of allowance	1,326,488	222,221	1,548,709
Due from other governments	-	1,776,601	1,776,601
Inventory	-	152,856	152,856
Prepays and other assets	115	22,415	22,530
Capital assets:			
Non-depreciable	-	3,941,915	3,941,915
Depreciable	3,358	21,486,268	21,489,626
Total assets	1,803,021	28,003,136	29,806,157
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	180,824	1,774,237	1,955,061
Due to other governments	1,202,000	-	1,202,000
Due to primary government	125,000	360,431	485,431
Total current liabilities	1,507,824	2,134,668	3,642,492
Noncurrent liabilities:			
Other post-employment benefits	-	98,000	98,000
Compensated absences	-	95,804	95,804
Total noncurrent liabilities	-	193,804	193,804
Total liabilities	1,507,824	2,328,472	3,836,296
Net position			
Net investment in capital assets	3,358	25,428,183	25,431,541
Unrestricted	291,839	246,481	538,320
Total net position	\$ 295,197	\$ 25,674,664	\$ 25,969,861

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Other Component Units
For the Year Ended June 30, 2014**

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating revenues			
Charges for services and other operating revenues	\$ 252,628	\$ 1,226,239	\$ 1,478,867
Total operating revenues	<u>252,628</u>	<u>1,226,239</u>	<u>1,478,867</u>
Operating expenses			
Operations	221,603	6,442,147	6,663,750
Administration	602	1,591,957	1,592,559
Maintenance and repairs	16,008	1,257,969	1,273,977
Total operating expenses	<u>238,213</u>	<u>9,292,073</u>	<u>9,530,286</u>
Operating income (loss)	<u>14,415</u>	<u>(8,065,834)</u>	<u>(8,051,419)</u>
Nonoperating revenue			
Subsidy of operations- City of Lynchburg	-	833,808	833,808
Subsidy of operations- Counties	-	57,492	57,492
Subsidy of operations- Liberty University	-	1,005,196	1,005,196
Subsidy of operations- State aid for public transportation	-	1,673,517	1,673,517
Subsidy of operations- Federal operating grant	-	1,973,720	1,973,720
Donations and grants	9,250	-	9,250
Total nonoperating revenue	<u>9,250</u>	<u>5,543,733</u>	<u>5,552,983</u>
Capital contributions	-	7,770,547	7,770,547
Change in net position	23,665	5,248,446	5,272,111
Total net position - beginning	<u>271,532</u>	<u>20,426,218</u>	<u>20,697,750</u>
Total net position - ending	<u>\$ 295,197</u>	<u>\$ 25,674,664</u>	<u>\$ 25,969,861</u>

Combining Statement of Cash Flows
Other Component Units
For the Year Ended June 30, 2014

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating activities			
Cash received from operations	\$ 721,636	\$ 1,030,130	\$ 1,751,766
Cash paid to employees	(108,229)	(2,886,044)	(2,994,273)
Cash paid to suppliers for goods and services	(129,818)	(3,722,410)	(3,852,228)
New loans disbursed	(550,500)	-	(550,500)
Net cash used in operating activities	<u>(66,911)</u>	<u>(5,578,324)</u>	<u>(5,645,235)</u>
Noncapital financing activities			
Subsidies	-	5,029,293	5,029,293
Operating grants and contributions	9,250	-	9,250
Net cash provided by noncapital financing activities	<u>9,250</u>	<u>5,029,293</u>	<u>5,038,543</u>
Capital and related financing activities			
Capital contributions received	-	7,034,266	7,034,266
Additions to capital assets	-	(7,073,656)	(7,073,656)
Net cash used in capital and related financing activities	<u>-</u>	<u>(39,390)</u>	<u>(39,390)</u>
Net decrease in cash and cash equivalents	<u>(57,661)</u>	<u>(588,421)</u>	<u>(646,082)</u>
Cash and cash equivalents			
Beginning of year	<u>530,721</u>	<u>989,281</u>	<u>1,520,002</u>
End of year	<u>\$ 473,060</u>	<u>\$ 400,860</u>	<u>\$ 873,920</u>
Reconciliation of operating income (loss) to net cash used in operating activities			
Operating income (loss)	\$ 14,415	\$ (8,065,834)	\$ (8,051,419)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	851	2,509,132	2,509,983
Increase in receivables	(78,798)	(196,109)	(274,907)
Decrease in prepaids and other assets	25	55,105	55,130
Decrease in inventory	-	22,524	22,524
Increase (decrease) in accounts payable and other current liabilities	(3,404)	39,490	36,086
Increase in compensated absences and other post-employment benefits	-	57,368	57,368
Net cash used in operating activities	<u>\$ (66,911)</u>	<u>\$ (5,578,324)</u>	<u>\$ (5,645,235)</u>

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SUPPLEMENTAL SCHEDULES

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
<u>Primary Government</u>		
Department of Agriculture		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Supplemental Nutrition Assistance Program	10.561	\$1,189,929
National School Lunch Program	10.555	29,340
National School Breakfast Program	10.553	22,134
Department of Health and Human Services		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Family Preservation and Support	93.556	26,417
TANF Block Grant	93.558	1,003,701
Refugee and Entrant Assistance State - Administered Programs	93.566	6,686
Low Income Energy Assistance	93.568	113,100
Child Care Development Fund	93.596	153,023
Chafee Education and Training Vouchers Program (ETV)	93.599	5,052
Child Welfare Services	93.645	7,346
Foster Care - Title IV-E	93.658	1,231,531
Adoption Assistance	93.659	1,690,772
Social Services Block Grant	93.667	1,040,646
Independent Living	93.674	20,799
Children's Insurance Program	93.767	33,025
Medicaid Assistance	93.778	1,017,890
Department of Housing and Urban Development		
Direct Payments:		
Community Development Block Grant Program, Entitlement Grants	14.218	882,398
Shelter Plus Care	14.238	75,961
Home Investment Partnership Program	14.239	526,749
Department of Justice		
Direct Payments:		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	170,714
Bulletproof Vest Partnership	16.607	14,576
Passed through Commonwealth of Virginia:		
Department of Criminal Justice Services:		
Victim-Witness Services	16.575	109,586
Violence Against Women Formula Grant	16.588	65,313
Byrne Memorial Justice Assistance Grant	16.738	148,412
Department of Labor		
Passed through Commonwealth of Virginia:		
Virginia Community College System (VCCS):		
WIA Adult Program	17.258	349,290
WIA Youth Activities	17.259	484,945
WIA Dislocated Workers (after 7/1/10)	17.278	459,091

(Continued)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014
(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	\$659,621
Transportation Security Administration:		
Airport LEO Cooperative Agreement	97.090	107,820
Department of Transportation		
Direct Payments:		
Highway Planning and Construction	20.205	1,785,638
Passed through Commonwealth of Virginia:		
Department of Motor Vehicles:		
Alcohol Impaired Driving Grants	20.600	66,093
Environmental Protection Agency		
Passed through Commonwealth of Virginia:		
Virginia Resources Authority:		
Revolving Loan	66.458	8,375,943
Federal Aviation Administration		
Direct Payments:		
Department of Aviation:		
Airport Improvement Program	20.106	1,982,999
Federal Emergency Management Agency		
Direct Payments:		
Department of Homeland Security:		
Emergency Communications	97.042	14,114
Assistance to Firefighters	97.044	185,720
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	476,369
Passed through Commonwealth of Virginia:		
Department of Emergency Services:		
Homeland Security	97.073	51,467
Department of Emergency Management:		
State Homeland Security Program Grant	97.067	34,800
<u>Component Unit - Lynchburg Schools</u>		
Department of Agriculture		
Passed through Commonwealth of Virginia:		
Department of Education:		
National School Lunch Program	10.555	2,186,990
National School Breakfast Program	10.553	781,413
Fresh Fruit and Vegetables	10.582	126,255
Department of Education		
Passed through Commonwealth of Virginia:		
Title I - Educationally Deprived Children - LEA	84.010	3,056,040
Title I - Neglected and Delinquent Children	84.013	3,557

(Continued)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014
(Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
Department of Education		
Elementary and Secondary Education Act (ESEA):		
Title IV-B - Elementary and Secondary Education Act of 1965	84.287	\$1,190,830
Title VI-B - Special Education	84.027	2,181,441
Special Education Preschool Grants	84.173	71,517
English Language Acquisition Grants	84.365	49,671
Title II - Part A Funds	84.367	586,081
Vocational Education:		
Basic Grants to States	84.048	204,643
McKenney-Vento Homeless Education Assistance Improvements Act of 2001:		
Title X-C -No Child Left Behind Act	84.000	46,973
TOTAL		\$35,104,421

**Donated Food
Received**

Primary Government

Department of Agriculture

Passed through Commonwealth of Virginia:

Department of Social Services:

 Juvenile Detention Home (Commodities)

 Opportunity House (Commodities)

 Sparc House (Commodities)

10.555	\$2,487
10.555	426
10.555	415

Component Unit - Lynchburg Schools

Department of Agriculture

Passed through Commonwealth of Virginia:

Department of Education:

 National School Lunch Program (Commodities)

10.555	232,801
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TOTAL

\$236,129

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2014

Note 1. Significant Accounting Policy

Basis of Accounting:

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

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

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

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

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

Note 3. Non-monetary Assistance

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2014

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
Analysis of Impediments of Fair Housing	\$ 20,970	\$ -	\$ -
Bluffwalk Section 108 Loan	234,310	-	-
City Administration	82,982	28,191	-
City Projects - Fifth Street	199,070	-	-
Continuum of Care Intake Social Worker	14,123	-	-
Daniel's Hill Community Garden Water Line	1,650	-	-
Habitat for Humanity	-	49,900	-
Lynchburg Community Action Group	136,965	298,658	-
Lynchburg Redevelopment & Housing Authority	146,202	-	-
Rebuilding Together	28,724	-	-
Region 2000 Local Governmental Council	-	-	1,293,326
Relocation of Miller Park Basketball Court	17,402	-	-
Rush Homes	-	150,000	-
	<u>\$ 882,398</u>	<u>\$ 526,749</u>	<u>\$ 1,293,326</u>

Note 5. Program Income

Program income received in FY2014 totals \$1,724,129 of which \$1,430,364 came from the Bluffwalk project and \$293,765 was received through the sale of properties, loan repayments, and the Weed Program. In accordance with terms of the Community Development Block Grant Program, program income totaling \$293,765 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, 2014, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of \$117,270,249 which includes \$38,202,270 of federal funded loans. Expenditures associated with the federally funded loans totaled \$8,375,943 in FY 2014.

CITY OF LYNCHBURG, VIRGINIA

Schedule of Passenger Facility Charges
As of June 30, 2014

Passenger Facility Charges:

<u>Federal Agency/Program Name/Application Number</u>	<u>PFC Balance July 1, 2013</u>	<u>Adjustments</u>	<u>PFC Collected</u>	<u>Interest Earnings</u>	<u>Expenditures</u>	<u>PFC Balance June 30, 2014</u>
FEDERAL AVIATION ADMINISTRATION						
Passenger facility charges (12-06-C-00-LYH)	\$ 25,193	\$ -	\$ 329,951	\$ 67	\$ 346,778	\$ 8,433
	<u>\$ 25,193</u>	<u>\$ -</u>	<u>\$ 329,951</u>	<u>\$ 67</u>	<u>\$ 346,778</u>	<u>\$ 8,433</u>

Schedule of Expenditures of Passenger Facility Charges
As of June 30, 2014

Expenditures of Passenger Facility Charges:

<u>Project</u>	<u>PFC Expenditures</u>
<u>Application 6 (12-06-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ 5,361
Local share reimbursement – “Local” expense	-
Local share reimbursement – “State Entitlements” expense	<u>341,417</u>
Total PFC expenditures	<u>\$ 346,778</u>

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

STATISTICAL SECTION

STATISTICAL SECTION

This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the government's overall financial condition.

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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. 99-103

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. 104-117

REVENUE CAPACITY

Tables 13-18 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 118-123

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. 124-127

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. 128-129

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. 130-133

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, 2014

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 2010 (1)	75,826
United States Census 2011 (1)	76,448
United States Census 2012 (1)	77,203
United States Census 2013 (1)	77,376

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

FORM OF GOVERNMENT

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

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

SEGREGATION OF TAXABLE SUBJECTS FOR LOCAL TAXATION ONLY

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

ASSESSMENTS

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

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

CITY OF LYNCHBURG, VIRGINIA

**MISCELLANEOUS STATISTICAL DATA
June 30, 2014
(Continued)**

TAX RATES

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

Real Property:

- \$1.11 per \$100 assessed value: 2013-2014
- \$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: 2005-2014
- \$3.30 per \$100 assessed value: 1990-2004

Machinery and Tools:

- \$3.00 per \$100 assessed value: 1990-2014

Local Sales Tax:

- 1% + 5.0% VA tax: 2014
- 1% + 4.0% VA tax: 2005-2013
- 1% + 3.5% VA tax: 1998-2004

Utility Consumers' Tax:

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

Business, Professional, and Occupational License:

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

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

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

CITY OF LYNCHBURG, VIRGINIA

MISCELLANEOUS STATISTICAL DATA

June 30, 2014

(Continued)

TAX RATES

(Continued)

Motor Vehicle License:

- \$29.50 for vehicles weighing 4,000 pounds or less: 2005-2014
- \$34.50 for vehicles weighing greater than \$4,000 pounds: 2005-2014
- \$25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2014
- \$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 FY 2001, Lynchburg changed the lodging tax from 5.5% to 5.5% plus \$1 per room per night. Of the total lodging taxes, \$1,250,000 is allocated for tourism.

Meals Tax:

- A tax of 6.5% on prepared meals sold in the City in addition to Sales Tax. In FY 2005, Lynchburg changed the meals tax from 6.0% to 6.5%.

Ambulance Services:

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

TAXES DUE

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

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

DELINQUENT TAXES

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

CITY OF LYNCHBURG, VIRGINIA

MISCELLANEOUS STATISTICAL DATA

June 30, 2014

(Continued)

OVERLAPPING AREAS AND DEBT

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

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

FUND BALANCE POLICY

The City council adopted a resolution in 1999 that was reaffirmed in 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.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2014
(Continued)

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.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 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	\$ 183,957,611
Restricted	-	171,844	-	19,975,370	20,149,056	18,733,893	23,708,274	18,760,659	16,805,325	15,935,153
Unrestricted	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	69,801,835
Total governmental activities net position	<u>\$ 174,303,067</u>	<u>\$ 185,864,143</u>	<u>\$ 196,675,497</u>	<u>\$ 221,353,269</u>	<u>\$ 240,868,541</u>	<u>\$ 246,481,676</u>	<u>\$ 250,312,032</u>	<u>\$ 257,415,877</u>	<u>\$ 265,933,549</u>	<u>\$ 269,694,599</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 196,909,298
Restricted	-	-	1,765	4,708	8,786	5,213	10,312	119,534	25,193	8,433
Unrestricted	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	20,968,416
Total business-type activities net position	<u>\$ 146,162,490</u>	<u>\$ 155,211,028</u>	<u>\$ 169,969,592</u>	<u>\$ 179,676,975</u>	<u>\$ 170,560,038</u>	<u>\$ 187,506,683</u>	<u>\$ 199,052,428</u>	<u>\$ 202,298,784</u>	<u>\$ 209,246,610</u>	<u>\$ 217,886,147</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 380,866,909
Restricted	-	171,844	1,765	19,980,078	20,157,842	18,739,106	23,718,586	18,880,193	16,830,518	15,943,586
Unrestricted	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	90,770,251
Total primary government net position	<u>\$ 320,465,557</u>	<u>\$ 341,075,171</u>	<u>\$ 366,645,089</u>	<u>\$ 401,030,244</u>	<u>\$ 411,428,579</u>	<u>\$ 433,988,359</u>	<u>\$ 449,364,460</u>	<u>\$ 459,714,661</u>	<u>\$ 475,180,159</u>	<u>\$ 487,580,746</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	\$ 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	\$ 13,291,661
Judicial	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	6,518,627
Public Safety	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	48,816,945
Public Works	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	29,261,348
Health and Human Services	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	25,805,934
Culture and Recreation	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	9,001,804
Community Development	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	6,730,055
Education	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	42,640,199
Interest Payments and Fiscal Charges	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	4,721,429
Issuance Costs	192,828	173,943	-	216,051	-	483,236	170,210	28,450	29,815	204,180
Total governmental activities expenses	<u>138,792,044</u>	<u>150,527,639</u>	<u>156,275,078</u>	<u>169,063,716</u>	<u>175,319,611</u>	<u>170,388,336</u>	<u>171,106,479</u>	<u>174,004,899</u>	<u>179,911,076</u>	<u>186,992,182</u>
Business-type activities:										
Solid Waste Management	5,794,660	5,599,954	6,436,950	8,240,113	206,551	-	-	-	-	-
Stormwater (1)	-	-	-	-	-	-	-	-	2,038,265	2,542,077
Airport	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	4,370,888
Water	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	12,867,800
Sewer	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	17,350,599
Total business-type activities expenses	<u>29,743,536</u>	<u>30,810,674</u>	<u>32,585,961</u>	<u>37,960,541</u>	<u>30,520,500</u>	<u>31,978,192</u>	<u>32,495,641</u>	<u>32,981,840</u>	<u>35,207,107</u>	<u>37,131,364</u>
Total primary government expenses	<u>\$ 168,535,580</u>	<u>\$ 181,338,313</u>	<u>\$ 188,861,039</u>	<u>\$ 207,024,257</u>	<u>\$ 205,840,111</u>	<u>\$ 202,366,528</u>	<u>\$ 203,602,120</u>	<u>\$ 206,986,739</u>	<u>\$ 215,118,183</u>	<u>\$ 224,123,546</u>

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenues (see Table 3)										
Governmental Activities:										
Charges for services:										
General government	\$ 401,099	\$ 466,636	\$ 398,188	\$ 556,888	\$ 548,729	\$ 437,468	\$ 424,127	\$ 523,344	\$ 530,988	\$ 460,961
Judicial	620,348	741,266	730,625	716,313	737,613	846,930	686,417	781,941	917,900	816,341
Public safety	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	6,629,609
Public works	140,291	185,474	98,025	198,841	993,935	989,613	786,813	813,474	1,711,835	1,806,816
Health and human services	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	2,503,303
Cultural and Recreational	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	684,094
Community development	693,244	1,093,999	887,401	916,926	600,480	544,603	340,847	622,156	936,595	2,422,730
Operating Grants and Contributions	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	40,032,827
Capital Grants and Contributions	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	2,407,771
Total governmental activities program services	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	57,764,452
Business-type activities:										
Charges for services:										
Solid Waste Management	6,985,739	7,219,229	7,276,645	6,313,555	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-	3,355,267	3,124,545
Airport	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	2,235,749
Water	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	13,478,920
Sewer	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	19,763,592
Operating Grants and Contributions	311,173	415,801	398,850	406,261	178,948	203,659	202,704	158,129	951,522	810,040
Capital Grants and Contributions	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	5,697,350
Total business-type activities program revenues	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	45,110,196
Total primary government program revenues	\$ 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	\$ 102,874,648
Net (Expense) Revenue										
Governmental Activities	\$ (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)	\$ (129,227,730)
Business-type Activities	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	7,978,832
Total Primary Government Net Expenses	\$ (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)	\$ (121,248,898)

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 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	\$ 74,994,389
Local sales and use taxes	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	13,842,292
Meals taxes	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	12,549,321
Consumer utility taxes	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	4,738,343
Business license taxes	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	8,580,699
Communications sales and use taxes	-	-	1,669,968	3,893,158	3,537,283	3,552,028	3,534,449	3,462,621	3,471,805	3,412,734
Other taxes	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	6,638,042
Unrestricted intergovernmental	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	6,240,433
Interest	954,317	1,785,705	3,082,813	3,522,533	1,716,449	794,471	601,999	438,375	201,735	295,656
IRS interest subsidy - Build America bonds	-	-	-	-	-	283,891	146,839	293,680	293,680	270,332
Miscellaneous	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	1,480,036
Transfers	(469,136)	(304,924)	11,134	(577,893)	16,198,418	(261,260)	(259,950)	(417,961)	(336,330)	(218,809)
Gain (Loss) on sale of assets	(705,032)	-	-	152,532	-	112,905	95,976	73,749	1,024,231	165,312
Total governmental activities	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	132,988,780
Business-type activities:										
Interest	582,522	1,248,981	2,382,245	1,784,508	825,779	207,953	206,665	210,782	108,977	132,701
IRS interest subsidy - Build America bonds	-	-	-	-	-	287,632	148,776	297,551	297,550	273,896
Miscellaneous	105,329	83,078	92,880	123,878	297,033	49,847	79,613	148,571	45,232	22,332
Transfers	469,136	304,924	(11,134)	577,893	(16,198,418)	261,260	259,950	-	336,330	218,809
Gain (loss) on sale of assets	(363,989)	-	-	-	83,700	-	-	417,961	209,250	12,967
Total business-type activities	792,998	1,636,983	2,463,991	2,486,279	(14,991,906)	806,692	695,004	1,074,865	997,339	660,705
Total primary government	\$ 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	\$ 133,649,485
Changes in Net Position										
Governmental activities	\$ 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	\$ 3,761,050
Business-type activities	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	8,639,537
Total primary government	\$ 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	\$ 12,400,587

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

(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program										
Governmental Activities:										
General Government	\$ 726,708	\$ 785,105	\$ 734,876	\$ 942,144	\$ 900,082	\$ 784,656	\$ 733,374	\$ 842,476	\$ 842,595	\$ 772,920
Judicial	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	4,705,330
Public Safety	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	12,655,192
Public Works	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	13,736,037
Health and Human Services	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	21,009,420
Culture and Recreation	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	1,335,292
Community Development	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	3,550,261
Education	3,286,938	1,849,352	2,212,094	865,253	792,322	976,991	31,022	354,953	29,284	-
Subtotal governmental activities	<u>43,148,970</u>	<u>45,812,376</u>	<u>47,362,207</u>	<u>73,083,855</u>	<u>56,861,837</u>	<u>54,730,680</u>	<u>53,512,049</u>	<u>53,467,493</u>	<u>57,651,278</u>	<u>57,764,452</u>
Business-type activities:										
Solid Waste Management (1)	7,185,377	7,423,363	7,478,380	6,517,869	-	-	-	-	-	-
Stormwater (2)	-	-	-	-	-	-	-	-	4,005,267	3,774,545
Airport	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	5,214,040
Water	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	13,492,023
Sewer	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	22,629,588
Subtotal business-type activities	<u>38,667,870</u>	<u>38,222,229</u>	<u>44,880,534</u>	<u>45,181,645</u>	<u>36,395,469</u>	<u>48,118,145</u>	<u>43,346,382</u>	<u>35,012,351</u>	<u>41,157,594</u>	<u>45,110,196</u>
Total primary government	<u>\$ 81,816,840</u>	<u>\$ 84,034,605</u>	<u>\$ 92,242,741</u>	<u>\$ 118,265,500</u>	<u>\$ 93,257,306</u>	<u>\$ 102,848,825</u>	<u>\$ 96,858,431</u>	<u>\$ 88,479,844</u>	<u>\$ 98,808,872</u>	<u>\$ 102,874,648</u>

(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					
	2005	2006	2007	2008	2009	2010
General Fund						
Reserved	\$ 1,131,403	\$ 879,657	\$ 1,236,149	\$ 2,406,773	\$ 719,850	\$ 1,457,305
Unreserved	25,356,742	35,906,892	31,541,207	32,158,992	36,459,043	44,287,091
Total General Fund	<u>\$ 26,488,145</u>	<u>\$ 36,786,549</u>	<u>\$ 32,777,356</u>	<u>\$ 34,565,765</u>	<u>\$ 37,178,893</u>	<u>\$ 45,744,396</u>
All Other Governmental Funds						
Reserved	\$ 6,941,128	\$ 6,687,005	\$ 5,430,322	\$ 44,832,256	\$ 31,264,091	\$ 9,752,227
Unreserved, reported in:						
Special revenue funds	3,464,014	4,071,768	3,219,576	1,082,960	4,263,967	4,265,193
Capital projects funds	(2,600,639)	9,825,526	13,985,011	6,697,269	11,646,868	31,943,779
Total All Other Governmental Funds	<u>\$ 7,804,503</u>	<u>\$ 20,584,299</u>	<u>\$ 22,634,909</u>	<u>\$ 52,612,485</u>	<u>\$ 47,174,926</u>	<u>\$ 45,961,199</u>
	Post-GASB 54					
	2011	2012	2013	2014		
General Fund						
Committed	\$ 13,707,762	\$ 13,992,915	\$ 14,610,825	\$ 15,237,982		
Assigned	4,077,230	5,574,299	3,128,072	5,029,549		
Unassigned	29,215,575	28,835,650	31,675,248	33,878,501		
Total General Fund	<u>\$ 47,000,567</u>	<u>\$ 48,402,864</u>	<u>\$ 49,414,145</u>	<u>\$ 54,146,032</u>		
All Other Governmental Funds						
Nonspendable	\$ 500,000	\$ 500,000	\$ 450,000	\$ 400,000		
Restricted	23,708,274	18,760,659	16,805,325	15,935,152		
Committed	18,396,943	21,518,899	17,761,570	13,852,139		
Assigned	121,599	126,818	100,000	100,012		
Unassigned	(539,488)	(257,944)	(257,945)	-		
Total All Other Governmental Funds	<u>\$ 42,187,328</u>	<u>\$ 40,648,432</u>	<u>\$ 34,858,950</u>	<u>\$ 30,287,303</u>		

Note: Six years of data is available for GASB 34 compliance. Four 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 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	\$ 125,237,029
Regulatory licenses, permits and privilege fees	635,880	1,025,782	887,272	849,742	650,514	664,028	683,712	916,546	991,098	1,068,270
Intergovernmental	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	48,326,225
Fines and forfeitures	552,797	593,518	581,986	586,661	612,595	667,756	598,424	721,839	726,438	634,485
Revenue from use of money and property	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	702,100
Charges for services	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	15,916,305
Miscellaneous	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	2,516,916
Total revenues	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	194,401,330
Expenditures										
General government	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	14,289,462
Judicial	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	5,758,228
Public Safety	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	46,660,711
Public Works	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	22,150,384
Health and human services	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	25,328,758
Cultural and recreational	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	7,611,982
Community development	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	6,519,328
Education (1)	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	36,856,139
Capital Outlay										
Capital general government (2)	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	22,238,043
Debt Services										
Principal Retirement	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	9,689,223
Interest payments and other fiscal charges	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	4,683,175
Issuance costs	192,826	173,943	-	216,051	-	483,236	170,210	28,450	29,815	204,180
Total expenditures	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	201,989,613
Excess (deficiency) of revenues over expenditures	(8,778,241)	(7,455,349)	(630,839)	18,510,487	(25,334,120)	(29,984,088)	(442,190)	1,008,799	284,045	(7,588,283)
Other financing sources (uses)										
Proceeds from debt issues	-	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	8,000,638
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	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	9,978,763
Transfers out	(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)	(10,230,878)
Total other financing sources (uses)	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)	7,748,523
Net change in fund balances	\$ (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)	\$ 160,240
Debt Service as a percentage of noncapital expenditures	8.49%	14.90%	8.84%	8.65%	8.17%	13.56%	10.05%	9.25%	8.58%	8.11%

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	\$ 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	\$ 125,237,029
Regulatory licenses, permits, and privilege fees	635,880	1,025,782	887,272	849,742	650,514	664,028	683,712	916,546	991,098	1,068,270
Intergovernmental	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	34,333,156
Fines & forfeitures	552,797	593,518	581,986	586,661	612,595	667,756	598,424	721,839	726,438	634,485
Revenues from use of money & property	1,373,658	2,130,172	3,377,730	3,308,104	1,403,024	995,450	840,217	690,069	437,531	640,544
Charges for services	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	10,555,494
Miscellaneous	955,066	1,261,164	387,005	452,272	1,168,236	1,132,221	945,324	871,056	1,097,217	1,150,545
Total revenues	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	173,619,523
Expenditures:										
Current operating expenditures:										
General government	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	14,507,532
Judicial	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	4,655,974
Public safety	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	42,455,002
Public works	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	16,403,344
Health and human services	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	19,184,011
Cultural & recreational	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	7,479,777
Community development	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	4,283,676
Education	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	35,709,226
Debt service:										
Principal retirements	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	9,359,924
Interest payments and other fiscal charges	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	4,544,745
Issuance costs	161,433	146,165	-	127,866	-	186,536	162,757	28,450	29,815	204,180
Total expenditures	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	158,787,391
Excess (deficiency) of revenues over expenditures	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	14,832,132
Other financing sources (uses):										
Issuance of bonds	-	10,644,739	-	69,980	-	7,082,817	-	-	-	57,468
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	994,616	504,783	126,333	26,150	6,450,066	464,020	546,826	283,272	18,524	4,761
Transfers out	(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)	(10,162,474)
Total other financing sources (uses)	(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)	(10,100,245)
Net changes in fund balances	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	4,731,887
Fund balance - beginning, as restated (1)	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	49,414,145
Fund balance - ending	\$ 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	\$ 54,146,032

(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.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Intergovernmental	\$ 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	\$ 80,213,734
Revenue from use of money and property	2,100	32,611	31,600	34,279	6,748	1,314	527	136	106	-
Charges for services	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	1,471,332
Miscellaneous	392,233	343,074	159,662	208,542	111,542	230,075	804,264	1,197,197	590,372	520,942
Total revenues	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	82,206,008
Expenditures:										
Education:										
Instruction	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	57,686,592
Administration, attendance, and health	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	5,581,280
Pupil transportation services	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	4,690,144
Operations and maintenance	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	9,497,568
Food service and other	-	-	-	-	528	-	-	-	5,633	16,087
Facilities	-	-	-	-	55,414	64,784	48,403	40,563	87,879	20,365
Technology	-	-	-	-	-	2,048,301	2,037,654	2,362,774	2,049,937	3,244,460
Capital outlay	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	862,639
Debt service:										
Principal retirements	724,075	782,024	867,874	834,058	947,970	920,908	642,489	480,697	264,931	109,353
Interest payments	48,412	92,951	80,702	93,842	89,419	72,838	44,389	22,256	8,261	970
Total expenditures	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	81,709,458
Excess (deficiency) of revenues over expenditures	(957,944)	(1,426,502)	(621,506)	(1,578,526)	(871,210)	96,162	(166,390)	231,578	(259,267)	496,550
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	542,056	(676,502)	378,494	(578,526)	128,790	(336,884)	(190,116)	231,578	(285,922)	496,550
Fund balance - beginning	997,627	1,539,683	863,181	1,241,675	663,149	791,939	455,055	264,939	496,517	210,595
Fund balance - ending	\$ 1,539,683	\$ 863,181	\$ 1,241,675	\$ 663,149	\$ 791,939	\$ 455,055	\$ 264,939	\$ 496,517	\$ 210,595	\$ 707,145

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Operating revenues:					
Charges for services and other operating revenues	\$ 6,985,739	\$ 7,219,229	\$ 7,276,645	\$ 6,313,555	\$ -
Total operating revenues	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	481,135	539,736	789,615	1,182,370	-
Supplies and materials	735,989	675,795	915,039	809,041	-
Administration	1,046,949	968,816	809,909	752,468	-
Landfill closure and postclosure care	147,355	(10,680)	492,408	1,404,613	-
Other charges	68,429	45,333	62,399	58,990	-
Depreciation	836,599	816,017	770,892	1,523,214	-
Total operating expenses	5,020,718	4,815,209	5,676,939	7,465,831	-
Operating income (loss)	1,965,021	2,404,020	1,599,706	(1,152,276)	-
Nonoperating revenues (expenses):					
Interest income	193,886	464,624	788,040	714,888	363,207
Governmental grants	199,638	204,134	201,735	204,314	-
Miscellaneous	67,665	43,347	65,594	81,774	889
Gain (loss) on disposition of assets	(49,893)	(14,922)	(12,540)	(805)	83,700
Interest on long-term debt	(303,528)	(301,809)	(238,168)	(243,528)	(118,078)
Total nonoperating revenues (expenses)	107,768	395,374	804,661	756,643	329,718
Income before contributions and transfers	2,072,789	2,799,394	2,404,367	(395,633)	329,718
Transfers in	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	2,433,463	2,999,068	2,554,896	363,396	(16,164,550)
Total net assets - beginning	7,813,727	10,247,190	13,246,258	15,801,154	-
Ending net assets:					
Invested in capital assets, net of related debt	2,271,866	2,467,438	2,543,907	4,399,040	-
Restricted	-	-	-	-	-
Unrestricted	7,975,324	10,778,820	13,257,247	11,765,510	-
Total net assets - ending	\$ 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.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating revenues:										
Charges for services and other operating revenues	\$ 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	\$ 13,478,920
Total operating revenues	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	13,478,920
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	4,345,690
Operation and maintenance	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	1,453,789
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	1,218,645
Administration	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	1,308,718
Other charges	48,269	68,637	57,613	55,342	61,621	52,684	67,481	60,133	65,424	60,118
Depreciation	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	2,757,951
Total operating expenses	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	11,144,911
Operating income	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	2,334,009
Nonoperating revenues (expenses):										
Interest income	123,527	264,029	629,409	343,836	82,842	22,207	30,674	40,275	2,729	21,508
Governmental grants	-	-	-	-	-	-	-	-	72,289	13,103
Miscellaneous	26,984	3,902	8,468	28,142	25,223	29,613	19,585	10,847	16,535	2,122
Gain (loss) on disposition of assets	(8,422)	(17,683)	(12,880)	-	-	-	(293)	-	-	7,314
Interest on long-term debt	(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)	(1,708,765)
IRS interest subsidy - Build America Bonds	-	-	-	-	-	243,211	125,799	251,598	251,598	231,596
Total nonoperating revenues (expenses)	(821,800)	(885,252)	(757,243)	(959,146)	(1,159,326)	(1,501,544)	(1,344,569)	(1,340,783)	(1,407,963)	(1,433,122)
Income before contributions and transfers	954,559	1,427,140	1,279,413	338,310	532,062	(281,524)	397,707	738,370	514,262	900,887
Capital contributions	208,868	-	-	-	-	-	-	24,000	9,500	-
Transfers out	(147,123)	(182,846)	(77,000)	(215,500)	-	-	-	-	-	-
Change in net position	1,016,304	1,244,294	1,202,413	122,810	532,062	(281,524)	397,707	762,370	523,762	900,887
Total net position - beginning, as restated (1)	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	36,559,962
Ending net position:										
Net investment in capital assets	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	28,010,070
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	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	9,450,779
Total net position - ending	\$ 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	\$ 37,460,849

(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.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating revenues:										
Charges for services and other operating revenues	\$ 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	\$ 19,763,592
Total operating revenues	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	19,763,592
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	2,871,425
Operation and maintenance	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	2,742,797
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	1,158,838
Administration	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	2,282,628
Other charges	23,902	40,887	34,347	35,078	35,903	45,466	39,915	70,699	33,447	44,651
Depreciation	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	7,049,861
Total operating expenses	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	16,150,200
Operating income	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	3,613,392
Nonoperating revenues (expenses):										
Interest income	248,236	456,342	858,384	691,799	363,942	182,548	173,319	167,849	102,589	108,729
Governmental grants	38,500	38,500	38,500	38,500	38,500	93,000	93,000	-	93,667	10,759
Miscellaneous	5,157	29,183	6,558	5,800	257,943	15,985	15,936	125,336	11,999	11,170
Gain (loss) on disposition of assets	(305,674)	(24,334)	-	-	-	-	-	-	(160,294)	5,653
Interest on long-term debt	(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)	(1,148,525)
IRS interest subsidy - Build America Bonds	-	-	-	-	-	44,421	22,977	45,953	45,952	42,300
Total nonoperating revenues (expenses)	(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)	(969,914)
Income before contributions and transfers	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	2,643,478
Capital contributions	3,851,205	1,534,561	766,259	2,210,259	4,045,756	12,542,361	8,435,244	700,878	31,025	2,855,237
Transfers in (out)	(164,394)	(110,389)	(452,000)	(325,000)	-	-	-	(3,401)	-	126,734
Change in net position	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	5,625,449
Total net position - beginning, as restated (1)	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	138,914,610
Ending net position:										
Net investment in capital assets	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	133,496,405
Unrestricted	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	11,043,654
Total net position - ending	\$ 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	\$ 144,540,059

(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.

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

	<u>2013</u>	<u>2014</u>
Operating revenues:		
Charges for services and other operating revenues	\$ 3,355,267	\$ 3,124,545
Intergovernmental	<u>650,000</u>	<u>650,000</u>
Total operating revenues	<u>4,005,267</u>	<u>3,774,545</u>
Operating expenses:		
Personal services and benefits	281,160	414,356
Operation and maintenance	651,189	719,470
Supplies and materials	50,358	113,528
Administration	1,109,817	1,340,126
Other charges	4,804	8,233
Depreciation	<u>-</u>	<u>4,465</u>
Total operating expenses	<u>2,097,328</u>	<u>2,600,178</u>
Operating income	<u>1,907,939</u>	<u>1,174,367</u>
Nonoperating revenue:		
Miscellaneous	<u>1</u>	<u>-</u>
Total nonoperating revenue	<u>1</u>	<u>-</u>
Income before contributions and transfers	1,907,940	1,174,367
Capital contributions	-	-
Transfers out	<u>-</u>	<u>(126,734)</u>
Change in net position	<u>1,907,940</u>	<u>1,047,633</u>
Total net position - beginning	-	1,907,940
Ending net position:		
Net investment in capital assets	99,062	771,687
Unrestricted	<u>1,808,878</u>	<u>2,183,886</u>
Total net position - ending	<u>\$ 1,907,940</u>	<u>\$ 2,955,573</u>

The Stormwater Fund was created in FY 2013.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating revenues:										
Charges for services and other operating revenues	\$ 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	\$ 2,235,749
Intergovernmental	71,309	146,198	129,582	132,487	178,948	179,276	168,209	158,129	135,566	136,178
Total operating revenues	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	2,371,927
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	970,660
Operation and maintenance	424,166	695,575	751,314	710,025	825,665	962,156	993,088	979,812	1,008,265	1,160,643
Supplies and materials	88,525	111,521	96,152	117,270	99,852	107,755	118,586	122,848	113,371	133,670
Administration	191,387	231,161	235,657	231,223	203,813	242,702	233,300	263,522	243,385	233,277
Other charges	19,803	17,678	16,004	15,683	17,935	20,088	15,794	21,416	18,000	16,800
Depreciation	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	1,820,883
Total operating expenses	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	4,335,933
Operating loss	(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)	(1,964,006)
Nonoperating revenues (expenses):										
Interest income	16,873	63,986	106,412	33,985	15,788	3,198	2,672	2,658	3,659	2,464
Governmental grants	1,726	26,969	29,033	30,960	-	24,383	34,495	-	-	-
Passenger facility charges (3)	256,800	246,981	223,331	185,815	319,360	377,504	350,002	321,031	-	-
Miscellaneous	5,523	6,646	12,260	8,162	11,508	4,249	44,092	12,388	16,697	9,040
Gain (Loss) on disposition of assets	-	-	117,431	-	-	-	(17,651)	-	137,762	-
Interest on long-term debt	(107,691)	(89,365)	(103,910)	(108,456)	(86,964)	(73,265)	(64,581)	(54,416)	(45,020)	(39,411)
Total nonoperating revenues (expenses)	173,231	255,217	384,557	150,466	259,692	336,069	349,029	281,661	113,098	(27,907)
Loss before contributions and transfers	(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)	(1,991,913)
Capital contributions	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	2,512,162
Passenger facility charges (3)	-	-	-	-	-	-	-	-	335,209	329,951
Transfers in	419,980	398,485	367,337	359,364	295,850	261,260	259,950	421,362	336,330	218,809
Change in net position	267,203	451,754	7,123,149	3,827,607	(846,610)	875,732	262,475	(506,501)	1,388,454	1,069,009
Total net position - beginning - as restated (1)	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	35,885,880
Ending net position:										
Net investment in capital assets	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	34,631,136
Restricted	-	312,049	1,765	4,708	8,786	5,213	10,312	119,534	25,193	8,433
Unrestricted	1,266,749	1,788,685	1,280,157	335,736	486,762	908,684	1,478,152	2,246,374	2,554,993	2,315,320
Total net position - ending	\$ 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	\$ 36,954,889

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Real Estate	\$ 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	\$ 54,360,607
PSC Taxes	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	2,313,627
Personal Property Tax	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	17,578,172
Penalties & Interest	682,712	819,079	665,421	711,491	896,215	862,989	954,397	1,032,498	1,142,986	1,241,614
Sales & Use Tax	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	13,842,292
Utility Tax (1)	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	5,092,859
Business License Tax	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	8,037,473
Franchise License Tax (1)	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	3,412,734
Motor Vehicle Licenses	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	1,672,627
Bank Stock Taxes	545,221	598,733	503,322	442,123	500,385	685,879	901,240	817,990	722,734	769,284
Taxes on Recordation and Wills	561,009	786,799	809,424	661,671	401,833	525,417	381,719	461,835	549,056	486,321
Tobacco Taxes	1,087,358	972,337	1,002,130	1,014,759	1,044,465	953,513	936,648	974,864	1,025,289	975,078
Admission and Amusement Taxes	344,161	368,680	409,473	407,024	400,835	576,139	610,625	644,842	660,558	662,453
Hotel and Motel Room Taxes	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	2,125,145
Restaurant Food Taxes	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	12,666,743
Emergency Telephone Service Tax (1)	972,043	946,241	464,582	-	-	-	-	-	-	-
Total General Government Tax Revenues	\$ 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	\$ 125,237,029

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
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
2014	3,323,554,300	1,302,945,700	355,954,900	4,982,454,900	1.11

Source: Real Estate Assessor, City of Lynchburg, Virginia

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

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

Fiscal Year	Real Property (1)					Personal Property (3)				Machinery and Tools		Total Assessed Value of Taxable Property	Total Direct Tax Rate (10)
	Residential Property (2)(7)	Commercial Property (2)(8)	Public Service Corporation	Total	Tax Rate	Personal Property	Public Service Corporation	Total	Tax Rate	Machinery and Tools (2)	Tax Rate		
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	159,096,582 (5)	3.00	5,888,827,848	7.85
2013	3,349,936,800	1,636,110,200	184,575,507	5,170,622,507	1.11	586,098,054 (5)	23,632,441	609,730,495	3.80	150,157,140 (5)	3.00	5,930,510,142	7.91
2014	3,323,554,300	1,658,900,600	180,026,914	5,162,481,814	1.11	510,172,044 (6)	25,839,427	536,011,471	3.80	152,685,243 (6)	3.00	5,851,178,528	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) 2014 Personal Property Tax Levy in FY 2014. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2015 to reflect all four billings.
- (7) These figures are net of land use exemptions. Title 58.1-3230 through 3244 of the Code of Virginia provides for the assessment of land based on use value rather than market value. Use value is the assessment of the land for a specific purpose and is generally lower than market value. This is a local option statute adopted by the City of Lynchburg.
- (8) Commercial property also includes industrial property.
- (9) The residential property amount for 2007 has been updated from the Fiscal Year 2007 CAFR to reflect net of land use exemption.
- (10) When a government's individual direct rates apply to the same proportion of the revenue base, and does not apply to only a portion (such as residential, commercial, industrial) the Total Direct Rate is the sum of individual direct rates.

PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2014					2005				
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2014 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2005 Total Tax Levy	Percentage of Total Tax Levy
AEP	Utility	\$ 78,645,671	1	1.34 %	\$ 884,281	1.10 %	\$ 45,813,748	2	1.16 %	\$ 583,951	1.04 %
Areva NP Inc.	Nuclear Power Design & Fuel	55,972,591	2	0.96	1,222,784	1.52	30,253,289	6	0.76	919,180	1.64
Frito Lay, Inc.	Food Manufacturer	54,326,409	3	0.93	1,147,944	1.43	34,059,094	5	0.86	466,368	0.83
River Ridge, Ltd.	Shopping Mall	46,604,400	4	0.80	517,309	0.64	37,803,025	4	0.96	419,471	0.75
Verizon Va, Inc.	Utility	45,476,587	5	0.78	519,503	0.65	88,552,402	1	2.24	1,000,964	1.79
Genworth Financial, Inc.	Life Insurance	41,379,941	6	0.71	728,732	0.91	30,031,500	7	0.76	496,923	0.89
Wal-Mart Real Estate Business Trust	Retail	37,582,648	7	0.64	482,557	0.60	-	-	-	-	-
R R Donnelly (fmr Meredith-Burda)	Periodical Publication Printing	32,167,203	8	0.55	675,661	0.84	29,961,812	8	0.76	1,005,609	1.79
C.B. Fleet Co.	Pharmaceuticals	19,579,716	9	0.33	351,585	0.44	26,760,921	10	0.68	266,260	0.47
CCRC, Inc.	Nursing Home/Assisted Living	18,802,100	10	0.32	208,703	0.26	-	-	-	-	-
Columbia Gas of Virginia, Inc.	Utility	18,724,800	11	0.32	207,845	0.26	22,737,383	-	-	-	-
LU Candler Station Holdings LLC	Shopping Mall	17,588,400	12	0.30	195,231	0.24	-	-	-	-	-
Centra Health, Inc.	Medical	-	-	-	-	-	39,922,151	3	1.01	151,173	0.27
JDN Realty Corp, Inc.	Real Estate	-	-	-	-	-	27,717,344	9	0.70	204,736	0.37
Total		\$ 466,850,466		7.98 %	\$ 7,142,135	8.89 %	\$ 413,612,669		9.89 %	\$ 5,514,635	9.84 %
Total Assessed Valuation:		\$ 5,851,178,528					\$ 3,954,922,908				
Tax Levy:											
Real Estate		\$ 55,296,830									
Railroads and Pipelines		255,027									
Public Service Corporations		2,058,604									
Personal Property		22,645,330									
Total Tax Levy:		\$ 80,255,791									

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)
2005	\$ 55,674,712	\$ 54,679,067	98.21%	\$ 1,118,614	\$ 55,797,681	100.22%
2006	67,559,478	64,525,107	95.51%	2,605,439	67,130,546	99.37%
2007	63,281,557	60,579,970	95.73%	1,507,296	62,087,266	98.11%
2008	69,302,787	67,913,137	97.99%	2,138,597	70,051,734	101.08%
2009	70,934,803	68,912,258	97.15%	1,837,853	70,750,111	99.74%
2010	73,855,430	71,488,683	96.80%	2,079,537	73,568,220	99.61%
2011	76,494,301	72,759,636	95.12%	1,415,505	74,175,141	96.97%
2012	77,547,855	73,256,961	94.47%	2,383,387	75,640,348	97.54%
2013	81,037,405	77,536,743	95.68%	2,465,652	80,002,395	98.72%
2014	80,255,791	78,239,826	97.49%	-	78,239,826	97.49%

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 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.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Real Estate										
Locally Assessed	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.11	\$ 1.11
Personal Property										
Locally Assessed	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Machinery and Tools	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Automobiles, Trucks and Business Equipment	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Public Service Corporations										
Equalized	1.11	1.11	1.11	1.05	1.05	1.05	1.05	1.05	1.11	1.11
Automobiles and Trucks	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Total Direct Tax Rate	7.91	7.91	7.91	7.85	7.85	7.85	7.85	7.85	7.91	7.91

Note: There is no overlapping government taxation.

Source: Information was obtained from Official Statements related to bond issuance for April 26, 2006, and July 19, 2007.
 City of Lynchburg Adopted Budget Fiscal Year 2014
 Commissioner of the Revenue for City of Lynchburg, Virginia www.lynchburgva.gov

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars expressed in thousands, except for per capita amounts)

Fiscal Year	Governmental Activities						Business-type Activities					Total Primary Government - Net Outstanding Debt Ratios		
	General Obligation Bonds	Literary Bonds	General Obligation Notes	Note Payable	Capital Leases	Net Deferred Amounts ⁽¹⁾	General Obligation Bonds	General Obligation Notes	Public Utility Revenue Bonds	Net Deferred Amounts ⁽¹⁾	Total Primary Government (Principal Only)	Total Primary Government - Net (Includes Net Deferred Amounts)	Percentage of Personal Income ⁽²⁾	Total Primary Government - Net Bonded Debt Per Capita ⁽²⁾
2005	\$ 93,990	\$ 127	\$ 7,500	\$ 3,200	\$ 7,747	\$ 1,665	\$ 61,935	\$ -	\$ 63,526	\$ 775	\$ 238,025	\$ 240,465	11.77%	3,468
2006	116,709	87	-	3,200	7,287	2,302	57,532	16,500	70,543	758	271,858	274,918	12.55%	3,900
2007	108,593	68	-	3,020	6,810	2,171	52,295	16,500	74,985	707	262,271	265,149	11.33%	3,666
2008	117,407	49	1,343	2,840	6,316	2,211	63,550	-	84,426	806	275,931	278,948	11.35%	3,778
2009	112,011	30	7,500	2,660	5,804	2,186	56,831	4,000	100,328	637	289,164	291,987	11.87%	3,883
2010	139,180	11	-	2,480	5,274	2,168	71,749	-	109,907	1,162	328,601	331,931	13.25%	4,378
2011	129,807	-	-	2,300	4,723	3,251	68,005	-	125,601	2,150	330,436	335,837	12.79%	4,393
2012	120,078	-	-	2,120	4,285	3,007	63,936	80	127,973	2,000	318,472	323,479	11.89%	4,190
2013	114,209	-	-	1,940	-	2,763	59,864	5,194	122,876	1,849	304,083	308,695	11.32%	3,990
2014	114,519	-	-	1,760	-	2,424	56,083	7,159	117,270	1,711	296,791	300,926	11.04%	3,889

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

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

(1) Net Deferred Amounts include Premiums and Discounts.

(2) See Table 23 for population and per capita personal income information. For FY 2013 and FY 2014, the FY 2012 amount for per capita personal income of \$35,243 was utilized to calculate the Percentage of Personal Income.

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

(dollars in thousands, except per capita)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Valuation (in thousands) (1)</u>	<u>Gross Bonded Debt (2)</u>	<u>Bonded Debt Payable From Enterprise Revenues (2)</u>	<u>Net Bonded Debt (2)</u>	<u>Net Deferred Amounts (3)</u>	<u>Net Bonded Debt (Includes Net Deferred Amounts)</u>	<u>Net Bonded Debt To Assessed Value (Includes Net Deferred Amounts)</u>	<u>Net Bonded Debt Per Capita (Includes Net Deferred Amounts)</u>
2005	69,340	\$ 3,954,923	\$ 163,552	\$ 61,935	\$ 101,617	\$ 2,440	\$ 104,057	2.63%	\$ 1,501
2006	70,491	4,935,723	190,828	74,032	116,796	3,060	119,856	2.43%	1,700
2007	72,331	4,501,102	177,456	68,795	108,661	2,878	111,539	2.48%	1,542
2008	73,834	5,330,939	182,350	63,550	118,800	3,017	121,817	2.29%	1,650
2009	75,204	5,463,547	180,372	60,831	119,541	2,823	122,364	2.24%	1,627
2010	75,826	5,764,489	210,940	71,749	139,191	3,330	142,521	2.47%	1,880
2011	76,448	5,864,104	197,812	68,005	129,807	5,401	135,208	2.31%	1,769
2012	77,203	5,888,828 (4)	184,094	64,016	120,078	5,007	125,085	2.12%	1,620
2013	77,376	5,930,510 (4)	179,267	65,058	114,209	4,612	118,821	2.00%	1,536
2014	77,376	5,851,179 (5)	177,761	63,242	114,519	4,135	118,654	2.03%	1,533

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 and Discounts.
(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 2015 to reflect all four billings.

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

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

(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2014

Real Property Assessed Value	\$ 4,982,455
Public Service Corporations Real Property Assessed Value	180,027
Total Real Property Assessed Value (1)	<u>5,162,482</u>
Debt limit (10% of assessed value)	516,248
Debt applicable to limit:	
Less: General Obligation Debt	(177,761)
Legal Debt Margin	<u><u>\$ 338,487</u></u>

Description	Fiscal Years									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 338,155	\$ 372,512	\$ 383,509	\$ 462,181	\$ 479,591	\$ 506,924	\$ 514,821	\$ 513,186	\$ 517,062	\$ 516,248
Total net debt applicable to limit (2)	163,552	190,828	177,456	182,350	180,372	210,940	197,812	184,094	179,267	177,761
Legal debt margin	<u>\$ 174,603</u>	<u>\$ 181,684</u>	<u>\$ 206,053</u>	<u>\$ 279,831</u>	<u>\$ 299,219</u>	<u>\$ 295,984</u>	<u>\$ 317,009</u>	<u>\$ 329,092</u>	<u>\$ 337,795</u>	<u>\$ 338,487</u>
Total net debt applicable to the limit as a percentage of the debt limit	48.37%	51.23%	46.27%	39.45%	37.61%	41.61%	38.42%	35.87%	34.67%	34.43%

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

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

(2) For FY 2005, the total net debt applicable to limit amount was 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.

**PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sewer Fund Operating Income	\$ 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	\$ 3,613,392
Plus:										
Depreciation & amortization	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	7,049,861
Interest income received	248,236	456,342	858,384	691,799	363,942	226,969	173,319	167,849	102,589	108,729
Capital contributions from members										
Regional Sewerage Treatment Plant	383,901	384,746	385,623	386,530	394,761	431,486	474,581	451,645	480,922	614,353
Governmental grants & miscellaneous income	43,657	67,683	45,058	44,300	296,443	108,985	108,936	125,336	105,666	21,929
Intergovernmental transfer (4)	-	-	-	-	-	-	-	688,036	-	126,734
Capitalized cost (3)	-	-	-	-	-	-	229,662	258,186	220,691	159,026
Net Revenue per Indenture (1)	\$ 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	\$ 11,694,024
Debt Service										
General obligation bonds										
Principal (2)	\$ 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	\$ 1,860,166
Interest	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	908,213
Total	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	2,768,379
Revenue bonds										
Principal (5)	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	5,597,966
Interest	773,675	537,820	455,333	427,360	398,518	368,782	338,122	306,510	273,917	240,312
Total	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	5,838,278
Total Debt Service Principal and Interest	\$ 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	\$ 8,606,657
Debt Coverage	1.36	1.53	1.57	1.21	1.51	1.49	1.29	1.33	1.34	1.36

(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. For FY 2014, the Stormwater Operating Fund transferred \$126,734 to the Sewer Operating Fund which is the first of three installments to reimburse the Sewer Operating Fund for Stormwater Operating Fund's set up costs.

(5) For FY 2014 the deletions in Note 9 for Public utility revenue bonds are comprised of debt service payments of \$5,597,966 and a write down of \$7,779 for revenue bond debt.

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

Fiscal Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment (5)	Unemployment Rate (6)
2005	69,340	2,043,034	\$ 29,464	35.1	8,620	5.2
2006	70,491	2,191,424	31,088	35.1	8,808	4.0
2007	72,331	2,340,270	32,355	35.1	8,883	4.3
2008	73,834	2,458,451	33,297	35.1	8,715	5.6
2009	75,204	2,459,020	32,698	35.1	8,634	9.3
2010	75,826	2,505,746	33,046	30.3	8,597	9.2
2011	76,448	2,624,766	34,334	30.3	8,646	9.1
2012	77,203	2,720,865	35,243	30.3	8,688	8.9
2013	77,376	*	*	30.3	8,576	8.2
2014	77,376	*	*	30.3	8,583	7.7

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, 2011 and 2012 are all based on a July 1st estimate published on January 27, 2014.

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

(3) U.S. Department of Commerce, Economic and Statistic Administration, Bureau of Economic Analysis Report CA1-3 - Personal Income Summary - www.bea.gov/regional/docs/income

The information was last updated May 30, 2014. Estimates for 2010-2012 reflect population estimates available as of March 2013. The Table has been revised to reflect these changes.

(4) United States Census - 2010

(5) Virginia Department of Education reported by Lynchburg City Schools. Enrollment as of September 30 for each year presented.

These figures were previously reported based on preliminary information provided by Lynchburg City Schools and have been updated with the information available from the Virginia Department of Education. The figures given are as of September 30 of the prior year.

(6) Virginia Employment Commission & U.S. Department of Labor, Bureau of Labor Statistics, as of June 2014
2013 Unemployment Rate has been adjusted to reflect the most current data available.

* Information unavailable

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2014		2005	
	Ownership	Employees (5)	Ownership	Employees (6)
Centra Health, Inc.	Public	5000+	Public	4,500
Liberty University (4)	Private	5000+		
Areva (2)	Public	1500-1999	Public	1,512
Lynchburg City Schools	Local Government	1500-1999	Local Government	1,500
City of Lynchburg	Local Government	1000-1499	Local Government	1,309
Genworth Financial Inc. (1)	Public	1000-1499	Public	1,240
J. Crew Outfitters	Private	1000-1499	Private	800
Harris Corp. (8)	Public	500-999	Public	500
Horizon Behavioral Health (3)	Local Government	500-999	Private	466
Kroger	Public	500-999	Public	550
Lynchburg College	Private	500-999	Private	599
Tri-Tech Laboratories, Inc.	Private	500-999	Public	217
Walmart	Public	500-999	Public	545
Frito Lay	Public	250-499	Public	482
R.R. Donnelley	Public	250-499	Public	550
Thomas Road Baptist Church (7)			Private	3,321
Employed Civilian Labor Force (June 2014) Lynchburg City - Virginia Employment Commission				32,406
Employed Civilian Labor Force (June 2004) Lynchburg City - Virginia Employment Commission				29,343

Source: FY 2014 numbers are derived from Office of Economic Development, City of Lynchburg, VA, or employer contact, as of June 30, 2014.

Source: FY 2005 numbers are derived from Official Statement for bond issue dated February 15, 2005.

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

(2) Formerly Framatome

(3) Formerly Central Virginia Community Services

(4) Liberty University operates an online higher education institution, and as a result a number of employees live outside of the City.

(5) Beginning in FY 2013 ranges will be used for employee count due to privacy issues as well as availability of data from employers.

(6) Numbers as reported as approximate in the Official Statement.

(7) Combined numbers for TRBC and Liberty University

(8) Formerly M/A-Com

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

Functions/Programs	Full-Time Equivalent Employees as of June 30									
	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Adopted 2014 ⁽¹⁾
Primary government:										
Council Manager Offices	8	7	9	8	9	8	8	8.0	6.0	6.0
Parking Divison ⁽⁵⁾	-	-	-	-	-	3	4	4.5	5.0	5.0
City Assessor	13	13	12	12	12	12	10	10.0	10.0	9.6
City Attorney	7	7	7	7	7	7	7	6.9	6.9	6.9
Commissioner of Revenue	16	16	16	15	15	13	12	10.4	10.4	10.4
Communications & Marketing	3	3	3	3	4	4	4	4.0	4.0	4.0
Local Government Channel	-	-	-	2	2	2	2	2.0	2.0	2.0
Citizens First	4	2	2	4	4	4	3	3.5	3.5	3.0
Financial Services	50	49	49	47	46	44	42	42.0	42.0	41.7
Financial Services-Human Services	-	-	12	12	12	10	10	8.8	7.8	6.0
Human Resources	12	11	12	13	11	11	10	10.0	10.0	10.2
Information Technology	27	28	28	28	29	30	31	31.0	30.0	30.0
Internal Audit	3	3	2	2	2	2	2	2.0	-	-
Registrar and Electoral Board	3	3	3	3	3	2	2	2.3	2.3	2.5
State Treasurer (State)	2	2	2	2	2	2	2	2.0	2.0	2.0
Risk Management Fund	3	3	3	3	3	3	3	3.0	3.0	3.0
Circuit Court Clerk (State)	13	13	13	13	13	13	13	13.0	13.0	13.0
Circuit Court Judges	2	2	2	2	2	2	2	2.0	2.0	2.0
Commonwealth Attorney	36	35	14	16	16	17	17	16.7	17.7	16.7
Sheriff	31	31	31	31	31	31	29	30.4	30.4	30.4
Regional Juvenile Detention Center Fund	51	48	50	50	50	50	47	47.3	46.1	46.1
Police Department	199	200	198	207	204	204	203	202.7	197.9	197.8
Emergency Communications	31	31	31	31	31	36	35	32.0	35.0	35.5
Fire Department	183	180	180	185	186	186	187	187.0	185.0	187.5
Public Works Administration	6	6	-	-	11	11	11	11.0	10.0	10.0
Buildings & Grounds Maintenance	98	92	88	88	83	78	74	76.3	71.8	72.3
Engineering Division ⁽²⁾	36	35	-	-	-	38	31	32.8	30.8	30.7
Geographic Information System	3	3	-	-	-	-	-	-	-	-
Street, Traffic & Refuse Maintenance ⁽³⁾	42	42	36	38	57	53	50	52.4	52.2	47.5
Health & Human Services	178	181	188	188	184	175	169	169.9	164.4	166.3
Cultural and recreational	97	101	102	101	99	99	99	96.7	91.3	99.3
Community Planning & Economic Development ⁽²⁾	38	38	78	77	84	33	32	26.8	25.1	25.1
Fleet Services Fund	13	13	13	12	12	13	11	11.0	11.5	10.5
Business-type activities:										
Airport Fund	21	18	21	21	20	18	18	17.7	17.7	17.7
Water Fund	60	64	65	68	65	68	67	68.4	66.2	66.1
Sewer Fund	47	47	47	46	46	50	50	55.0	50.5	50.5
Stormwater Fund ⁽⁶⁾	-	-	-	-	-	-	-	-	5.8	6.8
Solid Waste Fund ⁽⁴⁾	42	46	43	43	-	-	-	-	-	-
Source: Budget Office, City of Lynchburg, Virginia	1,378	1,373	1,360	1,378	1,355	1,332	1,297	1,299.5	1,269.3	1,274.1

(1) FY 2014 actual will be available with the FY 2015 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.

**OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical Arrests	6,717	6,996	6,634	6,813	6,662	6,605	7,039	6,879	6,835	5,927
Traffic Violations	11,477	10,926	10,634	11,327	14,489	12,672	11,437	12,506	12,483	10,366
Parking Violations	6,806	6,306	7,741	7,786	6,370	4,599	3,943	6,338	4,481	4,854
Fire (5)										
Number of Fire calls answered (per month)	328 (est)	463 (est)	501	517	506	518	574	511	315	268
Number of inspections conducted (3)	1,089	293	253	368	641	567	767	469	254	291
Number of EMS calls	12,782	13,032	13,764	14,660	15,279	15,124	14,731	14,393	20,612	20,113
Sanitation and Refuse										
Refuse collected (tons/day) (1)	66.45	70.74	72.22	69.68	69.03	69.35	69.74	70.14	72.96	65.58
Recyclables collected (tons/day)	6.42	5.34	5.34	6.73	7.45	7.23	7.31	6.85	6.46	5.26
Airport										
Total number of passengers	128,811	124,093	115,560	98,423	142,569	178,387	169,174	152,064	157,450	157,074
Sewage										
Number of service connections (4)	17,768	18,179	18,310	18,486	18,549	18,606	18,706	18,785	18,916	19,057
Average daily treatment in million gallons (2)	12.60	12.20	12.35	10.86	10.68	12.99	11.09	10.57	10.35	12.20
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)	21,522	21,930	22,044	22,158	22,290	22,265	22,361	22,422	22,517	22,628
Average daily consumption of plant in million gallons	11	11	10	12	11	12	11	10	10	10
Maximum daily capacity of plant in million gallons	26	26	26	26	26	26	26	26	26	26

Source: City Departments, City of Lynchburg, Virginia

- (1) The numbers stated for 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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	53	54	55	57	57	57	57	57	57	57
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	15	16	16	16	16	16	16	16	22	22
Highways and Streets										
Street (miles) (1)	372.23	373.28	374.42	374.42	377.37	378.26	378.26	378.61	378.61	379.36
Streetlights (2)	9,747	9,822	9,899	9,926	9,990	9,966	9,982	9,982	10,167	10,287
Traffic signals	113	117	117	118	119	119	119	119	120	120
Culture and Recreation										
Community centers	7	7	7	7	7	7	7	7	6	7
Senior centers	1	1	1	1	1	1	1	1	1	1
Parks (10)	20	20	20	20	20	20	21	21	21	21
Parks acreage (3) (10)	917	917	917	917	917	917	948	948	948	948
Swimming pools	1	1	1	1	1	1	2	2	2	2
Tennis courts (4)	40	40	40	40	40	40	40	40	40	40
Gymnasiums	7	7	7	7	7	7	7	7	7	7
Sewage system										
Storm sewers (miles) (5)	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped
Water										
Fire hydrants	2,788	2,799	2,800	2,887	2,892	3,080	3,111	3,156	3,177	3,204
Storage capacity (thousands of gallons)	not specified	33,000	33,000	33,000	31,000	33,000	33,000	33,000	33,000	33,000
Sewer										
Average daily sewage treatment (MGD) (6)	12.60	12.20	12.35	10.86	10.68	12.99	11.09	10.57	10.35	12.20
Maximum daily sewage treatment (MGD)	27.11	27.11	33.44	26.37	28.65	33.69	29.54	31.68	31.03	39.07
Transit - route service buses (7)	29	29	29	37	37	38	38	39	39	39
Transit - paratransit service buses (8)	-	-	-	7	11	11	11	10	14	14
Facility and service not included in the reporting entity:										
Education										
Number of elementary schools (9)	11	11	11	11	11	11	11	11	11	11
Number of secondary schools	5	5	5	5	5	5	5	5	5	5
Number of community colleges	1	1	1	1	1	1	1	1	1	1
Number of universities or colleges	4	4	4	4	4	4	4	4	4	4
Hospitals										
Number of hospitals	2	2	2	2	2	2	2	2	2	2
Number of patient beds	554	587	587	575	575	513	519	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 paratransit buses to better serve the elderly population.
- (9) Kizer Elementary School used for Special Education, therefore, excluded from total number of elementary schools for reporting purposes.
- (10) The numbers stated for FY 2002-2010 differ from previously reported and reflect the actual data based on the information provided by the Parks & Recreation Department.

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

Student Enrollment, Employees and Schools by Fiscal Year										
Description	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Elementary School Membership	3,840	3,793	3,877	3,916	3,937	3,934	3,968	3,987	3,975	4,020
Secondary School Membership	4,785	4,809	4,745	4,447	4,583	4,438	4,359	4,317	4,133	4,171
Total Membership	<u>8,625</u>	<u>8,602</u>	<u>8,622</u>	<u>8,363</u>	<u>8,520</u>	<u>8,372</u>	<u>8,327</u>	<u>8,304</u>	<u>8,108</u>	<u>8,191</u>
Teachers and Administrators (1)	753	776	772	774	780	759	977	851	836	850
Other Employees	471	470	482	482	482	449	250	223	195	219
Total Employees	<u>1,224</u>	<u>1,246</u>	<u>1,254</u>	<u>1,256</u>	<u>1,262</u>	<u>1,208</u>	<u>1,227</u>	<u>1,074</u>	<u>1,031</u>	<u>1,069</u>
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	<u>16</u>									

(1) Includes only full-time equivalent positions funded through the operating budget.

(2) Does not include LAUREL Regional Program, now being used for special education students.

**Actual Average Daily Student Enrollment by Grade & Fiscal Year
(Based on September 30th Actual Enrollment)**

Grade	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
K	666	670	722	732	732	718	696	740	735	732
1	628	655	675	673	673	702	726	705	720	738
2	647	634	629	648	648	648	670	676	662	692
3	583	628	629	653	653	632	620	643	643	619
4	630	593	625	606	608	639	629	615	601	642
5	686	613	597	604	622	595	627	608	614	597
6	658	707	618	613	635	598	605	621	609	604
7	680	664	694	581	604	619	593	586	608	607
8	660	687	662	625	614	581	622	593	567	613
9	857	823	867	777	797	706	642	669	629	599
10	772	726	661	647	732	719	666	580	623	609
11	627	669	621	654	702	619	672	625	534	606
12	531	533	622	550	499	596	559	643	563	533
Total	<u>8,625</u>	<u>8,602</u>	<u>8,622</u>	<u>8,363</u>	<u>8,519</u>	<u>8,372</u>	<u>8,327</u>	<u>8,304</u>	<u>8,108</u>	<u>8,191</u>

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *The Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia (the "City"), as of and for the year ended June 30, 2014, 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 7, 2014.

Our report includes reference to other auditors who audited the financial statements of the Business Development Centre, Inc. as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or on compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 7, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lynchburg, Virginia's (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the discretely presented component unit referred to as the Business Development Centre, Inc. (the "Centre"), which received \$519,412 in federal awards which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2014. Our audit, as described below, did not include the operations of the Centre because it engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Lynchburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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 7, 2014

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

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

Report on Compliance

We have audited the City of Lynchburg, Virginia’s (the “City”) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the “Guide”), issued by the Federal Aviation Administration, for its passenger facility program (the “Program”) for the year ended June 30, 2014.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to the Program for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 7, 2014

CITY OF LYNCHBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2014

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, 2014**

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 #
National School Lunch Program	10.555
National School Breakfast Program	10.553
WIA Adult Program Program	17.258
WIA Youth Activities Program	17.259
WIA Dislocated Workers Program	17.278
Airport Improvement Program	20.106
Supplemental Nutrition Assistance Program	10.561
Foster Care – Title IV-E	93.658

8. The **threshold for** distinguishing Type A and B programs was **\$1,060,217**.
9. The City of Lynchburg was determined to be a **low-risk auditee**.
10. Passenger Facility Charge Program:
 - a. **No significant deficiencies** relating to the audit of the Passenger Facility Charge Program were reported in the Independent Auditor’s Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with the *Passenger Facility Charge Program Audit Guide*.
 - b. The auditor’s report on compliance for the Passenger Facility Program expresses an **unmodified opinion**.
 - c. The audit disclosed **no audit findings relating to the Passenger Facility Charge Program**.

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

14-1: Social Services Annual Review of System Access – City

Condition:

The access forms to OASIS, VaCMS, ADAPT, and EAS for one out of six employees tested was not reviewed as the access form was missing.

Recommendation:

Employees' access to each software application should be reviewed and documented 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.

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

None.

E. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM

None.