

**CITY OF  
LYNCHBURG, VIRGINIA**

Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2012



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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*FISCAL YEAR ENDED JUNE 30, 2012*

**CITY OF LYNCHBURG,  
VIRGINIA**

Prepared by:  
Financial Services



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## **INTRODUCTORY SECTION**





# The City of Lynchburg, Virginia

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FAX (434) 847-1536

OFFICE OF THE

November 12, 2012

CITY MANAGER

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, 2012, is hereby submitted in accordance with the *City Code* and State statutes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the City. With reasonable assurance, based upon a comprehensive framework of internal controls, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows, as applicable, of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

City Council has approved Debt Management, Fund Balance, Budget, and Investment policies to guide fiscal decision-making and to ensure continued strong financial health. These policies were reaffirmed by City Council in November 2010. The Fund Balance Policy was revised in May 2011 to reflect Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. During the fiscal year, adherence to these financial policies helped the City manage its investment

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portfolio in a challenging market, close the year with a stronger fund balance than projected, and guided the balancing of the FY 2013 budget in an 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 a public hearing to receive citizen input, City Council adopts the annual budget. The annual budget includes all funds represented in the City's Comprehensive Annual Financial Report. The budget must be approved no later than the day the fiscal year begins (July 1).

The City of Lynchburg was incorporated in 1805 by the Virginia General Assembly and became an independent city in 1852. Encompassing 50 square miles, Lynchburg is located adjacent to Amherst, Bedford, and Campbell Counties, on the eastern edge of the beautiful Blue Ridge Mountains, and is within 54 miles of the geographic center of the Commonwealth of Virginia. With an estimated population of 76,448, Lynchburg is an important commercial center for the four county and two city region, known as Region 2000. The City benefits from an economy that remains diversified among the manufacturing, health services, technology, and trade sectors, as well as being the home to 5 colleges and universities.

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

### **Local Economic Condition and Outlook**

While maintaining its role as an employment and commercial center for a four county metropolitan statistical area with a population of approximately 254,200, Lynchburg has dealt effectively with many of the challenges that face economies historically focused on manufacturing. Even before the end of the national recession, health services, educational and nuclear technology sectors continued to expand. Real property assessments have experienced slight growth and personal property assessments have experienced unexpected growth due to used vehicles holding their value. Consumption driven revenues, though declining in FY 2009, stabilized in FY 2010, and realized slight growth in FY 2011 which has continued through FY 2012. Looking ahead, it is anticipated that real property values may slip some, while personal property values and consumption tax revenues will hold steady.

As part of a long-term financial plan, five-year revenue projections were developed with a focus on ensuring that forecasts were based on the latest economic conditions. The City's Fund Balance Policy was used to ensure compliance with the use of one-time funds for pay-as-you-go projects within the Capital Improvement Program. The City has also undertaken a very broad "Sustainable Lynchburg" initiative to ensure policies and resources are in place to support the future viability and livability of the community. This initiative and "new ways of thinking and acting" are continuing to develop. The Sustainable Lynchburg initiative focuses on eleven key elements critical to the City's future. These elements are: Arts and Culture, Citizen Engagement and Social Capital, Economic Development, Lifelong Learning, Healthy and Active Living, Infrastructure, Natural and Environmental Resources, Neighborhoods, Safe Community, Land Use, and Transportation. A Sustainable Lynchburg Summary Report is periodically reviewed by City Council for progress in each element.

Areva NP, with North American headquarters in Lynchburg, is the world's largest nuclear power plant designer, manufacturer and service provider and has built one-third of the three hundred plus plants in existence in the world. In February 2012, Areva's new nuclear reactor design cleared the final stages of the second phase of the Nuclear Regulatory Commission safety review. The company's Evolutionary Power Reactor is a new generation pressurized-water reactor capable of producing a thermal output of 4,500 megawatts. The

completion dates of the third through sixth phases are still under review. The City is also headquarters for two of Babcock & Wilcox Company Technologies (B&W) four main subsidiaries. In February 2012, one of the subsidiaries, Babcock & Wilcox Nuclear Operations Group, announced that it had received a \$600 million dollar order for its nuclear components to support the United States defense program. In May 2012, the Babcock & Wilcox Company received a \$130 million contract to provide parts to United States Navy nuclear submarines. The company has also experienced significant employee growth in Lynchburg to support the design of the mPower modular nuclear reactors.

In the health services sector, CENTRA, which owns and operates both Lynchburg General and Virginia Baptist hospitals in the City, has earned national recognition for excellence in treating cardiac patients. CENTRA received the American Heart Association's Mission Lifeline® Heart Attack Receiving Center Accreditation and CENTRA's Primary Stroke Center received national recognition for its care of stroke patients. Recently recertified, CENTRA's Primary Stroke Center has also received the 2011 Get With the Guidelines-Stroke® Gold Plus Performance Achievement Award from the American Heart Association/American Stroke Association.

Liberty University (LU) announced in May 2012 that it has become the nation's seventh-largest four-year university and the largest college in Virginia (two-year and four-year) by head count, including its on-line enrollment, according to the latest data from the U.S. Department of Education. This data also confirms Liberty University continues to be the largest, private four-year, nonprofit university in the United States and the world's largest Christian university due to its on-line enrollment. Resident enrollment for the spring 2012 semester was almost 12,000. In April 2012, Liberty University Online reached an enrollment of 75,000. In October 2011, LU announced that its \$50 million library was part of a quarter of a billion dollar campus transformation planned in the next five years. The library is scheduled to open for the fall 2013 semester. A new basketball practice facility and a new baseball stadium are currently under construction and there are plans for additional sports facilities improvements with a goal of achieving NCAA Division One status. Recently completed projects include a 33,000 square-foot Welcome Center, a 25,000 square-foot addition to the LaHaye Student Union, additional parking lots and a pedestrian tunnel to connect campus to Wards Road, the City's leading retail area. The City and LU shared in the cost of a new pedestrian bridge over Wards Road, a heavily traveled commercial corridor. The City is installing additional pedestrian features in this commercial area as well.

Other academic institutions in the City are also making significant capital investments. Lynchburg College has launched a fund raising campaign to expand its student center. This \$12 million project will supply additional meeting spaces, improved dining facilities, a multicultural center, veterans lounge, and fitness rooms. Randolph College is also completing a \$6 million renovation to its student center to include a cardio fitness area and other exercise facilities. Virginia University of Lynchburg is constructing dormitory space and has acquired additional property for future growth.

In 2012, the Economic Development Authority (EDA) launched its "OpportunityLynchburg.com" website to provide 24/7 access to information and services in order to retain, grow and attract business in the City. Lynchburg's Enterprise Zones, administered by the Office of Economic Development (OED), facilitated the award of over \$375,000 in grants to commercial property owners and businesses in support of over \$47 million in capital investment and the creation of 107 new jobs. Three companies, Griffin Pipe, Delta Star, and L & R Precision Tooling received Virginia Enterprise Zone Job Creation Grants which made them eligible for the City's Enterprise Zone Grant from the EDA. Another company, Trax International was approved for the City's first Technology Zone grant. The Economic Development Authority also collaborated with two major existing business expansions by Tessy Plastics & B&W totaling \$9 million in capital investments and the creation of over 100 jobs.

The Office of Economic Development was awarded a Brownfields Grant from the Virginia Economic Development Partnership for \$41,000 to assist with assessment, remediation and stabilization in the 700 block of 5th Street in support of ongoing revitalization efforts in this important corridor. To further encourage private development OED provided funding for the application for 5th Street to be designated a State & Federal

Historic District. The Virginia historical designation was conferred in December 2011, and the listing on the National Register of Historic Places was confirmed in February 2012.

## **Major Initiatives and Accomplishments**

### *Downtown and Riverfront Development/Redevelopment*

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

The City's commitment to downtown revitalization remains strong. As Phase I of the Bluffwalk project is completed, Phase II or Lower Bluffwalk has been designed and bid. The Lower Bluffwalk is a planned pedestrian, mixed-use, retail and residential corridor. The Craddock Terry Hotel, which is the cornerstone for the downtown development, was voted Best Boutique Hotel by "Virginia Living, Best of Virginia 2012". In September 2011, the Virginia Recreation and Parks Society awarded the City the 2010 Best New Facility Award (for cities with a population of 50,001-100,000) for the development of Riverfront Park. The park serves as an economic driver to attract new businesses and reinvestment in the downtown area that contribute to the success of the City. Despite the recession several loft projects and a number of new businesses have opened downtown, continuing a trend of increasing assessed value in the central business district.

### *Education*

For 2012, the Commonwealth of Virginia Department of Education notified Lynchburg City Schools that fourteen of the sixteen public schools earned full accreditation and two were accredited with a warning in mathematics. Both E. C. Glass and Heritage high schools were included in the May 2012 ranking of the *Washington Post's* most challenging high schools. Eligibility for this honor is based on the number of college-level tests given in the school year divided by the number of graduates for that year. Lynchburg City Schools continues to provide the most Advanced Placement courses in this area. A new school superintendent has engendered a renewed focus on achievement, behavior and culture for all students and staff in the school system.

### *Infrastructure*

FY 2012 was a year of continued work on downtown redevelopment, the Combined Sewer Overflow (CSO) Program and maintenance type projects. The overhaul of Rivermont Bridge was completed this year and work on the Kemper Street Bridge began. The official groundbreaking was held for the first phase of the Midtown Connector which includes the re-working of a major intersection. Work continued on the 5<sup>th</sup> Street corridor. This second phase includes replacing the water and sewer lines, streetscape, and on-street parking. 5<sup>th</sup> Street serves as a major gateway into the downtown and midtown areas of the city and has become a focal point of public and private redevelopment and revitalization efforts.

### *Technology*

The City continues to be a leader in using technology to assist in service delivery. Again, in 2011, the City received top honors in the Governor's Technology Awards Program. The City was a winner in the IT as Efficiency Driver category for its Work and Asset Management System program.

## *Transportation*

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

The City is also served by the Lynchburg Regional Airport, a small-sized commercial airport with a significant general aviation presence. In October 2010, the City received notice that Delta Airlines would stop serving Lynchburg as of January 1, 2011. In response, U. S. Airways stepped up its service, adding regional jet service between Lynchburg and Charlotte. Passenger loads on daily flights average around 80% and airport revenues have improved due to increased traffic. Through its Air Service Development Partnership with the Chamber of Commerce and area businesses the City is actively seeking new regional service to a northern hub airport.

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

## *Utilities*

The Utilities Department has repeatedly earned the Virginia Department of Health (VDH) Office of Drinking Water's Excellence in Water Treatment Plant Performance Award. The VDH Office of Drinking Water Recognition Program rewards water systems that have demonstrated excellence in performance and operations and for the treatment and distribution of drinking water to the public. Excellence in performance and operations is measured by achieving goals well beyond the established regulations and making a commitment to customer satisfaction. The City's commitment to environmental stewardship is also demonstrated by the quality of its wastewater treatment operations and the adoption of a stormwater management program and fee structure.

## *Other Information Relating to Economic Strength*

As a testament to the strong business community, the Lynchburg Regional Chamber received a 5-Star Accreditation which is the highest honor from the U.S. Chamber of Commerce. Accreditation validates a chamber as having programs that benefit the local economy and for positively influencing the community. The City was also recognized in the Forbes Top 25 Best Places to Retire. Lynchburg received this recognition for the stable economy and low cost of living.

Lynchburg also received designation by the Road Runners Club of America as a Runner Friendly Community®. To receive this designation, the City had to meet the program's criteria for infrastructure, community support and the local government's support to promote running as a healthy exercise and sport.

## **Prospects for the Future**

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

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

## Certificates of Achievement for Excellence

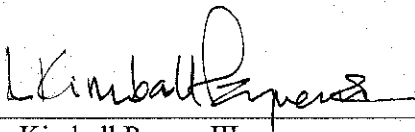
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lynchburg for its CAFR for the fiscal year ended June 30, 2011. This is the City's fifteenth consecutive year in receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2011 Adopted Budget. This is the City's seventh consecutive year in receiving this award.

## Acknowledgments

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

Respectfully submitted,



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L. Kimball Payne, III  
City Manager

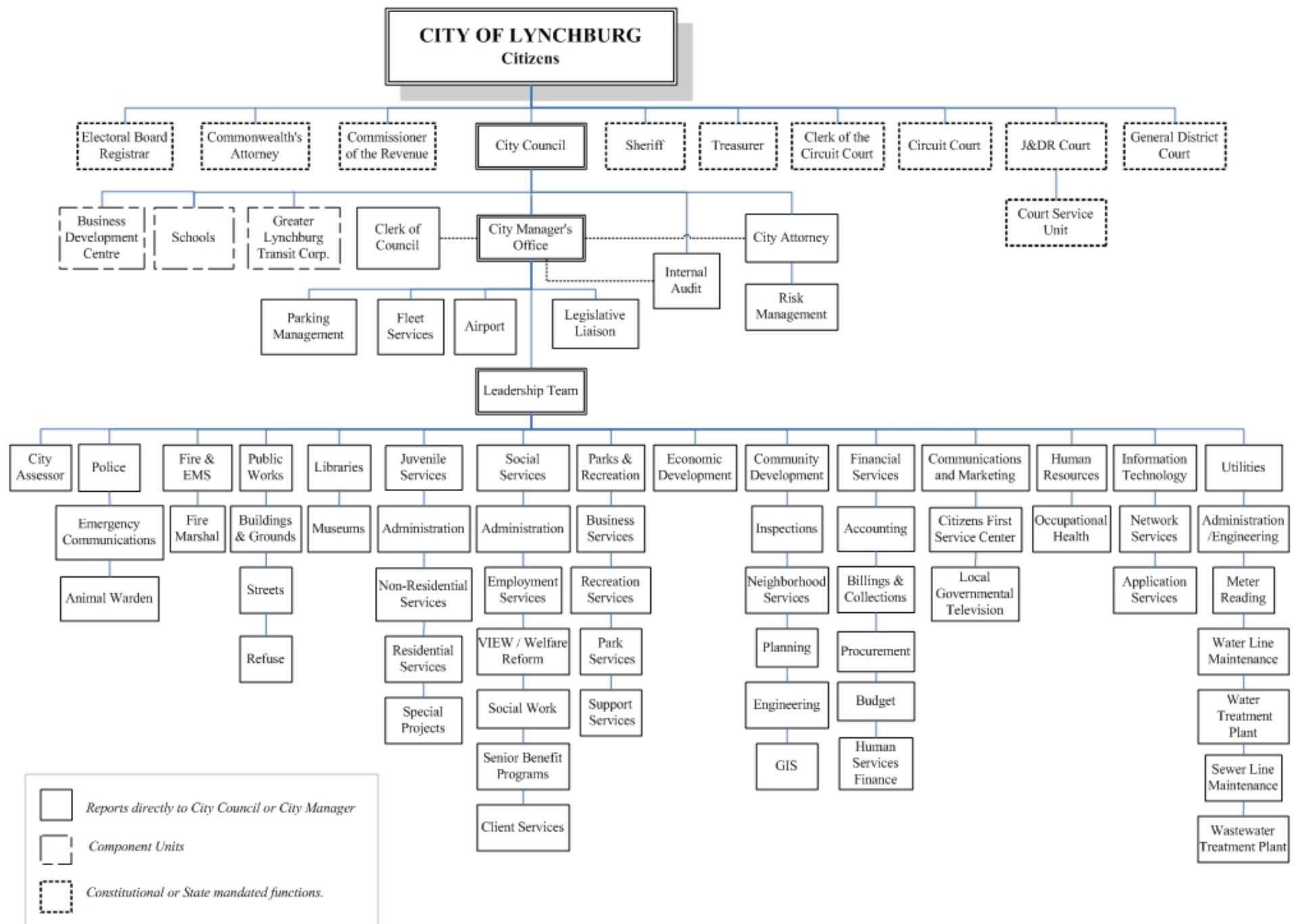


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Donna S. Witt  
Director of Financial Services









**The Government Finance Officers Association  
of the United States and Canada**

*presents this*

## **AWARD OF FINANCIAL REPORTING ACHIEVEMENT**

*to*

**Director of Financial Services**

City of Lynchburg, Virginia



*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*

Executive Director

Date April 5, 2012

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit referred to as the Business Development Centre, Inc., whose statements reflect total assets of \$950,785 as of June 30, 2012, and total revenues of \$313,400 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us; and our opinion, insofar as it relates to the amounts included for the Business Development Centre, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

**In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements, the non-major and City Capital Projects funds budgetary comparison statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. In addition, the accompanying schedules of passenger facility charges and of expenditures of passenger facility charges are presented for purposes of additional analysis as 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 non-major fund financial statements, the non-major and City Capital Projects funds budgetary comparison statements, the schedule of expenditures of federal awards, and the schedules of passenger facility charges and of expenditures of passenger facility charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 12, 2012



## **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, 2012. The Lynchburg City Schools (Schools) component unit is included in this narrative also. The information presented here should be considered in conjunction with additional information provided in the Letter of Transmittal.

### **FINANCIAL HIGHLIGHTS**

- The total assets of the City exceeded its total liabilities at June 30, 2012 by \$459.7 million (net assets). Unrestricted net assets of \$91.2 million were available to meet future obligations. This represented \$71.8 million for governmental activities, which included the General Fund, and \$19.4 million for business-type activities, which included the Enterprise Funds (Water, Sewer, and Airport).
- The General Fund's unassigned fund balance of \$28.8 million was 17.7% of total General Fund revenues, which were \$162.6 million. This was \$12.6 million more than the City Council adopted Unassigned Fund Balance Policy requirement of 10%, or \$16.2 million.
- In comparison with the prior fiscal year, the City's total net assets increased 1.8%, or \$8.3 million, from FY 2011 as restated. Net assets of governmental activities increased 2.1%, or \$5.2 million, from FY 2011 as restated; and, net assets of business-type activities increased 1.6%, or \$3.1 million. The Schools' total net assets increased 28.6%, or \$0.6 million, from FY 2011. Please refer to Note 19 of this report for details regarding FY 2011 restated net assets.
- The City's total revenues of \$215.3 million decreased 2.6%, or \$5.7 million, and total expenses of \$207 million increased 2.7%, or \$5.5 million, from FY 2011 as restated. General revenues and transfers of \$126.9 million were \$8.3 million more than the expenses net of program revenues of \$118.6 million.
- For the current fiscal year, the City's total liabilities of \$363.7 million decreased 3.4% or \$12.8 million from FY 2011 as restated.
- Total new debt of \$7.1 million was issued, all of which 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 \$10,000,000 to interim finance capital improvements. New debt included the Virginia Revolving Loan Program (VRL) of \$7 million and line of credit debt of \$0.1 million. In Fall 2010, two recalibrated ratings were maintained as Aa2 from Moody's Investors Services and AA+ from Fitch Ratings, while Standard and Poor's Ratings Services upgraded the City's credit rating from AA to AA+. In summer 2012, Fitch Ratings reaffirmed their AA+ rating for the City.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

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

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

## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

### **Proprietary Funds**

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

### **Fiduciary Funds**

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

### **Notes to the Financial Statements**

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

### **Other Information**

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

The Combining and Individual Fund Statements and Schedules for all Nonmajor Funds include the governmental, special revenue, and capital projects funds. Budget to actual statements are provided for governmental and special revenue funds with legally adopted budgets.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Statement of Net Assets

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

*Summary of Statement of Net Assets  
As of June 30, 2012/2011  
(in millions)*

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change	Component Unit Schools	
	2012	2011	2012	2011	2012	2011	2012-2011	2012	2011
		Restated		Restated		Restated			
Current and other assets	\$ 130.3	\$ 128.7	\$ 51.2	\$ 74.0	\$ 181.5	\$ 202.7	-10%	\$ 17.0	\$ 16.6
Capital assets	291.0	297.5	350.9	327.7	641.9	625.2	3%	3.3	2.6
Total assets	421.3	426.2	402.1	401.7	823.4	827.9	-1%	20.3	19.2
Long-term liabilities	140.7	150.4	194.9	196.6	335.6	347.0	-3%	3.1	3.2
Other liabilities	23.2	23.6	4.9	5.9	28.1	29.5	-5%	14.5	13.9
Total liabilities	163.9	174.0	199.8	202.5	363.7	376.5	-3%	17.6	17.1
Net Assets									
Invested in capital assets, net of related debt	166.9	164.8	182.8	180.3	349.7	345.1	1%	3.1	1.9
Restricted for Capital projects	17.5	20.3	-	-	17.5	20.3	-14%	-	-
Restricted for Grants and other	1.2	3.4	0.1	-	1.3	3.4	-62%	-	-
Unrestricted	71.8	63.7	19.4	18.9	91.2	82.6	10%	(0.4)	0.2
Total net assets	\$ 257.4	\$ 252.2	\$ 202.3	\$ 199.2	\$ 459.7	\$ 451.4	2%	\$ 2.7	\$ 2.1

The City's total net assets of \$459.7 million increased 1.8%, or \$8.3 million, from FY 2011 as restated.

Net assets invested in capital, net of related debt; of \$349.7 million were 76 % of total net assets and increased 1.3%, or \$4.6 million. Net assets invested in capital were not available for future expenses because they were facilities, equipment, and infrastructure, etc. utilized to provide services. Please refer to Notes 8 and 9 of this report and the MD&A's capital assets and long-term debt sections.

The City has a strong financial position with 19.8%, or \$91.2 million, of unrestricted net assets, which are comprised of 78.7%, or \$71.8 million, for governmental activities, and 21.3%, or \$19.4 million, for business-type activities. Unrestricted net assets available for providing services to the citizens increased 10.4%, or \$8.6 million from FY 2011 as restated. Restricted net assets of \$18.8 million are comprised of \$17.5 million of grant funds restricted for highway maintenance projects and \$1.3 million of grant funds restricted mainly for public safety and comprehensive services for at risk youth.

The Schools component unit total net assets of \$2.7 million increased 28.6%, or \$0.6 million from FY 2011. Unrestricted net assets of \$(0.4) million decreased by \$0.6 million.

## Statement of Activities

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

### *Summary of Changes in Net Assets For Fiscal Years Ended June 30, 2012/2011 (in millions)*

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2012	2011	2012	2011	2012	2011	2012-2011	2012	2011
Revenues:									
Program Revenues:									
Charges for services	\$ 11.7	\$ 12.0	\$ 32.9	\$ 32.5	\$ 44.6	\$ 44.5	0%	\$ 2.8	\$ 2.7
Operating grants/contributions	30.2	29.7	0.1	0.2	30.3	29.9	1%	59.1	57.9
Capital grants/contributions	11.5	11.8	2.0	10.5	13.5	22.3	-39%	-	-
General Revenues:									
Property taxes	70.1	69.9	-	-	70.1	69.9	0%	-	-
Other taxes	48.2	46.1	-	-	48.2	46.1	5%	-	-
Unrestricted intergovernmental	5.9	5.4	-	-	5.9	5.4	9%	-	-
Interest	0.4	0.6	0.2	0.2	0.6	0.8	-25%	-	-
IRS Subsidy Build America Bonds	0.3	0.2	0.3	0.2	0.6	0.4	50%	-	-
Miscellaneous	1.2	1.5	0.2	0.1	1.4	1.6	-13%	1.3	0.9
Gain on sale of assets	0.1	0.1	-	-	0.1	0.1	0%	-	-
Transfers	(0.4)	(0.3)	0.4	0.3	-	-	-	-	-
City appropriation	-	-	-	-	-	-	-	31.7	30.3
Total Revenues	<u>\$179.2</u>	<u>\$177.0</u>	<u>\$ 36.1</u>	<u>\$ 44.0</u>	<u>\$215.3</u>	<u>\$221.0</u>	<u>-3%</u>	<u>\$ 94.9</u>	<u>\$ 91.8</u>
Expenses:									
General government	14.2	13.4	-	-	14.2	13.4	6%	-	-
Judicial	6.6	6.2	-	-	6.6	6.2	6%	-	-
Public safety	44.7	43.6	-	-	44.7	43.6	3%	-	-
Public works	25.5	25.3	-	-	25.5	25.3	1%	-	-
Health and human services	24.6	24.3	-	-	24.6	24.3	1%	-	-
Cultural and recreational	8.4	10.0	-	-	8.4	10.0	-16%	-	-
Community development	7.8	5.4	-	-	7.8	5.4	44%	-	-
Education	36.7	35.2	-	-	36.7	35.2	4%	94.3	91.9
Interest & other fiscal charges	5.5	5.6	-	-	5.5	5.6	-2%	-	-
Issuance costs	-	0.2	-	-	-	0.2	-100%	-	-
Airport	-	-	4.4	4.4	4.4	4.4	0%	-	-
Water	-	-	11.9	12.1	11.9	12.1	-2%	-	-
Sewer	-	-	16.7	15.8	16.7	15.8	6%	-	-
Total Expenses	<u>\$174.0</u>	<u>\$169.2</u>	<u>\$ 33.0</u>	<u>\$ 32.3</u>	<u>\$207.0</u>	<u>\$201.5</u>	<u>3%</u>	<u>\$ 94.3</u>	<u>\$ 91.9</u>
Change in net assets	<u>5.2</u>	<u>7.8</u>	<u>3.1</u>	<u>11.7</u>	<u>8.3</u>	<u>19.5</u>	<u>-57%</u>	<u>0.6</u>	<u>(0.1)</u>
Net assets beginning - restated	<u>252.2</u>	<u>244.4</u>	<u>199.2</u>	<u>187.5</u>	<u>451.4</u>	<u>431.9</u>	<u>5%</u>	<u>2.1</u>	<u>2.2</u>
Net assets ending	<u>\$257.4</u>	<u>\$252.2</u>	<u>\$202.3</u>	<u>\$199.2</u>	<u>\$459.7</u>	<u>\$451.4</u>	<u>2%</u>	<u>\$ 2.7</u>	<u>\$ 2.1</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 assets of \$257.4 million increased 2.1%, or \$5.2 million from FY 2011 as restated.

### Revenue highlights:

Revenues from governmental activities of \$179.2 million increased 1.2%, or \$2.2 million from FY 2011.

Program revenues, specifically charges for services of \$11.7 million had an overall decrease of \$0.3 million due to the following: \$1.4 million decrease in cultural and recreational revenue as a result of the change in reporting the financial activity of the Stadium fund, \$0.1 million increase in court fines and forfeiture fees, \$0.1 million increase in Department of Motor

Vehicles (DMV) administrative fees, \$0.5 million increase in ambulance service fees, \$0.1 million increase in engineering service fees, \$0.1 million increase in reimbursements from regional partners for their utilization of the City's residential youth programs, and \$0.2 million increase in building inspection permits.

Operating grants and contributions increased \$0.5 million. The overall increase is attributed to the receipt of new grants as well as the reduction in prior year grants. Due to the damage incurred from the windstorm in June 2012, the City's reimbursement from the Federal Emergency Management Agency and the Virginia Department of Emergency Management is \$1.5 million. Comprehensive Services Act (CSA) funds increased \$0.3 million for a total increase in grants of \$1.8 million. Decreases in grants of \$1.3 million are comprised of the following: \$0.5 million decrease for House Bill 599 funding for the Law Enforcement Assistance Grant, \$0.1 million decrease in the Rescue Squad Assistance Fund grant for the purchase of an ambulance, \$0.3 million decrease for the Chemical Biological Radiological Nuclear Explosive (CBRNE) Armored Incident Response Vehicle, \$0.2 million decrease in stimulus funding for Social Services programs, \$0.1 million decrease in Workforce Investment Act Stimulus funds, and \$0.1 million decrease in the Community Development Block Grant.

Capital grants and contributions decreased \$0.3 million due to the following: \$0.3 million decrease in reimbursements from the Virginia Department of Transportation (VDOT), \$1.1 million decrease in reimbursements from VDOT federal reimbursement grants, \$0.5 million increase in Street and Highway Maintenance funds, \$0.3 million increase in stimulus funds from the Energy Efficiency Community Block Grant, and \$0.3 million increase in funds from the Schools for capital projects.

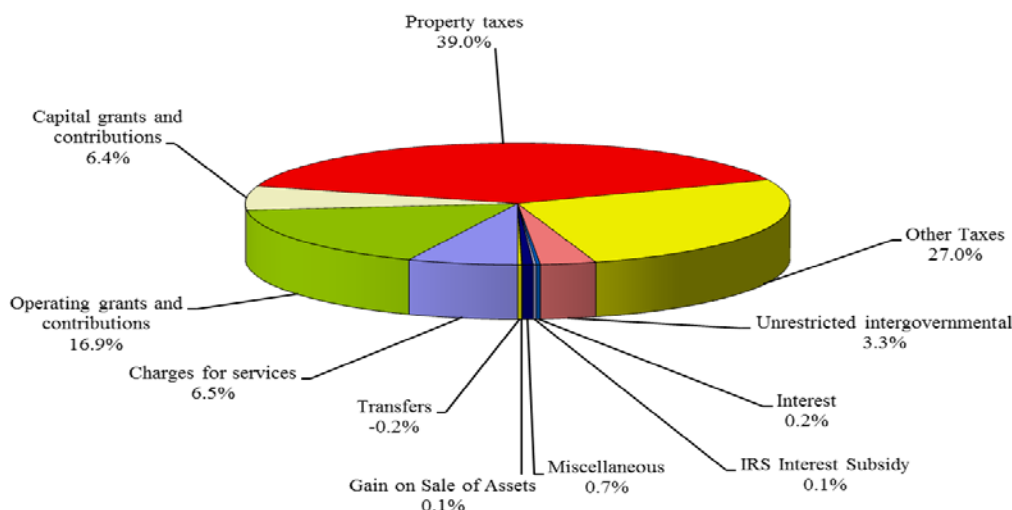
General revenues, specifically property taxes of \$70.1 million, increased \$0.2 million. Property taxes are comprised mainly of real property and personal property taxes. Real property taxes increased \$0.1 million. The City's general reassessment of real property occurs biennially and is effective on July 1 of the fiscal year. The City's biennial reassessment occurred July 1, 2011 and resulted in a nominal increase in assessed value of taxable real property. Personal property taxes increased \$0.1 million.

Other taxes of \$48.2 million increased \$2.1 million. Other taxes are comprised mainly of revenue from local sales, meals, consumer utilities, business licenses and communications sales and use taxes. The increase is mainly attributable to increases in meals and business license taxes.

Investment earnings of \$0.4 million decreased \$0.2 million due to lower interest rates and a decrease in funds available for investment. In accordance with the issuance of Build America Bonds, the City received \$0.3 million for IRS Subsidy.

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

***Revenue by Source-Governmental Activities***



### ***Expense highlights:***

Governmental activities expenses of \$174.0 million increased 2.8%, or \$4.8 million from FY 2011 as restated.

General government expenses increased \$0.8 million primarily due to increases in retiree health costs and increases in information technology costs for software maintenance, systems consulting, and software upgrade costs.

Judicial expenses increased \$0.4 million primarily due to increased grant expenditures over the prior year.

Public Safety expenses increased \$1.1 million primarily due to an increase of \$1.4 million in the City's contribution to the Blue Ridge Regional Jail and a decrease of \$0.4 million in retiree other post-employment benefit costs.

Public Works expenses increased \$0.2 million primarily due to a combination of increases in costs due to the windstorm and a decrease in improvements to highways, streets, bridges, and roads.

Health and human services expenses increased \$0.3 million primarily due to increases in costs under the Comprehensive Services Act for at risk youth and their families.

Cultural and recreational expenses decreased \$1.6 million as a result of the change in reporting the financial activity of the Stadium fund.

Community development expenses increased \$2.4 million primarily due to the following: \$0.3 million increase in contributions to the Lynchburg Regional Chamber of Commerce for the tourism program, \$0.6 million decrease in contributions to the Greater Lynchburg Transit Company, \$1.5 million increase for the return of unearned Governor's Opportunity Grant funds to the State of Virginia, \$0.6 million increase for a contribution to the City's Economic Development Authority, and \$0.1 million increase for the disbursement of Governor's Opportunity Grant funds to a local business.

Education expenses increased \$1.5 million due to the return of prior year unspent local funding to the Schools.

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 2012/2011 (in millions)***

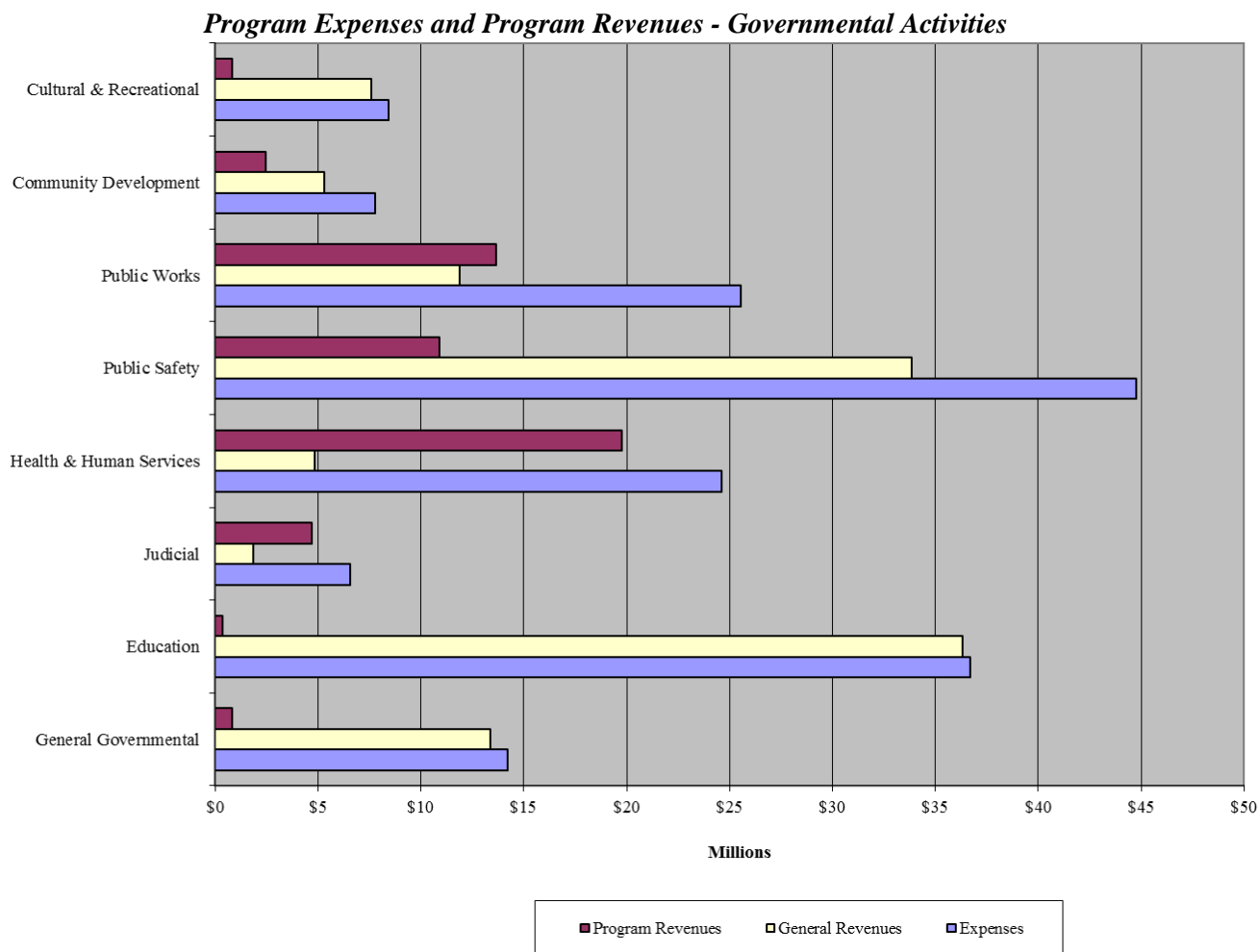
Governmental Activity	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2012	2011	Change	2012	2011	Change
	<i>as restated</i>		<u>2012-2011</u>	<i>as restated</i>		<u>2012-2011</u>
General government	\$ 14.2	\$ 13.4	6%	\$ 13.4	\$ 12.6	6%
Judicial	6.6	6.2	6%	1.9	1.8	6%
Public safety	44.7	43.6	3%	33.8	32.1	5%
Public works	25.5	25.3	1%	11.9	12.6	-6%
Health and human services	24.6	24.3	1%	4.9	4.6	7%
Cultural and recreational	8.4	10.0	-16%	7.6	7.7	-1%
Community development	7.8	5.4	44%	5.3	3.4	56%
Education	36.7	35.2	4%	36.3	35.1	3%
Interest payments & other fiscal charges	5.5	5.6	-2%	5.5	5.6	-2%
Issuance costs & other	-	0.2	-100%	-	0.2	-100%
Total Governmental Activities	<u>\$ 174.0</u>	<u>\$ 169.2</u>	<u>2.8%</u>	<u>\$ 120.6</u>	<u>\$ 115.7</u>	<u>4%</u>

The four largest funded programs were public safety at 25.7%, or \$44.7 million; local support for education at 21.0%, or \$36.7 million; public works at 14.7%, or \$25.5 million; and health and human services at 14.1%, or \$24.6 million. Education and public safety continued to be high priorities for the City.

The governmental activities total cost of services increased 2.8% from the prior year with a 4% increase in the net cost of services. The Statement of Activities shows that the \$174.0 million in governmental activities program expenses were financed

by \$11.7 million from those receiving services, \$30.2 million from operating grants and contributions, \$11.5 million from capital grants and contributions and \$120.6 million from general revenues. Overall, general revenues and transfers of \$125.8 million were \$5.2 million more than the \$120.6 million of expenses net of program revenues.

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



### **Business-type Activities**

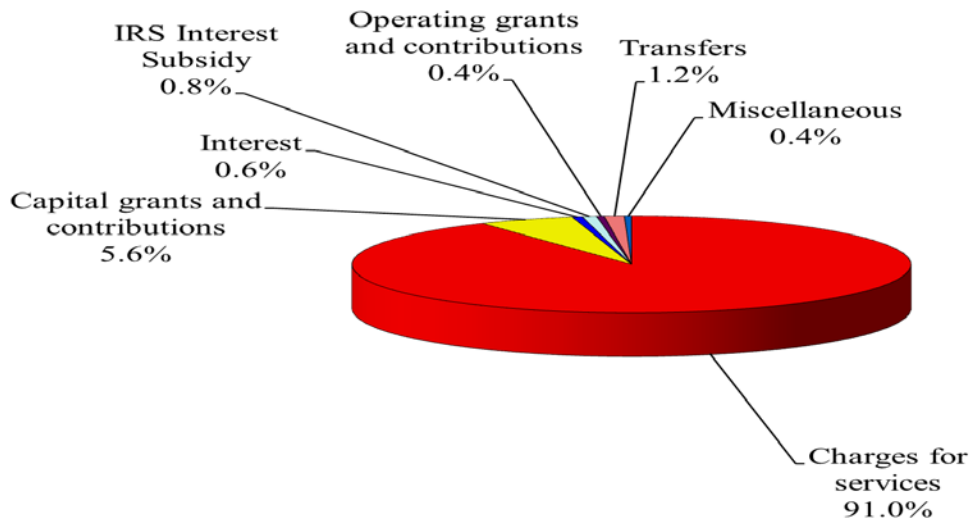
The business-type activities are comprised of Enterprise Funds for water, sewer, and airport operations. Total net assets of \$202.3 million increased 1.6%, or \$3.1 million from FY 2011 as restated.

### ***Revenue highlights:***

Business-type activities revenues of \$36.1 million decreased \$7.9 million from the prior year. This was primarily due to a decrease in capital grants and contributions of \$8.5 million. In FY 2011, \$7.2 million was received from the Virginia Clean Water Revolving Loan Program grant while \$0.2 million was received in FY 2012 resulting in a decrease of \$7.0 million. Additionally, the airport received \$0.7 million less in federal grants for capital projects.

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

### *Revenues by Source - Business-type Activities*



#### ***Expense highlights:***

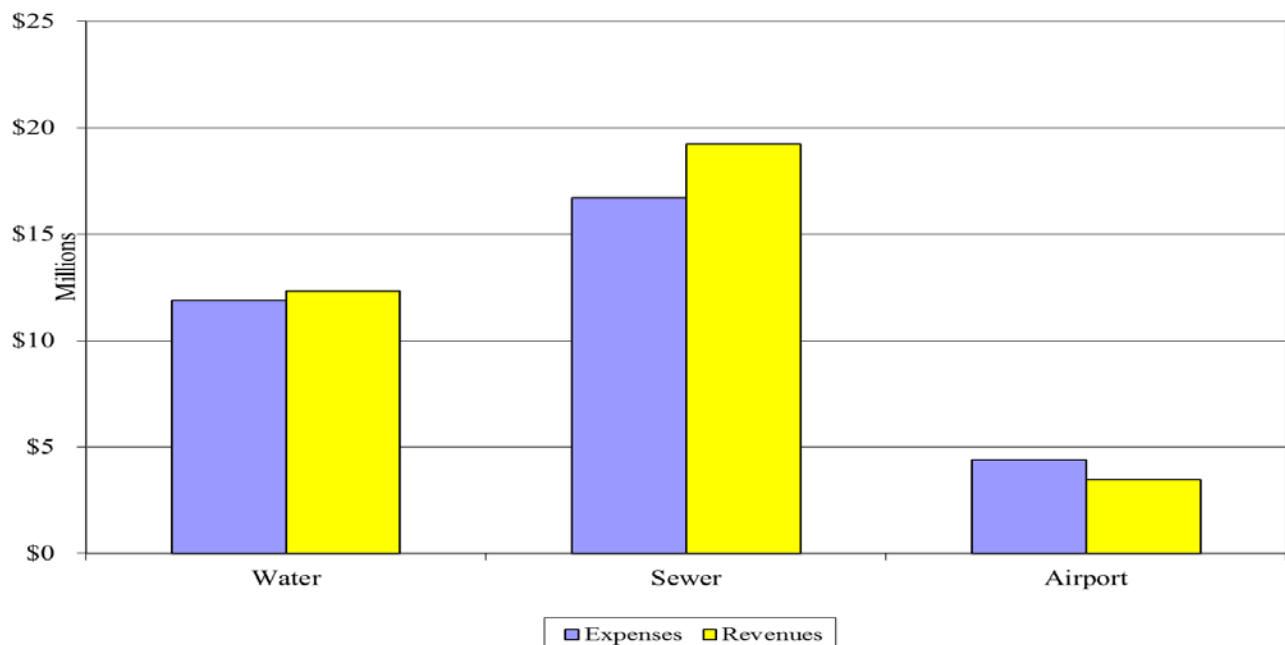
Business-type activities expenses of \$33.0 million increased 2.0%, or \$0.7 million, from the prior year. The increase was primarily due to depreciation.

Overall, business-type activities revenues of \$36.1 million were \$3.1 million more than expenses of \$33.0 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 assets of \$2.7 million increased 28.6%, or \$0.6 million, from FY 2011. This was primarily due to an increase in net assets invested in capital net of related debt of 63.2%, or \$1.2 million and a decrease in unrestricted net assets of \$0.6 million from FY 2011.

#### ***Revenue highlights:***

Total revenues of \$94.8 million increased 3.2%, or \$2.9 million in comparison with the prior year fund financial statements, primarily due to increases in revenues from the Commonwealth of Virginia and from the City government. For FY 2012, 44.7%, or \$42.4 million, of total revenues were received from the Commonwealth of Virginia as compared to \$41.6 million received in the prior year. State sales tax receipts were \$8.9 million for FY 2012. The City government contributed 33.5%, or \$31.7 million, to education. Federal revenues of 17.5% or \$16.6 million, included \$5.8 million, (of which \$2.0 million was Federal Stimulus funds), from Title I funds to provide educational services to economically disadvantaged students; and \$0.2 million in State Fiscal Stabilization Funds (SFSF) primarily used for salaries. School Nutrition revenues of \$3.6 million included \$2.9 million from the federal government for the operation of the breakfast and lunch programs. Other revenue sources of 4.3%, or \$4.1 million, included the following: school meals sales; tuition paid by participating school divisions to the Central Virginia Governor's School for Science and Technology; and other miscellaneous sources.

#### ***Expense highlights:***

Total expenses of \$95.0 million increased 3.2%, or \$2.9 million, from the prior year fund financial statements primarily due to instruction, pupil transportation, and food service and other cost increases. For FY 2012, 71.5%, or \$67.9 million, of total expenses related directly to providing instruction to 8,304 students and 14.1%, or \$13.4 million, supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were 4.6%, or \$4.4 million, while administration for the schools and attendance and health services for students were 4.0%, or \$3.8 million. Technology costs were 2.5% or \$2.4 million. Capital outlays in the fund financial statements of \$2.4 million included the acquisition of equipment.

### **FUND FINANCIAL ANALYSIS**

#### **Governmental Funds**

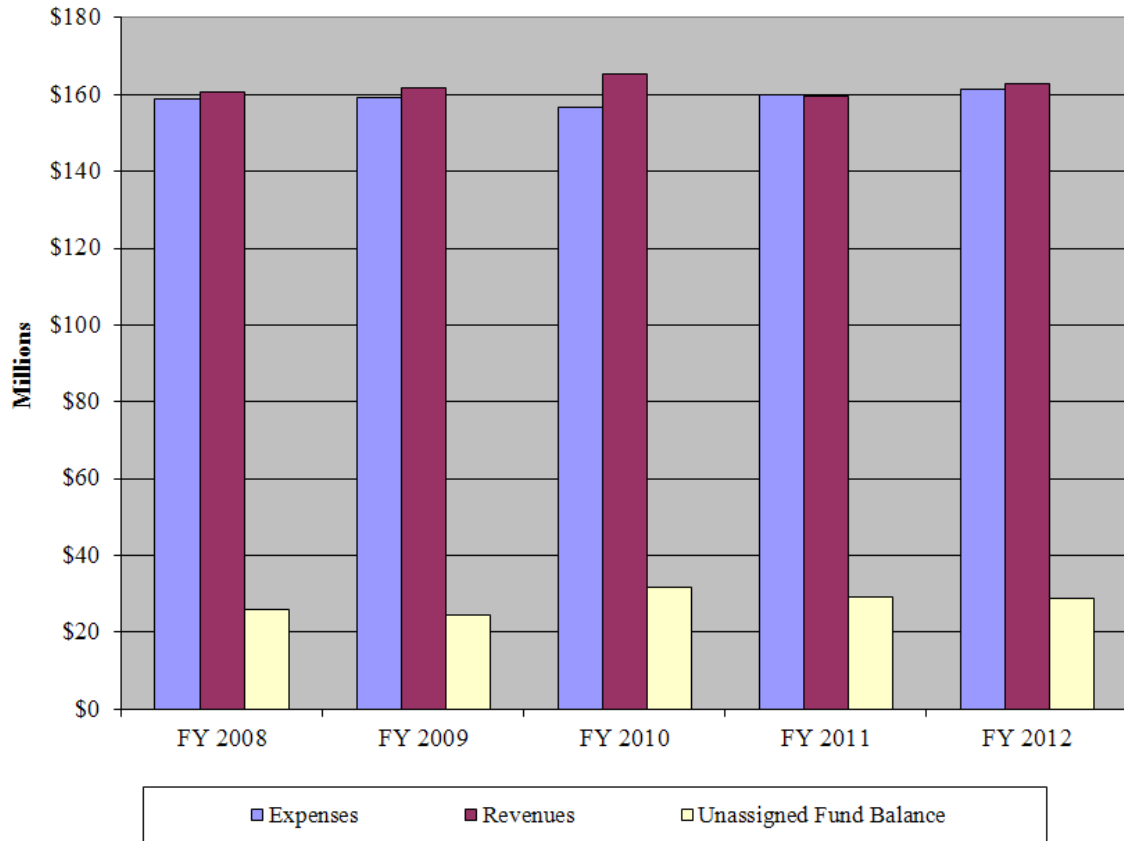
Governmental Funds include the General Fund, Special Revenue Funds and Capital Projects Funds. The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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 2012, the City's Governmental Funds reported combined fund balances of \$89.0 million, a decrease of \$0.2 million from FY 2011. Of that amount, \$0.5 million was nonspendable, \$18.7 million was restricted, \$35.5 million was committed, \$5.7 million was assigned, and \$28.6 million was unassigned. The General Fund's increase in fund balance was \$1.4 million. The City Capital Projects Fund's decrease in fund balance was \$0.1 million. Special Revenue Funds decrease in fund balance was \$2.2 million and School Capital Projects Fund increase in fund balance was \$0.7 million.
- As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.24% of total general fund expenditures, while total fund balance represents 32.3% of that same amount.

#### **General Fund**

The General Fund is the chief operating fund of the City. The following graph and table present a five-year summary of financial information for expenditures, revenues, and unassigned fund balances as well as a FY 2012 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, 2012  
(in millions)***

**General Fund Budgetary Highlights**

<u>Description</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Amended versus Actual</u>
<b><u>Revenues &amp; Other Financing Sources</u></b>				
Taxes	\$ 112.8	\$ 112.8	\$ 116.8	\$ 4.0
Intergovernmental	31.8	33.2	35.0	1.8
Other	<u>10.7</u>	<u>10.9</u>	<u>11.1</u>	<u>0.2</u>
Total	<u>155.3</u>	<u>156.9</u>	<u>162.9</u>	<u>6.0</u>
<b><u>Expenditures &amp; Other Financing Uses</u></b>				
Expenditures	153.8	155.9	149.0	6.9
Transfers	<u>10.5</u>	<u>12.5</u>	<u>12.5</u>	<u>-</u>
Total	<u>164.3</u>	<u>168.4</u>	<u>161.5</u>	<u>6.9</u>
<b><u>Change in Fund Balance</u></b>	<b><u>\$ (9.0)</u></b>	<b><u>\$ (11.5)</u></b>	<b><u>\$ 1.4</u></b>	<b><u>\$ 12.9</u></b>

Actual expenditures and other financing uses of \$161.5 million were less than revenues and other financing sources of \$162.9 million by \$1.4 million, which resulted in a positive change in fund balance that was more than the amended budget projected decrease of \$11.5 million. The FY 2012 adopted and amended budgets included the use of \$9.0 million and \$11.5 million, respectively, of the FY 2011 General Fund's unassigned fund balance primarily to resource a planned \$7.6 million transfer out for general government capital projects and a \$1.0 million transfer out for School capital projects. This was in accordance with City Council's adopted Fund Balance Policy (revised FY 2011), 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 \$6.0 million and actual expenditures were below the amended budget by \$6.9 million, resulting in a \$1.4 million increase in fund balance for FY 2012.

Actual revenues were greater than estimated and within 3.8%, or \$6.0 million, of the amended budget. Personal property, local sales, business license, meals, motor vehicle, delinquent, and other local taxes were above the amended budget for FY 2012. Intergovernmental revenue was more than anticipated in the amended budget by \$1.8 million. The other revenue category was \$0.2 million more than the amended budget due in part to increases in regulatory licenses, permits and privilege fees.

Actual expenditures and transfers were \$6.9 million less than the FY 2012 amended budget and mostly attributable to the following unexpended appropriations:

- \$1.8 million for general government
- \$0.2 million for judicial
- \$1.6 million for public safety
- \$1.3 million for health and human services
- \$0.5 million for cultural and recreation, and community development
- \$2.1 million for education

Expenditures for public works were approximately \$0.5 million over the amended budget due to the windstorm that impacted the City at the end of June.

Consistent with Financial Policies, City Council appropriated \$1.2 million for a General Fund Reserve for Contingencies. City Council authorized 41.7%, or \$0.5 million in expenditures. The remaining 58.3%, or \$0.7 million, reverted to unassigned fund balance.

From the original budget of \$164.3 million, City Council approved budget amendments to increase the budget 2.5%, or \$4.1 million, resulting in an amended budget of \$168.4 million. The budget amendments were primarily for the following purposes:

- \$1.5 million net increase for third quarter budget amendment requests. Each fiscal year, management reviews current year expenditures and revenue collection patterns and presents to City Council a third quarter budget amendment. The FY 2012 amendment was comprised primarily of (\$0.2) million for general government, \$0.4 million for public safety expenditures, and \$1.3 million for health and human services programs.
- \$1.6 million increase to the budget for prior year unexpended items requested to be re-appropriated in the current year to continue programs.
- \$0.6 million increase for general government operations.

### **City Capital Projects Fund**

The City Capital Projects Fund accounts for the major construction projects of the City other than those financed by proprietary funds or the School Capital Projects Fund. Annually, the City adopts a five year capital project plan. Year one of the plan is appropriated for current year expenditures. The fund balance of \$36.5 million decreased 0.3%, or \$0.1 million, from FY 2011. Revenues and transfers of \$11.1 million decreased 1.8%, or \$0.2 million. The decrease is attributable to the following:

- \$0.3 million decrease in State Recreational Access revenue for Ivy Creek Park
- \$1.1 million decrease in VDOT funds for federal reimbursements
- \$0.5 million increase in transfers from the General Fund
- \$0.2 million increase from a transfer to the Comprehensive Services Act Fund
- \$0.5 million increase from operating transfers to other funds

Expenditures and capital outlay of \$11.3 million decreased 6.0%, or \$0.7 million primarily due to the following:

- \$0.5 million increase for Old Courthouse Museum leak repairs
- \$0.6 million increase for contributions to the Lynchburg Economic Development Authority
- \$1.8 million increase for Wards Road Pedestrian Bridge

- \$0.3 million increase for Lower Bluffwalk II and III
- \$0.3 million increase for City Hall Controls and Information Technology Emergency Generator
- \$0.2 million increase for Jefferson Street South
- \$0.1 million increase in expenditures for Memorial/Park/Lakeside
- \$1.5 million decrease for D Street Bridge
- \$1.3 million decrease for Rivermont Bridge
- \$0.4 million decrease in construction expenditures for the Juvenile and Domestic Relations Court
- \$1.3 million decrease for Ivy Creek Nature Center

### **Proprietary Funds**

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

### **Water Fund**

The Water Fund's total net assets of \$36.0 million increased 2.3%, or \$0.8 million, from FY 2011 as restated. Net assets invested in capital, net of related debt, of \$28.2 million decreased 0.7%, or \$0.2 million, and were 78.3% of total net assets. This was primarily due to completion of several distribution system improvement capital projects. Unrestricted net assets available to fund future expenses increased by 14.7% or \$1.0 million. Unrestricted net assets were 21.7%, or \$7.8 million, of total net assets. Operating revenues totaled \$12.3 million, and decreased 1.6%, or \$0.2 million, primarily due to declining usage which is attributable to weather conditions, low-flow plumbing fixtures and the overall trend of decreasing consumption although partially offset by a 3.2% rate increase effective July 1, 2011. Operating expenses totaled \$10.2 million and decreased 4.7%. Investment earnings increased \$0.01 million. For FY 2012 the fund balance ratio was 47%, which compared favorably to City Council's financial policy target of 40%. The debt coverage ratio was 1.42, which compared favorably to City Council's target of 1.2.

### **Sewer Fund**

The Sewer Fund's total net assets of \$135.8 million increased 2.1%, or \$2.8 million, from FY 2011 as restated. Net assets invested in capital, net of debt, of \$122.5 million increased 3.4%, or \$4.0 million, due to completion of Combined Sewer Overflow (CSO) projects, the College Hill Old Filter Building Renovations and College Hill New Vector Truck Building capital projects, and \$7.0 million of Virginia Revolving Loan (VRL) Program new long-term debt. Net assets invested in capital, net of related debt, were 90.2% of total net assets. Unrestricted net assets available to fund future expenses decreased by 8.3%, or \$1.2 million due to the results of operations. Unrestricted net assets were 9.8%, or \$13.3 million, of total net assets. Operating revenues totaled \$18.5 million and increased 2.8%, or \$0.5 million. Operating expenses totaled \$15.4 million and increased 6.9%, or \$1.0 million. Investment earnings decreased \$0.01 million. For FY 2012 the fund balance ratio was 22.6% as compared to the financial policy target of 25%. The debt coverage ratio was 1.33, as compared to the target of 1.2 and was in compliance with the CSO Order requirements. Please refer to the Statistical Section of this report for details.

### **Airport Fund**

The Airport Fund's total net assets of \$34.5 million decreased 1.4%, or \$0.5 million, from FY 2011 as restated. Net assets invested in capital, net of related debt, of \$32.1 million, decreased 4.1%, or \$1.4 million. Net assets invested in capital, net of related debt, were 93.0% of total net assets. Unrestricted net assets available to fund future expenses increased 47.0%, or \$0.7 million, due to accumulation of state entitlement funds for future projects. Unrestricted net assets were 6.4%, or \$2.2 million, of total net assets. Operating revenues totaled \$2.2 million, which represents a 4.3% decrease from FY 2011. Operating expenses totaled \$4.3 million. Capital contributions totaled \$1.0 million, a decrease of 41.2%, or \$0.7 million, which represents decreased federal contributions towards airport capital projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's capital assets, net of depreciation, were \$625.2 million as reflected in the following schedule. The Schools had \$3.3 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

*Capital Assets  
As of June 30, 2012/2011  
(in millions)*

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2012	2011	2012	2011	2012	2011	2012-2011	2012	2011
Capital assets, not being depreciated:									
Land	\$ 16.6	\$ 16.1	\$ 5.0	\$ 5.0	\$ 21.6	\$ 21.1	2%	\$ -	\$ -
Construction in progress	13.2	8.9	51.5	27.4	64.7	36.3	78%	-	-
Capital assets, being depreciated:									
Land improvements	23.8	23.8	12.4	12.4	36.2	36.2	0%	-	-
Buildings and improvements	230.3	231.1	56.9	54.2	287.2	285.3	1%	-	-
Infrastructure	226.5	222.4	360.4	354.3	586.9	576.7	2%	-	-
Machinery and equipment	40.3	42.4	11.4	10.8	51.7	53.2	-3%	9.6	8.5
Less: Accumulated depreciation	(259.7)	(247.2)	(146.8)	(136.4)	(406.5)	(383.6)	6%	(6.3)	(5.9)
Total Capital Assets	<u>\$ 291.0</u>	<u>\$ 297.5</u>	<u>\$ 350.8</u>	<u>\$ 327.7</u>	<u>\$ 641.8</u>	<u>\$ 625.2</u>	<u>3%</u>	<u>\$ 3.3</u>	<u>\$ 2.6</u>

During FY 2012, the City's net increase in capital assets was 3% or \$16.6 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.	\$3.6
Completion of Rivermont Avenue Bridge; financed by general obligation bonds and local pay-as-you-go capital monies.	2.7
Completion of College Hill Old Filter Building Renovations; financed by general obligation bonds and local pay-as-you-go capital monies.	2.0
Completion of College Hill New Vector/TV Truck Building; financed by general obligation bonds and local pay-as-you-go capital monies.	.8
Completion of Florida Avenue Bridge; financed by general obligation bonds, State Highway Maintenance funds, and local pay-as-you-go capital monies.	.6
Completion of Heritage High School Improvements – Replace Gym Floor and Bleachers; financed by general obligation bonds and local pay-as-you-go capital monies.	.5
Completion of Pedlar Raw Waterline Repairs @ James River; financed by general obligation bonds and local pay-as-you-go capital monies.	.5

Total construction-in-progress converted to capital assets	<u>\$10.7</u>
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On-going replacement of the vehicle fleet, financed through local operating monies.	<u>3.0</u>
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Total major asset events	<u>\$13.7</u>
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Construction-in-progress at the end of FY 2012 includes additional CSO abatement projects, additional James River Interceptor CSO projects, Kemper Street Bridge, continuation of the Midtown Connector projects Phase I and II, Jefferson Street South and Wards Road Pedestrian Improvements. Sewer projects include WWTP Secondary Treatment Upgrade and Sanitary Sewer Evaluation Survey. Additional information on the City's capital assets can be found in Note 8 of this report.

### **Long-term Debt**

Total outstanding debt was \$318.4 million with \$192 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$126.4 million. A capital lease of \$4.3 million for the human services facility was included, while liabilities for compensated absences and workers' compensation of \$6.9 million and other post-employment benefits liability of \$4.5 million were excluded.

#### ***Long-term Debt Obligations As of June 30, 2012/2011 (in millions)***

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2012	2011	2012	2011	2012	2011	2012-2011
General Obligation Bonds	\$ 120.1	\$ 129.8	\$ 63.9	\$ 68.0	\$ 184.0	\$ 197.8	-7%
Revenue Bonds	-	-	128.0	125.6	128.0	125.6	2%
General Obligation Notes	-	-	0.1	-	0.1	-	100%
Note Payable	2.0	2.2	-	-	2.0	2.2	-9%
Capital Lease	4.3	4.7	-	-	4.3	4.7	-9%
Total	<u>\$ 126.4</u>	<u>\$ 136.7</u>	<u>\$ 192.0</u>	<u>\$ 193.6</u>	<u>\$ 318.4</u>	<u>\$ 330.3</u>	<u>-4%</u>

Total new debt of \$7.1 million was issued, all of which was for business-type activities. It consisted of \$7 million from the Virginia Revolving Loan Program (VRL) for CSO sewer capital projects; and, \$0.1 million from a bond anticipation note bank qualified line of credit described in detail below.

The City retired \$19 million of outstanding principal, all of which were planned retirements. The governmental activities principal retirements were \$10.3 million and the business-type activities principal retirements were \$8.7 million.

The City's general obligation bonds continued to maintain an Aa2 rating from Moody's Investors Service dated September 27, 2010, and an AA+ rating from Fitch Ratings dated September 22, 2010. Standard & Poor's Ratings Services upgraded the City's rating one level from an AA to an AA+, dated September 23, 2010. This rating increase is based on the City's "ongoing economic development and redevelopment, which continues to diversify the economy and expand the property tax base." Also, factored into the upgrade is the City's "historically solid financial position with very strong reserves, which has remained constant through various economic cycles." Standard & Poor's continued utilization of their Financial Management Assessment (FMA) model resulted in a second "strong" ranking for the City's management practices. These credit ratings were related to the City's issuance of the October 20, 2010, General Obligation Public Improvement Refunding Bonds, Series 2010 of \$29,655,000. On August 22, 2012, Fitch Ratings reaffirmed their AA+ rating for the City.

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

The City Council adopted Debt Management Policy was amended in December 2006 and limited tax-supported debt not to exceed 4.5% of net assessed valuation of taxable property in the City. As of the end of FY 2011, outstanding tax-supported debt was 2.07% of net assessed valuation. In addition, the City Council adopted Budget Policy was amended in December 2006. It established that pay-as-you-go funding, as a percentage of the City's Five Year Capital Improvement Program, shall not be less than 10%, and it set a goal of 15%. Both policies were reaffirmed by City Council on November 23, 2010 with one Debt Policy revision to debt service payments for revenue supported debt from twenty to thirty years. Detailed information on the City's long-term debt is included in Note 9 of this report.

## **ECONOMIC FACTORS**

The City's unemployment rate increased from 7.8% in 2011 to 8.7% in June 2012. This increase of 0.9% reflects the number of students entering the job search for summer employment. The unemployment rate typically decreases in September as students return to school. The City's unemployment rate typically trends above the State rate, which was 6.1% in July 2012. The City's unemployment rate also typically trends below the National rate, which was 8.6% for the same period. The City's unemployment rate was actually slightly higher than the National rate for this period due to the high student population in the City. The diversity of employers and the continued growth in college and university enrollments in the City makes the unemployment rate trend differently than the State and National rates.

Although, still an important sector, manufacturing no longer dominates the Lynchburg economy as it did in the past. AEP, the region's electric utility provider, remains the City's largest property taxpayer with a 4.8% increase in taxable assessed value. Genworth Financial, Inc., a predominant employer in the City, also saw a 2.6% increase in taxable assessed value. Even though the ten principal property taxpayers, as a whole, realized a 1.8% decrease in taxable assessed value, the City remains the retail hub for the region and has seen significant growth in the medical services, engineering, and higher education sectors. Other important sectors of the Lynchburg economy include wireless technology, finance, retail, and tourism.

While most localities in Virginia have experienced reductions in real estate assessments, the City experienced 0.3% growth in assessments for July 1, 2011. Even though this growth is rather insignificant, the City has not experienced a single year with a loss in assessed value. Also, even though the number of commercial construction permits has declined significantly, the fees associated with these permits has increased when compared to last year. This increase is primarily related to construction at Liberty University.

## **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 2012 Operating and Capital Budgets, and FY 2012-2016 Capital Improvement Program are on the City's web site at [www.lyncburgva.gov](http://www.lyncburgva.gov).

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## **BASIC FINANCIAL STATEMENTS**



Statement of Net Assets  
June 30, 2012

	Governmental Activities	Business Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Lynchburg City Schools	Other	
<b>Assets</b>						
Cash and cash equivalents	\$ 19,901,763	9,701,669	\$ 29,603,432	\$ 5,660,931	\$ 559,848	\$ 35,824,211
Investments	70,101,294	9,378,059	79,479,353	3,000,000	-	82,479,353
Receivables, net of allowance	21,046,577	4,373,950	25,420,527	958,511	866,257	27,245,295
Internal balances	3,791,463	(3,791,463)	-	-	-	-
Due from other governments	5,485,322	24,232,036	29,717,358	7,018,673	288,774	37,024,805
Due from component units	2,719,749	-	2,719,749	-	-	2,719,749
Inventory	57,944	399,578	457,522	122,953	182,162	762,637
Prepays and other assets	2,618,226	-	2,618,226	106,775	14,883	2,739,884
Restricted assets:						
Cash and cash equivalents	728,614	584,014	1,312,628	170,158	-	1,482,786
Due from other governments	-	4,330,563	4,330,563	-	-	4,330,563
Deferred debt charges	3,813,712	2,061,819	5,875,531	-	-	5,875,531
Capital assets, net of accumulated depreciation	291,048,675	350,849,061	641,897,736	3,337,197	19,627,063	664,861,996
<b>Total assets</b>	<b>421,313,339</b>	<b>402,119,286</b>	<b>823,432,625</b>	<b>20,375,198</b>	<b>21,538,987</b>	<b>865,346,810</b>
<b>Liabilities</b>						
Accounts payable and other liabilities	8,184,805	3,259,103	11,443,908	1,464,295	1,039,321	13,947,524
Accrued payroll and related liabilities	4,165,716	221,980	4,387,696	10,599,207	-	14,986,903
Accrued interest payable	1,575,126	930,596	2,505,722	-	-	2,505,722
Due to other governments	885,673	-	885,673	-	-	885,673
Due to primary government	-	-	-	2,398,505	321,244	2,719,749
Deposits payable from restricted assets	52,066	463,259	515,325	-	-	515,325
Unearned revenue	8,325,789	-	8,325,789	-	-	8,325,789
Noncurrent liabilities:						
Due within one year	11,075,583	9,237,087	20,312,670	766,534	-	21,079,204
Due in more than one year	129,632,704	185,708,477	315,341,181	2,405,930	103,740	317,850,851
<b>Total liabilities</b>	<b>163,897,462</b>	<b>199,820,502</b>	<b>363,717,964</b>	<b>17,634,471</b>	<b>1,464,305</b>	<b>382,816,740</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	166,830,517	182,791,158	349,621,675	3,133,071	19,627,063	372,381,809
Restricted for:						
Capital projects	17,527,858	-	17,527,858	-	-	17,527,858
Grants and other purposes	1,232,801	119,534	1,352,335	-	-	1,352,335
Unrestricted	71,824,701	19,388,092	91,212,793	(392,344)	447,619	91,268,068
<b>Total net assets</b>	<b>\$ 257,415,877</b>	<b>\$ 202,298,784</b>	<b>\$ 459,714,661</b>	<b>\$ 2,740,727</b>	<b>\$ 20,074,682</b>	<b>\$ 482,530,070</b>

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

Statement of Activities  
For the Year Ended June 30, 2012

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	
<b>Primary government:</b>										
Governmental activities:										
General government	\$ 14,209,838	\$ 523,344	\$ 319,132	\$ -	\$ (13,367,362)	\$ -	\$ (13,367,362)	\$ -	\$ -	\$ (13,367,362)
Judicial	6,546,970	781,941	3,903,834	-	(1,861,195)	-	(1,861,195)	-	-	(1,861,195)
Public safety	44,743,484	5,875,575	5,026,307	-	(33,841,602)	-	(33,841,602)	-	-	(33,841,602)
Public works	25,535,985	813,474	1,642,472	11,181,633	(11,898,406)	-	(11,898,406)	-	-	(11,898,406)
Health and human services	24,620,381	2,462,151	17,294,045	-	(4,864,185)	-	(4,864,185)	-	-	(4,864,185)
Cultural and recreational	8,413,428	647,929	184,984	10,000	(7,570,515)	-	(7,570,515)	-	-	(7,570,515)
Community development	7,757,830	622,156	1,823,563	-	(5,312,111)	-	(5,312,111)	-	-	(5,312,111)
Education	36,667,051	-	-	354,953	(36,312,098)	-	(36,312,098)	-	-	(36,312,098)
Interest payments and other fiscal charges	5,481,482	-	-	-	(5,481,482)	-	(5,481,482)	-	-	(5,481,482)
Issuance costs	28,450	-	-	-	(28,450)	-	(28,450)	-	-	(28,450)
<b>Total governmental activities</b>	<b>174,004,899</b>	<b>11,726,570</b>	<b>30,194,337</b>	<b>11,546,586</b>	<b>(120,537,406)</b>	<b>-</b>	<b>(120,537,406)</b>	<b>-</b>	<b>-</b>	<b>(120,537,406)</b>
Business-type activities:										
Airport	4,394,934	2,011,159	158,129	1,282,899	-	(942,747)	(942,747)	-	-	(942,747)
Water	11,881,318	12,314,865	-	24,000	-	457,547	457,547	-	-	457,547
Sewer	16,705,588	18,520,421	-	700,878	-	2,515,711	2,515,711	-	-	2,515,711
<b>Total business-type activities</b>	<b>32,981,840</b>	<b>32,846,445</b>	<b>158,129</b>	<b>2,007,777</b>	<b>-</b>	<b>2,030,511</b>	<b>2,030,511</b>	<b>-</b>	<b>-</b>	<b>2,030,511</b>
<b>Total primary government</b>	<b>\$ 206,986,739</b>	<b>\$ 44,573,015</b>	<b>\$ 30,352,466</b>	<b>\$ 13,554,363</b>	<b>(120,537,406)</b>	<b>2,030,511</b>	<b>(118,506,895)</b>	<b>-</b>	<b>-</b>	<b>(118,506,895)</b>
<b>Component units:</b>										
Lynchburg City Schools	\$ 94,271,342	\$ 2,819,872	\$ 59,031,597	\$ -	-	-	-	(32,419,873)	-	(32,419,873)
Greater Lynchburg Transit Company	8,684,218	1,255,618	5,234,714	4,512,285	-	-	-	-	2,318,399	2,318,399
Business Development Centre	325,171	195,425	117,975	-	-	-	-	-	(11,771)	(11,771)
<b>Total component units</b>	<b>\$ 103,280,731</b>	<b>\$ 4,270,915</b>	<b>\$ 64,384,286</b>	<b>\$ 4,512,285</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,419,873)</b>	<b>2,306,628</b>	<b>(30,113,245)</b>
General revenues:										
Property taxes					70,054,855	-	70,054,855	-	-	70,054,855
Local sales and use tax					13,440,973	-	13,440,973	-	-	13,440,973
Meals taxes					11,658,371	-	11,658,371	-	-	11,658,371
Consumer utility taxes					4,475,316	-	4,475,316	-	-	4,475,316
Business license taxes					7,885,841	-	7,885,841	-	-	7,885,841
Communications sales and use tax					3,462,621	-	3,462,621	-	-	3,462,621
Other taxes					7,299,554	-	7,299,554	-	-	7,299,554
Unrestricted intergovernmental					5,940,422	-	5,940,422	-	-	5,940,422
Interest					438,375	210,782	649,157	-	-	649,157
IRS interest subsidy- Build America Bonds					293,680	297,551	591,231	-	-	591,231
Miscellaneous					1,162,435	148,571	1,311,006	1,298,627	-	2,609,633
Gain on sale of assets					73,749	-	73,749	-	25,340	99,089
City appropriation					-	-	-	31,726,865	-	31,726,865
Transfers					(417,961)	417,961	-	-	-	-
Total general revenues and transfers					125,768,231	1,074,865	126,843,096	33,025,492	25,340	159,893,928
<b>Changes in net assets</b>					5,230,825	3,105,376	8,336,201	605,619	2,331,968	11,273,788
<b>Net assets - beginning, as restated (Note 19)</b>					252,185,052	199,193,408	451,378,460	2,135,108	17,742,714	471,256,282
<b>Net assets - ending</b>					<b>\$ 257,415,877</b>	<b>\$ 202,298,784</b>	<b>\$ 459,714,661</b>	<b>\$ 2,740,727</b>	<b>\$ 20,074,682</b>	<b>\$ 482,530,070</b>

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	<b>General Fund</b>	<b>City Capital Projects</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 12,951,332	\$ 3,680,066	\$ 2,304,183	\$ 18,935,581
Investments	33,592,661	33,759,351	1,549,860	68,901,872
Receivables, net of allowance:				
Taxes excluding penalties	13,510,456	-	-	13,510,456
Accounts	4,937,438	-	-	4,937,438
Other	417,069	500,000	481,420	1,398,489
Due from other funds	376,492	257,944	267,123	901,559
Due from other governments	3,267,295	464,451	1,753,576	5,485,322
Due from component units	2,594,749	-	125,000	2,719,749
Other assets	-	-	213	213
Restricted assets:				
Cash and cash equivalents	52,066	-	676,548	728,614
<b>Total assets</b>	<b>\$ 71,699,558</b>	<b>\$ 38,661,812</b>	<b>\$ 7,157,923</b>	<b>\$ 117,519,293</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 3,088,142	\$ 2,181,530	\$ 1,724,416	\$ 6,994,088
Accrued payroll and related liabilities	4,300,157	2,860	97,735	4,400,752
Due to other funds	562,760	-	634,436	1,197,196
Due to other governments	767,905	1,122	116,646	885,673
Deposits payable from restricted assets	52,066	-	-	52,066
Deferred revenue	14,525,664	-	412,558	14,938,222
<b>Total liabilities</b>	<b>23,296,694</b>	<b>2,185,512</b>	<b>2,985,791</b>	<b>28,467,997</b>
Fund balances:				
Nonspendable	-	500,000	-	500,000
Restricted	-	17,376,937	1,383,722	18,760,659
Committed	13,992,915	18,599,363	2,919,536	35,511,814
Assigned	5,574,299	-	126,818	5,701,117
Unassigned	28,835,650	-	(257,944)	28,577,706
<b>Total fund balances</b>	<b>48,402,864</b>	<b>36,476,300</b>	<b>4,172,132</b>	<b>89,051,296</b>
<b>Total liabilities and fund balances</b>	<b>\$ 71,699,558</b>	<b>\$ 38,661,812</b>	<b>\$ 7,157,923</b>	<b>\$ 117,519,293</b>

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2012**

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

Ending fund balance - governmental funds		\$ 89,051,296
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	291,048,675	
Less: Internal service capital assets	<u>(12,029,945)</u>	
		279,018,730
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
		6,612,433
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds		
		2,120,000
Certain receivables are not available to pay for current-period expenditures and, therefore, are not reported in the funds		
		205,303
Internal service fund activity that has been allocated to the user departments.		
		4,064,880
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.		
		11,373,893
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	(120,070,149)	
Accrued interest payable	(1,575,126)	
Capital leases payable	(4,285,278)	
Notes payable	(2,120,000)	
Compensated absences	(4,213,955)	
Workers' compensation	(1,875,948)	
Other post-employment benefits obligation	<u>(4,073,434)</u>	
	(138,213,890)	
Add back: Internal Service bonds payable	3,051,090	
Add back: Internal Service accrued interest payable	51,781	
Add back: Internal Service compensated absences	43,134	
Add back: Internal Service other post-employment benefits obligation	<u>37,227</u>	
		<u>(135,030,658)</u>
Net assets of governmental activities		<u>\$ 257,415,877</u>

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	<u>General</u>	<u>City Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b>Revenues</b>				
Taxes	\$ 116,760,078	\$ -	\$ -	\$ 116,760,078
Regulatory licenses, permits and privilege fees	916,546	-	-	916,546
Intergovernmental	35,030,474	2,704,647	9,585,165	47,320,286
Fines and forfeitures	721,839	-	-	721,839
Revenue from use of money and property	690,069	26,319	32,629	749,017
Charges for services	7,676,012	-	3,791,822	11,467,834
Miscellaneous	871,056	88,240	869,635	1,828,931
<b>Total revenues</b>	<u>162,666,074</u>	<u>2,819,206</u>	<u>14,279,251</u>	<u>179,764,531</u>
<b>Expenditures</b>				
Current operating expenditures:				
General government	15,908,597	-	3,645	15,912,242
Judicial	4,421,907	-	1,368,225	5,790,132
Public safety	38,845,495	200,000	3,982,827	43,028,322
Public works	14,436,170	2,788,385	149,358	17,373,913
Health and human services	18,268,410	-	5,904,078	24,172,488
Cultural and recreational	7,383,687	-	-	7,383,687
Community development	3,930,173	685,449	3,119,020	7,734,642
Education	31,696,712	-	133,756	31,830,468
Capital outlay:				
Capital general government	-	7,610,753	2,372,391	9,983,144
Debt service:				
Principal retirements	9,706,899	-	412,145	10,119,044
Interest payments and other fiscal charges	5,225,436	-	173,764	5,399,200
Issuance costs	28,450	-	-	28,450
<b>Total expenditures</b>	<u>149,851,936</u>	<u>11,284,587</u>	<u>17,619,209</u>	<u>178,755,732</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>12,814,138</u>	<u>(8,465,381)</u>	<u>(3,339,958)</u>	<u>1,008,799</u>
<b>Other financing sources (uses)</b>				
Transfers in	283,272	8,345,463	2,429,252	11,057,987
Transfers out	(11,695,113)	(25,000)	(483,272)	(12,203,385)
<b>Total other financing sources (uses)</b>	<u>(11,411,841)</u>	<u>8,320,463</u>	<u>1,945,980</u>	<u>(1,145,398)</u>
<b>Net changes in fund balances</b>	<u>1,402,297</u>	<u>(144,918)</u>	<u>(1,393,978)</u>	<u>(136,599)</u>
<b>Fund balances - beginning</b>	<u>47,000,567</u>	<u>36,621,218</u>	<u>5,566,110</u>	<u>89,187,895</u>
<b>Fund balances - ending</b>	<u>\$ 48,402,864</u>	<u>\$ 36,476,300</u>	<u>\$ 4,172,132</u>	<u>\$ 89,051,296</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2012**

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

Net change in fund balances - total governmental funds	\$ (136,599)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the detail of the two components.

Capital outlay	10,688,906
Depreciation expense	(16,478,959)

The net effect of various transactions involving capital assets (sales, reduction in construction in progress, donated assets) is to decrease net assets.	(519,698)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	2,008,367
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	9,930,446
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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.	(882,965)
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To eliminate transfers to the internal service fund	727,437
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The net loss of certain activities of the internal service fund is reported with governmental activities.	(106,110)
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Change in net assets of governmental activities.	<u>\$ 5,230,825</u>
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**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 112,778,976	\$ 112,778,976	\$ 116,760,078	\$ 3,981,102
Regulatory licenses, permits and privilege fees	632,300	632,300	916,546	284,246
Intergovernmental	31,803,206	33,224,473	35,030,474	1,806,001
Fines and forfeitures	555,000	555,000	721,839	166,839
Revenue from use of money and property	637,566	637,566	687,630	50,064
Charges for services	8,420,614	8,573,114	7,676,012	(897,102)
Miscellaneous	485,641	500,641	841,287	340,646
<b>Total revenues</b>	<b>155,313,303</b>	<b>156,902,070</b>	<b>162,633,866</b>	<b>5,731,796</b>
<b>Expenditures</b>				
Current operating expenditures:				
General government	19,346,792	16,875,520	15,064,794	1,810,726
Judicial	4,452,872	4,618,538	4,421,907	196,631
Public safety	38,873,351	40,492,839	38,845,495	1,647,344
Public works	13,354,451	13,851,556	14,436,170	(584,614)
Health and human services	18,171,802	19,564,613	18,268,410	1,296,203
Cultural and recreational	7,945,692	7,926,291	7,383,687	542,604
Community development	3,716,005	3,757,824	3,930,173	(172,349)
Education	31,942,103	33,834,798	31,696,712	2,138,086
Debt service:				
Principal retirements	10,781,088	9,706,726	9,706,899	(173)
Interest payments and other fiscal charges	5,226,545	5,226,525	5,225,436	1,089
Issuance costs	-	35,036	28,450	6,586
<b>Total expenditures</b>	<b>153,810,701</b>	<b>155,890,266</b>	<b>149,008,133</b>	<b>6,882,133</b>
<b>Excess of revenues over expenditures</b>	<b>1,502,602</b>	<b>1,011,804</b>	<b>13,625,733</b>	<b>12,613,929</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	283,272	283,272
Transfers out	(10,501,067)	(12,481,614)	(12,482,621)	(1,007)
<b>Total other financing sources (uses)</b>	<b>(10,501,067)</b>	<b>(12,481,614)</b>	<b>(12,199,349)</b>	<b>282,265</b>
<b>Net changes in fund balances</b>	<b>(8,998,465)</b>	<b>(11,469,810)</b>	<b>1,426,384</b>	<b>12,896,194</b>
<b>Fund balances - beginning</b>	<b>44,381,208</b>	<b>44,381,208</b>	<b>44,381,208</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 35,382,743</b>	<b>\$ 32,911,398</b>	<b>\$ 45,807,592</b>	<b>\$ 12,896,194</b>

**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	Enterprise Funds				Internal Service
	Water	Sewer	Airport	Total	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 2,566,382	\$ 5,508,113	\$ 1,627,174	\$ 9,701,669	\$ 966,182
Investments	5,146,776	3,728,793	502,490	9,378,059	1,199,422
Receivables, net of allowance:					
Accounts	1,374,146	2,715,330	31,775	4,121,251	-
Other	3,311	194,065	55,323	252,699	61,921
Due from other funds	137,521	107,316	28,580	273,417	22,220
Due from other governments	-	-	364,367	364,367	-
Inventory	399,578	-	-	399,578	57,944
Prepays	-	-	-	-	498,013
Restricted assets:					
Due from members - Regional Sewage Treatment Plant	-	449,896	-	449,896	-
Total current assets	9,627,714	12,703,513	2,609,709	24,940,936	2,805,702
Noncurrent assets:					
Due from other governments	-	23,867,669	-	23,867,669	-
Restricted assets:					
Due from members - Regional Sewage Treatment Plant	-	3,880,667	-	3,880,667	-
Cash and cash equivalents	464,480	-	119,534	584,014	-
Deferred debt charges	970,319	1,057,912	33,588	2,061,819	47,697
Capital assets, net of accumulated depreciation:	65,578,693	251,930,414	33,339,954	350,849,061	12,029,945
Total noncurrent assets	67,013,492	280,736,662	33,493,076	381,243,230	12,077,642
<b>Total assets</b>	<b>76,641,206</b>	<b>293,440,175</b>	<b>36,102,785</b>	<b>406,184,166</b>	<b>14,883,344</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable and other liabilities	605,997	2,483,952	169,154	3,259,103	257,747
Accrued payroll and related liabilities	140,378	115,459	33,697	289,534	25,951
Accrued interest payable	606,319	308,237	16,040	930,596	51,781
Current portion of general obligation bonds	1,803,778	2,053,470	215,336	4,072,584	230,922
Current portion of public utility revenue bonds	-	5,096,949	-	5,096,949	-
Total current liabilities	3,156,472	10,058,067	434,227	13,648,766	566,401
Noncurrent liabilities:					
Deposits payable from restricted assets	463,259	-	-	463,259	-
Self insurance claims	2,903	85,449	-	88,352	-
Compensated absences	226,063	129,636	51,343	407,042	37,958
Other post-employment benefits obligation	187,229	113,674	93,101	394,004	37,227
Notes payable	79,705	-	-	79,705	-
General obligation bonds	36,489,375	24,347,317	1,026,688	61,863,380	2,867,865
Public utility revenue bonds	-	122,875,994	-	122,875,994	-
Total noncurrent liabilities	37,448,534	147,552,070	1,171,132	186,171,736	2,943,050
<b>Total liabilities</b>	<b>40,605,006</b>	<b>157,610,137</b>	<b>1,605,359</b>	<b>199,820,502</b>	<b>3,509,451</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	28,177,375	122,482,265	32,131,518	182,791,158	8,978,855
Restricted for:					
Grants and other purposes	-	-	119,534	119,534	-
Unrestricted	7,858,825	13,347,773	2,246,374	23,452,972	2,395,038
<b>Total net assets</b>	<b>\$ 36,036,200</b>	<b>\$ 135,830,038</b>	<b>\$ 34,497,426</b>	<b>206,363,664</b>	<b>\$ 11,373,893</b>
<b>Reconciliation with business type activities in the statement of net assets:</b>					
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments				(4,064,880)	
<b>Total net assets of business-type activities</b>				<b>\$ 202,298,784</b>	

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	<b>Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Airport</b>	<b>Total</b>	<b>Internal Service</b>
<b>Operating revenues</b>					
Charges for services and other operating revenues	\$ 12,314,865	\$ 18,520,421	\$ 2,011,159	\$ 32,846,445	\$ 5,748,829
Intergovernmental	-	-	158,129	158,129	-
<b>Total operating revenues</b>	<b>12,314,865</b>	<b>18,520,421</b>	<b>2,169,288</b>	<b>33,004,574</b>	<b>5,748,829</b>
<b>Operating expenses</b>					
Personal services and benefits	3,835,816	2,963,550	917,266	7,716,632	615,859
Operation and maintenance	1,158,818	3,054,420	979,812	5,193,050	2,805,337
Supplies and materials	1,296,768	1,119,265	122,848	2,538,881	25,437
Administration	1,182,821	2,337,126	263,522	3,783,469	1,235
Other charges	60,133	70,699	21,416	152,248	46,139
Depreciation	2,701,356	5,819,288	2,035,816	10,556,460	2,401,707
<b>Total operating expenses</b>	<b>10,235,712</b>	<b>15,364,348</b>	<b>4,340,680</b>	<b>29,940,740</b>	<b>5,895,714</b>
<b>Operating income (loss)</b>	<b>2,079,153</b>	<b>3,156,073</b>	<b>(2,171,392)</b>	<b>3,063,834</b>	<b>(146,885)</b>
<b>Nonoperating revenues (expenses)</b>					
Interest income	40,275	167,849	2,658	210,782	2,703
Passenger facility charges	-	-	321,031	321,031	-
Miscellaneous	10,847	125,336	12,388	148,571	116,964
Gain on sale of assets	-	-	-	-	73,749
Interest on long-term debt	(1,643,503)	(1,359,726)	(54,416)	(3,057,645)	(136,096)
IRS interest subsidy- Build America Bonds	251,598	45,953	-	297,551	-
<b>Total nonoperating revenues (expenses)</b>	<b>(1,340,783)</b>	<b>(1,020,588)</b>	<b>281,661</b>	<b>(2,079,710)</b>	<b>57,320</b>
<b>Income (loss) before contributions and transfers</b>	<b>738,370</b>	<b>2,135,485</b>	<b>(1,889,731)</b>	<b>984,124</b>	<b>(89,565)</b>
Capital contributions	24,000	700,878	961,868	1,686,746	-
Transfers in	-	688,036	421,362	1,109,398	727,437
Transfers out	-	(691,437)	-	(691,437)	-
<b>Change in net assets</b>	<b>762,370</b>	<b>2,832,962</b>	<b>(506,501)</b>	<b>3,088,831</b>	<b>637,872</b>
<b>Total net assets - beginning, as restated (Note 19)</b>	<b>35,273,830</b>	<b>132,997,076</b>	<b>35,003,927</b>	<b>203,274,833</b>	<b>10,736,021</b>
<b>Total net assets - ending</b>	<b>\$ 36,036,200</b>	<b>\$ 135,830,038</b>	<b>\$ 34,497,426</b>	<b>\$ 206,363,664</b>	<b>\$ 11,373,893</b>
<b>Reconciliation with business type activities in the statement of activities:</b>					
Change in net assets - enterprise funds reports in this statement				3,088,831	
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments				16,545	
<b>Change in net assets of business-type activities:</b>				<b>\$ 3,105,376</b>	

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	Enterprise Funds				Internal Service
	Water	Sewer	Airport	Total	
<b>Operating activities</b>					
Cash received from operations	\$ 12,352,041	\$ 18,202,972	\$ 2,195,002	\$ 32,750,015	\$ 5,748,829
Cash paid to employees	(3,902,066)	(3,029,506)	(897,256)	(7,828,828)	(618,237)
Cash paid to suppliers	(3,803,352)	(6,561,386)	(1,386,960)	(11,751,698)	(3,005,006)
<b>Net cash provided by (used in) operating activities</b>	<u>4,646,623</u>	<u>8,612,080</u>	<u>(89,214)</u>	<u>13,169,489</u>	<u>2,125,586</u>
<b>Noncapital financing activities</b>					
Transfers in	-	688,036	421,362	1,109,398	727,437
Transfers out	-	(691,437)	-	(691,437)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>-</u>	<u>(3,401)</u>	<u>421,362</u>	<u>417,961</u>	<u>727,437</u>
<b>Capital and related financing activities</b>					
Proceeds from issuance of long-term debt:					
Notes payable	79,705	-	-	79,705	-
Payment of long-term debt:					
General obligation bonds	(1,798,140)	(2,061,150)	(209,940)	(4,069,230)	(228,107)
Revenue bonds	-	(4,627,821)	-	(4,627,821)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	26,368,702	-	26,368,702	-
Payment of interest on long-term debt	(1,847,795)	(1,378,511)	(56,306)	(3,282,612)	(138,008)
Repayment of capital advance to other funds	-	-	(200,000)	(200,000)	-
Capital contributions received	-	700,878	767,608	1,468,486	-
Passenger facility charges collected	-	-	318,321	318,321	-
Proceeds from sale of capital assets	-	-	-	-	384,374
Additions to capital assets	(3,559,889)	(30,495,802)	(480,143)	(34,535,834)	(3,028,317)
Proceeds from (paid to) other governments	24,000	(13,128)	12,388	23,260	-
Proceeds from other organizations	13,134	(21,213)	-	(8,079)	169,380
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(7,088,985)</u>	<u>(11,528,045)</u>	<u>151,928</u>	<u>(18,465,102)</u>	<u>(2,840,678)</u>
<b>Investing activities</b>					
Net sales (purchase) of investments	(2,731)	1,598,908	(502,490)	1,093,687	(49,508)
Interest income received	291,873	213,802	2,658	508,333	2,703
<b>Net cash provided by (used in) investing activities</b>	<u>289,142</u>	<u>1,812,710</u>	<u>(499,832)</u>	<u>1,602,020</u>	<u>(46,805)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(2,153,220)</u>	<u>(1,106,656)</u>	<u>(15,756)</u>	<u>(3,275,632)</u>	<u>(34,460)</u>
<b>Cash and cash equivalents</b>					
Beginning	5,184,082	6,614,769	1,762,464	13,561,315	1,000,642
Ending	<u>\$ 3,030,862</u>	<u>\$ 5,508,113</u>	<u>\$ 1,746,708</u>	<u>\$ 10,285,683</u>	<u>\$ 966,182</u>
<b>Reconciliation to Statement of Net Assets</b>					
Current Assets	\$ 2,566,382	\$ 5,508,113	\$ 1,627,174	\$ 9,701,669	\$ 966,182
Restricted Assets	464,480	-	119,534	584,014	-
	<u>\$ 3,030,862</u>	<u>\$ 5,508,113</u>	<u>\$ 1,746,708</u>	<u>\$ 10,285,683</u>	<u>\$ 966,182</u>

(Continued)

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2012

	Enterprise Funds				Internal Service
	Water	Sewer	Airport	Total	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 2,079,153	\$ 3,156,073	\$ (2,171,392)	\$ 3,063,834	\$ (146,885)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,701,356	5,819,288	2,035,816	10,556,460	2,401,707
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable	7,059	(317,449)	25,714	(284,676)	-
Increase in due from other funds	(137,521)	(107,316)	(28,580)	(273,417)	(22,220)
Decrease in inventory	11,208	-	-	11,208	48,673
Increase (decrease) in trade accounts payable	(116,020)	20,124	29,218	(66,678)	(175,531)
Increase in accrued expenses	71,271	41,360	20,010	132,641	19,842
Increase in deposits payable	30,117	-	-	30,117	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 4,646,623</u>	<u>\$ 8,612,080</u>	<u>\$ (89,214)</u>	<u>\$ 13,169,489</u>	<u>\$ 2,125,586</u>
<b>Supplemental cash flow information</b>					
<b>Non-cash transactions</b>					
Capitalized interest	\$ 181,910	\$ -	\$ -	\$ 181,910	\$ -
Capital asset additions financed by retainage payable	\$ 34,524	\$ 631,435	\$ -	\$ 665,959	\$ -
Capital asset additions financed by accounts payable	\$ 459,868	\$ 1,602,699	\$ 65,604	\$ 2,128,171	\$ 63,649
Undrawn public utility revenue bond proceeds	\$ -	\$ 23,867,669	\$ -	\$ 23,867,669	\$ -
Amortization of debt related items	\$ (5,819)	\$ (175)	\$ (1,097)	\$ (7,091)	\$ (1,726)

**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Funds**  
**June 30, 2012**

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**Assets**

Cash and cash equivalents	\$ 535,374
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<b>Total assets</b>	<b>\$ 535,374</b>
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**Liabilities**

Accounts payable and other liabilities	\$ 674
Due to other governments	81,856
Amounts held for others	452,844

<b>Total liabilities</b>	<b>\$ 535,374</b>
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## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### **Note 1. Summary of Significant Accounting Policies**

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#### **A. Financial Reporting Entity**

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

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

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

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

**Greater Lynchburg Transit Company:** The Greater Lynchburg Transit Company (“GLTC”) was created in 1974 to serve the greater Lynchburg area with public bus and paratransit transportation. GLTC is organized as a not-for-profit stock corporation with the City of Lynchburg as the sole stockholder. The capital for the purchase of the Company’s assets has been provided by federal, state, and local grants, and GLTC is dependent on various operating grants to subsidize operations. The City provides financial support to GLTC through the assumption of the obligation to finance GLTC’s deficits and through annual appropriations for the GLTC operating budget.

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

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

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

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

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

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 1. Summary of Significant Accounting Policies (Continued)***

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#### **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 FY2012, the City paid \$5,891,541 to the Authority.

***Central Virginia Community Services Board:*** The City, in conjunction with the counties of Amherst, Appomattox, Bedford, and Campbell and the City of Bedford participate in the Central Virginia Community Services Board ("CVCSB"), which is composed of two members from each of the participating localities. The City appropriated \$444,003 for an operating contribution to the CVCSB for FY2012.

***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 FY2012, the Regional Commission 2000 received \$1,056,997 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 FY2012, the City paid \$703,245 to the Authority.

***Region 2000 Radio Communications Board:*** During 2012, the Central Virginia Regional Radio Communications Board was dissolved and replaced by the Region 2000 Radio Communications Board (the "Board"). Since the current regional radio system was in need of significant upgrade and replacement before July 1, 2014, the Board was formed in order to manage the project operations and maintenance, including the issuance of debt to finance the upgrades and replacements in an efficient and cost effective manner. The Board consists of representatives from Amherst County, Bedford County, the City of Bedford, the City of Lynchburg, collectively the "Member Jurisdictions" and Virginia's Region 2000 Local Government Council ("Council"). The Member Jurisdictions and the Council entered into a Cooperative Agreement which requires each Member Jurisdiction to contribute their pro rata share for annual capital costs, operational costs, and any annual deficit. The City's pro rata share is 33.1% effective through July 1, 2013. In accordance with the Cooperative Agreement, the City transferred the title to all 1996 Assets to the Council. An intangible asset in the amount of \$398,707 is shown in the governmental activities capital assets, net of accumulated amortization representing the City's portion of the 1996 assets. Once the new system is in place, the City will record an intangible asset in the governmental activities capital assets in accordance with the City's pro rata share. The City made the final debt payment of \$135,629 for the 1996 assets during 2012. The Council issued debt of \$13,100,000 in May 2012 to finance the upgrade and replacement of the existing radio system. Each Member Jurisdiction contributes toward the debt service payments made by the Council through their pro rata share of capital costs. The City's pro rata share of capital costs is 30.1%. Should the Council fail to make debt service payments, the Member Jurisdictions have a moral non-binding obligation to pay the debt service. The City's scheduled capital cost payment for FY13 is \$334,071.



## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

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#### **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 FY2012, the City appropriated \$202,845 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 FY2012, the City paid \$625,000 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. As permitted in Section P80 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply to its enterprise funds Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

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

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

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

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#### **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, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various fund categories and fund types presented in the financial statements are described below:

##### **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, Lynchburg Regional Juvenile Detention Center, and Baseball Stadium.

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

##### **Proprietary Fund Types:**

The City reports the following major proprietary funds:

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

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

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

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#### **B. Basis of Presentation (Continued)**

##### Proprietary Fund Types (Continued):

##### Enterprise Funds (Continued):

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

Additionally, the City reports the following fund types:

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

##### Fiduciary Fund Types:

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

#### **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.

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

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

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

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

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, and Airport. The CIP specifies capital improvement or construction projects, which are tentatively identified for funding during the next five years, with the first year of the plan serving as the capital budget. Project budgets are utilized in the capital projects funds. Appropriations for the capital projects funds are continued until completion of applicable projects, even when projects extend for more than one fiscal year, or until repealed.
- Budgets for the General, Water, Sewer, Airport, Capital Projects, and all Special Revenue Funds are prepared in accordance with the City Charter on the modified accrual basis of accounting. Encumbrances are treated as a reservation of fund equity and reappropriated in the next fiscal year. Revenues, expenditures, and transfers related to internal service type functions are included for budget purposes. The budget for the Lynchburg City Schools (School Operating Fund) is prepared on the modified accrual basis of accounting.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

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#### **D. Budgets and Budgetary Accounting (Continued)**

- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total budget amounts and/or appropriations of any fund require an amendment to the budget. The *Code of Virginia* requires that City Council approve any amendment. If the total of the proposed amendment exceeds one percent of the total budgeted revenue, the proposed amendment must be advertised and a public hearing must be held before City Council can act. After the public hearing, City Council can act on the proposed amendment. The Superintendent of the Schools is authorized to transfer budget amounts within departments; however, any revisions that alter total budget amounts of any department must be approved by the School Board.
- All operating budget appropriations lapse at the end of the fiscal year to the extent that they are not expended or encumbered, with the exception of year-end carry-forward items approved by City Council.
- Prior to the implementation of GASB 54, the City's special revenue funds included the Technology Fund which has a separate legally adopted budget. With the implementation of GASB 54, the Technology Fund is utilized for internal reporting purposes only. For financial statement reporting (GAAP-basis), the Technology Fund is collapsed into the General Fund. For budgetary basis reporting, the Technology Fund is not included with the General Fund.

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

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ 1,426,384
Add: Net change in fund balance for Technology Fund	<u>(24,087)</u>
Net change in fund balance (GAAP basis)	<u>\$ 1,402,297</u>

#### **E. Assets, Liabilities, and Net Assets**

- **Cash and Cash Equivalents**

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

- **Investments**

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

- **Receivables**

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

General Fund, property taxes, and other receivables	\$ 1,689,882
General Fund, ambulance receivables	\$ 2,088,280
Enterprise Funds	\$ 129,160

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

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#### **E. Assets, Liabilities, and Net Assets (Continued)**

- **Inventory**

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

- **Capital Assets**

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

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

Proprietary Funds: Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis. Capital assets are stated at cost or estimated original cost based on independent consultant studies, net of accumulated depreciation. Donated capital assets are recorded at their fair value at the date of receipt. Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized.

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 FY2012, the enterprise funds incurred interest costs of \$3,239,555 of which \$181,910 was capitalized.

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

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

- **Deferred Revenue**

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

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 1. Summary of Significant Accounting Policies (Continued)***

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#### **E. Assets, Liabilities and Net Assets (Continued)**

- **Compensated Absences**

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

- **Arbitrage Rebate Liability**

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

- **Interfund Transactions**

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

- **Net Assets/Fund Equity**

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

In the governmental fund financial statements, Fund Balance is reported as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaids or they are legally or contractually required to be maintained intact. Restricted fund balance includes amounts that have constraints placed on their use by external sources such as creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of City Council. Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. In accordance with Council Policy, the City Manager or his designee may assign fund balance. Unassigned fund balance is the positive fund balance within the General fund which has not been classified as Restricted, Committed or Assigned and negative fund balances in other governmental funds.

#### **F. Estimates**

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

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 2. Cash and Investments***

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#### Deposits:

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

#### Investments:

##### Investment Policy:

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

##### Credit Risk:

As required by state statute or by the City, the Policy requires that commercial paper have a short-term debt rating of P-1 or higher by Moody’s 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, 57% of the portfolio was invested in “Aaa” rated obligations; 5% was invested in “Aa1” Municipal Obligations; 16% was invested in “Aa2” Municipal Obligations, and Certificate of Deposits; 5% was invested in Aa3 rated Commercial Paper; 4% was invested in A2 rated Commercial Paper; and 13% was invested in an “AAAm” rated LGIP fund. The “Aaa” rated portion of the total portfolio included 16% of obligations guaranteed by the U.S. Government; 37% of Federal Agencies; and 5% of Municipal Obligations (percentages are based on the total portfolio). On August 5, 2011, Standard & Poor’s downgraded the long-term sovereign credit rating of the United States of America from “AAA” to “AA+” and affirmed the “A-1+” short-term rating. This downgrade relates to 57% of the City’s portfolio previously noted as “Aaa” by Moody’s Investors Service. All credit ratings presented in this paragraph are either Moody’s or Standard & Poor’s.



## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 2. Cash and Investments (Continued)***

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#### 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 follow:

<u>Investment Type</u>	<u>% of Portfolio</u>
Federal Home Loan Mortgage Corporation	7%
Federal Home Loan Bank	19%
Federal Farm Credit Bank	10%
Certificate of Deposits	9%
Commercial Paper (General Electric Corp)	5%

##### 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	\$ 12,734,799	-
U.S. Treasury Bills	8,147,540	108
U.S. Treasury Notes	6,762,644	193
Federal Home Loan Mortgage Corporation	7,119,013	64
Federal National Mortgage Association	299,862	152
Federal Farm Credit Bank	9,290,681	160
Federal Home Loan Bank	18,065,795	177
Commercial Paper	8,448,258	79
Certificate of Deposits	12,606,184	203
Municipal Bonds	11,739,382	1,050
Total investments	<u>\$ 95,214,158</u>	
Portfolio weighted average maturity		241

\* Weighted average maturity in days.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 2. Cash and Investments (Continued)***

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#### Investments: (Continued)

##### Custodial Credit Risk:

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

Restricted cash and temporary cash investments of the General and Enterprise Funds include certain deposits, unexpended bond proceeds and amounts related to the Passenger Facility Charge Program at the Airport. The Schools Component Unit’s restricted cash and temporary cash investments consist of capital lease proceeds restricted for the purpose of acquiring school equipment.

The above items are reflected in the statements as follows:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	\$ 16,700	\$ 500
Deposits	20,699,929	3,830,589
Funds held in trust by others	-	150,119
Investments	90,214,158	5,000,000
	<u>\$ 110,930,787</u>	<u>\$ 8,981,208</u>
Statement of net assets:		
Cash and cash equivalents	\$ 29,603,432	\$ 5,660,931
Investments	79,479,353	3,000,000
Restricted cash and cash equivalents	1,312,628	170,158
Fiduciary fund cash and cash equivalents	535,374	150,119
	<u>\$ 110,930,787</u>	<u>\$ 8,981,208</u>

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### ***Note 3. Property Taxes***

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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, 2012

***Note 4. Interfund Receivables, Payables, and Transfers***

Interfund balances at June 30, 2012 were as follows:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	\$ 376,492	\$ 562,760
Major Capital Projects Fund:		
City Capital Projects	257,944	-
Non-major Special Revenue Funds:		
City Federal/State Aid	264,693	462,990
Community Development Block Grant	-	68,393
Comprehensive Services Act	2,430	-
Home Investment Trust	-	33,579
Lynchburg Regional Juvenile Detention Center	-	69,474
Major Proprietary Funds:		
Airport	28,580	-
Sewer	107,316	-
Water	137,521	-
Internal Service	22,220	-
	<u>\$ 1,197,196</u>	<u>\$ 1,197,196</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 represent the reallocation of health and retirement benefits at year end.

Interfund transfers were as follows:

	To	From
Major Fund:		
General	\$ 283,272	\$ 11,695,113
Non-major Special Revenue Funds:		
City Federal/State Aid	152,416	-
Comprehensive Services Act	-	200,000
Baseball Stadium	-	283,272
Major Fund – Capital Projects		
City Capital Projects	8,345,463	25,000
Non-major Fund – Capital Projects		
School Capital Projects	2,276,836	-
Major Proprietary Funds:		
Sewer	688,036	691,437
Airport	421,362	-
Internal Service	727,437	-
	<u>\$ 12,894,822</u>	<u>\$ 12,894,822</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.

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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

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

	Due From	Due To
Primary Government:		
Major Fund:		
General Fund	\$ 2,594,749	\$ -
Nonmajor Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
	<u>\$ 2,719,749</u>	<u>\$ -</u>
Component Units:		
Lynchburg City Schools	\$ -	\$ 2,398,505
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	-	196,244
	<u>\$ -</u>	<u>\$ 2,719,749</u>

## **Note 6. Due From Other Governments**

Amounts due from other governments at June 30, 2012 were as follows:

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 5,485,322	\$ 364,367	\$ 7,018,673	\$ 288,774
Virginia Revolving Loan	-	23,867,669	-	-
Members of Regional Sewage Treatment Plant	-	4,330,563	-	-
	<u>\$ 5,485,322</u>	<u>\$ 28,562,599</u>	<u>\$ 7,018,673</u>	<u>\$ 288,774</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, the Bedford County Public Service Authority, and the Campbell County Utilities and Service Authority for their proportionate share (20%) of improvements to Joint-Use Facilities under a 1974 agreement (the "Agreement"). These Joint-Use Facilities are defined as the City's Regional Waste Water Treatment Plant and its immediately related treatment facilities used jointly by the City and one or more of the members in connection with the transmission or treatment of wastes made the subject of the Agreement. The cost of improvements are billed to each member and recorded as contributed capital when related projects are completed. Pursuant to Section VI (b) of the Agreement, each member shall have the option of paying its proportionate share of the cost of projects either in cash or on a deferred payment schedule coinciding with the period over which the City's bonds are amortized, plus interest at the rate equivalent to the net interest cost to the City. Future payments to be received are as follows:

Amount receivable within 1 year	\$ 449,896
Amount receivable 2 to 5 years	1,710,007
Amount receivable beyond 5 years	<u>2,170,660</u>
	<u>\$ 4,330,563</u>

(Continued)

**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements

As of June 30, 2012

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***Note 7. Receivables***

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Receivables as of June 30, 2012, net of allowances for uncollectible accounts, are as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Other</u>	<u>Total</u>
Major funds:				
General	\$ 13,510,456	\$ 4,937,438	\$ 417,069	\$ 18,864,963
City Capital Projects	-	-	500,000	500,000
Water	-	1,374,146	3,311	1,377,457
Sewer	-	2,715,330	194,065	2,909,395
Airport	-	31,775	55,323	87,098
Internal Service	-	-	61,921	61,921
Non major Governmental Funds	-	-	481,420	481,420
	<u>\$ 13,510,456</u>	<u>\$ 9,058,689</u>	<u>\$ 1,713,109</u>	<u>\$ 24,282,254</u>

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

## **Note 8. Capital Assets**

### Primary Government:

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

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balances</u>
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 16,138,370	\$ 451,438	\$ -	\$ 16,589,808
Construction in progress	8,893,983	9,652,385	(5,297,484)	13,248,884
Total capital assets, not being depreciated	25,032,353	10,103,823	(5,297,484)	29,838,692
<b><u>Capital assets, being depreciated:</u></b>				
Land improvements	23,829,597	92,843	(87,450)	23,834,990
Accumulated depreciation	(7,168,064)	(1,374,935)	-	(8,542,999)
Net land improvements	16,661,533	(1,282,092)	(87,450)	15,291,991
Buildings and improvements	231,115,348	1,046,846	(1,868,647)	230,293,547
Accumulated depreciation	(105,549,758)	(6,836,886)	1,824,913	(110,561,731)
Net buildings and improvements	125,565,590	(5,790,040)	(43,734)	119,731,816
Infrastructure	222,369,000	4,079,969	-	226,448,969
Accumulated depreciation	(109,871,153)	(6,685,127)	-	(116,556,280)
Net infrastructure	112,497,847	(2,605,158)	-	109,892,689
Machinery and equipment	42,380,827	3,284,087	(5,294,804)	40,370,110
Accumulated depreciation	(24,661,345)	(3,983,718)	4,568,440	(24,076,623)
Net machinery and equipment	17,719,482	(699,631)	(726,364)	16,293,487
Total capital assets being depreciated	519,694,772	8,503,745	(7,250,901)	520,947,616
Less: accumulated depreciation	(247,250,320)	(18,880,666)	6,393,353	(259,737,633)
Total capital assets, being depreciated	272,444,452	(10,376,921)	(857,548)	261,209,983
Capital assets, net	\$ 297,476,805	\$ (273,098)	\$ (6,155,032)	\$ 291,048,675

Included above is property with a cost and net book value of \$9,590,304 and \$4,656,667 respectively, at June 30 financed by capital leases.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 8. Capital Assets (Continued)***

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#### Primary Government: (Continued)

Depreciation was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 692,315
Education	4,836,373
Judicial	748,490
Health and human services	351,398
Public safety	2,252,923
Public works	8,706,780
Community development	15,346
Cultural and recreational	965,531
	<hr/>
Total governmental activities	18,569,156
	<hr/>
Business-type activities:	
Water	76,291
Sewer	216,202
Airport	19,017
	<hr/>
Total business-type activities	311,510
	<hr/>
Total depreciation	\$ 18,880,666

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 \$311,510 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, 2012

## **Note 8. Capital Assets (continued)**

### Primary Government: (Continued)

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

Business-type Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 4,979,602	\$ 40,500	\$ -	\$ 5,020,102
Construction in progress	21,294,557	33,015,385	(9,141,795)	45,168,147
Total capital assets, not being depreciated	26,274,159	33,055,885	(9,141,795)	50,188,249
<b><u>Capital assets, being depreciated:</u></b>				
Land improvements	12,403,641	-	-	12,403,641
Accumulated depreciation	(11,462,429)	(241,621)	-	(11,704,050)
Net land improvements	941,212	(241,621)	-	699,591
Buildings and improvements	54,186,568	2,773,748	-	56,960,316
Accumulated depreciation	(20,478,904)	(1,776,144)	-	(22,255,048)
Net buildings and improvements	33,707,664	997,604	-	34,705,268
Infrastructure	354,349,443	6,062,282	-	360,411,725
Accumulated depreciation	(95,177,947)	(7,874,506)	-	(103,052,453)
Net infrastructure	259,171,496	(1,812,224)	-	257,359,272
Machinery and equipment	10,755,560	761,056	(116,087)	11,400,529
Accumulated depreciation	(7,736,924)	(541,677)	116,087	(8,162,514)
Net machinery and equipment	3,018,636	219,379	-	3,238,015
Capitalized interest	6,125,592	181,910	-	6,307,502
Accumulated depreciation	(1,526,324)	(122,512)	-	(1,648,836)
Net capitalized interest	4,599,268	59,398	-	4,658,666
Total capital assets being depreciated	437,820,804	9,778,996	(116,087)	447,483,713
Less: accumulated depreciation	(136,382,528)	(10,556,460)	116,087	(146,822,901)
Total capital assets, being depreciated	301,438,276	(777,464)	-	300,660,812
Capital assets, net	\$ 327,712,435	\$ 32,278,421	\$ (9,141,795)	\$ 350,849,061

(Continued)



# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

## Note 8. Capital Assets (continued)

### Component Units:

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

<u>Lynchburg City Schools</u>	<u>Beginning Balances</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balances</u>
<u>Capital assets, being depreciated:</u>				
Equipment	\$ 7,673,902	\$ 1,062,117	\$ (18,663)	\$ 8,717,356
Accumulated depreciation	(5,371,197)	(407,886)	18,663	(5,760,420)
Net equipment	<u>2,302,705</u>	<u>654,231</u>	<u>-</u>	<u>2,956,936</u>
Equipment – cafeteria	789,865	165,235	-	955,100
Accumulated depreciation	(526,256)	(48,583)	-	(574,839)
Net equipment – cafeteria	<u>263,609</u>	<u>116,652</u>	<u>-</u>	<u>380,261</u>
Total capital assets being depreciated	8,463,767	1,227,352	(18,663)	9,672,456
Less: accumulated depreciation	<u>(5,897,453)</u>	<u>(456,469)</u>	<u>18,663</u>	<u>(6,335,259)</u>
Capital assets, net	<u>\$ 2,566,314</u>	<u>\$ 770,883</u>	<u>\$ -</u>	<u>\$ 3,337,197</u>

Included above is property with a cost and net book value of approximately \$1.2 million and \$.7 million respectively, at June 30, financed by capital leases.

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

Land, buildings, and improvements	\$ 3,476,021
Construction in progress	2,230,379
Machinery and equipment	<u>22,643,751</u>
	28,350,151
Less accumulated depreciation	<u>8,723,088</u>
	<u>\$ 19,627,063</u>

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

## ***Note 9. Long-Term Liabilities***

### **General Obligation Debt:**

	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Primary Government			Total All Funds
					Public Improvements	School Facilities	Proprietary Funds	
Bond Anticipation Note								
Public Improvement-Line of Credit for Five Years	2.0 fixed	11/08/2011	2016	\$ 15,000,000	\$ -	\$ -	\$ 79,705	\$ 79,705
Serial Bonds								
VP SA General Obligation	4.90-6.35	11/12/1992	2013	458,292	-	28,383	-	28,383
VA Resources Authority	0.00	03/24/1994	2027	3,976,369	-	-	1,816,254	1,816,254
VP SA General Obligation	6.10-6.60	11/22/1994	2015	2,100,362	-	388,131	-	388,131
Public Improvement	3.50-4.88	08/01/2001	2032	14,620,000	135,608	119,392	375,000	630,000
VP SA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	1,848,690	-	1,848,690
VP SA General Obligation	2.35-4.85	11/07/2002	2023	6,513,732	-	3,754,601	-	3,754,601
Public Improvement								
Refunding	2.00-5.00	02/01/2003	2014	23,670,000	453,144	34,751	427,105	915,000
Public Improvement	2.50-4.70	02/01/2003	2033	16,745,000	345,000	95,000	280,000	720,000
Public Improvement	3.00-5.00	06/01/2004	2034	28,160,000	1,570,000	1,215,000	845,000	3,630,000
Public Improvement								
Refunding	3.00-5.25	03/16/2005	2030	33,105,000	9,161,110	5,593,600	7,095,290	21,850,000
Taxable Refunding	3.90-4.86	03/16/2005	2014	3,810,000	-	1,200,000	-	1,200,000
VP SA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	4,678,743	-	4,678,743
Public Improvement	4.00-5.00	05/09/2006	2026	23,840,000	11,969,441	4,720,634	2,064,925	18,755,000
Public Improvement	4.00-5.00	08/02/2007	2038	33,300,000	12,186,091	-	16,683,909	28,870,000
Public Improvement								
Refunding	2.93	03/19/2008	2015	8,000,000	769,553	719,295	980,152	2,469,000
Public Improvement								
Series A Tax Exempt	1.00-5.00	08/13/2009	2022	17,230,000	4,160,000	5,900,000	4,735,000	14,795,000
Public Improvement								
Series B Taxable Build America Bonds (BABs)	5.05-6.61	08/13/2009	2040	27,420,000	4,399,395	9,450,605	13,570,000	27,420,000
Public Improvement								
Series C Refunding	2.00-4.00	08/13/2009	2023	12,800,000	3,281,951	1,805,302	5,807,747	10,895,000
VP SA Gen Obligation	0.00	11/13/2009	2027	10,255,000	-	9,855,000	-	9,855,000
Public Improvement								
Refunding	2.00-5.00	10/20/2010	2034	29,655,000	9,742,659	7,465,184	12,287,157	29,495,000
					\$ 58,173,952	\$ 58,872,311	\$ 67,047,244	\$ 184,093,507

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 \$55,478,043 at June 30, 2012.

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 \$184,093,507 and less than the state limit. In December 2006, City Council amended the Debt Management Policy, which limited tax-supported debt to four and a half percent (4.5%) of its net assessed valuation of taxable property. City Council reaffirmed the Debt Policy on November 23, 2010 with one revision to debt service payments for revenue supported debt from twenty to thirty years. As shown in the Supplementary Statistical Table 19, outstanding tax-supported debt was 2.07% of net assessed valuation of taxable property. There are no overlapping tax jurisdictions.

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

## ***Note 9. Long-Term Liabilities (Continued)***

### **Revenue Debt:**

	Interest Rates %	Date Issued	Final Maturity	Original Issue	Sewer Fund
Virginia Resources Authority:					
Public Utility Revenue Bonds	0.00	3/28/1995	2027	\$ 6,571,207	\$ 2,561,851
Public Utility Revenue Bonds	0.00	8/10/1995	2029	10,000,000	4,551,587
Public Utility Revenue Bonds	0.00	6/27/1996	2029	8,000,000	3,523,375
Public Utility Revenue Bonds	3.00	7/17/1997	2020	14,108,460	6,535,398
Public Utility Revenue Bonds	0.00	7/17/1997	2030	7,591,540	3,945,504
Public Utility Revenue Bonds	0.00	8/21/1998	2031	6,203,000	3,485,463
Public Utility Revenue Bonds	3.00	5/27/1999	2020	2,476,763	1,145,100
Public Utility Revenue Bonds	0.00	2/11/2000	2021	5,300,000	2,510,526
Public Utility Revenue Bonds	0.00	2/15/2001	2032	735,000	446,250
Public Utility Revenue Bonds	3.50	06/8/2001	2021	2,835,000	1,596,832
Public Utility Revenue Bonds	0.00	11/6/2001	2034	1,413,613	957,783
Public Utility Revenue Bonds	0.00	9/15/2003	2036	2,350,165	1,799,846
Public Utility Revenue Bonds	0.00	5/20/2004	2038	6,000,000	4,900,000
Public Utility Revenue Bonds	0.00	5/17/2005	2038	6,700,000	5,583,333
Public Utility Revenue Bonds	0.00	6/28/2006	2039	9,600,000	8,480,000
Public Utility Revenue Bonds	0.00	6/20/2007	2039	7,000,000	6,300,000
Public Utility Revenue Bonds	0.00	06/5/2008	2041	12,350,000	11,732,500
Public Utility Revenue Bonds	0.00	6/25/2009	2041	19,000,000	18,366,667
Public Utility Revenue Bonds	0.00	6/17/2010	2042	13,100,000	13,100,000
Public Utility Revenue Bonds	0.00	6/15/2011	2033	9,350,928	9,350,928
Public Utility Revenue Bonds	0.00	6/15/2011	2045	10,100,000	10,100,000
Public Utility Revenue Bonds	0.00	06/6/2012	2044	7,000,000	7,000,000
					<u>\$ 127,972,943</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 21, the debt coverage ratio for the year ended June 30 was 1.33.

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

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Governmental Activities					
General obligation bonds	\$ 129,806,535	\$ -	\$ 9,728,916	\$ 120,077,619	\$ 9,819,822
Notes payable*	2,300,000	-	180,000	2,120,000	180,000
State literary fund loans	-	-	-	-	-
Adjust for deferred amounts:					
Issuance discounts	(852,942)	-	(53,309)	(799,633)	-
Issuance premiums	4,103,453	-	297,211	3,806,242	-
Upon refunding	(3,264,853)	-	(250,774)	(3,014,079)	-
Total bonds and notes	132,092,193	-	9,902,044	122,190,149	9,999,822
Workers' compensation**	2,215,401	577,476	661,118	2,131,759	255,811
Compensated absences**	3,759,995	2,946,458	2,492,498	4,213,955	505,672
Other post-employment benefits**	3,497,922	3,599,033	3,023,521	4,073,434	-
Capital lease obligations**	4,723,513	-	438,235	4,285,278	314,278
	<u>\$ 146,289,024</u>	<u>\$ 7,122,967</u>	<u>\$ 16,517,416</u>	<u>\$ 136,894,575</u>	<u>\$ 11,075,583</u>

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

## **Note 9. Long-Term Liabilities (Continued)**

### Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Business-Type Activities					
Bond anticipation notes	\$ -	\$ 79,705	\$ -	\$ 79,705	\$ -
General obligation bonds	68,005,413	-	4,069,230	63,936,183	4,072,584
Public utility revenue bonds	125,600,764	7,000,000	4,627,821	127,972,943	5,096,949
Adjust for deferred amounts:					
Issuance discounts	-	-	-	-	-
Issuance premiums	2,150,409	-	150,628	1,999,781	-
Upon refunding	(2,205,356)	-	(143,537)	(2,061,819)	-
Total bonds and notes	193,551,230	7,079,705	8,704,142	191,926,793	9,169,533
Workers' compensation	121,542	21,342	42,484	100,400	12,048
Compensated absences	425,538	380,044	343,034	462,548	55,506
Other post-employment benefits**	325,767	426,731	358,494	394,004	-
	<u>\$ 194,424,077</u>	<u>\$ 7,907,822</u>	<u>\$ 9,448,154</u>	<u>\$ 192,883,745</u>	<u>\$ 9,237,087</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. Capital leases are liquidated by the General Fund. Other post-employment benefits beginning balances for governmental and business-type activities have been restated. See Note 12 for details related to changes in accounting policy.

### Debt Service to Maturity:

Year Ending June 30	Governmental Activities			
	General Obligation		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2013	\$ 9,819,822	\$ 4,873,570	\$ 314,278	\$ 158,397
2014	9,335,052	4,487,047	326,392	146,284
2015	8,575,186	4,105,674	338,973	133,703
2016	8,640,714	3,749,858	352,038	120,637
2017	8,515,396	3,413,726	365,607	107,068
2018-2022	34,959,639	12,665,920	2,050,603	312,772
2023-2027	27,154,683	6,361,770	537,387	14,682
2028-2032	7,965,271	2,497,226	-	-
2033-2037	3,356,856	1,076,249	-	-
2038-2040	1,755,000	174,009	-	-
	<u>\$ 120,077,619</u>	<u>\$ 43,405,049</u>	<u>\$ 4,285,278</u>	<u>\$ 993,543</u>

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

## **Note 9. Long-Term Liabilities (Continued)**

### **Debt Service to Maturity: (Continued)**

Year Ending June 30	Business-Type Activities							
	General Obligation						Revenue Bonds	
	Water Fund		Airport Fund		Sewer Fund		Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,803,778	\$ 1,774,411	\$ 215,336	\$ 47,847	\$ 2,053,470	\$ 982,934	\$ 5,096,949	\$ 278,064
2014	1,755,694	1,703,297	164,651	41,214	1,860,165	908,430	5,597,967	244,593
2015	1,693,803	1,635,944	145,321	34,108	1,757,561	843,916	6,034,143	210,083
2016	1,741,654	1,566,361	112,479	27,675	1,772,254	777,282	6,238,058	174,502
2017	1,694,463	1,499,970	107,492	23,330	1,688,542	714,933	6,274,745	137,815
2018-2022	6,726,115	6,591,966	282,257	74,368	5,941,309	2,831,690	28,510,334	187,096
2023-2027	5,994,499	5,188,710	177,540	21,562	4,122,603	1,925,518	23,687,120	-
2028-2032	6,247,152	3,648,610	-	-	3,139,902	1,146,844	19,503,792	-
2033-2037	6,449,642	1,918,824	-	-	2,388,502	493,275	15,767,336	-
2038-2042	3,174,067	272,215	-	-	725,932	42,777	9,954,166	-
2043-2045	-	-	-	-	-	-	1,308,333	-
	<u>\$ 37,280,867</u>	<u>\$ 25,800,308</u>	<u>\$ 1,205,076</u>	<u>\$ 270,104</u>	<u>\$ 25,450,240</u>	<u>\$ 10,667,599</u>	<u>\$ 127,972,943</u>	<u>\$ 1,232,153</u>

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

On October 20, 2010, the City issued \$29,655,000 of General Obligation Public Improvement Refunding Bonds, Series 2010 to advance refund the following general obligation public improvement bonds: \$3,375,000 of Series 2001 (August 1, 2001); \$9,415,000 of Series 2003A (February 1, 2003); and, \$15,370,000 of Series 2004 (June 1, 2004). The refunding bond proceeds are in an irrevocable trust with an escrow agent and invested in U.S. Government securities maturing to fund the refunded bonds future debt service. As of June 30, 2012, the total outstanding principal of the in-substance defeased bonds was \$24,785,000 (Series 2003A and 2004).

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

On November 8, 2011, the City issued a five-year General Obligation Bond Anticipation Note and concurrently entered into a bank qualified line of credit Financing Agreement with Carter Bank & Trust. The Agreement provided for borrowings of up to \$10,000,000 to provide interim financing for qualifying capital improvements. Interest on the unpaid principal is two percent (2%) per annum and payable on May 1 and November 1 each year. Final maturity of the Note is November 1, 2016. As of June 30, 2012, \$79,705 was outstanding for water capital projects only.

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

## **Note 9. Long-Term Liabilities (Continued)**

### Component Unit – Lynchburg City Schools:

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

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	\$ 699,198	\$ 618,005	\$ 665,499	\$ 651,704	\$ 500,297
Capital lease obligations	<b>854,981</b>	-	480,697	374,284	266,237
Other post-employment benefits	<b>1,653,147</b>	979,200	485,871	2,146,476	-
	<b>\$ 3,207,326</b>	<b>\$ 1,597,205</b>	<b>\$ 1,632,067</b>	<b>\$ 3,172,464</b>	<b>\$ 766,534</b>

### School Capital Leases:

Interest Rates	Date Issued	Final Maturity	Original Issue	Balance
3.89	09/2007	09/2012	1,000,000	\$ 54,745
3.55	12/2008	12/2013	1,000,000	319,539
				<b>\$ 374,284</b>

Following is a summary of debt service to maturity:

June 30	Capital Lease Obligations	
	Principal	Interest
2013	\$ 266,237	\$ 8,262
2014	108,047	1,122
	<b>\$ 374,284</b>	<b>\$ 9,384</b>

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 10. Fund Equity Balances***

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

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaids or they are legally or contractually required to be maintained intact.
- Restricted fund balance includes amounts that have constraints placed on their use by external sources such as creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority – City Council. Formal Council action includes the annual adoption of the City’s Budget Ordinance/Resolution, Council Resolutions appropriating funds and/or resources, Budget amendments appropriating funds and resources from third quarter adjustments and Budget amendments to carry forward appropriations that were unexpended at fiscal year end.
- Assigned fund balance includes amounts that are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. Fund Balance may be assigned either through the encumbrance process as a result of normal purchasing activity (which includes the issuance of a purchase order), or by the City Manager or his designee.
- Unassigned fund balance is the positive fund balance within the General fund which has not been classified as Restricted, Committed or Assigned and negative fund balances in other governmental funds.

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

#### Fund Balance Policy:

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

For FY2012 the City was in compliance with the Fund Balance Policy.

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statement  
As of June 30, 2012

	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
<b>FUND BALANCES</b>							
<b>Nonspendable</b>							
Advance to Lynchburg United Soccer	\$ -	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted for:</b>							
Transportation projects	-	17,352,677	-	-	-	-	-
Parks and Recreation project	-	17,260	-	-	-	-	-
Building projects	-	7,000	-	-	-	-	-
Criminal Justice Academy	-	-	23,297	-	-	-	-
Litter Grant	-	-	8,064	-	-	-	-
Community Corrections	-	-	5,500	-	-	-	-
Fire Department	-	-	307,928	-	-	-	-
Police Department	-	-	520	-	-	-	-
Economic Development	-	-	50,625	-	-	-	-
Shelter Plus Care	-	-	10,000	-	-	-	-
Grants	-	-	45,294	-	-	-	-
CDBG Projects	-	-	-	9,200	-	-	-
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	46,727	-
Federal Asset Forfeiture - Police	-	-	-	-	-	83,460	-
State Asset Forfeiture - Police	-	-	-	-	-	85,063	-
Health and Human Services	-	-	-	-	-	-	329,544
Lynchburg Expressway beautification	-	-	-	-	-	-	-
HOME projects	-	-	-	-	-	-	-
Sandusky Middle School	-	-	-	-	-	-	-
Snap QSCB Interest	-	-	-	-	-	-	-
<b>Committed to:</b>							
Technology	2,650,294	-	-	-	-	-	-
Detention Home Workers Compensation	100,000	-	-	-	-	-	-
Health Insurance Reserve	656,617	-	-	-	-	-	-
Schools for Textbooks	1,059,392	-	-	-	-	-	-
Schools for Health Insurance Reserve	1,140,608	-	-	-	-	-	-
Schools for Future Expenditure Needs	75,908	-	-	-	-	-	-
Other Post-Employment Benefits	1,081,231	-	-	-	-	-	-
Solid Waste Debt Retirement	1,541,905	-	-	-	-	-	-
Debt Service	1,071,781	-	-	-	-	-	-
Future Post Closure expenses	604,284	-	-	-	-	-	-
Heritage High School Debt Service Recurring	939,562	-	-	-	-	-	-
Reserve for Future Needs	48,297	-	-	-	-	-	-
Public Safety Compensation	13,968	-	-	-	-	-	-
Debt Service Regional Radio	134,800	-	-	-	-	-	-
Self-Insurance	2,563,505	-	-	-	-	-	-
Community Development	2,460	-	-	-	-	-	-
Cultural and Recreational	5,326	-	-	-	-	-	-
General Government	120,169	-	-	-	-	-	-
Health and Welfare	3,392	-	-	-	-	-	-
Judicial	6,865	-	-	-	-	-	-
Public Safety	14,843	-	-	-	-	-	-
Public Works	157,708	-	-	-	-	-	-
Sale of downtown GEFA building	-	116,388	-	-	-	-	-
Building projects	-	4,315,514	-	-	-	-	-
Transportation projects	-	9,593,612	-	-	-	-	-
Economic Development projects	-	967,858	-	-	-	-	-
Public Safety projects	-	230,967	-	-	-	-	-
Parks and Recreation projects	-	3,125,024	-	-	-	-	-
Waste Management projects	-	250,000	-	-	-	-	-
Provision of loan funds for small businesses	-	-	-	-	125,384	-	-
Heritage High School	-	-	-	-	-	-	-
Hutcherson E.L.C.	-	-	-	-	-	-	-
HVAC repairs and maintenance	-	-	-	-	-	-	-
Roof replacement	-	-	-	-	-	-	-
Paving	-	-	-	-	-	-	-
Playground equipment	-	-	-	-	-	-	-
Painting	-	-	-	-	-	-	-
Window replacement	-	-	-	-	-	-	-
Security System upgrade	-	-	-	-	-	-	-
Future projects	-	-	-	-	-	-	-
<b>Assigned to:</b>							
Return of School Fund Balance	2,398,505	-	-	-	-	-	-
Law Library	74,861	-	-	-	-	-	-
Museum	50,028	-	-	-	-	-	-
Recreation Programs	96,704	-	-	-	-	-	-
Pier Program	64,178	-	-	-	-	-	-
Dental Claims Reserve	150,000	-	-	-	-	-	-
Health Insurance Reserve	364,538	-	-	-	-	-	-
Future Post Closure expenses	204,438	-	-	-	-	-	-
Fire Equipment	50,000	-	-	-	-	-	-
Line of Duty Death Benefit	105,952	-	-	-	-	-	-
Line of Duty Health Claim Reserve	145,000	-	-	-	-	-	-
Public Safety Compensation	750,000	-	-	-	-	-	-
Parking Operations	62,409	-	-	-	-	-	-
Point of Honor	2,653	-	-	-	-	-	-
Police Range Operations	569	-	-	-	-	-	-
Health Management Plan	500,000	-	-	-	-	-	-
Community Development	17,900	-	-	-	-	-	-
Cultural and Recreational	9,902	-	-	-	-	-	-
General Government	9,937	-	-	-	-	-	-
Health and Welfare	22,180	-	-	-	-	-	-
Public Safety	40,560	-	-	-	-	-	-
Public Works	453,985	-	-	-	-	-	-
Governors Opportunity Grant Interest	-	-	26,818	-	-	-	-
Major Maintenance and Equipment replacement	-	-	-	-	-	-	-
<b>Unassigned:</b>	28,835,650	-	(257,944)	-	-	-	-
<b>Total Fund Balance</b>	<u>\$ 48,402,864</u>	<u>\$ 36,476,300</u>	<u>\$ 220,102</u>	<u>\$ 9,200</u>	<u>\$ 125,384</u>	<u>\$ 215,250</u>	<u>\$ 329,544</u>

(Continued)



CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statement  
As of June 30, 2012

	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
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Advance to Lynchburg United Soccer	\$ -	\$ -	\$ -	\$ -	\$ 500,000
<b>Restricted for:</b>					
Transportation projects	-	-	-	-	17,352,677
Parks and Recreation project	-	-	-	-	17,260
Building projects	-	-	-	-	7,000
Criminal Justice Academy	-	-	-	-	23,297
Litter Grant	-	-	-	-	8,064
Community Corrections	-	-	-	-	5,500
Fire Department	-	-	-	-	307,928
Police Department	-	-	-	-	520
Economic Development	-	-	-	-	50,625
Shelter Plus Care	-	-	-	-	10,000
Grants	-	-	-	-	45,294
CDBG Projects	-	-	-	-	9,200
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	46,727
Federal Asset Forfeiture - Police	-	-	-	-	86,460
State Asset Forfeiture - Police	-	-	-	-	83,063
Health and Human Services	-	-	-	-	329,544
Lynchburg Expressway beautification	200,135	-	-	-	200,135
HOME projects	-	27,444	-	-	27,444
Sandusky Middle School	-	-	-	123,379	123,379
Snap QSCB Interest	-	-	-	27,542	27,542
<b>Committed to:</b>					
Technology	-	-	-	-	2,650,294
Detention Home Workers Compensation	-	-	-	-	100,000
Health Insurance Reserve	-	-	-	-	656,617
Schools for Textbooks	-	-	-	-	1,059,392
Schools for Health Insurance Reserve	-	-	-	-	1,140,608
Schools for Future Expenditure Needs	-	-	-	-	75,908
Other Post-Employment Benefits	-	-	-	-	1,081,231
Solid Waste Debt Retirement	-	-	-	-	1,541,905
Debt Service	-	-	-	-	1,071,781
Future Post Closure expenses	-	-	-	-	604,284
Heritage High School Debt Service Recurring	-	-	-	-	939,562
Reserve for Future Needs	-	-	-	-	48,297
Public Safety Compensation	-	-	-	-	13,968
Debt Service Regional Radio	-	-	-	-	134,800
Self-Insurance	-	-	-	-	2,563,505
Community Development	-	-	-	-	2,460
Cultural and Recreational	-	-	-	-	5,326
General Government	-	-	-	-	120,169
Health and Welfare	-	-	-	-	3,392
Judicial	-	-	-	-	6,865
Public Safety	-	-	-	-	14,843
Public Works	-	-	-	-	157,708
Sale of downtown GEFA building	-	-	-	-	116,388
Building projects	-	-	-	-	4,315,514
Transportation projects	-	-	-	-	9,593,612
Economic Development projects	-	-	-	-	967,858
Public Safety projects	-	-	-	-	230,967
Parks and Recreation projects	-	-	-	-	3,125,024
Waste Management projects	-	-	-	-	250,000
Provision of loan funds for small businesses	-	-	-	-	125,384
Heritage High School	-	-	-	258,465	258,465
Hutcherson E.L.C.	-	-	-	676,402	676,402
HVAC repairs and maintenance	-	-	-	726,496	726,496
Roof replacement	-	-	-	155,544	155,544
Paving	-	-	-	176,517	176,517
Playground equipment	-	-	-	156,000	156,000
Painting	-	-	-	113,950	113,950
Window replacement	-	-	-	225,687	225,687
Security System upgrade	-	-	-	28,274	28,274
Future projects	-	-	-	276,817	276,817
<b>Assigned to:</b>					
Return of School Fund Balance	-	-	-	-	2,398,505
Law Library	-	-	-	-	74,861
Museum	-	-	-	-	50,028
Recreation Programs	-	-	-	-	96,704
Pier Program	-	-	-	-	64,178
Dental Claims Reserve	-	-	-	-	150,000
Health Insurance Reserve	-	-	-	-	364,538
Future Post Closure expenses	-	-	-	-	204,438
Fire Equipment	-	-	-	-	50,000
Line of Duty Death Benefit	-	-	-	-	105,952
Line of Duty Health Claim Reserve	-	-	-	-	145,000
Public Safety Compensation	-	-	-	-	750,000
Parking Operations	-	-	-	-	62,409
Point of Honor	-	-	-	-	2,653
Police Range Operations	-	-	-	-	569
Health Management Plan	-	-	-	-	500,000
Community Development	-	-	-	-	17,900
Cultural and Recreational	-	-	-	-	9,902
General Government	-	-	-	-	9,937
Health and Welfare	-	-	-	-	22,180
Public Safety	-	-	-	-	40,560
Public Works	-	-	-	-	453,985
Governors Opportunity Grant Interest	-	-	-	-	26,818
Major Maintenance and Equipment replacement	-	-	100,000	-	100,000
<b>Unassigned:</b>	-	-	-	-	28,577,706
<b>Total Fund Balance</b>	<u>\$ 200,135</u>	<u>\$ 27,444</u>	<u>\$ 100,000</u>	<u>\$ 2,945,073</u>	<u>\$ 89,051,296</u>

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 11. Employee Benefit Plans***

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#### Defined Benefit Pension Plan:

Plan Description: The City contributes to the Virginia Retirement System (“VRS”), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (“the System”). In addition, professional and non-professional employees of the Schools are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agency multiple-employer retirement system.

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

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

Funding Policy: Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. For City Plan 1 employees, and for all School employees, the employer has assumed this 5% member contribution. For City Plan 2 employees, the 5% member contribution is deducted from employee pay. In addition, the City and the Schools are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code* and approved by the VRS Board of Trustees. The City’s contribution rate for the fiscal year ended 2012 was 23.14% of annual covered payroll. The Schools’ contribution rates for the fiscal year ended 2012 were 11.33% for professional employees and 12.28% for non-professional employees. Both the City’s and the School’s contribution rates include the employee’s share of 5% paid by the employer for Plan 1 employees.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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

#### **Defined Benefit Pension Plan (Continued):**

**Annual Pension Cost:** For 2012, the City's and Schools' annual pension costs of \$10,084,711 and \$5,676,277, respectively, were equal to their required and actual contributions. The required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.00% investment rate of return; (b) projected salary increases ranging from 3.50% to 5.60% per year (depending on the employee's service and classification (general employee or uniformed officer)), and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City's and Schools' assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and Schools' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis within a period of 30 years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Trend Information for the City of Lynchburg</u>			
June 30, 2012	\$ 10,084,711	100%	None
June 30, 2011	\$ 11,032,304	100%	None
June 30, 2010	\$ 10,099,477	100%	None
<u>Trend Information for the Lynchburg City Schools</u>			
June 30, 2012	\$ 5,676,277	100%	None
June 30, 2011	\$ 4,769,117	100%	None
June 30, 2010	\$ 5,647,174	100%	None

#### **Funded Status and Funding Progress:**

As of June 30, 2011, the most recent actuarial valuation date for the City, the plan was 62.72% funded. The actuarial accrued liability for benefits was \$318,926,726 and the actuarial value of assets was \$200,045,493, resulting in an unfunded actuarial accrued liability (UAAL) of \$118,881,233. The covered payroll (annual payroll of active employees covered by the plan) was \$47,222,852, and the ratio of the UAAL to the covered payroll was 251.75%.

As of June 30, 2011, the most recent actuarial valuation date for the Schools, the plan was 80.29% funded. The actuarial accrued liability for benefits was \$13,656,067 and the actuarial value of assets was \$10,964,882 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,691,185. The covered payroll (annual payroll of active employees covered by the plan) was \$3,449,053, and the ratio of the UAAL to the covered payroll was 78.03%.

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

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 12. Other Post Employment Benefits***

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#### **City of Lynchburg**

##### **Plan Description**

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

##### **Benefits Provided**

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

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

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

##### **Membership**

The number of participants at June 30, 2012 was as follows:

Actives	1,176
Retirees	376
Spouses	<u>89</u>
Total Participants	<u>1,641</u>

##### **Funding Policy**

The City currently funds postemployment health care benefits on a pay-as-you-go basis. During FY2012, the City added \$19,921 of interest to the funds committed for the OPEB liability. Total funds committed for OPEB at June 30, 2012 including interest are \$1,081,231. 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, 2012, the City's Annual OPEB Cost (expense) was \$4,025,764. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$2,642,199 for retirees, along with an Implicit Rate Subsidy of \$739,816 resulted in a Net OPEB obligation of \$4,467,438 for the year ended June 30, 2012.

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

## **Note 12. Other Post-Employment Benefits (Continued)**

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

#### **City of Lynchburg (Continued)**

Annual required contribution	\$ 4,080,773
Interest on net OPEB obligation	394,044
Adjustment to annual required contribution	(449,053)
Annual OPEB cost	4,025,764
Contributions made	(3,382,015)
Increase in net OPEB obligation	643,749
Net OPEB obligation-beginning of year, as restated	3,823,689
Net OPEB obligation-end of year	<u>\$ 4,467,438</u>

Due to a change in accounting policy, the Net OPEB Obligation (NOO) – beginning of year has been restated by (\$2,014,000) to take contribution credit for the Implicit Rate Subsidy amounts from 2009, 2010, and 2011. 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. In prior years the Implicit Rate Subsidy was not included in the contribution total for the fiscal year; therefore the expense recorded each year was higher than necessary. Since the GASB allows employers to take this credit, the City has begun including Implicit Rate Subsidy amounts in the total contribution for the fiscal year.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2010, FY2011, and FY2012 are as follows.

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
06/30/2010	\$3,894,134	79.1%	\$2,680,125
06/30/2011	\$4,084,022	72.0%	\$3,823,689
06/30/2012	\$4,025,764	84.0%	\$4,467,438

#### **Funded Status and Funding Progress**

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

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

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 12. Other Post-Employment Benefits (Continued)***

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#### **City of Lynchburg (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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### **Actuarial Methods and Assumptions**

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used to develop the AAL and the Normal Cost. Under this method, the postretirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 6.75% discount rate, a 2.5% inflation rate, and an initial annual healthcare cost trend of 10% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5.5%. The unfunded actuarial accrued liability is being amortized over 30 years using the Level Percentage of Pay method. The remaining closed amortization period at June 30, 2012 is 25 years.

#### **Lynchburg City Schools**

##### **Plan Description**

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

##### **Benefits Provided**

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

Participants are eligible for the plan when they are eligible to retire under the provisions of the Virginia Retirement System and they have worked for Lynchburg City Schools for ten continuous years. The earliest retirement age is at age 50 with 10 years of service, except for those eligible to elect the Early Retirement Incentive Plan as described below.

##### **Early Retirement Incentive Plan**

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

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 12. Other Post Employment Benefits (Continued)***

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#### **Lynchburg City Schools (Continued)**

##### **Membership**

The number of participants at June 30, 2012 was as follows:

Active participants	1,131
Inactive participants	<u>130</u>
Total	<u><u>1,261</u></u>

##### **Funding Policy**

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

##### **Annual Other Postemployment Benefit Cost and Net OPEB Obligation**

For the fiscal year ended June 30, 2012, the School's annual OPEB cost (expense) was \$979,200. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$485,871 for retirees, resulted in a Net OPEB obligation of \$2,146,476 for the year ended June 30, 2012.

Annual required contribution	\$ 1,004,997
Interest on net OPEB obligation	66,126
Adjustment to annual required contribution	<u>(91,923)</u>
Annual OPEB cost	979,200
Contributions made	<u>(485,871)</u>
Increase in net OPEB obligation	493,329
Net OPEB obligation-beginning of year	<u>1,653,147</u>
Net OPEB obligation-end of year	\$ <u><u>2,146,476</u></u>

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2010, FY2011, and FY2012 are as follows.

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
06/30/2010	\$767,781	71.7%	\$1,169,050
06/30/2011	\$721,777	32.9%	\$1,653,147
06/30/2012	\$979,200	49.6%	\$2,146,476

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 12. Other Post-Employment Benefits (Continued)***

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#### **Lynchburg City Schools (Continued)**

##### **Funded Status and Funding Progress**

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

Actuarial Accrued Liability (AAL)	\$8,780,625
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$8,780,625
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$58,331,131
UAAL as a Percentage of Covered Payroll	15.05%

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

##### **Actuarial Methods and Assumptions**

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

In the June 30, 2012 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used a 4% discount rate. The fresh start method of amortization for the unfunded actuarial accrued liability was used for each year.



## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 13. Leases***

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#### 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
2013	\$ 256,119	\$ 369,311
2014	126,532	325,455
2015	111,960	244,828
2016	100,186	194,136
2017	77,336	132,693
2018-2023	246,483	91,665
	<u>\$ 918,616</u>	<u>\$ 1,358,088</u>

For 2012, the City incurred rental expenditures of \$267,396 in the General Fund, \$24,464 in the Special Revenue Funds, and \$36,424 in the Enterprise Funds. For 2012, the Schools incurred rental expenditures of \$489,690.

### ***Note 14. Risk Management***

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The Risk Management Programs of the City are as follows:

Workers' Compensation: The City is self-insured for workers' compensation claims. All settled claims are paid through the General Fund. The liability for worker's compensation claims, including an estimate of incurred but not reported claims based on prior experience, to be paid in the next fiscal year and in future years is reflected in the statement of net assets. Total claims paid for the year ended June 30 amounted to \$703,602.

General Liability and Other: The City is self-insured for general liability and automobile liability claims and purchases insurance coverage for risks related to property, boiler and machinery, surety bonds, and airport liability. City property is insured up to a limit of approximately \$377 million per occurrence. Other liability policies provide up to \$60 million 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 \$571,992. The City has designated a portion of its fund balance in the General Fund to fund future general liability claims. City management believes any incurred but not reported claims at June 30 would be insignificant.

Healthcare: The City's professionally administered self-insurance program provides healthcare coverage for employees and retirees of the City on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the City. Under the program, the City is obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$250,000 per covered individual per contract year. For the year ended June 30, total claims expense of \$7,277,431 was incurred. Administrative fees and stop loss premiums for the year ended June 30 totaled \$731,610. Estimated incurred, but not reported, claims at June 30 based on invoices received totaled approximately \$710,000 and have been funded by the City.

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

## **Note 14. Risk Management (Continued)**

Changes in aggregate liabilities were as follows:

			Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Workers' Compensation	2012	\$	2,336,944	\$ 598,817	\$ 703,602	\$ 2,232,159
	2011	\$	2,043,228	\$ 815,854	\$ 522,138	\$ 2,336,944
General/Automotive Liability	2012	\$	-	\$ 160,873	\$ 160,873	\$ -
	2011	\$	-	\$ 387,490	\$ 387,490	\$ -
Healthcare	2012	\$	900,000	\$ 7,087,702	\$ 7,277,431	\$ 710,271
	2011	\$	800,000	\$ 6,847,958	\$ 6,747,958	\$ 900,000

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

The Risk Management Programs of the Schools are as follows:

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

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

Healthcare: The Schools' professionally administered self-insurance program provides healthcare coverage for employees and retirees of the Schools on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the Schools. Under the program, the Schools are obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$275,000 per covered individual per contract year. For the year ended June 30, total claims expense of \$8,676,959. There were claims totaling \$491,275 above the per individual limit that will be covered by the stop loss policy. Administrative fees and stop loss premiums for the year ended June 30 totaled \$728,204. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled \$1,557,448.

Changes in aggregate liabilities were as follows:

			Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Healthcare	2012	\$	588,573	\$ 9,645,834	\$ 8,676,959	\$ 1,557,448
	2011	\$	849,805	\$ 10,268,892	\$ 10,530,124	\$ 588,573

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 15. Significant Transactions of the City and Discretely Presented Component Unit – Schools***

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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)	\$ 94,271,342
Principal and other debt service expenses included in City	<u>7,009,236</u>
Total expenses/expenditures for School activities	<u>\$ 101,280,578</u>

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 16. Commitments and Contingencies***

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#### Combined Sewer Overflow:

In 2000, the City completed an update of the Combined Sewer Overflow (“CSO”) program developed in 1989. The purpose was to reevaluate the conclusions and recommendations of the original program, prioritize remaining work, and provide a current cost estimate for this work. After detailed evaluation of a wide variety of control alternatives, the update concluded that sewer separation remained the most cost-effective CSO control option. Total cost to complete the program was estimated to be \$276,000,000 in 1999 dollars. Updated estimates, as of June 30 2012, 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 \$285,900,000 in 2012 dollars. The City is currently in the process of completing a new update of the CSO Program Long Term Control Plan (LTCP), which should be completed in early 2013. The purpose of this update is to re-evaluate the past plan of complete separation in light of new stormwater regulations being mandated by federal and state agencies.

In 1994, and with subsequent permit renewals, the Virginia Department of Environmental Quality (“VDEQ”) issued a sewage discharge permit and Special Order of Consent containing the terms and conditions that will govern implementation of the City’s CSO program. The permit requires the City to implement the CSO long-term control plan and to undertake certain combined sewer management practices designed to minimize CSO discharge until the sewer system is completely separated. The order established a project priority listing for implementation of the CSO control plan.

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

#### Grant Programs:

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to being appropriate expenditures under terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, related to such audits would not be material to the financial position of the City at June 30, 2012.

#### Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2012, the arbitrage rebate liability estimate was zero.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### **Note 16. Commitments and Contingencies (Continued)**

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#### **Encumbrance Commitments:**

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

#### **MAJOR FUNDS**

General Fund	\$ 966,343
City Capital Projects Funds	18,780,248
<b>Total Major Funds</b>	<b>19,746,591</b>

#### **NONMAJOR FUNDS**

City Federal State Aid	147,825
Lynchburg Expressway Appearance	2,000
Lynchburg Regional Juvenile Detention Center	4,504
School Capital Projects	860,836
<b>Total Nonmajor Funds</b>	<b>1,015,165</b>
<b>TOTAL ENCUMBRANCES</b>	<b>\$ 20,761,756</b>

#### **Construction Commitments:**

Included in the encumbrances above are construction commitments of \$18,780,248 in the City Capital Projects fund and \$860,836 in the School Capital Projects fund. The City also had construction commitments of \$5,609,207 in the Water fund; \$15,133,488 in the Sewer fund and \$58,987 in the Airport fund as of June 30, 2012.

### **Note 17. Subsequent Events**

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#### **Loan Agreement:**

In 2004, the City entered into a contract with the U.S. Department of Housing and Urban Development (HUD) whereas the City is the borrower and HUD is the guarantor of a Section 108 loan (Note 9). With the funds borrowed from HUD, the City entered into a loan agreement with Bluffwalk Center L.P. (Bluffwalk). The City loaned Bluffwalk \$3,200,000 with payments required twice a year. Subsequent to year-end Bluffwalk has only paid \$30,000 towards the required August payment of \$238,774. The City fulfilled its obligation to HUD by making the required payment, obtaining the remaining funds from the Community Development Block Grant (CDBG). The City expects to recover the funds for all missed payments from Bluffwalk. During FY 2010 Bluffwalk entered into a payment arrangement with the City to repay, with interest, the funds the City has advanced to cover the missed payments.

#### **Sale of Land:**

On February 28, 2012, City Council adopted a resolution to sell property located at 3901 Old Forest Road. This property had been acquired with transportation funds and transferred to the City from the Virginia Department of Transportation. Subsequent to year end, the property was sold for \$1.2 million. Proceeds will be used for transportation projects.

#### **Contract:**

The City entered into a contract to upgrade the City's AS/400 Software to New World Logos.NET Software. The total contract of \$0.5 million requires defined payment amounts as each module is implemented. The initial payment was made July 1, 2012.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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### ***Note 18. New Accounting Standards***

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

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

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

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

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes standards for reclassification of certain item as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The statement will be effective for the year ending June 30, 2014.

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

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

## **Note 18. New Accounting Standards (Continued)**

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

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

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

## **Note 19. Restatement of Net Assets**

The following is a summary of the restatement of net assets effective June 30, 2012:

	Primary Government					
	Internal Service Fund	Governmental Activities	Water Fund	Sewer Fund	Airport Fund	Business-type Activities
Net Assets June 30, 2011 as previously stated	\$ 10,715,881	\$ 250,312,032	\$ 35,213,410	\$ 132,936,656	\$ 34,983,787	\$ 199,052,428
Restatement to take the contribution credit for the Implicit Rate Subsidy from 2009, 2010, and 2011 due to a change in accounting policy for OPEB. Utilizing the Implicit Rate Subsidy reduces the total OPEB liability.	20,140	1,873,020	60,420	60,420	20,140	140,980
Net assets June 30, 2011 as restated	<u>\$ 10,736,021</u>	<u>\$ 252,185,052</u>	<u>\$ 35,273,830</u>	<u>\$ 132,997,076</u>	<u>\$ 35,003,927</u>	<u>\$ 199,193,408</u>

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## **REQUIRED SUPPLEMENTAL INFORMATION**



**Required Supplemental Information**  
**Schedule of Funding Progress for Defined Benefit Pension Plan**  
**As of June 30, 2012**

**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, 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	\$ 85,309,520	70.31%	\$ 50,210,090	169.91%
Lynchburg City Schools Non-professional Employees	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%

**Required Supplemental Information**  
**Schedule of Funding Progress for Other Post Employment Benefits**  
**As of June 30, 2012**

**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, 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, 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%
	June 30, 2010	\$ -	\$ 7,457,224	\$ 7,457,224	0.00%	\$ 50,221,239	14.85%

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## **OTHER SUPPLEMENTAL INFORMATION**



## CITY OF LYNCHBURG, VIRGINIA

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

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#### 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.
- Baseball Stadium Fund – Accounts for revenues received from baseball activities at the Lynchburg City Stadium.

Capital Projects Funds account for all resources used for the acquisition or construction of capital facilities 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, 2012**

	<u>Total Nonmajor Special Revenue</u>	<u>Total Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 463,622	\$ 1,840,561	\$ 2,304,183
Investments	-	1,549,860	1,549,860
Receivables, net of allowance:			
Other	481,420	-	481,420
Due from other funds	267,123	-	267,123
Due from other governments	1,753,576	-	1,753,576
Due from component unit	125,000	-	125,000
Other assets	213	-	213
Restricted assets:			
Cash and cash equivalents	539,279	137,269	676,548
<b>Total assets</b>	<u>\$ 3,630,233</u>	<u>\$ 3,527,690</u>	<u>\$ 7,157,923</u>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable and other liabilities	\$ 1,141,799	\$ 582,617	\$ 1,724,416
Accrued payroll and related liabilities	97,735	-	97,735
Due to other funds	634,436	-	634,436
Due to other governments	116,646	-	116,646
Deferred revenue	412,558	-	412,558
<b>Total liabilities</b>	<u>2,403,174</u>	<u>582,617</u>	<u>2,985,791</u>
Fund balances:			
Restricted	1,232,801	150,921	1,383,722
Committed	125,384	2,794,152	2,919,536
Assigned	126,818	-	126,818
Unassigned	(257,944)	-	(257,944)
<b>Total fund balances</b>	<u>1,227,059</u>	<u>2,945,073</u>	<u>4,172,132</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,630,233</u>	<u>\$ 3,527,690</u>	<u>\$ 7,157,923</u>



**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2012**

	<u>Total Nonmajor Special Revenue</u>	<u>Total Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental</u>
<b>Revenues</b>			
Intergovernmental	\$ 9,260,365	\$ 324,800	\$ 9,585,165
Revenue from use of money and property	32,275	354	32,629
Charges for services	3,791,822	-	3,791,822
Miscellaneous	869,635	-	869,635
<b>Total revenues</b>	<u>13,954,097</u>	<u>325,154</u>	<u>14,279,251</u>
<b>Expenditures</b>			
Current operating expenditures:			
General government	3,645	-	3,645
Judicial	1,368,225	-	1,368,225
Public safety	3,982,827	-	3,982,827
Public works	149,358	-	149,358
Health and human services	5,904,078	-	5,904,078
Community development	3,119,020	-	3,119,020
Education	-	133,756	133,756
Capital outlay:			
Capital general government	660,297	1,712,094	2,372,391
Debt Service:			
Principal retirements	412,145	-	412,145
Interest payments and other fiscal charges	173,764	-	173,764
<b>Total expenditures</b>	<u>15,773,359</u>	<u>1,845,850</u>	<u>17,619,209</u>
<b>Deficiency of revenues over expenditures</b>	<u>(1,819,262)</u>	<u>(1,520,696)</u>	<u>(3,339,958)</u>
<b>Other financing sources (uses)</b>			
Transfers in	152,416	2,276,836	2,429,252
Transfers out	(483,272)	-	(483,272)
<b>Total other financing sources (uses)</b>	<u>(330,856)</u>	<u>2,276,836</u>	<u>1,945,980</u>
<b>Net changes in fund balances</b>	<u>(2,150,118)</u>	<u>756,140</u>	<u>(1,393,978)</u>
<b>Fund balances - beginning</b>	<u>3,377,177</u>	<u>2,188,933</u>	<u>5,566,110</u>
<b>Fund balances - ending</b>	<u>\$ 1,227,059</u>	<u>\$ 2,945,073</u>	<u>\$ 4,172,132</u>

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2012

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 171	\$ 215,143	\$ 47,673
Receivables, net of allowance:					
Other	342,124	70,642	-	620	-
Due from other funds	264,693	-	-	-	2,430
Due from other governments	542,014	24,856	-	-	880,502
Due from component unit	-	-	125,000	-	-
Other assets	-	-	213	-	-
Restricted assets:					
Cash and cash equivalents	539,279	-	-	-	-
<b>Total assets</b>	<u>\$ 1,688,110</u>	<u>\$ 95,498</u>	<u>\$ 125,384</u>	<u>\$ 215,763</u>	<u>\$ 930,605</u>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 508,052	\$ 10,239	\$ -	\$ 513	\$ 599,384
Accrued payroll and related liabilities	40,996	2,466	-	-	1,677
Due to other funds	462,990	68,393	-	-	-
Due to other governments	113,846	2,800	-	-	-
Deferred revenue	342,124	2,400	-	-	-
<b>Total liabilities</b>	<u>1,468,008</u>	<u>86,298</u>	<u>-</u>	<u>513</u>	<u>601,061</u>
Fund balances :					
Restricted	451,228	9,200	-	215,250	329,544
Committed	-	-	125,384	-	-
Assigned	26,818	-	-	-	-
Unassigned	(257,944)	-	-	-	-
<b>Total fund balances</b>	<u>220,102</u>	<u>9,200</u>	<u>125,384</u>	<u>215,250</u>	<u>329,544</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,688,110</u>	<u>\$ 95,498</u>	<u>\$ 125,384</u>	<u>\$ 215,763</u>	<u>\$ 930,605</u>

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2012

	Lynchburg Expressway Appearance	Home Investment Trust	Lynchburg Regional Juvenile Detention Center	Baseball Stadium	Total Nonmajor Special Revenue
<b>Assets</b>					
Cash and cash equivalents	\$ 200,135	\$ -	\$ 500	\$ -	\$ 463,622
Receivables, net of allowance:					
Other	68,034	-	-	-	481,420
Due from other funds	-	-	-	-	267,123
Due from other governments	-	61,645	244,559	-	1,753,576
Due from component unit	-	-	-	-	125,000
Other assets	-	-	-	-	213
Restricted assets:					
Cash and cash equivalents	-	-	-	-	539,279
<b>Total assets</b>	<u>\$ 268,169</u>	<u>\$ 61,645</u>	<u>\$ 245,059</u>	<u>\$ -</u>	<u>\$ 3,630,233</u>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable and other liabilities	\$ -	\$ 187	\$ 23,424	\$ -	\$ 1,141,799
Accrued payroll and related liabilities	-	435	52,161	-	97,735
Due to other funds	-	33,579	69,474	-	634,436
Due to other governments	-	-	-	-	116,646
Deferred revenue	68,034	-	-	-	412,558
<b>Total liabilities</b>	<u>68,034</u>	<u>34,201</u>	<u>145,059</u>	<u>-</u>	<u>2,403,174</u>
Fund balances :					
Restricted	200,135	27,444	-	-	1,232,801
Committed	-	-	-	-	125,384
Assigned	-	-	100,000	-	126,818
Unassigned	-	-	-	-	(257,944)
<b>Total fund balances</b>	<u>200,135</u>	<u>27,444</u>	<u>100,000</u>	<u>-</u>	<u>1,227,059</u>
<b>Total liabilities and fund balances</b>	<u>\$ 268,169</u>	<u>\$ 61,645</u>	<u>\$ 245,059</u>	<u>\$ -</u>	<u>\$ 3,630,233</u>

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

## Nonmajor Special Revenue Funds

For the Year Ended June 30, 2012

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act
<b>Revenues</b>					
Intergovernmental	\$ 3,865,579	\$ 732,901	\$ -	\$ 97,686	\$ 2,801,097
Revenue from use of money and property	1,067	-	31,034	174	-
Charges for services	483,980	10,770	-	-	1,546,131
Miscellaneous	686,992	16,234	-	-	115,476
<b>Total revenues</b>	<u>5,037,618</u>	<u>759,905</u>	<u>31,034</u>	<u>97,860</u>	<u>4,462,704</u>
<b>Expenditures</b>					
Current operating expenditures:					
General government	-	-	-	-	-
Judicial	1,347,413	-	-	20,812	-
Public safety	1,357,261	-	-	67,051	-
Public works	134,448	-	-	-	-
Health and human services	1,348,750	-	-	-	4,555,328
Community development	1,721,477	699,789	31,034	-	-
Capital Outlay:					
Capital general government	560,297	100,000	-	-	-
Debt service:					
Principal retirements	180,000	-	-	-	-
Interest payments and other fiscal charges	121,859	-	-	-	-
<b>Total expenditures</b>	<u>6,771,505</u>	<u>799,789</u>	<u>31,034</u>	<u>87,863</u>	<u>4,555,328</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,733,887)</u>	<u>(39,884)</u>	<u>-</u>	<u>9,997</u>	<u>(92,624)</u>
<b>Other financing sources (uses)</b>					
Transfers in	152,416	-	-	-	-
Transfers out	-	-	-	-	(200,000)
<b>Total other financing sources (uses)</b>	<u>152,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
<b>Net changes in fund balances</b>	<u>(1,581,471)</u>	<u>(39,884)</u>	<u>-</u>	<u>9,997</u>	<u>(292,624)</u>
<b>Fund balances - beginning</b>	<u>1,801,573</u>	<u>49,084</u>	<u>125,384</u>	<u>205,253</u>	<u>622,168</u>
<b>Fund balances - ending</b>	<u>\$ 220,102</u>	<u>\$ 9,200</u>	<u>\$ 125,384</u>	<u>\$ 215,250</u>	<u>\$ 329,544</u>

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

## Nonmajor Special Revenue Funds

For the Year Ended June 30, 2012

	Lynchburg Expressway Appearance	Home Investment Trust	Lynchburg Regional Juvenile Detention Center	Baseball Stadium	Total Nonmajor Special Revenue
<b>Revenues</b>					
Intergovernmental	\$ -	\$ 667,917	\$ 1,095,185	\$ -	\$ 9,260,365
Revenue from use of money and property	-	-	-	-	32,275
Charges for services	-	-	1,750,941	-	3,791,822
Miscellaneous	50,849	-	84	-	869,635
<b>Total revenues</b>	<u>50,849</u>	<u>667,917</u>	<u>2,846,210</u>	<u>-</u>	<u>13,954,097</u>
<b>Expenditures</b>					
Current operating expenditures:					
General government	-	-	3,645	-	3,645
Judicial	-	-	-	-	1,368,225
Public safety	-	-	2,558,515	-	3,982,827
Public works	14,910	-	-	-	149,358
Health and human services	-	-	-	-	5,904,078
Community development	-	666,720	-	-	3,119,020
Capital Outlay:					
Capital general government	-	-	-	-	660,297
Debt service:					
Principal retirements	-	-	232,145	-	412,145
Interest payments and other fiscal charges	-	-	51,905	-	173,764
<b>Total expenditures</b>	<u>14,910</u>	<u>666,720</u>	<u>2,846,210</u>	<u>-</u>	<u>15,773,359</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>35,939</u>	<u>1,197</u>	<u>-</u>	<u>-</u>	<u>(1,819,262)</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	152,416
Transfers out	-	-	-	(283,272)	(483,272)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(283,272)</u>	<u>(330,856)</u>
<b>Net changes in fund balances</b>	<u>35,939</u>	<u>1,197</u>	<u>-</u>	<u>(283,272)</u>	<u>(2,150,118)</u>
<b>Fund balances - beginning</b>	<u>164,196</u>	<u>26,247</u>	<u>100,000</u>	<u>283,272</u>	<u>3,377,177</u>
<b>Fund balances - ending</b>	<u>\$ 200,135</u>	<u>\$ 27,444</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 1,227,059</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**City/Federal/State Aid Fund**  
**For the Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 2,520,312	\$ 5,772,247	\$ 3,865,579	\$ (1,906,668)
Revenue from use of money and property	-	-	1,067	1,067
Charges for services	20,000	20,000	483,980	463,980
Miscellaneous	25,694	144,075	686,992	542,917
<b>Total revenues</b>	<b>2,566,006</b>	<b>5,936,322</b>	<b>5,037,618</b>	<b>(898,704)</b>
<b>Expenditures</b>				
Current operating expenditures:				
Judicial	1,201,509	1,495,409	1,347,413	147,996
Public safety	215,000	1,968,351	1,357,261	611,090
Public works	12,872	273,948	134,448	139,500
Health and human services	1,163,796	2,074,415	1,348,750	725,665
Community development	-	1,792,702	1,721,477	71,225
Capital outlay:				
Capital general government	-	560,297	560,297	-
Debt service:				
Principal retirements	-	-	180,000	(180,000)
Interest payments and other fiscal charges	-	-	121,859	(121,859)
<b>Total expenditures</b>	<b>2,593,177</b>	<b>8,165,122</b>	<b>6,771,505</b>	<b>1,393,617</b>
<b>Deficiency of revenues over expenditures</b>	<b>(27,171)</b>	<b>(2,228,800)</b>	<b>(1,733,887)</b>	<b>494,913</b>
<b>Other financing sources</b>				
Transfers in	27,171	152,369	152,416	47
<b>Total other financing sources</b>	<b>27,171</b>	<b>152,369</b>	<b>152,416</b>	<b>47</b>
<b>Net changes in fund balances</b>	<b>-</b>	<b>(2,076,431)</b>	<b>(1,581,471)</b>	<b>494,960</b>
<b>Fund balances - beginning</b>	<b>1,801,573</b>	<b>1,801,573</b>	<b>1,801,573</b>	<b>-</b>
<b>Fund balances (deficits) - ending</b>	<b>\$ 1,801,573</b>	<b>\$ (274,858)</b>	<b>\$ 220,102</b>	<b>\$ 494,960</b>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Community Development Block Grant Fund**  
**For the Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 904,816	\$ 1,865,570	\$ 732,901	\$ (1,132,669)
Charges for services	-	-	10,770	10,770
Miscellaneous	-	-	16,234	16,234
<b>Total revenues</b>	<u>904,816</u>	<u>1,865,570</u>	<u>759,905</u>	<u>(1,105,665)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Community development	904,816	1,584,749	699,789	884,960
Capital Outlay				
Capital general government	-	100,000	100,000	-
<b>Total expenditures</b>	<u>904,816</u>	<u>1,684,749</u>	<u>799,789</u>	<u>884,960</u>
<b>Net changes in fund balances</b>	-	180,821	(39,884)	(220,705)
<b>Fund balances - beginning</b>	<u>49,084</u>	<u>49,084</u>	<u>49,084</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 49,084</u>	<u>\$ 229,905</u>	<u>\$ 9,200</u>	<u>\$ (220,705)</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Forfeited Assets Fund**  
**For the Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 97,686	\$ 97,686
Revenue from use of money and property	-	-	174	174
<b>Total revenues</b>	-	-	97,860	97,860
<b>Expenditures</b>				
Current operating expenditures:				
Judicial	-	30,914	20,812	10,102
Public safety	-	174,343	67,051	107,292
<b>Total expenditures</b>	-	205,257	87,863	117,394
<b>Net changes in fund balances</b>	-	(205,257)	9,997	215,254
<b>Fund balances - beginning</b>	205,253	205,253	205,253	-
<b>Fund balances- ending</b>	<u>\$ 205,253</u>	<u>\$ (4)</u>	<u>\$ 215,250</u>	<u>\$ 215,254</u>



**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Comprehensive Services Act Fund  
For the Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 3,417,468	\$ 4,609,940	\$ 2,801,097	\$ (1,808,843)
Charges for services	1,546,132	1,655,572	1,546,131	(109,441)
Miscellaneous	110,000	130,873	115,476	(15,397)
<b>Total revenues</b>	<b>5,073,600</b>	<b>6,396,385</b>	<b>4,462,704</b>	<b>(1,933,681)</b>
<b>Expenditures</b>				
Current operating expenditures:				
Health and human services	5,073,600	6,868,641	4,555,328	2,313,313
<b>Total expenditures</b>	<b>5,073,600</b>	<b>6,868,641</b>	<b>4,555,328</b>	<b>2,313,313</b>
<b>Deficiency of revenues over expenditures</b>	<b>-</b>	<b>(472,256)</b>	<b>(92,624)</b>	<b>379,632</b>
<b>Other financing uses</b>				
Transfers out	-	(200,000)	(200,000)	-
<b>Total other financing uses</b>	<b>-</b>	<b>(200,000)</b>	<b>(200,000)</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>-</b>	<b>(672,256)</b>	<b>(292,624)</b>	<b>379,632</b>
<b>Fund balances - beginning</b>	<b>622,168</b>	<b>622,168</b>	<b>622,168</b>	<b>-</b>
<b>Fund balances (deficits)- ending</b>	<b>\$ 622,168</b>	<b>\$ (50,088)</b>	<b>\$ 329,544</b>	<b>\$ 379,632</b>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**HOME Investment Trust Fund**  
**For the Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 467,742	\$ 1,223,430	\$ 667,917	\$ (555,513)
<b>Total revenues</b>	<u>467,742</u>	<u>1,223,430</u>	<u>667,917</u>	<u>(555,513)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Community development	<u>467,742</u>	<u>765,733</u>	<u>666,720</u>	<u>99,013</u>
<b>Total expenditures</b>	<u>467,742</u>	<u>765,733</u>	<u>666,720</u>	<u>99,013</u>
<b>Net changes in fund balances</b>	-	457,697	1,197	(456,500)
<b>Fund balances - beginning</b>	<u>26,247</u>	<u>26,247</u>	<u>26,247</u>	-
<b>Fund balances - ending</b>	<u>\$ 26,247</u>	<u>\$ 483,944</u>	<u>\$ 27,444</u>	<u>\$ (456,500)</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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 1,140,120	\$ 1,140,120	\$ 1,095,185	\$ (44,935)
Charges for services	1,760,603	1,760,603	1,750,941	(9,662)
Miscellaneous	-	-	84	84
<b>Total revenues</b>	<u>2,900,723</u>	<u>2,900,723</u>	<u>2,846,210</u>	<u>(54,513)</u>
<b>Expenditures</b>				
Current operating expenditures:				
General government	3,684	3,691	3,645	46
Public safety	2,612,989	2,612,151	2,558,515	53,636
Debt service:				
Principal retirements	232,145	232,145	232,145	-
Interest payments and other fiscal charges	51,905	51,905	51,905	-
<b>Total expenditures</b>	<u>2,900,723</u>	<u>2,899,892</u>	<u>2,846,210</u>	<u>53,682</u>
<b>Net changes in fund balances</b>	-	831	-	(831)
<b>Fund balances - beginning</b>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 100,000</u>	<u>\$ 100,831</u>	<u>\$ 100,000</u>	<u>\$ (831)</u>

**Balance Sheet**  
**School Capital Projects**  
**June 30, 2012**

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	<u>School Capital Projects</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,840,561
Investments	1,549,860
Restricted assets:	
Cash and cash equivalents	<u>137,269</u>
<b>Total assets</b>	<u><u>\$ 3,527,690</u></u>
<b>Liabilities and fund balances</b>	
Liabilities:	
Accounts payable and other liabilities	<u>\$ 582,617</u>
<b>Total liabilities</b>	<u>582,617</u>
Fund balances:	
Restricted	150,921
Committed	<u>2,794,152</u>
<b>Total fund balances</b>	<u>2,945,073</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 3,527,690</u></u>

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**School Capital Projects**  
**For the Year Ended June 30, 2012**

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	<b>School Capital Projects</b>
	<hr/>
<b>Revenues</b>	
Intergovernmental	\$ 324,800
Revenue from use of money and property	<hr/> 354
<b>Total revenues</b>	<hr/> 325,154
<b>Expenditures</b>	
Current operating expenditures:	
Education	133,756
Capital outlay:	
Capital general government	<hr/> 1,712,094
<b>Total expenditures</b>	<hr/> 1,845,850
<b>Deficiency of revenues over expenditures</b>	<hr/> (1,520,696)
<b>Other financing sources</b>	
Transfers in	<hr/> 2,276,836
<b>Total other financing sources</b>	<hr/> 2,276,836
<b>Net changes in fund balances</b>	756,140
<b>Fund balance - beginning</b>	<hr/> 2,188,933
<b>Fund balance - ending</b>	<hr/> <hr/> \$ 2,945,073

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**School Capital Projects**  
**For the Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 324,800	\$ 324,800	\$ -
Revenue from use of money and property	-	-	354	354
<b>Total revenues</b>	-	324,800	325,154	354
<b>Expenditures</b>				
Current operating expenditures:				
Education	273,318	526,040	133,756	392,284
Capital outlay:				
Capital general government	757,200	3,130,616	1,712,094	1,418,522
<b>Total expenditures</b>	1,030,518	3,656,656	1,845,850	1,810,806
<b>Deficiency of revenues over expenditures</b>	(1,030,518)	(3,331,856)	(1,520,696)	1,811,160
<b>Other financing sources</b>				
Transfers in	1,030,518	2,276,836	2,276,836	-
<b>Total other financing sources</b>	1,030,518	2,276,836	2,276,836	-
<b>Net changes in fund balance</b>	-	(1,055,020)	756,140	1,811,160
<b>Fund balances - beginning</b>	2,188,933	2,188,933	2,188,933	-
<b>Fund balances - ending</b>	<u>\$ 2,188,933</u>	<u>\$ 1,133,913</u>	<u>\$ 2,945,073</u>	<u>\$ 1,811,160</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**City Capital Projects**  
**For the Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 1,943,461	\$ 16,620,340	\$ 2,704,647	\$ (13,915,693)
Revenue from use of money and property	-	107,891	26,319	(81,572)
Miscellaneous	-	309,479	88,240	(221,239)
<b>Total revenues</b>	<u>1,943,461</u>	<u>17,037,710</u>	<u>2,819,206</u>	<u>(14,218,504)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Public Safety	-	200,000	200,000	-
Public works	6,165,529	9,207,049	2,788,385	6,418,664
Community development	-	686,263	685,449	814
Capital outlay:				
Capital general government	5,842,965	36,235,948	7,610,753	28,625,195
<b>Total expenditures</b>	<u>12,008,494</u>	<u>46,329,260</u>	<u>11,284,587</u>	<u>35,044,673</u>
<b>Deficiency of revenues over expenditures</b>	<u>(10,065,033)</u>	<u>(29,291,550)</u>	<u>(8,465,381)</u>	<u>20,826,169</u>
<b>Other financing sources (uses)</b>				
Issuance of bonds	2,441,000	6,274,812	-	(6,274,812)
Transfers in	7,624,033	8,345,463	8,345,463	-
Transfers out	-	(25,000)	(25,000)	-
<b>Total other financing sources (uses)</b>	<u>10,065,033</u>	<u>14,595,275</u>	<u>8,320,463</u>	<u>(6,274,812)</u>
<b>Net changes in fund balance</b>	-	(14,696,275)	(144,918)	14,551,357
<b>Fund balances - beginning</b>	<u>36,621,218</u>	<u>36,621,218</u>	<u>36,621,218</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 36,621,218</u>	<u>\$ 21,924,943</u>	<u>\$ 36,476,300</u>	<u>\$ 14,551,357</u>

**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2012**

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	<b>Special Welfare</b>	<b>Central Virginia Regional Radio Board</b>	<b>Total Agency</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 77,116	\$ 458,258	\$ 535,374
<b>Total Assets</b>	<u>\$ 77,116</u>	<u>\$ 458,258</u>	<u>\$ 535,374</u>
<b>Liabilities</b>			
Accounts payable and other liabilities	\$ 674	\$ -	\$ 674
Due to other governments	-	81,856	81,856
Amounts held for others	<u>76,442</u>	<u>376,402</u>	<u>452,844</u>
<b>Total Liabilities</b>	<u>\$ 77,116</u>	<u>\$ 458,258</u>	<u>\$ 535,374</u>



**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2012**

	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2012</b>
<b><u>Special Welfare</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 106,454	\$ 143,585	\$ 172,923	\$ 77,116
<b>Total Assets</b>	<b>\$ 106,454</b>	<b>\$ 143,585</b>	<b>\$ 172,923</b>	<b>\$ 77,116</b>
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ -	\$ 37,888	\$ 37,214	\$ 674
Amounts held for others	106,454	194,285	224,297	76,442
<b>Total Liabilities</b>	<b>\$ 106,454</b>	<b>\$ 232,173</b>	<b>\$ 261,511</b>	<b>\$ 77,116</b>
<b><u>Central Virginia Regional Radio Board</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 484,859	\$ 1,328,002	\$ 1,354,603	\$ 458,258
Due from other governments	-	657,822	657,822	-
<b>Total Assets</b>	<b>\$ 484,859</b>	<b>\$ 1,985,824</b>	<b>\$ 2,012,425</b>	<b>\$ 458,258</b>
<b>Liabilities</b>				
Due to other governments	\$ 135,756	\$ -	\$ 53,900	\$ 81,856
Amounts held for others	349,103	2,045,610	2,018,311	376,402
<b>Total Liabilities</b>	<b>\$ 484,859</b>	<b>\$ 2,045,610</b>	<b>\$ 2,072,211</b>	<b>\$ 458,258</b>
<b><u>Total All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 591,313	\$ 1,471,587	\$ 1,527,526	\$ 535,374
Due from other governments	-	657,822	657,822	-
<b>Total Assets</b>	<b>\$ 591,313</b>	<b>\$ 2,129,409</b>	<b>\$ 2,185,348</b>	<b>\$ 535,374</b>
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ -	\$ 37,888	\$ 37,214	\$ 674
Due to other governments	135,756	-	53,900	81,856
Amounts held for others	455,557	2,239,895	2,242,608	452,844
<b>Total Liabilities</b>	<b>\$ 591,313</b>	<b>\$ 2,277,783</b>	<b>\$ 2,333,722</b>	<b>\$ 535,374</b>

**Discretely Presented Component Unit - Lynchburg City Schools**  
**Combining Balance Sheet**  
**June 30, 2012**

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>Governor's School</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 4,711,078	\$ 60,262	\$ 308,558	\$ 581,033	\$ 5,660,931
Investments	3,000,000	-	-	-	3,000,000
Cash and cash equivalents, restricted	170,158	-	-	-	170,158
Receivables, net of allowance	875,326	-	-	83,185	958,511
Due from other funds	3,577,783	-	-	354,757	3,932,540
Due from other governments	1,810,823	5,207,850	-	-	7,018,673
Prepaid expenses	104,599	25	2,151	-	106,775
Inventory	-	-	-	122,953	122,953
<b>Total assets</b>	<u>\$ 14,249,767</u>	<u>\$ 5,268,137</u>	<u>\$ 310,709</u>	<u>\$ 1,141,928</u>	<u>\$ 20,970,541</u>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable and other liabilities	\$ 1,364,385	\$ 89,425	\$ 5,077	\$ 5,408	\$ 1,464,295
Accrued payroll and related liabilities	8,850,459	1,566,430	45,801	136,517	10,599,207
Due to other funds	353,325	3,530,071	-	49,144	3,932,540
Due to primary government- return of local funding	2,138,086	-	-	-	2,138,086
Due to primary government- other	260,419	-	-	-	260,419
Deferred revenue	786,576	27,758	16,800	-	831,134
<b>Total liabilities</b>	<u>13,753,250</u>	<u>5,213,684</u>	<u>67,678</u>	<u>191,069</u>	<u>19,225,681</u>
Fund balances:					
Nonspendable:					
Prepaid items	104,599	25	2,151	-	106,775
Inventory	-	-	-	122,953	122,953
Restricted for:					
Technology	170,158	-	-	-	170,158
Education	-	54,428	-	827,906	882,334
Committed for:					
Education	221,760	-	240,880	-	462,640
<b>Total fund balances</b>	<u>496,517</u>	<u>54,453</u>	<u>243,031</u>	<u>950,859</u>	<u>1,744,860</u>
<b>Total liabilities and fund balances</b>	<u>\$ 14,249,767</u>	<u>\$ 5,268,137</u>	<u>\$ 310,709</u>	<u>\$ 1,141,928</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,337,197
Receivables on the Statement of Net Assets that do not provide current financial resources are reported as deferred revenue in the funds.	831,134
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,172,464)
Net assets of governmental activities	<u>\$ 2,740,727</u>

**Discretely Presented Component Unit - Lynchburg City Schools**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2012**

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>Governor's School</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
<b>Revenues</b>					
Intergovernmental:					
State and Federal	\$ 42,319,562	\$ 13,367,060	\$ 337,851	\$ 2,969,746	\$ 58,994,219
City of Lynchburg	31,726,865	-	-	-	31,726,865
Revenue from use of money and property	136	-	-	666	802
Charges for services	1,556,187	-	581,191	682,494	2,819,872
Miscellaneous	1,197,197	69,406	9,999	21,223	1,297,825
<b>Total revenues</b>	<u>76,799,947</u>	<u>13,436,466</u>	<u>929,041</u>	<u>3,674,129</u>	<u>94,839,583</u>
<b>Expenditures</b>					
Education:					
Instruction	54,189,572	12,928,235	858,209	-	67,976,016
Administration, attendance and health	3,767,196	81,825	2,338	-	3,851,359
Pupil transportation services	4,418,735	-	-	-	4,418,735
Operations and maintenance	9,287,310	11,177	50,223	-	9,348,710
Food service and other	-	208,348	-	3,863,249	4,071,597
Facilities	40,563	-	-	-	40,563
Technology	2,362,774	59,921	-	-	2,422,695
Capital outlay	1,999,266	135,748	-	309,445	2,444,459
Debt service:					
Principal retirement	480,697	-	-	-	480,697
Interest payments	22,256	-	-	-	22,256
<b>Total expenditures</b>	<u>76,568,369</u>	<u>13,425,254</u>	<u>910,770</u>	<u>4,172,694</u>	<u>95,077,087</u>
<b>Net change in fund balances</b>	<u>231,578</u>	<u>11,212</u>	<u>18,271</u>	<u>(498,565)</u>	<u>(237,504)</u>
<b>Fund balance - beginning</b>	<u>264,939</u>	<u>43,241</u>	<u>224,760</u>	<u>1,449,424</u>	
<b>Fund balance - ending</b>	<u>\$ 496,517</u>	<u>\$ 54,453</u>	<u>\$ 243,031</u>	<u>\$ 950,859</u>	

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,227,352) exceeded depreciation expense (\$456,469).	770,883
Compensated absences are not due and payable at June 30, and therefore are not reported in the fund statements.	47,494
Other-post retirement benefits are not due and payable at June 30, and therefore are not reported in the fund statements.	(493,329)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	37,378
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.	480,697
<b>Change in net assets of governmental activities.</b>	<u>\$ 605,619</u>

Discretely Presented Component Unit - Lynchburg City Schools  
School Operating Fund  
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)  
Budget and Actual  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental:				
State and Federal	\$ 41,975,582	\$ 41,975,582	\$ 42,319,562	\$ 343,980
City of Lynchburg, before return of funds	32,175,730	33,868,425	33,864,951	(3,474)
Revenue from use of money and property	-	-	136	136
Charges for services	1,253,140	1,253,140	1,556,187	303,047
Miscellaneous	301,500	737,827	1,197,197	459,370
<b>Total revenues</b>	<u>75,705,952</u>	<u>77,834,974</u>	<u>78,938,033</u>	<u>1,103,059</u>
<b>Expenditures</b>				
Education:				
Instruction	54,537,535	55,096,201	54,189,572	906,629
Administration, attendance and health	4,238,400	3,895,510	3,767,196	128,314
Pupil transportation services	4,209,689	4,288,693	4,418,735	(130,042)
Operations and maintenance	9,353,995	9,161,505	9,287,310	(125,805)
Facilities	61,395	61,395	40,563	20,832
Technology	2,562,388	2,605,218	2,362,774	242,444
Capital outlay	239,425	2,302,398	1,999,266	303,132
Debt service	503,125	503,125	502,953	172
<b>Total expenditures</b>	<u>75,705,952</u>	<u>77,914,045</u>	<u>76,568,369</u>	<u>1,345,676</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>(79,071)</u>	<u>2,369,664</u>	<u>2,448,735</u>
<b>Other financing sources (uses)</b>				
Capital lease proceeds	-	79,071	-	(79,071)
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>2,369,664</u>	<u>\$ 2,369,664</u>
Less return of funds to the City			<u>(2,138,086)</u>	
			<u>\$ 231,578</u>	

**Discretely Presented Component Unit - Lynchburg City Schools**  
**Agency Fund**  
**For the Year Ended June 30, 2012**

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	<u><b>Agency Fund</b></u>
<b>Assets</b>	
Investments	<u><u>\$        150,119</u></u>
<b>Liabilities</b>	
Amounts held for others	<u><u>\$        150,119</u></u>

Combining Statement of Net Assets  
Other Component Units  
June 30, 2012

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 236,836	\$ 323,012	\$ 559,848
Receivables, net of allowance	707,667	158,590	866,257
Due from other governments	-	288,774	288,774
Inventory	-	182,162	182,162
Prepays and other assets	1,221	13,662	14,883
Capital assets:			
Non-depreciable	-	3,424,662	3,424,662
Depreciable	5,061	16,197,340	16,202,401
<b>Total assets</b>	<b>950,785</b>	<b>20,588,202</b>	<b>21,538,987</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and other liabilities	581,156	458,165	1,039,321
Due to primary government	125,000	196,244	321,244
Total current liabilities	<u>706,156</u>	<u>654,409</u>	<u>1,360,565</u>
Noncurrent liabilities:			
Other post employment benefits	-	46,000	46,000
Compensated absences	-	57,740	57,740
Total noncurrent liabilities	<u>-</u>	<u>103,740</u>	<u>103,740</u>
<b>Total liabilities</b>	<b>706,156</b>	<b>758,149</b>	<b>1,464,305</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,061	19,622,002	19,627,063
Unrestricted	<u>239,568</u>	<u>208,051</u>	<u>447,619</u>
<b>Total net assets</b>	<b>\$ 244,629</b>	<b>\$ 19,830,053</b>	<b>\$ 20,074,682</b>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Other Component Units  
For the Year Ended June 30, 2012

	<b>Component Units</b>		
	<b>Business Development Centre, Inc.</b>	<b>Greater Lynchburg Transit Company</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services and other operating revenues	\$ 195,425	\$ 1,255,618	\$ 1,451,043
<b>Total operating revenues</b>	<u>195,425</u>	<u>1,255,618</u>	<u>1,451,043</u>
<b>Operating expenses</b>			
Operations	302,303	6,141,324	6,443,627
Administration	1,499	1,201,285	1,202,784
Maintenance and repairs	21,369	1,332,770	1,354,139
<b>Total operating expenses</b>	<u>325,171</u>	<u>8,675,379</u>	<u>9,000,550</u>
<b>Operating loss</b>	<u>(129,746)</u>	<u>(7,419,761)</u>	<u>(7,549,507)</u>
<b>Nonoperating revenue</b>			
Subsidy of operations:			
City of Lynchburg	-	1,099,854	1,099,854
Counties	-	57,492	57,492
Liberty University	-	1,057,645	1,057,645
State of Virginia aid for public transportation	-	1,159,996	1,159,996
Federal operating grant	-	1,852,743	1,852,743
Donations and grants	117,975	6,984	124,959
Miscellaneous revenue (expenses), net	-	(8,839)	(8,839)
Gain on sale of capital assets	-	25,340	25,340
<b>Total nonoperating revenue</b>	<u>117,975</u>	<u>5,251,215</u>	<u>5,369,190</u>
Capital contributions	<u>-</u>	<u>4,512,285</u>	<u>4,512,285</u>
<b>Change in net assets</b>	<u>(11,771)</u>	<u>2,343,739</u>	<u>2,331,968</u>
<b>Total net assets - beginning</b>	<u>256,400</u>	<u>17,486,314</u>	<u>17,742,714</u>
<b>Total net assets - ending</b>	<u>\$ 244,629</u>	<u>\$ 19,830,053</u>	<u>\$ 20,074,682</u>

**Combining Statement of Cash Flows  
Other Component Units  
For the Year Ended June 30, 2012**

	<b>Component Units</b>		
	<b>Business Development Centre, Inc.</b>	<b>Greater Lynchburg Transit Company</b>	<b>Total</b>
<b>Operating activities</b>			
Cash received from operations	\$ 327,599	\$ 1,143,637	\$ 1,471,236
Cash paid to employees	(184,728)	(2,860,043)	(3,044,771)
Cash paid to suppliers for goods and services	(140,039)	(3,595,304)	(3,735,343)
New loans disbursed	(160,000)	-	(160,000)
<b>Net cash used in operating activities</b>	<b>(157,168)</b>	<b>(5,311,710)</b>	<b>(5,468,878)</b>
<b>Noncapital financing activities</b>			
Net change in line of credit	-	(224,782)	(224,782)
Subsidies	-	5,773,747	5,773,747
Operating grants and contributions	117,975	-	117,975
<b>Net cash provided from noncapital financing activities</b>	<b>117,975</b>	<b>5,548,965</b>	<b>5,666,940</b>
<b>Capital and related financing activities</b>			
Capital contributions received	-	5,007,771	5,007,771
Additions to capital assets	-	(4,948,199)	(4,948,199)
Proceeds from sale of capital assets	-	20,452	20,452
Miscellaneous receipts (disbursements), net	-	(8,839)	(8,839)
<b>Net cash provided from capital and related financing activities</b>	<b>-</b>	<b>71,185</b>	<b>71,185</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(39,193)</b>	<b>308,440</b>	<b>269,247</b>
<b>Cash and cash equivalents</b>			
<b>Beginning of year</b>	<b>276,029</b>	<b>14,572</b>	<b>290,601</b>
<b>End of year</b>	<b>\$ 236,836</b>	<b>\$ 323,012</b>	<b>\$ 559,848</b>
<b>Reconciliation of operating loss to net cash used in operating activities</b>			
Operating loss	\$ (129,746)	\$ (7,419,761)	\$ (7,549,507)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	851	2,198,685	2,199,536
Increase in receivables	(26,450)	(111,981)	(138,431)
Decrease (increase) in prepaid expenses and other assets	(510)	43,512	43,002
Decrease in inventory	-	36,632	36,632
Decrease in bank over draft	-	(12,603)	(12,603)
Decrease in accounts payable and other current liabilities	(1,313)	(37,140)	(38,453)
Decrease in compensated absences and other post employment benefits	-	(9,054)	(9,054)
<b>Net cash used in operating activities</b>	<b>\$ (157,168)</b>	<b>\$ (5,311,710)</b>	<b>\$ (5,468,878)</b>
<b>Supplemental cash flow information</b>			
<b>Non-cash transactions:</b>			
Capital assets additions financed by accounts payable	\$ -	\$ 231,859	\$ 231,859



## **SUPPLEMENTAL SCHEDULES**



**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>Primary Government</u></b>		
<b>Department of Agriculture</b>		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Supplemental Nutrition Assistance Program	10.561	1,052,259
<b>Department of Health and Human Services</b>		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Family Preservation and Support	93.556	29,696
TANF Block Grant	93.558	1,184,462
Refugee and Entrant Assistance State - Administered Programs	93.566	8,113
Low Income Energy Assistance	93.568	72,834
Child Care Assistance	93.575	163,965
Child Care Development Fund	93.596	401,107
Chafee Education and Training Vouchers Program (ETV)	93.599	8,441
Child Welfare Services	93.645	3,931
Foster Care - Title IV-E	93.658	983,545
Adoption Assistance	93.659	1,346,726
Social Services Block Grant	93.667	888,011
Independent Living	93.674	24,994
Children's Insurance Program	93.767	26,836
Medicaid Assistance	93.778	633,621
<b>Department of Housing and Urban Development</b>		
Direct Payments:		
Community Development Block Grant Program, Entitlement Grants	14.218	776,302
Community Development Block Grant Program, Entitlement Grants - ARRA	14.218	23,487
Shelter Plus Care	14.238	67,068
Home Investment Partnership Program	14.239	666,720
<b>Department of Justice</b>		
Direct Payments:		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	188,242
Bulletproof Vest Partnership	16.607	20,932
Passed through Commonwealth of Virginia:		
Department of Criminal Justice Services:		
Juvenile Accountability Incentive Block Grant	16.523	3,009
Victim-Witness Services	16.575	169,418
Violence Against Women Formula Grant	16.588	68,145
Byrne Memorial Justice Assistance Grant - Commonwealth Attorney's Office / Gang Prevention / Community Corrections	16.592	164,540
Byrne Memorial Justice Assistance Grant	16.738	51,224
Byrne Discretionary Grant - ARRA	16.804	73,178
<b>Department of Labor</b>		
Passed through Commonwealth of Virginia:		
Employment and Training Administration:		
WIA Adult Program	17.258	302,538
WIA Youth Activities	17.259	366,318
WIA Dislocated Workers (after 7/1/10)	17.278	388,141

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1  
(Continued)Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012  
(Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
<b>Department of Homeland Security</b>		
Direct Payments:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1,156,830
Transportation Security Administration:		
Airport LEO Cooperative Agreement	97.090	115,385
<b>Department of Energy</b>		
Direct Payments:		
Energy Efficiency and Conservation Block Grant Program	81.128	456,311
<b>Department of Transportation</b>		
Direct Payments:		
Highway Planning and Construction	20.205	676,223
Passed through Commonwealth of Virginia:		
Department of Motor Vehicles:		
Alcohol Impaired Driving Grants	20.600	17,292
Selective Enforcement Grants	20.601	4,508
Alcohol Open Container Requirements Grants	20.607	35,641
<b>Environmental Protection Agency</b>		
Passed through Commonwealth of Virginia:		
State and Tribal Assistance Grant	66.202	38,600
Virginia Resources Authority:		
Revolving Loan	66.458	13,744,407
Revolving Loan - ARRA	66.458	197,503
<b>Federal Aviation Administration</b>		
Direct Payments:		
Department of Aviation:		
Airport Improvement Program	20.106	339,139
<b>Federal Emergency Management Agency</b>		
Direct Payments:		
Department of Homeland Security:		
Assistance to Firefighters	97.044	29,316
Passed through Commonwealth of Virginia:		
Department of Emergency Services:		
Homeland Security	97.073	76,444
<b>Component Unit - Lynchburg Schools</b>		
<b>Department of Agriculture</b>		
Passed through Commonwealth of Virginia:		
Department of Education:		
National School Lunch Program	10.555	2,150,955
National School Breakfast Program	10.553	748,474
Fresh Fruit and Vegetables	10.582	153,400
<b>Department of Education</b>		
Passed through Commonwealth of Virginia:		
Title I - Educationally Deprived Children - LEA	84.010	5,124,608
Title I - Neglected and Delinquent Children	84.013	7,502

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1  
(Continued)Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012  
(Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
ARRA Title I - Grants to LEA's Elementary and Secondary Education Act (ESEA):	84.389	\$ 103,340
Title IV-B - Elementary and Secondary Education Act of 1965	84.287	1,293,082
Title VI-B - Special Education	84.027	2,086,332
ARRA State Fiscal Stabilization Fund - Education State Grants	84.394	199,827
ARRA Education Jobs Fund	84.410	2,005,245
Special Education Preschool Grants	84.173	23,210
ARRA Special Education Grants to States	84.391	81,805
ARRA Special Education Preschool Grants	84.392	36,605
Technology Literacy Challenge Fund Grants	84.318	31,291
ARRA Technology Literacy Challenge Fund Grants	84.386	1,623
English Language Acquisition Grants	84.365	20,508
Title II - Part A Funds	84.367	613,165
Vocational Education:		
Basic Grants to States	84.048	236,933
Drug Free Schools and Communities	84.186	3,939
McKenney-Vento Homeless Education Assistance Improvements Act of 2001:		
Title X-C -No Child Left Behind Act	84.000	19,620
<b>TOTAL</b>		<b>\$ 41,986,866</b>

Donated Food  
ReceivedPrimary 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	\$	1,600
10.555		456
10.555		305

Component Unit - Lynchburg Schools**Department of Agriculture**

Passed through Commonwealth of Virginia:

Department of Education:

National School Lunch Program (Commodities)

10.555		210,406
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**TOTAL****\$ 212,767**

## CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
As of June 30, 2012

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### ***Note 1. Significant Accounting Policy***

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#### Basis of Accounting:

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

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

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

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

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

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### ***Note 3. Non-monetary Assistance***

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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, 2012

### **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 sub recipients as follows:

Subrecipient	Community Development Block Grant	Community Development Block Grant ARRA	Home Investment Trust	Workforce Investment Act Cluster
Bluffwalk Section 108 Loan	\$ 180,000	\$ -	\$ -	\$ -
Camp Kum-Ba-Yah	10,000	-	-	-
City Administration	93,148	-	18,480	-
City Projects - Fifth Street	160,000	-	-	-
The Gateway House, Inc.	25,000	-	-	-
Habitat for Humanity	-	-	47,500	-
Hunton Community Center	1,944	-	-	-
Lynchburg Community Action Group	43,580	-	232,777	-
Lynchburg Neighborhood Development	-	-	327,690	-
Lynchburg Redevelopment & Housing Authority	176,341	-	-	-
Mary Bethune Nursery	2,487	-	-	-
Miriam's House	22,103	-	-	-
Rebuilding Together	-	23,487	-	-
Region 2000 Local Governmental Council	-	-	-	1,056,997
Rush Lifetime Homes	-	-	40,273	-
Smart Beginnings	21,276	-	-	-
Virginia University of Lynchburg	14,320	-	-	-
YWCA Town Center Restoration	4,000	-	-	-
YWCA Domestic Violence Prevention	22,103	-	-	-
	<u>\$ 776,302</u>	<u>\$ 23,487</u>	<u>\$ 666,720</u>	<u>\$ 1,056,997</u>

### **Note 5. Program Income**

In accordance with terms of the Community Development Block Grant Program, program income totaling \$10,770 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, 2012, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of \$127,972,943 which includes \$36,775,755 of federal funded loans. Expenditures associated with the federally funded loans totaled \$13,744,407 in FY2012. In addition, revolving loan ARRA funds of \$197,503 were received and expended in FY2012.

## CITY OF LYNCHBURG, VIRGINIA

Schedule of Passenger Facility Charges  
As of June 30, 2012Passenger Facility Charges:

Federal Agency/Program Name/Application Number	PFC Balance July 1, 2011	Adjustments	PFC Collected	Interest Earnings	Expenditures	PFC Balance June 30, 2012
FEDERAL AVIATION ADMINISTRATION						
Passenger facility charges (05-04-C-00-LYH)	\$ 10,312	\$ (6,987)	\$ 201,929	\$ 7	\$ 205,261	\$ -
Passenger facility charges (12-06-C-00-LYH)	-	6,987	116,430	7	3,890	119,534
	<u>\$ 10,312</u>	<u>\$ -</u>	<u>\$ 318,359</u>	<u>\$ 14</u>	<u>\$ 209,151</u>	<u>\$ 119,534</u>

## SCHEDULE 3

Schedule of Expenditures of Passenger Facility Charges  
As of June 30, 2012Expenditures of Passenger Facility Charges:

Project	PFC Expenditures
<u>Application 4 (05-04-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ 5,261
Local share reimbursement (AIP-29) Runway 4-22 extension, (construction)	<u>200,000</u>
Sub-Total Application #4	<u>205,261</u>
<u>Application 6 (12-06-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	<u>3,890</u>
Sub-Total Application #6	<u>3,890</u>
Total PFC expenditures	<u>\$ 209,151</u>

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



## **STATISTICAL SECTION**



## STATISTICAL SECTION

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

### **CONTENTS**

### **Pages**

#### **MISCELLANEOUS STATISTICAL DATA**

This section provides additional information about the City, form of government, taxable subjects for local taxation, City's Fund Balance, Debt Management, Budget, and Investment policies. 96-100

#### **FINANCIAL TRENDS**

Tables 1-11 contain trend information to help the reader understand how the City's financial performance and well-being have changed over the time. 101-113

#### **REVENUE CAPACITY**

Tables 12-17 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 114-119

#### **DEBT CAPACITY**

Tables 18-21 present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 120-123

#### **DEMOGRAPHIC AND ECONOMIC INDICATORS**

Tables 22-23 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 124-125

#### **OPERATING INFORMATION**

Tables 24-27 contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs. 126-129

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

**CITY OF LYNCHBURG, VIRGINIA**  
**MISCELLANEOUS STATISTICAL DATA**  
**June 30, 2012**

**DATE OF INCORPORATION**

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

**AREA OF CITY**

The area of the City consists of 50.107 square miles.

**POPULATION**

United States Census 1990 (1) .....	66,049
United States Census 2000 (1) .....	65,269
United States Census 2008 (1) .....	73,834
United States Census 2009 (1) .....	75,204
United States Census 2010 (1) .....	75,826
United States Census 2011 (1) .....	76,448
(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, 2012

(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:

- \$1.05 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: 2005-2012
- \$3.30 per \$100 assessed value: 1990-2004

##### Machinery and Tools:

- \$3.00 per \$100 assessed value: 1990-2012

##### Local Sales Tax:

- 1% + 4.0% VA tax: 2005-2012
- 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, 2012**  
**(Continued)**

**TAX RATES**  
**(Continued)**

Motor Vehicle License:

- \$29.50 for vehicles weighing 4,000 pounds or less: 2005-2012
- \$34.50 for vehicles weighing greater than 4,000 pounds: 2005-2012
- \$25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2012
- \$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, \$1,100,000 is allocated for tourism.

Meals Tax:

- A tax of 6.5% on prepared meals sold in the City in addition to Sales Tax. In 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, 2012**  
**(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 and was revised in 2011, which established major policy goal of maintaining the Unassigned General Fund Balance at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The Fund Balance Policy states:

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

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

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

**CITY OF LYNCHBURG, VIRGINIA**  
**MISCELLANEOUS STATISTICAL DATA**  
**June 30, 2012**  
**(Continued)**

**BUDGET POLICY**

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

***Principles***

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

**QUARTERLY FINANCIAL REPORTING**

The City Manager will present to the City Council's Finance Committee (with copies to the remainder of Council) quarterly financial reports identifying meaningful trends in revenues and expenditures for the General, Water and Sewer, Airport, Stadium, Comprehensive Services Act, and 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 establishing specific requirements or limitations imposed upon the investment of Bond Proceeds, Debt Service Funds and Debt Service Reserve Funds. It is the policy of the City of Lynchburg that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this policy. It is the intent of the City to be in complete compliance with all applicable federal, state and local laws, and other regulations and statutes governing the investment of public funds. Within those parameters, the goal of this policy is to achieve the highest rate of return that is reasonable. The City will establish an Investment Committee consisting of the City Manager, Deputy City Manager, and Director of Financial Services. This Committee will provide broad policy oversight over investments. This policy will be reviewed on an annual basis. Any changes must be approved by the Investment Committee and be reaffirmed by City Council.



## CITY OF LYNCHBURG, VIRGINIA

TABLE 1

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in capital assets, net of related debt	\$ 130,892,517	\$ 135,832,636	\$ 140,548,447	\$ 139,205,720	\$ 139,856,317	\$ 143,158,392	\$ 155,791,105	\$ 161,777,277	\$ 164,804,823	\$ 166,830,517
Restricted	55,409	-	-	171,844	-	19,975,370	20,149,056	18,733,893	23,708,274	18,760,659
Unrestricted	30,244,439	32,330,375	33,754,620	46,486,579	56,819,180	58,219,507	64,928,380	65,970,506	61,798,935	71,824,701
Total governmental activities net assets	<u>\$ 161,192,365</u>	<u>\$ 168,163,011</u>	<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>
Business-type activities										
Invested in capital assets, net of related debt	\$ 105,589,397	\$ 112,022,931	\$ 119,234,122	\$ 125,543,179	\$ 134,385,674	\$ 146,157,075	\$ 152,089,577	\$ 167,081,709	\$ 180,332,606	\$ 182,791,158
Restricted	7,184,652	-	-	-	1,765	4,708	8,786	5,213	10,312	119,534
Unrestricted	15,561,278	22,972,124	26,928,368	29,667,849	35,582,153	33,515,192	18,461,675	20,419,761	18,709,510	19,388,092
Total business-type activities net assets	<u>\$ 128,335,327</u>	<u>\$ 134,995,055</u>	<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>
Primary government										
Invested in capital assets, net of related debt	\$ 236,481,914	\$ 247,855,567	\$ 259,782,569	\$ 264,748,899	\$ 274,241,991	\$ 289,315,467	\$ 307,880,682	\$ 328,858,986	\$ 345,137,429	\$ 349,621,675
Restricted	7,240,061	-	-	171,844	1,765	19,980,078	20,157,842	18,739,106	23,718,586	18,880,193
Unrestricted	45,805,717	55,302,499	60,682,988	76,154,428	92,401,333	91,734,699	83,390,055	86,390,267	80,508,445	91,212,793
Total primary government net assets	<u>\$ 289,527,692</u>	<u>\$ 303,158,066</u>	<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>

## CITY OF LYNCHBURG, VIRGINIA

TABLE 2

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 15,127,680	\$ 9,474,943	\$ 10,120,602	\$ 11,727,655	\$ 12,148,875	\$ 13,397,520	\$ 14,572,569	\$ 14,710,937	\$ 13,623,646	\$ 14,209,838
Judicial	3,846,581	4,336,165	4,717,917	5,099,725	5,471,591	5,626,570	5,707,528	5,633,105	6,329,475	6,546,970
Public Safety	28,911,487	33,858,886	35,823,077	39,639,402	40,397,195	43,152,656	43,233,506	42,794,498	44,365,150	44,743,484
Public Works	20,819,441	17,638,226	18,764,769	20,760,247	19,643,233	21,511,617	28,957,020	26,790,420	25,504,881	25,535,985
Health and Human Services	19,704,149	20,391,462	21,328,976	20,095,986	23,439,351	27,078,262	26,097,589	24,935,622	24,577,656	24,620,381
Culture and Recreation	4,262,645	7,895,722	8,195,390	8,943,345	9,432,337	10,247,701	10,364,636	9,852,641	10,247,781	8,413,428
Community Development	5,298,688	10,373,473	6,375,560	6,469,555	6,759,110	5,284,797	4,974,659	5,024,903	5,490,368	7,757,830
Education	28,371,163	27,680,572	28,638,013	32,618,426	33,539,288	36,727,401	35,807,016	33,876,792	35,171,968	36,667,051
Interest Payments and Fiscal Charges	4,230,625	3,520,381	4,634,912	4,999,355	5,444,098	5,821,141	5,605,088	6,286,182	5,625,344	5,481,482
Non-departmental	2,806,878	-	-	-	-	-	-	-	-	-
Issuance Costs	-	-	192,828	173,943	-	216,051	-	483,236	170,210	28,450
Total governmental activities expenses	133,379,337	135,169,830	138,792,044	150,527,639	156,275,078	169,063,716	175,319,611	170,388,336	171,106,479	174,004,899
Business-type activities:										
Solid Waste Management	5,488,691	6,902,366	5,794,660	5,599,954	6,436,950	8,240,113	206,551	-	-	-
Airport	3,118,741	3,623,207	3,405,121	3,505,550	3,545,346	3,882,343	4,062,502	4,308,441	4,374,509	4,394,934
Water	7,855,213	8,859,383	8,743,519	9,273,940	9,846,038	11,406,440	11,274,496	12,600,109	12,231,617	11,881,318
Sewer	11,093,129	13,165,634	11,800,236	12,431,230	12,757,627	14,431,645	14,976,951	15,069,642	15,889,515	16,705,588
Total business-type activities expenses	27,555,774	32,550,590	29,743,536	30,810,674	32,585,961	37,960,541	30,520,500	31,978,192	32,495,641	32,981,840
Total primary government expenses	\$ 160,935,111	\$ 167,720,420	\$ 168,535,580	\$ 181,338,313	\$ 188,861,039	\$ 207,024,257	\$ 205,840,111	\$ 202,366,528	\$ 203,602,120	\$ 206,986,739

(Continued)

**TABLE 2**  
**(Continued)**

**CITY OF LYNCHBURG, VIRGINIA**

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Program Revenues</b> (see Table 3)										
Governmental Activities:										
Charges for services:										
General government	\$ 284,055	\$ 416,760	\$ 401,099	\$ 466,636	\$ 398,188	\$ 556,888	\$ 548,729	\$ 437,468	\$ 424,127	\$ 523,344
Judicial	640,239	625,331	620,348	741,266	730,625	716,313	737,613	846,930	686,417	781,941
Public safety	3,885,871	3,124,914	3,185,126	4,917,707	5,398,675	5,059,318	4,104,152	4,452,849	5,343,055	5,875,575
Public works	572,327	209,994	140,291	185,474	98,025	198,841	993,935	989,613	786,813	813,474
Health and human services	754,347	709,578	2,386,199	1,685,316	1,817,260	2,458,875	2,385,901	2,037,083	2,364,654	2,462,151
Cultural and Recreational	517,625	1,350,148	1,675,398	1,810,243	1,888,695	1,916,356	2,126,732	2,069,822	2,092,744	647,929
Community development	753,452	1,097,437	693,244	1,093,999	887,401	916,926	600,480	544,603	340,847	622,156
Operating Grants and Contributions	28,241,733	34,083,736	29,927,625	32,475,807	33,925,919	36,346,157	32,423,390	29,398,177	29,639,955	30,194,337
Capital Grants and Contributions	3,353,102	2,062,659	4,119,640	2,435,928	2,217,419	24,914,181	12,940,905	13,954,135	11,833,437	11,546,586
Total governmental activities program services	39,002,751	43,680,557	43,148,970	45,812,376	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049	53,467,493
Business-type activities:										
Charges for services:										
Solid Waste Management	5,459,258	6,352,423	6,985,739	7,219,229	7,276,645	6,313,555	-	-	-	-
Airport	1,586,178	1,480,543	1,637,730	1,762,826	1,848,109	1,839,685	1,967,871	2,152,132	2,093,668	2,011,159
Water	8,607,032	9,001,806	9,488,676	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,314,865
Sewer	13,932,357	13,919,612	14,682,219	15,405,174	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990	18,520,421
Operating Grants and Contributions	423,729	272,894	311,173	415,801	398,850	406,261	178,948	203,659	202,704	158,129
Capital Grants and Contributions	3,982,334	7,203,733	5,562,333	3,066,896	8,918,563	7,490,370	4,826,469	15,197,159	10,563,426	2,007,777
Total business-type activities program revenues	33,990,888	38,231,011	38,667,870	38,222,229	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382	35,012,351
Total primary government program revenues	\$ 72,993,639	\$ 81,911,568	\$ 81,816,840	\$ 84,034,605	\$ 92,242,741	\$ 118,265,500	\$ 93,257,306	\$ 102,848,825	\$ 96,858,431	\$ 88,479,844
<b>Net (Expense) Revenue</b>										
Governmental Activities	\$ (94,376,586)	\$ (91,489,273)	\$ (95,643,074)	\$ (104,715,263)	\$ (108,912,871)	\$ (95,979,861)	\$ (118,457,774)	\$ (115,657,656)	\$ (117,594,430)	\$ (120,537,406)
Business-type Activities	6,435,114	5,680,421	8,924,334	7,411,555	12,294,573	7,221,104	5,874,969	16,139,953	10,850,741	2,030,511
Total Primary Government Net Expenses	\$ (87,941,472)	\$ (85,808,852)	\$ (86,718,740)	\$ (97,303,708)	\$ (96,618,298)	\$ (88,758,757)	\$ (112,582,805)	\$ (99,517,703)	\$ (106,743,689)	\$ (118,506,895)

(Continued)

**TABLE 2**  
**(Continued)**

**CITY OF LYNCHBURG, VIRGINIA**

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental Activities:										
Taxes										
Property taxes	\$ 43,783,096	\$ 47,696,680	\$ 49,831,096	\$ 60,191,431	\$ 57,241,907	\$ 63,187,947	\$ 65,185,656	\$ 67,786,672	\$ 69,849,510	\$ 70,054,855
Local sales and use taxes	11,027,631	11,528,820	12,221,811	13,319,691	14,481,096	14,266,750	13,056,829	12,675,632	13,290,563	13,440,973
Meals taxes	6,984,195	7,561,387	8,666,117	9,423,830	10,000,796	10,326,953	10,477,061	10,477,700	10,975,580	11,658,371
Consumer utility taxes	6,826,740	6,892,926	8,397,849	6,840,948	5,835,367	4,793,431	4,739,261	4,700,202	4,692,477	4,475,316
Business license taxes	6,712,152	6,507,848	7,032,917	7,675,284	7,922,666	8,010,597	7,913,270	7,818,381	7,263,543	7,885,841
Communications sales and use tax	-	-	-	-	1,669,968	3,893,158	3,537,283	3,552,028	3,534,449	3,462,621
Other taxes	6,037,923	6,509,095	6,096,139	6,794,113	6,697,407	5,827,855	5,719,878	6,070,900	6,377,684	7,299,554
Unrestricted intergovernmental	8,961,598	8,450,138	8,405,457	9,434,886	9,687,718	6,227,484	5,601,254	5,576,232	5,418,525	5,940,422
Interest	613,103	235,434	954,317	1,785,705	3,082,813	3,522,533	1,716,449	794,471	601,999	438,375
IRS interest subsidy - Build America bonds	-	-	-	-	-	-	-	283,891	146,839	293,680
Miscellaneous	3,008,299	1,234,747	1,090,845	1,605,259	1,919,538	1,026,286	3,827,687	1,683,037	1,498,803	1,162,435
Transfers	571,552	(217,924)	(469,136)	(304,924)	11,134	(577,893)	16,198,418	(261,260)	(259,950)	(417,961)
Gain (Loss) on sale of assets	122,302	(22,450)	(705,032)	-	-	152,532	-	112,905	95,976	73,749
Total governmental activities	94,648,591	96,376,701	101,522,380	116,766,223	118,550,410	120,657,633	137,973,046	121,270,791	123,485,998	125,768,231
Business-type activities:										
Interest	952,358	340,736	582,522	1,248,981	2,382,245	1,784,508	825,779	207,953	206,665	210,782
IRS interest subsidy - Build America Bonds	-	-	-	-	-	-	-	287,632	148,776	297,551
Miscellaneous	196,873	331,018	105,329	83,078	92,880	123,878	297,033	49,847	79,613	148,571
Transfers	(571,552)	217,924	469,136	304,924	(11,134)	577,893	(16,198,418)	261,260	259,950	-
Gain on sale of assets	(190,589)	(334,742)	(363,989)	-	-	-	83,700	-	-	417,961
Total business-type activities	387,090	554,936	792,998	1,636,983	2,463,991	2,486,279	(14,991,906)	806,692	695,004	1,074,865
Total primary government	\$ 95,035,681	\$ 96,931,637	\$ 102,315,378	\$ 118,403,206	\$ 121,014,401	\$ 123,143,912	\$ 122,981,140	\$ 122,077,483	\$ 124,181,002	\$ 126,843,096
<b>Changes in Net Assets</b>										
Governmental activities	\$ 272,005	\$ 4,887,428	\$ 5,879,306	\$ 12,050,960	\$ 9,637,539	\$ 24,677,772	\$ 19,515,272	\$ 5,613,135	\$ 5,891,568	\$ 5,230,825
Business-type activities	6,822,204	6,235,357	9,717,332	9,048,538	14,758,564	9,707,383	(9,116,937)	16,946,645	11,545,745	3,105,376
Total primary government	\$ 7,094,209	\$ 11,122,785	\$ 15,596,638	\$ 21,099,498	\$ 24,396,103	\$ 34,385,155	\$ 10,398,335	\$ 22,559,780	\$ 17,437,313	\$ 8,336,201

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Function/Program</b>										
Governmental Activities:										
General Government	\$ 577,940	\$ 716,128	\$ 726,708	\$ 785,105	\$ 734,876	\$ 942,144	\$ 900,082	\$ 784,656	\$ 733,374	\$ 842,476
Judicial	2,777,001	2,790,371	3,716,905	3,907,807	3,978,858	4,477,871	4,319,914	4,434,426	4,405,123	4,685,775
Public Safety	7,356,929	6,588,169	6,235,060	8,551,169	8,489,027	11,106,642	11,638,433	10,221,136	11,507,560	10,901,882
Public Works	8,854,787	7,557,688	8,821,426	9,246,609	9,143,028	31,409,029	13,461,837	14,184,338	12,761,729	13,637,579
Health and Human Services	13,065,116	15,501,010	15,273,759	15,728,602	17,439,083	20,030,396	20,093,434	19,645,184	19,710,295	19,756,196
Culture and Recreation	737,337	2,143,741	1,973,444	2,085,063	2,125,708	2,117,677	2,332,948	2,266,212	2,335,925	842,913
Community Development	4,004,873	7,060,174	3,114,730	3,658,669	3,239,533	2,134,843	3,322,867	2,217,737	2,027,021	2,445,719
Education	1,628,768	1,323,276	3,286,938	1,849,352	2,212,094	865,253	792,322	976,991	31,022	354,953
Subtotal governmental activities	39,002,751	43,680,557	43,148,970	45,812,376	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049	53,467,493
Business-type activities:										
Solid Waste Management (1)	5,650,297	6,554,259	7,185,377	7,423,363	7,478,380	6,517,869	-	-	-	-
Airport	2,554,723	4,004,944	3,213,025	3,468,328	10,159,028	7,283,243	2,889,032	4,917,589	4,331,554	3,452,187
Water	8,607,032	9,001,806	9,697,544	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,338,865
Sewer	17,178,836	18,670,002	18,571,924	16,978,235	16,845,346	20,110,651	21,800,842	31,171,530	26,552,234	19,221,299
Subtotal business-type activities	33,990,888	38,231,011	38,667,870	38,222,229	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382	35,012,351
Total primary government	<u>\$ 72,993,639</u>	<u>\$ 81,911,568</u>	<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>

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

TABLE 4

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

	Pre-GASB 54							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 944,980	\$ 933,133	\$ 1,131,403	\$ 879,657	\$ 1,236,149	\$ 2,406,773	\$ 719,850	\$ 1,457,305
Unreserved	20,912,864	22,830,309	25,356,742	35,906,892	31,541,207	32,158,992	36,459,043	44,287,091
Total General Fund	<u>\$ 21,857,844</u>	<u>\$ 23,763,442</u>	<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	\$ 2,539,641	\$ 14,416,749	\$ 6,941,128	\$ 6,687,005	\$ 5,430,322	\$ 44,832,256	\$ 31,264,091	\$ 9,752,227
Unreserved, reported in:								
Special revenue funds	3,019,561	3,901,971	3,464,014	4,071,768	3,219,576	1,082,960	4,263,967	4,265,193
Capital projects funds	3,185,163	730,434	(2,600,639)	9,825,526	13,985,011	6,697,269	11,646,868	31,943,779
Total All Other Governmental Funds	<u>\$ 8,744,365</u>	<u>\$ 19,049,154</u>	<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						
General Fund								
Committed	\$ 13,707,762	\$ 13,992,915						
Assigned	4,077,230	5,574,299						
Unassigned	29,215,575	28,835,650						
Total General Fund	<u>\$ 47,000,567</u>	<u>\$ 48,402,864</u>						
All Other Governmental Funds								
Nonspendable	\$ 500,000	\$ 500,000						
Restricted	23,708,274	18,760,659						
Committed	18,396,943	21,518,899						
Assigned	121,599	126,818						
Unassigned	(539,488)	(257,944)						
Total All Other Governmental Funds	<u>\$ 42,187,328</u>	<u>\$ 40,648,432</u>						

Note: Eight years of data is available for GASB 34 compliance. Two years of data is available for GASB 54 compliance.  
GASB 54 was adopted in FY2011.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 81,766,514	\$ 86,781,006	\$ 92,733,402	\$103,986,837	\$102,976,887	\$ 110,668,029	\$ 110,330,014	\$ 112,551,637	\$ 115,044,676	\$ 116,760,078
Regulatory licenses, permits, and privilege fees	675,311	738,887	635,880	1,025,782	887,272	849,742	650,514	664,028	683,712	916,546
Intergovernmental	39,762,030	42,590,744	40,066,285	43,636,173	45,511,572	67,254,109	50,772,908	48,877,101	46,663,521	47,320,286
Fines and forfeitures	538,753	551,716	552,797	593,518	581,986	586,661	612,595	667,756	598,424	721,839
Revenue from use of money and property	1,070,082	1,473,169	2,236,442	3,092,260	4,438,852	4,843,948	3,113,910	2,177,785	1,962,064	749,017
Charges for services	5,725,305	8,384,511	9,968,139	10,362,547	10,480,891	11,155,656	11,782,655	11,846,063	11,977,908	11,467,834
Miscellaneous	4,618,072	3,125,934	1,880,832	2,158,618	2,019,557	1,035,977	2,317,772	2,281,001	1,863,720	1,828,931
Total revenues	134,156,067	143,645,967	148,073,777	164,855,735	166,897,017	196,394,122	179,580,368	179,065,371	178,794,025	179,764,531
<b>Expenditures</b>										
General government	14,601,433	12,130,482	12,772,780	13,236,092	14,284,594	14,978,175	16,046,197	16,125,721	15,157,924	15,499,218
Judicial	3,699,569	4,134,506	4,573,231	4,875,257	5,279,455	5,359,727	5,478,171	5,347,422	5,553,219	5,790,132
Public Safety	27,475,148	33,129,964	35,179,870	36,850,835	38,394,220	40,564,072	41,723,778	40,379,295	42,216,297	42,427,687
Public Works	13,549,915	10,271,407	16,347,027	14,294,952	13,054,801	14,583,441	22,154,990	18,834,896	17,746,056	17,681,810
Health and human services	17,590,464	26,853,682	20,883,082	20,815,071	22,886,119	26,320,281	25,693,662	24,400,078	23,992,172	24,172,488
Cultural and recreational	3,929,095	7,549,794	7,770,918	8,291,783	8,753,747	9,197,360	9,496,115	8,915,422	9,114,228	7,383,687
Community development	4,820,850	8,514,631	6,352,211	6,333,310	6,716,287	5,097,359	4,990,958	5,200,664	5,507,839	7,734,642
Education (1)	27,025,411	26,005,227	27,714,269	30,057,224	30,330,939	33,170,354	32,191,853	29,472,854	30,343,130	31,830,468
Non-departmental (2)	2,806,878	-	-	-	-	-	-	-	-	-
Capital Outlay										
Capital general government (4)	10,402,729	25,350,920	13,049,200	13,958,226	14,285,864	14,477,202	33,101,444	37,055,272	12,891,432	10,688,906
Debt Services										
Principal Retirement	23,058,352	18,957,684	7,431,610	18,870,007	8,428,304	8,400,119	8,582,070	17,214,799	10,872,412	10,119,044
Interest payments and other fiscal charges	3,862,166	4,417,364	4,584,994	4,554,384	5,113,526	5,519,494	5,455,250	5,619,800	5,671,296	5,399,200
Issuance costs	-	-	192,826	173,943	-	216,051	-	483,236	170,210	28,450
Total expenditures	152,822,010	177,315,661	156,852,018	172,311,084	167,527,856	177,883,635	204,914,488	209,049,459	179,236,215	178,755,732
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(18,665,943)</b>	<b>(33,669,694)</b>	<b>(8,778,241)</b>	<b>(7,455,349)</b>	<b>(630,839)</b>	<b>18,510,487</b>	<b>(25,334,120)</b>	<b>(29,984,088)</b>	<b>(442,190)</b>	<b>1,008,799</b>
<b>Other financing sources (uses)</b>										
Proceeds from debt issues	26,306,594	47,234,898	-	31,725,694	-	16,788,389	6,156,611	36,180,000	-	-
Premium on debt proceeds	-	-	-	732,486	-	167,163	-	993,827	-	-
Discount on debt proceeds	-	-	-	-	-	-	-	(959,560)	-	-
Construction advance (3)	(3,525,664)	-	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	26,322,927	-	-	4,824,128	-	6,103,649	18,591,517	-
Issuance of refunding capital lease	-	-	1,679,825	-	-	-	-	-	-	-
Refunded bond principal payments	-	-	-	-	-	(4,756,894)	-	-	-	-
Payments to escrow agent	-	-	(28,063,727)	-	-	-	-	(6,046,285)	(18,397,260)	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	1,938,525	-	-	-	-	-	-	-
Transfers to component units	-	-	-	-	-	-	-	-	-	-
Transfers in	6,660,812	6,857,148	4,731,105	4,969,990	14,494,290	7,790,103	25,197,199	5,962,962	10,739,030	11,057,987
Transfers out	(7,786,893)	(8,544,661)	(6,550,242)	(6,894,621)	(16,995,849)	(11,557,391)	(8,844,121)	(4,898,729)	(10,947,585)	(12,203,385)
Total other financing sources (uses)	21,654,849	45,547,385	58,413	30,533,549	(2,501,559)	13,255,498	22,509,689	37,335,864	(14,298)	(1,145,398)
<b>Net Change in fund balances</b>	<b>\$ 2,988,906</b>	<b>\$ 11,877,691</b>	<b>\$ (8,719,828)</b>	<b>\$ 23,078,200</b>	<b>\$ (3,132,398)</b>	<b>\$ 31,765,985</b>	<b>\$ (2,824,431)</b>	<b>\$ 7,351,776</b>	<b>\$ (456,488)</b>	<b>\$ (136,599)</b>
<b>Debt Service as a percentage of noncapital expenditures</b>	<b>18.90%</b>	<b>15.38%</b>	<b>8.49%</b>	<b>14.90%</b>	<b>8.84%</b>	<b>8.65%</b>	<b>8.17%</b>	<b>13.56%</b>	<b>10.05%</b>	<b>9.25%</b>

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

(2) Non-departmental expenditures began being allocated in FY2004

(3) The construction advance was to fund the E.C. Glass High School renovation project that was ahead of the projected schedule for completion.

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Taxes	\$ 80,652,301	\$ 85,774,800	\$ 91,739,497	\$ 103,012,216	\$ 102,480,268	\$ 110,636,590	\$ 110,297,053	\$ 112,519,658	\$ 115,009,873	\$ 116,760,078
Regulatory licenses, permits, and privilege fees	675,311	738,887	635,880	1,025,782	887,272	849,742	650,514	664,028	683,712	916,546
Intergovernmental	28,410,482	27,295,898	27,321,323	30,391,990	31,311,980	33,410,321	33,646,195	33,239,946	33,199,440	35,030,474
Fines & forfeitures	538,753	551,716	552,797	593,518	581,986	586,661	612,595	667,756	598,424	721,839
Revenues from use of money & property	920,401	797,531	1,373,658	2,130,172	3,377,730	3,308,104	1,403,024	995,450	840,217	690,069
Charges for services	3,486,991	6,371,250	6,442,510	7,376,311	7,083,847	7,198,099	7,593,070	7,905,479	7,907,113	7,676,012
Miscellaneous	3,283,568	666,969	955,066	1,261,164	387,005	452,272	1,168,236	1,132,221	945,324	871,056
Total revenues	117,967,807	122,197,051	129,020,731	145,791,153	146,110,088	156,441,789	155,370,687	157,124,538	159,184,103	162,666,074
<b>Expenditures:</b>										
Current operating expenditures:										
General government	14,421,107	11,960,240	12,499,485	13,176,072	14,111,441	14,561,922	15,808,721	15,896,808	15,453,014	15,908,597
Judicial	3,560,726	3,303,952	3,536,008	3,827,095	4,182,946	4,423,005	4,457,959	4,342,042	4,426,215	4,421,907
Public safety	22,472,414	29,178,810	31,113,303	32,782,350	34,640,217	36,703,695	36,981,993	36,756,234	38,405,071	38,845,495
Public works	13,541,234	10,244,342	10,616,660	11,801,684	11,565,845	11,257,662	17,209,120	14,432,901	15,139,289	14,436,170
Health and human services	14,596,916	21,317,811	15,744,061	16,111,220	16,577,034	18,890,171	19,126,038	18,532,152	18,713,485	18,268,410
Cultural & recreational	3,874,887	6,427,237	6,466,171	6,926,949	7,287,216	7,691,627	7,794,603	7,311,064	7,397,754	7,383,687
Community development	2,082,214	3,102,768	3,874,987	3,559,260	4,034,373	3,936,251	3,730,495	3,604,356	3,883,971	3,930,173
Education	27,025,411	26,005,227	27,125,060	29,894,763	30,418,183	32,932,233	32,150,370	29,443,654	30,310,602	31,696,712
Non-departmental	2,683,294	-	-	-	-	-	-	-	-	-
Debt service:										
Principal retirements	21,322,543	17,839,066	7,024,174	18,326,124	7,702,865	7,812,969	8,152,512	16,708,675	10,354,910	9,706,899
Interest payments and other fiscal charges	3,479,744	3,848,634	4,246,388	4,273,525	4,794,314	5,212,231	5,121,995	5,307,936	5,380,142	5,225,436
Issuance costs	-	-	161,433	146,165	-	127,866	-	186,536	162,757	28,450
Total expenditures	129,060,490	133,228,087	122,407,730	140,825,207	135,314,434	143,549,632	150,533,806	152,522,358	149,627,210	149,851,936
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(11,092,683)</b>	<b>(11,031,036)</b>	<b>6,613,001</b>	<b>4,965,946</b>	<b>10,795,654</b>	<b>12,892,157</b>	<b>4,836,881</b>	<b>4,602,180</b>	<b>9,556,893</b>	<b>12,814,138</b>
<b>Other financing sources (uses):</b>										
Issuance of bonds	15,648,755	19,063,115	-	10,644,739	-	69,980	-	7,082,817	-	-
Premium on debt proceeds	-	-	-	361,837	-	-	-	540,631	-	-
Issuance of refunding bonds	-	-	24,393,868	-	-	4,106,224	-	5,929,460	16,605,512	-
Refunded bond principal payments	-	-	-	-	-	(4,048,996)	-	-	-	-
Payments to escrow agent	-	-	(24,152,140)	-	-	-	-	(5,872,800)	(16,418,708)	-
Transfers in	1,696,702	927,197	994,616	504,783	126,333	26,150	6,450,066	464,020	546,826	283,272
Transfers out	(6,976,578)	(7,065,218)	(5,182,642)	(6,178,901)	(15,241,180)	(11,257,106)	(8,673,819)	(4,180,805)	(10,170,259)	(11,695,113)
Total other financing sources (uses)	10,368,879	12,925,094	(3,946,298)	5,332,458	(15,114,847)	(11,103,748)	(2,223,753)	3,963,323	(9,436,629)	(11,411,841)
<b>Net changes in fund balances</b>	<b>(723,804)</b>	<b>1,894,058</b>	<b>2,666,703</b>	<b>10,298,404</b>	<b>(4,319,193)</b>	<b>1,788,409</b>	<b>2,613,128</b>	<b>8,565,503</b>	<b>120,264</b>	<b>1,402,297</b>
<b>Fund balance - beginning, as restated (1)</b>	<b>22,581,648</b>	<b>21,869,384</b>	<b>23,821,442</b>	<b>26,488,145</b>	<b>37,096,549</b>	<b>32,777,356</b>	<b>34,565,765</b>	<b>37,178,893</b>	<b>46,880,303</b>	<b>47,000,567</b>
<b>Fund balance - ending</b>	<b>\$ 21,857,844</b>	<b>\$ 23,763,442</b>	<b>\$ 26,488,145</b>	<b>\$ 36,786,549</b>	<b>\$ 32,777,356</b>	<b>\$ 34,565,765</b>	<b>\$ 37,178,893</b>	<b>\$ 45,744,396</b>	<b>\$ 47,000,567</b>	<b>\$ 48,402,864</b>

(1) Beginning fund balance restated as of June 30, 2003, June 30, 2004, June 30, 2006, and June 30, 2011. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004, June 30, 2005, June 30, 2007, and June 30, 2011.



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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Intergovernmental	\$ 35,813,533	\$ 63,603,079	\$ 67,442,823	\$ 71,207,508	\$ 78,033,072	\$ 82,325,106	\$ 86,283,375	\$ 82,233,197	\$ 71,983,645	\$ 74,046,427
Revenue from use of money & property	-	1,643	2,100	32,611	31,600	34,279	6,748	1,314	527	136
Charges for services	390,409	386,744	324,097	395,382	1,344,909	1,380,153	1,367,940	1,228,196	1,504,368	1,556,187
Miscellaneous	27,266,567	203,831	392,233	343,074	159,662	208,542	111,542	230,075	804,264	1,197,197
Total revenues	63,470,509	64,195,297	68,161,253	71,978,575	79,569,243	83,948,080	87,769,605	83,692,782	74,292,804	76,799,947
<b>Expenditures:</b>										
Education:										
Instruction	49,580,140	49,693,140	52,327,742	55,484,371	60,849,179	63,943,555	66,182,342	61,342,226	54,022,173	54,189,572
Administration, attendance, and health	1,741,567	2,062,680	2,128,927	2,424,016	2,821,351	4,301,683	4,962,843	4,069,394	3,820,833	3,767,196
Pupil transportation services	2,990,460	3,001,085	3,214,586	3,774,716	4,112,219	4,698,221	4,122,671	3,508,602	3,786,131	4,418,735
Operations and maintenance	7,349,258	7,575,110	7,976,868	8,890,256	10,086,015	9,876,043	10,336,820	9,885,883	9,347,596	9,287,310
Food service and other	-	-	-	-	-	-	528	-	-	-
Facilities	-	858,962	-	-	-	-	55,414	64,784	48,403	40,563
Technology	-	-	-	-	-	-	-	2,048,301	2,037,654	2,362,774
Capital outlay	2,183,590	1,471,364	2,698,587	1,956,743	1,373,409	1,779,204	1,942,808	1,683,684	709,526	1,999,266
Debt service:										
Principal retirements	-	737,511	724,075	782,024	867,874	834,058	947,970	920,908	642,489	480,697
Interest payments	-	58,727	48,412	92,951	80,702	93,842	89,419	72,838	44,389	22,256
Total expenditures	63,845,015	65,458,579	69,119,197	73,405,077	80,190,749	85,526,606	88,640,815	83,596,620	74,459,194	76,568,369
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(374,506)</b>	<b>(1,263,282)</b>	<b>(957,944)</b>	<b>(1,426,502)</b>	<b>(621,506)</b>	<b>(1,578,526)</b>	<b>(871,210)</b>	<b>96,162</b>	<b>(166,390)</b>	<b>231,578</b>
<b>Other financing sources (uses):</b>										
Capital lease proceeds	1,000,000	-	1,500,000	750,000	1,000,000	1,000,000	1,000,000	-	-	-
Transfers in (out)	(120,810)	-	-	-	-	-	-	(433,046)	(23,726)	-
Total other financing sources (uses)	879,190	-	1,500,000	750,000	1,000,000	1,000,000	1,000,000	(433,046)	(23,726)	-
<b>Net change in fund balances</b>	<b>504,684</b>	<b>(1,263,282)</b>	<b>542,056</b>	<b>(676,502)</b>	<b>378,494</b>	<b>(578,526)</b>	<b>128,790</b>	<b>(336,884)</b>	<b>(190,116)</b>	<b>231,578</b>
<b>Fund balance - beginning (1)</b>	<b>2,353,845</b>	<b>2,260,909</b>	<b>997,627</b>	<b>1,539,683</b>	<b>863,181</b>	<b>1,241,675</b>	<b>663,149</b>	<b>791,939</b>	<b>455,055</b>	<b>264,939</b>
<b>Fund balance - ending</b>	<b>\$ 2,858,529</b>	<b>\$ 997,627</b>	<b>\$ 1,539,683</b>	<b>\$ 863,181</b>	<b>\$ 1,241,675</b>	<b>\$ 663,149</b>	<b>\$ 791,939</b>	<b>\$ 455,055</b>	<b>\$ 264,939</b>	<b>\$ 496,517</b>

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

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

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

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

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

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Operating revenues:</b>										
Charges for services and other operating revenues	\$ 8,607,032	\$ 9,001,806	\$ 9,488,676	\$ 10,352,303	\$ 10,397,780	\$ 11,269,882	\$ 11,705,595	\$ 12,029,026	\$ 12,462,594	\$ 12,314,865
Total operating revenues	8,607,032	9,001,806	9,488,676	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,314,865
<b>Operating expenses: (2)</b>										
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
Operation and maintenance	4,449,546	3,752,474	1,120,155	1,052,595	1,086,665	1,439,712	1,296,658	1,839,617	1,234,608	1,158,818
Supplies and materials	-	-	650,421	833,802	915,748	1,409,039	1,451,738	1,353,184	1,471,159	1,296,768
Administration	910,404	2,129,563	1,318,927	1,359,399	1,329,083	1,299,889	1,227,113	1,084,407	1,174,601	1,182,821
Other charges	-	-	48,269	68,637	57,613	55,342	61,621	52,684	67,481	60,133
Depreciation	1,575,929	1,952,385	1,743,936	1,771,749	1,796,958	2,072,079	2,090,517	2,468,788	2,519,349	2,701,356
Total operating expenses	6,935,879	7,834,422	7,712,317	8,039,911	8,361,124	9,972,426	10,014,207	10,809,006	10,720,318	10,235,712
<b>Operating income</b>	1,671,153	1,167,384	1,776,359	2,312,392	2,036,656	1,297,456	1,691,388	1,220,020	1,742,276	2,079,153
<b>Nonoperating revenues (expenses):</b>										
Interest income	69,732	57,640	123,527	264,029	629,409	343,836	82,842	22,207	30,674	40,275
Miscellaneous	54,449	17,052	26,984	3,902	8,468	28,142	25,223	29,613	19,585	10,847
Loss on disposition of assets	-	(238,743)	(8,422)	(17,683)	(12,880)	-	-	-	(293)	-
Interest on long-term debt	(875,982)	(971,932)	(963,889)	(1,135,500)	(1,382,240)	(1,331,124)	(1,267,391)	(1,796,575)	(1,520,334)	(1,643,503)
IRS interest subsidy - Build America Bonds	-	-	-	-	-	-	-	243,211	125,799	251,598
Total nonoperating revenues (expenses)	(751,801)	(1,135,983)	(821,800)	(885,252)	(757,243)	(959,146)	(1,159,326)	(1,501,544)	(1,344,569)	(1,340,783)
<b>Income before contributions and transfers</b>	919,352	31,401	954,559	1,427,140	1,279,413	338,310	532,062	(281,524)	397,707	738,370
Capital contributions	-	-	208,868	-	-	-	-	-	-	24,000
Transfers out	(452,628)	(161,000)	(147,123)	(182,846)	(77,000)	(215,500)	-	-	-	-
<b>Change in net assets</b>	466,724	(129,599)	1,016,304	1,244,294	1,202,413	122,810	532,062	(281,524)	397,707	762,370
<b>Total net assets - beginning, as restated (1)</b>	30,818,183	31,108,943	30,979,344	31,995,648	33,239,942	34,442,355	34,565,165	35,097,227	34,815,703	35,273,830
<b>Ending net assets:</b>										
Invested in capital assets, net of related debt	25,514,601	24,348,833	25,767,489	27,805,400	27,457,812	28,835,542	29,577,116	29,406,782	28,353,428	28,177,375
Restricted	7,515	-	-	-	-	-	-	-	-	-
Unrestricted	5,762,791	6,630,511	6,228,159	5,434,542	6,984,543	5,729,623	5,520,111	5,408,921	6,859,982	7,858,825
<b>Total net assets - ending</b>	\$ 31,284,907	\$ 30,979,344	\$ 31,995,648	\$ 33,239,942	\$ 34,442,355	\$ 34,565,165	\$ 35,097,227	\$ 34,815,703	\$ 35,213,410	\$ 36,036,200

(1) Total net assets - beginning, was restated as of June 30, 2003 and June 30, 2011. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report for FY2004 and FY2012 for an explanation.

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Operating revenues:</b>										
Charges for services and other operating revenues	\$ 13,273,211	\$ 13,919,612	\$ 14,682,219	\$ 15,405,174	\$ 16,040,587	\$ 17,861,892	\$ 17,716,586	\$ 18,536,169	\$ 18,023,990	\$ 18,520,421
Total operating revenues	13,273,211	13,919,612	14,682,219	15,405,174	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990	18,520,421
<b>Operating expenses: (2)</b>										
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
Operation and maintenance	4,116,454	5,749,871	1,684,070	1,942,779	1,776,185	2,653,861	2,922,473	2,648,489	2,756,734	3,054,420
Supplies and materials	-	-	773,012	836,684	841,857	906,778	988,444	1,120,551	1,142,833	1,119,265
Administration	1,704,560	858,727	1,744,083	1,798,976	1,863,792	2,025,740	2,370,470	2,222,341	2,599,513	2,337,126
Other charges	-	-	23,902	40,887	34,347	35,078	35,903	45,466	39,915	70,699
Depreciation	3,312,342	3,662,382	3,777,969	3,954,820	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336	5,819,288
Total operating expenses	9,133,356	10,270,980	9,897,112	10,494,104	10,718,754	12,415,373	13,328,517	13,585,507	14,396,291	15,364,348
<b>Operating income</b>	4,139,855	3,648,632	4,785,107	4,911,070	5,321,833	5,446,519	4,388,069	4,950,662	3,627,699	3,156,073
<b>Nonoperating revenues (expenses):</b>										
Interest income	744,837	200,511	248,236	456,342	858,384	691,799	363,942	182,548	173,319	167,849
Governmental grants	38,500	38,500	38,500	38,500	38,500	38,500	38,500	93,000	93,000	-
Miscellaneous	140,041	103,553	5,157	29,183	6,558	5,800	257,943	15,985	15,936	125,336
Gain (loss) on disposition of assets	(3,851)	2,080	(305,674)	(24,334)	-	-	-	-	-	-
Interest on long-term debt	(1,919,090)	(2,818,973)	(1,777,877)	(1,777,407)	(1,901,244)	(1,838,986)	(1,632,263)	(1,496,908)	(1,477,230)	(1,359,726)
IRS interest subsidy - Build America Bonds	-	-	-	-	-	-	-	44,421	22,977	45,953
Total nonoperating revenues (expenses)	(999,563)	(2,474,329)	(1,791,658)	(1,277,716)	(997,802)	(1,102,887)	(971,878)	(1,160,954)	(1,171,998)	(1,020,588)
<b>Income before contributions and transfers</b>	3,140,292	1,174,303	2,993,449	3,633,354	4,324,031	4,343,632	3,416,191	3,789,708	2,455,701	2,135,485
Capital contributions	3,867,125	4,711,890	3,851,205	1,534,561	766,259	2,210,259	4,045,756	12,542,361	8,435,244	700,878
Transfers out	(806,668)	(396,189)	(164,394)	(110,389)	(452,000)	(325,000)	-	-	-	(3,401)
<b>Change in net assets</b>	6,200,749	5,490,004	6,680,260	5,057,526	4,638,290	6,228,891	7,461,947	16,332,069	10,890,945	2,832,962
<b>Total net assets - beginning, as restated (1)</b>	62,233,003	68,706,621	75,646,728	82,326,988	87,384,514	92,022,804	98,251,695	105,713,642	122,045,711	132,997,076
<b>Ending net assets:</b>										
Invested in net assets, net of related debt	57,318,081	63,406,634	69,171,836	73,629,641	74,801,294	78,570,747	89,162,429	103,867,512	118,483,855	122,482,265
Restricted	7,043,943	-	-	-	-	-	-	-	-	-
Unrestricted	4,071,728	10,789,991	13,155,152	13,754,873	17,221,510	19,680,948	16,551,213	18,178,199	14,452,801	13,347,773
<b>Total net assets - ending</b>	<u>\$ 68,433,752</u>	<u>\$ 74,196,625</u>	<u>\$ 82,326,988</u>	<u>\$ 87,384,514</u>	<u>\$ 92,022,804</u>	<u>\$ 98,251,695</u>	<u>\$ 105,713,642</u>	<u>\$ 122,045,711</u>	<u>\$ 132,936,656</u>	<u>\$ 135,830,038</u>

(1) Total net assets - beginning, was restated as of June 30, 2003 and June 30, 2011. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report for FY2004 and FY2012 for an explanation.

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Operating revenues:</b>										
Charges for services and other operating revenues	\$ 1,401,379	\$ 1,480,514	\$ 1,637,730	\$ 1,762,826	\$ 1,848,109	\$ 1,839,685	\$ 1,967,871	\$ 2,152,132	\$ 2,093,668	\$ 2,011,159
Intergovernmental	179,502	32,588	71,309	146,198	129,582	132,487	178,948	179,276	168,209	158,129
Total operating revenues	1,580,881	1,513,102	1,709,039	1,909,024	1,977,691	1,972,172	2,146,819	2,331,408	2,261,877	2,169,288
<b>Operating expenses: (2)</b>										
Personal services and benefits	-	-	1,009,935	795,052	867,626	954,186	912,723	940,547	962,868	917,266
Operation and maintenance	1,193,299	1,665,851	424,166	695,575	751,314	710,025	825,665	962,156	993,088	979,812
Supplies and materials	-	-	88,525	111,521	96,152	117,270	99,852	107,755	118,586	122,848
Administration	425,436	558,515	191,387	231,161	235,657	231,223	203,813	242,702	233,300	263,522
Other charges	-	-	19,803	17,678	16,004	15,683	17,935	20,088	15,794	21,416
Depreciation	1,397,321	1,492,120	1,546,691	1,545,339	1,568,656	1,720,304	1,911,836	1,964,051	1,969,925	2,035,816
Total operating expenses	3,016,056	3,716,486	3,280,507	3,396,326	3,535,409	3,748,691	3,971,824	4,237,299	4,293,561	4,340,680
<b>Operating loss</b>	(1,435,175)	(2,203,384)	(1,571,468)	(1,487,302)	(1,557,718)	(1,776,519)	(1,825,005)	(1,905,891)	(2,031,684)	(2,171,392)
<b>Nonoperating revenues (expenses):</b>										
Interest income	7,922	5,487	16,873	63,986	106,412	33,985	15,788	3,198	2,672	2,658
Governmental grants	8,532	-	1,726	26,969	29,033	30,960	-	24,383	34,495	-
Passenger facility charges	185,658	230,179	256,800	246,981	223,331	185,815	319,360	377,504	350,002	321,031
Miscellaneous	12,386	96,961	5,523	6,646	12,260	8,162	11,508	4,249	44,092	12,388
Gain (Loss) on disposition of assets	-	(2,203)	-	-	117,431	-	-	-	(17,651)	-
Interest on long-term debt	(93,583)	(120,904)	(107,691)	(89,365)	(103,910)	(108,456)	(86,964)	(73,265)	(64,581)	(54,416)
Total nonoperating revenues (expenses)	120,915	209,520	173,231	255,217	384,557	150,466	259,692	336,069	349,029	281,661
<b>Loss before contributions and transfers</b>	(1,314,260)	(1,993,864)	(1,398,237)	(1,232,085)	(1,173,161)	(1,626,053)	(1,565,313)	(1,569,822)	(1,682,655)	(1,889,731)
Capital contributions	769,649	2,491,843	1,245,460	1,285,354	7,928,973	5,094,296	422,853	2,184,294	1,685,180	961,868
Transfers in	552,373	490,831	419,980	398,485	367,337	359,364	295,850	261,260	259,950	421,362
<b>Change in net assets</b>	7,762	988,810	267,203	451,754	7,123,149	3,827,607	(846,610)	875,732	262,475	(506,501)
<b>Total net assets - beginning - as restated (1)</b>	22,030,848	22,033,667	23,022,477	23,289,680	23,741,434	30,864,583	34,692,190	33,845,580	34,721,312	35,003,927
<b>Ending net assets:</b>										
Invested in capital assets, net of related debt	21,326,437	22,231,939	22,022,931	21,640,700	29,582,661	34,351,746	33,350,032	33,807,415	33,495,323	32,131,518
Restricted	133,194	-	-	312,049	1,765	4,708	8,786	5,213	10,312	119,534
Unrestricted	578,979	790,538	1,266,749	1,788,685	1,280,157	335,736	486,762	908,684	1,478,152	2,246,374
<b>Total net assets - ending</b>	\$ 22,038,610	\$ 23,022,477	\$ 23,289,680	\$ 23,741,434	\$ 30,864,583	\$ 34,692,190	\$ 33,845,580	\$ 34,721,312	\$ 34,983,787	\$ 34,497,426

(1) Total net assets - beginning, was restated as of June 30, 2003 and June 30, 2011. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report for FY 2004 and FY 2012 for an explanation.

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real Estate	\$ 30,820,001	\$ 34,033,120	\$ 34,949,790	\$ 39,116,533	\$ 40,449,499	\$ 45,992,171	\$ 47,630,637	\$ 50,063,382	\$ 50,443,704	\$ 50,575,233
PSC Taxes	2,407,289	2,440,156	2,441,684	2,123,037	2,084,337	1,859,402	2,092,537	2,156,835	2,231,177	2,188,113
Personal Property Tax	10,197,416	10,643,759	12,337,162	18,512,544	13,601,986	15,404,439	14,888,406	14,735,238	15,452,280	16,138,693
Penalties & Interest	650,448	663,897	682,712	819,079	665,421	711,491	896,215	862,989	954,397	1,032,498
Sales & Use Tax	11,027,631	11,528,820	12,221,813	13,319,691	14,481,096	14,266,750	13,056,829	12,686,171	13,290,563	13,440,973
Utility Tax (1)	6,826,740	6,892,926	7,087,224	6,870,716	5,919,376	4,861,021	4,813,312	4,758,781	5,035,929	4,817,306
Business License Tax	6,712,152	6,507,848	7,371,507	7,237,403	7,569,060	7,649,395	7,324,838	7,297,765	6,999,206	7,197,936
Franchise License Tax (1)	545,624	570,921	574,721	584,346	316,824	4,277	500	4,527	8,554	4,527
Communication Sales & Use Tax (1)	-	-	-	-	1,669,968	3,893,158	3,537,283	3,552,028	3,534,449	3,462,621
Motor Vehicles Licenses	1,233,855	1,246,702	1,498,014	856,406	1,491,186	1,511,831	1,572,792	1,601,123	1,621,362	1,629,845
Bank Stock Taxes	647,929	590,123	545,221	598,733	503,322	442,123	500,385	685,879	901,240	817,990
Taxes on Recordation and Wills	359,561	414,598	561,009	786,799	809,424	661,671	401,833	525,417	381,719	461,835
Tobacco Taxes	652,156	1,083,020	1,087,358	972,337	1,002,130	1,014,759	1,044,465	953,513	936,648	974,864
Admission and Amusement Taxes	311,639	261,647	344,161	368,680	409,473	407,024	400,835	576,139	610,625	644,842
Hotel and Motel Room Taxes	1,275,664	1,363,085	1,392,866	1,491,943	1,565,191	1,698,848	1,742,232	1,667,064	1,738,042	1,787,719
Restaurant Food Taxes	6,984,195	7,561,387	8,666,119	9,382,349	9,974,012	10,289,669	10,426,915	10,424,786	10,904,781	11,585,083
Emergency Telephone Service Tax (1)	1,114,213	978,995	972,043	946,241	464,582	-	-	-	-	-
Total General Government Tax Revenues	<u>\$ 81,766,513</u>	<u>\$ 86,781,004</u>	<u>\$ 92,733,404</u>	<u>\$ 103,986,837</u>	<u>\$ 102,976,887</u>	<u>\$ 110,668,029</u>	<u>\$ 110,330,014</u>	<u>\$ 112,551,637</u>	<u>\$ 115,044,676</u>	<u>\$ 116,760,078</u>

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

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

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

<b>Fiscal Year</b>	<b>Residential Property(3)</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Total Taxable Assessed Value (2)</b>	<b>Total Direct Tax Rate</b>
2003	\$ 1,872,517,185	\$ 675,181,050	\$ 274,750,900	\$ 2,822,449,135	1.11
2004	2,027,995,200	811,633,000	276,950,200	3,116,578,400	1.11
2005	2,091,324,700	827,888,000	271,014,300	3,190,227,000	1.11
2006	2,380,565,600	911,430,500	266,308,500	3,558,304,600	1.11
2007	2,454,171,000	941,845,300	275,614,800	3,671,631,100	1.11
2008	3,003,784,200	1,139,117,700	327,955,600	4,470,857,500	1.05
2009	3,115,326,600	1,176,377,700	330,533,200	4,622,237,500	1.05
2010	3,316,347,900	1,241,511,300	333,785,800	4,891,645,000	1.05
2011	3,346,989,900	1,273,290,400	343,349,000	4,963,629,300	1.05
2012	3,331,295,800	1,273,327,200	344,876,100	4,949,499,100	1.05

Source: Real Estate Assessor, City of Lynchburg, Virginia

(1) Assessed value is as of July 1 of each fiscal year.

(2) Excludes tax-exempt property.

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

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

Fiscal Year	Real Property (1)					Personal Property (3)				Machinery and Tools		Estimated Actual Value of Taxable Property
	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	
2003	\$ 1,872,517,185	\$ 949,931,950	\$ 187,708,383	\$ 3,010,157,518	1.11	\$ 449,743,493	\$ 27,292,958	\$ 477,036,451	3.30	\$ 117,085,047	3.00	\$ 3,604,279,016
2004	2,027,995,200	1,088,583,200	185,826,527	3,302,404,927	1.11	458,996,765	28,684,711	487,681,476	3.30	125,639,040	3.00	3,915,725,443
2005	2,091,324,700	1,098,902,300	191,327,640	3,381,554,640	1.11	441,221,304	25,901,179	467,122,483	3.80	106,245,785	3.00	3,954,922,908
2006	-	-	-	-	-	464,880,808 (4)	-	464,880,808	3.80	113,654,354 (4)	3.00	578,535,162
2006	2,380,565,600	1,177,739,000	166,819,698	3,725,124,298	1.11	497,307,627 (5)	21,891,230	519,198,857	3.80	112,864,422 (5)	3.00	4,357,187,577
2007	2,454,171,000 (9)	1,217,460,100	163,455,331	3,835,086,431	1.11	514,804,057 (5)	22,435,903	537,239,960	3.80	128,776,059 (5)	3.00	4,501,102,450
2008	3,003,784,200	1,467,073,300	150,948,376	4,621,805,876	1.05	554,580,281 (5)	24,595,702	579,175,983	3.80	129,957,629 (5)	3.00	5,330,939,488
2009	3,115,326,600	1,506,910,900	173,670,897	4,795,908,397	1.05	505,110,365 (5)	23,990,045	529,100,410	3.80	138,538,171 (5)	3.00	5,463,546,978
2010	3,316,347,900	1,575,297,100	177,590,861	5,069,235,861	1.05	530,818,005 (5)	26,216,286	557,034,291	3.80	138,218,372 (5)	3.00	5,764,488,524
2011	3,346,989,900	1,616,639,400	184,591,013	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
2012	3,331,295,800	1,618,203,300	182,357,853	5,131,856,953	1.05	491,848,346 (6)	24,189,993	516,038,339	3.80	158,999,951 (6)	3.00	5,806,895,243

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) 2012 Personal Property Tax Levy in FY 2012. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2013 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.



PRINCIPAL PROPERTY TAXPAYERS,  
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2012					2003				
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2012 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2003 Total Tax Levy	Percentage of Total Tax Levy
AEP	Utility	\$ 73,823,326	1	1.27 %	\$ 779,959	1.02 %	\$ 47,989,531	2	1.33 %	\$ 534,877	1.07 %
Areva NP Inc.	Nuclear Power Design & Fuel	59,979,046	2	1.03	1,354,863	1.78	35,898,479	6	1.00	619,030	1.24
Verizon Va, Inc.	Utility	58,004,265	3	1.00	620,845	0.81	93,645,102	1	2.60	1,062,904	2.12
Frito Lay, Inc.	Food Manufacturer	51,171,394	4	0.88	1,037,997	1.36	25,170,225	8	0.70	279,091	0.56
Meredith-Burda (fmr R R Donnelley)	Periodical Publication Printing	48,595,250	5	0.84	1,083,637	1.42	45,802,951	4	1.27	1,005,609	2.01
River Ridge, Ltd.	Shopping Mall	46,604,400	6	0.80	489,346	0.64	36,918,714	5	1.02	417,240	0.83
Genworth Financial, Inc.	Life Insurance	41,082,373	7	0.71	698,604	0.92	46,593,994	3	1.29	712,449	1.42
Wal-Mart Real Estate Business Trust	Real Estate Company	35,151,800	8	0.61	369,094	0.48	-	-	-	-	-
CCRC, Inc.	Nursing Home/Assisted Living	18,802,100	9	0.32	197,422	0.26	-	-	-	-	-
LU Candles Station Holdings LLC	Shopping Mall	17,588,400	10	0.30	184,678	0.24	-	-	-	-	-
B.A. Langley	Real Estate Company	-	-	-	-	-	-	-	-	-	-
Ericsson-GE Mobile Communications	Mobile Communications	-	-	-	-	-	30,436,490	7	0.84	457,529	0.91
Rock-Tenn Company Mill Div.	Paperboard Manufacturer	-	-	-	-	-	13,746,916	10	0.38	347,053	0.69
Columbia Gas of Virginia, Inc.	Utility	-	-	-	-	-	23,098,424	9	0.64	256,527	0.51
Total		\$ 450,802,354		7.76 %	\$ 6,816,445	8.93 %	\$ 399,300,826		11.07 %	\$ 5,692,309	11.36 %
Total Assessed Valuation:		\$ 5,806,895,243					\$ 3,604,279,016				
Tax Levy:											
Real Estate		\$ 51,969,741									
Railroads and Pipelines		210,715									
Public Service Corporations		1,978,483									
Personal Property		22,168,015									
Total Tax Levy:		\$ 76,326,954									

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)
2003	\$ 50,084,951	\$ 48,306,161	96.45%	\$ 1,765,678	\$ 50,071,839	99.97%
2004	54,014,300	52,095,333	96.45%	1,166,718	53,262,051	98.61%
2005	55,674,712	54,679,067	98.21%	1,113,397	55,792,464	100.21%
2006	67,559,478	64,525,107	95.51%	2,604,406	67,129,513	99.36%
2007	63,281,557	60,579,970	95.73%	1,413,399	61,993,369	97.96%
2008	69,302,787	67,913,137	97.99%	1,976,122	69,889,259	100.85%
2009	70,934,803	68,912,258	97.15%	1,757,402	70,669,660	99.63%
2010	73,855,430	71,488,683	96.80%	1,922,641	73,411,324	99.40%
2011	75,345,301	72,759,636	96.57%	1,217,418	73,977,054	98.18%
2012	75,852,982	73,256,961	96.58%	-	73,256,961	96.58%

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

(1) Total tax levy is calculated based on the sum of Real Estate Tax and Personal Property Tax levies and any supplemental bills. Due to the implementation of a new personal property tax billing system these figures will be updated each year to reflect the supplemental bills attributable to the year the tax should have been levied.

(2) These columns represent the amount and percentage on the tax levy within the respective tax year reporting period.

(3) This column represents delinquent taxes collected within the respective reporting period. Beginning with FY2003 this column represents collections in subsequent years for the tax levied in the noted fiscal year.

**Note:**

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

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

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	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Real Estate										
Locally Assessed	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$1.05
Personal Property										
Locally Assessed	3.30	3.30	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Machinery and Tools	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Automobiles, Trucks and Business Equipment	3.30	3.30	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Public Service Corporations										
Equalized	1.11	1.11	1.11	1.11	1.11	1.05	1.05	1.05	1.05	1.05
Automobiles and Trucks	3.30	3.30	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80

Source: Information was obtained from Official Statements related to bond issuance for April 26, 2006, and July 19, 2007.  
City of Lynchburg Adopted Budget Fiscal Year 2012  
Commissioner of the Revenue for City of Lynchburg, Virginia [www.lynchburgva.gov](http://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	Percentage of Personal Income <sup>(1)</sup>	Total Primary Government Bonded Debt Per Capita <sup>(1)</sup>
	General Obligation Bonds	Literary Bonds	General Obligation Notes	Note Payable	Capital Leases	General Obligation Bonds	General Obligation Notes	Public Utility Revenue Bonds	Capital Leases			
2003	\$ 85,006	\$ 225	\$ 610	\$ -	\$ 2,187	\$ 64,141	\$ -	\$ 52,973	\$ -	\$ 205,142	11.25%	\$ 3,046
2004	100,251	166	7,500	3,200	8,396	66,896	-	59,152	-	245,561	12.73%	3,594
2005	93,990	127	7,500	3,200	7,747	61,935	-	63,526	-	238,025	11.76%	3,433
2006	116,709	87	-	3,200	7,287	57,532	16,500	70,543	-	271,858	12.47%	3,857
2007	108,593	68	-	3,020	6,810	52,295	16,500	74,985	-	262,271	11.27%	3,626
2008	117,407	49	1,343	2,840	6,316	63,550	-	84,426	-	275,931	11.26%	3,737
2009	112,011	30	7,500	2,660	5,804	56,831	4,000	100,328	-	289,164	12.00%	3,845
2010	139,180	11	-	2,480	5,274	71,749	-	109,907	-	328,601	13.50%	4,348
2011	129,807	-	-	2,300	4,723	68,005	-	125,601	-	330,436	13.42%	4,322
2012	120,078	-	-	2,120	4,285	63,936	80	127,973	-	318,472	12.93%	4,166

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

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

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

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

(1) See Table 22 for population and per capita personal income information. For FY 2011 and FY 2012, the FY 2010 amount for per capita personal income of \$32,218 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)*

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Valuation (in thousands)</b>	<b>Gross Bonded Debt (2)</b>	<b>Debt Payable From Enterprise Revenues (2)</b>	<b>Net Bonded Debt</b>	<b>Net Bonded Debt To Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2003	67,354	\$ 3,604,279	\$ 149,981	\$ 64,140	\$ 85,841	2.38%	\$ 1,274
2004	68,319	3,915,725	174,813	66,896	107,917	2.76%	1,580
2005	69,340	3,954,923	163,552	61,935	101,617	2.57%	1,465
2006	70,491	4,935,723	190,828	74,032	116,796	2.37%	1,657
2007	72,331	4,501,102	177,456	68,795	108,661	2.41%	1,502
2008	73,834	5,330,939	182,350	63,550	118,800	2.23%	1,609
2009	75,204	5,463,547	180,372	60,831	119,541	2.19%	1,590
2010	75,568	5,764,489	210,940	71,749	139,191	2.41%	1,842
2011	76,448	5,864,104 (3)	197,812	68,005	129,807	2.21%	1,698
2012	76,448	5,806,895 (4)	184,014	64,016	119,998	2.07%	1,570

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

(1) Data from the Weldon Cooper Center for Public Service, University of Virginia, Charlottesville, Virginia, for 2003-2010 Revised Final Estimates based on the United States Bureau of the Census 2010. The 2011 and 2012 population are estimates based on July 1, 2011.

(2) Excludes City of Lynchburg Public Utility Revenue Bonds.

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

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

These figures will be updated in FY 2013 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 2012**

Real Property Assessed Value	\$ 4,949,499
Public Service Corporations Real Property Assessed Value	182,358
Total Real Property Assessed Value (1)	<u>5,131,857</u>
Debt limit (10% of assessed value)	513,186
Debt applicable to limit:	
Less: General Obligation Debt	(184,014)
<b>Legal Debt Margin</b>	<u><u>\$ 329,172</u></u>

Description	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 301,016	\$ 330,240	\$ 338,155	\$ 372,512	\$ 383,509	\$ 462,181	\$ 479,591	\$ 506,924	\$ 514,821	\$ 513,186
Total net debt applicable to limit (2)	<u>149,981</u>	<u>174,813</u>	<u>163,552</u>	<u>190,828</u>	<u>177,456</u>	<u>182,350</u>	<u>180,372</u>	<u>210,940</u>	<u>197,812</u>	<u>184,014</u>
Legal debt margin	<u>\$ 151,036</u>	<u>\$ 155,427</u>	<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>\$ 329,172</u>
Total net debt applicable to the limit as a percentage of the debt limit	49.82%	52.94%	48.37%	51.23%	46.27%	39.45%	37.61%	41.61%	38.42%	35.86%

Source: Director of Financial Services, City of Lynchburg,

(1) See Table 14 for Real Property Assessed Value information.

(2) For fiscal years 2001 through 2005, the total net debt applicable to limit amounts were revised to include bond anticipation notes.

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

**PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Sewer Fund Operating Income</b>	\$ 4,139,855	\$ 3,648,632	\$ 4,785,102	\$ 4,911,070	\$ 5,321,833	\$ 5,446,519	\$ 4,388,069	\$ 4,950,662	\$ 3,627,699	\$ 3,156,073
Plus:										
Depreciation & amortization	3,312,342	3,662,382	3,777,969	3,954,820	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336	5,819,288
Interest income received	55,615	200,511	248,236	456,342	858,384	691,799	363,942	226,969	173,319	167,849
Capital contributions from members										
Regional Sewerage Treatment Plant	785,015	272,336	383,901	384,746	385,623	386,530	394,761	431,486	474,581	451,645
Governmental grants & miscellaneous income	178,541	142,053	43,657	67,683	45,058	44,300	296,443	108,985	108,936	125,336
Intergovernmental transfer (4)	-	-	-	-	-	-	-	-	-	688,036
Capitalized cost (3)	-	-	-	-	-	-	-	-	229,662	258,186
<b>Net Revenue per Indenture (1)</b>	<u>\$ 8,471,368</u>	<u>\$ 7,925,914</u>	<u>\$ 9,238,865</u>	<u>\$ 9,774,661</u>	<u>\$ 10,719,459</u>	<u>\$ 10,865,641</u>	<u>\$ 9,874,173</u>	<u>\$ 10,575,945</u>	<u>\$ 9,649,533</u>	<u>\$ 10,666,413</u>
<b>Debt Service</b>										
General obligation bonds										
Principal (2)	\$ 2,007,725	\$ 1,775,308	\$ 2,217,270	\$ 2,210,090	\$ 2,386,638	\$ 4,207,969	\$ 1,810,056	\$ 2,103,851	\$ 2,259,476	\$ 2,061,150
Interest	1,406,731	1,319,116	1,415,544	1,204,587	1,445,911	1,411,626	1,233,745	1,128,126	1,139,108	1,053,216
Total	3,414,456	3,094,424	3,632,814	3,414,677	3,832,549	5,619,595	3,043,801	3,231,977	3,398,584	3,114,366
Revenue bonds										
Principal	3,109,085	2,320,353	2,391,300	2,433,438	2,557,922	2,909,118	3,097,845	3,520,797	3,757,168	4,627,820
Interest	515,368	541,101	773,675	537,820	455,333	427,360	398,518	368,782	338,122	306,510
Total	3,624,453	2,861,454	3,164,975	2,971,258	3,013,255	3,336,478	3,496,363	3,889,579	4,095,290	4,934,330
<b>Total Debt Service Principal and Interest</b>	<u>\$ 7,038,909</u>	<u>\$ 5,955,878</u>	<u>\$ 6,797,789</u>	<u>\$ 6,385,935</u>	<u>\$ 6,845,804</u>	<u>\$ 8,956,073</u>	<u>\$ 6,540,164</u>	<u>\$ 7,121,556</u>	<u>\$ 7,493,874</u>	<u>\$ 8,048,696</u>
<b>Debt Coverage</b>	<u>1.20</u>	<u>1.33</u>	<u>1.36</u>	<u>1.53</u>	<u>1.57</u>	<u>1.21</u>	<u>1.51</u>	<u>1.49</u>	<u>1.29</u>	<u>1.33</u>

(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.

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

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (thousands of dollars) (2)</b>	<b>Per Capita Personal Income (3)</b>	<b>Median Age (4)</b>	<b>School Enrollment (5)</b>	<b>Unemployment Rate (6)</b>
2003	67,354	\$ 1,823,610	\$ 27,075	35.1	8,955	6.1
2004	68,319	1,929,329	28,240	35.1	8,775	5.6
2005	69,340	2,023,411	29,181	35.1	8,620	5.2
2006	70,491	2,180,569	30,934	35.1	8,808	4.0
2007	72,331	2,327,105	32,173	35.1	8,883	4.3
2008	73,834	2,450,846	33,194	35.1	8,715	5.6
2009	75,204	2,409,235	32,036	35.1	8,634	9.3
2010	75,568	2,434,650	32,218	30.3	8,597	9.2
2011	76,448	*	*	30.3	8,646	9.1
2012	76,448	*	*	30.3	8,688	8.7

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

(1) Weldon Cooper Center for Public Service, University of Virginia [www.coopercenter.org](http://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. 2003 through 2010 have been revised in accordance with the 2010 census revisions. 2011 is based on a July 1, 2011 estimate.

(2) U.S. Department of Commerce, Economic and Statistical 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 Statistical Administration, Bureau of Economic Analysis

Report CA1-3 - Personal Income Summary - [www.bea.gov/regional/docs/income](http://www.bea.gov/regional/docs/income)

New estimates for 2010 and revisions for 2003 - 2009 were released on April 25, 2012. Table has been revised to reflect these changes.

(4) United States Census - 2010

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

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

(6) Virginia Employment Commission & U.S. Department of Labor, Bureau of Labor Statistics, as of June 2012

2011 Unemployment Rate has been adjusted to reflect the most current data available.

\* Information unavailable



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

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Centra Health, Inc.	5,593	1	15.40%	3,800	1	12.19%
TRBC, Liberty University	4,620	2	12.72%	1,000	9	3.21%
Areva (2)	2,000	3	5.51%	1,400	6	4.49%
Genworth Financial Inc. (1)	1,600	4	4.41%	1,607	3	5.15%
Lynchburg City Schools	1,381	5	3.80%	1,554	5	4.98%
City of Lynchburg	1,183	6	3.26%	1,150	7	3.69%
J. Crew Outfitters	1,100	7	3.03%	1,000	8	3.21%
Walmart	660	8	1.82%	-	-	-
Kroger	607	9	1.67%	-	-	-
Lynchburg College	454	10	1.25%	-	-	-
Central Virginia Community Svcs	-	-	-	1,600	4	5.13%
BWX Technologies	-	-	-	1,940	2	6.22%
R.R. Donnelley	-	-	-	739	10	2.37%
Total	19,198			15,790		

Employed Civilian Labor Force (June 2012) Lynchburg City - Virginia Employment Commission 36,312

Employed Civilian Labor Force (June 2003) Lynchburg City - Virginia Employment Commission 31,179

Source: FY 2012 numbers are derived from Office of Economic Development,  
City of Lynchburg, Virginia as of June 30, 2012

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

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

(2) Formerly Framatome

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

Functions/Programs	Full-Time Equivalent Employees as of June 30									
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Adopted
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 <sup>(1)</sup>
Primary government:										
Council Manager Offices	8	8	8	7	9	8	9	8	8	8.0
Parking Division <sup>(5)</sup>	-	-	-	-	-	-	-	3	4	4.5
City Assessor	11	11	13	13	12	12	12	12	10	10.3
City Attorney	7	7	7	7	7	7	7	7	7	6.9
Commissioner of Revenue	14	15	16	16	16	15	15	13	12	10.4
Communications & Marketing	3	3	3	3	3	3	4	4	4	4.0
Local Government Channel	-	-	-	-	-	2	2	2	2	2.0
Customer Service	3	3	4	2	2	4	4	4	3	3.5
Financial Services	49	51	50	49	49	47	46	44	42	42.0
Financial Services-Human Services	-	-	-	-	12	12	12	10	10	9.8
Human Resources	10	10	12	11	12	13	11	11	10	10.0
Information Technology	23	25	27	28	28	28	29	30	31	31.0
Internal Audit	3	3	3	3	2	2	2	2	2	2.0
Registrar and Electoral Board	2	2	3	3	3	3	3	2	2	2.3
State Treasurer (State)	3	3	2	2	2	2	2	2	2	2.0
Risk Management Fund	3	3	3	3	3	3	3	3	3	3.1
Circuit Court Clerk (State)	13	13	13	13	13	13	13	13	13	13.0
Circuit Court Judges	2	2	2	2	2	2	2	2	2	2.0
Commonwealth Attorney	34	37	36	35	14	16	16	17	17	16.4
Sheriff	27	27	31	31	31	31	31	31	29	30.4
Regional Juvenile Detention Center Fund	51	51	51	48	50	50	50	50	47	47.3
Police Department	190	192	199	200	198	207	204	204	203	202.3
Emergency Communications	31	31	31	31	31	31	31	36	35	35.0
Fire Department	183	182	183	180	180	185	186	186	187	187.0
Public Works Administration	7	6	6	6	-	-	11	11	11	11.0
Buildings & Grounds Maintenance	78	78	98	92	88	88	83	78	74	78.0
Engineering Division <sup>(2)</sup>	31	31	36	35	-	-	-	38	31	32.8
Geographic Information System	3	3	3	3	-	-	-	-	-	-
Street, Traffic & Refuse Maintenance <sup>(3)</sup>	40	40	42	42	36	38	57	53	50	52.4
Health & Human Services	192	186	178	181	188	188	184	175	169	170.9
Cultural and recreational	83	83	97	101	102	101	99	99	99	104.6
Community Planning & Economic Development <sup>(2)</sup>	35	36	38	38	78	77	84	33	32	26.8
Fleet Services Fund	13	13	13	13	13	12	12	13	11	11.5
Business-type activities:										
Airport Fund	20	20	21	18	21	21	20	18	18	17.7
Water Fund	57	61	60	64	65	68	65	68	67	66.9
Sewer Fund	43	44	47	47	47	46	46	50	50	55.0
Solid Waste Fund <sup>(4)</sup>	42	42	42	46	43	43	-	-	-	-
Source: Budget Office, City of Lynchburg, Virginia	1,314	1,322	1,378	1,373	1,360	1,378	1,355	1,332	1,297	1,312.8

(1) FY2012 actual will be available with the FY2013 adopted budget.

(2) During FY2007 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 FY2010

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Police										
Physical Arrests	6,295	6,449	6,717	6,996	6,634	6,813	6,662	6,605	7,039	6,879
Traffic Violations	8,759	9,628	11,477	10,926	10,634	11,327	14,489	12,672	11,437	12,506
Parking Violations	8,113	7,308	6,806	6,306	7,741	7,786	6,370	4,599	3,943	6,338
Fire										
Number of calls answered (per month) (1)	619(est)	227 (est)	328 (est)	463 (est)	501	517	506	518	574	511
Number of inspections conducted (4)	1,430	1,280	1,089	293	253	368	641	567	767	469
EMS calls	14,552	12,197	12,782	13,032	13,764	14,660	15,279	15,124	14,731	14,393
Sanitation and Refuse										
Refuse collected (tons/day) (2)	59.95	62.30	66.45	70.74	72.22	69.68	69.03	69.35	69.74	70.14
Recyclables collected (tons/day)	8.43	7.60	6.42	5.34	5.34	6.73	7.45	7.23	7.31	6.85
Airport										
Total number of passengers	92,779	109,940	128,811	124,093	115,560	98,423	142,569	178,387	169,174	152,064
Sewage										
Number of service connections	17,500	17,595	17,768	18,179	18,310	18,486	18,549	18,606	18,706	19,572
Average daily treatment in million gallons (3)	14.27	13.90	12.60	12.20	12.35	10.86	10.68	12.99	11.09	10.57
Maximum daily average capacity of treatment plant in million gallons	22	22	22	22	22	22	22	22	22	22
Maximum daily capacity of treatment plant in million gallons	44	44	44	44	44	44	44	44	44	44
Water										
Number of service connections	21,586	21,341	21,522	21,930	22,044	22,158	22,290	22,265	22,361	23,308
Average daily consumption of plant in million gallons	11	11	11	11	10	12	11	12	11	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) Fire calls only, not EMS

(2) The numbers stated for FY 2001-2006 differ from those previously reported and reflect the actual data based on the information provided by the Public Works Department.

(3) The numbers stated for FY 1999-2007 differ from those previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.

(4) Fire had additional personnel conducting inspections beginning in Fiscal Year 2009.

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	53	53	53	54	55	57	57	57	57	57
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	14	15	15	16	16	16	16	16	16	16
Highways and Streets										
Street (miles) (1)	365.95	368.23	372.23	373.28	374.42	374.42	377.37	378.26	378.26	378.61
Streetlights (2)	9,590	9,672	9,747	9,822	9,899	9,926	9,990	9,966	9,982	9,982
Traffic signals	110	110	113	117	117	118	119	119	119	119
Culture and Recreation										
Community centers	7	7	7	7	7	7	7	7	7	7
Senior centers	-	-	1	1	1	1	1	1	1	1
Parks (10)	20	20	20	20	20	20	20	20	21	21
Parks acreage (3) (10)	917	917	917	917	917	917	917	917	948	948
Swimming pools	1	1	1	1	1	1	1	1	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	2,324	2,451	2,788	2,799	2,800	2,887	2,892	3,080	3,111	3,156
Storage capacity (thousands of gallons)	not specified	not specified	not specified	33,000	33,000	33,000	31,000	33,000	33,000	33,000
Sewer										
Average daily sewage treatment (MGD) (6)	14.27	13.90	12.60	12.20	12.35	10.86	10.68	12.99	11.09	10.57
Maximum daily sewage treatment (MGD)	36.85	28.28	27.11	27.11	33.44	26.37	28.65	33.69	29.54	31.68
Transit - route service buses (7)	29	29	29	29	29	37	37	38	38	39
Transit - paratransit service buses (8)	-	-	-	-	-	7	11	11	11	10
Facility and service not included in the reporting entity:										
Education										
Number of elementary schools (9)	10	11	11	11	11	11	11	11	11	11
Number of secondary schools	5	5	5	5	5	5	5	5	5	5
Number of community colleges	1	1	1	1	1	1	1	1	1	1
Number of universities or colleges	4	4	4	4	4	4	4	4	4	4
Hospitals										
Number of hospitals	2	2	2	2	2	2	2	2	2	2
Number of patient beds	554	554	554	587	587	575	575	513	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.

TABLE 27

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

<u>Description</u>	<u>Student Enrollment, Employees and Schools by Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Elementary School Membership	3,968	3,910	3,840	3,793	3,877	3,916	3,937	3,934	3,968	3,987
Secondary School Membership	4,987	4,872	4,785	4,809	4,745	4,447	4,583	4,438	4,359	4,317
Total Membership	8,955	8,782	8,625	8,602	8,622	8,363	8,520	8,372	8,327	8,304
Teachers and Administrators (1)	782	762	753	776	772	774	780	759	977	851
Other Employees	474	467	471	470	482	482	482	449	250	223
Total Employees	1,256	1,229	1,224	1,246	1,254	1,256	1,262	1,208	1,227	1,074
Elementary Schools (2)	11	11	11	11	11	11	11	11	11	11
Secondary Schools	5	5	5	5	5	5	5	5	5	5
Total Buildings	16	16	16	16	16	16	16	16	16	16

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

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

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

<u>Grade</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
K	674	700	666	670	722	732	732	718	696	740
1	628	651	628	655	675	673	673	702	726	705
2	664	608	647	634	629	648	648	648	670	676
3	689	641	583	628	629	653	653	632	620	643
4	633	690	630	593	625	606	608	639	629	615
5	680	620	686	613	597	604	622	595	627	608
6	686	689	658	707	618	613	635	598	605	621
7	697	661	680	664	694	581	604	619	593	586
8	737	697	660	687	662	625	614	581	622	593
9	904	856	857	823	867	777	797	706	642	669
10	730	740	772	726	661	647	732	719	666	580
11	676	656	627	669	621	654	702	619	672	625
12	557	573	531	533	622	550	499	596	559	643
Total	8,955	8,782	8,625	8,602	8,622	8,363	8,519	8,372	8,327	8,304

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

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

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## **COMPLIANCE SECTION**





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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia, as of and for the year ended June 30, 2012 which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

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

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as Items 12-1 and 12-2.**

We noted certain matters that we reported to management of the City in a separate letter dated November 12, 2012.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 12, 2012

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

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

**Compliance**

We have audited the City of Lynchburg, Virginia's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the discretely presented component unit referred to as the Business Development Centre, Inc., which received \$537,249 in federal awards during the year ended June 30, 2012 that are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Centre because it engaged other auditors to perform an audit in accordance with *OMB Circular A-133*.

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

**In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.**

### **Internal Control over Compliance**

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 12, 2012

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

**Compliance**

We have audited the City of Lynchburg, Virginia's compliance with the types of compliance requirements described in the *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, 2012. Compliance with the requirements of laws and regulations applicable to the Program is the responsibility of management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

**In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to the Program for the year ended June 30, 2012.**

**Internal Control over Compliance**

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

### **Internal Control over Compliance (Continued)**

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 12, 2012

**CITY OF LYNCHBURG, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2012**

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

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

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

*State Agency Requirements*

Education  
Social Services  
Urban Highway Maintenance

**FEDERAL COMPLIANCE MATTERS**

*Compliance Supplement for Single Audits of State and Local Governments*

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

**FEDERAL AVIATION ADMINISTRATION COMPLIANCE MATTERS**

*Passenger Facility Charge Audit Guide for Public Agencies*

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

**CITY OF LYNCHBURG, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2012**

**A. SUMMARY OF AUDITOR'S RESULTS**

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

<u>Name of Program</u>	<u>CFDA #</u>
Revolving Loan Fund	66.458
ARRA – Revolving Loan Fund	66.458
Twenty-First Century Community Learning Centers	84.287
Title IV-B – Special Education – Grants to States	84.027
Title IV-B – Special Education – Preschool Grants	84.173
ARRA – Special Education – Grants to States	84.391
ARRA – Special Education – Preschool Grants	84.392
Title I – Educationally Deprived Children – Local Education Agencies	84.010
ARRA – Title I Grants to Local Education Agencies	84.389
ARRA – State Fiscal Stabilization Fund – Education State Grants	84.394
ARRA – Education Jobs Fund	84.410
Temporary Assistance for Needy Families (TANF) Block Grant	93.558
Adoption Assistance – Title IV-E	93.659
Social Services Block Grant	93.667
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

8. The **threshold for** distinguishing Type A and B programs was **\$1,265,989**.
9. The City of Lynchburg was **not** 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 **unqualified opinion**.
  - c. The audit disclosed **no audit findings relating to Passenger Facility Charge Program**.



**CITY OF LYNCHBURG, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2012**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**12-1: Timely Disclosure Statement Submission**

*Condition:*

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

*Recommendation:*

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

*Management's Response:*

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

**12-2: Social Services VDSS System Access – City**

*Condition:*

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

*Recommendation:*

Steps should be taken to ensure that access to all VDSS systems is removed within three working days of an employee's termination.

*Management's Response:*

The City agrees with the recommendation. The Director of Social Services will take additional steps to ensure the timely removal of terminated employees from the information systems.

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

None.

**E. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM**

None.