

**CITY OF
LYNCHBURG, VIRGINIA**

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2010

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

**CITY OF LYNCHBURG,
VIRGINIA**

Prepared by:
Financial Services

CITY OF LYNCHBURG, VIRGINIA

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INTRODUCTORY SECTION



The City of Lynchburg, Virginia

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OFFICE OF THE
CITY MANAGER

November 12, 2010

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, 2010, 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 December 2008. During the fiscal year, adherence to these financial policies helped the City manage the investment portfolio in a challenging market, close the year with a stronger fund balance than projected, and guided the balancing of the FY 2011 budget in an economic downturn.

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

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 72,371, Lynchburg is an important commercial center for the four-county and two city region, known as Region 2000. The City benefits from an economy that remains diversified among the manufacturing, health services, technology, and trade sectors, as well as being the home to 5 colleges and universities.

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

Local Economic Condition and Outlook

While maintaining its role as an employment and commercial center for a four-county metropolitan area with a population of approximately 236,000, Lynchburg has dealt effectively with many of the challenges that face economies historically focused on manufacturing. Despite the onset of the national recession, health services, educational and nuclear technology sectors expanded. Real property and personal property assessments have experienced slight growth and consumption driven revenues, though declining in FY 2009, have since remained steady.

Areva NP's joint venture with Constellation Energy to design and build the first new U.S. commercial nuclear reactor in a generation is currently undergoing Nuclear Regulatory Commission Licensure review. Areva NP 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. Furthermore, The City is headquarters for two of Babcock & Wilcox Company Technologies (B&W) four main subsidiaries. Within the past 12 months, B&W has opened a new facility in the Lynchburg area. Engineering and design offices capable of housing as many as 300 workers for the B&W mPower™ nuclear reactor program opened in the City's Lynchpin Business Park in cooperation with the Lynchburg Economic Development Authority. B&W became a publicly traded company this year and is no longer an operating group of McDermott International, Inc. In June 2009, B&W announced its plans to design and deploy a new modular nuclear reactor capable of generating power in 125 megawatt increments. The program is receiving continued interest from numerous potential customers. B&W has begun its

pre-licensing activities with the Nuclear Regulatory Commission, and the company intends to submit the license application in early 2012.

In the health services sector, Centra, which owns and operates both Lynchburg General and Virginia Baptist Hospitals in Lynchburg, was ranked by *Forbes Magazine* as one of the safest hospitals in the country, placing Centra in the top 5% of hospitals nationwide for low complication and mortality rates. The Centra Alan B. Pearson Regional Cancer Center opened in 2008 and provides comprehensive cancer care services. The cancer services earned a three-year full accreditation with commendation for its comprehensive program from the Commission on Cancer of the American College of Surgeons. Only 25% of cancer care programs in the country receive this recognition.

Liberty University (Liberty) continued its rapid expansion in enrollment with 12,000 resident students and 53,000 online students in fall 2010. A plan to expand students on campus continues. Liberty University expanded facilities in FY 2010 including the \$6.5 million renovation to the Tower Theater, a 640 seat performing arts theater, and major renovations to the Williams Football Stadium. The Stadium renovations include a three phase project over a five year period with estimates totaling \$22 million. Overall Stadium capacity will be increased from 12,000 to 30,000.

Major Initiatives and Accomplishments

Downtown and Riverfront Development/Redevelopment

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

The City's commitment to downtown revitalization remains strong. City Council recently adopted an ordinance to establish an Arts and Cultural District downtown and pledged revenues from taxes on arts and cultural activities to promote and enhance the District. A new Juvenile and Domestic Relations Courthouse was dedicated in early August 2010. The building has a Leadership in Energy and Environmental Design (LEED) Certification and has the first "green" roof in the City. The City also continues to implement the parking plan to ensure access to downtown businesses. Finally in 2010, the latest historic milestone in the Downtown is the construction of a new building on a vacant lot on Main Street by a private party and with no public funding or incentives whatsoever. This is the first new private building constructed downtown in over three decades. The brick building is designed to complement the existing streetscape, will initially house a barber shop, and is expandable in both height and footprint.

Education

For 2010, the State of Virginia Department of Education notified Lynchburg City Schools that all sixteen public schools earned full accreditation. In November 2009, the Lynchburg City Schools took the Virginia School Board Association's Green School Challenge and won. The division won first place for its size by saving \$169,000. Teachers and students worked together to save 1.8 million kilowatt hours compared to the year before. Lynchburg City Schools also opened the Fort Hill Community School. Renovations to the former Fort Hill Elementary School allowed space to house middle school students who participate in the School Division's alternative education programs.

Infrastructure

Construction was completed on the new Juvenile and Domestic Relations Court House and Sandusky Middle School. Both of these buildings were built using LEED Certification standards. Funding for the Juvenile and Domestic Relations Court House consisted of cash from the sale of the City's Landfill to the Regional Authority and general obligation bonds. The City closed on bonds in August 2009 to complete financing for these two projects. An application was made for Literary Loan funds to assist with financing for Sandusky Middle School and the project was placed on a waiting list. With Literary Loan funding subsequently eliminated by the State, financing for the school will be completed through the Federal American Recovery and Reinvestment Act Qualified School Construction Bond Program. Funds for FY 2010 debt service payments were placed in a reserve in the FY 2008 Adopted Budget in anticipation of this borrowing.

Construction of the first phase of the Fifth Street improvements was completed in September 2009 and included a two block area fronting Fifth Street between Harrison and Jackson Streets. The project included the construction of an urban roundabout flanked by plaza areas at the intersection of Fifth and Federal Streets which is the center of the corridor. Streetscape improvements in the form of wider sidewalks, street trees, historic style lighting and the placement underground or relocation of overhead utilities were completed as part of the project. Aging water and sewer lines were replaced as well. Since the completion of Phase I, other amenities such as benches, trash cans, and bus shelters have been installed throughout the plan area.

Transportation

Amtrak provides rail passenger service through Lynchburg between Boston and New Orleans via the Crescent Train Route. Beginning October 1, 2009, Amtrak offers an additional daily round trip train route originating in Lynchburg with Boston providing service to over 105,000 passengers annually.

The City is also served by the Lynchburg Regional Airport. As the primary commercial service airport for Central Virginia, Lynchburg Regional Airport's market area serves a population of more than 236,000. With a total of 16 scheduled airline arrivals and departures daily, the airport expects to serve over 175,000 passengers in 2010 through the regional affiliates of two major airlines: Delta Airlines and US Airways. In October 2010, the City received notice that Delta Airlines will not service Lynchburg as of January 1, 2011. Negotiations are underway with other airlines to replace the lost service.

Utilities

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

Community Dialogue

The City continues an initiative to bring the community together to discuss race and racism through the Community Dialogue on Race and Racism. Using a "study circle" model, participants are assigned to diverse groups to discuss concerns on this topic in a constructive, respectful conversation. By the end of 2009 and with the help of trained facilitators, more than 1,550 individuals with a connection to Lynchburg through residency, work, school attendance, or leisure activity had a safe and supportive environment in which to discuss the issues of race and racism. Although the discussions themselves created some individual change, a more strategic transition from talk to action has been a core component of this project. As the dialogue has moved into action, community members proved that through this

open and candid dialogue, lasting relationships were built and that these relationships have begun to foster positive change in the Lynchburg community.

As a result of the Community Dialogue on Race and Racism, Action Groups have been formed by members from previous study circles and continue to work together to address racial equity in eight community areas. These eight areas emerged from the action ideas that were brainstormed during the 2008 study circles: Citizen's Advocacy and Strengthening Community, Faith-Based, Communications and Media, Police, Diversity Events, Ward Forum, Education Youth and Family Support, and Workforce Development.

This initiative received recognition from Everyday Democracy as one of eight communities demonstrating success in Creating Racial Equity Initiatives.

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.

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. Recognizing that economic development anywhere in the region provides benefits to Lynchburg, the City supports marketing efforts in neighboring jurisdictions as well. Tourism will continue to play an important role with the Lynchburg Regional Chamber of Commerce holding the contract for the operation of the Lynchburg Regional Convention and Visitors Bureau. 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.

On the State level, the City will remain active in the Virginia First Cities Coalition, advocating for a Statewide urban policy, adequate funding for education, and other shared responsibilities. As instruments of the State, the success of cities depends on the structure, environment and support provided by State government. With State budget reductions projected to continue for FY 2011, Virginia's older core cities will take the burden of the reductions causing further challenges to provide mandated services. Multiple studies have demonstrated the relative disadvantage under which cities in Virginia operate. The long-term viability of the Commonwealth's older core cities depends on the recognition of their importance to its regions and a fuller sharing of the costs and benefits of providing services to those communities.

While the challenges are many for the City, so are the opportunities for success. The City has undertaken a very broad "Sustainable City" initiative to ensure policies and resources are in place to support the future viability of Lynchburg. This initiative and "new way of thinking and acting" are continuing to develop. The Sustainable City 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. The City will continue to take the steps necessary to become the progressive community outlined in Council's Vision.

Certificates of Achievement for Excellence

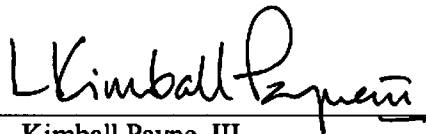
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lynchburg for its CAFR for the fiscal year ended June 30, 2009. This is the City's thirteenth consecutive year in receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2009 Adopted Budget. This is the City's fifth 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 interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



L. Kimball Payne, III
City Manager



Donna S. Witt
Director of Financial Services

CITY OF LYNCHBURG, VIRGINIA
COUNCIL-MANAGER FORM OF GOVERNMENT

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2010

CITY COUNCIL

Joan F. Foster, Mayor

Bertram F. Dodson, Jr., Vice-Mayor
Dr. Michael A. Gillette
Rev. Ceasor T. Johnson

Dr. T. Scott Garrett/J. Randolph Nelson*
Jeff S. Helgeson
Edgar J. T. Perrow, Jr.

CITY OFFICIALS

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

City Manager
Deputy City Manager
City Attorney
Director of Financial Services

SCHOOL BOARD

Mary Ann H. Barker, Chair

Thomas H. Webb, Vice-Chair
Albert L. Billingsly
Dr. Darin L. Gerdes
Trenay L. Tweedy

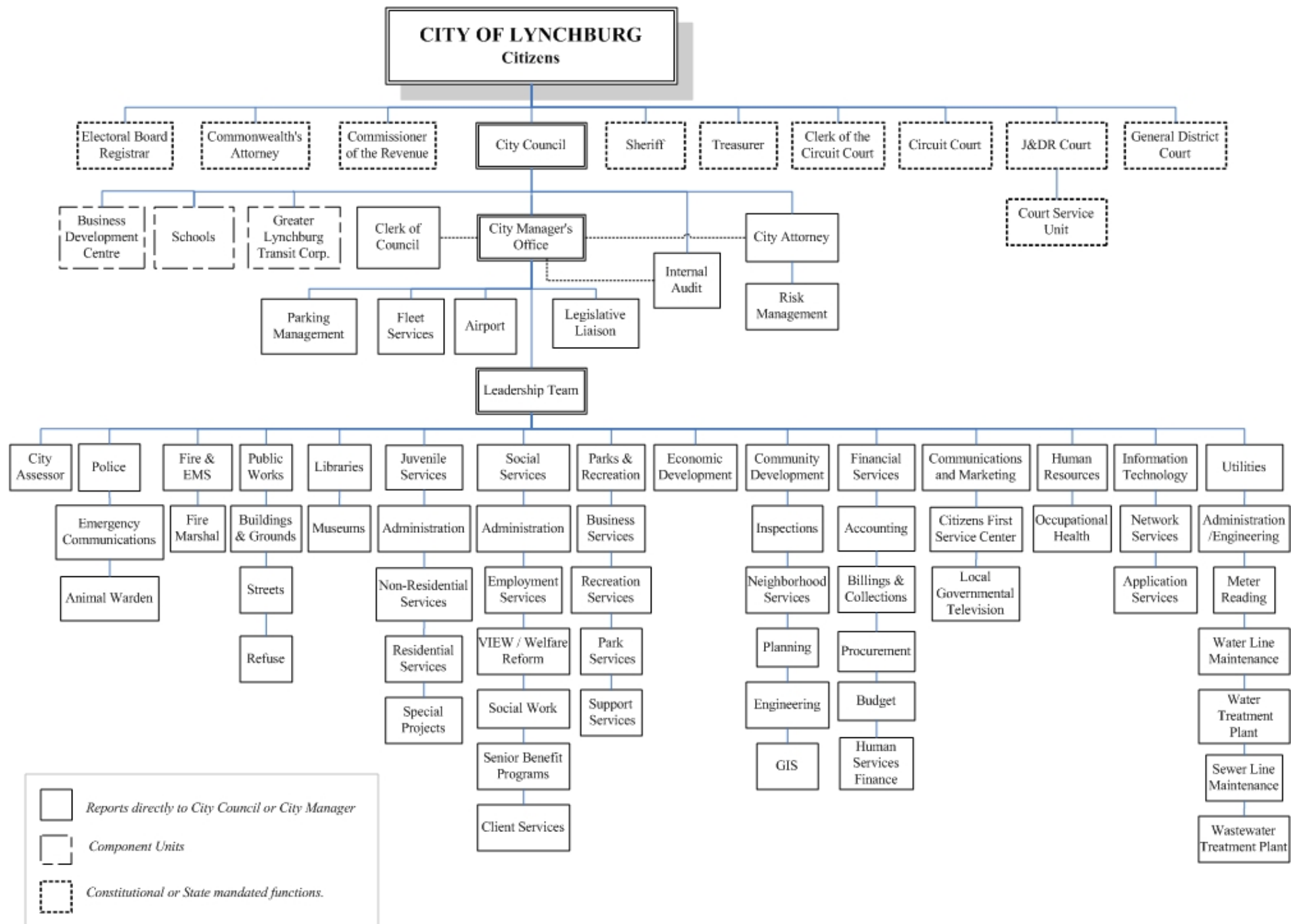
Rev. Keith R. Anderson
Regina T. Dolan-Sewell
Ingrid M. Hamlett
Charles B. White

SCHOOL BOARD OFFICIALS

Dr. Paul McKendrick
Dr. Stephen Smith
Edward Witt, Jr.
Beverly Padgett

Superintendent of Schools
Assistant Superintendent
Assistant Superintendent
Chief Financial Officer

*In January 2010, Dr. Garrett began his term in the Virginia House of Delegates; J. Randolph Nelson was appointed by the remaining members of City Council to fill his seat.



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lynchburg
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



President

Executive Director

FINANCIAL SECTION

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, 2010, 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 \$1,079,533 as of June 30, 2010, and total revenues of \$364,903 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, 2010, 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, 2010, 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 on pages 3a through 3p and 56 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 12, 2010

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, 2010. 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, 2010 by \$434.0 million (net assets). Unrestricted net assets of \$86.4 million were available to meet future obligations. This represented \$66.0 million for governmental activities, which included the General Fund, and \$20.4 million for business-type activities, which included the Enterprise Funds (Water, Sewer, and Airport).
- The General Fund's undesignated fund balance of \$31.8 million was 20.2% of total General Fund revenues, which were \$157.1 million. This was \$16.1 million more than the City Council adopted Undesignated Fund Balance Policy requirement of 10%, or \$15.7 million.
- In comparison with the prior fiscal year, the City's total net assets increased 5.5%, or \$22.6 million, from FY 2009. Net assets of governmental activities increased 2.3%, or \$5.6 million, from FY 2009; and, net assets of business-type activities increased 10%, or \$17.0 million. The Schools' total net assets increased 29%, or \$0.5 million, from FY 2009.
- The City's total revenues of \$225.0 million increased 4.0%, or \$8.7 million, and total expenses of \$202.4 million decreased 1.7%, or \$3.5 million, from FY 2009. General revenues and transfers of \$122.2 million were \$22.6 million more than the expenses net of program revenues of \$99.6 million.
- In accordance with Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, the City recognized a net OPEB liability of \$4.0 million and the School recognized a net OPEB liability of \$1.2 million in FY 2010. See Note 12 for further information.
- For the current fiscal year, the City's total liabilities of \$374.8 million increased 11.7% or \$39.4 million from FY 2009.
- Total new debt of \$80.8 million was issued, of which \$42.1 million was for governmental activities and \$38.7 million was for business-type activities. New debt included taxable Build America Bonds (BAB), Qualified School Construction Bonds (QSCB), current and advance refunding bonds, and the Virginia Revolving Loan Program (VRL). Recalibrated credit ratings were released in Spring 2010 from two credit rating agencies. In Fall 2010, the two recalibrated ratings were maintained and Standard and Poor's Ratings Services upgraded the City's credit rating from AA to AA+.

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. During FY 2009, the City closed its Solid Waste Management Fund.

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, 2010/2009
(in millions)***

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change	Component Unit Schools	
	2010	2009	2010	2009	2010	2009	2010-2009	2010	2009
Current and other assets	\$ 129.3	\$ 126.2	\$ 74.5	\$ 58.8	\$ 203.8	\$ 185.0	10%	\$ 16.4	\$ 15.3
Capital assets	300.6	280.0	304.4	281.8	605.0	561.8	8%	2.5	2.7
Total assets	429.9	406.2	378.9	340.6	808.8	746.8	8%	18.9	18.0
Long-term liabilities	159.4	137.6	183.6	162.5	343.0	300.1	14%	3.3	4.1
Other liabilities	24.0	27.7	7.8	7.6	31.8	35.3	-10%	13.4	12.2
Total liabilities	183.4	165.3	191.4	170.1	374.8	335.4	12%	16.7	16.3
Net Assets									
Invested in capital assets, net of related debt	161.8	155.8	167.1	152.1	328.9	307.9	7%	1.4	1.0
Restricted for Capital projects	18.7	20.1	-	-	18.7	20.1	-7%	-	-
Unrestricted	66.0	65.0	20.4	18.4	86.4	83.4	4%	0.8	0.7
Total net assets	\$ 246.5	\$ 240.9	\$ 187.5	\$ 170.5	\$ 434.0	\$ 411.4	5%	\$ 2.2	\$ 1.7

The City's total net assets of \$434.0 million increased 5.5%, or \$22.6 million, from FY 2009.

Net assets invested in capital, net of related debt; of \$328.9 million were 76% of total net assets and increased 6.8%, or \$21.0 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 20%, or \$86.4 million, of unrestricted net assets, which are comprised of 76%, or \$66.0 million, for governmental activities, and 24%, or \$20.4 million, for business-type activities. Unrestricted net assets available for providing services to the citizens increased 3.6%, or \$3.0 million. Restricted net assets of \$18.7 million are comprised of grant funds designated for highway maintenance projects.

The Schools' component unit total net assets of \$2.2 million increased 29%, or \$0.5 million from FY 2009. Unrestricted net assets of \$0.8 million increased 14.3%, or \$0.1 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, 2010/2009
(in millions)***

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2010	2009	2010	2009	2010	2009	2010-2009	2010	2009
Revenues:									
Program Revenues:									
Charges for services	\$ 11.4	\$ 11.5	\$ 32.7	\$ 31.4	\$ 44.1	\$ 42.9	3%	\$ 2.5	\$ 2.7
Operating grants/contributions	29.4	32.4	0.2	0.2	29.6	32.6	-9%	62.9	63.5
Capital grants/contributions	13.9	13.0	15.2	4.8	29.1	17.8	63%	-	-
General Revenues:									
Property taxes	67.8	65.2	-	-	67.8	65.2	4%	-	-
Other taxes	45.3	45.5	-	-	45.3	45.5	0%	-	-
Unrestricted intergovernmental	5.6	5.6	-	-	5.6	5.6	0%	-	-
Interest	0.8	1.7	0.2	0.8	1.0	2.5	-60%	-	-
IRS Subsidy Build America Bonds	0.3	-	0.3	-	0.6	-	0%	-	-
Miscellaneous	1.7	3.8	0.1	0.3	1.8	4.1	-56%	0.3	0.2
Gain on sale of assets	0.1	-	-	0.1	0.1	0.1	0%	-	-
Transfers	(0.3)	16.2	0.3	(16.2)	-	-	-	-	-
City appropriation	-	-	-	-	-	-	-	29.5	32.2
Total Revenues	<u>\$ 176.0</u>	<u>\$ 194.9</u>	<u>\$ 49.0</u>	<u>\$ 21.4</u>	<u>\$ 225.0</u>	<u>\$ 216.3</u>	<u>4%</u>	<u>\$ 95.2</u>	<u>\$ 98.6</u>
Expenses:									
General government	14.7	14.6	-	-	14.7	14.6	1%	-	-
Judicial	5.6	5.7	-	-	5.6	5.7	-2%	-	-
Public safety	42.8	43.2	-	-	42.8	43.2	-1%	-	-
Public works	26.8	28.9	-	-	26.8	28.9	-7%	-	-
Health and human services	24.9	26.1	-	-	24.9	26.1	-5%	-	-
Cultural and recreational	9.9	10.4	-	-	9.9	10.4	-5%	-	-
Community development	5.0	5.0	-	-	5.0	5.0	0%	-	-
Education	33.9	35.8	-	-	33.9	35.8	-5%	94.7	99.3
Interest & other fiscal charges	6.3	5.6	-	-	6.3	5.6	13%	-	-
Issuance costs	0.5	-	-	-	0.5	-	0%	-	-
Solid waste management	-	-	-	0.2	-	0.2	-100%	-	-
Airport	-	-	4.3	4.1	4.3	4.1	5%	-	-
Water	-	-	12.6	11.3	12.6	11.3	12%	-	-
Sewer	-	-	15.1	15.0	15.1	15.0	1%	-	-
Total Expenses	<u>\$ 170.4</u>	<u>\$ 175.3</u>	<u>\$ 32.0</u>	<u>\$ 30.6</u>	<u>\$ 202.4</u>	<u>\$ 205.9</u>	<u>-2%</u>	<u>\$ 94.7</u>	<u>\$ 99.3</u>
Change in net assets	<u>5.6</u>	<u>19.6</u>	<u>17.0</u>	<u>(9.2)</u>	<u>22.6</u>	<u>10.4</u>	<u>117%</u>	<u>0.5</u>	<u>(0.7)</u>
Net assets beginning	<u>240.9</u>	<u>221.3</u>	<u>170.5</u>	<u>179.7</u>	<u>411.4</u>	<u>401.0</u>	<u>3%</u>	<u>1.7</u>	<u>2.4</u>
Net assets ending	<u>\$ 246.5</u>	<u>\$ 240.9</u>	<u>\$ 187.5</u>	<u>\$ 170.5</u>	<u>\$ 434.0</u>	<u>\$ 411.4</u>	<u>5%</u>	<u>\$ 2.2</u>	<u>\$ 1.7</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 \$246.5 million increased 2.3%, or \$5.6 million from FY 2009.

Revenue highlights:

Revenues from governmental activities of \$176.0 million decreased 9.7%, or \$18.9 million from FY 2009.

Program Revenues, specifically Operating Grants and Contributions decreased \$3.0 million primarily due to grant funds received in FY 2009 that were not received again in FY 2010. Specifically, the City received \$1.4 million for the Community Oriented Policing Services (COPS) Interoperable Technology Program grant and \$1.5 million for the Governors Opportunity Grant. Capital Grants and Contributions increased \$0.9 million primarily due to an increase in federal reimbursements from the Virginia Department of Transportation (VDOT).

General revenues, specifically Property Taxes of \$67.8 million, increased \$2.6 million. Property Taxes are comprised mainly of Real Property and Personal Property taxes. Real Property taxes increased \$2.4 million. The City's general reassessment of real property occurs biennially and is effective on July 1 of the fiscal year. The City's biennial reassessment occurred July 1, 2009 and resulted in an increase from \$4.5 billion to \$4.9 billion, or \$0.4 billion, in assessed value of taxable real property. Personal Property Taxes decreased \$0.1 million.

Other Taxes of \$45.3 million decreased \$0.2 million. Other taxes are comprised mainly of revenue from Local Sales, Meals, Consumer Utilities, and Business Licenses Taxes. The decrease is mainly attributable to a decrease in local sales tax.

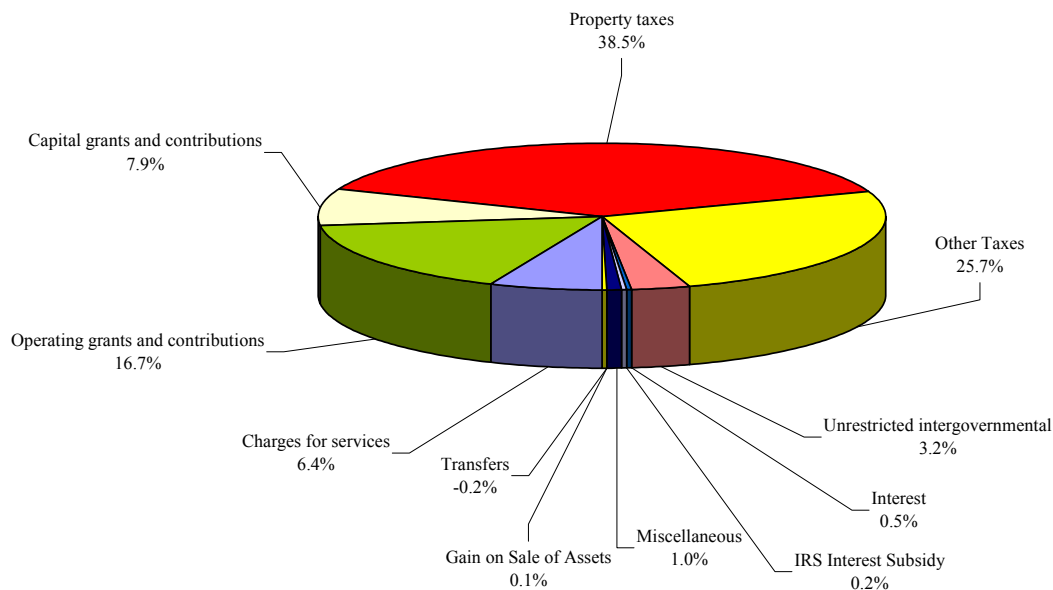
Investment earnings of \$0.8 million decreased \$0.9 million due to lower interest rates and a decrease in funds available for investment. In accordance with the issuance of Build America Bonds, the City received \$0.3 million for IRS Subsidy.

Miscellaneous revenue of \$1.7 million decreased \$2.1 million. The decrease can be attributed to the receipt of the following in FY 2009: \$1.9 million in land donated from the Virginia Department of Transportation (VDOT) as a result of the Urban Construction Initiative and \$0.3 million of subrogation proceeds as payment towards damage to a City bridge.

Transfers decreased \$16.5 million as a result of closing the Solid Waste Management Fund in FY 2009.

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

Revenue by Source-Governmental Activities



Expense highlights:

Governmental activities expenses of \$170.4 million decreased 2.8%, or \$4.9 million from FY 2009.

Public Works expenses decreased \$2.1 million, primarily due to a decrease in Highway maintenance and street services.

Health and Human Services expenses decreased \$1.2 million primarily due to decreased Comprehensive Services Act (CSA) expenses resulting from a decreased number of children served. In FY 2010 the number of children served was 292 as compared to 377 in FY 2009.

Education expenses decreased \$1.9 primarily due to the Schools' utilization of Federal Stimulus funds for operating expenses and savings in salaries and benefits due to retirements in FY 2009.

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 2010/2009
(in millions)***

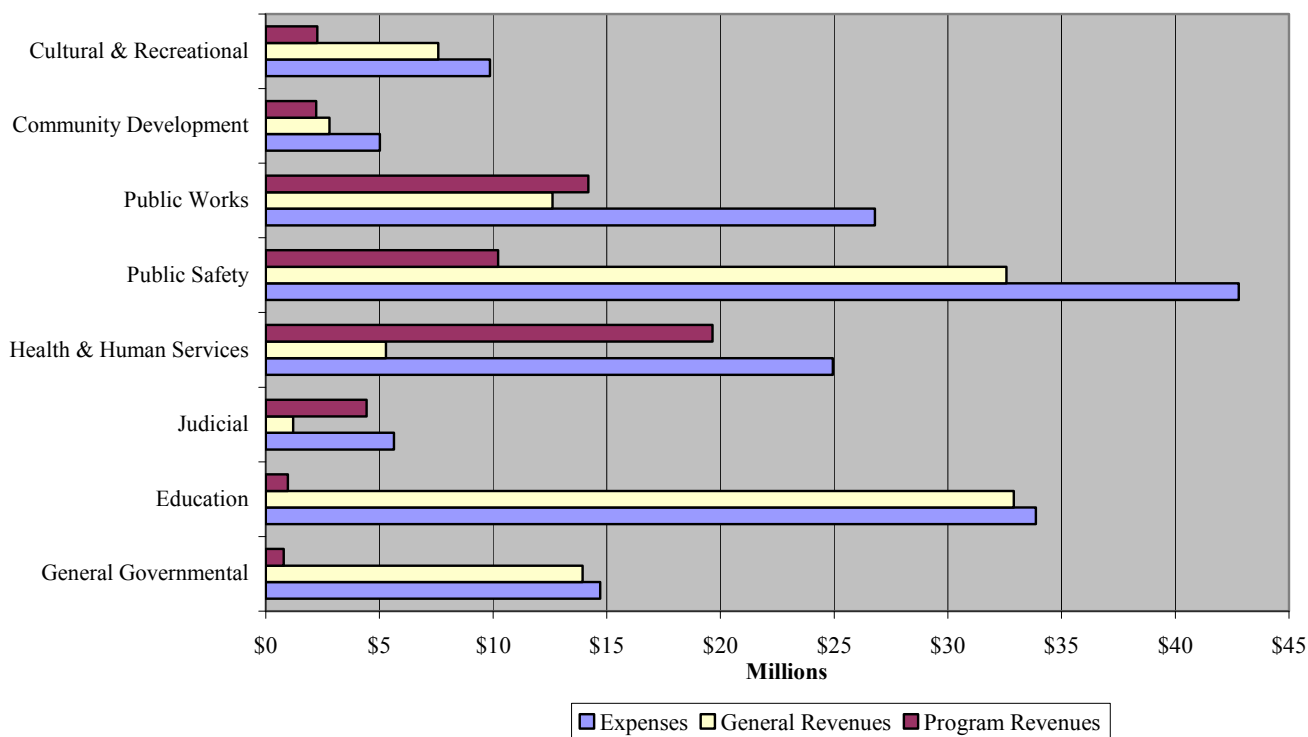
Governmental Activity	Total Cost of Services			Percentage Change 2010-2009	Net Cost of Services			Percentage Change 2010-2009
	2010	2009			2010	2009		
General government	\$ 14.7	\$ 14.6		1%	\$ 13.9	\$ 13.7		1%
Judicial	5.6	5.7		-2%	1.2	1.4		-14%
Public safety	42.8	43.2		-1%	32.6	31.6		3%
Public works	26.8	28.9		-7%	12.6	15.5		-19%
Health and human services	24.9	26.1		-5%	5.3	6.0		-12%
Cultural and recreational	9.9	10.4		-5%	7.6	8.0		-5%
Community development	5.0	5.0		0%	2.8	1.6		75%
Education	33.9	35.8		-5%	32.9	35.0		-6%
Interest payments & other fiscal charges	6.3	5.6		13%	6.3	5.6		13%
Issuance costs & other	0.5	-		0%	0.5	-		0%
Total Governmental Activities	\$ 170.4	\$ 175.3		-3%	\$ 115.7	\$ 118.4		-2%

The four largest funded programs were public safety at 25.0%, or \$42.8 million; local support for education at 19.9%, or \$33.9 million; public works at 15.7%, or \$26.8 million; and health and human services at 14.6%, or \$24.9 million. Education and Public safety continued to be high priorities for the City.

The governmental activities total cost of services decreased 3% from the prior year with a 2% decrease in the net cost of services. The Statement of Activities shows that the \$170.4 million in governmental activities program expenses were financed by \$11.4 million from those receiving services, \$29.4 million from operating grants and contributions, \$13.9 million from capital grants and contributions and \$115.7 million from general revenues. Overall, general revenues and transfers of \$121.3 million were \$5.6 million more than the \$115.7 million of expenses net of program revenues.

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

Program Expenses and Program Revenues - Governmental Activities



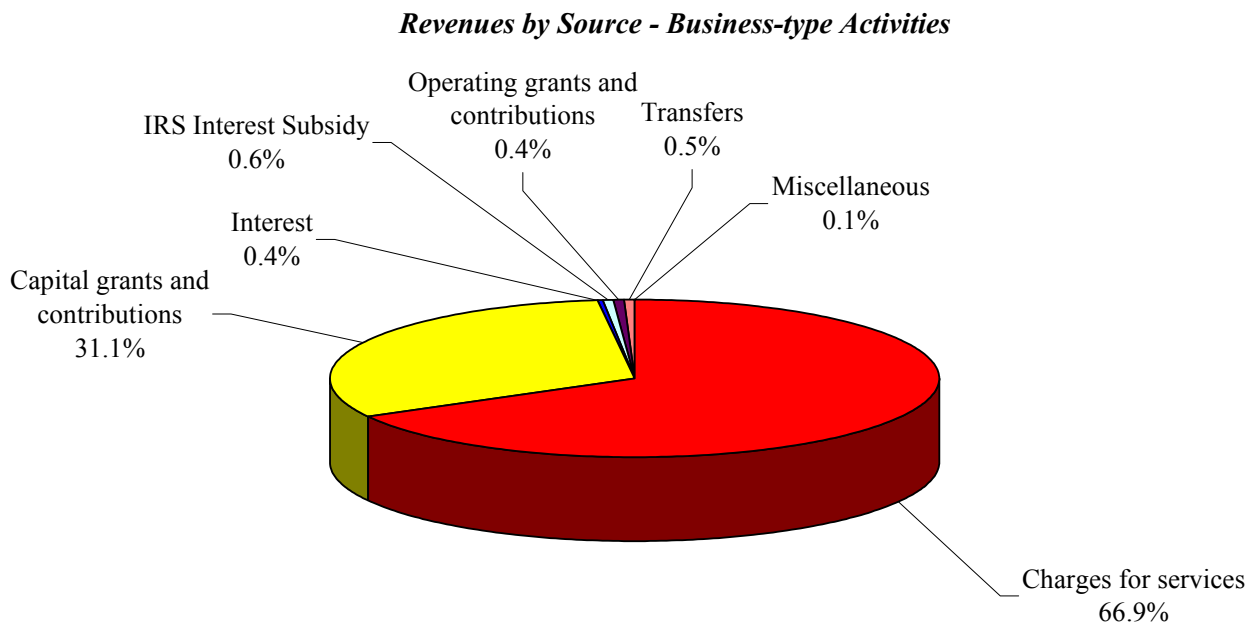
Business-type Activities

The business-type activities are comprised of Enterprise Funds for water, sewer, and airport operations. Total net assets of \$187.5 million increased 10%, or \$17.0 million from FY 2009.

Revenue highlights:

Business-type activities revenues of \$49.0 million increased \$27.6 million from the prior year. This was primarily due to the following: transfers of \$16.5 million to other governmental funds in FY 2009 as a result of closing the Solid Waste Management Fund; an increase of \$1.3 million in charges for services primarily as a result of the 4% rate increase for water and sewer rates; and an increase of \$10.4 million in capital grants and contributions primarily due to the receipt of a Virginia Clean Water Revolving Loan Program grant.

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



Expense highlights:

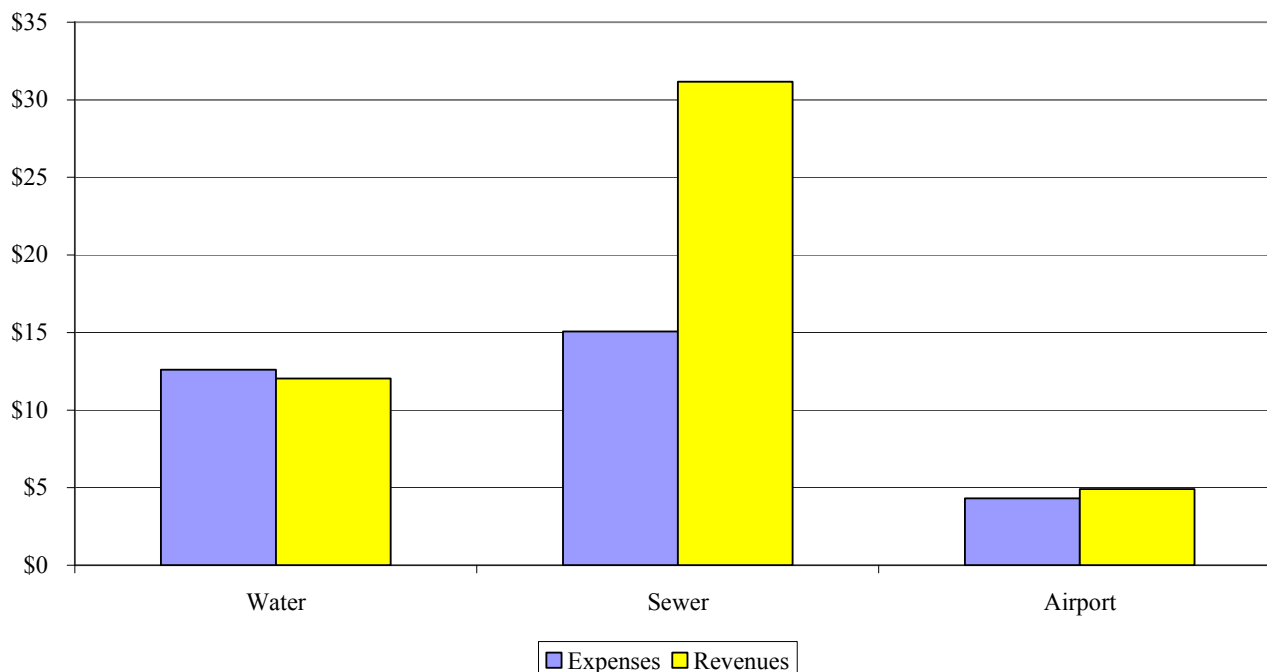
Business-type activities expenses of \$32.0 million increased 4.6%, or \$1.4 million, from the prior year. The increase was primarily due to increases in electricity, interest and depreciation.

Overall, business-type activities revenues of \$49.0 million were \$17.0 million more than expenses of \$32.0 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 \$2.2 million increased 29%, or \$0.5 million, from FY 2009. This was primarily due to an increase in net assets invested in capital net of related debt of 40%, or \$1.0 million to \$1.4 million resulting from unspent capital lease proceeds. Unrestricted net assets increased 14.3% or \$0.1 million from FY 2009.

Revenue highlights:

Total revenues of \$95.6 million decreased 3.3%, or \$3.3 million in comparison with the prior year fund financial statements, primarily due to decreased revenues from the Commonwealth of Virginia. For FY 2010, 49%, or \$47.0 million, of total revenues were received from the Commonwealth of Virginia as compared to \$52.5 million received in the prior year. State sales tax receipts were \$8.3 million for FY 2010. The City government contributed 31.0%, or \$29.5 million, to education. Federal revenues of 17%, or \$16.1 million, included \$4.2 million, (of which \$0.6 million was Federal Stimulus funds), from Title I funds to provide educational services to economically disadvantaged students; \$3.7 million, (of which \$1.4 million was Federal Stimulus funds) to provide special education services for students with disabilities; and \$4.2 million in State Fiscal Stabilization Funds (SFSF). SFSF funds were used for salaries, Fort Hill Community School renovations and the Teen Parent program. School Nutrition revenues of \$3.3 million included \$2.6 million from the federal government for the operation of the breakfast and lunch programs. Other revenue sources of 3%, or \$3.0 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 \$94.7 million decreased 4.6%, or \$4.6 million, from the prior year primarily due to personal services and benefits costs. For FY 2010, 72.0%, or \$68.6 million, of total expenses related directly to providing instruction to 8,372 students and 14.4%, or \$13.6 million, supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were 3.7%, or \$3.5 million, while administration for the schools and attendance and health services for students were 4.4%, or \$4.2 million. Technology costs were 2.5% or \$2.4 million. Capital outlays in the fund financial statements of \$1.9 million included the acquisition of equipment.

FUND FINANCIAL ANALYSIS

Governmental Funds

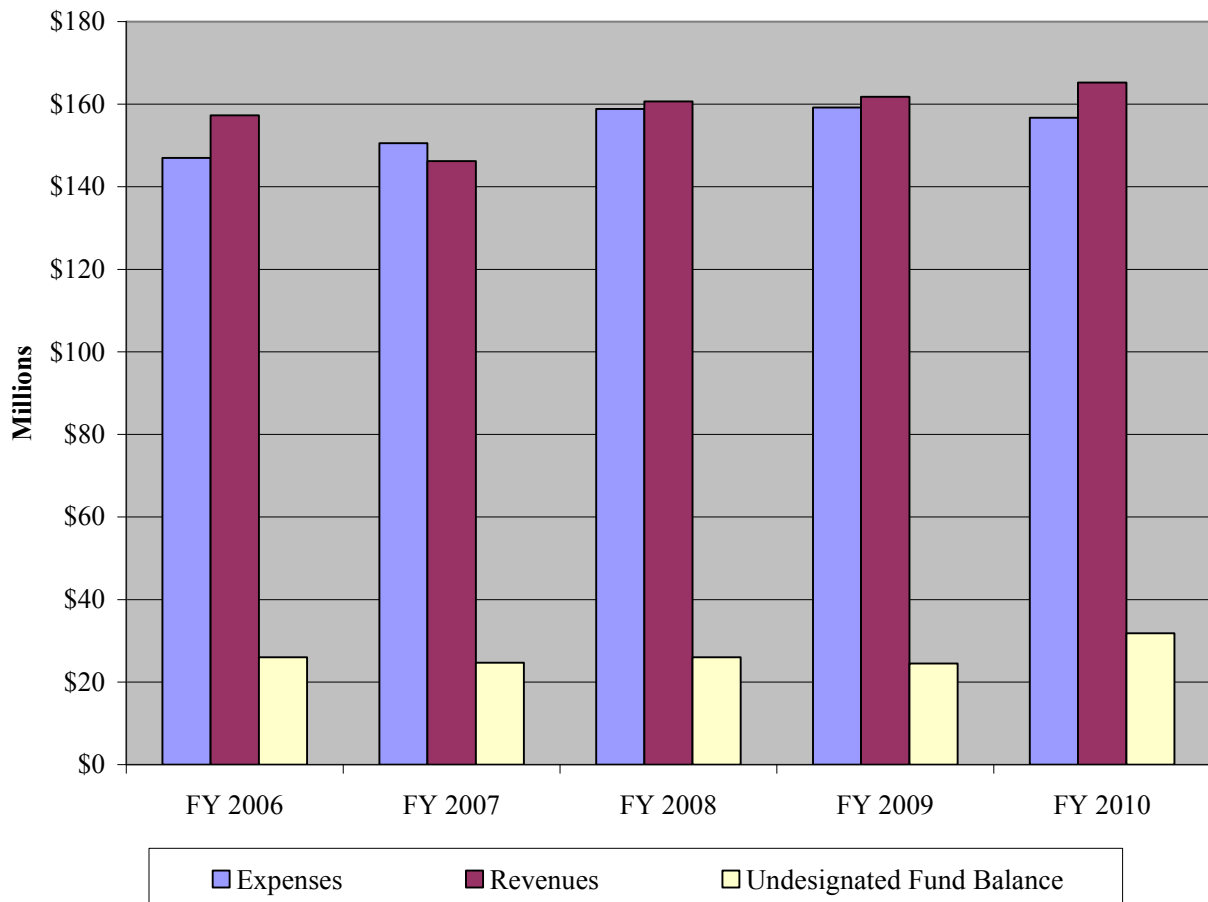
Governmental Funds include the General Fund, Special Revenue Funds and Capital Projects Funds. The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for future spending.

- For FY 2010, the City's Governmental Funds reported combined fund balances of \$91.7 million, an increase of \$7.3 million from FY 2009. The General Fund's increase in fund balance was \$8.5 million. The City Capital Projects Fund's decrease in fund balance was \$9.9 million. Special Revenue Funds increase in fund balance was \$0.9 million and School Capital Projects Fund increase in fund balance was \$7.8 million.
- The reserved portion of fund balance, which is not available for new spending, is comprised of \$10.7 million to liquidate contracts and purchase orders and \$0.5 million for advances. The designated portion of fund balance, \$13.0 million, is committed to specific uses. The commitments are comprised of \$5.4 million for Schools, \$0.2 million for health insurance, \$0.5 million for other post employment benefits, \$2.6 million for debt service, \$0.2 million for the Detention Home needs, \$0.2 million for technology, \$0.2 million for recreation programs, \$0.3 million for local aid to the Commonwealth, \$0.1 million for other needs, \$2.8 million for the City's self-insurance program, \$0.4 million in the Special Revenue Funds, and \$0.1 million in the Capital Projects Funds. The undesignated portion of fund balance, \$67.5 million, is available for future expenditures and is represented by \$31.8 million in the General Fund; \$3.9 million in the Special Revenue Funds, and \$31.8 million in the Capital Projects Funds.

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 undesignated fund balances as well as a FY 2010 summarized comparison of amended budget versus actual information.

Five-Year General Fund Financial Summary



General Fund Budgetary Highlights
For Fiscal Year Ended June 30, 2010
(in millions)

<u>Description</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Amended versus Actual</u>
<u>Revenues & Other Financing Sources</u>				
Taxes	\$ 108.9	\$ 110.0	\$ 112.5	\$ 2.5
Intergovernmental	32.9	34.3	33.2	(1.1)
Other	<u>10.1</u>	<u>18.3</u>	<u>19.5</u>	<u>1.2</u>
Total	<u>151.9</u>	<u>162.6</u>	<u>165.2</u>	<u>2.6</u>
<u>Expenditures & Other Financing Uses</u>				
Expenditures	151.2	163.4	152.5	10.9
Transfers	<u>4.1</u>	<u>4.2</u>	<u>4.2</u>	<u>-</u>
Total	<u>155.3</u>	<u>167.6</u>	<u>156.7</u>	<u>10.9</u>
<u>Change in Fund Balance</u>	<u>\$ (3.4)</u>	<u>\$ (5.0)</u>	<u>\$ 8.5</u>	<u>\$ 13.5</u>

Actual expenditures and other financing uses of \$156.7 million were less than revenues and other financing sources of \$165.2 million by \$8.5 million, which resulted in a positive change in fund balance, as opposed to the amended budget projected decrease of \$5.0 million. The FY 2010 adopted and amended budgets included the use of \$3.4 million and \$5.0 million, respectively, of the FY 2009 General Fund's undesignated fund balance primarily to resource a planned \$2.8 million transfer out for general government capital projects. This was in accordance with City Council's adopted Fund Balance Policy (revised December 2006), which states that funds in excess of the targeted fund balance of ten percent (10%) of General Fund revenues may be considered to supplement "pay-as-you-go" capital outlay expenditures. In summary, actual revenues were above the amended budget by \$2.6 million and actual expenditures were below the amended budget by \$10.9 million, resulting in an \$8.5 million increase in fund balance for FY 2010.

Actual revenues were greater than estimated and within 1.6%, or \$2.6 million, of the amended budget. Personal Property, Public Service Corp., Consumer Utility, Communication Sales and Use, Local Sales, and Business were above the amended budget for FY 2010. Intergovernmental revenue was less than anticipated in the amended budget by \$1.1 million. The Other revenue category was \$1.2 million greater than the amended budget due in part to the following: charges for services were \$0.2 million greater than the amended budget; interest on investments was \$0.3 million greater than the amended budget; and miscellaneous revenue was \$0.7 million more than the amended budget. The increase in miscellaneous revenue is attributable to the revenue sharing payment received from the Region 2000 Services Authority. Due to the uncertainty of the amount of this payment, this item was not included in the amended budget.

Actual expenditures and transfers were \$10.9 million less than the FY 2010 amended budget and attributable to the following unexpended appropriations:

- \$1.2 million for general government
- \$0.3 million for judicial
- \$1.8 million for public safety
- \$1.7 million for public works
- \$1.8 million for health and human services
- \$0.8 million for cultural and recreation, and community development
- \$2.5 million for education
- \$0.8 million for debt service and issuance costs

Consistent with Financial Policies, City Council appropriated \$0.2 million for a contingency reserve with \$1.0 million carried forward from FY 2009 and \$0.5 million set aside to offset potential State budget cuts for a total of \$1.7 million. City Council authorized 41.5%, or \$0.7 million in expenditures. The remaining 58.5%, or \$1.0 million, reverted to undesignated fund balance.

From the original budget of \$155.3 million, City Council approved budget amendments to increase the budget 7.9%, or \$12.3 million, resulting in an amended budget of \$167.6 million. The budget amendments were primarily for the following purposes:

- \$7.5 million increase for the payment of the Bond anticipation note – line of credit
- \$2.9 million increase for third quarter budget amendment requests. Each fiscal year, management reviews current year expenditures and revenue collection patterns and presents to City Council a third quarter budget amendment. The FY 2010 amendment was comprised primarily of \$0.6 million for general government, \$0.6 million for public works expenditures, \$0.1 million for public safety expenditures, and \$1.6 million for health and human services programs.
- \$1.6 million increase to restore the 3% pay cuts to City employees
- \$0.7 million net decrease to the budget for encumbrances
- \$1.5 million increase to the budget for prior year unexpended items requested to be re-appropriated in the current year to continue programs which included \$1.0 million for a contingency reserve.
- \$0.5 million decrease to the budget for education

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 \$38.2 million decreased 20.6%, or \$9.9 million, from FY 2009. Revenues and transfers of \$19.4 million decreased 16%, or \$3.7 million. The decrease is attributable to the following:

- \$9.8 million increase from bond proceeds
- \$0.1 million increase from donations for the spray-ground at Riverside Park
- \$1.3 million increase in transfers from the Fleet Fund
- \$0.3 million increase from funds received from the Virginia Department of Transportation (VDOT) for the Urban Construction Initiative (UCI)
- \$0.1 million increase in Highway Maintenance funds
- \$1.1 million increase in VDOT funds for federal reimbursements
- \$11.1 million decrease in transfers from the closing of the Solid Waste Management Fund
- \$3.7 million decrease in transfers from the General Fund
- \$0.2 million decrease from a transfer to the City Federal State Aid Fund
- \$0.5 million decrease for capital contributions from the Industrial Development Authority
- \$0.3 million decrease from insurance proceeds due to damages to a city bridge
- \$0.6 million decrease in interest earnings from VDOT UCI funds

Expenditures and capital outlay of \$29.4 million increased 42%, or \$8.7 million primarily due to the following:

- \$1.2 million increase for construction activities for the Juvenile and Domestic Relations Court
- \$1.3 million increase for Grace Street Retaining Wall
- \$4.3 million increase in Street Overlay
- \$0.8 million increase for Midtown Connector Phase I
- \$1.8 million increase for D Street Bridge Replacement
- \$0.7 million increase in building repairs
- \$0.2 million decrease for Reusens Road Retaining Wall
- \$0.3 million decrease for Timberlake Bridge Repairs
- \$0.1 million decrease for Miller Park Improvements
- \$0.8 million decrease in repairs to the Midtown Parking Deck

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 \$34.8 million decreased 0.9%, or \$0.3 million, from FY 2009. Net assets invested in capital, net of related debt, of \$29.4 million decreased 0.7%, or \$0.2 million, and were 84.5% of total net assets. Unrestricted net assets available to fund future expenses decreased by 1.8% or \$0.1 million. Unrestricted net assets were 15.5%, or \$5.4 million, of total net assets. Operating revenues totaled \$12 million, and increased 2.6%, or \$0.3 million, primarily due to a 4% rate increase effective July 1, 2009. Operating expenses totaled \$10.8 million and increased 8.0%. Investment earnings decreased \$0.06 million. For FY 2010 the fund balance ratio was 39%, which compared favorably to City Council's financial policy target of 40%. The debt coverage ratio was 1.29, which compared favorably to City Council's adopted financial policy target of 1.2.

Sewer Fund

The Sewer Fund's total net assets of \$122 million increased 15.4%, or \$16.3 million, from FY 2009. Net assets invested in capital, net of debt, of \$103.9 million increased 16.5%, or \$14.7 million, due to completion of Combined Sewer Overflow (CSO) projects, the College Hill water treatment plant building renovations capital project, and \$13.1 million of Virginia Revolving Loan (VRL) Program new long-term debt. Net assets invested in capital, net of related debt, were 85.2% of total net assets. Unrestricted net assets available to fund future expenses increased by 9.6%, or \$1.6 million due to the results of operations. Unrestricted net assets were 14.8%, or \$18.2 million, of total net assets. Operating revenues totaled \$18.5 million and increased 4.5%, or \$0.8 million. Operating expenses totaled \$13.6 million and decreased 2.3%, or \$0.3 million. Investment earnings decreased \$0.2 million. For FY 2010 the fund balance ratio was 26.5% as compared to the financial policy target of 25%. The debt coverage ratio was 1.49, as compared to the financial policy target of 1.2 and 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 \$34.7 million increased 2.6%, or \$0.9 million, from FY 2009. Net assets invested in capital, net of related debt, of \$33.8 million, increased 1.4%, or \$0.5 million. Net assets invested in capital, net of related debt, were 97.4% of total net assets. Unrestricted net assets available to fund future expenses increased 86.7%, or \$0.4 million, due to accumulation of state entitlement funds for future projects. Unrestricted net assets were 2.6%, or \$0.9 million, of total net assets. Operating revenues totaled \$2.3 million, which represents an 8.6% increase over FY 2009. Operating expenses totaled \$4.2 million, an increase of 6.7%, or \$0.3 million, due to increases in utilities, maintenance, and depreciation expense. Capital contributions totaled \$2.2 million, an increase of 416.6%, or \$1.8 million, which represents increased federal contributions towards airport capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of depreciation, were \$605.0 million as reflected in the following schedule. The Schools had \$2.5 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

Capital Assets
As of June 30, 2010/2009
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2010	2009	2010	2009	2010	2009	2010-2009	2010	2009
Capital assets, not being depreciated:									
Land	\$ 15.1	\$ 12.8	\$ 5.0	\$ 4.8	\$ 20.1	\$ 17.6	14%	\$ -	-
Construction in progress	7.8	36.6	37.7	17.8	45.5	54.4	-16%	-	-
Capital assets, being depreciated:									
Land improvements	21.9	16.6	12.4	12.4	34.3	29.0	18%	-	-
Buildings and improvements	228.9	188.7	50.6	47.9	279.5	236.6	18%	-	-
Infrastructure	217.3	205.0	315.9	307.7	533.2	512.7	4%	-	-
Machinery and equipment	40.3	37.1	10.1	9.3	50.4	46.4	9%	8.1	7.9
Less: Accumulated depreciation	(230.7)	(216.9)	(127.3)	(118.1)	(358.0)	(335.0)	7%	(5.6)	(5.2)
Total Capital Assets	<u>\$ 300.6</u>	<u>\$ 279.9</u>	<u>\$ 304.4</u>	<u>\$ 281.8</u>	<u>\$ 605.0</u>	<u>\$ 561.7</u>	<u>8%</u>	<u>\$ 2.5</u>	<u>\$ 2.7</u>

During FY 2010, the City's net increase in capital assets was 8% or \$43.3 million. Major capital asset events included the following (in millions):

Construction-in-progress converted to capital assets:

Completed construction of new Sandusky Middle School; financed by a combination of Qualified School Construction Bonds (QSCB), general obligation bonds, local pay-as-you-go capital monies, historical tax credits, state construction and lottery money.	\$27.7
Completed construction of the Juvenile & Domestic Relations Court facilities; financed by general obligation bonds and local pay-as-you-go capital monies.	15.4
Completion of several Combined Sewer Overflow (CSO) replacement projects; financed by a combination of VRL Program funds, State and federal CSO grants and general obligation bonds	4.9
Completion of Lynchburg Expressway Overlay (repaving); financed by general obligation bonds and local pay-as-you-go capital monies.	3.8
Completion of improvements to Greenview Drive (widening from 2 to 4 lanes); financed by general obligation bonds and local pay-as-you-go capital monies.	3.6
Property purchases associated with the Midtown Connector project; financed by Virginia Department of Transportation Urban Construction funds and local pay-as-you-go capital monies.	2.1
Completion of Phase 1 Improvements to Riverfront Park including stage, fountain, parking, rain gardens & CSO utilities; financed by general obligation bonds and local pay-as-you-go capital monies.	2.0
Completed construction of Public Works new Environmental Services Facility; financed by local pay-as-you-go capital monies.	1.8
Completed reconstruction of retaining wall at Grace Street on Lynchburg Expressway; financed by Virginia Department of Transportation Revenue Sharing funds, general obligation bonds and local pay-as-you-go capital monies.	1.7

Completed construction of new two-story Airport Rescue Fire Fighting (ARFF) Facility; financed by federal and state aviation entitlement funds.	1.4
Completion of Fifth Street Roundabout; financed by state Highway Maintenance funds and local pay-as-you-go capital monies.	1.0
Substantially completed construction of WWTP Maintenance Building; financed by local pay-as-you-go capital monies.	.9
Completed Jefferson Street North construction of utility (storm and sanitary) improvements and associated surface restoration; financed by local CSO funds.	.9
Completed renovation of Fort Hill School to be utilized for alternative education programs: financed by Federal American Recovery & Reinvestment Act (ARRA) funding combined with local pay-as-you-go capital monies.	.6
Purchase Rosenbauer Panther 4X4 1,500 gallon Aircraft Rescue Fire Fighting (AARF) vehicle & accessories; financed by federal and state aviation entitlement funds.	.6
	<hr/>
Total construction-in-progress converted to capital assets	68.4
On-going replacement of the vehicle fleet, financed through local operating monies.	.9
Total major asset events	<hr/> <hr/>

Construction-in-progress at the end of FY 2010 includes additional CSO abatement projects, additional James River Interceptor CSO projects, D Street bridge replacement, continuation of the Midtown Connector project and Greenview Drive construction as well as additional water projects including Old Forest Road waterline, 2nd & Munford small main replacement, Patrick St. small main replacement and Pedlar Dam repairs. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term Debt

Total outstanding debt was \$328.6 million with \$181.7 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$146.9 million. Capital leases of \$0.4 million for the regional radio system joint venture and \$4.9 million for the human services facility were included, while liabilities for compensated absences and workers' compensation of \$6.2 million and other post employment benefits liability of \$4.1 million were excluded.

Long-term Debt Obligations As of June 30, 2010/2009 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2010	2009	2010	2009	2010	2009	2010-2009
General Obligation Bonds	\$ 139.2	\$ 112.0	\$ 71.8	\$ 56.9	\$ 211.0	\$ 168.9	25%
Revenue Bonds	-	-	109.9	100.3	109.9	100.3	10%
General Obligation Notes	-	7.5	-	4.0	-	11.5	-100%
Notes Payable	2.4	2.6	-	-	2.4	2.6	-8%
Capital Lease	5.3	5.8	-	-	5.3	5.8	-9%
Total	<hr/> <hr/> \$ 146.9	<hr/> <hr/> \$ 127.9	<hr/> <hr/> \$ 181.7	<hr/> <hr/> \$ 161.2	<hr/> <hr/> \$ 328.6	<hr/> <hr/> \$ 289.1	<hr/> <hr/> 14%

Total new debt of \$80.8 million was issued. It consisted of \$42.1 million for governmental activities and \$38.7 million for business-type activities. Governmental activities total new long-term debt of \$42.1 million was from general obligation bonds consisting of: \$12.1 million of tax exempt bonds; \$13.8 million of taxable Build America Bonds (BAB); \$6 million of tax exempt refunding bonds; and, \$10.2 million of taxable Qualified School Construction Bonds (QSCB) from a Virginia Public School Authority pooled bond issue. Business-type activities new long-term debt of \$38.7 million consisted of \$13.1 million from the Virginia Revolving Loan Program (VRL) for CSO sewer capital projects; and, \$25.6 million from general obligation bonds comprised of \$5.2 million of tax exempt bonds, \$13.6 million of taxable Build America Bonds and \$6.8 million of tax exempt refunding bonds.

The City retired \$41.2 million of outstanding principal, which included \$12.3 million of refunded principal retirements and \$28.9 million as planned principal retirements. The governmental activities principal retirements of \$23.1 million consisted of \$5.7 million of refunded debt and \$17.4 million of planned retirements, which included a \$7.5 million principal payment for the line of credit. The business-type activities principal retirements of \$18.1 million consisted of \$6.6 million of refunded debt and \$11.5 million of planned retirements, which included a \$4 million principal payment for the line of credit.

In early FY 2010, the City's general obligation bonds continued to maintain an Aa3 rating from Moody's Investors Service dated July 15, 2009, an AA rating from Standard & Poor's Ratings Services dated July 10, 2009, and an AA rating from Fitch Ratings dated July 15, 2009. These ratings were for the City's August 13, 2009 General Obligation Public Improvement Bonds Series 2009A (Tax-Exempt), Series 2009B (Taxable-Build America Bonds) and Series C (Tax-Exempt Refunding). Standard & Poor's utilized their Financial Management Assessment (FMA) model, which resulted in a "strong" ranking for the City's management practices, which is the highest ranking offered in this assessment. This "strong" ranking indicates that management practices, particularly related to fiscal and debt policies, are strong, well embedded, and likely sustainable.

On November 13, 2009, the City participated in a Virginia Public School Authority Taxable General Obligation Public Improvement Bond Issue. These were Qualified School Construction Bonds as part of the American Recovery and Reinvestment Act and issued as investor tax credit bonds with a 0% coupon. The City's portion of the pooled bond issue was \$10,255,000 with a final maturity on September 15, 2026. This partially financed new construction for Sandusky Middle School and removed this project from the State's Literary Loan Program.

In Spring 2010, two credit rating agencies, Moody's Investors Service and Fitch Ratings, released reports with the results of their recalibration processes from the municipal rating scale to the global rating scale for government credit ratings. The intent of the recalibration was to ensure a greater degree of comparability for public sector and private sector credit ratings by using a single global credit rating scale. The recalibration was not an upgrade, but a transition to a different rating scale. Standard & Poor's Ratings Services already utilized a single rating scale; therefore, there was no recalibration of its credit ratings for governments. The City was notified during Spring 2010 that its credit rating from Moody's changed from Aa3 to Aa2; and, that its credit rating from Fitch changed from AA to AA+.

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

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 2010, outstanding tax-supported debt was 2.45% 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 December 9, 2008 and will be reviewed again in Fall 2010. Detailed information on the City's long-term debt is included in Note 9 of this report.

ECONOMIC FACTORS

The City's unemployment rate grew from 8.00% in FY 2009 to 9.3% in July 2010. This increase of 1.6% reflects the continued downturn in the economy that is being experienced throughout the country. Even though the rate has grown slightly, the five-year average is 4.92% compared to the national five-year average of 5.88%. The City has experienced an increase in the unemployment rate for the fourth year but the diversity of employers and the growth in college and university enrollments in the City has helped cushion the effect.

Although, still an important sector, manufacturing no longer dominates the Lynchburg economy as it did in the past. The City remains the retail hub for the region and has seen significant growth in the medical services, engineering, and higher education sectors. Centra Health, the region's nonprofit health care provider, has remained the City's largest employer for over ten years employing over 5,300 people. The City's second largest employer is Jerry Falwell Ministries, Inc. (JFM), which includes Thomas Road Baptist Church, Liberty University, and Liberty Christian Schools. JFM employs over 3,100 people. Enrollment for resident students at Liberty University increased to 12,000 for 2010 with a goal to reach 25,000 by 2020. The other three colleges in the City continue to see moderate growth. College enrollment for the four colleges and universities within City limits totals 18,458 students which, equates to 25.5% of the City's estimated 2010 population and is an excellent future source of the City's permanent workforce. Lynchburg has a strong presence in the resurgent nuclear energy industry; both Babcock & Wilcox and Areva NP are hiring engineers as they develop new products for licensure to electric utilities. Other important sectors of the Lynchburg economy include wireless technology, finance, and tourism.

Although per capita income remains below State and federal averages, the City has experienced slight growth for the past ten years. While most localities in Virginia have experienced reductions in real estate assessments, the City experienced 5.7% growth in assessments for July 1, 2010.

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 2010 Operating and Capital Budgets, and FY 2010-2014 Capital Improvement Program are on the City's web site at www.lyncburgva.gov.

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BASIC FINANCIAL STATEMENTS

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Statement of Net Assets
June 30, 2010

	Governmental Activities	Business Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Schools	Other	
Assets						
Cash and cash equivalents	\$ 22,282,969	9,175,851	\$ 31,458,820	\$ 9,140,784	\$ 434,355	\$ 41,033,959
Investments	64,773,963	11,887,907	76,661,870	-	-	76,661,870
Receivables, net	17,979,796	4,407,250	22,387,046	188,023	790,726	23,365,795
Due from primary government	-	-	-	-	153,780	153,780
Due from other governments	4,866,426	38,870,659	43,737,085	6,611,447	38,339	50,386,871
Internal balances	4,959,783	(4,959,783)	-	-	-	-
Due from component units	2,800,850	-	2,800,850	-	-	2,800,850
Inventory	77,748	407,808	485,556	73,035	219,527	778,118
Prepays and other assets	2,480,213	-	2,480,213	-	22,869	2,503,082
Restricted assets:						
Cash and cash equivalents	6,795,729	9,307,273	16,103,002	425,373	-	16,528,375
Due from other governments	-	4,563,703	4,563,703	-	-	4,563,703
Deferred debt charges	2,303,365	893,128	3,196,493	-	-	3,196,493
Capital assets, net of accumulated depreciation:						
Land and improvements	31,195,046	6,173,142	37,368,188	-	55,031	37,423,219
Buildings and improvements	130,148,652	31,510,672	161,659,324	-	408,793	162,068,117
Machinery and equipment	17,537,256	2,775,900	20,313,156	2,501,138	10,764,045	33,578,339
Construction in progress	7,845,453	36,281,208	44,126,661	-	294,542	44,421,203
Infrastructure	113,884,568	227,639,466	341,524,034	-	-	341,524,034
Total assets	429,931,817	378,934,184	808,866,001	18,939,800	13,182,007	840,987,808
Liabilities						
Accounts payable and other liabilities	14,347,957	6,282,932	20,630,889	10,559,051	914,859	32,104,799
Accrued interest payable	1,862,463	1,112,287	2,974,750	-	-	2,974,750
Due to primary government	-	-	-	2,675,850	125,000	2,800,850
Due to component units	153,780	-	153,780	-	-	153,780
Unearned revenue	7,562,015	-	7,562,015	185,036	-	7,747,051
Liabilities payable from restricted assets	67,593	414,657	482,250	-	-	482,250
Noncurrent liabilities						
Due within one year	11,808,556	8,044,607	19,853,163	1,162,507	213,370	21,229,040
Due in more than one year	147,647,777	175,573,018	323,220,795	2,154,036	65,033	325,439,864
Total liabilities	183,450,141	191,427,501	374,877,642	16,736,480	1,318,262	392,932,384
Net assets						
Invested in capital assets, net of related debt	161,777,277	167,081,709	328,858,986	1,429,041	11,522,411	341,810,438
Restricted for:						
Capital projects	18,733,893	-	18,733,893	-	-	18,733,893
Passenger facility charges	-	5,213	5,213	-	-	5,213
Unrestricted	65,970,506	20,419,761	86,390,267	774,279	341,334	87,505,880
Total net assets	\$ 246,481,676	\$ 187,506,683	\$ 433,988,359	\$ 2,203,320	\$ 11,863,745	\$ 448,055,424

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

Statement of Activities
For the Year Ended June 30, 2010

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	Schools	Other	
Primary government:										
Governmental activities:										
General government	\$ 14,710,937	\$ 437,468	\$ 347,188	\$ -	\$ (13,926,281)	\$ -	\$ (13,926,281)	\$ -	\$ -	\$ (13,926,281)
Judicial	5,633,105	846,930	3,587,496	-	(1,198,679)	-	(1,198,679)	-	-	(1,198,679)
Public safety	42,794,498	4,452,849	5,768,287	-	(32,573,362)	-	(32,573,362)	-	-	(32,573,362)
Public works	26,790,420	989,613	217,581	12,977,144	(12,606,082)	-	(12,606,082)	-	-	(12,606,082)
Health and human services	24,935,622	2,037,083	17,608,101	-	(5,290,438)	-	(5,290,438)	-	-	(5,290,438)
Cultural and recreational	9,852,641	2,069,822	196,390	-	(7,586,429)	-	(7,586,429)	-	-	(7,586,429)
Community development	5,024,903	544,603	1,673,134	-	(2,807,166)	-	(2,807,166)	-	-	(2,807,166)
Education	33,876,792	-	-	976,991	(32,899,801)	-	(32,899,801)	-	-	(32,899,801)
Interest payments and other fiscal charges	6,286,182	-	-	-	(6,286,182)	-	(6,286,182)	-	-	(6,286,182)
Issuance costs	483,236	-	-	-	(483,236)	-	(483,236)	-	-	(483,236)
Total governmental activities	170,388,336	11,378,368	29,398,177	13,954,135	(115,657,656)	-	(115,657,656)	-	-	(115,657,656)
Business-type activities:										
Airport	4,308,441	2,152,132	203,659	2,561,798	-	609,148	609,148	-	-	609,148
Water	12,600,109	12,029,026	-	-	-	(571,083)	(571,083)	-	-	(571,083)
Sewer	15,069,642	18,536,169	-	12,635,361	-	16,101,888	16,101,888	-	-	16,101,888
Total business-type activities	31,978,192	32,717,327	203,659	15,197,159	-	16,139,953	16,139,953	-	-	16,139,953
Total primary government	\$ 202,366,528	\$ 44,095,695	\$ 29,601,836	\$ 29,151,294	(115,657,656)	16,139,953	(99,517,703)	-	-	(99,517,703)
Component units:										
Schools	\$ 94,747,018	\$ 2,532,147	\$ 62,866,891	\$ -	-	-	-	(29,347,980)	-	(29,347,980)
Greater Lynchburg Transit Company	8,224,839	1,105,308	5,535,902	1,844,700	-	-	-	-	261,071	261,071
Business Development Centre	398,097	239,440	125,463	-	-	-	-	-	(33,194)	(33,194)
Total component units	\$ 103,369,954	\$ 3,876,895	\$ 68,528,256	\$ 1,844,700	-	-	-	(29,347,980)	227,877	(29,120,103)
General revenues:										
Property taxes					67,786,672	-	67,786,672	-	-	67,786,672
Local sales and use tax					12,675,632	-	12,675,632	-	-	12,675,632
Meals taxes					10,477,700	-	10,477,700	-	-	10,477,700
Consumer utility taxes					4,700,202	-	4,700,202	-	-	4,700,202
Business license taxes					7,818,381	-	7,818,381	-	-	7,818,381
Communications sales and use tax					3,552,028	-	3,552,028	-	-	3,552,028
Other taxes					6,070,900	-	6,070,900	-	-	6,070,900
Unrestricted intergovernmental					5,576,232	-	5,576,232	-	-	5,576,232
Interest					794,471	207,953	1,002,424	2,366	-	1,004,790
IRS interest subsidy- Build America Bonds					283,891	287,632	571,523	-	-	571,523
Miscellaneous					1,683,037	49,847	1,732,884	335,095	-	2,067,979
Gain on sale of assets					112,905	-	112,905	-	-	112,905
City appropriation					-	-	-	29,475,544	-	29,475,544
Transfers					(261,260)	261,260	-	-	-	-
Total general revenues and transfers					121,270,791	806,692	122,077,483	29,813,005	-	151,890,488
Changes in net assets					5,613,135	16,946,645	22,559,780	465,025	227,877	23,252,682
Net assets - beginning					240,868,541	170,560,038	411,428,579	1,738,295	11,635,868	424,802,742
Net assets - ending					\$ 246,481,676	\$ 187,506,683	\$ 433,988,359	\$ 2,203,320	\$ 11,863,745	\$ 448,055,424

Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	City Capital Projects	Other Governmental	Total Governmental
Assets				
Cash and cash equivalents	\$ 15,141,263	\$ 3,805,270	\$ 2,438,939	\$ 21,385,472
Investments	28,992,412	31,204,083	3,220,695	63,417,190
Receivables, net of allowance				
Taxes excluding penalties	10,801,668	-	-	10,801,668
Accounts	4,834,494	-	-	4,834,494
Other	415,948	500,000	805,008	1,720,956
Due from other funds	831,484	807,944	68,373	1,707,801
Due from component units	2,498,449	-	302,401	2,800,850
Due from other governments	2,049,002	1,256,940	1,560,484	4,866,426
Other assets	-	-	213	213
Restricted assets:				
Cash and cash equivalents	68,534	3,794,142	2,933,053	6,795,729
Total assets	\$ 65,633,254	\$ 41,368,379	\$ 11,329,166	\$ 118,330,799
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 1,530,645	\$ 3,167,387	\$ 2,228,285	\$ 6,926,317
Accrued liabilities	6,784,246	2,215	73,439	6,859,900
Due to other governments	116,605	-	499	117,104
Due to component units	153,780	-	-	153,780
Due to other funds	-	46,065	751,461	797,526
Deposits payable from restricted assets	67,593	-	-	67,593
Deferred revenue	11,235,989	-	466,995	11,702,984
Total liabilities	19,888,858	3,215,667	3,520,679	26,625,204
Fund balances:				
Reserved for:				
Encumbrances	1,457,305	6,464,227	2,788,000	10,709,532
Advances	-	500,000	-	500,000
Unreserved:				
Designated	12,481,740	-	-	12,481,740
Undesignated	31,805,351	-	-	31,805,351
Unreserved, reported in special revenue:				
Designated	-	-	400,804	400,804
Undesignated	-	-	3,864,389	3,864,389
Unreserved, reported in capital projects:				
Designated	-	116,388	-	116,388
Undesignated	-	31,072,097	755,294	31,827,391
Total fund balances	45,744,396	38,152,712	7,808,487	91,705,595
Total liabilities and fund balances	\$ 65,633,254	\$ 41,368,379	\$ 11,329,166	\$ 118,330,799

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010**

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

Ending fund balance - governmental funds		\$ 91,705,595
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	300,610,975	
Less: Internal service capital assets	<u>(12,277,939)</u>	
		288,333,036
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		4,140,969
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds		2,480,000
Receivables are not available to pay for current-period expenditures and, therefore, are not reported in the funds		77,062
Internal service fund activity that has been allocated to the user departments.		4,076,043
Internal service fund is used by management to charge the costs of vehicle maintenance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.		10,776,290
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	(139,962,214)	
Accrued interest payable	(1,862,463)	
Capital leases payable	(5,273,426)	
Notes payable	(2,480,000)	
Compensated absences	(3,721,334)	
Workers' compensation	(1,740,520)	
Other post-employment benefits obligation	<u>(3,738,130)</u>	
	(158,778,087)	
Add back: Internal Service bonds payable	3,533,031	
Add back: Internal Service accrued interest payable	61,526	
Add back: Internal Service compensated absences	39,110	
Add back: Internal Service other post-employment benefits obligation	<u>37,101</u>	<u>(155,107,319)</u>
Net assets of governmental activities		<u>\$ 246,481,676</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>General</u>	<u>City Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Revenues				
Taxes	\$ 112,519,658	\$ -	\$ 31,979	\$ 112,551,637
Regulatory licenses, permits, and privilege fees	664,028	-	-	664,028
Intergovernmental	33,239,946	5,911,592	9,725,563	48,877,101
Fines and forfeitures	667,756	-	-	667,756
Revenue from use of money and property	995,450	112,309	1,070,026	2,177,785
Charges for services	7,905,479	-	3,940,584	11,846,063
Miscellaneous	1,132,221	169,418	979,362	2,281,001
Total revenues	<u>157,124,538</u>	<u>6,193,319</u>	<u>15,747,514</u>	<u>179,065,371</u>
Expenditures				
Current operating expenditures				
General government	15,896,808	-	432,243	16,329,051
Judicial	4,342,042	-	1,023,450	5,365,492
Public safety	36,756,234	-	3,982,425	40,738,659
Public works	14,432,901	8,145,023	33,158	22,611,082
Health and human services	18,532,152	-	5,867,926	24,400,078
Cultural and recreational	7,311,064	-	1,703,355	9,014,419
Community development	3,604,356	-	1,596,308	5,200,664
Education	29,443,654	-	29,200	29,472,854
Capital outlay				
Capital general government	-	21,222,736	11,376,589	32,599,325
Debt service				
Principal retirements	16,708,675	-	506,124	17,214,799
Interest payments and other fiscal charges	5,307,936	-	311,864	5,619,800
Issuance costs	186,536	36,383	260,317	483,236
Total expenditures	<u>152,522,358</u>	<u>29,404,142</u>	<u>27,122,959</u>	<u>209,049,459</u>
Excess (deficiency) of revenues over expenditures	<u>4,602,180</u>	<u>(23,210,823)</u>	<u>(11,375,445)</u>	<u>(29,984,088)</u>
Other financing sources (uses)				
Issuance of bonds	7,082,817	9,340,079	19,757,104	36,180,000
Premium on debt proceeds	540,631	411,111	42,085	993,827
Discount on debt proceeds	-	-	(959,560)	(959,560)
Issuance of refunding bonds	5,929,460	-	174,189	6,103,649
Payments to escrow agent	(5,872,800)	-	(173,485)	(6,046,285)
Transfers in	464,020	4,151,493	1,347,449	5,962,962
Transfers out	(4,180,805)	(680,297)	(37,627)	(4,898,729)
Total other financing sources (uses)	<u>3,963,323</u>	<u>13,222,386</u>	<u>20,150,155</u>	<u>37,335,864</u>
Net changes in fund balances	<u>8,565,503</u>	<u>(9,988,437)</u>	<u>8,774,710</u>	<u>7,351,776</u>
Fund balances (deficits) - beginning	<u>37,178,893</u>	<u>48,141,149</u>	<u>(966,223)</u>	<u>84,353,819</u>
Fund balances - ending	<u>\$ 45,744,396</u>	<u>\$ 38,152,712</u>	<u>\$ 7,808,487</u>	<u>\$ 91,705,595</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2010**

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

Net change in fund balances - total governmental funds	\$ 7,351,776
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the detail of the two components.</p>	
Capital outlay	37,055,272
Depreciation expense	(13,947,679)
The net effect of various transactions involving capital assets (sales, reduction in construction in progress, donated assets) is to decrease net assets.	(846,110)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(635,983)
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.	(19,291,850)
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.	(2,558,723)
To eliminate transfers to the internal service fund	(1,325,493)
The net loss of certain activities of the internal service fund is reported with governmental activities.	<u>(188,075)</u>
Change in net assets of governmental activities.	<u><u>\$ 5,613,135</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 108,928,774	\$ 110,064,502	\$ 112,519,658	\$ 2,455,156
Regulatory licenses, permits, and privilege fees	645,190	645,190	664,028	18,838
Intergovernmental	32,870,440	34,313,917	33,239,946	(1,073,971)
Fines and forfeitures	570,000	570,000	667,756	97,756
Revenue from use of money and property	799,726	799,726	995,450	195,724
Charges for services	7,530,449	7,735,249	7,905,479	170,230
Miscellaneous	489,294	392,462	1,132,221	739,759
Total revenues	151,833,873	154,521,046	157,124,538	2,603,492
Expenditures				
Current operating expenditures				
General government	16,075,992	17,133,003	15,896,808	1,236,195
Judicial	4,536,499	4,661,920	4,342,042	319,878
Public safety	37,471,057	38,559,392	36,756,234	1,803,158
Public works	15,352,186	16,104,014	14,432,901	1,671,113
Health and human services	18,570,550	20,311,168	18,532,152	1,779,016
Cultural and recreational	7,963,610	8,099,549	7,311,064	788,485
Community development	3,583,796	3,587,469	3,604,356	(16,887)
Education	32,442,103	31,942,103	29,443,654	2,498,449
Debt service				
Principal retirements	9,208,924	16,708,924	16,708,675	249
Interest payments and other fiscal charges	6,028,976	6,032,797	5,307,936	724,861
Issuance costs	-	329,621	186,536	143,085
Total expenditures	151,233,693	163,469,960	152,522,358	10,947,602
Excess (deficiency) of revenues over expenditures	600,180	(8,948,914)	4,602,180	13,551,094
Other financing sources (uses)				
Issuance of bonds	-	7,147,996	7,082,817	(65,179)
Premium on debt proceeds	-	540,631	540,631	-
Issuance of refunding bonds	-	5,929,460	5,929,460	-
Payments to escrow agent	-	(5,872,800)	(5,872,800)	-
Transfers in	102,241	464,020	464,020	-
Transfers out	(4,131,939)	(4,200,585)	(4,180,805)	19,780
Total other financing sources (uses)	(4,029,698)	4,008,722	3,963,323	(45,399)
Net changes in fund balances	(3,429,518)	(4,940,192)	8,565,503	13,505,695
Fund balances - beginning	37,178,893	37,178,893	37,178,893	-
Fund balances - ending	\$ 33,749,375	\$ 32,238,701	\$ 45,744,396	\$ 13,505,695

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

Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds				
	Water	Sewer	Airport	Total	Internal Service
Assets					
Current assets:					
Cash and cash equivalents	\$ 3,205,773	\$ 4,515,393	\$ 1,454,685	\$ 9,175,851	\$ 897,497
Investments	2,311,929	9,575,978	-	11,887,907	1,356,773
Receivables, net of allowance					
Accounts	1,625,070	2,647,950	34,999	4,308,019	-
Other	509	34,519	64,203	99,231	39,844
Due from other governments	-	2,741,034	390,225	3,131,259	-
Inventory	407,808	-	-	407,808	77,748
Due from members - Regional Sewage Treatment Plant	-	423,870	-	423,870	-
Total current assets	<u>7,551,089</u>	<u>19,938,744</u>	<u>1,944,112</u>	<u>29,433,945</u>	<u>2,371,862</u>
Noncurrent assets:					
Due from other governments	-	35,739,400	-	35,739,400	-
Restricted assets:					
Due from members - Regional Sewage Treatment Plant	-	4,139,833	-	4,139,833	-
Cash and cash equivalents	9,302,060	-	5,213	9,307,273	-
Deferred debt charges	389,562	467,755	35,811	893,128	-
Capital assets, net of accumulated depreciation:	<u>61,294,157</u>	<u>207,611,847</u>	<u>35,474,384</u>	<u>304,380,388</u>	<u>12,277,939</u>
Total noncurrent assets	<u>70,985,779</u>	<u>247,958,835</u>	<u>35,515,408</u>	<u>354,460,022</u>	<u>12,277,939</u>
Total assets	<u>78,536,868</u>	<u>267,897,579</u>	<u>37,459,520</u>	<u>383,893,967</u>	<u>14,649,801</u>
Liabilities					
Current liabilities:					
Accounts payable	814,576	5,039,786	275,971	6,130,333	163,890
Accrued liabilities	108,912	75,091	25,457	209,460	17,011
Accrued interest payable	684,643	405,861	21,783	1,112,287	61,526
Due to other governments	1,462	-	-	1,462	-
Due to other funds	171,958	119,581	592,201	883,740	26,535
Current portion of general obligation bonds	1,719,935	2,259,476	249,705	4,229,116	252,058
Current portion of public utility revenue bonds	-	3,757,168	-	3,757,168	-
Total current liabilities	<u>3,501,486</u>	<u>11,656,963</u>	<u>1,165,117</u>	<u>16,323,566</u>	<u>521,020</u>
Noncurrent liabilities:					
Deposits payable from restricted assets	414,657	-	-	414,657	-
Self-insurance claims	12,304	45,216	-	57,520	-
Compensated absences	203,441	115,894	50,842	370,177	34,417
Other post-employment benefits obligation	144,872	98,949	69,174	312,995	37,101
General obligation bonds	39,444,405	27,785,011	1,453,075	68,682,491	3,280,973
Public utility revenue bonds	-	106,149,835	-	106,149,835	-
Total noncurrent liabilities	<u>40,219,679</u>	<u>134,194,905</u>	<u>1,573,091</u>	<u>175,987,675</u>	<u>3,352,491</u>
Total liabilities	<u>43,721,165</u>	<u>145,851,868</u>	<u>2,738,208</u>	<u>192,311,241</u>	<u>3,873,511</u>
Net Assets					
Invested in capital assets, net of related debt	29,406,782	103,867,512	33,807,415	167,081,709	8,744,908
Restricted for:					
Passenger facility charges	-	-	5,213	5,213	-
Unrestricted	<u>5,408,921</u>	<u>18,178,199</u>	<u>908,684</u>	<u>24,495,804</u>	<u>2,031,382</u>
Total net assets	<u>\$ 34,815,703</u>	<u>\$ 122,045,711</u>	<u>\$ 34,721,312</u>	<u>\$ 191,582,726</u>	<u>\$ 10,776,290</u>
Reconciliation with business-type activities in the statement of net assets:					
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments				(4,076,043)	
Total net assets of business-type activities				\$ 187,506,683	

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Funds				
	Water	Sewer	Airport	Total	Internal Service
Operating revenues					
Charges for services and other operating revenues	\$ 12,029,026	\$ 18,536,169	\$ 2,152,132	\$ 32,717,327	\$ 5,020,869
Intergovernmental	-	-	179,276	179,276	-
Total operating revenues	<u>12,029,026</u>	<u>18,536,169</u>	<u>2,331,408</u>	<u>32,896,603</u>	<u>5,020,869</u>
Operating expenses					
Personal services and benefits	4,010,326	2,690,817	940,547	7,641,690	696,966
Operation and maintenance	1,839,617	2,648,489	962,156	5,450,262	2,023,059
Supplies and materials	1,353,184	1,120,551	107,755	2,581,490	28,693
Administration	1,084,407	2,222,341	242,702	3,549,450	1,994
Other charges	52,684	45,466	20,088	118,238	37,983
Depreciation	2,468,788	4,857,843	1,964,051	9,290,682	2,397,645
Total operating expenses	<u>10,809,006</u>	<u>13,585,507</u>	<u>4,237,299</u>	<u>28,631,812</u>	<u>5,186,340</u>
Operating income (loss)	<u>1,220,020</u>	<u>4,950,662</u>	<u>(1,905,891)</u>	<u>4,264,791</u>	<u>(165,471)</u>
Nonoperating revenues (expenses)					
Interest income	22,207	182,548	3,198	207,953	5,141
Governmental grants	-	93,000	24,383	117,383	-
Passenger facility charges	-	-	377,504	377,504	-
Miscellaneous	29,613	15,985	4,249	49,847	37,600
Gain on disposition of assets	-	-	-	-	112,905
Interest on long-term debt	(1,796,575)	(1,496,908)	(73,265)	(3,366,748)	(157,882)
IRS interest subsidy- Build America Bonds	243,211	44,421	-	287,632	-
Total nonoperating revenues (expenses)	<u>(1,501,544)</u>	<u>(1,160,954)</u>	<u>336,069</u>	<u>(2,326,429)</u>	<u>(2,236)</u>
Income (loss) before contributions and transfers	<u>(281,524)</u>	<u>3,789,708</u>	<u>(1,569,822)</u>	<u>1,938,362</u>	<u>(167,707)</u>
Capital contributions	-	12,542,361	2,184,294	14,726,655	-
Transfers in	-	-	261,260	261,260	5,383
Transfers out	-	-	-	-	(1,330,876)
Change in net assets	<u>(281,524)</u>	<u>16,332,069</u>	<u>875,732</u>	<u>16,926,277</u>	<u>(1,493,200)</u>
Total net assets - beginning	<u>35,097,227</u>	<u>105,713,642</u>	<u>33,845,580</u>	<u>174,656,449</u>	<u>12,269,490</u>
Total net assets - ending	<u>\$ 34,815,703</u>	<u>\$ 122,045,711</u>	<u>\$ 34,721,312</u>	<u>\$ 191,582,726</u>	<u>\$ 10,776,290</u>
Reconciliation with business-type activities in the statement of activities:					
Change in net assets - enterprise funds reports in this statement				\$ 16,926,277	
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments				<u>20,368</u>	
Change in net assets of business-type activities:				<u>\$ 16,946,645</u>	

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Funds				Internal Service
	Water	Sewer	Airport	Total	
Operating activities					
Cash received from operations	\$ 11,652,249	\$ 18,040,018	\$ 2,327,554	\$ 32,019,821	\$ 5,020,869
Cash paid to employees	(3,920,244)	(2,638,952)	(893,964)	(7,453,160)	(674,308)
Cash paid to suppliers	(4,331,631)	(6,570,776)	(1,447,534)	(12,349,941)	(2,246,260)
Net cash provided from (used in) operating activities	<u>3,400,374</u>	<u>8,830,290</u>	<u>(13,944)</u>	<u>12,216,720</u>	<u>2,100,301</u>
Noncapital financing activities					
Intergovernmental grants	-	93,000	-	93,000	-
Transfers in	-	-	261,260	261,260	5,383
Transfers out	-	-	-	-	(1,330,876)
Net cash provided from (used in) noncapital financing activities	<u>-</u>	<u>93,000</u>	<u>261,260</u>	<u>354,260</u>	<u>(1,325,493)</u>
Capital and related financing activities					
Proceeds from issuance of long-term debt:					
General obligation bonds	15,617,283	3,531,996	-	19,149,279	-
Proceeds from bond refunding	2,777,676	3,899,688	315,071	6,992,435	-
Escrow payments to refunding trust	(2,751,571)	(3,863,036)	(312,118)	(6,926,725)	-
Payment of long-term debt:					
General obligation bonds	(1,703,875)	(2,103,851)	(254,716)	(4,062,442)	(249,504)
Revenue bonds	-	(3,520,797)	-	(3,520,797)	-
Notes payable	(4,000,000)	-	-	(4,000,000)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	8,715,676	-	8,715,676	-
Payment of interest on long-term debt	(1,510,195)	(1,522,237)	(67,518)	(3,099,950)	(163,958)
Decrease in due to other funds	-	-	(570,000)	(570,000)	-
Capital contributions received	-	11,352,001	2,509,665	13,861,666	-
Passenger facility charges collected	-	-	376,575	376,575	-
Proceeds from sale of capital assets	-	-	-	-	160,751
Additions to capital assets	(2,905,902)	(25,738,184)	(2,151,331)	(30,795,417)	(862,306)
Proceeds from (payments to) other governments	-	(223,706)	4,249	(219,457)	-
Proceeds from (payments to) other organizations	(153,702)	(53,134)	(2,954)	(209,790)	51,769
Net cash provided from (used in) capital and related financing activities	<u>5,369,714</u>	<u>(9,525,584)</u>	<u>(153,077)</u>	<u>(4,308,947)</u>	<u>(1,063,248)</u>
Investing activities					
Net purchase of investments	(535,328)	(3,471,863)	-	(4,007,191)	40,063
Interest income received	265,418	226,969	3,198	495,585	5,141
Net cash provided by (used in) investing activities	<u>(269,910)</u>	<u>(3,244,894)</u>	<u>3,198</u>	<u>(3,511,606)</u>	<u>45,204</u>
Net increase (decrease) in cash and cash equivalents	<u>8,500,178</u>	<u>(3,847,188)</u>	<u>97,437</u>	<u>4,750,427</u>	<u>(243,236)</u>
Cash and cash equivalents					
Beginning	4,007,655	8,362,581	1,362,461	13,732,697	1,140,733
Ending	<u>\$ 12,507,833</u>	<u>\$ 4,515,393</u>	<u>\$ 1,459,898</u>	<u>\$ 18,483,124</u>	<u>\$ 897,497</u>
Reconciliation to Statement of Net Assets					
Current Assets	\$ 3,205,773	\$ 4,515,393	\$ 1,454,685	\$ 9,175,851	\$ 897,497
Restricted Assets	9,302,060	-	5,213	9,307,273	-
	<u>\$ 12,507,833</u>	<u>\$ 4,515,393</u>	<u>\$ 1,459,898</u>	<u>\$ 18,483,124</u>	<u>\$ 897,497</u>

(Continued)

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Funds				Internal
	Water	Sewer	Airport	Total	Service
Reconciliation of operating income (loss) to net cash provided from (used in) operating activities					
Operating income (loss)	\$ 1,220,020	\$ 4,950,662	\$ (1,905,891)	\$ 4,264,791	\$ (165,471)
Adjustments to reconcile operating income (loss) to net cash provided from(used in) operating activities:					
Depreciation	2,468,788	4,857,843	1,964,051	9,290,682	2,397,645
Changes in assets and liabilities:					
Increase in accounts receivable	(382,340)	(496,151)	(3,854)	(882,345)	-
Decrease in inventory	56,305	-	-	56,305	8,504
Decrease in trade accounts payable	(57,478)	(533,929)	(114,833)	(706,240)	(163,020)
Increase in accrued expenses	47,894	15,346	35,736	98,976	18,862
Increase in due to other funds	42,188	36,519	10,847	89,554	3,796
Decrease in due to other governments	(566)	-	-	(566)	(15)
Increase in deposits payable	5,563	-	-	5,563	-
Net cash provided from (used in) operating activities	\$ 3,400,374	\$ 8,830,290	\$ (13,944)	\$ 12,216,720	\$ 2,100,301
Supplemental cash flow information					
Non-cash transactions					
Capitalized interest	\$ 259,448	\$ 186,670	\$ -	\$ 446,118	\$ -
Capital asset additions financed by retainage payable	97,204	118,302	124,756	340,262	-
Capital asset additions financed by accounts payable	452,257	3,915,123	67,168	4,434,548	-
Undrawn public utility revenue bond proceeds	-	35,739,400	-	35,739,400	-
Amortization of debt related items	21,534	57,409	3,618	82,561	2,361

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

Assets

Cash and cash equivalents	\$ 632,108
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Total assets	\$ 632,108
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Liabilities

Due to other governments	\$ 135,756
Amounts held for others	496,352

Total liabilities	\$ 632,108
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CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

Lynchburg City Schools: The Lynchburg City Schools (the “Schools”) operates one pre-school, eleven elementary schools, one special education school, three middle schools, and two high schools in the City. The Schools are fiscally dependent on the City because the Schools’ operational and capital budgets are funded approximately 42% by the City. In addition, the Schools 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, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

The City sold its existing jail facilities to the Authority during FY 1997. A new central jail facility was constructed in Lynchburg and opened in FY 2000. It is owned and operated by the Authority. Each Member Jurisdiction pays a per diem charge for each day that one of its prisoners is at any Regional Jail Facility. In accordance with the Service Agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based on an agreed upon number of prisoner days, and is subject to an adjustment at the end of each fiscal year. During FY2010, the City paid \$3,967,488 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 FY2010.

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 FY2010, the Regional Commission 2000 received \$1,142,640 in grant funds of which \$471,343 was ARRA funds.

Region 2000 Services Authority: During 2008, the City, in conjunction with the Counties of Campbell and Nelson and the City of Bedford, created the Region 2000 Services Authority (the "Authority"). The Authority commenced operations on July 1, 2008. The Authority operates two landfills. Each member jurisdiction pays a per-ton disposal charge for all waste transferred to the Authority. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-ton charge is based upon an assumed number of tons and is subject to adjustment at the end of each year. The governing board is composed of one member from each of the participating localities. In accordance with the member use agreement, the City provided the authority \$300,000 in initial start up costs. During FY2010, the City paid \$934,271 to the Authority.

Joint Venture: The City participates in an intergovernmental agreement with the Counties of Amherst and Bedford and the City of Bedford for the operation of a regional radio communication system. The Central Virginia Regional Radio Communications Board is responsible for overseeing the management, operation, and administration of the system. The project was financed originally by lease revenue bonds of the Industrial Development Authority of Amherst County and the City of Bedford (in the amount of \$9,931,000 with interest at 5.72%), and the leasing of the project to the participating jurisdictions. On August 1, 2004, this lease revenue bond was refinanced with a \$5,075,000 lease revenue note at 3.30% and a July 2011 maturity. Each participating jurisdiction maintains a leasehold interest in the project and shares costs of operation and maintenance equal to the jurisdiction's payment percentage as defined in the agreement. The City's participating interest is 33.10%. Future minimum lease payments in the amount of \$394,158 are included in the governmental activities noncurrent liabilities. An asset in the amount of \$797,414 is shown in the governmental activities capital assets, net of accumulated depreciation. Separate financial statements of this joint venture are not available.

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

Lynchburg Redevelopment and Housing Authority: Under the *Code of Virginia* ("Code"), the Commonwealth of Virginia ("Commonwealth") created in each city and county a redevelopment and housing authority which is a separate political subdivision of the Commonwealth. In April 1956, City Council activated the Lynchburg Redevelopment and Housing Authority (the "LRHA") which owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the LRHA are

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

appointed by City Council; however, City Council is not financially accountable for LRHA. During FY2010, the City appropriated \$378,017 to the LRHA from the Community Development Block Grant Fund.

Industrial Development Authority of the City of Lynchburg: Under the *Code*, City Council passed an ordinance on March 14, 1967, which created the Industrial Development Authority of the City of Lynchburg (the "IDA"). The IDA was established to promote industry and develop trade within the City. The IDA is governed by a board of seven directors appointed by City Council; however, City Council is not financially accountable for the IDA.

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

B. Basis of Presentation

The accompanying financial statements present the government and its component units legally separate entities for which the City is financially accountable. As permitted in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply to its enterprise funds Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Governmental Fund Types:

The City reports the following major governmental funds:

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

City Capital Projects Fund: The City Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, 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 the proceeds of specific revenue, other than major capital projects, that are legally restricted to expenditures for specified purposes. These funds consist of the City Federal/State Aid Projects, Community Development Block Grant, Lynchburg Business Development Centre, Forfeited Assets, Comprehensive Services Act, Lynchburg Expressway Appearance, Home Investment Trust, Detention Home, Technology Services, and Baseball Stadium.

School Capital Projects: The School Capital Projects Fund accounts for budgeted capital projects approved by the Lynchburg City Schools related to educational activities.

Proprietary Fund Types:

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fiduciary Fund Types:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

D. Budgets and Budgetary Accounting

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

- Typically, in early March the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1 and ending June 30 of the following year. The operating budget includes proposed expenditures and the means of financing them.
- Council studies the proposed budget at work sessions throughout the months of March and April and holds a public hearing to receive citizens' comments.
- The Council makes final budget decisions and adopts the budget through passage of an appropriations resolution during the month of May. By July 1 the City Manager prepares and distributes the adopted budget.
- The City prepares a five-year Capital Improvement Program (CIP) for the City Capital Projects, School Capital Projects, Water, Sewer, and Airport. The CIP specifies capital improvement or construction projects, which are tentatively identified for funding during the next five years, with the first year of the plan serving as the capital budget. Project budgets are utilized in the capital projects funds. Appropriations for the capital projects funds are continued until completion of applicable projects, even when projects extend for more than one fiscal year, or until repealed.
- Budgets for the General, Water, Sewer, Airport, Capital Projects and all Special Revenue Funds are prepared in accordance with the City Charter on the modified accrual basis of accounting. Encumbrances are treated as a reservation of fund equity and reappropriated in the next fiscal year. Revenues, expenditures, and transfers related to internal service type functions are included for budget purposes. The budget for the Lynchburg City Schools (School Operating Fund) is prepared on the modified accrual basis of accounting.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total budget amounts and/or appropriations of any fund require an amendment to the budget. The *Code of Virginia* requires that City Council approve any amendment. If the total of the proposed amendment exceeds one percent of the total budgeted revenue, the proposed amendment must be advertised and a public hearing must be held before City Council can act. After the public hearing, City Council can act on the proposed amendment. The Superintendent of the Schools is authorized to transfer budget amounts within departments; however, any revisions that alter total budget amounts of any department must be approved by the School Board.
- All operating budget appropriations lapse at the end of the fiscal year to the extent that they are not expended or encumbered, with the exception of year-end carry-forward items approved by City Council.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

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	\$	1,837,842
General Fund, ambulance receivables	\$	1,960,811
Enterprise Funds	\$	157,351

- **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.

- **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 is 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 of the following factors. The works of art at the City 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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets (Continued)

- **Capital Assets (Continued)**

The City follows the policy of capitalizing, during the period of construction, the net interest costs on funds borrowed to finance the construction of enterprise funds' capital assets. During FY2010, the enterprise funds incurred interest costs of \$3,812,866 of which \$446,118 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.

- **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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets (Continued)

- **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 fund financial statements, City funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

F. Estimates

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

Note 2. Cash and Investments

Deposits:

All City and School Board cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et. Seq.* of the *Code*, or covered by federal depository insurance.

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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Credit Risk:

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

As of June 30, 50% of the portfolio was invested in "AAA" rated obligations, 8% was invested in "A+" rated securities, 6% was invested in "AA-" rated short-term notes, 8% was invested in "AA+" Municipal Obligations and 28% was invested in an "AAAm" rated LGIP fund. The portion of the total portfolio that was rated "AAA" had 8% invested in obligations guaranteed by the U.S. Government and 2% invested in Municipal Obligations. All credit ratings presented in this paragraph are either Standard and Poor's or Moody's ratings.

Concentration of Credit Risk:

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

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

<u>Investment Type</u>	<u>% of Portfolio</u>
Federal Home Loan Mortgage Corporation	8%
Municipal Obligations (Virginia State Housing Development Authority)	7%
Federal National Mortgage Association	11%
Certificate of Deposits	8%
Federal Home Loan Bank	18%

Interest Rate Risk:

The Policy limits certain investment maturities as a means of managing its 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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Interest Rate Risk: (Continued)

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

Investment Type	Fair Value	Weighted Average Maturity*
Money Market Funds – LGIP	\$ 33,470,939	-
Repurchase Agreements	7,683,000	1
U.S. Treasury Bills	6,147,870	67
U.S. Treasury Notes	3,323,958	125
Federal Home Loan Mortgage Corporation	9,807,078	101
Federal National Mortgage Association	13,064,542	162
Federal Farm Credit Bank	4,075,766	254
Federal Home Loan Bank	21,474,538	215
Certificate of Deposits	10,017,178	126
Municipal Bonds	11,750,939	918
Total investments	<u>\$ 120,815,808</u>	
Portfolio weighted average maturity		179

* Weighted average maturity in days.

Custodial Credit Risk:

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

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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 2. Cash and Investments (Continued)

Investments: (Continued)

The above items are reflected in the statements as follows:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	\$ 17,250	\$ 619
Deposits	12,447,742	1,140,538
Funds held in trust by others	-	86,861
Investments	112,390,808	8,425,000
	<u>\$ 124,855,800</u>	<u>\$ 9,653,018</u>
Statement of net assets:		
Cash and cash equivalents	\$ 31,458,820	\$ 9,140,784
Investments	76,661,870	-
Restricted cash and cash equivalents	16,103,002	425,373
Fiduciary fund cash and cash equivalents	632,108	86,861
	<u>\$ 124,855,800</u>	<u>\$ 9,653,018</u>

Note 3. Property Taxes

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2010

Note 4. Interfund Receivables, Payables, and Transfer

Interfund balances at June 30 were as follows:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	\$ 831,484	\$ -
Major Capital Projects Fund:		
City Capital Projects	807,944	46,065
Nonmajor Special Revenue Funds:		
City Federal/State Aid	-	326,250
Community Development Block Grant	-	166,622
Comprehensive Services Act	-	2,812
Home Investment Trust	-	119,429
Detention Home	68,373	136,348
Major Proprietary Funds:		
Water	-	171,958
Sewer	-	119,581
Airport	-	592,201
Internal Service	-	26,535
	<u>\$ 1,707,801</u>	<u>\$ 1,707,801</u>

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

Interfund transfers were as follows:

	To	From
Major Fund:		
General	\$ 464,020	\$ 4,180,805
Nonmajor Special Revenue Funds:		
City Federal/State Aid	335,518	22,723
Detention Home	23,078	-
Forfeited Assets	-	14,904
Technology Services	647,199	-
Baseball Stadium	341,654	-

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2010

Note 4. Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers were as follows: (Continued)

	<u>To</u>	<u>From</u>
Major Fund – Capital Projects		
City Capital Projects	\$ 4,151,493	\$ 680,297
Major Proprietary Funds:		
Airport	261,260	-
Internal Service	<u>5,383</u>	<u>1,330,876</u>
	<u>\$ 6,229,605</u>	<u>\$ 6,229,605</u>

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

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

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

	<u>Due From</u>	<u>Due To</u>
Primary Government:		
Major Fund:		
General Fund	\$ 2,498,449	\$ 153,780
Nonmajor Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
Nonmajor Capital Projects Fund:		
School Capital Projects	<u>177,401</u>	<u>-</u>
	<u>\$ 2,800,850</u>	<u>\$ 153,780</u>
Component Units:		
Lynchburg City Schools	\$ -	\$ 2,675,850
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	<u>153,780</u>	<u>-</u>
	<u>\$ 153,780</u>	<u>\$ 2,800,850</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 6. Due From Other Governments

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

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 4,866,426	\$ 3,131,259	\$ 6,611,447	\$ 38,339
Virginia Revolving Loan	-	35,739,400	-	-
Members of Regional Sewage Treatment Plant	-	4,563,703	-	-
	<u>\$ 4,866,426</u>	<u>\$ 43,434,362</u>	<u>\$ 6,611,447</u>	<u>\$ 38,339</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	\$ 423,870
Amount receivable 1 to 5 years	2,078,936
Amount receivable beyond 5 years	<u>2,060,897</u>
	<u>\$ 4,563,703</u>

Note 7. Receivables

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

	Taxes	Accounts	Other	Total
Major funds:				
General	\$ 10,801,668	\$ 4,834,494	\$ 415,948	\$ 16,052,110
City Capital Projects	-	-	500,000	500,000
Water	-	1,625,070	509	1,625,579
Sewer	-	2,647,950	34,519	2,682,469
Airport	-	34,999	64,203	99,202
Internal Service	-	-	39,844	39,844
Nonmajor Governmental Funds	-	-	805,008	805,008
	<u>\$ 10,801,668</u>	<u>\$ 9,142,513</u>	<u>\$ 1,860,031</u>	<u>\$ 21,804,212</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 8. Capital Assets

Primary Government:

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

Governmental Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 12,840,734	\$ 2,260,257	\$ 9,550	\$ 15,091,441
Construction in progress	36,636,505	36,223,073	65,014,125	7,845,453
Total capital assets, not being depreciated	49,477,239	38,483,330	65,023,675	22,936,894
Capital assets, being depreciated:				
Land improvements	16,620,017	5,434,980	125,635	21,929,362
Buildings and improvements	188,691,734	42,757,068	2,544,607	228,904,195
Infrastructure	204,941,227	12,370,702	-	217,311,929
Machinery and equipment	37,129,359	3,893,216	712,965	40,309,610
Total capital assets, being depreciated	447,382,337	64,455,966	3,383,207	508,455,096
Less – accumulated depreciation for:				
Land improvements	4,868,543	985,860	28,646	5,825,757
Buildings and improvements	94,934,888	5,618,099	1,797,444	98,755,543
Infrastructure	97,440,988	5,986,373	-	103,427,361
Machinery and equipment	19,682,480	3,754,993	665,119	22,772,354
Total accumulated depreciation	216,926,899	16,345,325	2,491,209	230,781,015
Total capital assets, being depreciated	230,455,438	48,110,641	891,998	277,674,081
Capital assets, net	\$ 279,932,677	\$ 86,593,971	\$ 65,915,673	\$ 300,610,975

Included above is property with a cost and net book value of \$9,590,304 and \$5,894,081, respectively, at June 30 financed by capital leases.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2010

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 727,048
Education	3,647,745
Judicial	208,814
Health and human services	366,559
Public safety	2,153,317
Public works	8,072,101
Community development	17,190
Cultural and recreational	819,705
	<hr/>
Total governmental activities	16,012,479
	<hr/>
Business-type activities:	
Water	105,153
Sewer	208,390
Airport	19,303
	<hr/>
Total business-type activities	332,846
	<hr/>
Total depreciation	\$ 16,345,325

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 \$332,846 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, 2010

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

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

Business-type Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 4,786,499	\$ 192,035	\$ -	\$ 4,978,534
Construction in progress	12,459,311	31,218,851	11,751,950	31,926,212
Total capital assets, not being depreciated	17,245,810	31,410,886	11,751,950	36,904,746
Capital assets, being depreciated:				
Land improvements	12,403,641	-	-	12,403,641
Buildings and improvements	47,943,608	2,650,408	-	50,594,016
Infrastructure	307,726,360	8,262,740	59,500	315,929,600
Machinery and equipment	9,334,356	807,196	48,446	10,093,106
Capitalized interest	5,319,882	446,118	-	5,766,000
Total capital assets, being depreciated	382,727,847	12,166,462	107,946	394,786,363
Less – accumulated depreciation for:				
Land improvements	10,878,363	330,670	-	11,209,033
Buildings and improvements	17,552,725	1,530,619	-	19,083,344
Infrastructure	81,456,604	6,893,030	59,500	88,290,134
Machinery and equipment	6,935,687	429,965	48,446	7,317,206
Capitalized interest	1,304,606	106,398	-	1,411,004
Total accumulated depreciation	118,127,985	9,290,682	107,946	127,310,721
Total capital assets, being depreciated	264,599,862	2,875,780	-	267,475,642
Capital assets, net	\$ 281,845,672	\$ 34,286,666	\$ 11,751,950	\$ 304,380,388

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2010

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>
Capital assets, being depreciated				
Equipment	\$ 7,267,750	\$ 161,535	\$ 28,000	\$ 7,401,285
Equipment – Cafeteria	637,820	47,619	-	685,439
Total capital assets, being depreciated	<u>7,905,570</u>	<u>209,154</u>	<u>28,000</u>	<u>8,086,724</u>
Less – accumulated depreciation for:				
Equipment	4,717,586	412,026	28,000	5,101,612
Equipment – Cafeteria	444,897	39,077	-	483,974
Total accumulated depreciation	<u>5,162,483</u>	<u>451,103</u>	<u>28,000</u>	<u>5,585,586</u>
Capital assets, net	<u>\$ 2,743,087</u>	<u>\$ (241,949)</u>	<u>\$ -</u>	<u>\$ 2,501,138</u>

Included above is property with a cost and net book value of \$2,946,034 and \$1,642,615, respectively, at June 30 financed by capital leases.

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

Land, buildings, and improvements	\$ 2,337,594
Construction in Progress	294,542
Machinery and equipment	<u>16,154,279</u>
	18,786,415
Less accumulated depreciation	<u>7,264,004</u>
	<u>\$ 11,522,411</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

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	Variable- LIBOR- Max 6.00	03/27/2008	2010	\$ 15,000,000	\$ -	\$ -	\$ -	\$ -
State Literary Fund Loans								
Virginia Department of Treasury	4.00	07/01/1990	2011	372,412	-	11,412	-	11,412
Serial Bonds								
VPSA General Obligation	4.90-6.35	11/12/1992	2013	458,292	-	82,490	-	82,490
VA Resources Authority	0.00	03/24/1994	2027	3,976,369	-	-	2,075,718	2,075,718
VPSA General Obligation	6.10-6.60	11/22/1994	2015	2,100,362	-	626,500	-	626,500
Public Improvement	4.60-5.40	06/01/1999	2019	17,820,000	-	-	-	-
Public Improvement	5.30-5.60	07/01/2000	2010	14,405,000	-	-	-	-
Public Improvement	3.50-4.88	08/01/2001	2032	14,620,000	406,825	358,175	4,500,000	5,265,000
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	2,184,674	-	2,184,674
VPSA General Obligation	2.35-4.85	11/07/2002	2023	6,513,732	-	4,378,031	-	4,378,031
Public Improvement								
Refunding	2.00-5.00	02/01/2003	2014	23,670,000	1,629,340	124,951	1,535,709	3,290,000
Public Improvement	2.50-4.70	02/01/2003	2033	16,745,000	5,385,000	1,710,000	4,490,000	11,585,000
Public Improvement	3.00-5.00	06/01/2004	2034	28,160,000	7,520,000	7,620,000	6,280,000	21,420,000
Public Improvement								
Refunding	3.00-5.25	03/16/2005	2030	33,105,000	11,488,460	7,024,640	8,926,900	27,440,000
Taxable Refunding	3.90-4.86	03/16/2005	2014	3,810,000	-	2,290,000	-	2,290,000
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	5,273,797	-	5,273,797
Public Improvement	4.00-5.00	05/09/2006	2026	23,840,000	13,134,156	5,179,986	2,265,858	20,580,000
Public Improvement	4.00-5.00	08/02/2007	2038	33,300,000	13,810,903	-	17,434,097	31,245,000
Public Improvement								
Refunding	2.93	03/19/2008	2015	8,000,000	1,710,540	1,598,820	2,178,640	5,488,000
Public Improvement								
Series A Tax Exempt	1.00-5.00	08/13/2009	2022	17,230,000	4,995,000	7,080,000	5,155,000	17,230,000
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	3,845,120	2,120,960	6,833,920	12,800,000
VPSA Gen Obligation	0.00	11/13/2009	2027	10,255,000	-	10,255,000	-	10,255,000
					\$ 68,324,739	\$ 67,370,041	\$ 75,245,842	\$ 210,940,622

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

Authorized and unissued general obligation public improvement bonds amounted to \$45,488,043 at June 30, 2010.

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 \$210,940,622 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 assessed valuation of real estate subject to taxation. There are no overlapping tax jurisdictions.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 9. Long-Term Liabilities (Continued)

Revenue Debt:

	Interest Rates %	Date Issued	Final Maturity	Original Issue	Sewer Fund
Virginia Resources Authority:					
Public Utility Revenue Bonds	0.00	03/28/1995	2027	\$ 6,571,207	\$ 2,927,830
Public Utility Revenue Bonds	0.00	08/10/1995	2029	10,000,000	5,138,889
Public Utility Revenue Bonds	0.00	06/27/1996	2029	8,000,000	3,978,004
Public Utility Revenue Bonds	3.00	07/17/1997	2020	14,108,460	8,045,392
Public Utility Revenue Bonds	0.00	07/17/1997	2030	7,591,540	4,409,682
Public Utility Revenue Bonds	0.00	08/01/1998	2031	6,203,000	3,872,736
Public Utility Revenue Bonds	3.00	06/02/1999	2020	2,476,763	1,409,674
Public Utility Revenue Bonds	0.00	09/02/1999	2021	5,300,000	3,068,421
Public Utility Revenue Bonds	0.00	03/15/2001	2032	735,000	493,223
Public Utility Revenue Bonds	3.50	06/08/2001	2021	2,835,000	1,888,906
Public Utility Revenue Bonds	0.00	11/06/2001	2034	1,413,613	1,051,225
Public Utility Revenue Bonds	0.00	09/15/2003	2036	2,350,165	1,956,354
Public Utility Revenue Bonds	0.00	05/20/2004	2038	6,000,000	5,300,000
Public Utility Revenue Bonds	0.00	05/17/2005	2038	6,700,000	6,030,000
Public Utility Revenue Bonds	0.00	06/28/2006	2039	9,600,000	9,120,000
Public Utility Revenue Bonds	0.00	06/20/2007	2039	7,000,000	6,766,667
Public Utility Revenue Bonds	0.00	06/05/2008	2041	12,350,000	12,350,000
Public Utility Revenue Bonds	0.00	06/25/2009	2041	19,000,000	19,000,000
Public Utility Revenue Bonds	0.00	06/17/2010	2042	13,100,000	13,100,000
					<u>\$ 109,907,003</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 1.49.

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

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Governmental Activities					
Bond anticipation note-line of credit	\$ 7,500,000	\$ -	\$ 7,500,000	\$ -	\$ -
General obligation bonds	112,010,570	42,146,080	14,976,929	139,179,721	10,383,146
Notes payable*	2,660,000	-	180,000	2,480,000	180,000
State literary fund loans	30,412	-	19,000	11,412	11,412
Adjust for deferred amounts:					
Issuance discounts	-	(959,560)	(53,309)	(906,251)	-
Issuance premiums	2,185,956	1,131,396	242,906	3,074,446	-
Upon refunding	(1,335,430)	(303,936)	(242,252)	(1,397,114)	-
Total bonds and notes	123,051,508	42,013,980	22,623,274	142,442,214	10,574,558
Workers' compensation	906,239	1,729,338	657,713	1,977,864	237,344
Compensated absences	4,122,303	2,709,439	3,110,408	3,721,334	446,560
Other post-employment benefits	2,373,773	1,364,357	-	3,738,130	-
Capital lease obligations	5,804,147	-	530,721	5,273,426	550,094
	<u>\$ 136,257,970</u>	<u>\$ 47,817,114</u>	<u>\$ 26,922,116</u>	<u>\$ 157,152,968</u>	<u>\$ 11,808,556</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2010

Note 9. Long-Term Liabilities (Continued)

Primary Government:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Business-Type Activities					
Bond anticipation notes	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -	\$ -
General obligation bonds	56,830,663	25,558,920	10,640,094	71,749,489	4,229,116
Public utility revenue bonds	100,327,800	13,100,000	3,520,797	109,907,003	3,757,168
Adjust for deferred amounts:					
Issuance discounts	(43,963)	-	(43,963)	-	-
Issuance premiums	680,835	582,794	101,511	1,162,118	-
Upon refunding	(684,164)	(349,073)	(140,109)	(893,128)	-
Total bonds and notes payable	161,111,171	38,892,641	18,078,330	181,925,482	7,986,284
Workers' compensation	79,737	79,609	93,982	65,364	7,844
Compensated absences	416,712	323,940	319,996	420,656	50,479
Other post-employment benefits	186,695	126,300	-	312,995	-
	<u>\$ 161,794,315</u>	<u>\$ 39,422,490</u>	<u>\$ 18,492,308</u>	<u>\$ 182,724,497</u>	<u>\$ 8,044,607</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 other assets on Exhibit 1.

Debt Service to Maturity:

Year Ending June 30	Governmental Activities					
	Governmental General Obligation		Literary Fund Loans		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 10,383,146	\$ 5,788,863	\$ 114,412	\$ 456	\$ 550,094	\$ 192,183
2012	9,658,829	5,423,361	-	-	438,062	172,296
2013	9,749,263	5,051,039	-	-	314,278	158,397
2014	9,331,639	4,660,869	-	-	326,392	146,283
2015	8,572,770	4,263,107	-	-	1,830,654	532,722
2016-2020	40,459,912	16,040,189	-	-	1,813,946	156,137
2021-2025	31,098,438	8,626,997	-	-	-	-
2026-2030	13,710,724	3,382,683	-	-	-	-
2031-3035	3,290,000	1,487,329	-	-	-	-
2036-2040	2,925,000	483,356	-	-	-	-
	<u>\$ 139,179,721</u>	<u>\$ 55,207,793</u>	<u>\$ 11,412</u>	<u>\$ 456</u>	<u>\$ 5,273,426</u>	<u>\$ 1,358,018</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

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
2011	\$ 1,719,935	\$ 1,935,650	\$ 249,705	\$ 62,389	\$ 2,259,476	\$ 1,162,853	\$ 3,757,168	\$ 342,012
2012	1,765,504	1,872,795	184,531	54,217	2,029,281	1,088,376	4,627,820	310,527
2013	1,771,954	1,810,603	189,927	47,454	2,021,262	1,017,690	5,096,949	278,064
2014	1,668,673	1,746,331	189,242	41,214	1,756,009	950,098	5,130,420	244,593
2015	1,608,771	1,683,232	169,912	34,108	1,655,417	891,020	5,164,930	210,083
2016-2020	6,927,882	7,504,592	424,757	103,241	6,365,413	3,664,932	25,805,388	494,070
2021-2025	5,687,523	6,143,425	207,534	41,439	4,211,014	2,756,886	19,164,350	5,343
2026-2030	6,657,996	4,607,654	47,477	2,255	4,350,297	1,816,120	16,415,918	-
2031-2035	6,856,270	2,715,568	-	-	3,243,730	809,182	12,823,228	-
2036-2040	5,865,243	820,654	-	-	1,664,754	170,096	10,208,332	-
2041-2042	-	-	-	-	-	-	1,712,500	-
	<u>\$ 40,529,751</u>	<u>\$ 30,840,504</u>	<u>\$ 1,663,085</u>	<u>\$ 386,317</u>	<u>\$ 29,556,653</u>	<u>\$ 14,327,253</u>	<u>\$ 109,907,003</u>	<u>\$ 1,884,692</u>

Notes Payable – Capital Projects Line of Credit, Bank (General Obligation Bond Anticipation Note):

On March 27, 2008, the City issued a five-year General Obligation Bond Anticipation Note and concurrently entered into a line of credit Financing Agreement with SunTrust Bank. The Agreement provided for borrowings of up to \$15,000,000 to provide interim financing for qualifying capital improvements. Interest on the unpaid principal is equal to the tax-exempt note rate defined in the Agreement and summarized here as: the one month London Interbank Offered Rate (LIBOR) times 0.77, plus 0.37%, for each calendar month; and, computed on a 360-day year basis up to a maximum of 6%. The total of \$11,500,000 outstanding at June 30, 2009 was permanently financed with the August 13, 2009 General Obligation Public Improvement Bonds, Series 2009A. In April 2010, the City Council re-authorized the line of credit in the amount of \$15,000,000 which was executed on May 20, 2010. On May 21, 2010, SunTrust Bank notified the City that it would extend the maturity of the line of credit until May 20, 2011 instead of March 2013 due to market conditions and because it was a non-bank qualified line of credit. The City and SunTrust Bank executed a Termination Agreement for the line of credit effective July 8, 2010.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 9. Long-Term Liabilities (Continued)

August 13, 2009 General Obligation Bond Issue:

The City issued \$57,450,000 of General Obligation Public Improvement Bonds Series 2009A (\$17,230,000 Tax-Exempt), Series 2009B (\$27,420,000 Taxable-Build America Bonds), and Series 2009C (\$12,800,000 Tax-Exempt-Refunding Bonds) dated August 13, 2009 from its negotiated bond sale on July 29, 2009. General government projects were financed for twenty years, while the schools, water and sewer projects were financed for thirty years. The final maturity date is August 1, 2039, with interest rates ranging from 0.57% to 6.61% and a total interest cost of 3.68%. The Series A and B Bonds were issued to fund general government, schools, water and sewer capital projects, and issuance costs. They were allocated as follows: \$8,315,000 for general government; \$17,610,000 for schools, including a current refunding on August 27, 2009, to permanently finance \$7,500,000 of interim financing through the line of credit; \$15,300,000 for water utilities, including a current refunding on August 27, 2009, to permanently finance \$4,000,000 of interim financing through the line of credit; and, \$3,425,000 for sewer utilities. Series C Refunding Bonds were issued to advance refund \$7,355,000 of the June 1, 1999 bonds with an average interest rate of 5% and \$4,965,000 of the August 1, 2001 bonds with an average interest rate of 4.3%. The City deposited the net proceeds from the refunding bonds in an irrevocable trust with an escrow agent that purchased U. S. Government securities. The trust will provide funds for all future debt service on the refunded bonds. These bonds are considered defeased and the liability for them has been removed from the financial statements. The advance refunding reduced the total debt service payments over the next 14 years by \$1,048,290 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$876,187. This advance refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of \$653,009. This difference, reported in the accompanying financial statements as deferred debt charges, is being amortized as a component of interest expenses as follows: \$389,844 through FY2019 over the life of the refunded bonds for the June 1, 1999 issue; and, \$263,165 through FY2023 over the life of the refunding bonds for the August 1, 2001 issue. The outstanding principal of the Series 2001 in-substance defeased bonds was \$4,965,000 at June 30, 2010.

November 13, 2009 Virginia Public School Authority Pooled Bond Issue - Qualified School Construction Bonds:

On November 13, 2009, the City participated in a Virginia Public School Authority (VPSA) Taxable General Obligation Public Improvement Bond Issue. These were Qualified School Construction Bonds as part of the American Recovery and Reinvestment Act and issued as investor tax credit bonds with a VPSA bond yield of 0.58427%. These bonds included an original issue discount of \$959,560 and are presented in the accompanying financial statements as such. This amount is being amortized as a component of interest expenses over the life of the bond issue through FY2027. The City has a 0% interest requirement for the bonds as they do not bear interest. The City's portion of the pooled bond issue was \$10,255,000 with a final maturity on September 15, 2026. This partially financed new construction for Sandusky Middle School and removed this project from the State's Literary Loan Program.

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

On October 20, 2010, the City issued \$29,655,000 of General Obligation Public Improvement Refunding Bonds, Series 2010 to advance refund the following general obligation public improvement bonds: \$3,375,000 of Series 2001 (August 1, 2001) with an average interest rate of 4.3%; \$9,415,000 of Series 2003A (February 1, 2003) with an average interest rate of 3.75%; and, \$15,370,000 of Series 2004 (June 1, 2004) with an average interest rate of 4.25%. The final maturity date is December 1, 2033 with interest rates ranging from 2% to 5% and a total interest cost of 3.03%. The City deposited the net proceeds from the refunding bonds in an irrevocable trust with an escrow agent that purchased U. S. Government securities. The trust will provide funds for all future debt service on the refunded bonds. These bonds are considered defeased and the liability for them has been removed from the financial statements for FY2011. The advance refunding reduced the total debt service payments over the next 24 years by \$2,356,592 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,707,610. The total outstanding principal of the in-substance defeased bonds was \$28,160,000, detailed above by refunded bond issues, as of the refunding bond issue closing on October 20, 2010.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2010

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	\$ 729,731	\$ 668,224	\$ 747,932	\$ 650,023	\$ 520,018
Capital lease obligations	2,418,378	-	920,908	1,497,470	642,489
Other post-employment benefits	952,087	767,781	550,818	1,169,050	-
	<u>\$ 4,100,196</u>	<u>\$ 1,436,005</u>	<u>\$ 2,219,658</u>	<u>\$ 3,316,543</u>	<u>\$ 1,162,507</u>

School Capital Leases:

Interest Rates	Date Issued	Final Maturity	Original Issue	Balance
3.55%	12/2008	12/2013	\$ 1,000,000	\$ 717,815
3.39	09/2005	09/2010	750,000	27,081
4.12	08/2006	08/2011	500,000	125,982
3.83	10/2006	10/2011	500,000	151,532
3.89	09/2007	09/2012	1,000,000	475,060
				<u>\$ 1,497,470</u>

Following is a summary of debt service to maturity:

June 30	Capital Lease Obligations	
	Principal	Interest
2011	\$ 642,489	\$ 44,357
2012	480,697	22,428
2013	265,237	8,262
2014	109,047	1,122
	<u>\$ 1,497,470</u>	<u>\$ 76,169</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 10. Fund Equity Balances

Designated Fund Balance: Designations of fund balance are established to indicate tentative plans for financial resource utilization in a future period. Designations of fund balance are as follows:

	General	Special Revenue	Capital Projects
Self-insurance and other insurance matters	\$ 2,763,740	\$ -	\$ -
Technology	208,469	-	-
Return of fiscal year 2009 and 2010 funds to schools	2,790,182	-	-
Health Insurance	148,473	-	-
Completion of other specific projects and activities	-	400,804	116,388
Law Library	66,308	-	-
Museum	32,153	-	-
Recreation Programs	217,925	-	-
Detention Home – Workers Compensation	60,000	-	-
Detention Home – Capital Needs	150,000	-	-
Detention Home – Prevention Initiative	25,000	-	-
Local Aid to the Commonwealth	314,108	-	-
Public Works	39,925	-	-
Debt Service	2,549,069	-	-
Schools – Budget Balancing	440,608	-	-
Schools – Textbooks	1,059,392	-	-
Schools – Health Insurance	1,000,000	-	-
Schools – Future Expenditure Needs	75,908	-	-
Other Post Employment Benefits (OPEB)	540,480	-	-
	<u>\$ 12,481,740</u>	<u>\$ 400,804</u>	<u>\$ 116,388</u>

Note 11. Employee Benefit Plans

Defined Benefit Pension Plan:

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

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 qualify for annual cost-of-living increases limited to 3% per year beginning in their second year of retirement. 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 11. Employee Benefit Plans (Continued)

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, <http://www.varetire.org/Pdf/Publications/2009annurept.pdf>, 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 annual reported compensation to the VRS. The employer has assumed this 5% member contribution. In addition, the City and the Schools are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code* and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2010 was 20.43% of annual covered payroll. The Schools' contribution rates for the fiscal year ended 2010 were 13.81% for the first 9 months, and 5% for the last 3 months for professional employees and 12.81% 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.

Annual Pension Cost: For 2010, the City's and Schools' annual pension costs of \$10,099,477 and \$5,647,174, respectively, were equal to their required and actual contributions. The required contributions were determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.50% 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 payroll on an open basis within a period of 20 years.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Trend Information for the City of Lynchburg			
June 30, 2010	\$ 10,099,477	100%	None
June 30, 2009	\$ 10,340,018	100%	None
June 30, 2008	\$ 9,962,213	100%	None
Trend Information for the Lynchburg City Schools			
June 30, 2010	\$ 5,647,174	100%	None
June 30, 2009	\$ 7,485,086	100%	None
June 30, 2008	\$ 7,757,884	100%	None

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 11. Employee Benefit Plans (Continued)

Funded Status and Funding Progress:

As of June 30, 2009, the most recent actuarial valuation date for the City, the plan was 70.31% funded. The actuarial accrued liability for benefits was \$287,328,940 and the actuarial value of assets was \$202,019,421, resulting in an unfunded actuarial accrued liability (UAAL) of \$85,309,520. The covered payroll (annual payroll of active employees covered by the plan) was \$50,210,090, and the ratio of the UAAL to the covered payroll was 169.91%.

As of June 30, 2009, the most recent actuarial valuation date for the Schools, the plan was 88.26% funded. The actuarial accrued liability for benefits was \$12,575,079 and the actuarial value of assets was \$11,098,240, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,476,839. The covered payroll (annual payroll of active employees covered by the plan) was \$4,117,768, and the ratio of the UAAL to the covered payroll was 35.87%.

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

Note 12. Other Post-Employment Benefits

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

City of Lynchburg

Plan Description

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

Benefits Provided

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2010

Note 12. Other Post-Employment Benefits (Continued)**City of Lynchburg (Continued)****Membership**

The number of participants at June 30, 2010 was as follows:

Actives	1,135
Retires	476
Spouses	<u>153</u>
Total Participants	<u><u>1,764</u></u>

Funding Policy

The City currently funds post-employment health care benefits on a pay-as-you-go basis. During FY2010, the City added \$29,952 of interest to the funds designated for the OPEB liability. Total funds designated for OPEB at June 30, 2010 including interest are \$540,480. 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

The following table shows the elements of the City's annual OPEB cost for the year and the changes in the City's net OPEB obligation for the fiscal year ended June 30, 2010.

Annual required contribution	\$ 3,646,000
Interest on net OPEB obligation	246,000
Adjustment to annual required contribution	<u>2,134</u>
Annual OPEB cost	3,894,134
Contributions made	<u>(2,403,477)</u>
Increase in net OPEB obligation	1,490,657
Net OPEB obligation-beginning of year	<u>2,560,468</u>
Net OPEB obligation-end of year	<u><u>\$ \$4,051,125</u></u>

Annual Other Post-employment Benefit Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2008, FY2009 and FY2010 are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2008	\$4,062,551	52.5%	\$1,930,095
06/30/2009	\$3,893,000	83.8%	\$2,560,468
06/30/2010	\$3,894,134	61.7%	\$4,051,125

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 12. Other Post-Employment Benefits (Continued)

City of Lynchburg (Continued)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010 was as follows:

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used to develop the AAL and the Normal Cost. Under this method, the 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 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 amortization period at June 30, 2010 is 27 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 12. Other Post-Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Early Retirement Incentive Plan

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

Membership

The number of participants at June 30, 2010 was as follows:

Active participants	1,336
Inactive participants	<u>149</u>
Total	<u><u>1,485</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, 2010, the School's annual OPEB cost (expense) was \$767,781. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$550,818 for retirees, resulted in a Net OPEB obligation of \$1,169,050 for the year ended June 30, 2010.

Annual required contribution	\$ 782,639
Interest on net OPEB obligation	38,083
Adjustment to annual required contribution	<u>(52,941)</u>
Annual OPEB cost	767,781
Contributions made	<u>(550,818)</u>
Increase in net OPEB obligation	216,963
Net OPEB obligation-beginning of year	<u>952,087</u>
Net OPEB obligation-end of year	<u><u>\$ 1,169,050</u></u>

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2008, FY2009 and FY2010 are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2008	\$659,063	20.8%	\$ 522,228
06/30/2009	\$689,177	37.6%	\$ 952,087
06/30/2010	\$767,781	71.7%	\$1,169,050

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 12. Other Post-Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Funded Status and Funding Progress

The funded status of the plan is:

Actuarial Accrued Liability (AAL)	\$	7,457,224
Actuarial Value of Plan Assets	\$	-
Unfunded Actuarial Accrued Liability (UAAL)	\$	7,457,224
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0%
Covered Payroll (Active Plan Members)	\$	50,221,239
UAAL as a Percentage of Covered Payroll		14.85%

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, 2009 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, 2010

Note 13. Leases

Lessee:

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

Year Ending June 30	Operating Leases	
	Primary Government	Component Unit – Schools
2011	\$ 291,008	\$ 380,279
2012	99,950	378,314
2013	81,464	318,251
2014	66,323	222,764
2015	51,000	126,235
2016-2020	<u>255,000</u>	<u>69,916</u>
	<u>\$ 844,745</u>	<u>\$ 1,495,759</u>

For 2010, the City incurred rental expenditures of \$304,933 in the General Fund, \$30,464 in the Special Revenue Funds, and \$9,075 in the Enterprise Funds. For 2010, the Schools incurred rental expenditures of \$598,222.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 14. Risk Management

The Risk Management Programs of the City are as follows:

Workers' Compensation: The City is self-insured for workers' compensation claims. All settled claims are paid through the General Fund. The liability for worker's compensation claims, including an estimate of incurred but not reported claims based on prior experience, to be paid in the next fiscal year and in future years is reflected in the statement of net assets. Total claims paid for the year ended June 30 amounted to \$751,696.

General Liability and Other: The City is self-insured for general liability and automobile liability claims and purchases insurance coverage for risks related to property, boiler and machinery, surety bonds, and airport liability. City property is insured up to a limit of approximately \$342,276,941 per occurrence. Other liability policies provide up to \$60,000,000 coverage in the aggregate. Police professional liability and public officials' liability claims with a \$500,000 deductible per claim are covered through a policy with the States Self Insurance Risk Group. Total premiums for purchased coverage for the year ended June 30 were \$534,435. 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 \$7,617,659 was incurred. There were no claims 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 \$842,721. Estimated incurred, but not reported, claims at June 30 based on invoices received totaled \$800,000 and have been funded by the City.

Changes in aggregate liabilities were as follows:

		Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Workers' Compensation	2010	\$ 985,976	\$ 1,808,948	\$ 751,696	\$ 2,043,228
	2009	\$ 913,537	\$ 992,951	\$ 920,512	\$ 985,976
General/Automotive Liability	2010	\$ -	\$ 201,021	\$ 201,021	\$ -
	2009	\$ -	\$ 420,637	\$ 420,637	\$ -
Healthcare	2010	\$ 900,000	\$ 7,517,659	\$ 7,617,659	\$ 800,000
	2009	\$ 779,406	\$ 6,680,014	\$ 6,559,420	\$ 900,000

General/Automotive 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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 14. Risk Management (Continued)

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 \$150,000 per covered individual per contract year. For the year ended June 30, total claims expense of \$9,095,189, which did not exceed the stop loss provisions, was incurred. Administrative fees and stop loss premiums for the year ended June 30 totaled \$809,593. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled \$849,805 and have been funded by the Schools.

Changes in aggregate liabilities were as follows:

		Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Healthcare	2010	\$ 947,620	\$ 8,997,374	\$ 9,095,189	\$ 849,805
	2009	\$ 791,159	\$ 8,265,688	\$ 8,109,227	\$ 947,620

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

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

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

Expenses of Schools – Component Unit (Exhibit 2)	\$ 94,747,018
Principal and other debt service expenses included in City	<u>13,492,351</u>
Total expenses/expenditures for School activities	<u>\$ 108,239,369</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 16. Commitments and Contingencies

Combined Sewer Overflow:

In 2000, the City completed an update of the Combined Sewer Overflow (“CSO”) program developed in 1989. The purpose was to reevaluate the conclusions and recommendations of the original program, prioritize remaining work, and provide a current cost estimate for this work. After detailed evaluation of a wide variety of control alternatives, the update concluded that sewer separation remained the most cost-effective CSO control option. Total cost to complete the program was estimated to be \$276,000,000 in 1999 dollars. Updated estimates 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 \$326,000,000 in 2010 dollars. The City is currently in the process of completing the 2010 update of the CSO program, which should be completed in mid-2011. The purpose of this update is to ensure that complete separation is still the most cost-effective CSO control option.

In 1994, and with subsequent permit renewals, the Virginia Department of Environmental Quality (“VDEQ”) issued a sewage discharge permit and Special Order of Consent continuing 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 annual reports, including independent rate consultant reports to VDEQ on its compliance with the order and its progress with CSO control plan implementation. The current CSO Annual Report can be found at www.Lynchburgva.gov/cso under “status” link.

Construction and Related Commitments:

At June 30, the City had outstanding commitments under various construction contracts totaling approximately \$34,473,999.

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, 2010.

Lead Hazard Program:

The Lead Hazard Control grant remains under investigation by the Department of Housing and Urban Development (HUD). Management has not been notified of any disallowances pertaining to this particular grant, therefore Management cannot determine if an adjustment to the financial position of the City at June 30, 2010 is required. In addition, Management is unable to predict the estimated range of potential loss that could arise in future periods as a result of this investigation.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 16. Commitments and Contingencies (Continued)

Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2010, the arbitrage rebate liability estimate was zero.

Lawsuits:

Seven current and former City Police Officers have been named in a lawsuit seeking \$12.5 million in damages. The case is scheduled for trial in April 2011. In accordance with the provisions of the City's Self-Insurance Program Plan Document, lawsuits filed against current and former City employees for actions that occurred in the performance of their official duties will be provided legal counsel. The maximum liability the City faces is \$500,000 which is the amount of the deductible on the City's insurance policy.

Two City employees have been named in a lawsuit seeking \$1.5 million in damages. The case was tried in circuit court in May 2010 without reaching a verdict and has been rescheduled for March 2011. The liability to the City is expected to be minimal.

Note 17. Subsequent Events

Loan Agreement:

In 2004, the City entered into a contract with the U.S. Department of Housing and Urban Development (HUD) whereas the City is the borrower and HUD is the guarantor of a Section 108 loan (Note 9). With the funds borrowed from HUD, the City entered into a loan agreement with Bluffwalk Center L.P. (Bluffwalk). The City loaned Bluffwalk \$3,200,000 with payments required twice a year. Subsequent to year-end Bluffwalk did not make the August payment in the amount of \$247,198. This is the fourth payment that Bluffwalk failed to make. The City fulfilled its obligation to HUD by making the required payment using funds from the Community Development Block Grant (CDBG). The City expects to recover the funds for all four payments from Bluffwalk. During FY2010 Bluffwalk entered into a payment arrangement with the City to repay, with interest, the funds the City has advanced to cover the missed payments.

Airport:

In late October, Delta Airlines announced plans to discontinue airline service from Lynchburg to Atlanta, effective January 2011. The financial impact to the City has not been determined.

Note 18. New Accounting Standards

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Management has not yet evaluated the effects, if any, of adopting this standard but does not expect them to be material. This statement will be effective for the year ending June 30, 2011.

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REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information
Schedule of Funding Progress for Defined Benefit Pension Plan
As of June 30, 2010

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, 2009	\$ 202,019,421	\$ 287,328,940	\$ 85,309,519	70.31%	\$ 50,210,090	169.91%
	June 30, 2008	\$ 201,552,096	\$ 270,546,947	\$ 68,994,851	74.50%	\$ 49,236,962	140.13%
**	June 30, 2007	\$ 184,515,996	\$ 243,719,371	\$ 59,203,375	75.71%	\$ 43,077,273	137.44%

Lynchburg City Schools Non-professional Employees

June 30, 2009	\$	11,098,240	\$	12,575,079	\$	1,476,839	88.26%	\$	4,117,768	35.87%
June 30, 2008	\$	10,950,127	\$	11,705,572	\$	755,445	93.55%	\$	3,907,886	19.33%
June 30, 2007	\$	9,948,359	\$	11,082,613	\$	1,134,254	89.77%	\$	3,668,492	30.92%

** Per the Actuarial Valuation Report of VRS by Wachovia as of June 30, 2007. The AAL and Covered Payroll numbers have been revised from their June 30, 2006 report.

Required Supplemental Information
Schedule of Funding Progress for Other Post Employment Benefits
As of June 30, 2010

Exhibit 13

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Lynchburg	July 1, 2006	\$ -	\$ 56,995,144	\$ 56,995,144	0.00%	\$ 22,586,532	252.34%
	June 30, 2008	\$ -	\$ 50,541,000	\$ 50,541,000	0.00%	\$ 50,839,048	99.41%
	June 30, 2010	\$ -	\$ 58,445,937	\$ 58,445,937	0.00%	\$ 47,102,629	124.08%

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Lynchburg City Schools	June 30, 2008	\$ -	\$ 5,430,872	\$ 5,430,872	0.00%	\$ 46,747,520	11.62%
	June 30, 2009	\$ -	\$ 7,371,878	\$ 7,371,878	0.00%	\$ 43,014,930	17.14%
	June 30, 2010	\$ -	\$ 7,457,224	\$ 7,457,224	0.00%	\$ 50,221,239	14.85%

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OTHER SUPPLEMENTAL INFORMATION

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CITY OF LYNCHBURG, VIRGINIA

Nonmajor Governmental Funds

As of June 30, 2010

Nonmajor Governmental Funds:

Nonmajor governmental funds consist of special revenue and capital projects funds.

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

Funds in this category include:

- City Federal/State Aid Projects Fund – Accounts for various federal and state grants for such purposes as building projects, certain social service and community development programs, and public safety.
- Community Development Block Grant Fund – Accounts for revenues from the Department of Housing and Urban Development which are used for various development projects.
- Lynchburg Business Development Centre Fund – Accounts for revenues received to support a local business incubator and for monies received from the Economic Development Administration for a revolving loan fund and certain other assistance.
- Detention Home Fund – Accounts for revenues received and expenditures made to support the operations of the City's Juvenile Detention Home.
- Forfeited Assets Fund – Accounts for revenues received from the sale of confiscated assets which are related to illegal drug sales and are used for law enforcement expenditures for drug related activities.
- Lynchburg Expressway Appearance Fund – Accounts for the revenues and expenditures associated with beautification of the Lynchburg Expressway Area.
- Comprehensive Services Act Fund – Accounts for revenues received and expenditures made to support the Comprehensive Services Act for At-Risk Youth and Families adopted by the Virginia General Assembly.
- Home Investment Trust Fund – Accounts for revenues received from the Department of Housing and Urban Development for support of affordable housing needs in the City.
- Technology Fund – Accounts for revenues received to support the acquisition of computer equipment and maintaining network equipment, servers, and the A/S 400.
- Baseball Stadium Fund – Accounts for revenues received from baseball activities at the Lynchburg City Stadium.

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

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

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	<u>Total Nonmajor Special Revenue</u>	<u>Total Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental</u>
Assets			
Cash and cash equivalents	\$ 1,501,065	\$ 937,874	\$ 2,438,939
Investments	3,220,695	-	3,220,695
Receivables, net of allowance			
Other	805,008	-	805,008
Due from other funds	68,373	-	68,373
Due from component unit	125,000	177,401	302,401
Due from other governments	1,560,484	-	1,560,484
Other assets	213	-	213
Restricted assets:			
Cash and cash equivalents	326,195	2,606,858	2,933,053
Total assets	<u>\$ 7,607,033</u>	<u>\$ 3,722,133</u>	<u>\$ 11,329,166</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 693,229	\$ 1,535,056	\$ 2,228,285
Accrued liabilities	73,439	-	73,439
Due to other governments	499	-	499
Due to other funds	751,461	-	751,461
Deferred revenue	466,995	-	466,995
Total liabilities	<u>1,985,623</u>	<u>1,535,056</u>	<u>3,520,679</u>
Fund balances			
Reserved for:			
Encumbrances	1,356,217	1,431,783	2,788,000
Unreserved, reported in special revenue			
Designated for:			
City Federal State Aid Fund	35,402	-	35,402
Forfeited Assets Fund	265,402	-	265,402
Detention Home Fund	100,000	-	100,000
Undesignated	3,864,389	-	3,864,389
Unreserved, reported in capital projects			
Undesignated	-	755,294	755,294
Total fund balances	<u>5,621,410</u>	<u>2,187,077</u>	<u>7,808,487</u>
Total liabilities and fund balances	<u>\$ 7,607,033</u>	<u>\$ 3,722,133</u>	<u>\$ 11,329,166</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	<u>Total Nonmajor Special Revenue</u>	<u>Total Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental</u>
Revenues			
Taxes	\$ 31,979	\$ -	\$ 31,979
Intergovernmental	9,096,162	629,401	9,725,563
Revenue from use of money and property	1,061,145	8,881	1,070,026
Charges for services	3,940,584	-	3,940,584
Miscellaneous	979,362	-	979,362
Total revenues	<u>15,109,232</u>	<u>638,282</u>	<u>15,747,514</u>
Expenditures			
Current operating expenditures			
General government	432,243	-	432,243
Judicial	1,023,450	-	1,023,450
Public safety	3,982,425	-	3,982,425
Public works	33,158	-	33,158
Health and human services	5,867,926	-	5,867,926
Cultural and recreational	1,703,355	-	1,703,355
Community development	1,596,308	-	1,596,308
Education	-	29,200	29,200
Capital outlay			
Capital general government	-	11,376,589	11,376,589
Debt Service			
Principal retirements	506,124	-	506,124
Interest payments and other fiscal charges	311,864	-	311,864
Issuance costs	704	259,613	260,317
Total expenditures	<u>15,457,557</u>	<u>11,665,402</u>	<u>27,122,959</u>
Deficiency of revenues over expenditures	<u>(348,325)</u>	<u>(11,027,120)</u>	<u>(11,375,445)</u>
Other financing sources (uses)			
Issuance of bonds	-	19,757,104	19,757,104
Premium on debt proceeds	-	42,085	42,085
Discount on debt proceeds	-	(959,560)	(959,560)
Issuance of refunding bonds	174,189	-	174,189
Payments to escrow agent	(173,485)	-	(173,485)
Transfers in	1,347,449	-	1,347,449
Transfers out	(37,627)	-	(37,627)
Total other financing sources (uses)	<u>1,310,526</u>	<u>18,839,629</u>	<u>20,150,155</u>
Net changes in fund balances	<u>962,201</u>	<u>7,812,509</u>	<u>8,774,710</u>
Fund balances (deficits) - beginning	<u>4,659,209</u>	<u>(5,625,432)</u>	<u>(966,223)</u>
Fund balances - ending	<u>\$ 5,621,410</u>	<u>\$ 2,187,077</u>	<u>\$ 7,808,487</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act	Lynchburg Expressway Appearance
Assets						
Cash and cash equivalents	\$ 139,145	\$ -	\$ 171	\$ 270,922	\$ 111,438	\$ 125,549
Investments	1,512,218	-	-	-	-	-
Receivables, net of allowance						
Other	378,224	125,936	-	-	-	72,167
Due from other funds	-	-	-	-	-	-
Due from component unit	-	-	125,000	-	-	-
Due from other governments	451,436	200,363	-	-	496,960	-
Other assets	-	-	213	-	-	-
Restricted assets:						
Cash and cash equivalents	326,195	-	-	-	-	-
Total assets	<u>\$ 2,807,218</u>	<u>\$ 326,299</u>	<u>\$ 125,384</u>	<u>\$ 270,922</u>	<u>\$ 608,398</u>	<u>\$ 197,716</u>
Liabilities and fund balance						
Liabilities:						
Accounts payable	\$ 133,180	\$ 69,129	\$ -	\$ 5,520	\$ 423,359	\$ 390
Accrued liabilities	30,773	2,138	-	-	1,185	-
Due to other governments	-	44	-	-	455	-
Due to other funds	326,250	166,622	-	-	2,812	-
Deferred revenue	378,224	16,604	-	-	-	72,167
Total liabilities	<u>868,427</u>	<u>254,537</u>	<u>-</u>	<u>5,520</u>	<u>427,811</u>	<u>72,557</u>
Fund balances						
Reserved for:						
Encumbrances	471,315	733,523	-	-	-	2,885
Unreserved:						
Designated	35,402	-	-	265,402	-	-
Undesignated	1,432,074	(661,761)	125,384	-	180,587	122,274
Total fund balances	<u>1,938,791</u>	<u>71,762</u>	<u>125,384</u>	<u>265,402</u>	<u>180,587</u>	<u>125,159</u>
Total liabilities and fund balances	<u>\$ 2,807,218</u>	<u>\$ 326,299</u>	<u>\$ 125,384</u>	<u>\$ 270,922</u>	<u>\$ 608,398</u>	<u>\$ 197,716</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010

	Home Investment Trust	Detention Home	Technology Services	Baseball Stadium	Total Nonmajor Special Revenue
Assets					
Cash and cash equivalents	\$ -	\$ 500	\$ 719,739	\$ 133,601	\$ 1,501,065
Investments	-	-	1,708,477	-	3,220,695
Receivables, net of allowance					
Other	-	-	9,855	218,826	805,008
Due from other funds	-	68,373	-	-	68,373
Due from component unit	-	-	-	-	125,000
Due from other governments	166,970	244,755	-	-	1,560,484
Other assets	-	-	-	-	213
Restricted assets:					
Cash and cash equivalents	-	-	-	-	326,195
Total assets	<u>\$ 166,970</u>	<u>\$ 313,628</u>	<u>\$ 2,438,071</u>	<u>\$ 352,427</u>	<u>\$ 7,607,033</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 11,678	\$ 15,153	\$ 25,621	\$ 9,199	\$ 693,229
Accrued liabilities	-	39,343	-	-	73,439
Due to other governments	-	-	-	-	499
Due to other funds	119,429	136,348	-	-	751,461
Deferred revenue	-	-	-	-	466,995
Total liabilities	<u>131,107</u>	<u>190,844</u>	<u>25,621</u>	<u>9,199</u>	<u>1,985,623</u>
Fund balances					
Reserved for:					
Encumbrances	118,824	11,936	14,085	3,649	1,356,217
Unreserved:					
Designated	-	100,000	-	-	400,804
Undesignated	(82,961)	10,848	2,398,365	339,579	3,864,389
Total fund balances	<u>35,863</u>	<u>122,784</u>	<u>2,412,450</u>	<u>343,228</u>	<u>5,621,410</u>
Total liabilities and fund balances	<u>\$ 166,970</u>	<u>\$ 313,628</u>	<u>\$ 2,438,071</u>	<u>\$ 352,427</u>	<u>\$ 7,607,033</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Comprehensive Services Act	Lynchburg Expressway Appearance
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,556,112	1,116,823	-	180,846	2,768,124	-
Revenue from use of money and property	6,384	-	30,346	91	-	-
Charges for services	483,425	2,633	-	-	1,420,358	-
Miscellaneous	337,758	11,569	-	-	91,348	156,025
Total revenues	4,383,679	1,131,025	30,346	180,937	4,279,830	156,025
Expenditures						
Current operating expenditures						
General government	-	-	-	-	-	-
Judicial	993,864	-	-	29,586	-	-
Public safety	1,239,932	-	-	160,249	-	-
Public works	9,886	-	-	-	-	23,272
Health and human services	1,656,825	-	-	-	4,211,101	-
Cultural and recreational	7,126	-	-	-	-	-
Community development	171,769	1,125,666	30,346	-	-	-
Debt service						
Principal retirements	180,000	-	-	-	-	-
Interest payments and other fiscal charges	138,284	-	-	-	-	-
Issuance costs	-	-	-	-	-	-
Total expenditures	4,397,686	1,125,666	30,346	189,835	4,211,101	23,272
Excess (deficiency) of revenues over expenditures	(14,007)	5,359	-	(8,898)	68,729	132,753
Other financing sources (uses)						
Issuance of refunding bonds	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-
Transfers in	335,518	-	-	-	-	-
Transfers out	(22,723)	-	-	(14,904)	-	-
Total other financing sources (uses)	312,795	-	-	(14,904)	-	-
Net changes in fund balances	298,788	5,359	-	(23,802)	68,729	132,753
Fund balances (deficits) - beginning	1,640,003	66,403	125,384	289,204	111,858	(7,594)
Fund balances - ending	\$ 1,938,791	\$ 71,762	\$ 125,384	\$ 265,402	\$ 180,587	\$ 125,159

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010

	Home Investment Trust	Detention Home	Technology Services	Baseball Stadium	Total Nonmajor Special Revenue
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 31,979	\$ 31,979
Intergovernmental	339,490	1,134,767	-	-	9,096,162
Revenue from use of money and property	-	-	8,498	1,015,826	1,061,145
Charges for services	-	1,747,033	-	287,135	3,940,584
Miscellaneous	2,963	104	26,756	352,839	979,362
Total revenues	342,453	2,881,904	35,254	1,687,779	15,109,232
Expenditures					
Current operating expenditures					
General government	-	3,874	428,369	-	432,243
Judicial	-	-	-	-	1,023,450
Public safety	-	2,582,244	-	-	3,982,425
Public works	-	-	-	-	33,158
Health and human services	-	-	-	-	5,867,926
Cultural and recreational	-	-	-	1,696,229	1,703,355
Community development	268,527	-	-	-	1,596,308
Debt service					
Principal retirements	-	216,484	-	109,640	506,124
Interest payments and other fiscal charges	-	65,525	-	108,055	311,864
Issuance costs	-	-	-	704	704
Total expenditures	268,527	2,868,127	428,369	1,914,628	15,457,557
Excess (deficiency) of revenues over expenditures	73,926	13,777	(393,115)	(226,849)	(348,325)
Other financing sources (uses)					
Issuance of refunding bonds	-	-	-	174,189	174,189
Payments to escrow agent	-	-	-	(173,485)	(173,485)
Transfers in	-	23,078	647,199	341,654	1,347,449
Transfers out	-	-	-	-	(37,627)
Total other financing sources (uses)	-	23,078	647,199	342,358	1,310,526
Net changes in fund balances	73,926	36,855	254,084	115,509	962,201
Fund balances (deficits) - beginning	(38,063)	85,929	2,158,366	227,719	4,659,209
Fund balances - ending	\$ 35,863	\$ 122,784	\$ 2,412,450	\$ 343,228	\$ 5,621,410

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City/Federal/State Aid Fund
For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 2,380,708	\$ 5,979,422	\$ 3,556,112	\$ (2,423,310)
Revenue from use of money and property	-	-	6,384	6,384
Charges for services	-	20,000	483,425	463,425
Miscellaneous	-	139,533	337,758	198,225
Total revenues	2,380,708	6,138,955	4,383,679	(1,755,276)
Expenditures				
Current operating expenditures				
Judicial	935,186	1,150,006	993,864	156,142
Public safety	215,000	1,628,713	1,239,932	388,781
Public works	11,000	533,052	9,886	523,166
Health and human services	1,273,281	2,256,698	1,656,825	599,873
Cultural and recreational	-	8,193	7,126	1,067
Community development	-	1,509,886	171,769	1,338,117
Capital outlay				
Capital general government	-	519,000	-	519,000
Debt service				
Principal retirements	-	-	180,000	(180,000)
Interest payments and other fiscal charges	-	-	138,284	(138,284)
Total expenditures	2,434,467	7,605,548	4,397,686	3,207,862
Deficiency of revenues over expenditures	(53,759)	(1,466,593)	(14,007)	1,452,586
Other financing sources (uses)				
Transfers in	53,759	338,914	335,518	(3,396)
Transfers out	-	(22,723)	(22,723)	-
Total other financing sources (uses)	53,759	316,191	312,795	(3,396)
Net changes in fund balances	-	(1,150,402)	298,788	1,449,190
Fund balances - beginning	1,640,003	1,640,003	1,640,003	-
Fund balances - ending	\$ 1,640,003	\$ 489,601	\$ 1,938,791	\$ 1,449,190

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 825,000	\$ 2,084,975	\$ 1,116,823	\$ (968,152)
Charges for services	50,000	78,798	2,633	(76,165)
Miscellaneous	-	(15,327)	11,569	26,896
Total revenues	<u>875,000</u>	<u>2,148,446</u>	<u>1,131,025</u>	<u>(1,017,421)</u>
Expenditures				
Current operating expenditures				
Community development	<u>875,000</u>	<u>1,442,197</u>	<u>1,125,666</u>	<u>316,531</u>
Total expenditures	<u>875,000</u>	<u>1,442,197</u>	<u>1,125,666</u>	<u>316,531</u>
Net changes in fund balances	-	706,249	5,359	(700,890)
Fund balances - beginning	<u>66,403</u>	<u>66,403</u>	<u>66,403</u>	<u>-</u>
Fund balances - ending	<u>\$ 66,403</u>	<u>\$ 772,652</u>	<u>\$ 71,762</u>	<u>\$ (700,890)</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Forfeited Assets Fund
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 180,846	\$ 180,846
Revenue from use of money and property	-	-	91	91
Total revenues	-	-	180,937	180,937
Expenditures				
Current operating expenditures				
Judicial	-	33,062	29,586	3,476
Public safety	-	371,509	160,249	211,260
Total expenditures	-	404,571	189,835	214,736
Deficiency of revenues over expenditures	-	(404,571)	(8,898)	395,673
Other financing uses				
Transfers out	(15,063)	(17,691)	(14,904)	2,787
Total other financing uses	(15,063)	(17,691)	(14,904)	2,787
Net changes in fund balances	(15,063)	(422,262)	(23,802)	398,460
Fund balances - beginning	289,204	289,204	289,204	-
Fund balances (deficits) - ending	<u>\$ 274,141</u>	<u>\$ (133,058)</u>	<u>\$ 265,402</u>	<u>\$ 398,460</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Comprehensive Services Act Fund
For the Year Ended June 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 2,277,207	\$ 4,288,960	\$ 2,768,124	\$ (1,520,836)
Charges for services	1,191,666	1,543,054	1,420,358	(122,696)
Miscellaneous	110,000	92,732	91,348	(1,384)
Total revenues	<u>3,578,873</u>	<u>5,924,746</u>	<u>4,279,830</u>	<u>(1,644,916)</u>
Expenditures				
Current operating expenditures				
Health and human services	<u>3,578,873</u>	<u>5,209,224</u>	<u>4,211,101</u>	<u>998,123</u>
Total expenditures	<u>3,578,873</u>	<u>5,209,224</u>	<u>4,211,101</u>	<u>998,123</u>
Net changes in fund balances	-	715,522	68,729	(646,793)
Fund balances - beginning	<u>111,858</u>	<u>111,858</u>	<u>111,858</u>	<u>-</u>
Fund balances - ending	<u>\$ 111,858</u>	<u>\$ 827,380</u>	<u>\$ 180,587</u>	<u>\$ (646,793)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Investment Trust Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 420,000	\$ 1,418,354	\$ 339,490	\$ (1,078,864)
Miscellaneous	-	(8,302)	2,963	11,265
Total revenues	<u>420,000</u>	<u>1,410,052</u>	<u>342,453</u>	<u>(1,067,599)</u>
Expenditures				
Current operating expenditures				
Community development	<u>420,000</u>	<u>1,267,972</u>	<u>268,527</u>	<u>999,445</u>
Total expenditures	<u>420,000</u>	<u>1,267,972</u>	<u>268,527</u>	<u>999,445</u>
Net changes in fund balances	-	142,080	73,926	(68,154)
Fund deficits - beginning	<u>(38,063)</u>	<u>(38,063)</u>	<u>(38,063)</u>	<u>-</u>
Fund balances (deficits) - ending	<u>\$ (38,063)</u>	<u>\$ 104,017</u>	<u>\$ 35,863</u>	<u>\$ (68,154)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Detention Home Fund
For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 1,179,442	\$ 1,179,442	\$ 1,134,767	\$ (44,675)
Charges for services	1,751,123	1,751,123	1,747,033	(4,090)
Miscellaneous	-	-	104	104
Total revenues	<u>2,930,565</u>	<u>2,930,565</u>	<u>2,881,904</u>	<u>(48,661)</u>
Expenditures				
Current operating expenditures				
General government	3,600	1,962	3,874	(1,912)
Public safety	2,644,954	2,722,006	2,582,244	139,762
Debt service				
Principal retirements	216,485	216,485	216,484	1
Interest payments and other fiscal charges	65,526	65,526	65,525	1
Total expenditures	<u>2,930,565</u>	<u>3,005,979</u>	<u>2,868,127</u>	<u>137,852</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(75,414)</u>	<u>13,777</u>	<u>89,191</u>
Other financing sources				
Transfers in	-	23,078	23,078	-
Total other financing sources	<u>-</u>	<u>23,078</u>	<u>23,078</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>(52,336)</u>	<u>36,855</u>	<u>89,191</u>
Fund balances - beginning	<u>85,929</u>	<u>85,929</u>	<u>85,929</u>	<u>-</u>
Fund balances - ending	<u>\$ 85,929</u>	<u>\$ 33,593</u>	<u>\$ 122,784</u>	<u>\$ 89,191</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Technology Services Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from use of money and property	\$ 30,000	\$ 30,000	\$ 8,498	\$ (21,502)
Miscellaneous	-	-	26,756	26,756
Total revenues	30,000	30,000	35,254	5,254
Expenditures				
Current operating expenditures				
General government	789,977	1,158,489	428,369	730,120
Total expenditures	789,977	1,158,489	428,369	730,120
Deficiency of revenues over expenditures	(759,977)	(1,128,489)	(393,115)	735,374
Other financing sources				
Transfers in	647,199	647,199	647,199	-
Total other financing sources	647,199	647,199	647,199	-
Net changes in fund balances	(112,778)	(481,290)	254,084	735,374
Fund balances - beginning	2,158,366	2,158,366	2,158,366	-
Fund balances - ending	\$ 2,045,588	\$ 1,677,076	\$ 2,412,450	\$ 735,374

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Baseball Stadium Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 36,000	\$ 36,000	\$ 31,979	\$ (4,021)
Revenue from use of money and property	1,053,000	1,053,000	1,015,826	(37,174)
Charges for services	295,000	295,000	287,135	(7,865)
Miscellaneous	344,000	344,000	352,839	8,839
Total revenues	1,728,000	1,728,000	1,687,779	(40,221)
Expenditures				
Current operating expenditures				
Cultural and recreational	1,623,666	1,620,676	1,696,229	(75,553)
Debt service				
Principal retirements	109,640	109,640	109,640	-
Interest payments and other fiscal charges	113,847	113,847	108,055	5,792
Issuance costs	-	704	704	-
Total expenditures	1,847,153	1,844,867	1,914,628	(69,761)
Deficiency of revenues over expenditures	(119,153)	(116,867)	(226,849)	(109,982)
Other financing sources (uses)				
Issuance of refunding bonds	-	174,189	174,189	-
Payments to escrow agent	-	(173,485)	(173,485)	-
Transfers in	341,654	341,654	341,654	-
Total other financing sources (uses)	341,654	342,358	342,358	-
Net changes in fund balances	222,501	225,491	115,509	(109,982)
Fund balances - beginning	227,719	227,719	227,719	-
Fund balances - ending	\$ 450,220	\$ 453,210	\$ 343,228	\$ (109,982)

Balance Sheet
School Capital Projects
June 30, 2010

	School Capital Projects
Assets	
Cash and cash equivalents	\$ 937,874
Due from component unit	177,401
Restricted assets:	
Cash and cash equivalents	<u>2,606,858</u>
Total assets	<u><u>\$ 3,722,133</u></u>
Liabilities and fund balances	
Liabilities	
Accounts payable	<u>\$ 1,535,056</u>
Total liabilities	<u>1,535,056</u>
Fund balances	
Reserved for:	
Encumbrances	1,431,783
Unreserved:	
Undesignated	<u>755,294</u>
Total fund balance	<u>2,187,077</u>
Total liabilities and fund balances	<u><u>\$ 3,722,133</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
School Capital Projects
For the Year Ended June 30, 2010

	School Capital Projects
Revenues	
Intergovernmental	\$ 629,401
Revenue from use of money and property	8,881
Total revenues	<u>638,282</u>
Expenditures	
Current operating expenditures	
Education	29,200
Capital outlay	
Capital general government	11,376,589
Debt service	
Issuance costs	<u>259,613</u>
Total expenditures	<u>11,665,402</u>
Deficiency of revenues over expenditures	<u>(11,027,120)</u>
Other financing sources (uses)	
Issuance of bonds	19,757,104
Premium on debt proceeds	42,085
Discount on debt proceeds	<u>(959,560)</u>
Total other financing sources (uses)	<u>18,839,629</u>
Net changes in fund balances	7,812,509
Fund deficit - beginning	<u>(5,625,432)</u>
Fund balance - ending	<u><u>\$ 2,187,077</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Capital Projects
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 854,838	\$ 629,401	\$ (225,437)
Revenue from use of money and property	-	-	8,881	8,881
Total revenues	-	854,838	638,282	(216,556)
Expenditures				
Current operating expenditures				
Education	-	113,121	29,200	83,921
Capital outlay				
Capital general government	-	11,803,892	11,376,589	427,303
Debt service				
Issuance costs	-	275,403	259,613	15,790
Total expenditures	-	12,192,416	11,665,402	527,014
Deficiency of revenues over expenditures	-	(11,337,578)	(11,027,120)	310,458
Other financing sources (uses)				
Issuance of bonds	-	20,836,499	19,757,104	(1,079,395)
Premium on debt proceeds	-	42,085	42,085	-
Discount on debt proceeds	-	(959,560)	(959,560)	-
Total other financing sources (uses)	-	19,919,024	18,839,629	(1,079,395)
Net changes in fund balance	-	8,581,446	7,812,509	(768,937)
Fund deficit - beginning	(5,625,432)	(5,625,432)	(5,625,432)	-
Fund balances (deficits) - ending	<u>\$ (5,625,432)</u>	<u>\$ 2,956,014</u>	<u>\$ 2,187,077</u>	<u>\$ (768,937)</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects
For the Year Ended June 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 10,686,411	\$ 48,015,679	\$ 5,911,592	\$ (42,104,087)
Revenue from use of money and property	-	(714,954)	112,309	827,263
Miscellaneous	-	173,739	169,418	(4,321)
Total revenues	<u>10,686,411</u>	<u>47,474,464</u>	<u>6,193,319</u>	<u>(41,281,145)</u>
Expenditures				
Current operating expenditures				
Public works	2,494,053	11,494,287	8,145,023	3,349,264
Capital outlay				
Capital general government	12,593,911	61,881,221	21,222,736	40,658,485
Debt service				
Issuance costs	-	36,383	36,383	-
Total expenditures	<u>15,087,964</u>	<u>73,411,891</u>	<u>29,404,142</u>	<u>44,007,749</u>
Deficiency of revenues over expenditures	<u>(4,401,553)</u>	<u>(25,937,427)</u>	<u>(23,210,823)</u>	<u>2,726,604</u>
Other financing sources (uses)				
Issuance of bonds	100,000	12,601,791	9,340,079	(3,261,712)
Premium on debt proceeds	-	411,111	411,111	-
Transfers in	4,151,493	4,151,493	4,151,493	-
Transfers out	-	(680,297)	(680,297)	-
Total other financing sources (uses)	<u>4,251,493</u>	<u>16,484,098</u>	<u>13,222,386</u>	<u>(3,261,712)</u>
Net changes in fund balance	<u>(150,060)</u>	<u>(9,453,329)</u>	<u>(9,988,437)</u>	<u>(535,108)</u>
Fund balance - beginning	<u>48,141,149</u>	<u>48,141,149</u>	<u>48,141,149</u>	<u>-</u>
Fund balance - ending	<u>\$ 47,991,089</u>	<u>\$ 38,687,820</u>	<u>\$ 38,152,712</u>	<u>\$ (535,108)</u>

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

	<u>Special Welfare</u>	<u>Central Virginia Regional Radio Board</u>	<u>Total Agency</u>
Assets			
Cash and cash equivalents	\$ 92,864	\$ 539,244	\$ 632,108
Total Assets	<u>\$ 92,864</u>	<u>\$ 539,244</u>	<u>\$ 632,108</u>
Liabilities			
Due to other governments	\$ -	\$ 135,756	\$ 135,756
Amounts held for others	92,864	403,488	496,352
Total Liabilities	<u>\$ 92,864</u>	<u>\$ 539,244</u>	<u>\$ 632,108</u>

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Special Welfare</u>				
Assets				
Cash and cash equivalents	\$ 90,614	\$ 166,513	\$ 164,263	\$ 92,864
Total Assets	\$ 90,614	\$ 166,513	\$ 164,263	\$ 92,864
Liabilities				
Accounts payable	\$ 3,465	\$ 19,772	\$ 23,237	\$ -
Amounts held for others	87,149	211,230	205,515	92,864
Total Liabilities	\$ 90,614	\$ 231,002	\$ 228,752	\$ 92,864
<u>Central Virginia Regional Radio Board</u>				
Assets				
Cash and cash equivalents	\$ 506,133	\$ 1,651,273	\$ 1,618,162	\$ 539,244
Receivables, net of allowance				
Due from other governments	-	547,168	547,168	-
Total Assets	\$ 506,133	\$ 2,198,441	\$ 2,165,330	\$ 539,244
Liabilities				
Due to other governments	\$ 135,756	\$ -	\$ -	\$ 135,756
Amounts held for others	370,377	1,924,559	1,891,448	403,488
Total Liabilities	\$ 506,133	\$ 1,924,559	\$ 1,891,448	\$ 539,244
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 596,747	\$ 1,817,786	\$ 1,782,425	\$ 632,108
Receivables, net of allowance				
Due from other governments	-	547,168	547,168	-
Total Assets	\$ 596,747	\$ 2,364,954	\$ 2,329,593	\$ 632,108
Liabilities				
Accounts payable	\$ 3,465	\$ 19,772	\$ 23,237	\$ -
Due to other governments	135,756	-	-	135,756
Amounts held for others	457,526	2,135,789	2,096,963	496,352
Total Liabilities	\$ 596,747	\$ 2,155,561	\$ 2,120,200	\$ 632,108

Discretely Presented Component Unit - Lynchburg City Schools
Combining Balance Sheet
June 30, 2010

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
Assets				
Cash and cash equivalents	\$ 7,474,956	\$ 265,033	\$ 1,400,795	\$ 9,140,784
Cash and cash equivalents, restricted	425,373	-	-	425,373
Receivables, net	187,635	-	388	188,023
Due from other funds	1,543,286	-	98,360	1,641,646
Due from other governments	4,120,700	2,490,747	-	6,611,447
Inventory	-	-	73,035	73,035
Total assets	<u>\$ 13,751,950</u>	<u>\$ 2,755,780</u>	<u>\$ 1,572,578</u>	<u>\$ 18,080,308</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 699,469	\$ 83,281	\$ -	\$ 782,750
Due to other funds	98,360	1,512,018	31,268	1,641,646
Due to primary government- return of local funding	2,498,449	-	-	2,498,449
Due to primary government- other	177,401	-	-	177,401
Deferred revenue	818,303	185,036	-	1,003,339
Accrued liabilities	9,004,913	762,354	9,034	9,776,301
Total liabilities	<u>13,296,895</u>	<u>2,542,689</u>	<u>40,302</u>	<u>15,879,886</u>
Fund balances:				
Reserved for:				
Encumbrances	29,682	118,432	-	148,114
Capital projects	425,373	-	-	425,373
Inventory	-	-	73,035	73,035
Unreserved:				
Undesignated	-	94,659	1,459,241	1,553,900
Total fund balances	<u>455,055</u>	<u>213,091</u>	<u>1,532,276</u>	<u>2,200,422</u>
Total liabilities and fund balances	<u>\$ 13,751,950</u>	<u>\$ 2,755,780</u>	<u>\$ 1,572,578</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.				2,501,138
Receivables on the statement of net assets that do not provide current financial resources are reported as deferred revenue in the funds.				818,303
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(3,316,543)
Net assets of governmental activities				<u>\$ 2,203,320</u>

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2010

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
Revenues				
Intergovernmental				
State and Federal	\$ 52,757,653	\$ 7,854,555	\$ 2,614,848	\$ 63,227,056
City of Lynchburg	29,475,544	-	-	29,475,544
Revenue from use of money and property	1,314	-	1,053	2,367
Charges for services	1,228,196	562,002	741,949	2,532,147
Miscellaneous	230,075	80,235	24,785	335,095
Total revenues	<u>83,692,782</u>	<u>8,496,792</u>	<u>3,382,635</u>	<u>95,572,209</u>
Expenditures				
Education:				
Instruction	61,342,226	7,273,175	-	68,615,401
Administration, attendance, and health	4,069,394	109,521	-	4,178,915
Pupil transportation services	3,508,602	-	-	3,508,602
Operations and maintenance	9,885,883	65,338	-	9,951,221
Food service and other	-	192,232	3,356,432	3,548,664
Facilities	64,784	2,244	-	67,028
Technology	2,048,301	388,151	-	2,436,452
Capital outlay	1,683,684	255,564	49,445	1,988,693
Debt service:				
Principal retirement	920,908	-	-	920,908
Interest payments	72,838	-	-	72,838
Total expenditures	<u>83,596,620</u>	<u>8,286,225</u>	<u>3,405,877</u>	<u>95,288,722</u>
Excess (deficiency) of revenues over expenditures	<u>96,162</u>	<u>210,567</u>	<u>(23,242)</u>	<u>283,487</u>
Other Financing Sources				
Transfers in (out)	(433,046)	433,046	-	-
Net change in fund balances	<u>(336,884)</u>	<u>643,613</u>	<u>(23,242)</u>	<u>283,487</u>
Fund balance (deficit) - beginning	<u>791,939</u>	<u>(430,522)</u>	<u>1,555,518</u>	
Fund balance - ending	<u>\$ 455,055</u>	<u>\$ 213,091</u>	<u>\$ 1,532,276</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 depreciation expense \$(451,103) exceeded capital outlay \$(209,154).	(241,949)
Compensated absences are not due and payable at June 30 and, therefore, are not reported in the fund statements.	79,708
Otherpost-retirement benefits are not due and payable at June 30, and therefore, are not reported in the fund statements.	(216,963)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(360,166)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.	920,908
Change in net assets of governmental activities.	<u>\$ 465,025</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, 2010

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
Revenues				
Intergovernmental	\$ 84,990,697	\$ 87,712,465	\$ 84,731,646	\$ (2,980,819)
Revenue from use of money and property	-	-	1,314	1,314
Charges for services	1,275,870	1,275,870	1,228,196	(47,674)
Miscellaneous	210,000	232,116	230,075	(2,041)
Total revenues	86,476,567	89,220,451	86,191,231	(3,029,220)
Expenditures				
Education:				
Instruction	63,362,639	66,477,912	61,342,226	5,135,686
Administration, attendance, and health	4,565,357	4,477,170	4,069,394	407,776
Pupil transportation services	3,611,672	3,565,642	3,508,602	57,040
Operations and maintenance	10,255,579	10,091,954	9,885,883	206,071
Food service and other	55,215	55,215	-	55,215
Facilities	59,536	55,300	64,784	(9,484)
Technology	2,200,585	2,006,990	2,048,301	(41,311)
Contingency reserve	-	103,000	-	103,000
Capital outlay	1,372,201	1,633,785	1,683,684	(49,899)
Debt service	993,783	993,783	993,746	37
Total expenditures	86,476,567	89,460,751	83,596,620	5,864,131
Excess (deficiency) of revenues over expenditures	-	(240,300)	2,594,611	2,834,911
Other Financing Sources				
Capital lease proceeds	-	240,300	-	(240,300)
Transfer out	-	-	(433,046)	(433,046)
Net change in fund balances	\$ -	\$ (240,300)	2,161,565	\$ 2,834,911
Less return of funds to the City			(2,498,449)	
			\$ (336,884)	

Discretely Presented Component Unit - Lynchburg City Schools
Agency Fund
For the Year Ended June 30, 2010

	<u>Agency Fund</u>
Assets	
Investments	<u>\$ 86,861</u>
Liabilities	
Amounts held for others	<u>\$ 86,861</u>

Combining Statement of Net Assets
Other Component Units
June 30, 2010

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 344,922	\$ 89,433	\$ 434,355
Receivables (net of allowance for uncollectibles)	731,605	59,121	790,726
Due from primary government	-	153,780	153,780
Due from other governments	-	38,339	38,339
Prepaid and other assets	658	22,211	22,869
Inventory	-	219,527	219,527
Capital assets:			
Non-depreciable	-	349,573	349,573
Depreciable	2,348	11,170,490	11,172,838
Total assets	1,079,533	12,102,474	13,182,007
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	690,128	224,731	914,859
Notes payable, bank	-	213,370	213,370
Due to primary government	125,000	-	125,000
Total current liabilities	815,128	438,101	1,253,229
Noncurrent liabilities:			
Other post-employment benefits	-	12,000	12,000
Compensated absences	-	53,033	53,033
Total noncurrent liabilities	-	65,033	65,033
Total liabilities	815,128	503,134	1,318,262
Net assets			
Invested in capital assets, net of related debt	2,348	11,520,063	11,522,411
Net assets, unrestricted	262,057	79,277	341,334
Total net assets	\$ 264,405	\$ 11,599,340	\$ 11,863,745

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Other Component Units
For the Year Ended June 30, 2010

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating revenues			
Charges for services and other operating revenues	\$ 239,440	\$ 1,105,308	\$ 1,344,748
Total operating revenues	<u>239,440</u>	<u>1,105,308</u>	<u>1,344,748</u>
Operating expenses			
Operations	356,771	5,270,071	5,626,842
Administration	7,971	1,319,792	1,327,763
Maintenance and repairs	33,355	1,566,193	1,599,548
Total operating expenses	<u>398,097</u>	<u>8,156,056</u>	<u>8,554,153</u>
Operating loss	<u>(158,657)</u>	<u>(7,050,748)</u>	<u>(7,209,405)</u>
Nonoperating revenue			
Subsidy of operations- City of Lynchburg	-	1,309,675	1,309,675
Subsidy of operations- Counties	-	53,136	53,136
Subsidy of operations- Liberty University	-	1,318,502	1,318,502
Subsidy of operations- State aid for public transportation	-	766,769	766,769
Subsidy of operations- Federal operating grant	-	2,052,072	2,052,072
Donations and grants	125,463	35,748	161,211
Miscellaneous revenue (expenses), net	-	(2,714)	(2,714)
Loss on sale of capital assets	-	(66,069)	(66,069)
Total nonoperating revenue	<u>125,463</u>	<u>5,467,119</u>	<u>5,592,582</u>
Capital contributions	<u>-</u>	<u>1,844,700</u>	<u>1,844,700</u>
Change in net assets	<u>(33,194)</u>	<u>261,071</u>	<u>227,877</u>
Total net assets - beginning	<u>297,599</u>	<u>11,338,269</u>	<u>11,635,868</u>
Total net assets - ending	<u>\$ 264,405</u>	<u>\$ 11,599,340</u>	<u>\$ 11,863,745</u>

**Combining Statement of Cash Flows
Other Component Units
For the Year Ended June 30, 2010**

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating activities			
Cash received from operations	\$ 360,608	\$ 1,066,349	\$ 1,426,957
Cash paid to employees	(205,547)	(2,901,468)	(3,107,015)
Cash paid to suppliers for goods and services	(172,710)	(3,672,127)	(3,844,837)
New loans disbursed	(175,875)	-	(175,875)
Net cash used in operating activities	(193,524)	(5,507,246)	(5,700,770)
Noncapital financing activities			
Net change in line of credit	-	173,385	173,385
Subsidies	-	5,321,265	5,321,265
Operating grants and contributions	125,463	-	125,463
Net cash provided from noncapital financing activities	125,463	5,494,650	5,620,113
Capital and related financing activities			
Capital contributions received	-	2,116,079	2,116,079
Additions to capital assets	-	(2,035,904)	(2,035,904)
Proceeds from sale of capital assets	-	45,965	45,965
Miscellaneous disbursements	-	(2,714)	(2,714)
Net cash provided from capital and related financing activities	-	123,426	123,426
Net increase in cash and cash equivalents	(68,061)	110,830	42,769
Cash and cash equivalents			
Beginning of year	412,983	(21,397)	391,586
End of year	\$ 344,922	\$ 89,433	\$ 434,355
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (158,657)	\$ (7,050,748)	\$ (7,209,405)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	1,208	1,504,083	1,505,291
Increase in receivables	(50,237)	(38,959)	(89,196)
Increase in prepaid expenses and other assets	(46)	(4,936)	(4,982)
Decrease in inventory	-	38,292	38,292
Increase in accounts payable and other current liabilities	12,289	17,134	29,423
Increase in compensated absences and other post-employment benefits	-	27,888	27,888
Increase in amounts due to primary government	1,919	-	1,919
Net cash used in operating activities	\$ (193,524)	\$ (5,507,246)	\$ (5,700,770)
Supplemental cash flow information			
Non-cash transactions:			
Capital assets additions financed by accounts payable	\$ -	\$ 4,810	\$ 4,810

SUPPLEMENTAL SCHEDULES

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
PRIMARY GOVERNMENT		
DEPARTMENT OF AGRICULTURE		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Supplemental Nutrition Assistance Program	10.561	\$ 1,058,182
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Family Preservation and Support	93.556	37,170
TANF Block Grant	93.558	1,175,429
Refugee and Entrant Assistance State - Administered Programs	93.566	2,336
Low Income Energy Assistance	93.568	50,265
Child Care Assistance	93.575	293,297
Child Care Development Fund	93.596	593,918
Chafee Education and Training Vouchers Program (ETV)	93.599	30,086
Adoption Incentive Program	93.603	973
Child Welfare Services	93.645	3,838
Foster Care - Title IV-E	93.658	1,175,273
Foster Care - Title IV-E - ARRA	93.658	98,193
Adoption Assistance	93.659	680,805
Adoption Assistance - ARRA	93.659	78,047
Social Services Block Grant	93.667	408,858
Independent Living	93.674	57,717
Child Care and Development Block Grant - ARRA	93.713	184,522
Children's Insurance Program	93.767	44,276
Medicaid Assistance	93.778	630,809
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Passed through Commonwealth of Virginia:		
AmeriCorps	94.006	3,973
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Payments:		
Community Development Block Grant Program, Entitlement Grants	14.218	1,088,946
Community Development Block Grant Program, Entitlement Grants - ARRA	14.218	36,719
Shelter Plus Care	14.238	62,037
Home Investment Partnership Program	14.239	268,527
DEPARTMENT OF JUSTICE		
Direct Payments:		
Domestic Violence Block Grant	16.530	95,393
Bulletproof Vest Partnership	16.607	18,690
Passed through Commonwealth of Virginia:		
Department of Criminal Justice Services:		
Violence Against Women Act - ARRA	16.013	42,617
Juvenile Accountability Incentive Block Grant	16.523	407
Victim-Witness Services	16.575	180,482
Byrne Discretionary Grant	16.580	7,753
Violence Against Women Formula Grant	16.588	35,376
Byrne Memorial Justice Assistance Grant	16.738	119,288
Byrne Discretionary Grant - ARRA	16.804	74,773
Byrne Discretionary Grant - ARRA Supplemental	16.804	67,327
DEPARTMENT OF LABOR		
Passed through Commonwealth of Virginia:		
Employment and Training Administration:		
WIA Adult Program	17.258	150,936
WIA Youth Activities	17.259	253,778
WIA Dislocated Workers	17.260	266,583
ARRA Funding:		
WIA Adult Program	17.258	78,835
WIA Youth Activities	17.259	260,321
WIA Dislocated Workers	17.260	132,187

(Continued)

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1

(Continued)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

	Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
FEDERAL AVIATION ADMINISTRATION			
Direct Payments:			
Department of Aviation:			
Airport Improvement Program		20.106	2,063,902
DEPARTMENT OF HOMELAND SECURITY			
Direct Payments:			
Transportation Security Administration:			
Airport LEO Cooperative Agreement		97.090	117,625
DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Highway Planning and Construction		20.205	2,536,263
Passed through Commonwealth of Virginia:			
Department of Motor Vehicles:			
Alcohol Impaired Driving Grants		20.600	37,613
Selective Enforcement Grants		20.601	25,821
ENVIRONMENTAL PROTECTION AGENCY			
Passed through Commonwealth of Virginia:			
Virginia Resources Authority:			
Revolving Loan - ARRA		66.458	11,638,914
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Payments:			
Department of Homeland Security:			
Assistance to Firefighters		97.044	57,295
Passed through Commonwealth of Virginia:			
Department of Emergency Services:			
Homeland Security		97.073	96,262
INSTITUTE OF LIBRARY AND MUSEUM SERVICES			
Direct Payments:			
Conservation Project Support		45.303	2,992
<u>COMPONENT UNIT - LYNCHBURG SCHOOLS</u>			
DEPARTMENT OF AGRICULTURE			
Passed through Commonwealth of Virginia:			
Department of Education:			
National School Lunch Program		10.555	1,908,631
National School Breakfast Program		10.553	644,445
ARRA CNP RA - National School Lunch Program Equipment		10.579	30,449
Fresh Fruit and Vegetables		10.582	42,382
DEPARTMENT OF EDUCATION			
Passed through Commonwealth of Virginia:			
Title I - Educationally Deprived Children - LEA		84.010	3,515,068
Title I - Neglected and Delinquent Children		84.013	221,162
ARRA Title I - Grants to LEA's		84.389	676,443
Elementary and Secondary Education Act (ESEA):			
Title IV-B - Elementary and Secondary Education Act of 1965		84.287	416,279
Title VI-B - Special Education		84.027	2,296,417
ARRA State Fiscal Stabilization Fund - Education State Grants		84.394	4,221,637
Special Education Preschool Grants		84.173	84,853
ARRA Special Education Grants to States		84.391	1,459,802
Technology Literacy Challenge Fund Grants		84.318	41,164
ARRA Technology Literacy Challenge Fund Grants		84.386	73,386
English Language Acquisition Grants		84.365	17,763
Title II - Part A Funds		84.367	776,429
Vocational Education:			
Basic Grants to States		84.048	193,273
Drug Free Schools and Communities		84.186	46,554
McKenney-Vento Homeless Education Assistance Improvements Act of 2001:			
Title X-C -No Child Left Behind Act		84.000	33,087
TOTAL			\$ 43,124,853

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2010

Note 1. Significant Accounting Policy

Basis of Accounting:

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

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

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

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

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

Note 3. Non-monetary Assistance

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2010

Note 4. Subgrantees

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

Subrecipient	Community Development Block Grant	Community Development Block Grant ARRA	Home Investment Partnership Act	Workforce Investment Act Cluster	Workforce Investment Act Cluster ARRA
Bluffwalk Section 108 Loan	\$ 251,086	\$ -	\$ -	\$ -	\$ -
Camp Kum-Ba-Yah	(12,500)	-	-	-	-
City Administration	86,826	-	38,391	-	-
City Projects - Diamond Hill Community Center	65,170	-	-	-	-
City Projects - Fifth Street	-	10,507	-	-	-
College Hill Neighborhood School	2,473	-	-	-	-
The Gateway House, Inc.	25,000	-	-	-	-
Habitat for Humanity	-	-	40,000	-	-
Hunton Community Center	19,927	-	-	-	-
Interfaith	-	9,000	-	-	-
Jubilee Family Development Center	20,000	-	-	-	-
Johnson Health Center	14,500	-	-	-	-
Lynchburg Community Action Group	84,256	-	44,258	-	-
Lynchburg Historic Foundation	-	-	-	-	-
Lynchburg Neighborhood Development	49,594	-	145,878	-	-
Lynchburg Redevelopment & Housing Authority	378,017	-	-	-	-
Mary Bethune Academy	32,662	-	-	-	-
Miriam's House	20,000	-	-	-	-
Rebuilding Together	5,600	8,963	-	-	-
Region 2000 Local Governmental Council	-	-	-	671,297	471,343
Riverfront Development	(624)	-	-	-	-
Rush Lifetime Homes	-	-	-	-	-
United Way - Success by 6	1,987	8,249	-	-	-
YWCA Domestic Violence Prevention	38,259	-	-	-	-
YWCA Town Center Restoration	2,713	-	-	-	-
White Rock Hill	4,000	-	-	-	-
	<u>\$ 1,088,946</u>	<u>\$ 36,719</u>	<u>\$ 268,527</u>	<u>\$ 671,297</u>	<u>\$ 471,343</u>

Note 5. Program Income

In accordance with terms of the Community Development Block Grant Program, program income totaling \$2,633 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, 2010, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of \$121,545,917, which includes \$11,638,914 of federal funds.

SCHEDULE 2**CITY OF LYNCHBURG, VIRGINIA**

Schedule of Passenger Facility Charges
As of June 30, 2010

Passenger Facility Charges:

<u>Federal Agency/Program Name/Application Number</u>	<u>PFC Balance July 1, 2009</u>	<u>PFC Collected</u>	<u>Interest Earnings</u>	<u>Expenditures</u>	<u>PFC Balance June 30, 2010</u>
FEDERAL AVIATION ADMINISTRATION					
Passenger facility charges (05-04-C-00-LYH)	<u>\$ 8,786</u>	<u>\$ 376,574</u>	<u>\$ 16</u>	<u>\$ 380,163</u>	<u>\$ 5,213</u>
	<u>\$ 8,786</u>	<u>\$ 376,574</u>	<u>\$ 16</u>	<u>\$ 380,163</u>	<u>\$ 5,213</u>

SCHEDULE 3**CITY OF LYNCHBURG, VIRGINIA**Schedule of Expenditures of Passenger Facility Charges
As of June 30, 2010

Expenditures of Passenger Facility Charges:

<u>Project</u>	<u>PFC Expenditures</u>
<u>Application 4 (05-04-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ 5,163
Local share reimbursement (AIP-29) Runway 4-22 extension, (construction)	<u>375,000</u>
Total PFC expenditures	<u>\$ 380,163</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.

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STATISTICAL SECTION

STATISTICAL SECTION

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

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MISCELLANEOUS STATISTICAL DATA

This section provides additional information about the City, form of government, taxable subjects for local taxation, City's Fund Balance, Debt Management, Budget, and Investment policies. 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. 101-114

REVENUE CAPACITY

Tables 12-17 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 115-120

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. 121-124

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. 125-126

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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. 127-130

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 fiscal year 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, 2010

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 2007 (1).....	70,056
United States Census 2008 (1).....	71,196
United States Census 2009 (1).....	72,371

(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 Estate 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 the 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, 2010

(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 Estate:

- \$1.05 per \$100 assessed value: 2008-2010
- \$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: 2005-2010
- \$3.30 per \$100 assessed value: 1990-2004

Machinery and Tools:

- \$3.00 per \$100 assessed value: 1990-2010

Local Sales Tax:

- 1% + 4.0% VA tax: 2005-2010
- 1% + 3.5% VA tax: 1998-2004

Utility Consumers' Tax:

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

Business, Professional, and Occupational License:

For Business with Gross Receipts/Purchases Not Exceeding Threshold:

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

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2010
(Continued)

TAX RATES
(Continued)

Motor Vehicle License:

- \$29.50 for vehicles weighing 4,000 pounds or less: 2005-2010
- \$34.50 for vehicles weighing greater than 4,000 pounds: 2005-2010
- \$25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2010
- \$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, \$890,000 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 – for the incidents classified as an emergency, the charge is \$350 and an additional \$8 for each mile the patient is transported. If it is classified as a non-emergency, the charge is \$325.
- Advanced Life Support – for the incidents classified as an emergency, the fee is \$450; non-emergency – \$425.
- A fee of \$575 is charged if three or more different medications combined with at least one Advanced Life Support procedure are administered.

TAXES DUE

Real estate taxes are levied as of the first day of July each year. Supplemental real estate taxes are levied in June to reflect construction in progress during the fiscal year with a tax due date in August. 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. Additional billings for personal property acquisitions are due March 5 and September 5.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2010
(Continued)

DELINQUENT TAXES

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

OVERLAPPING AREAS AND DEBT

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

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

FUND BALANCE POLICY

The City council adopted a resolution in 1999 that was reaffirmed in 2008, which established major policy goal of maintaining the Undesignated General 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 will maintain a minimum Undesignated General Fund Balance equal to 10% of General Fund revenues. In the event the Undesignated General Fund Balance is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the Undesignated General Fund Balance to the minimum of 10% over five fiscal years.
- The City shall not use the Undesignated General Fund Balance to finance recurring operating expenditures.
- 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, 2010
(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 Juvenile Detention Funds.

Third Quarter Review

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

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 NINE FISCAL YEARS**
(accrual basis of accounting)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities									
Invested in capital assets, net of related debt	\$ 127,767,609	\$ 130,892,517	\$ 135,832,636	\$ 140,548,447	\$ 139,205,720	\$ 139,856,317	\$ 143,158,392	\$ 155,791,105	\$ 161,777,277
Restricted	5,212,611	55,409	-	-	171,844	-	19,975,370	20,149,056	18,733,893
Unrestricted	20,948,687	30,244,439	32,330,375	33,754,620	46,486,579	56,819,180	58,219,507	64,928,380	65,970,506
Total governmental activities net assets	<u>\$ 153,928,907</u>	<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>
Business-type activities									
Invested in capital assets, net of related debt	\$ 106,057,802	\$ 105,589,397	\$ 112,022,931	\$ 119,234,122	\$ 125,543,179	\$ 134,385,674	\$ 146,157,075	\$ 152,089,577	\$ 167,081,709
Restricted	1,055,706	7,184,652	-	-	-	1,765	4,708	8,786	5,213
Unrestricted	14,399,615	15,561,278	22,972,124	26,928,368	29,667,849	35,582,153	33,515,192	18,461,675	20,419,761
Total business-type activities net assets	<u>\$ 121,513,123</u>	<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>
Primary government									
Invested in capital assets, net of related debt	\$ 233,825,411	\$ 236,481,914	\$ 247,855,567	\$ 259,782,569	\$ 264,748,899	\$ 274,241,991	\$ 289,315,467	\$ 307,880,682	\$ 328,858,986
Restricted	6,268,317	7,240,061	-	-	171,844	1,765	19,980,078	20,157,842	18,739,106
Unrestricted	35,348,302	45,805,717	55,302,499	60,682,988	76,154,428	92,401,333	91,734,699	83,390,055	86,390,267
Total primary government net assets	<u>\$ 275,442,030</u>	<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>

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

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

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

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

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

CHANGES IN NET ASSETS (CONTINUED)

LAST NINE FISCAL YEARS

(accrual basis of accounting)

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

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

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

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

TABLE 4

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 493,057	\$ 438,570	\$ 944,980	\$ 933,133	\$ 1,131,403	\$ 879,657	\$ 1,236,149	\$ 2,406,773	\$ 719,850	\$ 1,457,305
Unreserved	20,741,941	22,143,078	20,912,864	22,830,309	25,356,742	35,906,892	31,541,207	32,158,992	36,459,043	44,287,091
Total General Fund	<u>\$ 21,234,998</u>	<u>\$ 22,581,648</u>	<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	\$ 467,111	\$ 408,325	\$ 2,539,641	\$ 14,416,749	\$ 6,941,128	\$ 6,687,005	\$ 5,430,322	\$ 44,832,256	\$ 31,264,091	\$ 9,752,227
Unreserved, reported in:										
Special revenue funds	2,259,604	1,148,588	3,019,561	3,901,971	3,464,014	4,071,768	3,219,576	1,082,960	4,263,967	4,265,193
Capital projects funds	5,358,356	969,282	3,185,163	730,434	(2,600,639)	9,825,526	13,985,011	6,697,269	11,646,868	31,943,779
Total All Other Governmental Funds	<u>\$ 8,085,071</u>	<u>\$ 2,526,195</u>	<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>

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	\$ 78,904,476	\$ 79,972,330	\$ 81,766,514	\$ 86,781,006	\$ 92,733,402	\$ 103,986,837	\$ 102,976,887	\$ 110,668,029	\$ 110,330,014	\$ 112,551,637
Regulatory licenses, permits and privilege fees	700,188	727,489	675,311	738,887	635,880	1,025,782	887,272	849,742	650,514	664,028
Intergovernmental	38,900,160	36,758,660	39,762,030	42,590,744	40,066,285	43,636,173	45,511,572	67,254,109	50,772,908	48,877,101
Fines and forfeitures	733,148	776,701	538,753	551,716	552,797	593,518	581,986	586,661	612,595	667,756
Revenue from use of money and property	2,761,993	1,653,469	1,070,082	1,473,169	2,236,442	3,092,260	4,438,852	4,843,948	3,113,910	2,177,785
Charges for services	7,249,832	6,588,909	5,725,305	8,384,511	9,968,139	10,362,547	10,480,891	11,155,656	11,782,655	11,846,063
Miscellaneous	3,649,751	3,496,031	4,618,072	3,125,934	1,880,832	2,158,618	2,019,557	1,035,977	2,317,772	2,281,001
Total revenues	132,899,548	129,973,589	134,156,067	143,645,967	148,073,777	164,855,735	166,897,017	196,394,122	179,580,368	179,065,371
Expenditures										
General government	10,292,091	13,258,157	14,601,433	12,130,482	12,772,780	13,236,092	14,284,594	14,978,175	16,046,197	16,125,721
Judicial	3,405,999	3,320,619	3,699,569	4,134,506	4,573,231	4,875,257	5,279,455	5,359,727	5,478,171	5,347,422
Public Safety	27,278,757	27,910,760	27,475,148	33,129,964	35,179,870	36,850,835	38,394,220	40,564,072	41,723,778	40,379,295
Public Works	13,127,121	12,112,402	13,549,915	10,271,407	16,347,027	14,294,952	13,054,801	14,583,441	22,154,990	18,834,896
Health and human services	17,597,486	18,738,254	17,590,464	26,853,682	20,883,082	20,815,071	22,886,119	26,320,281	25,693,662	24,400,078
Cultural and recreational	1,668,327	1,717,189	3,929,095	7,549,794	7,770,918	8,291,783	8,753,747	9,197,360	9,496,115	8,915,422
Community development	7,732,311	6,401,530	4,820,850	8,514,631	6,352,211	6,333,310	6,716,287	5,097,359	4,990,958	5,200,664
Education (1)	-	3,644	27,025,411	26,005,227	27,714,269	30,057,224	30,330,939	33,170,354	32,191,853	29,472,854
Non-departmental (2)	4,925,107	3,327,441	2,806,878	-	-	-	-	-	-	-
Capital Outlay										
Capital general government (4)	8,706,840	6,548,077	10,402,729	25,350,920	13,049,200	13,958,226	14,285,864	14,477,202	33,101,444	37,055,272
Debt Services										
Principal Retirement	3,787,898	5,219,573	23,058,352	18,957,684	7,431,610	18,870,007	8,428,304	8,400,119	8,582,070	17,214,799
Interest payments and other fiscal charges	2,493,702	2,357,402	3,862,166	4,417,364	4,584,994	4,554,384	5,113,526	5,519,494	5,455,250	5,619,800
Issuance costs	-	-	-	-	192,826	173,943	-	216,051	-	483,236
Total expenditures	101,015,639	100,915,048	152,822,010	177,315,661	156,852,018	172,311,084	167,527,856	177,883,635	204,914,488	209,049,459
Excess (deficiency) of revenues over expenditures	31,883,909	29,058,541	(18,665,943)	(33,669,694)	(8,778,241)	(7,455,349)	(630,839)	18,510,487	(25,334,120)	(29,984,088)

(Continued)

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other financing sources (uses)										
Proceeds from debt issues	6,255,575	-	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
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)
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	1,938,525	-	-	-	-	-
Transfers to component units	(30,634,768)	(31,462,089)	-	-	-	-	-	-	-	-
Transfers in	7,338,468	3,324,609	6,660,812	6,857,148	4,731,105	4,969,990	14,494,290	7,790,103	25,197,199	5,962,962
Transfers out	(11,707,086)	(5,133,287)	(7,786,893)	(8,544,661)	(6,550,242)	(6,894,621)	(16,995,849)	(11,557,391)	(8,844,121)	(4,898,729)
Total other financing sources (uses)	(28,747,811)	(33,270,767)	21,654,849	45,547,385	58,413	30,533,549	(2,501,559)	13,255,498	22,509,689	37,335,864
Net Change in fund balances	\$ 3,136,098	\$ (4,212,226)	\$ 2,988,906	\$ 11,877,691	\$ (8,719,828)	\$ 23,078,200	\$ (3,132,398)	\$ 31,765,985	\$ (2,824,431)	\$ 7,351,776
Debt Service as a percentage of noncapital expenditures	6.80%	8.03%	18.90%	15.38%	8.49%	14.90%	8.84%	8.65%	8.17%	13.56%

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

(2) Non-departmental expenditures began being allocated in FY 2004

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

(4) Beginning with restating FY 2006, and going forward, capital outlay was adjusted to reflect all capital expenditures. The functional categories of current expenditures were adjusted to reflect the reduction for capital expenditures already reported.

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

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

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

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

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SCHOOL FUND
LAST NINE FISCAL YEARS

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

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

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

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

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

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

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

(3) In FY 2009 the Solid Waste Management Fund was closed.

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

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

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

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

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

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

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

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

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

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

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

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Real Estate	\$ 27,396,089	\$ 29,980,713	\$ 30,820,001	\$ 34,033,120	\$ 34,949,790	\$ 39,116,533	\$ 40,449,499	\$ 45,992,171	\$ 47,630,637	\$ 50,063,382
PSC Taxes	2,019,807	2,218,855	2,407,289	2,440,156	2,441,684	2,123,037	2,084,337	1,859,402	2,092,537	2,156,835
Personal Property Tax	12,303,662	10,006,956	10,197,416	10,643,759	12,337,162	18,512,544	13,601,986	15,404,439	14,888,406	14,735,238
Penalties & Interest	651,445	632,433	650,448	663,897	682,712	819,079	665,421	711,491	896,215	862,989
Sales & Use Tax	11,592,048	11,905,178	11,027,631	11,528,820	12,221,813	13,319,691	14,481,096	14,266,750	13,056,829	12,686,171
Utility Tax (1)	6,429,867	6,183,639	6,826,740	6,892,926	7,087,224	6,870,716	5,919,376	4,861,021	4,813,312	4,758,781
Business License Tax	6,519,269	6,561,438	6,712,152	6,507,848	7,371,507	7,237,403	7,569,060	7,649,395	7,324,838	7,297,765
Franchise License Tax (1)	636,371	805,383	545,624	570,921	574,721	584,346	316,824	4,277	500	4,527
Communication Sales & Use Tax (1)	-	-	-	-	-	-	1,669,968	3,893,158	3,537,283	3,552,028
Motor Vehicles Licenses	1,234,155	1,248,753	1,233,855	1,246,702	1,498,014	856,406	1,491,186	1,511,831	1,572,792	1,601,123
Bank Stock Taxes	1,010,280	1,074,795	647,929	590,123	545,221	598,733	503,322	442,123	500,385	685,879
Taxes on Recordation and Wills	226,798	309,720	359,561	414,598	561,009	786,799	809,424	661,671	401,833	525,417
Tobacco Taxes	607,991	553,676	652,156	1,083,020	1,087,358	972,337	1,002,130	1,014,759	1,044,465	953,513
Admission and Amusement Taxes	257,513	288,175	311,639	261,647	344,161	368,680	409,473	407,024	400,835	576,139
Hotel and Motel Room Taxes	1,357,862	1,277,686	1,275,664	1,363,085	1,392,866	1,491,943	1,565,191	1,698,848	1,742,232	1,667,064
Restaurant Food Taxes	6,661,317	6,921,931	6,984,195	7,561,387	8,666,119	9,382,349	9,974,012	10,289,669	10,426,915	10,424,786
Emergency Telephone Service Tax (1)	-	-	1,114,213	978,995	972,043	946,241	464,582	-	-	-
Total General Government Tax Revenues	\$ 78,904,474	\$ 79,969,331	\$ 81,766,513	\$ 86,781,004	\$ 92,733,404	\$ 103,986,837	\$ 102,976,887	\$ 110,668,029	\$ 110,330,014	\$ 112,551,637

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

- (1) In 2006 the General Assembly of the State of Virginia created a new tax called the Communication Sales & Use Tax. This tax will account for all communication taxes for telephone land line services and wireless services. Therefore, the utility taxes, franchise taxes, and emergency telephone service taxes will be less in FY 2007 and future years.

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

(in thousands of dollars)

Fiscal Year	Residential Property(3)	Commercial Property	Industrial Property	Total Taxable Assessed Value (2)	Total Direct Tax Rate
2001	\$ 1,634,485,975	\$ 598,033,300	\$ 264,948,800	\$ 2,497,468,075	\$ 1.11
2002	1,817,921,235	656,406,200	269,264,050	2,743,591,485	1.11
2003	1,872,517,185	675,181,050	274,750,900	2,822,449,135	1.11
2004	2,027,995,200	811,633,000	276,950,200	3,116,578,400	1.11
2005	2,091,324,700	827,888,000	271,014,300	3,190,227,000	1.11
2006	2,380,565,600	911,430,500	266,308,500	3,558,304,600	1.11
2007	2,454,171,000	941,845,300	275,614,800	3,671,631,100	1.11
2008	3,003,784,200	1,139,117,700	327,955,600	4,470,857,500	1.05
2009	3,115,326,600	1,176,377,700	330,533,200	4,622,237,500	1.05
2010	3,316,347,900	1,241,511,300	333,785,800	4,891,645,000	1.05

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	
2001	\$ 1,634,485,975	\$ 862,982,100	\$ 146,514,485	\$ 2,643,982,560	\$ 1.11	\$ 438,964,042	\$ 33,989,577	\$ 472,953,619	\$ 3.30	\$ 133,509,096	\$ 3.00	\$ 3,250,445,275
2002	1,817,921,235	925,670,250	163,282,375	2,906,873,860	1.11	419,024,367	33,883,382	452,907,749	3.30	106,329,586	3.00	3,466,111,195
2003	1,872,517,185	949,931,950	187,708,383	3,010,157,518	1.11	449,743,493	27,292,958	477,036,451	3.30	117,085,047	3.00	3,604,279,016
2004	2,027,995,200	1,088,583,200	185,826,527	3,302,404,927	1.11	458,996,765	28,684,711	487,681,476	3.30	125,639,040	3.00	3,915,725,443
2005	2,091,324,700	1,098,902,300	191,327,640	3,381,554,640	1.11	441,221,304	25,901,179	467,122,483	3.80	106,245,785	3.00	3,954,922,908
2006	-	-	-	-	-	464,880,808 (4)	-	464,880,808	3.80	113,654,354 (4)	3.00	578,535,162
2006	2,380,565,600	1,177,739,000	166,819,698	3,725,124,298	1.11	497,307,627 (5)	21,891,230	519,198,857	3.80	112,864,422 (5)	3.00	4,357,187,577
2007	2,454,171,000 (9)	1,217,460,100	163,455,331	3,835,086,431	1.11	514,804,057 (5)	22,435,903	537,239,960	3.80	128,776,059 (5)	3.00	4,501,102,450
2008	3,003,784,200	1,467,073,300	150,948,376	4,621,805,876	1.05	554,580,281 (5)	24,595,702	579,175,983	3.80	129,957,629 (5)	3.00	5,330,939,488
2009	3,115,326,600	1,506,910,900	173,670,897	4,795,908,397	1.05	505,110,365 (5)	23,990,045	529,100,410	3.80	138,538,171 (5)	3.00	5,463,546,978
2010	3,316,347,900	1,575,297,100	177,590,861	5,069,235,861	1.05	455,264,639 (6)	26,216,286	481,480,925	3.80	137,691,109 (6)	3.00	5,688,407,895

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) 2010 Personal Property Tax Levy in FY 2010. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2011 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	2010					2001				
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2010 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2001 Total Tax Levy	Percentage of Total Tax Levy
AEP	Utility	\$ 63,016,342	1	1.11 %	\$ 679,972	0.91 %	\$ 12,994,829	10	0.40 %	\$ 549,413	1.19 %
Verizon Va, Inc.	Utility	60,603,726	2	1.07	648,163	0.87	-	-	-	-	-
Areva NP Inc.	Nuclear Power Design & Fuel	60,309,284	3	1.06	1,367,412	1.83	30,711,622	6	0.94	540,056	1.17
River Ridge, Ltd.	Shopping Mall	54,815,400	4	0.96	575,562	0.77	32,844,519	5	1.01	370,663	0.81
R R Donnelley Printing Co.	Periodical Publication Printing	51,287,414	5	0.90	1,164,401	1.56	51,426,368	3	1.58	1,079,191	2.34
Frito Lay, Inc.	Food Manufacturer	42,411,145	6	0.75	779,505	1.04	25,143,300	8	0.77	279,091	0.61
Genworth Financial, Inc.	Life Insurance	38,562,054	7	0.68	555,961	0.74	46,756,801	4	1.44	700,035	1.52
LU Candles Station Holdings LLC	Shopping Mall	21,085,400	8	0.37	221,397	0.30	-	-	-	-	-
Vistas LP.	Apartments	20,171,000	9	0.35	211,796	0.28	-	-	-	-	-
CCRC, Inc.	Nursing Home/Assisted Living	18,802,100	10	0.33	197,422	0.26	-	-	-	-	-
B.A. Langley	Real Estate Company	-	-	-	-	-	26,524,131	7	0.82	294,475	0.64
Commonwealth Gas Services	Utility	-	-	-	-	-	23,167,138	9	0.71	257,288	0.56
Ericsson-GE Mobile Communications	Mobile Communications	-	-	-	-	-	66,487,745	2	2.05	1,418,085	3.08
Bell Atlantic-Virginia, Inc.	Utility	-	-	-	-	-	72,526,963	1	2.23	819,743	1.78
Total		<u>\$ 431,063,865</u>		<u>7.58 %</u>	<u>\$ 6,401,591</u>	<u>8.56 %</u>	<u>\$ 388,583,416</u>		<u>11.95 %</u>	<u>\$ 6,308,040</u>	<u>13.70 %</u>
Total Assessed Valuation:		<u>\$ 5,688,407,895</u>					<u>\$ 3,250,445,275</u>				
Tax Levy:											
Real Estate		\$ 51,362,273									
Railroads and Pipelines		178,418									
Public Service Corporations		1,978,999									
Personal Property		<u>21,321,295</u>									
Total Tax Levy:		<u>\$ 74,840,985</u>									

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)
2001	\$ 46,042,983	\$ 44,634,425	96.94%	\$ 1,112,034	\$ 45,746,459	99.36%
2002	48,710,267	47,306,624	97.12%	794,603	48,101,227	98.75%
2003	50,084,951	48,306,161	96.45%	1,266,867	49,506,998	98.85%
2004	54,014,300	52,095,333	96.45%	1,166,104	53,298,447	98.67%
2005	55,674,712	54,679,067	98.21%	997,910	55,833,271	100.28%
2006	67,559,478	64,525,107	95.51%	2,526,550	67,051,657	99.25%
2007	63,281,557	60,579,970	95.73%	1,380,627	61,960,597	97.91%
2008	69,302,787	67,913,137	97.99%	1,838,584	69,751,721	100.65%
2009	70,934,803	68,912,258	97.15%	1,257,989	70,170,247	98.92%
2010	73,855,430	71,488,683	96.80%	-	71,488,683	96.80%

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

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

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

(3) This column represents delinquent taxes collected within the respective reporting period. Beginning with fiscal year 2003 this column represents collections in subsequent years for the tax levied in the noted fiscal year.

Note:

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Real Estate										
Locally Assessed	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.05	\$ 1.05	\$ 1.05
Personal Property										
Locally Assessed	3.30	3.30	3.30	3.30	3.80	3.80	3.80	3.80	3.80	3.80
Machinery and Tools	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Automobiles, Trucks and Business Equipment	3.30	3.30	3.30	3.30	3.80	3.80	3.80	3.80	3.80	3.80
Public Service Corporations										
Equalized	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.05	1.05	1.05
Automobiles and Trucks	3.30	3.30	3.30	3.30	3.80	3.80	3.80	3.80	3.80	3.80

Source: Information was obtained from Official Statements related to bond issuance for June 27, 2000, April 26, 2006, and July 19, 2007.
City of Lynchburg Adopted Budget Fiscal Year 2009
Commissioner of the Revenue for City of Lynchburg, Virginia www.lynchburgva.gov

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

Fiscal Year	Governmental Activities					Business-type Activities				Total Primary Government	Percentage of Personal Income ⁽¹⁾	Total Primary Government Bonded Debt Per Capita ⁽¹⁾
	General Obligation Bonds	Literary Bonds	General Obligation Notes	Note Payable	Capital Leases	General Obligation Bonds	General Obligation Notes	Public Utility Revenue Bonds	Capital Leases			
2001	\$ 42,519	\$ 341	\$ 3,345	\$ -	\$ 2,595	\$ 55,521	\$ -	\$ 57,500	\$ -	\$ 161,821	9.48%	\$ 2,474
2002	71,901	283	9,290	-	2,397	63,499	-	56,096	-	203,466	11.64%	3,092
2003	85,006	225	610	-	2,187	64,141	-	52,973	-	205,142	11.34%	3,089
2004	100,251	166	7,500	3,200	8,396	66,896	-	59,152	-	245,561	12.85%	3,660
2005	93,990	127	7,500	3,200	7,747	61,935	-	63,526	-	238,025	11.91%	3,513
2006	116,709	87	-	3,200	7,287	57,532	16,500	70,543	-	271,858	12.65%	3,964
2007	108,593	68	-	3,020	6,810	52,295	16,500	74,985	-	262,271	11.50%	3,744
2008	117,407	49	1,343	2,840	6,316	63,550	-	84,426	-	275,931	11.51%	3,876
2009	112,011	30	7,500	2,660	5,804	56,831	4,000	100,328	-	289,164	12.03%	3,996
2010	139,180	11	-	2,480	5,274	71,749	-	109,907	-	328,601	13.67%	4,541

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

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

(1) See Table 22 for population and per capita personal income information. For FY 2010, the FY 2009 amount for per capita personal income of \$33,224 was utilized to calculate the Percentage of Personal Income.

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

(dollars in thousands, except per capita)

Fiscal Year	Population (1)	Assessed Valuation (in thousands)	Gross Bonded Debt (2)	Debt Payable From Enterprise Revenues (2)	Net Bonded Debt	Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
2001	65,400	\$ 3,250,445	\$ 134,592	\$ 55,521	\$ 79,071	2.43%	\$ 1,209
2002	65,800	3,466,111	144,973	63,499	81,474	2.35%	1,238
2003	66,400	3,604,279	149,981	64,140	85,841	2.38%	1,293
2004	67,100	3,915,725	174,813	66,896	107,917	2.76%	1,608
2005	67,756	3,954,923	163,552	61,935	101,617	2.57%	1,500
2006	68,579	4,935,723	190,828	74,032	116,796	2.37%	1,703
2007	70,056	4,501,102	177,456	68,795	108,661	2.41%	1,551
2008	71,196	5,330,939	182,350	63,550	118,800	2.23%	1,669
2009	72,371	5,463,547 (3)	180,372	60,831	119,541	2.19%	1,652
2010	72,371	5,688,408 (4)	210,940	71,749	139,191	2.45%	1,923

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 2001-2008 Final Estimates, and 2009 Provisional Estimates; and United States Bureau of the Census 2000. The 2010 population is an estimate based on 2009.

(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 2011 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 2010

Real Property Assessed Value	\$ 4,891,645
Public Service Corporations Real Property Assessed Value	177,591
Total Real Property Assessed Value (1)	<u>5,069,236</u>
Debt limit (10% of assessed value)	506,924
Debt applicable to limit:	
Less: General Obligation Debt	(210,940)
Legal Debt Margin	<u><u>\$ 295,984</u></u>

Description	Fiscal Years									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 264,398	\$ 290,687	\$ 301,016	\$ 330,240	\$ 338,155	\$ 372,512	\$ 383,509	\$ 462,181	\$ 479,591	\$ 506,924
Total net debt applicable to limit (2)	<u>134,592</u>	<u>144,973</u>	<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>
Legal debt margin	<u>\$ 129,806</u>	<u>\$ 145,713</u>	<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>
Total net debt applicable to the limit as a percentage of the debt limit	50.91%	49.87%	49.82%	52.94%	48.37%	51.23%	46.27%	39.45%	37.61%	41.61%

Source: Director of Financial Services, City of Lynchburg

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

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

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

**PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sewer Fund Operating Income	\$ 3,829,393	\$ 3,768,131	\$ 4,139,855	\$ 3,648,632	\$ 4,785,102	\$ 4,911,070	\$ 5,321,833	\$ 5,446,519	\$ 4,388,069	\$ 4,950,662
Plus:										
Depreciation & amortization	2,611,577	3,156,787	3,312,342	3,662,382	3,777,969	3,954,820	4,108,561	4,296,493	4,430,958	4,857,843
Interest income received	278,053	421,275	55,615	200,511	248,236	456,342	858,384	691,799	363,942	226,969
Capital contributions from members										
Regional Sewerage Treatment Plant	284,411	597,353	785,015	272,336	383,901	384,746	385,623	386,530	394,761	431,486
Governmental grants & miscellaneous income	133,185	46,229	178,541	142,053	43,657	67,683	45,058	44,300	296,443	108,985
Net Revenue per Indenture (1)	<u>\$ 7,136,619</u>	<u>\$ 7,989,775</u>	<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>
Debt Service										
General obligation bonds										
Principal (2)	\$ 2,047,307	\$ 879,291	\$ 2,007,725	\$ 1,775,308	\$ 2,217,270	\$ 2,210,090	\$ 2,386,638	\$ 4,207,969	\$ 1,810,056	\$ 2,103,851
Interest	787,250	1,530,736	1,406,731	1,319,116	1,415,544	1,204,587	1,445,911	1,411,626	1,233,745	1,128,126
Total	2,834,557	2,410,027	3,414,456	3,094,424	3,632,814	3,414,677	3,832,549	5,619,595	3,043,801	3,231,977
Revenue bonds										
Principal	2,365,769	3,803,884	3,109,085	2,320,353	2,391,300	2,433,438	2,557,922	2,909,118	3,097,845	3,520,797
Interest	769,652	486,109	515,368	541,101	773,675	537,820	455,333	427,360	398,518	368,782
Total	3,135,421	4,289,993	3,624,453	2,861,454	3,164,975	2,971,258	3,013,255	3,336,478	3,496,363	3,889,579
Total Debt Service Principal and Interest	<u>\$ 5,969,978</u>	<u>\$ 6,700,020</u>	<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>
Debt Coverage	<u>1.20</u>	<u>1.19</u>	<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>

(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).

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

Fiscal Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment (5)	Unemployment Rate (6)
2001	65,400	\$ 1,706,548	\$ 26,094	35.1	9,212	4.5
2002	65,800	1,747,911	26,564	35.1	9,063	6.2
2003	66,400	1,809,267	27,248	35.1	8,955	6.1
2004	67,100	1,910,337	28,470	35.1	8,775	5.6
2005	67,756	1,998,395	29,494	35.1	8,620	5.2
2006	68,579	2,148,511	31,329	35.1	8,614	4.0
2007	70,056	2,281,234	32,563	35.1	8,622	4.3
2008	71,196	2,396,600	33,662	35.1	8,414	5.6
2009	72,371	2,404,454	33,224	35.1	8,655	9.3
2010	72,371	*	*	35.1	8,614	9.3

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

(1) Weldon Cooper Center for Public Service, University of Virginia www.coopercenter.org

Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given. 2008 figure updated for final results.

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

(3) U.S. Department of Commerce, Economic and Statistic Administration, Bureau of Economic Analysis Report AMSA04 - Advanced Metropolitan Statistical Area Income Summary www.bea.gov/regional/reis/
Fiscal Years 2001 - 2008 have been revised effective April 22, 2010 to incorporate the results of the comprehensive revision to the national income and product accounts released in July 2009 and of the comprehensive revision to the state income accounts released in October 2009.

(4) United States Census - 2000

(5) Virginia Department of Education reported by Lynchburg City Schools. Enrollment as of September 30 for each year prior to 2009. 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 2010
2009 Unemployment Rate has been adjusted to reflect the most current data available.

* FY 2010 information unavailable

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

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Centra Health, Inc.	5,313	1	15.04%	3,800	1	12.64%
Thomas Road Baptist Church,						
Liberty University	3,171	2	8.97%	1,000	9	3.33%
Areva (2)	2,046	3	5.79%	1,400	7	4.66%
Genworth Financial Inc. (1)	1,400	4	3.96%	1,607	3	5.35%
Lynchburg City Schools	1,321	5	3.74%	1,554	6	5.17%
City of Lynchburg	1,209	6	3.42%	1,150	8	3.83%
J. Crew Outfitters	950	7	2.69%	1,000	10	3.33%
Walmart	800	8	2.26%			0.00%
Central Virginia Training Center	663	9	1.88%	1,600	4	5.32%
Kroger	619	10	1.75%			0.00%
BWX Technologies			0.00%	1,940	2	6.46%
Sanmina (3)			0.00%	1,600	5	5.32%
Total	17,492			16,651		

Employed Civilian Labor Force (June 2010) Lynchburg City - Virginia Employment Commission 35,335

Employed Civilian Labor Force (June 2001) Lynchburg City - Virginia Employment Commission 30,054

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

Source: FY 2001 numbers are derived from Official Statement for bond issue August 1, 2001.

(1) Formerly First Colony Life Insurance Co.

(2) Formerly Framatome

(3) Formerly Ericsson

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

Functions/Programs	Full-Time Equivalent Employees as of June 30									
	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Adopted 2010 ⁽¹⁾
Primary government:										
Council Manager Offices	11	10	8	8	8	7	9	8	9	8
Parking Division ⁽⁵⁾	-	-	-	-	-	-	-	-	-	2
City Assessor	11	11	11	11	13	13	12	12	12	12
City Attorney	6	7	7	7	7	7	7	7	7	7
Commissioner of Revenue	14	14	14	15	16	16	16	15	15	13
Communications & Marketing	3	3	3	3	3	3	3	3	4	4
Local Government Channel	-	-	-	-	-	-	-	2	2	2
Customer Service	3	3	3	3	4	2	2	4	4	3
Financial Services	48	48	49	51	50	49	49	47	46	45
Financial Services-Human Services	-	-	-	-	-	-	12	12	12	12
Human Resources	9	10	10	10	12	11	12	13	11	11
Information Technology	21	22	23	25	27	28	28	28	29	28
Internal Audit	3	3	3	3	3	3	2	2	2	2
Registrar and Electoral Board	2	2	2	2	3	3	3	3	3	2
State Treasurer (State)	3	3	3	3	2	2	2	2	2	2
Risk Management Fund	3	3	3	3	3	3	3	3	3	3
Circuit Court Clerk (State)	13	13	13	13	13	13	13	13	13	13
Circuit Court Judges	2	2	2	2	2	2	2	2	2	2
Commonwealth Attorney	27	21	34	37	36	35	14	16	16	17
Sheriff	27	27	27	27	31	31	31	31	31	31
Regional Juvenile Detention Center Fund	50	50	51	51	51	48	50	50	50	49
Police Department	181	187	190	192	199	200	198	207	204	204
Emergency Communications	30	30	31	31	31	31	31	31	31	32
Fire Department	184	182	183	182	183	180	180	185	186	186
Public Works Administration	8	7	7	6	6	6	-	-	11	11
Buildings & Grounds Maintenance	76	76	78	78	98	92	88	88	83	78
Engineering Division ⁽²⁾	28	38	31	31	36	35	-	-	-	-
Geographic Information System	-	-	3	3	3	3	-	-	-	-
Street, Traffic & Refuse Maintenance ⁽³⁾	50	40	40	40	42	42	36	38	57	53
Health & Human Services	187	178	192	186	178	181	188	188	184	179
Cultural and recreational	80	93	83	83	97	101	102	101	99	102
Community Planning & Economic Development ⁽²⁾	33	31	35	36	38	38	78	77	84	73
Fleet Services Fund	-	14	13	13	13	13	13	12	12	12
Business-type activities:										
Airport Fund	21	20	20	20	21	18	21	21	20	18
Water Fund	54	58	57	61	60	64	65	68	65	67
Sewer Fund	50	45	43	44	47	47	47	46	46	50
Solid Waste Fund ⁽⁴⁾	43	43	42	42	42	46	43	43	-	-
Source: Budget Office, City of Lynchburg, Virginia	1,281	1,293	1,314	1,322	1,378	1,373	1,360	1,378	1,355	1,333

(1) FY 2010 actual will be available with the FY 2011 adopted budget.

(2) During FY 2007 the Engineering Division was moved to Community Planning & Economic Development.

(3) Refuse Collection was moved to Public Works Division

(4) Solid Waste Fund Closed July 1, 2008

(5) The Parking Division was formed in FY 2010

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

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Physical Arrests	7,403	7,563	6,295	6,449	6,717	6,996	6,634	6,813	6,662	6,605
Traffic Violations	12,496	15,190	8,759	9,628	11,477	10,926	10,634	11,327	14,489	12,672
Parking Violations	8,519	9,930	8,113	7,308	6,806	6,306	7,741	7,786	6,370	4,599
Fire										
Number of calls answered (per month) (1)	528 (est)	602 (est)	619 (est)	227 (est)	328 (est)	463 (est)	501	517	506	518
Number of inspections conducted (4)	1,436	1,425	1,430	1,280	1,089	293	253	368	641	567
EMS calls	N/A	11,864	14,552	12,197	12,782	13,032	13,764	14,660	15,279	15,124
Sanitation and Refuse										
Refuse collected (tons/day) (2)	58.05	57.79	59.95	62.30	66.45	70.74	72.22	69.68	69.03	69.35
Recyclables collected (tons/day)	6.81	19.13	8.43	7.60	6.42	5.34	5.34	6.73	7.45	7.23
Airport										
Total number of passengers	151,003	107,455	92,779	109,940	128,811	124,093	115,560	98,423	142,569	178,387
Sewage										
Number of service connections	17,300	17,300	17,500	17,595	17,768	18,179	18,310	18,486	18,549	18,606
Average daily treatment in million gallons (3)	12.74	10.96	14.27	13.90	12.60	12.20	12.35	10.86	10.68	12.99
Maximum daily average capacity of treatment plant in million gallons	22	22	22	22	22	22	22	22	22	22
Maximum daily capacity of treatment plant in million gallons	44	44	44	44	44	44	44	44	44	44
Water										
Number of service connections	21,386	21,386	21,586	21,341	21,522	21,930	22,044	22,158	22,290	22,265
Average daily consumption of plant in million gallons	12	12	11	11	11	11	10	12	11	12
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 for fiscal year (08/09)

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

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	45	45	53	53	53	54	55	57	57	57
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	12	14	14	15	15	16	16	16	16	16
Highways and Streets										
Street (miles) (1)	312.00	314.00	365.95	368.23	372.23	373.28	374.42	374.42	377.37	378.26
Streetlights (2)	9,444	9,520	9,590	9,672	9,747	9,822	9,899	9,926	9,990	9,966
Traffic signals	110	110	110	110	113	117	117	118	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
Parks	12	16	16	16	17	17	17	17	17	17
Parks acreage (3)	835	835	835	835	838	848	848	905	905	905
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts (4)	40	40	40	40	40	40	40	40	40	40
Gymnasiums	7	7	7	7	7	7	7	7	7	7
Sewage system										
Storm sewers (miles) (5)	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped
Water										
Fire hydrants	2,274	2,274	2,324	2,451	2,788	2,799	2,800	2,887	2,892	3,080
Storage capacity (thousands of gallons)	not specified	not specified	not specified	not specified	not specified	33,000	33,000	33,000	31,000	33,000
Sewer										
Average daily sewage treatment (MGD) (6)	12.74	10.96	14.27	13.90	12.60	12.20	12.35	10.86	10.68	12.99
Maximum daily sewage treatment (MGD)	28.73	34.62	36.85	28.28	27.11	27.11	33.44	26.37	28.65	33.69
Transit - route service buses (7)	29	29	29	29	29	29	29	37	37	38
Transit - paratransit service buses (8)	-	-	-	-	-	-	-	7	11	11
Facility and service not included in the reporting entity:										
Education										
Number of elementary schools (9)	12	11	10	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	769	636	554	554	554	587	587	575	575	513

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.

TABLE 27

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

Description	Student Enrollment, Employees and Schools by Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Elementary School Membership	4,230	4,049	3,968	3,910	3,840	3,793	3,877	3,916	3,937	3,934
Secondary School Membership	4,982	5,015	4,987	4,872	4,785	4,809	4,745	4,447	4,583	4,438
Total Membership	9,212	9,064	8,955	8,782	8,625	8,602	8,622	8,363	8,520	8,372
Teachers and Administrators (1)	811	807	782	762	753	776	772	774	780	759
Other Employees	475	494	474	467	471	470	482	482	482	449
Total Employees	1,286	1,301	1,256	1,229	1,224	1,246	1,254	1,256	1,262	1,208
Elementary Schools (2)	12	12	11	11	11	11	11	11	11	11
Secondary Schools	5	5	5	5	5	5	5	5	5	5
Total Buildings	17	17	16	16	16	16	16	16	16	16

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

(2) Does not include Armstrong, now being used for special education students.

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

Grade	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
K	669	655	674	700	666	670	722	732	732	718
1	755	661	628	651	628	655	675	673	673	702
2	685	716	664	608	647	634	629	648	648	648
3	719	649	689	641	583	628	629	653	653	632
4	693	695	633	690	630	593	625	606	608	639
5	709	673	680	620	686	613	597	604	622	595
6	713	729	686	689	658	707	618	613	635	598
7	719	707	697	661	680	664	694	581	604	619
8	705	730	737	697	660	687	662	625	614	581
9	825	869	904	856	857	823	867	777	797	706
10	790	757	730	740	772	726	661	647	732	719
11	627	666	676	656	627	669	621	654	702	619
12	603	557	557	573	531	533	622	550	499	596
Total	9,212	9,064	8,955	8,782	8,625	8,602	8,622	8,363	8,520	8,372

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, 2010 which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2010. 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.

The City's financial statements include the discretely presented component unit referred to as the Business Development Centre, Inc. Our audit did not include the operations of this component unit because it engaged other auditors to perform its audit.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, these can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. **However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.**

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. **We consider the deficiency described in the accompanying schedule of findings and questioned costs as Item 10-1 to be a material weakness.**

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated November 12, 2010.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 12, 2010

**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, 2010. 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 \$517,759 in federal awards during the year ended June 30, 2010 that are not included in the Schedule of Findings and Questioned Costs. Our audit, described below, did not include the operations of the Centre because it engaged other auditors to perform an audit in accordance with *OMB Circular A-133*.

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

In our opinion, the City complied, in all material respects, with the 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, 2010.

Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 12, 2010

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

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

Compliance

We have audited the City of Lynchburg, Virginia's compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its passenger facility program (the "Program") for the year ended June 30, 2010. Compliance with the requirements of laws and regulations applicable to its Program is the responsibility of management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its Program for the year ended June 30, 2010.

Internal Control over Compliance

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

Internal Control over Compliance (Continued)

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 12, 2010

CITY OF LYNCHBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2010

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Comprehensive Services Act

Uniform Disposition of Unclaimed Property Act

Sheriff Internal Controls

State Agency Requirements

Education

Social Services

Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

FEDERAL AVIATION ADMINISTRATION COMPLIANCE MATTERS

Passenger Facility Charge Audit Guide for Public Agencies

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

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements was reported 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*. **Item 10-1 was determined to be a material weakness.**
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>
ARRA – State Fiscal Stabilization Fund – Education State Grants	84.394
Revolving Loan – ARRA	66.458
Title IV-B – Special Education – Grants to States	84.027
Title IV-B – Special Education – Preschool Grants	84.173
ARRA – Special Education – Grants to States	84.391
Title I – Educationally Deprived Children – Local Education Agencies	84.010
ARRA – Title I Grants to Local Education Agencies	84.389
National School Breakfast Program	10.553
National School Lunch Program	10.555
ARRA – CNP RA – National School Lunch Program Equipment	10.579
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
Community Development Block Grants/Entitlement Grants	14.218
Child Care Assistance	93.575
Child Care Development Fund	93.596
ARRA – Child Care and Development Block Grant	93.713
Foster Care – Title IV-E	93.658

8. The **threshold for** distinguishing Type A and B programs was **\$1,293,746**.
9. The City of Lynchburg was **not** determined to be a **low-risk auditee**.
10. Passenger Facility Charge Program:
 - a. Material weakness identified? No
 - b. Significant deficiency not considered to be a material weakness? None reported
 - c. Noncompliance material to the passenger facility charge program? No
 - d. Type of auditor's report on compliance for the program. Unqualified
 - e. Any audit findings disclosed. No

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

10-1: Auditor Adjustments – School Board (Material Weakness)

Condition:

We again posted journal entries which were deemed to be material to the financial statements, and in our judgment this is evidence of a material weakness in the Schools' internal control over financial reporting. Auditor adjustments, which may not have been detected except for our audit procedures, include adjustments to grants receivable, the amount due to/from the City, and a reclassification of revenues from the federal grants fund to the operating fund.

Recommendation:

Improvements will come from the following:

- Improved reconciliation of all significant asset and liability accounts, especially at the end of the year.
- More rigorous analysis of variances between budget and actual amounts throughout the year.
- A review of the different funds used by the schools for accounting purposes – this review should include clarifying the purposes of each fund and the types of revenues and expenditures that should be involved in the funds.

Management's Response:

Management agrees and recognizes the importance and the need not only to record items but to do so in a timely manner. In addition to the quarterly analysis and reconciliations of the accounts, management has adopted the following practices that should facilitate this need:

- Throughout the year, the finance department now will record all receivables and their related revenues when the reimbursement requests are submitted.
- At the end of the year, the finance department will record the receivables and their related revenues based on all outstanding expenditures.
- The finance department has discussed and recognizes the need to defer any material funding that it received prior to expenditures.

When LCS receives a grant, the grant accountant will properly record the initial expense and the revenue budgets. Any funds received outside of the operating budget will be reflected in Fund 5. The grants accountant will review and analyze the accounts monthly to ensure correct postings have occurred.

C. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM

None.

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

None.

E. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.