

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 1

CONSENT:

REGULAR:

WORK SESSION: **X**

CLOSED SESSION:

(Confidential)

ACTION:

INFORMATION: **X**

ITEM TITLE: **New Friends Groups Supporting Parks and Recreation**

RECOMMENDATION: This report is for informational purposes. No action is required.

SUMMARY: It has been a long standing goal of Parks and Recreation to work collaboratively with citizen groups to form 501-c3 non-profits to support the efforts of the department. Parks and Recreation is pleased to introduce two new Friends groups that have formed in calendar year 2014. Representatives of the newly formed Friends of the Lynchburg Nature Center and Friends of Lynchburg Parks and Recreation will brief Council on their mission, goals and projects.

PRIOR ACTION(S): none

FISCAL IMPACT: none

CONTACT(S): Kay Frazier, 455-5868

ATTACHMENT(S): none

REVIEWED BY: lkp

155K

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 2

CONSENT:

REGULAR:

WORK SESSION: **X**

CLOSED SESSION:

(Confidential)

ACTION:

INFORMATION: **X**

ITEM TITLE: **Presentation of FY 2014 Comprehensive Annual Financial Report (CAFR) and Related Reports**

RECOMMENDATION: No action required.

SUMMARY: Representatives from the City's external auditing firm, Brown Edwards, LLC, will present the results of the annual audit to Council.

PRIOR ACTION(S): N/A

FISCAL IMPACT: N/A

CONTACT(S): Donna Witt, Director of Financial Services, 455-3968

ATTACHMENT(S): Memo from Donna Witt; CAFR and related documents

NOTE: Hard copies of the attachments will be provided to Council at the meeting.

REVIEWED BY: lkp

159K



The City of Lynchburg, Virginia

CITY HALL, 900 CHURCH STREET, LYNCHBURG, VIRGINIA 24504
(434) 455-3968
FAX (434) 845-0711

FINANCIAL SERVICES
OFFICE OF THE DIRECTOR

To: City Council

From: Donna Witt, Director of Financial Services 

C: L. Kimball Payne, III, City Manager
Bonnie Svrcek, Deputy City Manager

Date: December 4, 2014

Re: FY 2014 Comprehensive Annual Financial Report and Related Reports

In preparation for the upcoming presentation by Brown Edwards, LLC the following documents are enclosed for your review:

- FY 2014 Comprehensive Annual Financial Report (CAFR)
- Audit Committee Letter – Required Communication with those Charged with Governance
- Independent Auditor’s Report on Agreed –Upon Procedures – City of Lynchburg’s Sheriff’s Office
- Independent Auditor’s Report on Census Data submitted to the Virginia Retirement System – City of Lynchburg and Lynchburg City Schools
- Accounting and Other Matters – Lynchburg City Schools
- Audit Committee Letter – Required Communication with those Charged with Governance – Lynchburg City Schools

Council should be aware there are no Management Letters for the City of Lynchburg or Lynchburg City Schools due to no auditor comments or suggestions for improvements to internal controls.

Representatives from Brown Edwards, LLC will be presenting this information at the December 9th work session. Hard copies of these documents will be distributed at that time.

Thank you.

Attachments (6)

**CITY OF
LYNCHBURG, VIRGINIA**

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

**CITY OF LYNCHBURG,
VIRGINIA**

Prepared by:
Financial Services

CITY OF LYNCHBURG, VIRGINIA

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INTRODUCTORY SECTION



The City of Lynchburg, Virginia

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

November 7, 2014

The Honorable Mayor and Members of the City Council
City of Lynchburg, Virginia

The Comprehensive Annual Financial Report (CAFR) for the City of Lynchburg, Virginia, (City) for the year ended June 30, 2014, is hereby submitted in accordance with the *City Code* and State statutes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the City. With reasonable assurance, based upon a comprehensive framework of internal controls, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows, as applicable, of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

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

the City manage its investment portfolio in a challenging market, close the year with a stronger fund balance than projected, prepare for the additional debt service for the largest bond issue in the City's history and guided the balancing of the FY 2015 budget in a difficult environment of competing demands.

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

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

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

Local Economic Condition and Outlook

The City continues to maintain its role as an employment and commercial center for a four county metropolitan statistical area with a population of approximately 257,567. While Lynchburg historically was dependent on an economy focused on manufacturing, its diverse economic sectors including health services, higher education, retail, and nuclear technology continue to expand. Real property assessments have experienced slight growth and personal property assessments have experienced unexpected growth due to the increased volume of new car sales. Consumption driven revenues, though declining in FY 2009, stabilized in FY 2010, have realized growth since FY 2011. Looking ahead, it is anticipated that real property values will remain relatively stable, while personal property values and consumption tax revenues will continue to grow gradually as the economy allows.

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

In FY 2008, the City developed a very broad "Sustainable Lynchburg" initiative to ensure policies and resources are in place to support the future viability and livability of the community. The Sustainable Lynchburg initiative focused on eleven key elements critical to the City's future. These elements are: Arts and Culture, Citizen Engagement and Social Capital, Economic Development, Lifelong Learning, Healthy and Active Living, Infrastructure, Natural Resources, Neighborhoods, Safe Community, Land Use, and Transportation. In FY 2014, a twelfth element, Social Equity, was added and the Sustainable Lynchburg Summary Report was folded into a new Vision for the City – *"A Great Place to Live, Work and Play!"* – with

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

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

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

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

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

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

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

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

Major Initiatives and Accomplishments

Downtown and Riverfront Development/Redevelopment

The City's commitment to downtown revitalization remains strong. With Phase I of the Bluffwalk project completed, significant progress has been made on Phase II or the Lower Bluffwalk. The Lower Bluffwalk is a planned pedestrian, mixed-use, retail and residential corridor that will be completed in early

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

Education

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

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

Infrastructure

FY 2014 was a year of continued work on downtown redevelopment, the Combined Sewer Overflow (CSO) Program and transportation projects. The first phase of the Midtown Connector, which included the re-working of a major intersection, was completed earlier this year and the second phase of this project is well underway. Also underway is the \$6 million renovation of the Miller Center which houses administrative offices for Parks and Recreation as well as a community center and class room space. The Miller Center is expected to re-open in December 2014 and will increase the delivery of recreation services by making the building 100% accessible as well as updating facilities for classes and community meetings. This project is partially funded with State historical tax credits.

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

Technology

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

Transportation

Greater Lynchburg Transit Company (GLTC) provides public bus service for Lynchburg citizens. A new LEED Certified bus transfer station opened in June 2014. Construction of a new bus maintenance and operations facility will start in early 2015. These facilities are designed to improve convenience, amenities, and customer service.

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

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

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

Prospects for the Future

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

Certificates of Achievement for Excellence

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

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

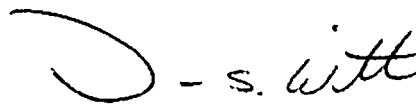
Acknowledgments

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

Respectfully submitted,



L. Kimball Payne, III
City Manager



Donna S. Witt
Director of Financial Services

CITY OF LYNCHBURG, VIRGINIA
COUNCIL-MANAGER FORM OF GOVERNMENT

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2014

CITY COUNCIL

Dr. Michael A. Gillette, Mayor

Rev. Ceasor T. Johnson, Vice-Mayor
Hunsdon “H” Cary, III
Joan F. Foster

Jeff S. Helgeson
J. Randolph “Randy” Nelson
Edgar J. T. Perrow, Jr.

CITY OFFICIALS

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

City Manager
Deputy City Manager
City Attorney
Director of Financial Services

SCHOOL BOARD

Dr. Regina T. Dolan-Sewell, Chair

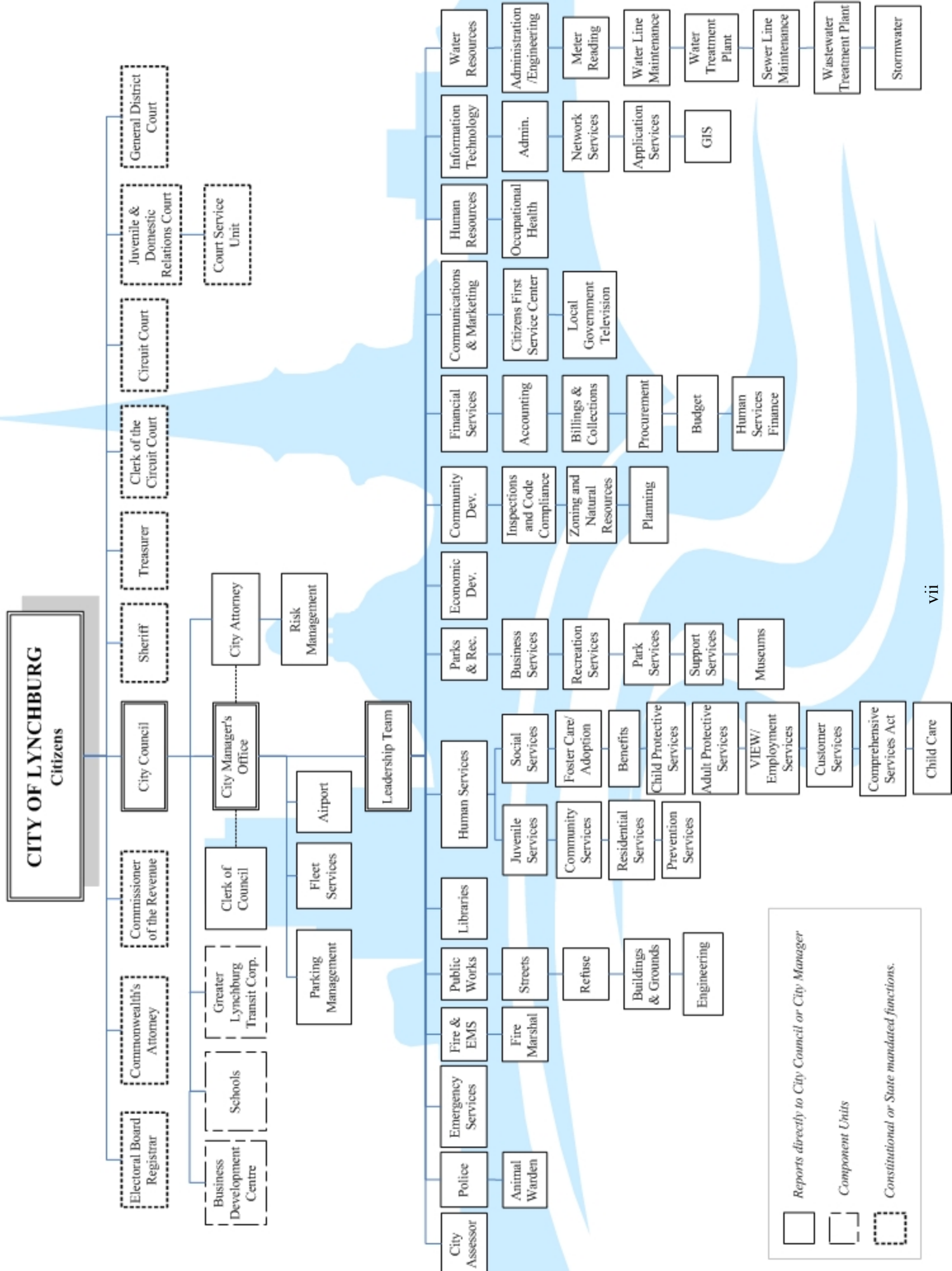
Mary Ann Hoss, Vice Chair
Dr. James E. Coleman
Dr. Michael J. Nilles
Jennifer R. Poore

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

SCHOOL BOARD OFFICIALS

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

Superintendent of Schools
Assistant Superintendent
Assistant Superintendent
Chief Financial Officer





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lynchburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Evers". The signature is fluid and cursive.

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit referred to as the Business Development Centre, Inc., whose statements reflect total assets of \$1,803,021 as of June 30, 2014, and total revenues of \$261,878 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us; and our opinion, insofar as it relates to the amounts included for the Business Development Centre, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 7, 2014

CITY OF LYNCHBURG, VIRGINIA

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) of the City of Lynchburg's (City) financial statements offers readers a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2014. The Lynchburg City Schools (Schools) component unit is included in this narrative also. The information presented here should be considered in conjunction with additional information provided in the Letter of Transmittal.

FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of resources of the City exceeded its total liabilities and deferred inflows of resources at June 30, 2014 by \$487.6 million (net position). Unrestricted net position of \$90.8 million was available to meet future obligations. This represented \$69.8 million for governmental activities, which included the general fund, and \$21.0 million for business-type activities, which included the enterprise funds (water, sewer, stormwater, and airport).
- The general fund's unassigned fund balance of \$33.9 million was 19.5% of total general fund revenues, which were \$173.6 million. This was \$16.6 million more than the City Council adopted unassigned fund balance policy requirement of 10%, or \$17.3 million.
- In comparison with the prior fiscal year, the City's total net position increased 2.6%, or \$12.5 million, from FY 2013. Net position of governmental activities increased 1.4%, or \$3.8 million, from FY 2013; and, net position of business-type activities increased 4.2%, or \$8.7 million. The Schools' total net position increased 36.7%, or \$1.1 million, from FY 2013.
- The City's total revenues of \$236.4 million increased 2.6%, or \$5.9 million, and total expenses of \$223.9 million increased 4.1%, or \$8.8 million, from FY 2013. General revenues and transfers of \$133.6 million were \$12.5 million more than the expenses net of program revenues of \$121.1 million.
- For the current fiscal year, the City's total liabilities and deferred inflows of resources of \$347.7 million decreased 1.9% or \$6.7 million from FY 2013.
- Total new debt of \$12 million was issued, of which \$10 million was for governmental activities, and \$2 million was for business-type activities. In fall 2011, the City issued a five-year General Obligation Bond Anticipation Note for a bank qualified line of credit up to \$10 million to interim finance capital improvements. New debt included \$2 million for the line of credit for water capital projects. In fall 2013, the City issued a \$10 million General Obligation Public Improvement Bond for general government transportation and school capital projects and fire public safety capital equipment. In summer 2014, the City issued a \$115.2 million General Obligation Public Improvement and Refunding Bonds. New bond proceeds totaled \$101.7 million of which \$83.2 million was for governmental activities and \$18.5 million was for business-type activities including a current refunding for the line of credit pay off. Lastly, the City issued \$13.5 million to advance refund \$14.5 million of the May 9, 2006 General Obligation Public Improvement Bonds. Of this \$13.5 million in refunding bonds, \$13.1 million was governmental activities and \$0.4 million was for business-type activities. The refunded bonds were \$14.1 million of governmental activities and \$0.4 million of business-type activities. With this bond issue, the City's general obligation bonds continued to maintain an Aa2 rating from Moody's Investors Service; an AA+ rating from Fitch Ratings; and, an AA+ from Standard & Poor's Ratings Services.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

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

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

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

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

Net investment in capital assets of \$380.9 million was 78.1% of total net position and increased 4.5%, or \$16.3 million. Net position invested in capital assets was not available for future expenses because the assets are facilities, equipment, and infrastructure, etc. utilized to provide services. Please refer to Notes 8 and 9 of this report and the MD&A's capital assets and long-term debt sections.

The City has a strong financial position with 18.6%, or \$90.8 million, of unrestricted net position, which is comprised of 76.9%, or \$69.8 million, for governmental activities, and 23.1%, or \$21.0 million, for business-type activities. Unrestricted net position available for providing services to the citizens decreased 3.1%, or \$2.9 million from FY 2013. Restricted net position

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

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

Statement of Activities

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

***Summary of Changes in Net Position
For Fiscal Years Ended June 30, 2014/2013
(in millions)***

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

Governmental Activities

The City's governmental activities are comprised of the general fund, fleet internal services fund, special revenue funds, and capital projects funds. Total net position of \$269.7 million increased 1.4%, or \$3.8 million from FY 2013.

Revenue highlights:

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

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

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

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

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

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

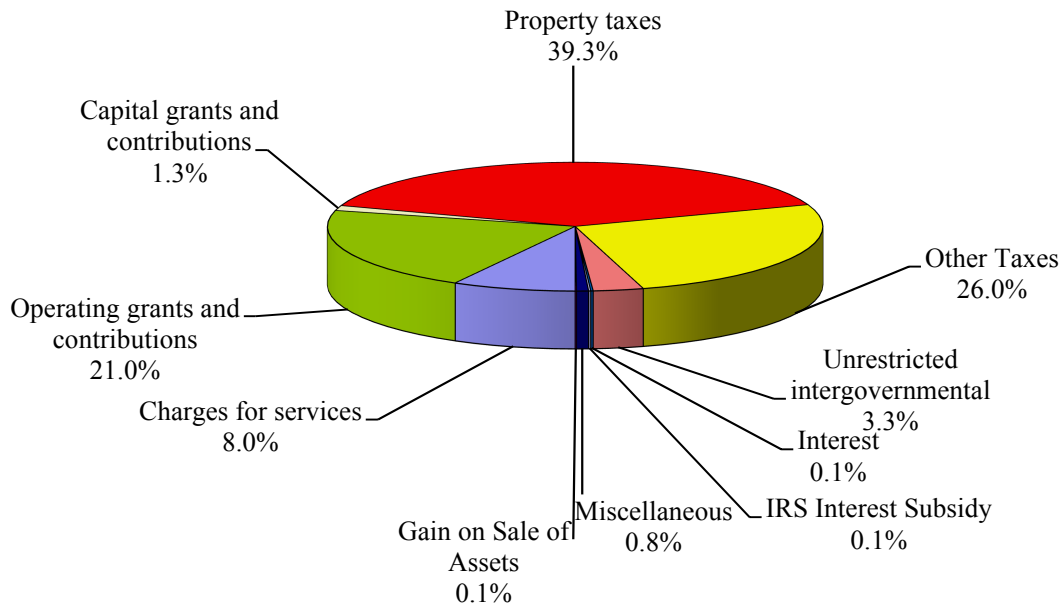
Investment earnings of \$0.3 million increased \$0.1 million due to earnings on Virginia Department of Transportation funds. In accordance with the issuance of Build America Bonds, the City received \$0.3 million for IRS Subsidy.

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

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

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

Revenue by Source-Governmental Activities



Expense highlights:

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

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

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

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

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

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

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

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

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

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

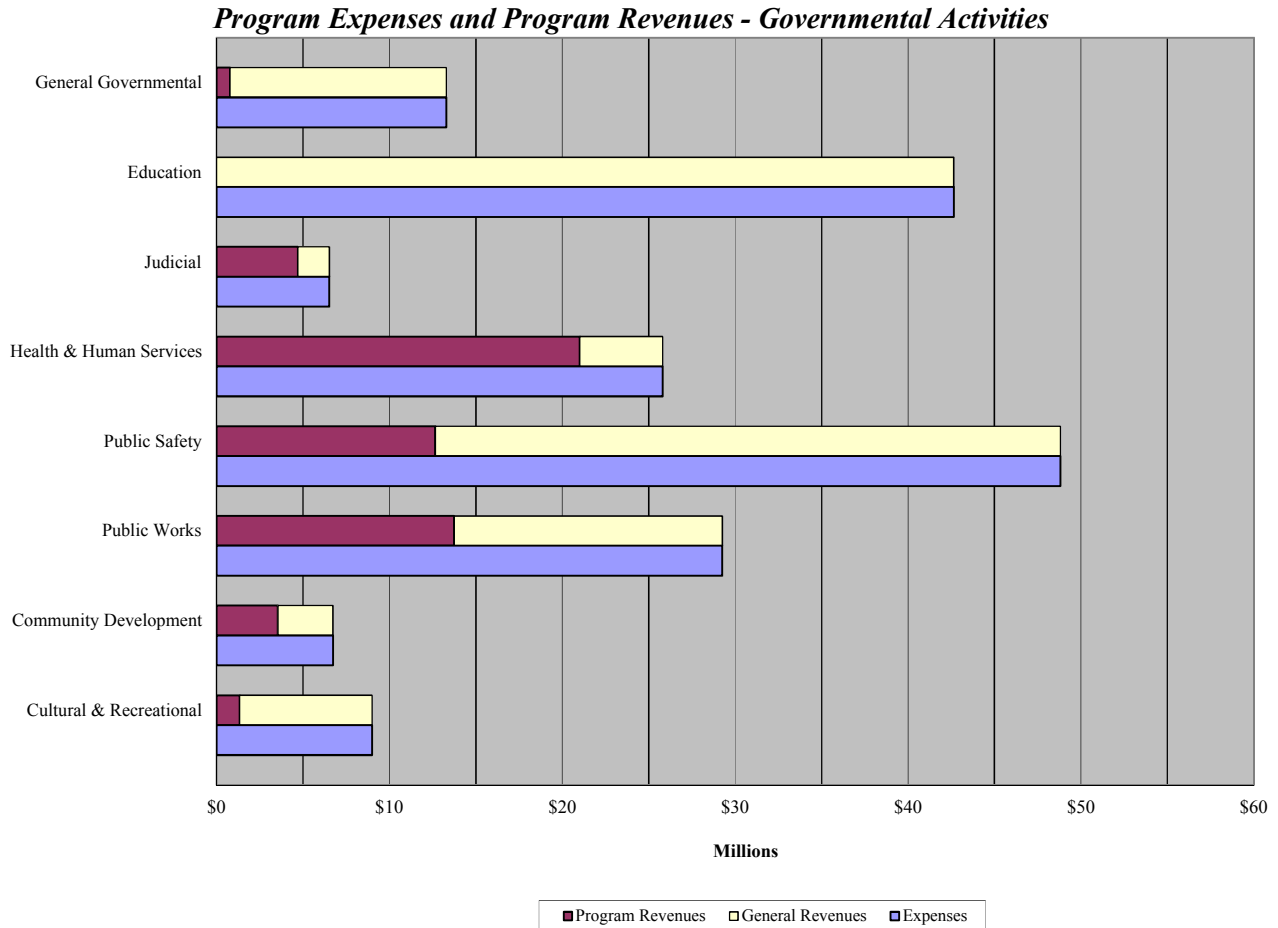
***Net Cost of Governmental Activities
For Fiscal Years Ended FY 2014/2013
(in millions)***

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

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

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

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



Business-type Activities

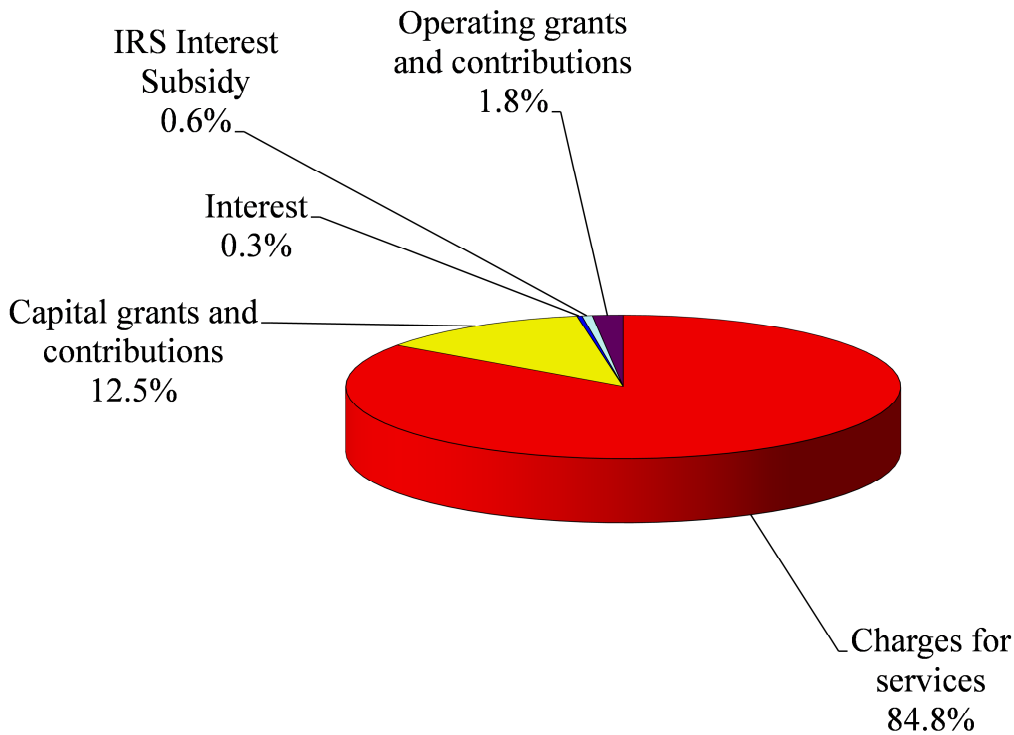
The business-type activities are comprised of enterprise funds for water, sewer, stormwater, and airport operations. Total net position of \$217.9 million increased 4.2%, or \$8.7 million from FY 2013.

Revenue highlights:

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

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

Revenues by Source - Business-type Activities



Expense highlights:

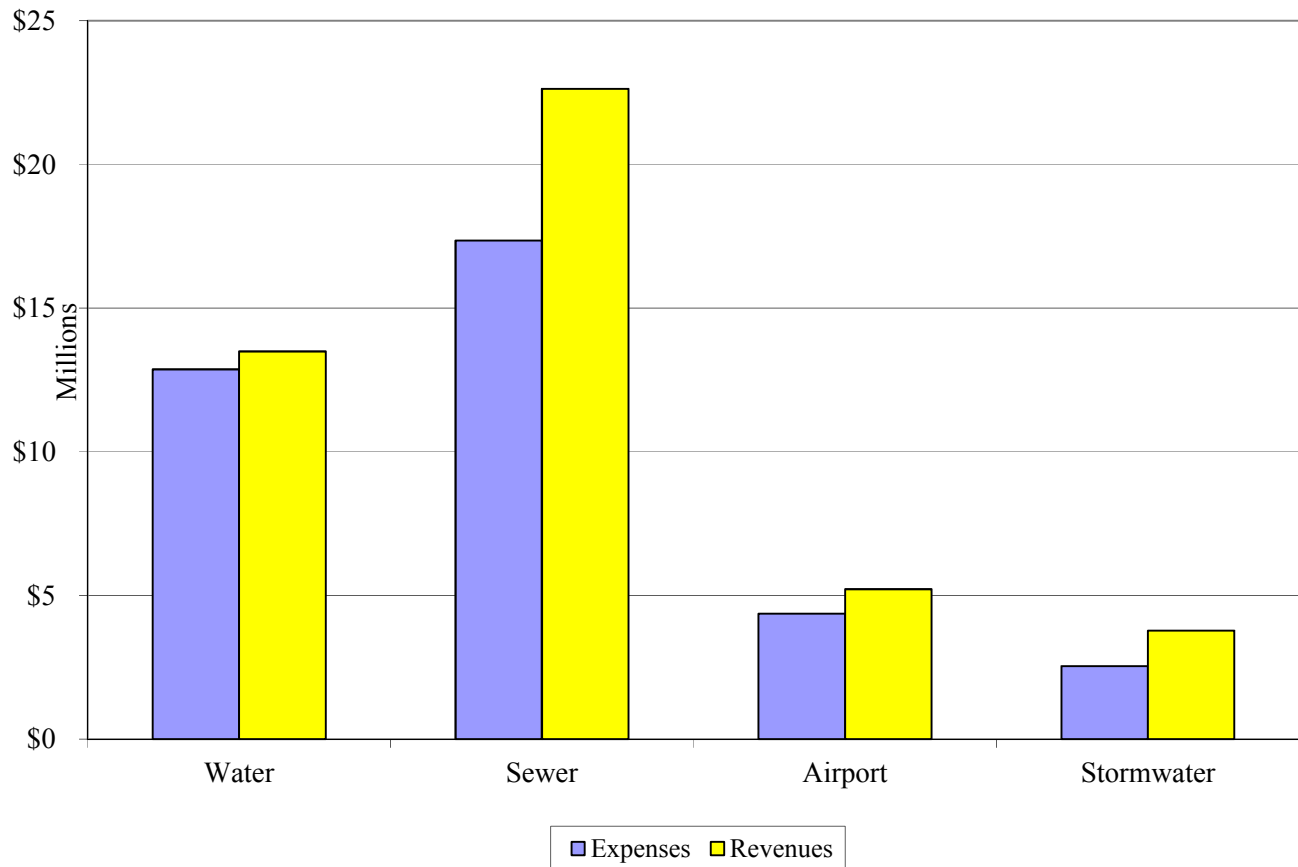
Business-type activities expenses of \$37.0 million increased 5.1%, or \$1.8 million, from the prior year. The increase was primarily due to an increase in depreciation expense of \$1.0 million and an increase of \$0.5 million in Stormwater fund operating expenses to meet the City's Municipal Separate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

Overall, business-type activities revenues of \$45.5 million were \$8.5 million more than expenses of \$37.0 million.

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

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

Program Expenses and Program Revenues - Business-type Activities



Component Unit – Schools

The Schools' total net position of \$4.1 million increased 36.7%, or \$1.1 million, from FY 2013. This was primarily due to an increase in net investment in capital assets of 25.6%, or \$1.1 million. Unrestricted net position of \$(1.3) million did not change from FY 2013.

Revenue highlights:

Total revenues of \$96.2 million increased 0.8%, or \$0.8 million in comparison with the prior year fund financial statements, primarily due to increases in revenues from the Commonwealth of Virginia and revenues from the City government. For FY 2014, 47.9%, or \$46.1 million, of total revenues were received from the Commonwealth of Virginia as compared to \$45.1 million received in the prior year. State sales tax receipts were \$9.4 million for FY 2014. The City government contributed 37.0%, or \$35.6 million, to education. Federal revenues of 11.4% or \$11.0 million, included \$3.7 million from Title I funds to provide educational services to economically disadvantaged students. School Nutrition revenues of \$3.7 million included \$2.9 million from the federal government for the operation of the breakfast and lunch programs. Other revenue sources of 3.6%, or \$3.5 million, included the following: school meals sales; tuition paid by participating school divisions to the Central Virginia Governor's School for Science and Technology; and other miscellaneous sources.

Expense highlights:

Total expenses of \$96.0 million increased 0.2%, or \$0.2 million, from the prior year fund financial statements primarily due to increases in instruction, administration, attendance, health, technology, and operations and maintenance costs. For FY 2014, 70.1%, or \$67.3 million, of total expenses related directly to providing instruction to 8,191 students and 14.4%, or \$13.8 million, supported maintenance and operations of School Division facilities including the School Nutrition Program. Transportation costs for students were 4.9%, or \$4.7 million, while administration for the Schools and attendance and health services for students were 5.8%, or \$5.6 million. Technology costs were 3.3% or \$3.2 million. Capital outlays in the fund financial statements of \$1.3 million included the acquisition of equipment.

FUND FINANCIAL ANALYSIS

Governmental Funds

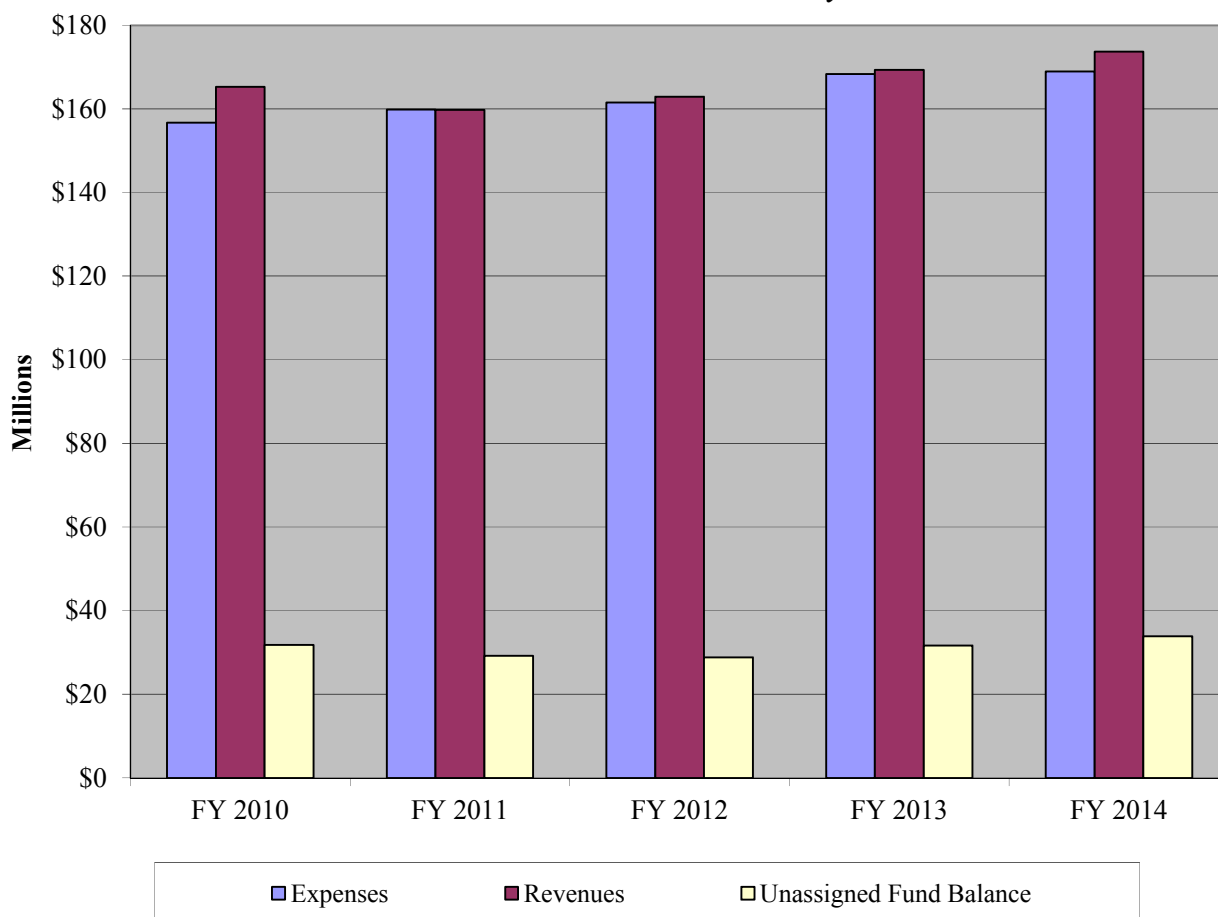
Governmental funds include the general fund, special revenue funds and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- For FY 2014, the City's governmental funds reported combined fund balances of \$84.4 million, an increase of \$0.1 million from FY 2013. Of that amount, \$0.4 million was nonspendable, \$15.9 million was restricted, \$29.1 million was committed, \$5.1 million was assigned, and \$33.9 million was unassigned. The general fund's increase in fund balance was \$4.7 million. The city capital projects fund's decrease in fund balance was \$3.2 million. Special revenue funds increase in fund balance was \$1.8 million and school capital projects fund decrease in fund balance was \$3.1 million.
- As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21.3% of total general fund expenditures, while total fund balance represents 34.1% of that same amount.

General Fund

The general fund is the chief operating fund of the City. The following graph and table present a five-year summary of financial information for expenditures, revenues, and unassigned fund balance as well as a FY 2014 summarized comparison of amended budget versus actual information. In accordance with the implementation of GASB 54, the technology fund is utilized for internal reporting purposes only. For financial statement reporting, the technology fund is collapsed into the general fund. The five year summary includes the technology fund while the budget comparison does not. See further information in Note 1 to the Financial Statements.

Five-Year General Fund Financial Summary



General Fund Budgetary Highlights
For Fiscal Year Ended June 30, 2014
(in millions)

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

Actual expenditures and other financing uses of \$169.1 million was less than revenues and other financing sources of \$173.6 million by \$4.5 million, which resulted in a positive change in fund balance that was more than the amended budget projected decrease of \$14.1 million. The FY 2014 adopted and amended budgets included the use of \$7.1 million and \$14.1 million, respectively, of the FY 2013 general fund's unassigned fund balance primarily to resource a planned \$3.8 million transfer out for general government capital projects and a \$2.2 million transfer and \$1.0 million transfer out for school capital projects, and school buses, respectively. This was in accordance with City Council's adopted Fund Balance Policy (revised FY 2011, and re-adopted in FY 2013), which states that funds in excess of the targeted fund balance of ten percent (10%) of general fund revenues may be considered to supplement "pay-as-you-go" capital outlay expenditures. In summary, actual revenues were above the amended budget by \$5.3 million and actual expenditures were below the amended budget by \$13.3 million, resulting in a \$4.5 million increase in fund balance for FY 2014.

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

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

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

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

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

- \$1.0 million net increase for third quarter budget amendment requests. Each fiscal year, management reviews current year expenditures and revenue collection patterns and presents to City Council a third quarter budget amendment. The FY 2014 amendment was comprised primarily of \$1.0 million for health and human services programs.
- \$1.7 million increase to the budget for prior year unexpended items requested to be re-appropriated in the current year to continue programs.
- \$1.2 million increase for property acquisition, engineering and construction services for Heritage High School.
- \$0.6 million increase for architectural services for Heritage High School.
- \$1.9 million increase for post closure costs of the Lynchburg landfill.
- \$0.5 million increase for School Operating appropriations to fund maintenance and security needs.
- \$0.2 million increase for GLTC capital projects.
- \$0.2 million increase for renovation of gymnasium at Old Armstrong School.

City Capital Projects Fund

The city capital projects fund accounts for the major construction projects of the City other than those financed by proprietary funds or the school capital projects fund. Annually, the City adopts a five year capital project plan. Year one of the plan is appropriated for current year expenditures. The fund balance of \$26.2 million decreased 10.9%, or \$3.2 million, from FY 2013.

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

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

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

- \$4.7 million decrease in capital contributions for Miller Center Renovations
- \$0.2 million decrease for Kemper Street Slope Repairs
- \$2.2 million increase for Street Overlay
- \$1.2 million increase for Wards Road at Candler's Mountain Road Bridge
- \$0.2 million decrease for Monument Terrace Renovations
- \$0.4 million decrease for Public Elevator Walkway Bridge Repairs
- \$0.4 million increase in contributions for Public Transportation
- \$0.3 million decrease for Midtown Connector
- \$0.2 million decrease for McConville Road Culvert Replacement
- \$1.2 million increase for General Government Capital Projects
- \$1.3 million increase for Lower Bluffwalk

Proprietary Funds

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

Water Fund

The water fund's total net position of \$37.4 million increased 2.5%, or \$0.9 million, from FY 2013. Net investment in capital assets of \$28.0 million increased 0.7%, or \$0.2 million, and was 74.9% of total net position. This is primarily due to reduction of outstanding long-term debt and decrease in debt used to finance capital projects. Unrestricted net position available to fund future expenses increased by 8.0% or \$0.7 million. Unrestricted net position was 25.1%, or \$9.4 million, of total net position. Operating revenues totaled \$13.5 million, and increased 3.8%, or \$0.5 million, primarily due to a rate-increase of 3.62% effective July 1, 2013. Operating expenses totaled \$11.2 million and increased 1.8%. Investment earnings increased \$0.02 million. For FY 2014 the fund balance ratio was 60%, which compared favorably to City Council's financial policy target of 40%. The debt coverage ratio was 1.54, which compared favorably to City Council's adopted financial policy target of 1.2.

Sewer Fund

The sewer fund's total net position of \$144.5 million increased 4.0%, or \$5.6 million, from FY 2013. Net investment in capital assets of \$133.5 million increased 4.1%, or \$5.2 million, primarily due to a reduction of outstanding long-term debt that was used to finance capital projects. Net investment in capital assets was 92.4% of total net position. Unrestricted net position available to fund future expenses increased by 3.8%, or \$0.4 million. Unrestricted net position was 7.6%, or \$11.0 million, of total net position. Operating revenues totaled \$19.8 million and increased 4.8%, or \$0.9 million. Operating expenses totaled \$16.2 million and increased 10.2%, or \$1.5 million mostly due to increased depreciation related to capital projects completed in FY 2013. Investment earnings increased \$0.01 million. For FY 2014 the fund balance ratio was 32.4% as compared to the financial policy target of 25%. The debt coverage ratio was 1.36, as compared to the financial policy target of 1.2 and was in compliance with the CSO Order requirements. Please refer to the Statistical Section of this report for details.

Stormwater Fund

The stormwater fund's total net position of \$3.0 million increased 57.9%, or \$1.1 million, from FY 2013. Net investment in capital assets of \$0.8 million increased 700.0%, or \$0.7 million primarily due to capital projects that were started in FY 2014 and are on-going. Net investment in capital assets was 26.7% of total net position. Unrestricted net position available to fund future expenses increased by 22.2%, or \$0.4 million, mostly attributable to increased cash and cash equivalents derived from operating income. Unrestricted net position was 73.3%, or \$2.2 million, of total net position. Operating revenues totaled \$3.8 million and decreased 5.0%, or \$0.2 million. Operating expenses totaled \$2.6 million and increased 23.8%, or \$0.5 million mostly due to increased personal services, supplies and materials to fund increasing Storm Sewer System (MS4) General Permit requirements. For FY 2014 the fund balance ratio was 33%.

Airport Fund

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

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

During FY 2014, the City's net increase in capital assets was 1% or \$6.4 million. Major capital asset events included the following (in millions):

Construction-in-progress converted to capital assets:

Completion of several Combined Sewer Overflow (CSO) replacement projects; financed by a combination of Virginia Revolving Loan Program funds, State and Federal CSO grants and general obligation bonds.	\$21.6
Completion of Airport Terminal Apron and Taxiways rehabilitation financed by 90% Federal grants and 10% State grants.	2.7
Completion of Fifth St Phase II Utility - Streetscape; financed by local pay-as-you-go capital monies.	2.7
Completion of Blue Ridge Farms water and sewer improvements Phase I; financed by general obligation bonds, and local pay-as-you-go capital monies.	2.1
Completion of Modified General Aviation Apron financed by 80% State grants and 20% local pay-as-you-go capital monies.	1.2
Completion of Fifth Street improvements Phase I & II; financed by local pay-as-you-go capital monies, and Community Development Block grant funds.	1.2
Completion of Hutcherson Early Learning Center renovations; financed by local pay-as-you-go capital monies.	1.1
Completion of Sanitary Sewer Evaluation Survey; financed by local pay-as-you-go capital monies.	1.0
Purchase of land for Heritage High School; financed by general obligation bonds.	0.6
Total construction-in-progress converted to capital assets	<u>34.2</u>
Donation of property at 2505 Concord Turnpike from the Region 2000 Services Authority.	0.6
On-going replacement of the vehicle fleet, financed through local operating monies.	1.5
Total major asset events	<u>\$36.3</u>

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

Long-term Debt

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

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

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

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

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

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

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

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

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

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

The City Council adopted Debt Management Policy was amended in December 2006 and limited tax-supported debt not to exceed 4.5% of net assessed valuation of taxable property in the City. As of the end of FY 2013, outstanding tax-supported debt was 1.95% of net assessed valuation. In addition, the City Council adopted Budget Policy was amended in December 2006. It established that pay-as-you-go funding, as a percentage of the City's Five Year Capital Improvement Program, shall not be less than 10%, and it set a goal of 15%. Both policies were reaffirmed by City Council on November 23, 2010 with one Debt Management Policy revision to debt service payments for revenue supported debt from twenty to thirty years. Most recently, on February 26, 2013, City Council amended the Debt Management Policy to revise the 10-Year Principal Payout Ratio. The revision included the following provision for the Capital Improvement Program. "The 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program for Tax-Supported General Obligation Indebtedness." The Principal Payout Ratio as of June 30, 2014 was 84.29%. Detailed information on the City's long-term debt is included in Note 9 of this report.

ECONOMIC FACTORS

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

Although still an important sector, manufacturing no longer dominates the Lynchburg economy as it did in the past. AEP, the region's electric utility provider, remains the City's largest property taxpayer with a 3.8% increase in taxable assessed value over FY 2013. Wal-Mart Real Estate Business Trust, a predominant employer in the City, also saw a 6.9% increase in taxable assessed value over FY 2013. The ten principal property taxpayers, as a whole, realized a slight increase of 0.6% in taxable assessed value when compared to FY 2013. The City remains the retail hub for the region and has seen significant growth in the medical services, engineering, and higher education sectors. Other important sectors of the Lynchburg economy include wireless technology, finance, retail, restaurants, and tourism.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2014

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

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

Statement of Activities
For the Year Ended June 30, 2014

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

Balance Sheet
Governmental Funds
June 30, 2014

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

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

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

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

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

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

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

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

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

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

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

Statement of Net Position
Proprietary Funds
June 30, 2014

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

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

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

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

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

(Continued)

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

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

Greater Lynchburg Transit Company: The Greater Lynchburg Transit Company (“GLTC”) was created in 1974 to serve the greater Lynchburg area with public bus and paratransit transportation. GLTC is organized as a not-for-profit stock corporation with the City of Lynchburg as the sole stockholder. The capital for the purchase of the Company’s assets has been provided by federal, state, and local grants, and GLTC is dependent on various operating grants to subsidize operations. The City provides financial support to GLTC through the assumption of the obligation to finance GLTC’s deficits and through annual appropriations for the GLTC operating budget. In accordance with the Memorandum of Understanding signed in FY2013, when GLTC has an operating surplus, the City will establish a Special Reserve to support transit operations. The reserve will be used to cover unplanned cash shortfalls in the annual budget.

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

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

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blue Ridge Regional Jail Authority: (Continued)

The City sold its existing jail facilities to the Authority during FY1997. A new central jail facility was constructed in Lynchburg and opened in FY2000. It is owned and operated by the Authority. Each Member Jurisdiction pays a per diem charge for each day that one of its prisoners is at any Regional Jail Facility. In accordance with the Service Agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based on an agreed upon number of prisoner days, and is subject to an adjustment at the end of each fiscal year. During FY2014, the City paid \$5,325,696 to the Authority.

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

Regional Commission 2000: The City serves as the Local Workforce Investment Area grant recipient on behalf of the Regional Commission 2000/Central Virginia Local Workforce Investment Area VII. According to the requirements, grant funds are used to provide employment and training activities for adults and dislocated workers and to provide services for eligible youth. During FY2014, the Regional Commission 2000 received \$1,293,326 in grant funds.

Region 2000 Services Authority: During 2008, the City, in conjunction with the Counties of Campbell and Nelson and the City of Bedford, created the Region 2000 Services Authority (the "Authority"). The Authority commenced operations on July 1, 2008. The Authority operates two landfills. Each member jurisdiction pays a per-ton disposal charge for all waste transferred to the Authority. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-ton charge is based upon an assumed number of tons and is subject to adjustment at the end of each year. The governing Board is composed of one member from each of the participating localities. In accordance with the member use agreement, the City provided the Authority \$300,000 in initial start up costs. During FY2014, the City paid \$884,031 to the Authority.

Region 2000 Radio Communications Board: During 2012, the Central Virginia Regional Radio Communications Board was dissolved and replaced by the Region 2000 Radio Communications Board (the "Board"). Since the current regional radio system was in need of significant upgrade and replacement before July 1, 2014, the Board was formed in order to manage the project operations and maintenance, including the issuance of debt to finance the upgrades and replacements in an efficient and cost effective manner. The Board consists of representatives from Amherst County, Bedford County, the Town of Bedford, the City of Lynchburg, collectively the "Member Jurisdictions" and Virginia's Region 2000 Local Government Council ("Council"). The Member Jurisdictions and the Council entered into a Cooperative Agreement which requires each Member Jurisdiction to contribute their pro rata share for annual capital costs, operational costs, and any annual deficit. The City's pro rata share was 33.1% effective through July 1, 2013. In accordance with the Cooperative Agreement, the City transferred the title to all 1996 assets to the Council. The resulting intangible asset that represented the City's portion of the 1996 assets has been fully amortized as of June 30, 2014. The City made the final debt payment of \$135,629 for the 1996 assets during 2012. The Council issued debt of \$13,100,000 in May 2012 to finance the upgrade and replacement of the existing radio system. Each Member Jurisdiction contributes toward the debt service payments made by the Council through their pro rata share of capital costs. The City's pro rata share of capital costs is 30.1%. Should the Council fail to make debt service payments, the Member Jurisdictions have a moral non-binding obligation to pay the debt service. During FY2014, the City paid \$817,514 to the Board. The City's scheduled capital cost payment for FY15 is \$688,369.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

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

Lynchburg Redevelopment and Housing Authority: Under the *Code of Virginia* (“Code”), the Commonwealth of Virginia (“Commonwealth”) created in each city and county a redevelopment and housing authority which is a separate political subdivision of the Commonwealth. In April 1956, City Council activated the Lynchburg Redevelopment and Housing Authority (the “LRHA”) which owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the LRHA are appointed by City Council; however, City Council is not financially accountable for LRHA. During FY2014, the City appropriated \$146,202 to the LRHA from the Community Development Block Grant Fund.

Economic Development Authority of the City of Lynchburg: Under the *Code*, City Council passed an ordinance on March 14, 1967, which created the Industrial Development Authority of the City of Lynchburg (the “IDA”). The IDA was established to promote industry and develop trade within the City. The IDA is governed by a board of seven directors appointed by City Council; however, City Council is not financially accountable for the IDA. In 2008 City Council changed the name from the Industrial Development Authority (IDA) to the Economic Development Authority (EDA) to more accurately reflect the work of the Authority beyond the focus of industrial development. During FY2014, the City paid \$250,000 to the Economic Development Authority.

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

B. Basis of Presentation

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

Governmental Fund Types:

The City reports the following major governmental funds:

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

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

The City reports the following non-major governmental funds:

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

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

Proprietary Fund Types:

The City reports the following major proprietary funds:

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

Additionally, the City reports the following fund types:

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

Fiduciary Fund Types:

Agency Funds: Agency Funds account for assets held by the City as an agent or custodian for others. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City's agency fund is the Special Welfare Fund.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

- Typically, in early March the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1 and ending June 30 of the following year. The operating budget includes proposed expenditures and the means of financing them.
- Council studies the proposed budget at work sessions throughout the months of March and April and holds a public hearing to receive citizens' comments.
- The Council makes final budget decisions and adopts the budget through passage of an appropriations resolution during the month of May. By July 1 the City Manager prepares and distributes the adopted budget.
- The City prepares a five-year Capital Improvement Program (CIP) for the City Capital Projects, School Capital Projects, Water, Sewer, Stormwater, and Airport. The CIP specifies capital improvement or construction projects, which are tentatively identified for funding during the next five years, with the first year of the plan serving as the capital budget. Project budgets are utilized in the capital projects funds. Appropriations for the capital projects funds are continued until completion of applicable projects, even when projects extend for more than one fiscal year, or until repealed.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Receivables**

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

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

- **Inventory**

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

- **Capital Assets**

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

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Capital Assets (Continued)**

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

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

- **Deferred Outflows/Inflows of Resources**

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

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

- **Compensated Absences**

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Arbitrage Rebate Liability**

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

- **Net Position/Fund Equity**

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

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

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

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

F. Estimates

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 2. Cash and Investments

Deposits:

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

Investments:

Investment Policy:

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

Credit Risk:

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

As of June 30, 51% of the portfolio was invested in “Aaa” rated obligations; 4% was invested in “Aa1” Municipal Obligations; 5% was invested in “Aa2” Municipal Obligations; 1% was invested in “A1” rated Commercial Paper; 3% was invested in “A2” rated Commercial Paper; 2% was invested in “Aa3” rated Commercial Paper; and 34% was invested in an “AAAm” rated LGIP fund. The “Aaa” rated portion of the total portfolio included 10% of obligations guaranteed by the U. S. Government; 34% of Federal Agencies; and 7% of Municipal Obligations (percentages are based on the total portfolio). On August 5, 2011, Standard & Poor’s downgraded the long-term sovereign credit rating of the United States of America from “AAA” to “AA+” and affirmed the “A-1+” short-term rating. This downgrade relates to 57% of the City’s portfolio previously noted as “Aaa” by Moody’s Investors Service. All credit ratings presented in this paragraph are Moody’s or Standard & Poor’s as necessary.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Concentration of Credit Risk:

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

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

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

Interest Rate Risk:

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

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

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

* Weighted average maturity in days.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Custodial Credit Risk:

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

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

The above items are reflected in the statements as follows:

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

Note 3. Property Taxes

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

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 4. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2014 were as follows:

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

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

Interfund transfers were as follows:

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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

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

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

Note 6. Due From Other Governments

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

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

Due from members of the Regional Sewage Treatment Plant:

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2014

Note 7. Receivables

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 8. Capital Assets

Primary Government:

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

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation was charged to governmental functions as follows:

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

The Fleet Internal Services Fund, whose assets are reported as a part of the City's governmental assets, purchases vehicles that are used by the City's Enterprise Funds. Depreciation related to those vehicles is allocated to the Enterprise Funds. In prior years, the City Capital Projects fund, on occasion, would construct assets that were used primarily by the Enterprise Funds. Depreciation on these assets is also allocated to the Enterprise Funds. The \$370,673 of business-type depreciation reflected above is the allocation of this depreciation and is not reflected on the business-type activities asset information reported below.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 8. Capital Assets (Continued)

Component Units:

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

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 9. Long-Term Liabilities

General Obligation Debt:

As of June 30, 2014	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Primary Government			Total
					Public Improvements	School Facilities	Proprietary Funds	
Bond Anticipation Note								
Public Improvement- Line of Credit for Five Years	2.0 fixed	11/08/2011	2016	\$ 10,000,000	\$ -	\$ -	\$ 7,158,894	\$ 7,158,894
Serial Bonds								
VA Resources Authority	0.00	03/24/1994	2027	3,976,369	-	-	1,556,789	1,556,789
VPSA General Obligation	6.10-6.60	11/22/1994	2015	2,100,362	-	133,876	-	133,876
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	1,503,909	-	1,503,909
VPSA General Obligation	2.35-4.85	11/07/2002	2023	6,513,732	-	3,121,946	-	3,121,946
Public Improvement	3.00-5.00	06/01/2004	2034	28,160,000	525,000	405,000	280,000	1,210,000
Public Improvement Refunding	3.00-5.25	03/16/2005	2030	33,105,000	6,750,160	4,111,360	5,198,480	16,060,000
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	4,070,316	-	4,070,316
Public Improvement	4.00-5.00	05/09/2006	2026	23,840,000	10,693,040	4,217,234	1,844,726	16,755,000
Public Improvement	4.00-5.00	08/02/2007	2038	33,300,000	10,561,279	-	15,883,721	26,445,000
Public Improvement Refunding	2.93	03/19/2008	2015	8,000,000	155,533	145,374	198,093	499,000
Public Improvement Series A Tax Exempt	1.00-5.00	08/13/2009	2022	17,230,000	3,325,000	4,720,000	3,890,000	11,935,000
Public Improvement Series B Taxable Build America Bonds (BABs)	5.05-6.61	08/13/2009	2040	27,420,000	4,399,395	9,450,605	13,570,000	27,420,000
Public Improvement Series C Refunding	2.00-4.00	08/13/2009	2023	12,800,000	2,549,057	1,396,022	4,479,921	8,425,000
VPSA Gen Obligation	0.00	11/13/2009	2027	10,255,000	-	9,425,000	-	9,425,000
Public Improvement Refunding	2.00-5.00	10/20/2010	2034	29,655,000	9,443,932	7,199,429	11,801,639	28,445,000
Public Improvement Refunding	3.80	12/19/2012	2023	4,129,625	3,596,617	-	-	3,596,617
Public Improvement	2.75	10/23/2013	2028	10,000,000	7,063,425	937,213	1,999,362	10,000,000
					\$ 59,062,438	\$ 50,837,284	\$ 67,861,625	\$ 177,761,347

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

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

The Constitution of Virginia, Article VII, Section 10(a) sets forth the City's legal debt limit at ten percent (10%) of its real estate assessed valuation for the City's issuance of any bonds or other interest-bearing obligations. As of June 30, the City's aggregate general obligation indebtedness was \$177,761,347 and less than the state limit. In December 2006, City Council amended the Debt Management Policy, which limited tax-supported debt to four and a half percent (4.5%) of its net assessed valuation of taxable property. City Council reaffirmed the Debt Policy on November 23, 2010 with one revision to debt service payments for revenue supported debt from twenty to thirty years. City Council revised the Debt Policy on February 26, 2013 in the section entitled Tax-Supported Debt, Item 6. Previously, the Policy stated that the 10-Year Principal Payout Ratio shall not be less than 60%. With this revision, the Policy now states that the 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program. The principal payout ratio for the year ended June 30 was 84.29%. As shown in the Supplementary Statistical Table 20, outstanding tax-supported debt was 2.03% of net assessed valuation of taxable property. There are no overlapping tax jurisdictions.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 9. Long-Term Liabilities (Continued)

Revenue Debt:

As of June 30, 2014	Interest Rates %	Date Issued	Final Maturity	Original Issue	Sewer Fund
Virginia Resources Authority					
Public Utility Revenue Bonds	0.00	3/28/1995	2027	\$ 6,571,207	\$ 2,195,872
Public Utility Revenue Bonds	0.00	8/10/1995	2029	10,000,000	3,964,286
Public Utility Revenue Bonds	0.00	6/27/1996	2029	8,000,000	3,068,746
Public Utility Revenue Bonds	0.00	7/17/1997	2030	7,591,540	3,481,328
Public Utility Revenue Bonds	3.00	7/17/1997	2020	14,108,460	4,932,745
Public Utility Revenue Bonds	0.00	8/21/1998	2031	6,203,000	3,098,189
Public Utility Revenue Bonds	3.00	5/27/1999	2020	2,476,763	864,291
Public Utility Revenue Bonds	0.00	2/11/2000	2021	5,300,000	1,952,631
Public Utility Revenue Bonds	0.00	2/15/2001	2032	735,000	399,276
Public Utility Revenue Bonds	3.50	06/8/2001	2021	2,835,000	1,283,771
Public Utility Revenue Bonds	0.00	11/6/2001	2034	1,413,613	864,340
Public Utility Revenue Bonds	0.00	9/15/2003	2036	2,350,165	1,643,338
Public Utility Revenue Bonds	0.00	5/20/2004	2038	6,000,000	4,500,000
Public Utility Revenue Bonds	0.00	5/17/2005	2038	6,700,000	5,136,667
Public Utility Revenue Bonds	0.00	6/28/2006	2039	9,600,000	7,840,000
Public Utility Revenue Bonds	0.00	6/20/2007	2039	7,000,000	5,833,333
Public Utility Revenue Bonds	0.00	06/5/2008	2041	12,350,000	10,909,167
Public Utility Revenue Bonds	0.00	6/25/2009	2041	19,000,000	17,099,999
Public Utility Revenue Bonds	0.00	6/17/2010	2042	13,100,000	12,226,667
Public Utility Revenue Bonds	0.00	6/15/2011	2033	9,350,928	8,875,603
Public Utility Revenue Bonds	0.00	6/15/2011	2045	10,100,000	10,100,000
Public Utility Revenue Bonds	0.00	06/6/2012	2044	7,000,000	7,000,000
					<u>\$ 117,270,249</u>

The revenue bonds have been issued in accordance with the terms of an indenture agreement with the Virginia Resources Authority (VRA) of the Commonwealth of Virginia. The indenture agreement requires the City to pledge its Sewer Fund Revenues as collateral for the revenue bonds and to maintain debt coverage in the Sewer Fund equal to at least 1.15 of all debt service payments which exclude any refunded principal payments. As shown in the Supplementary Statistical Table 22, the debt coverage ratio for the year ended June 30 was 1.36.

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 9. Long-Term Liabilities (Continued)

Primary Government:

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

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

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

Debt Service to Maturity:

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 9. Long-Term Liabilities (Continued)

Debt Service to Maturity: (Continued)

Year Ending June 30	Business-Type Activities							
	General Obligation						Revenue Bonds	
	Water Fund		Airport Fund		Sewer Fund		Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,693,803	\$ 1,635,944	\$ 145,321	\$ 34,108	\$ 1,757,561	\$ 843,916	\$ 6,034,143	\$ 210,083
2016	1,741,654	1,566,362	112,479	27,675	1,772,254	777,282	6,238,058	174,501
2017	1,694,463	1,499,970	107,492	23,330	1,688,542	714,933	6,274,744	137,815
2018	1,610,944	1,431,819	100,078	21,336	1,570,788	653,562	6,312,571	99,989
2019	1,411,907	1,367,516	68,528	17,352	1,320,461	598,637	6,351,572	60,990
2020-2024	6,161,280	6,043,492	198,387	50,578	4,900,514	2,451,424	25,394,235	26,118
2025-2029	6,057,060	4,590,932	92,805	6,664	3,647,927	1,598,975	22,539,693	-
2030-2034	6,227,755	2,979,949	-	-	2,766,089	869,077	17,799,479	-
2035-2039	6,232,530	1,177,201	-	-	1,997,469	264,629	14,113,254	-
2040-2044	890,000	29,415	-	-	115,000	3,801	6,044,167	-
2045	-	-	-	-	-	-	168,333	-
	<u>\$ 33,721,396</u>	<u>\$ 22,322,600</u>	<u>\$ 825,090</u>	<u>\$ 181,043</u>	<u>\$ 21,536,605</u>	<u>\$ 8,776,236</u>	<u>\$ 117,270,249</u>	<u>\$ 709,496</u>

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

On November 8, 2011, the City issued a five-year General Obligation Bond Anticipation Note and concurrently entered into a bank qualified line of credit Financing Agreement with Carter Bank & Trust. The Agreement provided for borrowings of up to \$10,000,000 to provide interim financing for qualifying capital improvements. Interest on the unpaid principal is two percent (2%) per annum and payable on May 1 and November 1 each year. Final maturity of the Note is November 1, 2016. As of June 30, 2014, \$7,158,894 was outstanding for water capital projects only.

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 9. Long-Term Liabilities (Continued)

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

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

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

Component Unit – Lynchburg City Schools:

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 10. Fund Equity Balances

Fund Balance Policy:

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

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

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

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CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statement
As of June 30, 2013

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statement
As of June 30, 2013

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans

Defined Benefit Pension Plan:

Plan Description: The City contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the “System”). All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as service credit in their plan.

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

VRS PLAN 1

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

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

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

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

VRS PLAN 1 (Continued)

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

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

Normal Retirement Age – Age 65.

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

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

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

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

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

VRS PLAN 1 (Continued)

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

VRS PLAN 2

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

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

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

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

Normal Retirement Age – Normal Social Security retirement age.

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

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

HYBRID RETIREMENT PLAN

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

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

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

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

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

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

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

HYBRID RETIREMENT PLAN (Continued)

Creditable Service

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

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

Vesting

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

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

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

Distribution is not required by law until age 70½.

Calculating the Benefit

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

HYBRID RETIREMENT PLAN (Continued)

Normal Retirement Age

Defined Benefit Component: Same as VRS Plan 2.

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

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Not applicable.

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

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

Funding Policy: Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, the City and the Schools are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code* and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2014 was 25.89% of annual covered payroll. The Schools' contribution rates for the fiscal year ended 2014 were 16.66% for professional employees and 15.03% for non-professional employees. Both the City's and the School's contribution rates include the employee's share of 5.00%.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 11. Employee Benefit Plans (Continued)

HYBRID RETIREMENT PLAN (Continued)

Annual Pension Cost: For 2014, the City's and Schools' annual pension costs of \$10,574,818 and \$6,261,204 respectively, were equal to their required and actual contributions. The required contributions were determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.00% investment rate of return; (b) projected salary increases ranging from 3.50% to 5.35% per year for general government employees, 3.50% to 5.35% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a per year cost-of-living adjustment of 2.50% for Plan 1 employees and 2.25% for Plan 2 employees. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City's and Schools' assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and Schools' unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 28 years.

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

Funded Status and Funding Progress

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 12. Other Postemployment Benefits

City of Lynchburg

Plan Description

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

Benefits Provided

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

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

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

Membership

The number of participants as of the most recent valuation, July 1, 2014, was as follows:

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

Funding Policy

The City currently funds postemployment health care benefits on a pay-as-you-go basis. During FY2014, the City added \$12,962 in interest earnings to the funds committed for the OPEB liability. Total funds committed for OPEB at June 30, 2014 including interest are \$1,627,471. The City is exploring the possibility of developing a trust to accumulate and invest assets necessary to pay for the accumulated liability.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2014, the City's Annual OPEB Cost (expense) was \$3,501,875. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$1,659,135 for retirees, along with an Implicit Rate Subsidy of \$464,558 resulted in a Net OPEB obligation of \$5,525,059 for the year ended June 30, 2014.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 12. Other Post Employment Benefits (Continued)

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

City of Lynchburg (Continued)

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

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

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

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

Funded Status and Funding Progress

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 12. Other Post Employment Benefits (Continued)

City of Lynchburg (Continued)

Actuarial Methods and Assumptions

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

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

Lynchburg City Schools

Plan Description

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

Benefits Provided

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

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

Early Retirement Incentive Plan

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

Membership

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 12. Other Post Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Funding Policy

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

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

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

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

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

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

Funded Status and Funding Progress

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 12. Other Post Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the June 30, 2014 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used a 4% discount rate, and an initial annual healthcare cost trend of 9% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5.0%. The unfunded actuarial accrued liability is being amortized over 30 years and is based on a closed group. The fresh start method of amortization for the unfunded actuarial accrued liability was used for each year.

Note 13. Leases

Lessee:

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

Year Ending June 30	Operating Leases	
	Primary Government	Component Unit – Schools
2015	\$ 492,823	\$ 382,837
2016	97,365	354,429
2017	79,534	286,105
2018	58,534	232,241
2019	57,996	28,617
2020-2024	130,491	8,880
	<u>\$ 916,743</u>	<u>\$ 1,293,109</u>

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 14. Risk Management

The Risk Management Programs of the City are as follows:

Workers' Compensation: The City is self-insured for workers' compensation claims. All settled claims are paid through the General Fund. The liability for worker's compensation claims, including an estimate of incurred but not reported claims based on prior experience, to be paid in the next fiscal year and in future years is reflected in the statement of net position. Total claims paid for the year ended June 30 amounted to \$760,696.

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

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

Changes in aggregate liabilities were as follows:

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 14. Risk Management (Continued)

The Risk Management Programs of the Schools are as follows:

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

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

Healthcare: The Schools' professionally administered self-insurance program provides healthcare coverage for employees and retirees of the Schools on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the Schools. Under the program, the Schools are obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$330,000 per covered individual per contract year. Total claims expense of \$6,847,993 was incurred in the current year, and there were no claims above the per individual limit that would have been covered by the stop loss policy. Administrative fees and stop loss premiums for the current year totaled \$739,933. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled \$454,293 and have been recorded as a liability by the Schools.

Changes in aggregate liabilities were as follows:

		Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Healthcare	2014	\$ 679,143	\$ 6,623,143	\$ 6,847,993	\$ 454,293
	2013	\$ 1,557,448	\$ 7,297,192	\$ 8,175,497	\$ 679,143

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

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

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

Expenses of Schools – Component Unit (Exhibit 2)	\$ 96,201,805
Principal and other debt service expenses included in City	<u>6,580,193</u>
Total expenses/expenditures for School activities	<u>\$ 102,781,998</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 16. Commitment and Contingencies

Combined Sewer Overflow:

In 1994, and with subsequent permit renewals, the VDEQ issued a sewage discharge permit and Special Order of Consent containing the terms and conditions that would govern implementation of the City's CSO program. The permit requires the City to implement the CSO Long-Term Control Plan and to undertake certain combined sewer management practices designed to minimize CSO discharge until the sewer system is completely separated. The order established a project priority listing for implementation of the CSO control plan.

In 2000, the City completed an update of the Combined Sewer Overflow ("CSO") program developed in 1989. The purpose was to reevaluate the conclusions and recommendations of the original program, prioritize remaining work, and provide a current cost estimate for this work. After detailed evaluation of a wide variety of control alternatives, the update concluded that sewer separation remained the most cost-effective CSO control option. Total cost to complete the program was estimated to be \$276,000,000 in 1999 dollars. Updated estimates, as of June 30, 2014 indicate that the total remaining cost of CSO control work, including related work such as sewer replacement/rehabilitation, waterline replacement and street paving will total approximately \$266,600,000 in 2014 dollars. On September 5, 2014, Virginia Department of Environmental Quality ("VDEQ") approved significant modifications to the CSO Long-Term Control Plan that reflect a significant savings in costs to the City as well as meeting water quality standards.

VDEQ plans to develop a new consent order with the City that more accurately reflects the new CSO Long-Term Control Plan which moves from complete separation of the combined sewer system to a plan of capture, storage, and treatment of combined flows at the wastewater treatment plant. Until that time, the current Special Order of Consent remains in effect. It does not contain a strict compliance schedule for implementing the CSO Long-Term Control Plan, but rather provides for implementation based on criteria reflecting the limits of the City's financial capability. The current Special Order of Consent requires the City to meet several specific criteria such as: maintaining a sewer operating fund debt coverage ratio within a range of 1.1 to 1.5; ensure sewer fund reserves equal no more than 25 percent of the subsequent years' budgeted operating expenditures; and to maintain an average residential, yearly sewer bill that equals or exceeds 1.25% of the median household income based on 7 hcf (hundred cubic feet) of use per month. The City has successfully implemented its CSO Long-Term Control Plan since 1994 in accordance with the requirements of its permit and Special Order of Consent. The City is also required by the Special Order of Consent to submit an annual report by December 1 of each year to VDEQ on its compliance with the order and its progress with the CSO Long-Term Control Plan implementation. The report includes a review of the required financial targets by an independent consultant.

Contribution Agreement:

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

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 16. Commitment and Contingencies (Continued)

Contribution Agreement: (Continued)

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

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

Grant Programs:

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to being appropriate expenditures under terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, related to such audits would not be material to the financial position of the City at June 30, 2014.

Arbitrage:

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

Encumbrance Commitments:

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

MAJOR FUNDS

General Fund	\$ 772,946
City Capital Projects Fund	14,184,378
Total Major Funds	14,957,324

NON-MAJOR FUNDS

City Federal State Aid	203,277
Lynchburg Regional Juvenile Detention Center	16,483
School Capital Projects	8,199,717
Total Non-major Funds	8,419,477

TOTAL ENCUMBRANCES	\$ 23,376,801
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Construction Commitments:

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

Note 17. Subsequent Events

Loan Agreement:

In 2004, the City entered into a contract with the U.S. Department of Housing and Urban Development (HUD) whereas the City is the borrower and HUD is the guarantor of a Section 108 loan (Note 9). With the funds borrowed from HUD, the City entered into a loan agreement with Bluffwalk Center L.P. (Bluffwalk). The City loaned Bluffwalk \$3,200,000 with payments required twice a year. Bluffwalk failed to make all of the required payments to the City. The City fulfilled its obligation to HUD by making the required payments, obtaining the remaining funds from the Community Development Block Grant (CDBG). During FY 2014, Bluffwalk repaid the City, with interest, all missed principal and interest payments. The City, in accordance with guidance from HUD, will retain these funds for future principal and interest payments. Bluffwalk entered into another agreement with the City, whereby Bluffwalk agreed to pay \$100,000 in two semi-annual payments of \$50,000 each toward the HUD loan. The City will use the retained funds along with the \$100,000 to make the semi-annual payments to HUD. Subsequent to year end, Bluffwalk paid \$50,000 towards the required principal and interest payment.

Note 18. New Accounting Standards

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

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

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

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

REQUIRED SUPPLEMENTAL INFORMATION

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

Exhibit 12

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Lynchburg	June 30, 2013	\$ 200,789,530	\$ 327,454,876	\$ 126,665,346	61.32%	\$ 49,759,064	254.56%
	June 30, 2012	\$ 196,945,220	\$ 326,424,240	\$ 129,479,020	60.33%	\$ 46,957,864	275.73%
	June 30, 2011	\$ 200,045,493	\$ 318,926,726	\$ 118,881,233	62.72%	\$ 47,222,852	251.75%
	June 30, 2010	\$ 198,428,147	\$ 311,470,329	\$ 113,042,182	63.71%	\$ 47,220,511	239.39%
	June 30, 2009	\$ 202,019,421	\$ 287,328,940	\$ 85,309,519	70.31%	\$ 50,210,090	169.91%
	June 30, 2008	\$ 201,552,096	\$ 270,546,947	\$ 68,994,850	74.50%	\$ 49,236,962	140.13%
Lynchburg City Schools Non-professional Employees	June 30, 2013	\$ 11,190,693	\$ 13,727,582	\$ 2,536,889	81.52%	\$ 3,751,377	67.63%
	June 30, 2012	\$ 10,857,437	\$ 13,854,004	\$ 2,996,567	78.37%	\$ 3,493,026	85.79%
	June 30, 2011	\$ 10,964,882	\$ 13,656,067	\$ 2,691,185	80.29%	\$ 3,449,053	78.03%
	June 30, 2010	\$ 10,987,262	\$ 13,462,847	\$ 2,475,585	81.61%	\$ 3,590,809	68.94%
	June 30, 2009	\$ 11,098,240	\$ 12,575,079	\$ 1,476,839	88.26%	\$ 4,117,768	35.87%
	June 30, 2008	\$ 10,950,127	\$ 11,705,572	\$ 755,445	93.55%	\$ 3,907,886	19.33%

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

Exhibit 13

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Lynchburg	June 30, 2014	\$ -	\$ 89,784,846	\$ 89,784,846	0.00%	\$ 47,572,054	188.73%
	June 30, 2012	\$ -	\$ 60,963,806	\$ 60,963,806	0.00%	\$ 48,564,229	125.53%
	June 30, 2010	\$ -	\$ 58,445,937	\$ 58,445,937	0.00%	\$ 47,102,629	124.08%
	June 30, 2008	\$ -	\$ 50,541,000	\$ 50,541,000	0.00%	\$ 50,839,048	99.41%
Lynchburg City Schools	June 30, 2014	\$ -	\$ 7,984,513	\$ 7,984,513	0.00%	\$ 56,023,045	14.25%
	June 30, 2013	\$ -	\$ 7,666,529	\$ 7,666,529	0.00%	\$ 54,033,601	14.19%
	June 30, 2012	\$ -	\$ 8,780,625	\$ 8,780,625	0.00%	\$ 58,331,131	15.05%
	June 30, 2011	\$ -	\$ 8,540,002	\$ 8,540,002	0.00%	\$ 52,698,154	16.21%

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OTHER SUPPLEMENTAL INFORMATION

CITY OF LYNCHBURG, VIRGINIA

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

Nonmajor Governmental Funds:

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

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

Funds in this category include:

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

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

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

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

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

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

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

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

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

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

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

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

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

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

Balance Sheet
School Capital Projects
June 30, 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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SUPPLEMENTAL SCHEDULES

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1
(Continued)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(Continued)

	Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
Department of Homeland Security			
Direct Payments:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		97.036	\$659,621
Transportation Security Administration:			
Airport LEO Cooperative Agreement		97.090	107,820
Department of Transportation			
Direct Payments:			
Highway Planning and Construction		20.205	1,785,638
Passed through Commonwealth of Virginia:			
Department of Motor Vehicles:			
Alcohol Impaired Driving Grants		20.600	66,093
Environmental Protection Agency			
Passed through Commonwealth of Virginia:			
Virginia Resources Authority:			
Revolving Loan		66.458	8,375,943
Federal Aviation Administration			
Direct Payments:			
Department of Aviation:			
Airport Improvement Program		20.106	1,982,999
Federal Emergency Management Agency			
Direct Payments:			
Department of Homeland Security:			
Emergency Communications		97.042	14,114
Assistance to Firefighters		97.044	185,720
Staffing for Adequate Fire and Emergency Response (SAFER) Grant		97.083	476,369
Passed through Commonwealth of Virginia:			
Department of Emergency Services:			
Homeland Security		97.073	51,467
Department of Emergency Management:			
State Homeland Security Program Grant		97.067	34,800
<u>Component Unit - Lynchburg Schools</u>			
Department of Agriculture			
Passed through Commonwealth of Virginia:			
Department of Education:			
National School Lunch Program		10.555	2,186,990
National School Breakfast Program		10.553	781,413
Fresh Fruit and Vegetables		10.582	126,255
Department of Education			
Passed through Commonwealth of Virginia:			
Title I - Educationally Deprived Children - LEA		84.010	3,056,040
Title I - Neglected and Delinquent Children		84.013	3,557

(Continued)

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1
(Continued)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(Continued)

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

Donated Food
Received**Primary Government****Department of Agriculture**

Passed through Commonwealth of Virginia:

Department of Social Services:

Juvenile Detention Home (Commodities)

Opportunity House (Commodities)

Sparc House (Commodities)

10.555	\$2,487
10.555	426
10.555	415

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

Passed through Commonwealth of Virginia:

Department of Education:

National School Lunch Program (Commodities)

10.555	232,801
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TOTAL**\$236,129**

CITY OF LYNCHBURG, VIRGINIA

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

Note 1. Significant Accounting Policy

Basis of Accounting:

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

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

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

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

	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, 2014

Note 4. Subgrantees

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

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

Note 5. Program Income

Program income received in FY2014 totals \$1,724,129 of which \$1,430,364 came from the Bluffwalk project and \$293,765 was received through the sale of properties, loan repayments, and the Weed Program. In accordance with terms of the Community Development Block Grant Program, program income totaling \$293,765 was used to reduce the amount of federal funds in conjunction with the program's objective.

Note 6. Virginia Revolving Loan Fund (CFDA 66.458)

At June 30, 2014, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of \$117,270,249 which includes \$38,202,270 of federal funded loans. Expenditures associated with the federally funded loans totaled \$8,375,943 in FY 2014.

CITY OF LYNCHBURG, VIRGINIA

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

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

SCHEDULE 3

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

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

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

STATISTICAL SECTION

STATISTICAL SECTION

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

CONTENTS

Pages

MISCELLANEOUS STATISTICAL DATA

This section provides additional information about the City, form of government, taxable subjects for local taxation, City's Fund Balance, Debt Management, Budget, and Investment policies. 99-103

FINANCIAL TRENDS

Tables 1-12 contain trend information to help the reader understand how the City's financial performance and well-being have changed over the time. 104-117

REVENUE CAPACITY

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

DEBT CAPACITY

Tables 19-22 present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 124-127

DEMOGRAPHIC AND ECONOMIC INDICATORS

Tables 23-24 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 128-129

OPERATING INFORMATION

Tables 25-28 contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs. 130-133

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

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2014

DATE OF INCORPORATION

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

AREA OF CITY

The area of the City consists of 50.107 square miles.

POPULATION

United States Census 1990 (1)	66,049
United States Census 2000 (1)	65,269
United States Census 2010 (1)	75,826
United States Census 2011 (1)	76,448
United States Census 2012 (1)	77,203
United States Census 2013 (1)	77,376
(1) Source: Weldon Cooper Center for Public Service, www.coopercenter.org	

FORM OF GOVERNMENT

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

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

SEGREGATION OF TAXABLE SUBJECTS FOR LOCAL TAXATION ONLY

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

ASSESSMENTS

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

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

CITY OF LYNCHBURG, VIRGINIA

MISCELLANEOUS STATISTICAL DATA

June 30, 2014

(Continued)

TAX RATES

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

Real Property:

- \$1.11 per \$100 assessed value: 2013-2014
- \$1.05 per \$100 assessed value: 2008-2012
- \$1.11 per \$100 assessed value: 1998-2007
- \$1.13 per \$100 assessed value: 1997
- \$1.16 per \$100 assessed value: 1995-1996
- \$1.18 per \$100 assessed value: 1990-1994

Tangible Personal Property:

- \$3.80 per \$100 assessed value: 2005-2014
- \$3.30 per \$100 assessed value: 1990-2004

Machinery and Tools:

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

Local Sales Tax:

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

Utility Consumers' Tax:

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

Business, Professional, and Occupational License:

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

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

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

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

TAX RATES
(Continued)

Motor Vehicle License:

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

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2014
- \$0.15 on pack of twenty cigarettes: 1990-2003

Lodging Tax:

- A tax of 5.5% of the charge made for each room rented per night. In FY 2001, Lynchburg changed the lodging tax from 5.5% to 5.5% plus \$1 per room per night. Of the total lodging taxes, \$1,250,000 is allocated for tourism.

Meals Tax:

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

Ambulance Services:

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

TAXES DUE

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

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

DELINQUENT TAXES

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

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

OVERLAPPING AREAS AND DEBT

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

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

FUND BALANCE POLICY

The City council adopted a resolution in 1999 that was reaffirmed in 2008, revised in 2011, and re-adopted in 2013, which established major policy goal of maintaining the Unassigned General Fund Balance at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The Fund Balance Policy states:

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

DEBT MANAGEMENT POLICY

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

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

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

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

BUDGET POLICY

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

Principles

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

QUARTERLY FINANCIAL REPORTING

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

Third Quarter Review

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

INVESTMENT POLICY

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 140,548,447	\$ 139,205,720	\$ 139,856,317	\$ 143,158,392	\$ 155,791,105	\$ 161,777,277	\$ 164,804,823	\$ 166,830,517	\$ 175,165,215	\$ 183,957,611
Restricted	-	171,844	-	19,975,370	20,149,056	18,733,893	23,708,274	18,760,659	16,805,325	15,935,153
Unrestricted	33,754,620	46,486,579	56,819,180	58,219,507	64,928,380	65,970,506	61,798,935	71,824,701	73,963,009	69,801,835
Total governmental activities net position	<u>\$ 174,303,067</u>	<u>\$ 185,864,143</u>	<u>\$ 196,675,497</u>	<u>\$ 221,353,269</u>	<u>\$ 240,868,541</u>	<u>\$ 246,481,676</u>	<u>\$ 250,312,032</u>	<u>\$ 257,415,877</u>	<u>\$ 265,933,549</u>	<u>\$ 269,694,599</u>
Business-type activities										
Net investment in capital assets	\$ 119,234,122	\$ 125,543,179	\$ 134,385,674	\$ 146,157,075	\$ 152,089,577	\$ 167,081,709	\$ 180,332,606	\$ 182,791,158	\$ 189,456,676	\$ 196,909,298
Restricted	-	-	1,765	4,708	8,786	5,213	10,312	119,534	25,193	8,433
Unrestricted	26,928,368	29,667,849	35,582,153	33,515,192	18,461,675	20,419,761	18,709,510	19,388,092	19,764,741	20,968,416
Total business-type activities net position	<u>\$ 146,162,490</u>	<u>\$ 155,211,028</u>	<u>\$ 169,969,592</u>	<u>\$ 179,676,975</u>	<u>\$ 170,560,038</u>	<u>\$ 187,506,683</u>	<u>\$ 199,052,428</u>	<u>\$ 202,298,784</u>	<u>\$ 209,246,610</u>	<u>\$ 217,886,147</u>
Primary government										
Net investment in capital assets	\$ 259,782,569	\$ 264,748,899	\$ 274,241,991	\$ 289,315,467	\$ 307,880,682	\$ 328,858,986	\$ 345,137,429	\$ 349,621,675	\$ 364,621,891	\$ 380,866,909
Restricted	-	171,844	1,765	19,980,078	20,157,842	18,739,106	23,718,586	18,880,193	16,830,518	15,943,586
Unrestricted	60,682,988	76,154,428	92,401,333	91,734,699	83,390,055	86,390,267	80,508,445	91,212,793	93,727,750	90,770,251
Total primary government net position	<u>\$ 320,465,557</u>	<u>\$ 341,075,171</u>	<u>\$ 366,645,089</u>	<u>\$ 401,030,244</u>	<u>\$ 411,428,579</u>	<u>\$ 433,988,359</u>	<u>\$ 449,364,460</u>	<u>\$ 459,714,661</u>	<u>\$ 475,180,159</u>	<u>\$ 487,580,746</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	\$ 10,120,602	\$ 11,727,655	\$ 12,148,875	\$ 13,397,520	\$ 14,572,569	\$ 14,710,937	\$ 13,623,646	\$ 14,209,838	\$ 15,116,426	\$ 13,291,661
Judicial	4,717,917	5,099,725	5,471,591	5,626,570	5,707,528	5,633,105	6,329,475	6,546,970	6,406,888	6,518,627
Public Safety	35,823,077	39,639,402	40,397,195	43,152,656	43,233,506	42,794,498	44,365,150	44,743,484	47,390,090	48,816,945
Public Works	18,764,769	20,760,247	19,643,233	21,511,617	28,957,020	26,790,420	25,504,881	25,535,985	26,539,357	29,261,348
Health and Human Services	21,328,976	20,095,986	23,439,351	27,078,262	26,097,589	24,935,622	24,577,656	24,620,381	25,274,269	25,805,934
Culture and Recreation	8,195,390	8,943,345	9,432,337	10,247,701	10,364,636	9,852,641	10,247,781	8,413,428	8,503,945	9,001,804
Community Development	6,375,560	6,469,555	6,759,110	5,284,797	4,974,659	5,024,903	5,490,368	7,757,830	5,076,676	6,730,055
Education	28,638,013	32,618,426	33,539,288	36,727,401	35,807,016	33,876,792	35,171,968	36,667,051	40,568,308	42,640,199
Interest Payments and Fiscal Charges	4,634,912	4,999,355	5,444,098	5,821,141	5,605,088	6,286,182	5,625,344	5,481,482	5,005,302	4,721,429
Issuance Costs	192,828	173,943	-	216,051	-	483,236	170,210	28,450	29,815	204,180
Total governmental activities expenses	138,792,044	150,527,639	156,275,078	169,063,716	175,319,611	170,388,336	171,106,479	174,004,899	179,911,076	186,992,182
Business-type activities:										
Solid Waste Management	5,794,660	5,599,954	6,436,950	8,240,113	206,551	-	-	-	-	-
Stormwater (1)	-	-	-	-	-	-	-	-	2,038,265	2,542,077
Airport	3,405,121	3,505,550	3,545,346	3,882,343	4,062,502	4,308,441	4,374,509	4,394,934	4,151,032	4,370,888
Water	8,743,519	9,273,940	9,846,038	11,406,440	11,274,496	12,600,109	12,231,617	11,881,318	12,822,767	12,867,800
Sewer	11,800,236	12,431,230	12,757,627	14,431,645	14,976,951	15,069,642	15,889,515	16,705,588	16,195,043	17,350,599
Total business-type activities expenses	29,743,536	30,810,674	32,585,961	37,960,541	30,520,500	31,978,192	32,495,641	32,981,840	35,207,107	37,131,364
Total primary government expenses	\$ 168,535,580	\$ 181,338,313	\$ 188,861,039	\$ 207,024,257	\$ 205,840,111	\$ 202,366,528	\$ 203,602,120	\$ 206,986,739	\$ 215,118,183	\$ 224,123,546

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

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenues (see Table 3)										
Governmental Activities:										
Charges for services:										
General government	\$ 401,099	\$ 466,636	\$ 398,188	\$ 556,888	\$ 548,729	\$ 437,468	\$ 424,127	\$ 523,344	\$ 530,988	\$ 460,961
Judicial	620,348	741,266	730,625	716,313	737,613	846,930	686,417	781,941	917,900	816,341
Public safety	3,185,126	4,917,707	5,398,675	5,059,318	4,104,152	4,452,849	5,343,055	5,875,575	6,090,401	6,629,609
Public works	140,291	185,474	98,025	198,841	993,935	989,613	786,813	813,474	1,711,835	1,806,816
Health and human services	2,386,199	1,685,316	1,817,260	2,458,875	2,385,901	2,037,083	2,364,654	2,462,151	2,631,082	2,503,303
Cultural and Recreational	1,675,398	1,810,243	1,888,695	1,916,356	2,126,732	2,069,822	2,092,744	647,929	660,626	684,094
Community development	693,244	1,093,999	887,401	916,926	600,480	544,603	340,847	622,156	936,595	2,422,730
Operating Grants and Contributions	29,927,625	32,475,807	33,925,919	36,346,157	32,423,390	29,398,177	29,639,955	30,194,337	39,851,381	40,032,827
Capital Grants and Contributions	4,119,640	2,435,928	2,217,419	24,914,181	12,940,905	13,954,135	11,833,437	11,546,586	4,320,470	2,407,771
Total governmental activities program services	43,148,970	45,812,376	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049	53,467,493	57,651,278	57,764,452
Business-type activities:										
Charges for services:										
Solid Waste Management	6,985,739	7,219,229	7,276,645	6,313,555	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-	3,355,267	3,124,545
Airport	1,637,730	1,762,826	1,848,109	1,839,685	1,967,871	2,152,132	2,093,668	2,011,159	2,124,073	2,235,749
Water	9,488,676	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,314,865	12,985,275	13,478,920
Sewer	14,682,219	15,405,174	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990	18,520,421	18,913,651	19,763,592
Operating Grants and Contributions	311,173	415,801	398,850	406,261	178,948	203,659	202,704	158,129	951,522	810,040
Capital Grants and Contributions	5,562,333	3,066,896	8,918,563	7,490,370	4,826,469	15,197,159	10,563,426	2,007,777	2,827,806	5,697,350
Total business-type activities program revenues	38,667,870	38,222,229	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382	35,012,351	41,157,594	45,110,196
Total primary government program revenues	\$ 81,816,840	\$ 84,034,605	\$ 92,242,741	\$ 118,265,500	\$ 93,257,306	\$ 102,848,825	\$ 96,858,431	\$ 88,479,844	\$ 98,808,872	\$ 102,874,648
Net (Expense) Revenue										
Governmental Activities	\$ (95,643,074)	\$ (104,715,263)	\$ (108,912,871)	\$ (95,979,861)	\$ (118,457,774)	\$ (115,657,656)	\$ (117,594,430)	\$ (120,537,406)	\$ (122,259,798)	\$ (129,227,730)
Business-type Activities	8,924,334	7,411,555	12,294,573	7,221,104	5,874,969	16,139,953	10,850,741	2,030,511	5,950,487	7,978,832
Total Primary Government Net Expenses	\$ (86,718,740)	\$ (97,303,708)	\$ (96,618,298)	\$ (88,758,757)	\$ (112,582,805)	\$ (99,517,703)	\$ (106,743,689)	\$ (118,506,895)	\$ (116,309,311)	\$ (121,248,898)

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 49,831,096	\$ 60,191,431	\$ 57,241,907	\$ 63,187,947	\$ 65,185,656	\$ 67,786,672	\$ 69,849,510	\$ 70,054,855	\$ 74,446,360	\$ 74,994,389
Local sales and use taxes	12,221,811	13,319,691	14,481,096	14,266,750	13,056,829	12,675,632	13,290,563	13,440,973	13,589,747	13,842,292
Meals taxes	8,666,117	9,423,830	10,000,796	10,326,953	10,477,061	10,477,700	10,975,580	11,658,371	11,916,522	12,549,321
Consumer utility taxes	8,397,849	6,840,948	5,835,367	4,793,431	4,739,261	4,700,202	4,692,477	4,475,316	4,628,647	4,738,343
Business license taxes	7,032,917	7,675,284	7,922,666	8,010,597	7,913,270	7,818,381	7,263,543	7,885,841	8,057,554	8,580,699
Communications sales and use taxes	-	-	1,669,968	3,893,158	3,537,283	3,552,028	3,534,449	3,462,621	3,471,805	3,412,734
Other taxes	6,096,139	6,794,113	6,697,407	5,827,855	5,719,878	6,070,900	6,377,684	7,299,554	5,823,989	6,638,042
Unrestricted intergovernmental	8,405,457	9,434,886	9,687,718	6,227,484	5,601,254	5,576,232	5,418,525	5,940,422	6,052,604	6,240,433
Interest	954,317	1,785,705	3,082,813	3,522,533	1,716,449	794,471	601,999	438,375	201,735	295,656
IRS interest subsidy - Build America bonds	-	-	-	-	-	283,891	146,839	293,680	293,680	270,332
Miscellaneous	1,090,845	1,605,259	1,919,538	1,026,286	3,827,687	1,683,037	1,498,803	1,162,435	1,606,926	1,480,036
Transfers	(469,136)	(304,924)	11,134	(577,893)	16,198,418	(261,260)	(259,950)	(417,961)	(336,330)	(218,809)
Gain (Loss) on sale of assets	(705,032)	-	-	152,532	-	112,905	95,976	73,749	1,024,231	165,312
Total governmental activities	101,522,380	116,766,223	118,550,410	120,657,633	137,973,046	121,270,791	123,485,998	125,768,231	130,777,470	132,988,780
Business-type activities:										
Interest	582,522	1,248,981	2,382,245	1,784,508	825,779	207,953	206,665	210,782	108,977	132,701
IRS interest subsidy - Build America bonds	-	-	-	-	-	287,632	148,776	297,551	297,550	273,896
Miscellaneous	105,329	83,078	92,880	123,878	297,033	49,847	79,613	148,571	45,232	22,332
Transfers	469,136	304,924	(11,134)	577,893	(16,198,418)	261,260	259,950	-	336,330	218,809
Gain (loss) on sale of assets	(363,989)	-	-	-	83,700	-	-	417,961	209,250	12,967
Total business-type activities	792,998	1,636,983	2,463,991	2,486,279	(14,991,906)	806,692	695,004	1,074,865	997,339	660,705
Total primary government	\$ 102,315,378	\$ 118,403,206	\$ 121,014,401	\$ 123,143,912	\$ 122,981,140	\$ 122,077,483	\$ 124,181,002	\$ 126,843,096	\$ 131,774,809	\$ 133,649,485
Changes in Net Position										
Governmental activities	\$ 5,879,306	\$ 12,050,960	\$ 9,637,539	\$ 24,677,772	\$ 19,515,272	\$ 5,613,135	\$ 5,891,568	\$ 5,230,825	\$ 8,517,672	\$ 3,761,050
Business-type activities	9,717,332	9,048,538	14,758,564	9,707,383	(9,116,937)	16,946,645	11,545,745	3,105,376	6,947,826	8,639,537
Total primary government	\$ 15,596,638	\$ 21,099,498	\$ 24,396,103	\$ 34,385,155	\$ 10,398,335	\$ 22,559,780	\$ 17,437,313	\$ 8,336,201	\$ 15,465,498	\$ 12,400,587

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

(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program										
Governmental Activities:										
General Government	\$ 726,708	\$ 785,105	\$ 734,876	\$ 942,144	\$ 900,082	\$ 784,656	\$ 733,374	\$ 842,476	\$ 842,595	\$ 772,920
Judicial	3,716,905	3,907,807	3,978,858	4,477,871	4,319,914	4,434,426	4,405,123	4,685,775	4,369,390	4,705,330
Public Safety	6,235,060	8,551,169	8,489,027	11,106,642	11,638,433	10,221,136	11,507,560	10,901,882	12,249,088	12,655,192
Public Works	8,821,426	9,246,609	9,143,028	31,409,029	13,461,837	14,184,338	12,761,729	13,637,579	16,225,091	13,736,037
Health and Human Services	15,273,759	15,728,602	17,439,083	20,030,396	20,093,434	19,645,184	19,710,295	19,756,196	20,786,993	21,009,420
Culture and Recreation	1,973,444	2,085,063	2,125,708	2,117,677	2,332,948	2,266,212	2,335,925	842,913	932,261	1,335,292
Community Development	3,114,730	3,658,669	3,239,533	2,134,843	3,322,867	2,217,737	2,027,021	2,445,719	2,216,576	3,550,261
Education	3,286,938	1,849,352	2,212,094	865,253	792,322	976,991	31,022	354,953	29,284	-
Subtotal governmental activities	43,148,970	45,812,376	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049	53,467,493	57,651,278	57,764,452
Business-type activities:										
Solid Waste Management (1)	7,185,377	7,423,363	7,478,380	6,517,869	-	-	-	-	-	-
Stormwater (2)	-	-	-	-	-	-	-	-	4,005,267	3,774,545
Airport	3,213,025	3,468,328	10,159,028	7,283,243	2,889,032	4,917,589	4,331,554	3,452,187	5,046,920	5,214,040
Water	9,697,544	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,338,865	13,067,064	13,492,023
Sewer	18,571,924	16,978,235	16,845,346	20,110,651	21,800,842	31,171,530	26,552,234	19,221,299	19,038,343	22,629,588
Subtotal business-type activities	38,667,870	38,222,229	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382	35,012,351	41,157,594	45,110,196
Total primary government	<u>\$ 81,816,840</u>	<u>\$ 84,034,605</u>	<u>\$ 92,242,741</u>	<u>\$ 118,265,500</u>	<u>\$ 93,257,306</u>	<u>\$ 102,848,825</u>	<u>\$ 96,858,431</u>	<u>\$ 88,479,844</u>	<u>\$ 98,808,872</u>	<u>\$ 102,874,648</u>

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

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

TABLE 4

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

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

Note: Six years of data is available for GASB 34 compliance. Four years of data is available for GASB 54 compliance. GASB 54 was adopted in FY 2011.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 92,733,402	\$103,986,837	\$102,976,887	\$110,668,029	\$110,330,014	\$ 112,551,637	\$ 115,044,676	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029
Regulatory licenses, permits and privilege fees	635,880	1,025,782	887,272	849,742	650,514	664,028	683,712	916,546	991,098	1,068,270
Intergovernmental	40,066,285	43,636,173	45,511,572	67,254,109	50,772,908	48,877,101	46,663,521	47,320,286	50,245,714	48,326,225
Fines and forfeitures	552,797	593,518	581,986	586,661	612,595	667,756	598,424	721,839	726,438	634,485
Revenue from use of money and property	2,236,442	3,092,260	4,438,852	4,843,948	3,113,910	2,177,785	1,962,064	749,017	506,030	702,100
Charges for services	9,968,139	10,362,547	10,480,891	11,155,656	11,782,655	11,846,063	11,977,908	11,467,834	13,687,367	15,916,305
Miscellaneous	1,880,832	2,158,618	2,019,557	1,035,977	2,317,772	2,281,001	1,863,720	1,828,931	2,863,553	2,516,916
Total revenues	148,073,777	164,855,735	166,897,017	196,394,122	179,580,368	179,065,371	178,794,025	179,764,531	191,456,920	194,401,330
Expenditures										
General government	12,772,780	13,236,092	14,284,594	14,978,175	16,046,197	16,125,721	15,157,924	15,499,218	16,130,210	14,289,462
Judicial	4,573,231	4,875,257	5,279,455	5,359,727	5,478,171	5,347,422	5,553,219	5,790,132	5,767,935	5,758,228
Public Safety	35,179,870	36,850,835	38,394,220	40,564,072	41,723,778	40,379,295	42,216,297	42,427,687	46,421,193	46,660,711
Public Works	16,347,027	14,294,952	13,054,801	14,583,441	22,154,990	18,834,896	17,746,056	17,681,810	19,474,530	22,150,384
Health and human services	20,883,082	20,815,071	22,886,119	26,320,281	25,693,662	24,400,078	23,992,172	24,172,488	25,059,481	25,328,758
Cultural and recreational	7,770,918	8,291,783	8,753,747	9,197,360	9,496,115	8,915,422	9,114,228	7,383,687	7,672,890	7,611,982
Community development	6,352,211	6,333,310	6,716,287	5,097,359	4,990,958	5,200,664	5,507,839	7,734,642	5,072,557	6,519,328
Education (1)	27,714,269	30,057,224	30,330,939	33,170,354	32,191,853	29,472,854	30,343,130	31,830,468	35,590,981	36,856,139
Capital Outlay										
Capital general government (2)	13,049,200	13,958,226	14,285,864	14,477,202	33,101,444	37,055,272	12,891,432	10,688,906	14,864,174	22,238,043
Debt Services										
Principal Retirement	7,431,610	18,870,007	8,428,304	8,400,119	8,582,070	17,214,799	10,872,412	10,119,044	10,103,234	9,689,223
Interest payments and other fiscal charges	4,584,994	4,554,384	5,113,526	5,519,494	5,455,250	5,619,800	5,671,296	5,399,200	4,985,875	4,683,175
Issuance costs	192,826	173,943	-	216,051	-	483,236	170,210	28,450	29,815	204,180
Total expenditures	156,852,018	172,311,084	167,527,856	177,883,635	204,914,488	209,049,459	179,236,215	178,755,732	191,172,875	201,989,613
Excess (deficiency) of revenues over expenditures	(8,778,241)	(7,455,349)	(630,839)	18,510,487	(25,334,120)	(29,984,088)	(442,190)	1,008,799	284,045	(7,588,283)
Other financing sources (uses)										
Proceeds from debt issues	-	31,725,694	-	16,788,389	6,156,611	36,180,000	-	-	-	-
Premium on debt proceeds	-	732,486	-	167,163	-	993,827	-	-	-	-
Discount on debt proceeds	-	-	-	-	-	(959,560)	-	-	-	-
Issuance of refunding bonds	26,322,927	-	-	4,824,128	-	6,103,649	18,591,517	-	4,129,625	8,000,638
Issuance of refunding capital lease	1,679,825	-	-	-	-	-	-	-	-	-
Refunded bond principal payments	-	-	-	(4,756,894)	-	-	-	-	-	-
Payments to escrow agent	(28,063,727)	-	-	-	-	(6,046,285)	(18,397,260)	-	(4,129,625)	-
Capital contributions	1,938,525	-	-	-	-	-	-	-	(4,725,916)	-
Transfers in	4,731,105	4,969,990	14,494,290	7,790,103	25,197,199	5,962,962	10,739,030	11,057,987	9,560,807	9,978,763
Transfers out	(6,550,242)	(6,894,621)	(16,995,849)	(11,557,391)	(8,844,121)	(4,898,729)	(10,947,585)	(12,203,385)	(9,897,137)	(10,230,878)
Total other financing sources (uses)	58,413	30,533,549	(2,501,559)	13,255,498	22,509,689	37,335,864	(14,298)	(1,145,398)	(5,062,246)	7,748,523
Net change in fund balances	\$ (8,719,828)	\$ 23,078,200	\$ (3,132,398)	\$ 31,765,985	\$ (2,824,431)	\$ 7,351,776	\$ (456,488)	\$ (136,599)	\$ (4,778,201)	\$ 160,240
Debt Service as a percentage of noncapital expenditures	8.49%	14.90%	8.84%	8.65%	8.17%	13.56%	10.05%	9.25%	8.58%	8.11%

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

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	\$ 91,739,497	\$ 103,012,216	\$ 102,480,268	\$ 110,636,590	\$ 110,297,053	\$ 112,519,658	\$ 115,009,873	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029
Regulatory licenses, permits, and privilege fees	635,880	1,025,782	887,272	849,742	650,514	664,028	683,712	916,546	991,098	1,068,270
Intergovernmental	27,321,323	30,391,990	31,311,980	33,410,321	33,646,195	33,239,946	33,199,440	35,030,474	33,669,141	34,333,156
Fines & forfeitures	552,797	593,518	581,986	586,661	612,595	667,756	598,424	721,839	726,438	634,485
Revenues from use of money & property	1,373,658	2,130,172	3,377,730	3,308,104	1,403,024	995,450	840,217	690,069	437,531	640,544
Charges for services	6,442,510	7,376,311	7,083,847	7,198,099	7,593,070	7,905,479	7,907,113	7,676,012	9,949,886	10,555,494
Miscellaneous	955,066	1,261,164	387,005	452,272	1,168,236	1,132,221	945,324	871,056	1,097,217	1,150,545
Total revenues	129,020,731	145,791,153	146,110,088	156,441,789	155,370,687	157,124,538	159,184,103	162,666,074	169,308,031	173,619,523
Expenditures:										
Current operating expenditures:										
General government	12,499,485	13,176,072	14,111,441	14,561,922	15,808,721	15,896,808	15,453,014	15,908,597	16,408,318	14,507,532
Judicial	3,536,008	3,827,095	4,182,946	4,423,005	4,457,959	4,342,042	4,426,215	4,421,907	4,650,024	4,655,974
Public safety	31,113,303	32,782,350	34,640,217	36,703,695	36,981,993	36,756,234	38,405,071	38,845,495	42,026,411	42,455,002
Public works	10,616,660	11,801,684	11,565,845	11,257,662	17,209,120	14,432,901	15,139,289	14,436,170	15,547,537	16,403,344
Health and human services	15,744,061	16,111,220	16,577,034	18,890,171	19,126,038	18,532,152	18,713,485	18,268,410	18,905,329	19,184,011
Cultural & recreational	6,466,171	6,926,949	7,287,216	7,691,627	7,794,603	7,311,064	7,397,754	7,383,687	7,560,762	7,479,777
Community development	3,874,987	3,559,260	4,034,373	3,936,251	3,730,495	3,604,356	3,883,971	3,930,173	3,504,251	4,283,676
Education	27,125,060	29,894,763	30,418,183	32,932,233	32,150,370	29,443,654	30,310,602	31,696,712	35,308,205	35,709,226
Debt service:										
Principal retirements	7,024,174	18,326,124	7,702,865	7,812,969	8,152,512	16,708,675	10,354,910	9,706,899	9,693,099	9,359,924
Interest payments and other fiscal charges	4,246,388	4,273,525	4,794,314	5,212,231	5,121,995	5,307,936	5,380,142	5,225,436	4,829,728	4,544,745
Issuance costs	161,433	146,165	-	127,866	-	186,536	162,757	28,450	29,815	204,180
Total expenditures	122,407,730	140,825,207	135,314,434	143,549,632	150,533,806	152,522,358	149,627,210	149,851,936	158,463,479	158,787,391
Excess (deficiency) of revenues over expenditures	6,613,001	4,965,946	10,795,654	12,892,157	4,836,881	4,602,180	9,556,893	12,814,138	10,844,552	14,832,132
Other financing sources (uses):										
Issuance of bonds	-	10,644,739	-	69,980	-	7,082,817	-	-	-	57,468
Premium on debt proceeds	-	361,837	-	-	-	540,631	-	-	-	-
Issuance of refunding bonds	24,393,868	-	-	4,106,224	-	5,929,460	16,605,512	-	4,129,625	-
Refunded bond principal payments	-	-	-	(4,048,996)	-	-	-	-	-	-
Payments to escrow agent	(24,152,140)	-	-	-	-	(5,872,800)	(16,418,708)	-	(4,129,625)	-
Transfers in	994,616	504,783	126,333	26,150	6,450,066	464,020	546,826	283,272	18,524	4,761
Transfers out	(5,182,642)	(6,178,901)	(15,241,180)	(11,257,106)	(8,673,819)	(4,180,805)	(10,170,259)	(11,695,113)	(9,851,795)	(10,162,474)
Total other financing sources (uses)	(3,946,298)	5,332,458	(15,114,847)	(11,103,748)	(2,223,753)	3,963,323	(9,436,629)	(11,411,841)	(9,833,271)	(10,100,245)
Net changes in fund balances	2,666,703	10,298,404	(4,319,193)	1,788,409	2,613,128	8,565,503	120,264	1,402,297	1,011,281	4,731,887
Fund balance - beginning, as restated (1)	23,821,442	26,488,145	37,096,549	32,777,356	34,565,765	37,178,893	46,880,303	47,000,567	48,402,864	49,414,145
Fund balance - ending	\$ 26,488,145	\$ 36,786,549	\$ 32,777,356	\$ 34,565,765	\$ 37,178,893	\$ 45,744,396	\$ 47,000,567	\$ 48,402,864	\$ 49,414,145	\$ 54,146,032

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Intergovernmental	\$ 67,442,823	\$ 71,207,508	\$ 78,033,072	\$ 82,325,106	\$ 86,283,375	\$ 82,233,197	\$ 71,983,645	\$ 74,046,427	\$ 78,946,545	\$ 80,213,734
Revenue from use of money and property	2,100	32,611	31,600	34,279	6,748	1,314	527	136	106	-
Charges for services	324,097	395,382	1,344,909	1,380,153	1,367,940	1,228,196	1,504,368	1,556,187	1,468,451	1,471,332
Miscellaneous	392,233	343,074	159,662	208,542	111,542	230,075	804,264	1,197,197	590,372	520,942
Total revenues	68,161,253	71,978,575	79,569,243	83,948,080	87,769,605	83,692,782	74,292,804	76,799,947	81,005,474	82,206,008
Expenditures:										
Education:										
Instruction	52,327,742	55,484,371	60,849,179	63,943,555	66,182,342	61,342,226	54,022,173	54,189,572	57,096,206	57,686,592
Administration, attendance, and health	2,128,927	2,424,016	2,821,351	4,301,683	4,962,843	4,069,394	3,820,833	3,767,196	4,193,846	5,581,280
Pupil transportation services	3,214,586	3,774,716	4,112,219	4,698,221	4,122,671	3,508,602	3,786,131	4,418,735	4,661,286	4,690,144
Operations and maintenance	7,976,868	8,890,256	10,086,015	9,876,043	10,336,820	9,885,883	9,347,596	9,287,310	9,643,581	9,497,568
Food service and other	-	-	-	-	528	-	-	-	5,633	16,087
Facilities	-	-	-	-	55,414	64,784	48,403	40,563	87,879	20,365
Technology	-	-	-	-	-	2,048,301	2,037,654	2,362,774	2,049,937	3,244,460
Capital outlay	2,698,587	1,956,743	1,373,409	1,779,204	1,942,808	1,683,684	709,526	1,999,266	3,253,181	862,639
Debt service:										
Principal retirements	724,075	782,024	867,874	834,058	947,970	920,908	642,489	480,697	264,931	109,353
Interest payments	48,412	92,951	80,702	93,842	89,419	72,838	44,389	22,256	8,261	970
Total expenditures	69,119,197	73,405,077	80,190,749	85,526,606	88,640,815	83,596,620	74,459,194	76,568,369	81,264,741	81,709,458
Excss (deficiency) of revenues over expenditures	(957,944)	(1,426,502)	(621,506)	(1,578,526)	(871,210)	96,162	(166,390)	231,578	(259,267)	496,550
Other financing sources (uses):										
Capital lease proceeds	1,500,000	750,000	1,000,000	1,000,000	1,000,000	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	(433,046)	(23,726)	-	(26,655)	-
Total other financing sources (uses)	1,500,000	750,000	1,000,000	1,000,000	1,000,000	(433,046)	(23,726)	-	(26,655)	-
Net change in fund balances	542,056	(676,502)	378,494	(578,526)	128,790	(336,884)	(190,116)	231,578	(285,922)	496,550
Fund balance - beginning	997,627	1,539,683	863,181	1,241,675	663,149	791,939	455,055	264,939	496,517	210,595
Fund balance - ending	\$ 1,539,683	\$ 863,181	\$ 1,241,675	\$ 663,149	\$ 791,939	\$ 455,055	\$ 264,939	\$ 496,517	\$ 210,595	\$ 707,145

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

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

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

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating revenues:										
Charges for services and other operating revenues	\$ 9,488,676	\$ 10,352,303	\$ 10,397,780	\$ 11,269,882	\$ 11,705,595	\$ 12,029,026	\$ 12,462,594	\$ 12,314,865	\$ 12,985,275	\$ 13,478,920
Total operating revenues	9,488,676	10,352,303	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,314,865	12,985,275	13,478,920
Operating expenses: (2)										
Personal services and benefits	2,830,609	2,953,729	3,175,057	3,696,365	3,886,560	4,010,326	4,253,120	3,835,816	4,385,357	4,345,690
Operation and maintenance	1,120,155	1,052,595	1,086,665	1,439,712	1,296,658	1,839,617	1,234,608	1,158,818	1,460,251	1,453,789
Supplies and materials	650,421	833,802	915,748	1,409,039	1,451,738	1,353,184	1,471,159	1,296,768	1,220,000	1,218,645
Administration	1,318,927	1,359,399	1,329,083	1,299,889	1,227,113	1,084,407	1,174,601	1,182,821	1,220,437	1,308,718
Other charges	48,269	68,637	57,613	55,342	61,621	52,684	67,481	60,133	65,424	60,118
Depreciation	1,743,936	1,771,749	1,796,958	2,072,079	2,090,517	2,468,788	2,519,349	2,701,356	2,711,581	2,757,951
Total operating expenses	7,712,317	8,039,911	8,361,124	9,972,426	10,014,207	10,809,006	10,720,318	10,235,712	11,063,050	11,144,911
Operating income	1,776,359	2,312,392	2,036,656	1,297,456	1,691,388	1,220,020	1,742,276	2,079,153	1,922,225	2,334,009
Nonoperating revenues (expenses):										
Interest income	123,527	264,029	629,409	343,836	82,842	22,207	30,674	40,275	2,729	21,508
Governmental grants	-	-	-	-	-	-	-	-	72,289	13,103
Miscellaneous	26,984	3,902	8,468	28,142	25,223	29,613	19,585	10,847	16,535	2,122
Gain (loss) on disposition of assets	(8,422)	(17,683)	(12,880)	-	-	-	(293)	-	-	7,314
Interest on long-term debt	(963,889)	(1,135,500)	(1,382,240)	(1,331,124)	(1,267,391)	(1,796,575)	(1,520,334)	(1,643,503)	(1,751,114)	(1,708,765)
IRS interest subsidy - Build America Bonds	-	-	-	-	-	243,211	125,799	251,598	251,598	231,596
Total nonoperating revenues (expenses)	(821,800)	(885,252)	(757,243)	(959,146)	(1,159,326)	(1,501,544)	(1,344,569)	(1,340,783)	(1,407,963)	(1,433,122)
Income before contributions and transfers	954,559	1,427,140	1,279,413	338,310	532,062	(281,524)	397,707	738,370	514,262	900,887
Capital contributions	208,868	-	-	-	-	-	-	24,000	9,500	-
Transfers out	(147,123)	(182,846)	(77,000)	(215,500)	-	-	-	-	-	-
Change in net position	1,016,304	1,244,294	1,202,413	122,810	532,062	(281,524)	397,707	762,370	523,762	900,887
Total net position - beginning, as restated (1)	30,979,344	31,995,648	33,239,942	34,442,355	34,565,165	35,097,227	34,815,703	35,273,830	36,036,200	36,559,962
Ending net position:										
Net investment in capital assets	25,767,489	27,805,400	27,457,812	28,835,542	29,577,116	29,406,782	28,353,428	28,177,375	27,787,795	28,010,070
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,228,159	5,434,542	6,984,543	5,729,623	5,520,111	5,408,921	6,859,982	7,858,825	8,772,167	9,450,779
Total net position - ending	\$ 31,995,648	\$ 33,239,942	\$ 34,442,355	\$ 34,565,165	\$ 35,097,227	\$ 34,815,703	\$ 35,213,410	\$ 36,036,200	\$ 36,559,962	\$ 37,460,849

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

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating revenues:										
Charges for services and other operating revenues	\$ 14,682,219	\$ 15,405,174	\$ 16,040,587	\$ 17,861,892	\$ 17,716,586	\$ 18,536,169	\$ 18,023,990	\$ 18,520,421	\$ 18,913,651	\$ 19,763,592
Total operating revenues	14,682,219	15,405,174	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990	18,520,421	18,913,651	19,763,592
Operating expenses: (2)										
Personal services and benefits	1,894,076	1,919,958	2,094,012	2,497,423	2,580,269	2,690,817	2,821,960	2,963,550	2,731,139	2,871,425
Operation and maintenance	1,684,070	1,942,779	1,776,185	2,653,861	2,922,473	2,648,489	2,756,734	3,054,420	2,493,078	2,742,797
Supplies and materials	773,012	836,684	841,857	906,778	988,444	1,120,551	1,142,833	1,119,265	1,040,125	1,158,838
Administration	1,744,083	1,798,976	1,863,792	2,025,740	2,370,470	2,222,341	2,599,513	2,337,126	2,273,339	2,282,628
Other charges	23,902	40,887	34,347	35,078	35,903	45,466	39,915	70,699	33,447	44,651
Depreciation	3,777,969	3,954,820	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336	5,819,288	6,147,918	7,049,861
Total operating expenses	9,897,112	10,494,104	10,718,754	12,415,373	13,328,517	13,585,507	14,396,291	15,364,348	14,719,046	16,150,200
Operating income	4,785,107	4,911,070	5,321,833	5,446,519	4,388,069	4,950,662	3,627,699	3,156,073	4,194,605	3,613,392
Nonoperating revenues (expenses):										
Interest income	248,236	456,342	858,384	691,799	363,942	182,548	173,319	167,849	102,589	108,729
Governmental grants	38,500	38,500	38,500	38,500	38,500	93,000	93,000	-	93,667	10,759
Miscellaneous	5,157	29,183	6,558	5,800	257,943	15,985	15,936	125,336	11,999	11,170
Gain (loss) on disposition of assets	(305,674)	(24,334)	-	-	-	-	-	-	(160,294)	5,653
Interest on long-term debt	(1,777,877)	(1,777,407)	(1,901,244)	(1,838,986)	(1,632,263)	(1,496,908)	(1,477,230)	(1,359,726)	(1,234,971)	(1,148,525)
IRS interest subsidy - Build America Bonds	-	-	-	-	-	44,421	22,977	45,953	45,952	42,300
Total nonoperating revenues (expenses)	(1,791,658)	(1,277,716)	(997,802)	(1,102,887)	(971,878)	(1,160,954)	(1,171,998)	(1,020,588)	(1,141,058)	(969,914)
Income before contributions and transfers	2,993,449	3,633,354	4,324,031	4,343,632	3,416,191	3,789,708	2,455,701	2,135,485	3,053,547	2,643,478
Capital contributions	3,851,205	1,534,561	766,259	2,210,259	4,045,756	12,542,361	8,435,244	700,878	31,025	2,855,237
Transfers in (out)	(164,394)	(110,389)	(452,000)	(325,000)	-	-	-	(3,401)	-	126,734
Change in net position	6,680,260	5,057,526	4,638,290	6,228,891	7,461,947	16,332,069	10,890,945	2,832,962	3,084,572	5,625,449
Total net position - beginning, as restated (1)	75,646,728	82,326,988	87,384,514	92,022,804	98,251,695	105,713,642	122,045,711	132,997,076	135,830,038	138,914,610
Ending net position:										
Net investment in capital assets	69,171,836	73,629,641	74,801,294	78,570,747	89,162,429	103,867,512	118,483,855	122,482,265	128,264,125	133,496,405
Unrestricted	13,155,152	13,754,873	17,221,510	19,680,948	16,551,213	18,178,199	14,452,801	13,347,773	10,650,485	11,043,654
Total net position - ending	\$ 82,326,988	\$ 87,384,514	\$ 92,022,804	\$ 98,251,695	\$ 105,713,642	\$ 122,045,711	\$ 132,936,656	\$ 135,830,038	\$ 138,914,610	\$ 144,540,059

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

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

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

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

The Stormwater Fund was created in FY 2013.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating revenues:										
Charges for services and other operating revenues	\$ 1,637,730	\$ 1,762,826	\$ 1,848,109	\$ 1,839,685	\$ 1,967,871	\$ 2,152,132	\$ 2,093,668	\$ 2,011,159	\$ 2,124,073	\$ 2,235,749
Intergovernmental	71,309	146,198	129,582	132,487	178,948	179,276	168,209	158,129	135,566	136,178
Total operating revenues	1,709,039	1,909,024	1,977,691	1,972,172	2,146,819	2,331,408	2,261,877	2,169,288	2,259,639	2,371,927
Operating expenses: (2)										
Personal services and benefits	1,009,935	795,052	867,626	954,186	912,723	940,547	962,868	917,266	942,087	970,660
Operation and maintenance	424,166	695,575	751,314	710,025	825,665	962,156	993,088	979,812	1,008,265	1,160,643
Supplies and materials	88,525	111,521	96,152	117,270	99,852	107,755	118,586	122,848	113,371	133,670
Administration	191,387	231,161	235,657	231,223	203,813	242,702	233,300	263,522	243,385	233,277
Other charges	19,803	17,678	16,004	15,683	17,935	20,088	15,794	21,416	18,000	16,800
Depreciation	1,546,691	1,545,339	1,568,656	1,720,304	1,911,836	1,964,051	1,969,925	2,035,816	1,782,786	1,820,883
Total operating expenses	3,280,507	3,396,326	3,535,409	3,748,691	3,971,824	4,237,299	4,293,561	4,340,680	4,107,894	4,335,933
Operating loss	(1,571,468)	(1,487,302)	(1,557,718)	(1,776,519)	(1,825,005)	(1,905,891)	(2,031,684)	(2,171,392)	(1,848,255)	(1,964,006)
Nonoperating revenues (expenses):										
Interest income	16,873	63,986	106,412	33,985	15,788	3,198	2,672	2,658	3,659	2,464
Governmental grants	1,726	26,969	29,033	30,960	-	24,383	34,495	-	-	-
Passenger facility charges (3)	256,800	246,981	223,331	185,815	319,360	377,504	350,002	321,031	-	-
Miscellaneous	5,523	6,646	12,260	8,162	11,508	4,249	44,092	12,388	16,697	9,040
Gain (Loss) on disposition of assets	-	-	117,431	-	-	-	(17,651)	-	137,762	-
Interest on long-term debt	(107,691)	(89,365)	(103,910)	(108,456)	(86,964)	(73,265)	(64,581)	(54,416)	(45,020)	(39,411)
Total nonoperating revenues (expenses)	173,231	255,217	384,557	150,466	259,692	336,069	349,029	281,661	113,098	(27,907)
Loss before contributions and transfers	(1,398,237)	(1,232,085)	(1,173,161)	(1,626,053)	(1,565,313)	(1,569,822)	(1,682,655)	(1,889,731)	(1,735,157)	(1,991,913)
Capital contributions	1,245,460	1,285,354	7,928,973	5,094,296	422,853	2,184,294	1,685,180	961,868	2,452,072	2,512,162
Passenger facility charges (3)	-	-	-	-	-	-	-	-	335,209	329,951
Transfers in	419,980	398,485	367,337	359,364	295,850	261,260	259,950	421,362	336,330	218,809
Change in net position	267,203	451,754	7,123,149	3,827,607	(846,610)	875,732	262,475	(506,501)	1,388,454	1,069,009
Total net position - beginning - as restated (1)	23,022,477	23,289,680	23,741,434	30,864,583	34,692,190	33,845,580	34,721,312	35,003,927	34,497,426	35,885,880
Ending net position:										
Net investment in capital assets	22,022,931	21,640,700	29,582,661	34,351,746	33,350,032	33,807,415	33,495,323	32,131,518	33,305,694	34,631,136
Restricted	-	312,049	1,765	4,708	8,786	5,213	10,312	119,534	25,193	8,433
Unrestricted	1,266,749	1,788,685	1,280,157	335,736	486,762	908,684	1,478,152	2,246,374	2,554,993	2,315,320
Total net position - ending	\$ 23,289,680	\$ 23,741,434	\$ 30,864,583	\$ 34,692,190	\$ 33,845,580	\$ 34,721,312	\$ 34,983,787	\$ 34,497,426	\$ 35,885,880	\$ 36,954,889

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

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

(3) Beginning in FY 2013, Passenger facility charges are reported with capital contributions and transfers.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Real Estate	\$ 34,949,790	\$ 39,116,533	\$ 40,449,499	\$ 45,992,171	\$ 47,630,637	\$ 50,063,382	\$ 50,443,704	\$ 50,575,233	\$ 54,258,297	\$ 54,360,607
PSC Taxes	2,441,684	2,123,037	2,084,337	1,859,402	2,092,537	2,156,835	2,231,177	2,188,113	2,333,580	2,313,627
Personal Property Tax	12,337,162	18,512,544	13,601,986	15,404,439	14,888,406	14,735,238	15,452,280	16,138,693	16,757,814	17,578,172
Penalties & Interest	682,712	819,079	665,421	711,491	896,215	862,989	954,397	1,032,498	1,142,986	1,241,614
Sales & Use Tax	12,221,813	13,319,691	14,481,096	14,266,750	13,056,829	12,686,171	13,290,563	13,440,973	13,589,747	13,842,292
Utility Tax (1)	7,087,224	6,870,716	5,919,376	4,861,021	4,813,312	4,758,781	5,035,929	4,817,306	4,975,084	5,092,859
Business License Tax	7,371,507	7,237,403	7,569,060	7,649,395	7,324,838	7,297,765	6,999,206	7,197,936	7,463,878	8,037,473
Franchise License Tax (1)	574,721	584,346	316,824	4,277	500	4,527	8,554	4,527	500	-
Communication Sales & Use Tax (1)	-	-	1,669,968	3,893,158	3,537,283	3,552,028	3,534,449	3,462,621	3,471,805	3,412,734
Motor Vehicle Licenses	1,498,014	856,406	1,491,186	1,511,831	1,572,792	1,601,123	1,621,362	1,629,845	1,643,420	1,672,627
Bank Stock Taxes	545,221	598,733	503,322	442,123	500,385	685,879	901,240	817,990	722,734	769,284
Taxes on Recordation and Wills	561,009	786,799	809,424	661,671	401,833	525,417	381,719	461,835	549,056	486,321
Tobacco Taxes	1,087,358	972,337	1,002,130	1,014,759	1,044,465	953,513	936,648	974,864	1,025,289	975,078
Admission and Amusement Taxes	344,161	368,680	409,473	407,024	400,835	576,139	610,625	644,842	660,558	662,453
Hotel and Motel Room Taxes	1,392,866	1,491,943	1,565,191	1,698,848	1,742,232	1,667,064	1,738,042	1,787,719	1,967,393	2,125,145
Restaurant Food Taxes	8,666,119	9,382,349	9,974,012	10,289,669	10,426,915	10,424,786	10,904,781	11,585,083	11,874,579	12,666,743
Emergency Telephone Service Tax (1)	972,043	946,241	464,582	-	-	-	-	-	-	-
Total General Government Tax Revenues	<u>\$ 92,733,404</u>	<u>\$ 103,986,837</u>	<u>\$ 102,976,887</u>	<u>\$ 110,668,029</u>	<u>\$ 110,330,014</u>	<u>\$ 112,551,637</u>	<u>\$ 115,044,676</u>	<u>\$ 116,760,078</u>	<u>\$ 122,436,720</u>	<u>\$ 125,237,029</u>

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

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

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

Fiscal Year	Residential Property(3)	Commercial Property	Industrial Property	Total Taxable Assessed Value (2)	Direct Tax Rate
2005	\$ 2,091,324,700	\$ 827,888,000	\$ 271,014,300	\$ 3,190,227,000	\$ 1.11
2006	2,380,565,600	911,430,500	266,308,500	3,558,304,600	1.11
2007	2,454,171,000	941,845,300	275,614,800	3,671,631,100	1.11
2008	3,003,784,200	1,139,117,700	327,955,600	4,470,857,500	1.05
2009	3,115,326,600	1,176,377,700	330,533,200	4,622,237,500	1.05
2010	3,316,347,900	1,241,511,300	333,785,800	4,891,645,000	1.05
2011	3,346,989,900	1,273,290,400	343,349,000	4,963,629,300	1.05
2012	3,331,295,800	1,273,327,200	344,876,100	4,949,499,100	1.05
2013	3,349,936,800	1,280,432,600	355,677,600	4,986,047,000	1.11
2014	3,323,554,300	1,302,945,700	355,954,900	4,982,454,900	1.11

Source: Real Estate Assessor, City of Lynchburg, Virginia

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

(2) Excludes tax-exempt property.

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

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

Fiscal Year	Real Property (1)					Personal Property (3)				Machinery and Tools		Total Assessed	
	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	Value of Taxable Property	Total Direct Tax Rate (10)
2005	\$ 2,091,324,700	\$ 1,098,902,300	\$ 191,327,640	\$ 3,381,554,640	1.11	\$ 441,221,304	\$ 25,901,179	\$ 467,122,483	3.80	\$ 106,245,785	3.00	\$ 3,954,922,908	7.91
2006	-	-	-	-	-	464,880,808 (4)	-	464,880,808	3.80	113,654,354 (4)	3.00	578,535,162	6.80
2006	2,380,565,600	1,177,739,000	166,819,698	3,725,124,298	1.11	497,307,627 (5)	21,891,230	519,198,857	3.80	112,864,422 (5)	3.00	4,357,187,577	7.91
2007	2,454,171,000 (9)	1,217,460,100	163,455,331	3,835,086,431	1.11	514,804,057 (5)	22,435,903	537,239,960	3.80	128,776,059 (5)	3.00	4,501,102,450	7.91
2008	3,003,784,200	1,467,073,300	150,948,376	4,621,805,876	1.05	554,580,281 (5)	24,595,702	579,175,983	3.80	129,957,629 (5)	3.00	5,330,939,488	7.85
2009	3,115,326,600	1,506,910,900	173,670,897	4,795,908,397	1.05	505,110,365 (5)	23,990,045	529,100,410	3.80	138,538,171 (5)	3.00	5,463,546,978	7.85
2010	3,316,347,900	1,575,297,100	177,590,861	5,069,235,861	1.05	530,818,005 (5)	26,216,286	557,034,291	3.80	138,218,372 (5)	3.00	5,764,488,524	7.85
2011	3,346,989,900	1,616,639,400	184,591,013	5,148,220,313	1.05	547,011,982 (5)	26,206,858	573,218,840	3.80	142,664,977 (5)	3.00	5,864,104,130	7.85
2012	3,331,295,800	1,618,203,300	182,357,853	5,131,856,953	1.05	573,684,320 (5)	24,189,993	597,874,313	3.80	159,096,582 (5)	3.00	5,888,827,848	7.85
2013	3,349,936,800	1,636,110,200	184,575,507	5,170,622,507	1.11	586,098,054 (5)	23,632,441	609,730,495	3.80	150,157,140 (5)	3.00	5,930,510,142	7.91
2014	3,323,554,300	1,658,900,600	180,026,914	5,162,481,814	1.11	510,172,044 (6)	25,839,427	536,011,471	3.80	152,685,243 (6)	3.00	5,851,178,528	7.91

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

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

(2) Real estate and machinery and tools are assessed at 100% of fair market value.

(3) Effective July 1, 1989, personal property is assessed at 100% of average trade-in value.

(4) 2005 Personal Property Tax Levy in FY 2006.

(5) These figures have been updated to reflect all billings associated with the levy.

(6) 2014 Personal Property Tax Levy in FY 2014. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2015 to reflect all four billings.

(7) These figures are net of land use exemptions. Title 58.1-3230 through 3244 of the Code of Virginia provides for the assessment of land based on use value rather than market value.

Use value is the assessment of the land for a specific purpose and is generally lower than market value. This is a local option statute adopted by the City of Lynchburg.

(8) Commercial property also includes industrial property.

(9) The residential property amount for 2007 has been updated from the Fiscal Year 2007 CAFR to reflect net of land use exemption.

(10) When a government's individual direct rates apply to the same proportion of the revenue base, and does not apply to only a portion (such as residential, commercial, industrial) the Total Direct Rate is the sum of individual direct rates.

PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2014					2005				
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2014 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2005 Total Tax Levy	Percentage of Total Tax Levy
AEP	Utility	\$ 78,645,671	1	1.34 %	\$ 884,281	1.10 %	\$ 45,813,748	2	1.16 %	\$ 583,951	1.04 %
Areva NP Inc.	Nuclear Power Design & Fuel	55,972,591	2	0.96	1,222,784	1.52	30,253,289	6	0.76	919,180	1.64
Frito Lay, Inc.	Food Manufacturer	54,326,409	3	0.93	1,147,944	1.43	34,059,094	5	0.86	466,368	0.83
River Ridge, Ltd.	Shopping Mall	46,604,400	4	0.80	517,309	0.64	37,803,025	4	0.96	419,471	0.75
Verizon Va, Inc.	Utility	45,476,587	5	0.78	519,503	0.65	88,552,402	1	2.24	1,000,964	1.79
Genworth Financial, Inc.	Life Insurance	41,379,941	6	0.71	728,732	0.91	30,031,500	7	0.76	496,923	0.89
Wal-Mart Real Estate Business Trust	Retail	37,582,648	7	0.64	482,557	0.60	-	-	-	-	-
R R Donnelly (fmr Meredith-Burda)	Periodical Publication Printing	32,167,203	8	0.55	675,661	0.84	29,961,812	8	0.76	1,005,609	1.79
C.B. Fleet Co.	Pharmaceuticals	19,579,716	9	0.33	351,585	0.44	26,760,921	10	0.68	266,260	0.47
CCRC, Inc.	Nursing Home/Assisted Living	18,802,100	10	0.32	208,703	0.26	-	-	-	-	-
Columbia Gas of Virginia, Inc.	Utility	18,724,800	11	0.32	207,845	0.26	22,737,383	-	-	-	-
LU Candler Station Holdings LLC	Shopping Mall	17,588,400	12	0.30	195,231	0.24	-	-	-	-	-
Centra Health, Inc.	Medical	-	-	-	-	-	39,922,151	3	1.01	151,173	0.27
JDN Realty Corp, Inc.	Real Estate	-	-	-	-	-	27,717,344	9	0.70	204,736	0.37
Total		<u>\$ 466,850,466</u>		<u>7.98 %</u>	<u>\$ 7,142,135</u>	<u>8.89 %</u>	<u>\$ 413,612,669</u>		<u>9.89 %</u>	<u>\$ 5,514,635</u>	<u>9.84 %</u>
Total Assessed Valuation:		<u>\$ 5,851,178,528</u>					<u>\$ 3,954,922,908</u>				
Tax Levy:											
Real Estate		\$ 55,296,830									
Railroads and Pipelines		255,027									
Public Service Corporations		2,058,604									
Personal Property		<u>22,645,330</u>									
Total Tax Levy:		<u>\$ 80,255,791</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)
2005	\$ 55,674,712	\$ 54,679,067	98.21%	\$ 1,118,614	\$ 55,797,681	100.22%
2006	67,559,478	64,525,107	95.51%	2,605,439	67,130,546	99.37%
2007	63,281,557	60,579,970	95.73%	1,507,296	62,087,266	98.11%
2008	69,302,787	67,913,137	97.99%	2,138,597	70,051,734	101.08%
2009	70,934,803	68,912,258	97.15%	1,837,853	70,750,111	99.74%
2010	73,855,430	71,488,683	96.80%	2,079,537	73,568,220	99.61%
2011	76,494,301	72,759,636	95.12%	1,415,505	74,175,141	96.97%
2012	77,547,855	73,256,961	94.47%	2,383,387	75,640,348	97.54%
2013	81,037,405	77,536,743	95.68%	2,465,652	80,002,395	98.72%
2014	80,255,791	78,239,826	97.49%	-	78,239,826	97.49%

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

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

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

(3) This column represents collections in subsequent years for the tax levied in the noted fiscal year.

Notes:

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

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

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

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

Note: There is no overlapping government taxation.

Source: Information was obtained from Official Statements related to bond issuance for April 26, 2006, and July 19, 2007.

City of Lynchburg Adopted Budget Fiscal Year 2014

Commissioner of the Revenue for City of Lynchburg, Virginia www.lynchburgva.gov

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(dollars expressed in thousands, except for per capita amounts)

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

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

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

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

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

(1) Net Deferred Amounts include Premiums and Discounts.

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

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

(dollars in thousands, except per capita)

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

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

(1) See Table 15 for Assessed Valuations and Table 23 for population information.

(2) Includes principal only and excludes City of Lynchburg Public Utility Revenue Bonds.

(3) Net Deferred Amounts include Premiums and Discounts.

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

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

These figures will be updated in FY 2015 to reflect all four billings.

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

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

(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2014

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

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

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

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

(2) For FY 2005, the total net debt applicable to limit amount was revised to include bond anticipation notes.

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

**PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sewer Fund Operating Income	\$ 4,785,102	\$ 4,911,070	\$ 5,321,833	\$ 5,446,519	\$ 4,388,069	\$ 4,950,662	\$ 3,627,699	\$ 3,156,073	\$ 4,194,605	\$ 3,613,392
Plus:										
Depreciation & amortization	3,777,969	3,954,820	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336	5,819,288	6,147,918	7,049,861
Interest income received	248,236	456,342	858,384	691,799	363,942	226,969	173,319	167,849	102,589	108,729
Capital contributions from members										
Regional Sewerage Treatment Plant	383,901	384,746	385,623	386,530	394,761	431,486	474,581	451,645	480,922	614,353
Governmental grants & miscellaneous income	43,657	67,683	45,058	44,300	296,443	108,985	108,936	125,336	105,666	21,929
Intergovernmental transfer (4)	-	-	-	-	-	-	-	688,036	-	126,734
Capitalized cost (3)	-	-	-	-	-	-	229,662	258,186	220,691	159,026
Net Revenue per Indenture (1)	<u>\$ 9,238,865</u>	<u>\$ 9,774,661</u>	<u>\$10,719,459</u>	<u>\$10,865,641</u>	<u>\$ 9,874,173</u>	<u>\$ 10,575,945</u>	<u>\$ 9,649,533</u>	<u>\$ 10,666,413</u>	<u>\$11,252,391</u>	<u>\$ 11,694,024</u>
Debt Service										
General obligation bonds										
Principal (2)	\$ 2,217,270	\$ 2,210,090	\$ 2,386,638	\$ 4,207,969	\$ 1,810,056	\$ 2,103,851	\$ 2,259,476	\$ 2,061,150	\$ 2,053,469	\$ 1,860,166
Interest	1,415,544	1,204,587	1,445,911	1,411,626	1,233,745	1,128,126	1,139,108	1,053,216	961,054	908,213
Total	3,632,814	3,414,677	3,832,549	5,619,595	3,043,801	3,231,977	3,398,584	3,114,366	3,014,523	2,768,379
Revenue bonds										
Principal (5)	2,391,300	2,433,438	2,557,922	2,909,118	3,097,845	3,520,797	3,757,168	4,627,820	5,096,949	5,597,966
Interest	773,675	537,820	455,333	427,360	398,518	368,782	338,122	306,510	273,917	240,312
Total	3,164,975	2,971,258	3,013,255	3,336,478	3,496,363	3,889,579	4,095,290	4,934,330	5,370,866	5,838,278
Total Debt Service Principal and Interest	<u>\$ 6,797,789</u>	<u>\$ 6,385,935</u>	<u>\$ 6,845,804</u>	<u>\$ 8,956,073</u>	<u>\$ 6,540,164</u>	<u>\$ 7,121,556</u>	<u>\$ 7,493,874</u>	<u>\$ 8,048,696</u>	<u>\$ 8,385,389</u>	<u>\$ 8,606,657</u>
Debt Coverage	<u>1.36</u>	<u>1.53</u>	<u>1.57</u>	<u>1.21</u>	<u>1.51</u>	<u>1.49</u>	<u>1.29</u>	<u>1.33</u>	<u>1.34</u>	<u>1.36</u>

(1) In August 1994, the Virginia Department of Environmental Quality (DEQ) issued the City a discharge permit and a special Consent Order which established a compliance schedule and project priorities for implementation of a Combined Sewer Overflow (CSO) Control Plan. The compliance schedule does not contain fixed dates for implementing the CSO Control Plan, but rather provides for implementation that reflects the City's financial capability. The debt coverage calculation above is utilized to determine the City's financial capability for Consent Order compliance based on a minimum debt coverage ratio of 1.2.

(2) For FY 2008 General obligation bond principal payments exclude \$6,500,000 from an August 2, 2007 current refunding bond issue that permanently financed the May 9, 2006 General obligation bond anticipation notes (BANS).

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

(4) For FY 2012, the General Fund transferred \$688,036 to the Sewer Fund for maintenance and operation of the City's storm sewer system. For FY 2014, the Stormwater Operating Fund transferred \$126,734 to the Sewer Operating Fund which is the first of three installments to reimburse the Sewer Operating Fund for Stormwater Operating Fund's set up costs.

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

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

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

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

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

Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given. 2010, 2011 and 2012 are all based on a July 1st estimate published on January 27, 2014.

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

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

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

(4) United States Census - 2010

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

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

* Information unavailable

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

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

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

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

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

(2) Formerly Framatome

(3) Formerly Central Virginia Community Services

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

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

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

(7) Combined numbers for TRBC and Liberty University

(8) Formerly M/A-Com

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

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

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

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

(3) Refuse Collection was moved to Public Works Division.

(4) Solid Waste Fund Closed July 1, 2008.

(5) The Parking Division was formed in FY 2010.

(6) The Stormwater Fund began in FY 2013.

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical Arrests	6,717	6,996	6,634	6,813	6,662	6,605	7,039	6,879	6,835	5,927
Traffic Violations	11,477	10,926	10,634	11,327	14,489	12,672	11,437	12,506	12,483	10,366
Parking Violations	6,806	6,306	7,741	7,786	6,370	4,599	3,943	6,338	4,481	4,854
Fire (5)										
Number of Fire calls answered (per month)	328 (est)	463 (est)	501	517	506	518	574	511	315	268
Number of inspections conducted (3)	1,089	293	253	368	641	567	767	469	254	291
Number of EMS calls	12,782	13,032	13,764	14,660	15,279	15,124	14,731	14,393	20,612	20,113
Sanitation and Refuse										
Refuse collected (tons/day) (1)	66.45	70.74	72.22	69.68	69.03	69.35	69.74	70.14	72.96	65.58
Recyclables collected (tons/day)	6.42	5.34	5.34	6.73	7.45	7.23	7.31	6.85	6.46	5.26
Airport										
Total number of passengers	128,811	124,093	115,560	98,423	142,569	178,387	169,174	152,064	157,450	157,074
Sewage										
Number of service connections (4)	17,768	18,179	18,310	18,486	18,549	18,606	18,706	18,785	18,916	19,057
Average daily treatment in million gallons (2)	12.60	12.20	12.35	10.86	10.68	12.99	11.09	10.57	10.35	12.20
Maximum daily average capacity of treatment plant in million gallons	22	22	22	22	22	22	22	22	22	22
Maximum daily capacity of treatment plant in million gallons	44	44	44	44	44	44	44	44	44	44
Water										
Number of service connections (4)	21,522	21,930	22,044	22,158	22,290	22,265	22,361	22,422	22,517	22,628
Average daily consumption of plant in million gallons	11	11	10	12	11	12	11	10	10	10
Maximum daily capacity of plant in million gallons	26	26	26	26	26	26	26	26	26	26

Source: City Departments, City of Lynchburg, Virginia

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

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

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

Source: City Departments, City of Lynchburg, Virginia

- (1) The numbers stated for FY 2003-2006 differ from previously reported and reflect the actual data based on the information provided by Public Works Department.
- (2) The numbers stated for FY 2002-2006 differ from previously reported and reflect the actual data reported by American Electric Power.
- (3) Including Blackwater Creek Natural Area.
- (4) 10 locations with a total of 40 courts - including schools.
- (5) Mapping is under development. Complete information is not available.
- (6) The numbers stated for FY 1999-2007 differ from previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.
- (7) The increase in the number of route service buses is due to additional route covered according to the agreement with Liberty University.
- (8) GLTC purchased new paratransit buses to better serve the elderly population.
- (9) Kizer Elementary School used for Special Education, therefore, excluded from total number of elementary schools for reporting purposes.
- (10) The numbers stated for FY 2002-2010 differ from previously reported and reflect the actual data based on the information provided by the Parks & Recreation Department.

TABLE 28

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

Student Enrollment, Employees and Schools by Fiscal Year										
Description	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Elementary School Membership	3,840	3,793	3,877	3,916	3,937	3,934	3,968	3,987	3,975	4,020
Secondary School Membership	4,785	4,809	4,745	4,447	4,583	4,438	4,359	4,317	4,133	4,171
Total Membership	<u>8,625</u>	<u>8,602</u>	<u>8,622</u>	<u>8,363</u>	<u>8,520</u>	<u>8,372</u>	<u>8,327</u>	<u>8,304</u>	<u>8,108</u>	<u>8,191</u>
Teachers and Administrators (1)	753	776	772	774	780	759	977	851	836	850
Other Employees	471	470	482	482	482	449	250	223	195	219
Total Employees	<u>1,224</u>	<u>1,246</u>	<u>1,254</u>	<u>1,256</u>	<u>1,262</u>	<u>1,208</u>	<u>1,227</u>	<u>1,074</u>	<u>1,031</u>	<u>1,069</u>
Elementary Schools (2)	11	11	11	11	11	11	11	11	11	11
Secondary Schools	5	5	5	5	5	5	5	5	5	5
Total Buildings	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>

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

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

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

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

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

COMPLIANCE SECTION

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

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 7, 2014

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

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

Report on Compliance for Each Major Federal Program

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

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 7, 2014

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

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

Report on Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Compliance

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

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 7, 2014

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

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Comprehensive Services Act

Uniform Disposition of Unclaimed Property Act

Sheriff Internal Controls

State Agency Requirements

Education

Social Services

Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

FEDERAL AVIATION ADMINISTRATION COMPLIANCE MATTERS

Passenger Facility Charge Audit Guide for Public Agencies

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

CITY OF LYNCHBURG, VIRGINIA

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

A. SUMMARY OF AUDITOR'S RESULTS

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

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

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

CITY OF LYNCHBURG, VIRGINIA

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

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

Condition:

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

Recommendation:

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

Management's Response:

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

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

None.

E. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM

None.



REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Honorable 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, collectively hereafter referred to as the “City” for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 22, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City’s financial statements were:

- Management’s estimate of the useful lives of the capital assets, which is based on management’s experience and understanding of those assets.
- Management’s estimate of health insurance claims incurred but not reported as of June 30, 2014, which is based on data provided by the health insurance plan administrator.
- The estimate of the allowance for uncollectible ambulance accounts receivable is based on management’s evaluation of the balance and their review and evaluation of aged uncollectible accounts. The allowances for all other uncollectible accounts are based on management’s knowledge of the nature of the receivable and historical experience.
- Management’s estimate of the liability for other post-employment benefits, which is based on actuarial calculations and a variety of assumptions as disclosed in the notes to the financial statements.

DRAFT - for discussion purposes only

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

We evaluated the key factors and assumptions used to develop these estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements include those regarding capital assets, health insurance and other self-insurance claims liabilities, employee benefits, and commitments and contingencies.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as whole.

Management has determined that the following uncorrected adjustments are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Uncorrected Misstatements	Governmental Activities		Business-Type Activities/Enterprise Funds		Governmental Funds	
			Effect on			
	Change in Net Position	Net Position	Change in Net Position	Net Position	Change in Fund Balances	Fund Balances
Current year:						
• Additional accounts payable	\$ -	\$ -	\$ -	\$ -	\$ (86,600)	\$ (86,600)
• Landfill post-closure liability	-	(451,600)	-	-	-	-
• OPEB liability (see below)	(648,000)	(648,000)	(50,000)	(50,000)	-	-
• Allen Morrison cleanup estimate	-	(350,000)	-	-	-	(350,000)
• Current landfill liability	1,785,000	-	-	-	-	-
	<u>\$ 1,137,000</u>	<u>\$ (1,449,600)</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (86,600)</u>	<u>\$ (436,600)</u>

Management elected to record the OPEB liability using the actuarially determined calculation that assumes the City has prefunded the liability. However, while the City is considering prefunding the liability, to date they have not. As such the OPEB liability, is currently understated. All disclosures of actuarially accrued liabilities have, however been reported using accurate calculations.

In prior years the City changed its policy related to the capitalization of internal engineering costs. The change resulted in an uncorrected misstatement that reduces net position of the governmental and business-type activities by approximately \$1,258,000 and \$2,777,000, respectively. The effects of this misstatement are reduced each year by an insignificant amount of overstated depreciation.

Significant Audit Findings (Continued)

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2014, a copy of which is attached.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) as listed in the table of contents, that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information listed in the table of contents, which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

DRAFT - for discussion purposes only

Restriction on Use

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

This information is intended solely for the use of the City Council and management of the City of Lynchburg, Virginia and is not intended to be, and should not be, used by anyone other than the specified parties.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
_____, 2014

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES**

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Ronald L. Gillispie, Sheriff
City of Lynchburg, Virginia

We have performed the procedures enumerated below, which were agreed to by the City of Lynchburg, Virginia (the "City"), and the Auditor of Public Accounts of the Commonwealth of Virginia solely to assist you in evaluating the effectiveness of the City Sheriff's internal control over compliance with the *Virginia Sheriffs' Accounting Manual* issued by the Auditor of Public Accounts of the Commonwealth of Virginia and the criteria established in the *Code of Virginia* as of, and for the year ended, June 30, 2014. The Sheriff is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified above. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are presented below for the fund sources which were identified to us by the Sheriff's office and for certain other disbursements made by the Sheriff's office.

Court Support Services

1. Select two months' bank reconciliations to review for timely preparation and review by a supervisor. Additionally, determine if all items over \$1,000 that have been outstanding for more than 90 days or are unusual in nature are followed up on by the reviewer.
2. Select two of the monthly transmittal forms from the Sheriff utilized to transmit funds to the City Treasurer and determine:
 - a. Monthly summaries were prepared to account for all receipts collected and deposited to the Sheriff's account, less any disbursements to those owed funds collected on their behalf by the Sheriff.
 - b. Check was issued from the Sheriff's account to the Treasurer for the amount computed on the monthly summary.

Court Support Services (Continued)

3. For Sheriff's sales and levies, the Sheriff may withhold a commission in accordance with the *Code of Virginia*.
 - a. Inquire of the Sheriff if there were any sales held during the year.
 - b. Select the sales documentation from three sales and/or levies and determine that:
 - i. Sales commission was computed correctly. (Commissions are computed as 10% of the gross sale.)
 - ii. Net proceeds were issued on a check to the plaintiff owed the funds. (Net proceeds are the gross sales less the costs of the auction and the 10% Sheriff's commission.)
4. For disposal of unclaimed property in the possession of the Sheriff, the Sheriff has the option to retain the property for department use or to sell the property at a public sale. Unclaimed personal property for this purpose is any personal property which has been acquired by a law enforcement officer pursuant to his/her duties, which is not needed in any criminal prosecution, which has not been claimed by its rightful owner, and which the State Treasurer has indicated will be declined if remitted under the Uniform Disposition of Unclaimed Property Act.
 - a. Inquire of the client whether there was any unclaimed property during the year that was sold or retained for department use.
 - b. Select three items that were either sold or retained and determine that:
 - i. The Sheriff made reasonable attempts to contact the rightful owner to return the property.
 - ii. The Sheriff has obtained a notice (in writing) from the locality's Commonwealth's Attorney that the property in question is not needed for any prosecution.
 - iii. The Sheriff has received notice from the State Treasurer that the property will be declined if remitted under the Uniform Disposition of Unclaimed Property Act.
 - iv. The Sheriff has published a notice in a local paper for two weeks that there will be a public display and sale of the unclaimed personal property and the property was described in the notice.
 - v. For an item retained, the Sheriff determined that there is a legitimate use for the property and the retention of such property is more economical than purchase of a similar or equivalent item.
 - vi. If the item was sold, the Sheriff properly calculated the amount of the commission on the sale. (Commission is computed as 10% of the gross sale proceeds.)
 - vii. Net proceeds from the sale are retained for the owner and paid the owner upon proof that the individual owned the item sold. (Net proceeds are the gross sales price less the costs of the sale and the Sheriff's 10% commission.)
 - viii. Funds unclaimed by the former owner of the property within 60 days were properly deposited into the general fund of the locality.

Note: For fiscal year ended June 30, 2014, the Sheriff has represented to us that there were no Sheriff's sales or levies or any sales of unclaimed property.

Findings: None noted.

Credit Cards/Small Purchase Cards

1. Obtain the sign-out log and credit card statements for the year, select one statement from each department card account and determine the following:
 - a. Statement was reviewed by supervisor or other designated individual.
 - b. Receipts, invoices, or other applicable documentation was obtained for all charges to the card.
 - c. Charge card purchase was within established limits (dollar and type of purchase) of the Sheriff and/or locality credit card/purchasing card policy.
 - d. Requests for cards are required to be approved before card is issued for use (form, space on sign-out log, or some other documentation) to ascertain that all established purchasing and procurement policies are followed.
 - e. Card was returned prior to end of the business day (unless signed-out and approved to be kept for after hours or overnight travel or other afterhours activity). Ideally, card and receipts are returned to the individual with custody of the cards at the same time. That individual can then give the receipts to the appropriate person for statement reconciliation.
 - f. Determine that the card is issued in the name of the Sheriff's office or the name of the Sheriff or Deputy, with the locality name included. A card should never be issued in just the name of the individual Sheriff or Deputy.

Findings: None noted.

Procurement and Personnel

In performing the procedures above, we noted no non-compliance with the Virginia Public Procurement Act, or unusual personnel incentives, bonuses, etc. Our inquiries of the City's finance department and the Sheriff's office personnel indicate that purchases and payroll which are funded through appropriations by the local government (whether funded by local, state, or federal means) are subject to the same internal controls and procurement processes as the local government's other departments.

Controls over Cash Receipts

As noted in prior years, there are various points where cash collections are handled by only one person, or where one person may have access both to undeposited funds and the accompanying accounting records. This could allow for the misappropriation of funds to remain undetected. This is common at Sheriff's offices due to the limited number of staff.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the effectiveness of the internal control of the Sheriff's office. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City, the City Sheriff, and the Auditor of Public Accounts, and is not intended to be, and should not be, used by anyone other than those specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
August 5, 2014



INDEPENDENT ACCOUNTANT'S REPORT

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Management, the City Council,
and the School Board of
the City of Lynchburg, Virginia

We have examined management's assertion that the census data submitted to the Virginia Retirement System for the year ended June 30, 2014 is complete and reasonably free from material misstatements. Management of the City of Lynchburg, Virginia and Lynchburg City Schools is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, based on the requirements to be met by participants in the Virginia Retirement System as defined in the *Code of Virginia* Sections 51.1-136; Virginia Retirement System Employer Updates issued between September 2012 and June 2014; and Virginia Retirement System provided training on *myVRS* Navigator through the VRS University. Our results are summarized in Appendix A attached to this report.

This report is intended solely for the information and use of the City of Lynchburg, Virginia, Lynchburg City Schools, and the Auditor of Public Accounts of the Commonwealth of Virginia 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
September 25, 2014

Attachment

Appendix A

We identified two control environments during this review for which City of Lynchburg, Virginia and the Lynchburg City Schools were responsible.

The following table reflects the population size and sample size for each procedure performed over the control environment for which the City of Lynchburg, Virginia was responsible:

Required Audit Procedure	Population Size	Sample Size	Risks and Other Considerations Used to Determine Sample Size
Review of Census Data, Creditable Compensation, Contribution Amounts	1,258	40	• Prior year VRS compliance testing findings. • Assessment and testing of relevant internal controls. • Previous experience with management. • Stability of human resources management. • Complexity of related compliance matters.
Review of Newly Hired Employees	212	39	Same as above
Review of Monthly VNav “Snapshot” Reconciliation	12	3	Same as above
Review of VNav System Access	4	2	Same as above

The following table reflects the population size and sample size for each procedure performed over the control environment for which Lynchburg City Schools was responsible:

Required Audit Procedure	Population Size	Sample Size	Risks and Other Considerations Used to Determine Sample Size
Review of Census Data, Creditable Compensation, Contribution Amounts	1339	40	• Prior year VRS compliance testing findings. • Assessment and testing of relevant internal controls. • Previous experience with management. • Stability of human resources management. • Complexity of related compliance matters.
Review of Newly Hired Employees	525	39	Same as above
Review of Monthly VNav “Snapshot” Reconciliation	12	3	Same as above
Review of VNav System Access	5	3	Same as above



To the Members of the School Board and the Superintendent
of Lynchburg City Schools
Lynchburg, Virginia

During the audit of the financial statements of the Lynchburg City Schools (the “Schools”) for the year ended June 30, 2014, we did not detect any matters that warranted issuance of an internal control or management letter. However, in our communications to those charged with governance, we commonly include information on accounting and other matters that we believe is important enough to merit consideration by management and those charged with governance. In this document, we would like to make you aware of certain confirmed and potential changes on the horizon that may affect your financial reporting and audit in future years. Should you have any questions on these matters, please contact our firm.

ACCOUNTING AND OTHER MATTERS

GASB STATEMENT NO. 68

On June 25, 2012, the Governmental Accounting Standards Board (GASB) approved **GASB Statement No. 68**, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.

The AICPA State and Local Government Expert Panel (SLGEP) issued a Whitepaper in February 2014 titled *Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting* to assist with employer reporting. An excerpt from that Whitepaper is as follows:

“Once GASB Statement No. 68 is implemented, employers will be required to recognize a liability as employees earn their pension benefits (that is, as they provide services to the government). For the first time, employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan. Pension amounts to be recognized by employers include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. To the extent that a long-term obligation to provide pension benefits (that is, total pension liability) is larger than the value of the assets available in the plan to pay pension benefits, there is a collective net pension liability for which each employer will need to report its proportionate share in their financial statements. This is significant because the employer’s proportionate share of collective net pension liability will appear on the face of the employer’s accrual-based financial statements for the first time, along with the employer’s other long-term liabilities. In many cases, the net pension liability will be material, perhaps more so than any other long-term liability appearing in the financial statements. Further, changes in the net pension liability will be recognized immediately as pension expense, or reported as deferred outflows of resources or deferred inflows of resources, depending on the nature of the change, which could result in reporting four possible categories of deferrals for presentation purposes. Theoretically, the pension amounts reported individually by each employer participating in a cost-sharing plan will equal the collective pension amounts for the plan as a whole.”

ACCOUNTING AND OTHER MATTERS **(Continued)**

GASB STATEMENT NO. 68 (Continued)

Implementation challenges include obtaining the necessary information to support new recognized amounts. For those localities using the Virginia Retirement System (VRS), this information should be provided on your VRS report. As auditors, we will be challenged to obtain sufficient audit evidence to opine on these amounts.

GASB issued two pension implementation toolkits in March 2014, one for GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and one for GASB No. 68. The toolkits provide useful information, including implementation guides, for preparers and auditors to comply with the new requirements.

GASB Statement No. 68 is effective for periods beginning after June 15, 2014. Earlier application is encouraged.

GASB STATEMENT NO. 69

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

In addition, this Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

GASB Statement No. 69 is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

ACCOUNTING AND OTHER MATTERS (Continued)

GASB STATEMENT NO. 71

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.

The provisions of this Statement are required to be applied simultaneously with the provisions of **GASB Statement No. 68**.

OFFICE OF MANAGEMENT AND BUDGET (OMB) CHANGES TO SINGLE AUDITS

OMB released final guidance related to federal awards in December 2013. The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") consolidates previous guidance into a streamlined format that aims to improve both its clarity and accessibility, lessen administrative burdens for federal award recipients, and reduce the risk of waste, fraud, and abuse (Thomson Reuters "OMB Finalizes Federal Award Changes"). The most significant changes are as follows:

Single audit threshold increase. The audit threshold will be raised from \$500,000 to \$750,000 of federal expenditures. In addition, the Type A program threshold will be increased from \$300,000 to \$750,000. Finally, the percentage coverage of federal expenditures required for testing will be decreased from 50% to 40% for regular auditees and from 25% to 20% for low-risk auditees.

Changes to major determination process. The criteria to be considered a high-risk Type A program will include failure to have an unmodified opinion on the program, a material weakness in internal controls, or questioned costs exceeding 5% of the program's expenditures. In addition, there will also be a reduction in the number of high-risk Type B programs that must be tested from one-half to at least one-fourth of low-risk Type A programs.

Proposed reduction of compliance requirements subject to testing. Per Thomas Reuters PPC Update, "OMB'S original proposal included reducing the number of types of compliance requirements from 14 to 6, with several of the compliance requirements combined. The discussion of major policy reforms in the Uniform Guidance notes that because the compliance supplement is published as part of a separate process, no final changes were made at the time the Uniform Guidance was finalized. However, the Council of Financial Assistance Reform (COFAR) has recommended that any future changes made to the compliance supplement be based on available evidence on past findings and the potential impact of noncompliance for each type of compliance requirement. The COFAR further recommended that additional public outreach be conducted prior to making any structural changes to the format of the compliance supplement in order to mitigate an inadvertent increase in administrative burden."

ACCOUNTING AND OTHER MATTERS (Continued)

OFFICE OF MANAGEMENT AND BUDGET (OMB) CHANGES TO SINGLE AUDITS

Nonfederal entities are required to comply with the Uniform Guidance once the new regulations are in effect which is expected by December 2014. Audit requirements would apply to fiscal years beginning on or after December 26, 2014 (fiscal year ending June 30, 2016).

CURRENT GASB PROJECTS

GASB currently has a variety of projects in process. Some of these projects are as follows:

- ***Conceptual Framework – Recognition.*** The project's objective is to develop recognition criteria for *whether* information should be reported in state and local governmental financial statements and *when* that information should be reported. This project ultimately will lead to a Concepts Statement on recognition of elements of financial statements. Further developments on an Exposure Draft for recognition concepts was put on hold in August 2013 pending research being conducted pursuant to the reexamination of the financial reporting model.
- ***Economic Condition Reporting: Financial Projections.*** The objective of this project is to consider whether guidance or guidelines should be provided for additional information about economic condition, particularly financial projections, as part of general purpose external financial reporting. This project also will include consideration of the information users identified as necessary to assess the risks associated with a government's intergovernmental financial dependencies. The project is currently being deliberated. This project is currently on hold pending resolution of GASB scope.
- ***Fair Value Measurement and Application.*** There is a proposed GASB Statement that would enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent definition and accepted valuation techniques. The proposed Statement also would enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Note disclosures related to fair value would include:
 - Fair value measurement at the end of the period
 - Level of the fair value hierarchy
 - Description of valuation techniques
 - Any change in technique and the reason for the change
 - Reason for measurement (if nonrecurring)

Disclosures of quantitative information about significant unobservable inputs and their sensitivity to change are not required. An exposure draft was approved in May 2014 with a comment period ending August 2014. GASB anticipates issuing the final statement in February 2015.

ACCOUNTING AND OTHER MATTERS (Continued)

CURRENT GASB PROJECTS (Continued)

- ***Fiduciary Responsibilities.*** The primary objective of this project would be to develop guidance regarding the application of the fiduciary responsibility criteria in deciding whether and how governments should report fiduciary activities in their general purpose external financial reports. Other objectives of this project include assessing whether additional guidance should be developed to (1) clarify the difference between a private-purpose trust fund and an agency fund, (2) clarify whether a business-type activity engaging in fiduciary activities should present fiduciary fund financial statements, and (3) consider requiring a combining statement of changes in assets and liabilities for agency funds. The project is currently being deliberated.
- ***GAAP Hierarchy.*** There is a proposed GASB Statement that would supersede the GAAP hierarchy, as set forth in **GASB Statement No. 55**, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Currently, GASB Statement No. 55 includes four categories of authoritative GAAP. The proposed statement reduces the GAAP hierarchy to two categories. Category A includes GASB Statements of Governmental Accounting Standards (including previously issued GASB Interpretations). Category B includes GASB Technical Bulletins, GASB Implementation Guides, and guidance from the AICPA that is specifically cleared by the GASB. An exposure draft was issued December 20, 2013 with a comment period ending December 31, 2014. GASB anticipates issuing the final statement in June 2015..
- ***Lease Accounting – Reexamination of NCGA Statement 5 and GASB Statement No. 13.*** The objective of this project is to reexamine issues associated with lease accounting, considering improvements to existing guidance. This project will provide a basis for the Board to consider whether current operating leases meet the definitions of assets or liabilities. This project would provide an opportunity for a fresh look at the existing guidance for any improvements not contemplated by the FASB/IASB project given the unique nature of governmental entities and the complexities of their leasing transactions. An exposure draft document is expected to be issued for public comment in November 2014, with a final statement in late 2015.
- ***Accounting and Financial Reporting for Postemployment Benefits other than Pensions.*** The exposure draft states that “the principal objective of the proposed statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions. An additional objective is to improve the information provided in government financial reports about OPEB-related financial support provided by certain nonemployer entities for OPEB that is provided to the employees of other entities.” An exposure draft was issued for public comment in May 2014. GASB anticipates issuing the final statement in June 2015.

ACCOUNTING AND OTHER MATTERS
(Continued)

CURRENT GASB PROJECTS (Continued)

- ***Tax Abatement Disclosures.*** The objective of this project would be to consider developing disclosure guidance for governments that have granted tax abatements. For purposes of this project, tax abatements are a reduction of or exemption from taxes, offered by a government to a specific taxpayer, typically for the purpose of spurring economic development. The project would not consider guidance for programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizen or veterans, and which are not the product of individual agreements with each taxpayer. The project also would not consider issues related to recognition. GASB currently plans to issue an exposure draft in October 2014 and then issuing the final statement in August 2015.

REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Members of the School Board
and the Superintendent of
Lynchburg City Schools
Lynchburg, Virginia

As part of our audit of the City of Lynchburg, Virginia we have audited the financial statements of the Lynchburg City Schools (the “Schools”) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 22, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Schools are described in Note 1 to the financial statements. No new accounting policies of significance were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are described below.

- The useful lives of capital assets and the allowance for uncollectible accounts are based on management’s knowledge and judgment, which is based on history.
- The other post-employment benefits liability is based on an actuarial study provided by the Schools’ external actuary.
- The self-insurance liability is based on information from an external third-party consultant and subsequent claims information provided by the insurance carrier.

We evaluated the key factors and assumptions used to develop these estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements include those related to:

- Capital assets, commitments leases, health insurance claims incurred but not reported, and other post-employment liabilities.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as whole.

Corrected misstatements:

- An increase in the compensated absences liability and the related expense of approximately \$135,000 at the government-wide level.

Unposted adjustments:

- An opening balance adjustment of approximately \$57,000 resulting in an overstatement of beginning fund balance.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 7, 2014, a copy of which is attached.

Significant Audit Findings (Continued)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the schedules of funding progress, as listed in the table of contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction On Use

This information is intended solely for the use of the Board and management of the Schools 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 7, 2014



FINANCIAL SERVICES DEPARTMENT

November 7, 2014

Brown, Edwards, & Company, L.L.P.
Certified Public Accountants
319 McClanahan Street
Roanoke, Virginia 24014

This representation letter is provided in connection with your audit(s) of the financial statements of City of Lynchburg, Virginia (the "City"), which comprise 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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 7, 2014, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 22, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.



- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed.
- 11) We have provided the planning communication letter to all members of those charged with governance, as requested.

Information Provided

- 12) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us, if applicable.
- 22) We have a process to track the status of audit findings and recommendations, if applicable.
- 23) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 24) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report, if applicable.
- 25) The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

(Continued)

- 26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 27) As applicable, we have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 28) As applicable, we have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 29) As applicable, we have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 30) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 31) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 32) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 33) We have reviewed and agree with the assumptions used and calculations derived from those assumptions of specialists in evaluating the annual required contribution and resulting other post-employment benefit liability estimate and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- 34) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 35) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 36) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 37) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 38) Components of net position (net investment in capital assets; restricted; and unrestricted) , and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 39) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 40) Provisions for uncollectible receivables have been properly identified and recorded.
- 41) Construction Work in Progress has been properly classified as either a capital asset or an expense.
- 42) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 43) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 44) With respect to the EDA Revolving Loan program at the Business Development Centre, Inc., the City does not retain liability on loans defaulted on by businesses that benefit from the program.
- 45) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

(Continued)

- 46) Special and extraordinary items are appropriately classified and reported, if applicable.
- 47) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 48) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 49) We have not completed the process of evaluating the impact that will result from adopting new Governmental Accounting Standards Board Statements (GASBS) that are not yet effective, as discussed in the notes to financial statements. The entity is therefore unable to disclose the impact that adopting these Statements will have on its financial position and the results of its operations when the Statements are adopted.
- 50) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances, if applicable.
- 51) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 52) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 53) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 54) With respect to the supplementary information on which an in-relation-to opinion is issued.
- a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 55) With respect to federal award programs:
- a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b) We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133, and have identified and disclosed in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - c) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
 - d) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

(Continued)

- e) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133, and have included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- f) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- g) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- h) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- i) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- j) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- k) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- m) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- n) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- o) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- p) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- q) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- r) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- s) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

(Continued)

- t) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
 - u) We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133, if applicable.
 - v) We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings, if applicable.
 - w) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records, if applicable.
 - x) We have charged costs to federal awards in accordance with applicable cost principles.
 - y) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
 - z) We are responsible for preparing and implementing a corrective action plan for each audit finding.
 - aa) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations, if applicable.
- 56) We have evaluated and classified any subsequent events as recognized or not recognized through the date of this letter.
- 57) No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements, the schedule of federal expenditures of awards, or the schedule of findings and questioned costs.

Signed: L. Kimball Payne
L. Kimball Payne, III, City Manager
City of Lynchburg

Signed: Bonnie Svrcek
Bonnie Svrcek, Deputy City Manager
City of Lynchburg

Signed: Donna Witt
Donna Witt, Director of Financial Services
City of Lynchburg

Signed: Rhonda Allbeck
Rhonda Allbeck, Assistant Director of Financial Services
City of Lynchburg

Signed: Scott Brabrand
Scott Brabrand, Superintendent
Lynchburg City Schools

Signed: Anthony Beckles
Anthony Beckles, Chief Financial Officer
Lynchburg City Schools

ATTACHMENT

Uncorrected Misstatements	Governmental Activities		Business-Type Activities/Enterprise Funds		Governmental Funds	
			Effect on			
	Change in Net Position	Net Position	Change in Net Position	Net Position	Change in Fund Balances	Fund Balances
Current year:						
• Additional accounts payable	\$ -	\$ -	\$ -	\$ -	\$ (86,600)	\$ (86,600)
• Landfill post-closure liability	-	(451,600)	-	-	-	-
• OPEB liability (see below)	(648,000)	(648,000)	(50,000)	(50,000)	-	-
• Allen Morrison cleanup estimate	-	(350,000)	-	-	-	(350,000)
• Current landfill liability	1,785,000	-	-	-	-	-
	<u>\$ 1,137,000</u>	<u>\$ (1,449,600)</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (86,600)</u>	<u>\$ (436,600)</u>

Management elected to record the OPEB liability using the actuarially determined calculation that assumes the City has prefunded the liability. However, while the City is considering prefunding the liability, to date they have not. As such the OPEB liability, is currently understated. All disclosures of actuarially accrued liabilities have, however been reported using accurate calculations.

In prior years the City changed its policy related to the capitalization of internal engineering costs. The change resulted in an uncorrected misstatement that reduces net position of the governmental and business-type activities by approximately \$1,258,000 and \$2,777,000, respectively. The effects of this misstatement are reduced each year by an insignificant amount of overstated depreciation.

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 3

CONSENT:

REGULAR:

WORK SESSION: **X**

CLOSED SESSION:

(Confidential)

ACTION:

INFORMATION: **X**

ITEM TITLE: **Annual Report of the Region 2000 Partnership**

RECOMMENDATION: No action required.

SUMMARY: Representatives of the Region 2000 Partnership, the Local Government Council, the Workforce Investment Board, and the Business and Economic Development Alliance, will be in attendance to present their annual reports to Council.

PRIOR ACTION(S): None

FISCAL IMPACT: None

CONTACT(S): Kimball Payne, 455-3990

ATTACHMENT(S): LGC Annual Report; WIB Annual Report; Partnership Organizational Model

REVIEWED BY: lkp

156K



Local Government Council

FY 14 ANNUAL REPORT

Coming together is a beginning; keeping together is progress; working together is success. —Henry Ford

Letter from the Chair



Every jurisdiction in Region 2000 has representatives on the Local Government Council where we talk about timely issues of interest to local government. Sometimes our meetings revolve around state issues and sometimes around local issues that cross boundaries and impact neighboring jurisdictions.

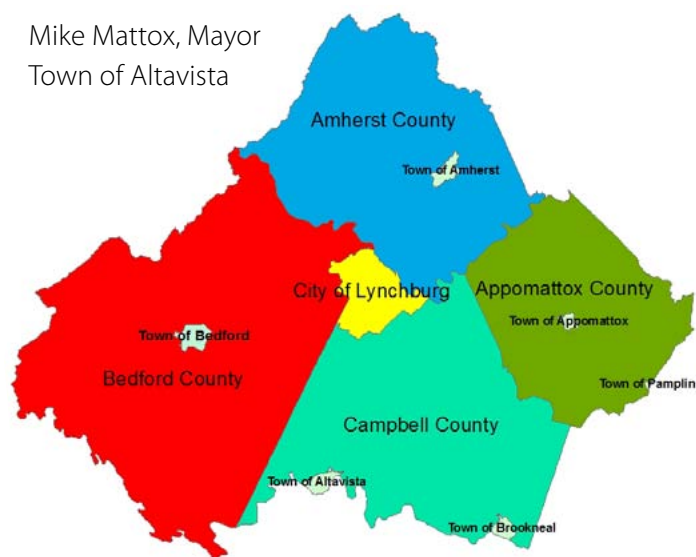
We use these meetings as opportunities to hear what's going on in neighboring jurisdictions and look for opportunities to hear about different approaches to common problems and sometimes common solutions.

The Local Government Council has a two-fold focus: First, we're looking to identify and implement multi-jurisdictional projects that will save our localities money or improve services to local government customers. Our regional landfill, the regional radio system, and proposed sharing of library administrative services are examples.

Secondly, the Local Government Council is committed to providing high quality customer service to the localities of the region. Whether it's traditional planning tools and grants writing, or managing state programs that include several jurisdictions, we place the highest priority in making sure that services to localities are professional, on time and on budget.

Thanks for being a part of the Local Government Council.

Mike Mattox, Mayor
Town of Altavista



Letter from the Executive Director

Much has remained the same over the 45 years that the Local Government Council has been in business. Every one of the original members of the Planning District Commission still participates and now towns in the region are included as well. The LGC is still the premier place where local government officials talk about important issues they face and where they get to know one another personally.

But much has changed as well. We now have a staff of seasoned professionals who have a strong track record of successful regional services to our localities. That successful track record includes the capability to manage large construction projects, bring home six figure grants, and manage multi-million dollar bond portfolios.

The Local Government Council has become a place where both elected officials and local jurisdiction staff can turn to exchange information and get lower cost professional services.

The staff of the Local Government Council looks forward to working with our member jurisdictions and stakeholders from throughout the region.

Gary Christie
Executive Director



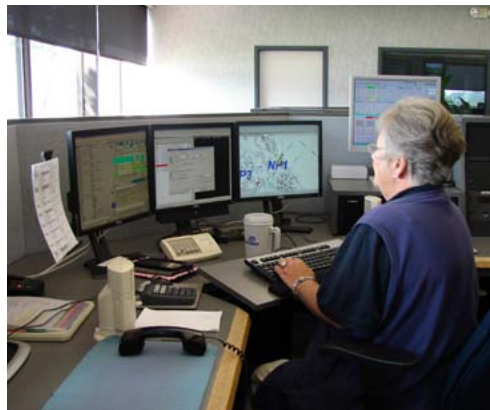
Regional Radio Communications Board

Amherst, Bedford and Lynchburg continue to move forward updating the 1997 regional radio system for public safety communications. To improve coverage, the system itself will grow from 11 repeater locations to 16 sites. The new sites include:

- *High Peak of Tobacco Row Mountain – Amherst*
- *Penhook area of Smith Mountain Lake – Bedford County*
- *Candler's Mountain – Lynchburg*
- *Thaxton Mountain – Bedford County*
- *Helm Street – Bedford Town*

Because the system will move from an analog to a digital, some of the older mobiles and portables will need to be replaced. The Local Government Council prepared a successful grant from FEMA's Assistance to Firefighters program which provided \$825,646 for the three jurisdictions to replace outdated mobiles and portables for their fire departments.

Switchover to the new system is expected in the summer of 2015. Contact Gary Christie at gchristie@region2000.org



Regional Services Authority



The Region 2000 Services Authority begins its seventh year providing solid waste disposal services for Appomattox, Campbell and Nelson Counties and the City of Lynchburg. Over the years, quantities of solid waste disposed have dropped by about 6% and the cost to localities has increased by approximately 2.3% a year to \$28.75 per ton.

It is estimated that regionalizing solid waste disposal services has saved over \$8 million in expenses, fees and cost avoidance for these jurisdictions in the form of low tipping fees and distribution of excess revenue.

The Authority continues an active recycling education program in Lynchburg and Campbell County.

Contact Clarke Gibson at cgibson@region2000.org

Regional Workforce Development

The Workforce Investment Board (WIB) manages a \$1.2 million federal grant to help adults, youth and displaced workers with job training and job placement. Through the Workforce Center located at the Plaza in Lynchburg, employees and employers alike get help with job placement and job training.



75% of the adults and 72% of the youth served at the Career Center were placed into employment or post-secondary education. 74% of Adults and 85% of youth earned some form of credential or certificate when served by our programs.

The WIB Board consists of business and community leaders from throughout the region who focus on ensuring that workforce development and education efforts are coordinated and effective to meet the needs of the businesses of the region. In the 2013-2014 school year the WIB provided funding to the Bedford County Schools and the Bedford Area Chamber of Commerce to launch an internship program for high school seniors to connect students with jobs in the local economy.

The Region 2000 WIB also provided funding to XLR8, the Governor's STEM Academy, which serves 25 high school juniors from nine different high schools in our region. Based on a Virginia Commonwealth University study released in April, 2014 the WIB funds experienced a 5 year return on investment (ROI) of \$10.51 and a 10 year return on investment of \$18.59 for each \$1 spent. Region 2000's ROI is ranked second in Virginia among the seventeen Workforce Investment Boards.

Contact Workforce Development Director Ben Bowman at bbowman@region2000.org

Advancing Alternative Transportation in Region 2000

LGC staff – in collaboration with RIDE Solutions and VDOT staff – continue to advance alternative transportation planning, development and public participation through a number of initiatives in FY 14 including:

Assist Localities with VDOT Transportation Alternatives Program (TAP) Applications



New sidewalk will separate walkers from the many trucks.

Staff assisted Lynchburg City and Altavista in writing, submitting and receiving FY2015 Transportation Alternatives Program (TAP) funding from VDOT. Lynchburg will utilize \$178,890 awarded funds, combined with 20% match of private funds from private businesses, to construct approximately 5,200 feet of sidewalk. The sidewalk will provide safe pedestrian movement to the approximate 1,400 workers employed in the Lynchpin Industrial Park.

Altavista was awarded \$82,330 towards the engineering and design phase of the Altavista Route 43 Downtown Gateway Project. This project will expand safe pedestrian and bicycle movement within this gateway into the Town's historic and commercial district and starting point of Virginia State By-Way Route 43.

Serve as Local Advocate to Assure Local Bicycle Corridor Visions are included within State and Regional Plans

Staff served as the local liaison for state initiatives to identify opportunities for rural shoulder widening and long-distance route identification. Specifically, staff provided VDOT State Bike and Pedestrian Coordinator a list of priority 2000 rural roadways from the Region 2000 Bicycle Plan for consideration in the shoulder

maintenance program. Staff represents Region 2000 as a member of VDOT's Bicycle and Pedestrian Advisory Committee, a coalition of organizations and localities across Virginia to review and provide guidance, as requested, to the VDOT's various bicycle and pedestrian program activities.

Lynchburg City – A Plan to Consider Bicycle Parking

LGC staff wrote a Draft Bicycle Rack Design Guideline to assist the City with a process to consider bicycle rack design, approval, and installation guidelines within City property.



Bicycle Facility Installation Continues

Staff has been a key partner with Lynchburg City's Public Works Department in identifying bicycle accommodation installation opportunities as articulated in the Region 2000 Bicycle Plan. In addition, staff has provided technical assistance to the Towns of Altavista and Amherst in looking for similar opportunities to establish bicycle accommodation strategies along roadway corridors identified in the regional bicycle vision plan. Activities included assisting their adopting the Town of Altavista Bicycle Plan.



Expanding Alternative Transportation Use

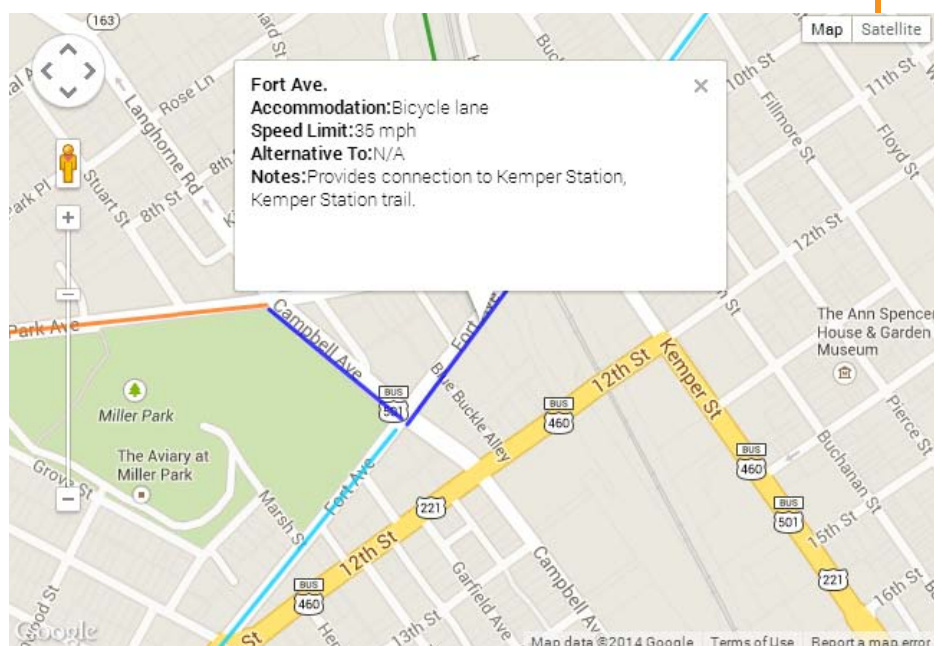
We begin our third year providing information to the region's commuters

about alternative transportation options - carpooling, transit, biking, and walking - to access work and community resources through the RIDE Solutions program, www.ridesolutions.org.

Lynchburg area employees can utilize the multiple RIDE Solutions programs and outreach tools to expand commuting options that can help employees lower commuting costs, support wellness programs, reduce parking demand, and expand labor pools. We share this service with the Roanoke and New River Valley Regional Councils. Some of RIDE Solutions program initiatives this past year included:

Interactive Bike Map

Currently housed on the RIDE Solutions website, this map provides an interactive summary of roadways, that either through existing roadway width and vehicle count or through a physical feature, such as bike lanes, provide a more appealing on-road bicycling environment. The map also outlines some specific routes to access community resources.



Bike Month and Clean Commute Challenge

Once again May was the month to challenge and encourage area residents to consider options to get to work and other community resources and RIDE Solutions hosted fun activities and events including:

a) Clean Commute Challenge Web-based competition where participants pledge to use a clean commute mode at least one day in the month. 24 participants registered on the site and pledged a total of 7,630 alternative transportation miles during May.

b) Art by Bus

During May Greater Lynchburg Transit Company (GLTC) buses were turned into rolling galleries as artwork from 99 Lynchburg City Elementary and Middle School Students was displayed. Nine Art by Bus Contest Winners and their winning submissions were presented at the May 16th GLTC Kemper Street Transfer Center Grand Opening. All of the winning artwork is framed and will be displayed throughout the year at the new GLTC Transfer Center.



Student artwork was showcased on GLTC buses all May

c) Bike Shorts Film Festival

Lynchburg's first screening of RIDE Solutions' Bike Shorts Film Festival was held at Riverview Artspace May 16 - National Bike to Work Day. Approximately 70 individuals squeezed into Riverviews screening room to view 22 films that all featured a bicycle at least once in the film. Films were submitted from as far away as Vancouver and England and as close as Lynchburg.



Participants enjoy Lynchburg's first Bike Shorts Film Festival screening.

d) Extraordinary Bike Professional Award

Davy Hazlegrove, Blackwater Bike Shop owner, was chosen as the 2014 Extraordinary Bike Professional. Davy stood out among the submitted nominees across the service area for his professional dedication and cycling support through his personal and civic dedication to promoting bicycling safety and his assistance to Lynchburg City in the maintenance and planning of the off-road trail network.



Hazlegrove (left) receives his Extraordinary Bike Professional Award

Contact Kelly Hitchcock at khitchcock@region2000.org

Route 221 Corridor Study

The Central Virginia Metropolitan Planning Organization, Bedford County, and the City of Lynchburg worked together to accomplish the Route 221 Corridor Study during FY 14. Working with VDOT and the consulting firm EPR, the project team identified recommendations to improve the safety and function of the corridor over time. Both Bedford County and the City will consider including this effort in their respective comprehensive plans this coming year.

Contact Bob White at bwhite@region2000.org



Central Virginia Long Range Transportation Plan Year 2040 Update



Every five years the Central Virginia Metropolitan Planning Organization takes a comprehensive look at our transportation environment and priorities. Beginning in FY 15 and finishing the next year, there will be a series of community meetings to assess our current plan

and make appropriate updates, as needed.

One important change in the 2040 plan will be to incorporate a process ranking identified transportation projects. This is

particularly important given the Commonwealth is moving to a statewide prioritization effort beginning in 2017. Our prioritization effort can help ensure the regional community is putting forth the most competitive projects possible in the face of continued transportation funding challenges facing the Commonwealth.

The Plan update also will work to forge a stronger link between our region's transportation plan and the region's economic development plan. Tying transportation and economic development more closely together will better position our communities to take advantage of economic development opportunities.

Contact Bob White at bwhite@region2000.org

Support to Local Transit Providers

Local Government Council staff provided the Altavista Community Transit System (ACTS) with mapping and route planning assistance.

LGC staff provided the Greater Lynchburg Transit Company (GLTC) with the planning assistance associated with keeping the bus stop database current. Keeping a current inventory of bus stops promotes the overall efficiency of system operations and management.

LGC staff also completed an ADA accessibility study for GLTC. This study examined characteristics attributed to ADA accessibility for all bus stops within the GLTC fixed route system. The overall findings showed that roughly

50% of all bus stops within the system met all ADA requirements. 726 stops and their corresponding attributes were captured during the data gathering process. Methods to alleviate ADA challenges at stops were reviewed and presented to the ADA advisory board. A list of prioritized improvements related to ADA accessibility and connectivity was provided to GLTC officials.

Contact Philipp Gabathuler at pgabathuler@region2000.org



Regional Economic Statistics

A new set of economic data is now available at www.region2000dashboard.org. Developed in a partnership between the Federal Department of Commerce's Economic Development Administration, the Region 2000 Workforce Investment Board and the Local Government Council, this economic data will be the foundation data for our Comprehensive Economic Development Strategy.

Certain data sets will be updated as often as every three months. Contact Scott Smith at ssmith@region2000.org



COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY



Substantially reconstructed home during construction within the project area.

Madison Heights – Amherst County

Madison Heights CDBG – Staff is providing project administration services to the \$1,222,249 multi-year Comprehensive Community Development Block Grant (CDBG) to provide infrastructure and housing rehabilitation improvements within a portion of the Old Madison Heights Community.

Currently four homes have been rehabilitated and the water, sewer, roadway and drainage improvements are almost complete.

Contact Kelly Hitchcock at khitchcock@region2000.org

Region 2000 Stormwater Management Committee

The Region 2000 Stormwater Management Committee continued to meet this year in preparation for the July 1, 2014 implementation of statewide stormwater management regulations. The Committee, composed of Region 2000 staff, Amherst, Appomattox, Bedford, and Campbell Counties' staff, and the City of Lynchburg, completed the development of necessary local stormwater management programs and an administrative guidance manual that provides for a consistent approach to administering the programs across the Region 2000 community.

The committee continues to meet to provide mutual assistance as the challenging implementation efforts continue.

Contact Bob White at bwhite@region2000.org



Regional Agriculture Strategic Plan Endorsed by the Local Government Council

**Virginia
Cooperative
Extension**



VirginiaTech
Invent the Future
www.ext.vt.edu

Local Virginia Cooperative Extension Agents and the region's local economic development officials have completed a regional strategic plan for the agricultural community. The plan has been recently adopted by the Local Government Council.
<http://www.region2000.org/index.php?id=1321>



Priority recommendations include:

1. Conduct a regional food hub feasibility study to assess the availability of local agricultural products to support a regional food hub.
2. Develop a regional website that will promote and market regional agriculture and forestry products to potential business and individual consumers.
3. Promote agriculture career and small business development opportunities by coordinating efforts between larger buyers such as universities and hospitals with small scale businesses.

The Local Government Council has earmarked \$50,000 of local funds to use as leverage for matching resources to implement recommendations in FY 15.

Regional Library Operations Study



The Region 2000 Library Initiative continued this past year. A Regional Library Operations Analysis was completed this spring. The analysis demonstrated potential cost savings of approximately \$500,000 to the

participating jurisdictions of Bedford and Campbell Counties and the City of Lynchburg as well as the opportunity for services improvements.

A multi-year, phased approach to ultimately implementing a regional system was identified.

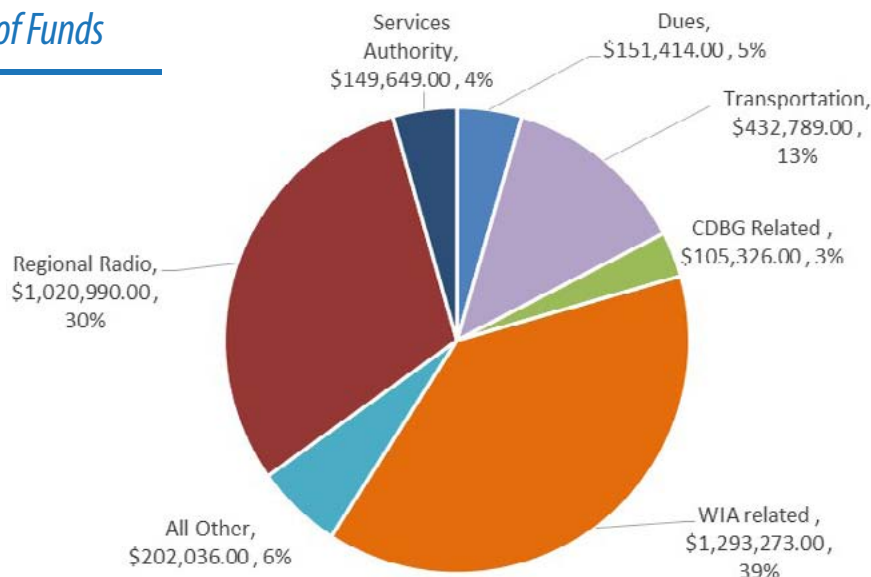
Initially, the analysis recommends continued development of shared services, including Lynchburg joining Bedford and Campbell Counties in sharing a common integrated library materials management system, allowing for seamless resource access across jurisdiction boundaries.

Campbell and Lynchburg have agreed to continue efforts toward a regional library system.

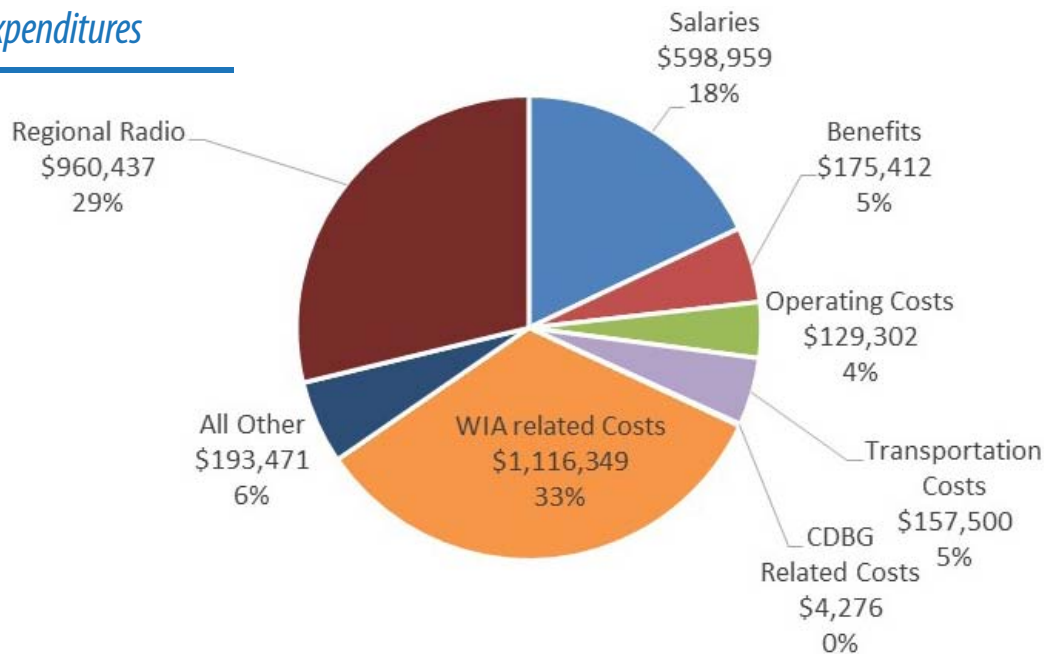
Contact Bob White at bwhite@region2000.org

Financial Report

FY 14 LGC Source of Funds



FY 14 LGC Expenditures



The Local Government Council manages over \$11 million annually in accounts for:

- Local Government Council
- Workforce Investment Board
- Business and Economic Development Alliance
- Services Authority
- Radio Communications Board

Since 2008, we have managed bond debt issues totaling over \$31 million. In FY 09 we reduced our local dues by 13% to assist localities through the recession. That reduction continues for FY 15.

Contact Rosalie Majerus at rmajerus@region2000.org

List of Commission Members and Local Governments

Kenneth Bumgarner, Amherst Town Council
Mayor Phyllis Campbell, Town of Brookneal
Waverly Coggsdale, Altavista Town Manager
Aileen Ferguson, Appomattox County Administrator
Joan Foster, Lynchburg City Council
Bill Gillespie, Appomattox Town Manager
Stanley Goldsmith, Campbell County Board of Supervisors
Delegate Scott Garrett, Virginia House of Delegates
Sen. Tom Garrett, Senate of Virginia
Stacey Hailey, Bedford Town Council
Mayor Paul Harvey, Town of Appomattox
Jack Hobbs, Amherst Town Manager

Charles Kolakowski, Bedford Town Manager
Frank J. Rogers, Campbell County Administrator
Megan Lucas, CEO, Business and Economic Development Alliance
Mayor Mike Mattox, Town of Altavista, Chair
Don Kidd, Amherst County Board of Supervisors
L. Kimball Payne, Lynchburg City Manager
Mark Reeter, Bedford County Administrator
Dean Rodgers, Amherst County Administrator
John Sharp, Bedford County Board of Supervisors
Gary Tanner, Appomattox County Board of Supervisors
Russell Thurston, Brookneal Town Manager

LGC Staff - Years of Service

Kelly Hitchcock – 14 years
Rosalie Majerus – 13 years
Bob White – 12 years
Susan Cook – 11 years
Gary Christie – 9 years
Scott Smith – 8 years
Emmie Boley – 6 years
Philipp Gabathuler – 4 years
Matt Perkins – 2 years
Ben Bowman – < 1 year

Services Provided by the Local Government Council – 45 Years of Service to Region 2000

We build community by expanding infrastructure and building stakeholder consensus.

We lower costs and improve services through multi-jurisdictional service delivery.

As professional consultants to the local governments of Region 2000, we

- Are effective, transparent, responsive
- Understand public sector challenges
- Build collaborative approaches with multiple stakeholders

Specific service areas:

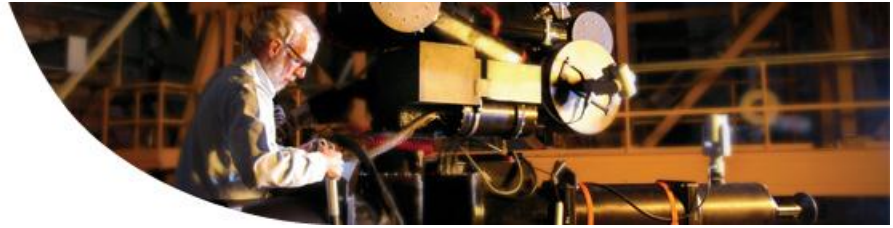
- Organizational & Strategic Assessment
- Retreat and Group Facilitation
- Long Range Planning and Land Use Planning
- Transportation Planning
- Grant Writing and Administration
- Project Management
- Evaluation of Service Delivery
- Public Participation & Involvement
- Capital Project Management
- Communications
- Financial Management
- Public Procurement
- Human Resources Management
 - Recruitment
 - Background Checks
 - Job Description Development
- Workplace Development Consultation
- Data Analysis
- GIS Mapping and Analysis

We build opportunities for networking and interaction among local elected officials to raise awareness of issues in neighboring localities.



Local Government Council

Innovation. Collaboration. Economic Growth.



Region 2000 (LWIA 7)
Workforce Investment Board
Annual Report 2014

Region 2000 (LWIA 7) Annual Report

1. Progress and Updates on Implementation of Local Plan Strategies, Goals and Objectives

The Workforce Innovation and Opportunity Act was signed into law in July 2014. This new law will replace the existing Workforce Investment Act effective July 1, 2015. The new law makes a number of changes in workforce development delivery that should benefit employers and job seekers. One change will require reorganization of the existing Region 2000 Workforce Investment Board. Subsequent to completing the Local Plan and the Region 2000 WIB strategic plan in 2012, the Region 2000 WIB developed committees responsible for overseeing key components of the plan. This committee reorganization is allowing the Region 2000 WIB to focus board members on key outcomes. Ben Bowman started service as the Region 2000 WIB Executive Director effective July 1, 2014; filling the vacancy created when Brian Davis left in March 2014. Randall Franklin became the Region 2000 Workforce Center Program Manager/Team Leader in November 2013. Currently the Region 2000 WIB has 2 support staff through the Local Government Council contributing approximately 32 hours weekly.

In the area of Career Pathways, the Region 2000 WIB partnered with Bedford County Schools and the Bedford Area Chamber of Commerce during the 2013-14 school year to launch an internship program for seniors to connect students with jobs in the local economy. This program is under consideration for expansion with the Lynchburg City Schools in the 2014-15 school year. Region 2000 WIB also provided support for The Lynchburg Regional Governor's STEM Academy that opened its doors for the 2013-2014 school year to 25 high school juniors from nine different high schools in the Region 2000 area. The 25 students at the STEM Academy were able to earn 23 dual enrolled credits each at Central VA Community College. The Pathway to Engineering program was implemented in the 2013-14 school year. The courses in this pathway explore the design process and links STEM principles to relevant problem-solving activities. The courses are designed to prepare students for a post-secondary education and careers in STEM related fields.

Branding, Business and Customer Service: With assistance from a VCCS Business Services Team grant, the Region 2000 WIB is moving quickly to establish a better web presence and build awareness through collateral media as well as outreach activities. This will be an ongoing effort with plans to update and incorporate the new Virginia Branding when appropriate. The Region 2000 WIB is co-sponsoring a business service expo October 14 to announce the website and the range of services to benefit employers. The Region 2000 WIB is in the process of gathering credentials available through training offered at all area secondary and postsecondary education and training providers. A complete list will be compiled in October 2014. Employers are also being surveyed to determine relevant credentials needed within Region 2000. Region 2000 WIB continues outreach to youth services groups such as summer camps and youth entrepreneurship programs to encourage career awareness and development.

2. Implementation of Local Memorandum of Understanding

Region 2000 WIB successfully completed the MOU process with signatures from all partners for the Program Year 2014. Central Virginia Community College continues serving as the lead consortium partner and Goodwill Industries of the Valley's had their youth contract extended an additional year through 2015. The Region 2000 WIB will be relocating the current One Stop location by March of 2015 and is considering some type of possible co-location with the Department of Aging and Rehabilitative Services along with the current participating partners.

3. Customers Served and Customer Satisfaction

Region 2000 WIB annually conducts voluntary customer satisfaction surveys from customers using services through the One Stop Center. Over the past performance year, a computer-based assessment was used however, given the poor response, a hardcopy survey will be used in the future in addition to the CBT. Following is a table that reports performance for performance year 2013 that ended June 30, 2014.

Local Performance

Local Area Name: Region 2000 Workforce Investment Board	Total Participants Served	Adults	4,487
		Dislocated Workers	93
		Older Youth (19 -21)	42
ETA Assigned #: 51110	Total Exiters	Adults	3,723
		Dislocated Workers	55
		Older Youth (19 -21)	17
Reported Information		Negotiated Performance Levels	Actual Performance Level
Entered Employment Rates	Adults	75	87
	Dislocated Workers	81	76
Retention Rates	Adults	85	87
	Dislocated Workers	91	90
Six Months Average Earnings	Adults	\$11,600	\$12,765
	Dislocated Workers	\$15,000	\$12,795
Placement in Employment or Education	Youth (14 – 21)	61	62
Attainment of Degree or Certificate	Youth (14 – 21)	61	56
Literacy-Numeracy Gains	Youth (14 – 21)	52	44
Description of Other State Indicators of Performance (WIA Section 136(d)(1))			
Employment and Credential Rate	Adults	61	65.7
Employment and Credential Rate	Dislocated Workers	65	64.3
Career Readiness Certificate Attainment	Adults, Dislocated Workers, Youth age 19 & Older	18	22.0

Overall Status of Local Performance	Not Met	Met	Exceeded
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4. Return on Investment

The Region 2000 WIB has strategically partnered with key organizations within the region to jointly invest resources in ways that advance the goals of the strategic plan established for 2013-2016. These are:

- Support growth in the emergent workforce.
- Enhance the existing workforce.
- Engage with the business sector to ensure alignment of workforce services to needs.
- Maximize organizational efforts and efficiencies that enhance workforce development services.

To this end, the Region 2000 WIB provides shared funding with the Region 2000 Economic Development Alliance for a position dedicated to developing the emergent workforce in stem areas through the regional stem academy and promoting career and technical education. The Region 2000 WIB is also supporting a high school internship program in collaboration with the Bedford Area Chamber of Commerce, Economic Development and Bedford County Schools. The Region 2000 WIB partnered with also partnered with the Economic Development Alliance and the Local Government Council to develop an Economic Dashboard System for the Workforce Investment area. All of these investments leveraged additional resources from several additional organizations. Based on the study release by VCU in April 2014, the Region 2000 experienced a 5 year return on investment of \$10.51 and a 10-year return on investment of \$18.59. This return on investment places Region 2000 the second highest ROI among the 17 Workforce areas in Virginia

5. Demand Plan: Region 2000/Central VA (WIA 7) Current and Future Employment by Occupation

Region 2000 WIB is embarking on a plan with the business services team to visit a cross-section of businesses in all industry sectors over the next year to qualify data developed from existing database supports. This will involve working with all economic development departments and chambers of commerce in the region. The largest major occupation group in the Region 2000/Central VA (WIA 7) is Office and Administrative Support Occupations, employing 14,702 workers. The next-largest occupation groups in the region are Sales and Related Occupations (10,460 workers) and Production Occupations (9,568). High location quotients (LQs) indicate occupation groups in which a region has high concentrations of employment compared to the national average. The major groups with the largest LQs in the region are Production Occupations (LQ = 1.50), Architecture and Engineering Occupations (1.27), and Healthcare Support Occupations (1.16).

What is a location quotient?

A location quotient (LQ) is a measurement of concentration in comparison to the nation. An LQ of 1.00 indicates a region has the same concentration of an industry (or occupation) as the nation. An LQ of 2.00 would mean the region has twice the expected employment compared to the nation and an LQ of 0.50 would mean the region has half the expected employment in comparison to the nation.

Over the next 10 years, the fastest growing occupation group in the Region 2000/Central VA (WIA 7) is expected to be Healthcare Support Occupations with a +2.2% year-over-year rate of growth. The strongest forecast by number of jobs over this period is expected for Healthcare Practitioners and Technical Occupations (+1,079 jobs) and Construction and Extraction Occupations (+960). Over the same period, the highest replacement demand (occupation demand due to retirements and workers moving from one occupation to another) is expected in Sales and Related Occupations (3,408 jobs) and Office and Administrative Support Occupations (3,396).

Region 2000/Central VA (WIA 7) Current and Future Employment By Occupation

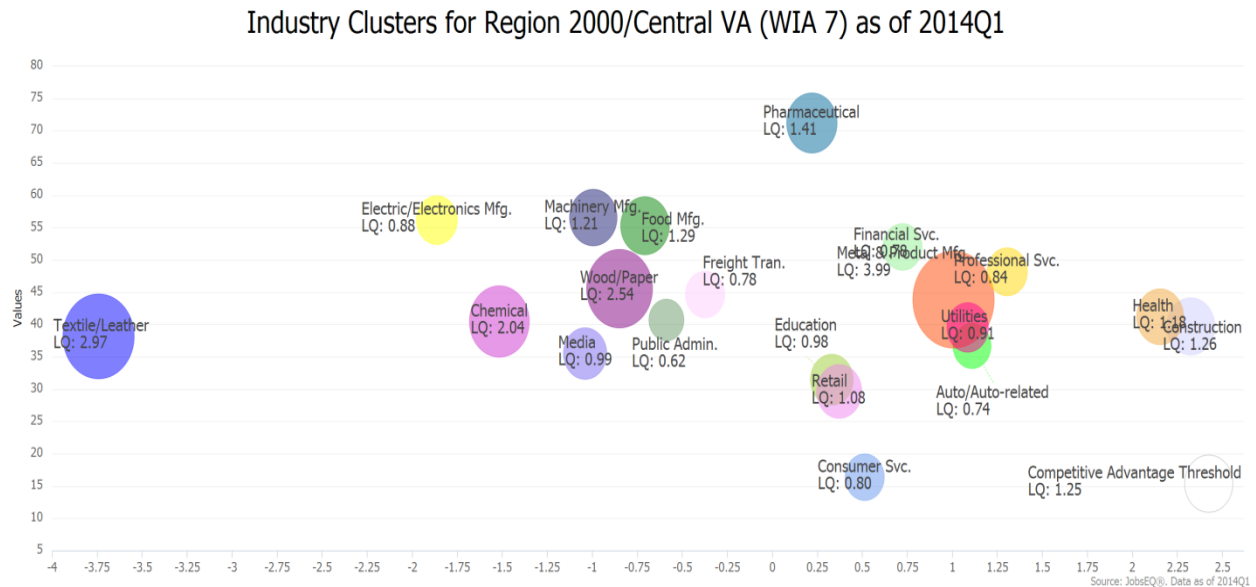
SOC	Title	Current					Historical				Forecast		
		Four Quarters Ending with 2014q1			2014q1		Total Change over the Last 5 Years	Average Annual % Change in Employment 2009q1-2014q1			Over the Next 10 Years		
		Empl	Avg. Annual Wages ¹	Location Quotient	Unempl	Unempl Rate	Empl	Region 2000/Central VA (WIA 7)	Virginia	USA	Total Repl Demand	Total Growth Demand	Avg. Annual Growth Percent
11-0000	Management Occupations	4,699	\$95,700	0.96	157	3.0%	-315	-1.3%	-0.2%	0.1%	1,122	343	0.7%
13-0000	Business and Financial Operations Occupations	3,926	\$63,700	0.81	168	3.8%	-371	-1.8%	0.4%	0.1%	840	364	0.9%
15-0000	Computer and Mathematical Occupations	1,822	\$70,800	0.68	56	2.6%	-200	-2.1%	0.5%	0.9%	297	200	1.0%
17-0000	Architecture and Engineering Occupations	2,199	\$70,600	1.27	83	3.5%	-342	-2.9%	-1.4%	-0.7%	533	153	0.7%
19-0000	Life, Physical, and Social Science Occupations	682	\$52,900	0.83	23	3.2%	-20	-0.6%	0.6%	0.6%	207	53	0.8%
21-0000	Community and Social Service Occupations	1,608	\$38,800	1.14	55	3.2%	19	0.2%	2.5%	2.1%	375	278	1.6%
23-0000	Legal Occupations	393	\$66,500	0.52	11	2.3%	-45	-2.1%	0.0%	-0.3%	74	28	0.7%
25-0000	Education, Training, and Library Occupations	6,074	\$40,400	1.00	157	2.4%	-103	-0.3%	0.6%	0.0%	1,272	315	0.5%
27-0000	Arts, Design, Entertainment, Sports, and Media Occupations	1,107	\$42,500	0.87	70	5.6%	-79	-1.4%	-0.7%	-0.6%	354	67	0.6%
29-0000	Healthcare Practitioners and Technical Occupations	5,871	\$71,400	1.04	112	1.7%	-189	-0.6%	1.2%	1.3%	1,209	1,079	1.7%
31-0000	Healthcare Support Occupations	3,326	\$24,400	1.16	208	5.5%	95	0.6%	2.0%	1.9%	637	812	2.2%

Industry Sectors

What is a cluster?

A cluster is a geographic concentration of interrelated industries or occupations. If a regional cluster has a location quotient of 1.25 or greater, the region is considered to possess a *competitive advantage* in that cluster.

The largest industry clusters are represented by the larger circles. Circles further right on the chart are faster growing clusters while those further left represent slow or shrinking clusters.



About This Report

This report and all data herein were produced by JobsEQ®, a product of Chmura Economics & Analytics. The information contained herein was obtained from sources we believe to be reliable. However, we cannot guarantee its accuracy and completeness.

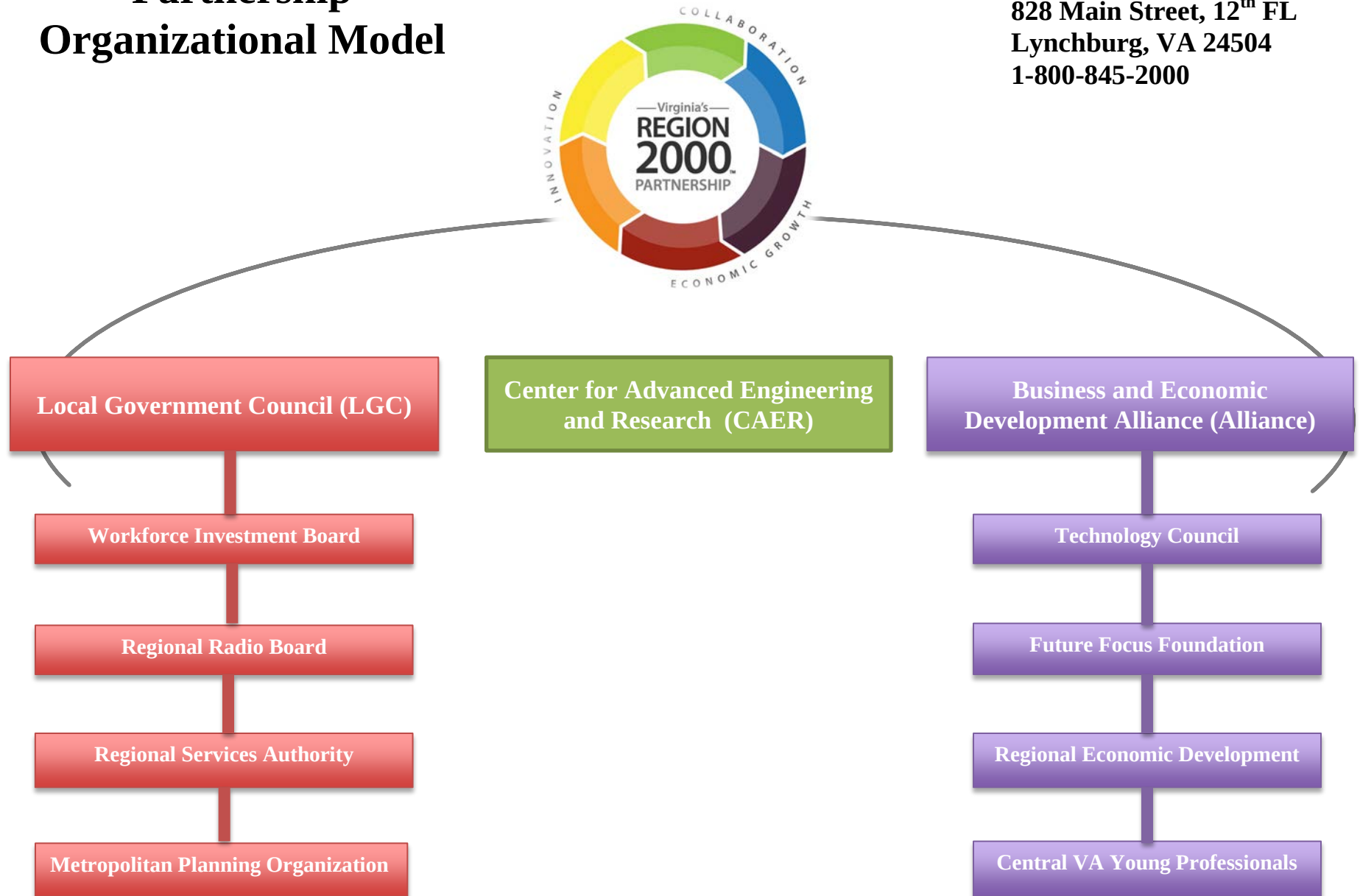
6. Waivers

It has been beneficial to have the ability to transfer funds between adult and dislocated workers as the unemployment rate fluctuates. Having this flexibility has allowed the Region 2000 WIB to develop a job club and related training using funds targeted for both populations. This allows job seekers to begin receiving services and guidance shortly after they sign up for services.

Submitted by Ben Bowman
 Region 2000 Workforce Investment Board
 434-845-5678 Ext. 221
 bbowman@region2000.org

Partnership Organizational Model

www.region2000.org
828 Main Street, 12th FL
Lynchburg, VA 24504
1-800-845-2000



I N N O V A T I O N | C O L L A B O R A T I O N | E C O N O M I C G R O W T H

Serving the counties of Amherst, Appomattox, Bedford and Campbell; the towns of Altavista, Amherst, Appomattox, and Brookneal; and the City of Lynchburg

November 4, 2014

111

// A special joint meeting of the Council of the City of Lynchburg and Lynchburg City School Board was held on the 4th day of November, 2014, at 7:00 P.M. in the School Administration Building Board Room, Michael Gillette, President, presiding. The following Members were present:

Present: Foster, Helgeson, Johnson, Nelson, Perrow, Tweedy, Gillette

7

Absent:

0

// Mayor Michael Gillette and School Board Chair Regina Dolan-Sewell welcomed everyone to the City Council and Lynchburg City School Board joint meeting.

// Dr. Scott Brabrand, School Superintendent, provided an update on the Lynchburg City Schools Comprehensive Plan. The report included information on how the schools are progressing. Dr. Brabrand explained the indicator and strategies on the following: Graduation Rate, Advance/AP/Dual Enrollment Classes, Reading Proficiency, SOL Scores, Student Attendance Record, Students Suspension, Staff Attendance and Parent Involvement.

// Assistant Superintendent of Operations and Administration Ben Copeland presented the Lynchburg City Schools Capital Improvement Plan (CIP) Projects FY 2015-2016. Mr. Copeland gave an overview of the renovation/replacement projects for the different Schools.

Anthony Beckles, Lynchburg City Schools Chief Financial Officer, reviewed the Budget Requests FY 2014 Fund Balance. Mr. Beckles stated that the FY 2014 Fund Balance is \$2,948,287.

// Director of Special Education Wyllys VanDerwerker provided information on the School Summit which focused on Lynchburg's Youth. The School Summit was designed to create a foundation for success through interagency collaboration with public and private service providers. Lynchburg's history of interagency collaboration seemed to be the foundation for success. In June 2014 the first School Summit which included Court Services, Lynchburg City Schools, Horizon Behavioral Health, and Lynchburg Human Services presented trends specific to Lynchburg's youth. The School Summit listed Three Top Challenges:

- Poverty: Home, School and Community
- Mental Health: Earlier and More Severe Issues
- Parental Engagement

The School Summit participants:

- Reviewed trends specific to Lynchburg's youth
- Identified service gaps
- Celebrated what is working
- Provide a structured opportunity for success through interagency collaboration

The School Summit work is not complete and will continue to develop a common understanding of the public and private services available in Lynchburg, while identifying shared professional development activities. The plan of action will focus on addressing the needs of Lynchburg's youth through interagency collaboration and building a foundation for grant opportunities. Plans are underway for future School Summit Sessions which are November 6, 2014, January 22, 2015 and April 2, 2015.

// Assistant Superintendent of Operations and Administration Ben Copeland provided information on the City/Schools Collaboration. Mr. Copeland stated that City/Schools collaboration in the Procurement Department was working very well and thanked the Staff of the Procurement Department for all their guidance and support. The other collaboration effort with City/Schools is in the area of Benefits which is underway. The Health Management Clinic is shared by both the City and Schools which seems to be working very well.

// Assistant Superintendent of Operations and Administration Ben Copeland gave an update on Heritage High School. He explained that Phase I and Phase II of the school project is going well and still on target.

Mr. Copeland went on to say that on November 11, 2014, at 1:00 P.M., Council, School Board Members and Staff will tour the new structure and fields at the new Heritage High School site.

// Mayor Michael Gillette and School Board Chair Regina Dolan-Sewell thanked everyone for attending the joint meeting.

// The meeting was adjourned at 8:40 P.M.

Clerk of Council

November 11, 2014

113

// A regular meeting of the Council of the City of Lynchburg was held on the 11th day of November, 2014, at 4:00 P.M. in the 2nd Floor Training Room, City Hall, Michael Gillette, President, presiding. The following Members were present:

Present: Foster, Helgeson, Johnson, Nelson, Tweedy, Gillette 6

Absent: Perrow 1

// The second joint meeting with Council and Planning Commission was held to complete the review of all draft suggestions that have been made so far. City Planner Tom Martin introduced the two representatives from PlanningWorks; Michael Lauer and Michael Chandler. The representatives provided an overview of key zoning policy issues and recommended changes to the City's Zoning Ordinance. These recommendations are the culmination of numerous public forums and work sessions with the Planning Commission, City staff and dedicated members of the community that identify and address the goals and policies of the Comprehensive Plan 2013-2030. This plan guides decisions that affect land use, community character, economic development, natural systems, service delivery, and mobility and provides an implementation matrix to achieve the City's vision of being "A Great Place to Live, Work and Play." After the presentation, the consultants solicited input from City Council and Planning Commission about the recommendations and any additional policies that may need to be reviewed prior to the final upcoming public forums and Planning Commission work sessions. The public hearing process for adoption of the Zoning Ordinance is expected to begin in early 2015.

The following are the next steps:

Consultant Team and Staff

- Reorganize existing provision
- Refine language
- Property zoning maps

Planning Commission Workshop

- Draft for public review
- Community Workshops
- Planning Commission Public Hearing
- City Council Public Hearing

// City Council recessed the meeting at 6:20 p.m.

// City Council reconvened the meeting at 7:30 p.m.

The following Members were present:

Present: Foster, Helgeson, Johnson, Nelson, Tweedy, Gillette 6

Absent: Perrow 1

Council Member Tweedy gave the Invocation, followed by the Pledge of Allegiance.

// Mayor Gillette presented a Certificate of Recognition on the 10th Anniversary to "Opera on the James."

// Copies of the minutes of the October 28, 2014 meeting, having been previously furnished Council, reading was dispensed with, and on motion of Council Member Helgeson, seconded by Council Member

Nelson, Council by the following recorded vote approved the minutes as presented:

Ayes: Foster, Helgeson, Johnson, Nelson, Tweedy, Gillette	6
Noes:	0
Absent: Perrow	1

// In the matter of Parks and Recreation – General, Resolution #R-14-124 amending the FY 2015 General Fund, Parks and Recreation, Recreation Programs budget and appropriating \$81,298 with resources from the United States Department of Agriculture Farmers' Market Promotion Grant to address food desert challenges in the City and to promote agriculture in the Region 2000 area, laid over from the October 28, 2014 meeting, was again presented and read, and on motion of Council Member Helgeson, seconded by Council Member Nelson, Council by the following recorded vote adopted the Resolution:

Ayes: Foster, Helgeson, Johnson, Nelson, Tweedy, Gillette	6
Noes:	0
Absent: Perrow	1

// Council Member Nelson made the following statement. "I do not represent VIP, LLC, but in the past represented the petitioner Robb Egel in other annuities. I felt it would not be a conflict of interest and needed to disclose that statement. I am able to participate in this matter fairly, objectively and in the public interest. Therefore, I will participate in the discussion of and vote on this item."

// In the matter of Community Development - Zoning, a public hearing was held regarding City Council Report #4 outlining the petition of VIP, LLC – Robb Egel, for a Conditional Use Permit (CUP) on approximately thirteen and forty-one hundredths (13.41) acres located at 542, 552, 554 and 572 Leesville Road to allow the construction of a one hundred twenty-one (121) unit townhome development in an R-3, Medium Density, Two-Family Residential District. City Planner Tom Martin gave an overview of the request and stated the Planning Commission reviewed the request and asked for approval. Jim Richards, representing Robb Egel with VIP, LLC asked Council for approval of the CUP. There was no one else present who wished to speak to this item, and the public hearing was closed. On motion of Council Member Helgeson, seconded by Vice Mayor Johnson, Council by the following recorded vote adopted Resolution #R-14-125, as presented, granting the Conditional Use Permit:

Ayes: Foster, Helgeson, Johnson, Nelson, Tweedy, Gillette	6
Noes:	0
Absent: Perrow	1

// In the matter of Community Development – General, a public hearing was held regarding City Council Report #5 on adopting the Route 221 Corridor Plan Bedford County / City of Lynchburg as part of the City's Comprehensive Plan 2013 -2030. The draft plan provides recommendations for signal coordination, pedestrian, bicycle and transit facility improvements, intersection improvements, road widening and access management improvements from Cloverhill Boulevard in Bedford County to Forest Brook Road in the City of Lynchburg. The plan is intended to aid the County and City with project prioritization and implementation when grant or other funding opportunities arise in the future. City Planner Tom Martin made several remarks and then introduced Bill Wuensch of EPR who gave a presentation of the Route

221 Corridor Plan. There was no one else present who wished to speak to this item, and the public hearing was closed. On motion of Council Member Nelson, seconded by Vice Mayor Johnson, Council by the following recorded vote adopted Ordinance #O-14-126, as presented, adopting the Route 221 Corridor Plan Bedford County / City of Lynchburg as part of the City's Comprehensive Plan 2013 -2030:

Ayes: Foster, Helgeson, Johnson, Nelson, Tweedy, Gillette 6

Noes: 0

Absent: Perrow 1

// In the matter of City Code, a public hearing was held regarding City Council Report #6 on amending the Stormwater Management Ordinance (Chapter 16.2) to eliminate the fee for an individual single family residential structure in Section 16.2-56(a) and clarify the scope of the ordinance by eliminating Section 16.2-20(f) plan requirements. Director of Community Development Kent White gave an overview of the Stormwater Management Ordinance. There was no one else present who wished to speak to this item, and the public hearing was closed. On motion of Council Member Nelson seconded by Vice Mayor Johnson, Council by the following recorded vote adopted Ordinance #O-14-127, as presented, amending the Stormwater Management Ordinance (Chapter 16.2) to eliminate the fee for an individual single family residential structure in Section 16.2-56(a) and clarify the scope of the ordinance by eliminating Section 16.2-20(f) plan requirements:

Ayes: Foster, Helgeson, Johnson, Nelson, Tweedy, Gillette 6

Noes: 0

Absent: Perrow 1

// In the matter of City Council, Jennifer Dugan's students from Randolph College presented to Council "Mapping food insecurity in Lynchburg," which seems to be a concern.

// In the matter of Communications and Marketing, City Council Report #8 was considered.

Communications and Marketing Director JoAnn Martin stated that she applied for and received a grant through FEMA's Hazard Mitigation Grant Program to purchase and implement an emergency notification system, commonly known as a Reverse 911 system. The emergency notification system is an interactive system that employs technology facilitating landline, cell phone, text messaging, and email communications to notify thousands of residents concurrently and will be used during severe weather and natural disasters, hazardous material evacuations, disaster recovery, boil water advisories, etc. Ms. Martin stated that the implementation of the newly acquired emergency notification system, Lynchburg Alerts, is scheduled for January 2015. Ms. Martin went on to say there is a public education campaign currently underway to encourage citizens to sign up to participate in the Lynchburg Alerts program.

// In the matter of Public Works – General, City Council Report #9 was considered. Vice Mayor Johnson, a member of the Physical Development Committee (PDC), stated that this matter came before the PDC and the Committee recommended approval. This motion does not require a second, and Council by the following recorded vote adopted Resolution #R-14-128, as presented, to participate in the Virginia

Department of Transportation (VDOT) Revenue Sharing Program for FY 2016:

Ayes: Foster, Helgeson, Johnson, Nelson, Tweedy, Gillette 6

Noes: 0

Absent: Perrow 1

// In the matter of City Council, City Council Report #10 was considered. City Manager Kimball Payne stated that based on input received from Council a final document of the Legislative Agenda has been prepared for Council approval. Mr. Payne noted two minor changes; first under Odd Fellows Road Funding this language will remain with an additional clause to include "pedestrian facilities". The other change was under Other Legislative Positions – Enterprise Zones Funding, to add a statement to support the restoration funding to the Enterprise Zones Funding.

Council Member Nelson stated that he does endorse the Legislative Agenda except the section which include Lynchburg in the statute, section 58.1-3970.1 of the State Code, authorizes the local circuit court to transfer the title of a tax delinquent property to a locality when the property is assessed at \$50,000 or less. Council Member Helgeson stated he would not support the section of the Legislative Agenda that deals with the power to take property and asked that this clause be removed. Mayor Gillette called for a vote to adopt the Legislative Agenda as presented excluding the section on "Acquisition of Low Value Properties" On motion of Council Member Foster, seconded by Council Member Nelson, Council by the following recorded vote adopted Resolution #R-14-129, as presented, except the section on "Acquisition of Low Value Properties", from the 2015 Legislative Agenda:

Ayes: Foster, Helgeson, Johnson, Nelson, Tweedy, Gillette 6

Noes: 0

Absent: Perrow 1

Council Member Helgeson asked for a friendly amendment to the motion to remove that section from the Legislative Agenda. Mayor Gillette asked Council Member Foster would she accept a friendly amendment which was seconded by Council Member Nelson. The friendly amendment to the motion was accepted and Council by the following recorded vote did not remove the section on "Acquisition of Low Value Properties" from the 2015 Legislative Agenda:

Ayes: Foster, Johnson, Nelson, Tweedy, Gillette 5

Noes: Helgeson 1

Absent: Perrow 1

// The meeting was adjourned at 8:43 P.M.

Clerk of Council

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 8

CONSENT:

REGULAR: X

WORK SESSION:

CLOSED SESSION:

(Confidential)

ACTION: X

INFORMATION:

ITEM TITLE: **Vacate a portion of Misty Mountain Road**

RECOMMENDATION: Vacate the right-of-way.

SUMMARY: VIP, LLC, the owner of 552-554 Leesville Road, is petitioning to vacate a portion of right-of-way on the western side (rear) of the property, known as Misty Mountain Road. The total area of the proposed vacation is approximately one hundred eighty thousandths (0.180) of an acre. The petitioner has submitted this request to facilitate additional parking and a drive aisle for a one hundred twenty-one (121)-unit townhome complex. City Council approved the conditional use permit (CUP) petition for the townhouses on November 11, 2014.

City staff has worked with the petitioner to ensure that the vacation does not adversely affect the potential to construct a future street that could serve additional development on Misty Mountain Road. As part of this agreement, any retaining walls or other improvements would lie completely within the developer's property boundaries so as to not interfere with future road construction.

PRIOR ACTION(S):

October 28, 2014: The Technical Review Committee [TRC] reviewed the petition. The TRC comments have been incorporated into the proposed ordinance.

November 6, 2014: The Physical Development Committee [PDC] reviewed the petition. The PDC recommended it be presented to Council.

November 11, 2014: City Council approved a CUP for a one hundred twenty-one (121)-unit townhome complex in addition to the existing Heritage Court Townhome development.

FISCAL IMPACT: None

CONTACT(S):

Kevin Henry, Planner II – 455-3900
Tom Martin, City Planner - 455-3900
Kent White, Director of Community Development – 455-3900

ATTACHMENT(S):

- Ordinance
- Application
- Maps

REVIEWED BY: bms

UNCODIFIED ORDINANCE:

AN ORDINANCE VACATING A PORTION OF RIGHT-OF-WAY KNOWN AS MISTY MOUNTAIN ROAD ADJOINING 552 AND 554 LEESVILLE ROAD.

WHEREAS, VIP, LLC is petitioning to vacate a portion of right-of-way known as Misty Mountain Road located adjacent to the properties of 552 and 554 Leesville Road;

WHEREAS, City Council finds that no public inconvenience will result from vacating a portion of the right-of-way; and

WHEREAS, City Council determined that the City has no need for the portion of public right-of-way in question and the City's continued ownership of such public right-of-way is not necessary or required to serve the best interest of the City;

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Lynchburg, on its own motion, and in accordance with the provisions of Section 15.2-2006 of the Code of Virginia, 1950, as amended, and Sections 35-71 through 35-77 of the City Code, 1981, as amended, the following described right-of-way be, and the same hereby is, discontinued and vacated, namely:

Beginning at an iron pin on the right-of-way of Misty Mountain Road; Thence, N 68° 22' 21" E for a distance of 87.85 feet to an iron pin; Thence, S 20° 04' 32" E a distance of 81.48 feet to an iron pin; Thence, S 67° 04' 46" W for a distance of 99.56 feet to an iron pin, the beginning of a non-tangential curve on the right-of-way of Misty Mountain Road; Thence, along said curve turning to the right through an angle of 10° 14' 50", having a radius of 475.00 feet, and whose long chord bears N 12° 12' 04" W for a distance of 84.84 feet to a point of intersection with a non-tangential line, the point of beginning; Containing: 0.180 acres of land, more or less.

Said vacation is contingent upon the following: (1) that an easement to locate, relocate, repair, replace, maintain and perpetually operate all utilities currently located therein or needed by the City in the future is hereby reserved unto the City of Lynchburg, and (2) the construction of any building or structure or the use of the vacated property in any manner that could interfere with the City's right to locate, relocate, repair, replace, maintain and perpetually operate utilities is prohibited without the prior written approval of the City Manager's Office, City Utilities Division and the City Engineering Division.

BE IT FURTHER ORDAINED that the Clerk of the Council is hereby authorized and directed to deliver a duly-certified copy of this ordinance to the Clerk of the Circuit Court for the City of Lynchburg so that said certified copy of this ordinance may be recorded as deeds are recorded and indexed in the name of the City of Lynchburg.

Adopted:

Certified:

Clerk of Council

162K

RECEIVED

OCT 20 2014

**COMMUNITY
DEVELOPMENT**

APPLICATION FOR THE VACATION OF A

Right-of-Way
(Street/Alley)

LOCATED BETWEEN

Misty Mountain Road & 552 Leesville Road

The undersigned applicant, Robb Egel, pursuant to the provisions of Section 15.2-2006 of the Code of Virginia, 1950, as amended, and Section 35-71 through Section 35-77 of the City Code, 1981, as amended, respectfully makes application to the Lynchburg City Council for the vacation of that certain right-of-w described as follows:

0.180 acres located along Misty Mountain Road

The applicant further requests the Lynchburg City Council to hold a public hearing on this application at its meeting to be held in the Council Chambers, City Hall, 900 Church Street, Lynchburg, Virginia, on _____, at 7:30 p.m., or as soon thereafter as the matter may be heard, and at the conclusion of which hearing to consider whether or not to vacate the above described R/W.

Given under my hand this day of October , 2014.

VIP, LLC - Robb Egel
Applicant

107 Trinity Court, Lynchburg, VA 24502
Address

434-229-6250
Telephone Number

WE, THE ADJOINING PROPERTY OWNER(S), ARE IN AGREEMENT TO THE
VACATION OF THE ABOVE DESCRIBED PROPERTY:

A handwritten signature in black ink, reading "Robb N. Egel". The signature is written in a cursive style with a large, stylized 'R' and 'E'.

CURVE TABLE					
CURVE	LENGTH	RADIUS	BEARING	CHORD	DELTA
C1	128.95'	1243.24'	S28°57'16"E	128.89'	5°56'34"
C2	84.95'	475.00'	N12°12'04"W	84.84'	10°14'50"
C3	128.95'	1243.24'	N23°00'42"W	128.89'	5°56'34"

SOURCE OF TITLE:

VIP, LLC.

PARCEL ID: 24809025
INST# 140002692

PARCEL ID: 24809020
N/F
BRADLEY A. & BRITTANY
C. NELSON
INST# 110000782

NOTES:

1. THIS PLAT HAS BEEN PREPARED FROM A CURRENT FIELD SURVEY PER THE DATE OF THIS PLAT.
2. THIS PLAT IS FOR THE SOLE PURPOSE OF SHOWING RIGHT-OF-WAY VACATION.
3. THIS PLAT HAS BEEN PREPARED WITHOUT THE BENEFIT OF A TITLE REPORT AND MAY NOT INDICATE ALL ENCUMBRANCES ON THE PROPERTY.
4. AS DETERMINED BY GRAPHIC SCALING ONLY, THIS PROPERTY IS NOT WITHIN THE 100 YEAR FLOOD ZONE ACCORDING TO FEMA PANEL NUMBER 5100930102D DATED JUNE 3, 2008.
5. PHYSICAL IMPROVEMENTS ARE NOT SHOWN.

IPF @ 526.92'

COMMON AREA

REVISED
PARCEL ID:
24809025
552 LEESVILLE RD.
2.431 AC.
(TOTAL)

LINE TABLE		
LINE	BEARING	LENGTH
L1	N68°22'21"E	87.85'
L2	N20°04'32"W	47.40'
L3	S67°04'46"W	99.56'
L4	S20°04'32"E	81.48'

PARCEL ID: 24809026
N/F
VIP, LLC.
INST# 140002694

LEGEND

- ● — IRON PIN SET
- ● — IRON PIN FOUND (IPF)
- N/F — NOW OR FORMERLY
- ■ — VACATED RIGHT-OF-WAY

HERITAGE COURT
TOWNHOMES
PC 9
SLIDE 73 & 74



±0.3 MI. TO
TIMBERLAKE RD.

MISTY MOUNTAIN RD.
VARIABLE WIDTH R/W
REF: PC 9 SLIDE 80

VACATED
R/W LINE

0.180 AC.
SHADED
AREA

S67°04'46"W 0.54'
(TIE FROM NEW
CORNER TO IPF)

PLAT ACCEPTED:

CITY ENGINEER

DATE

RECEIVED

OCT 20 2014

COMMUNITY
DEVELOPMENT

**PERKINS
&
ORRISON**
ENGINEERS ▲ PLANNERS ▲ SURVEYORS

SHEET 1 OF 1

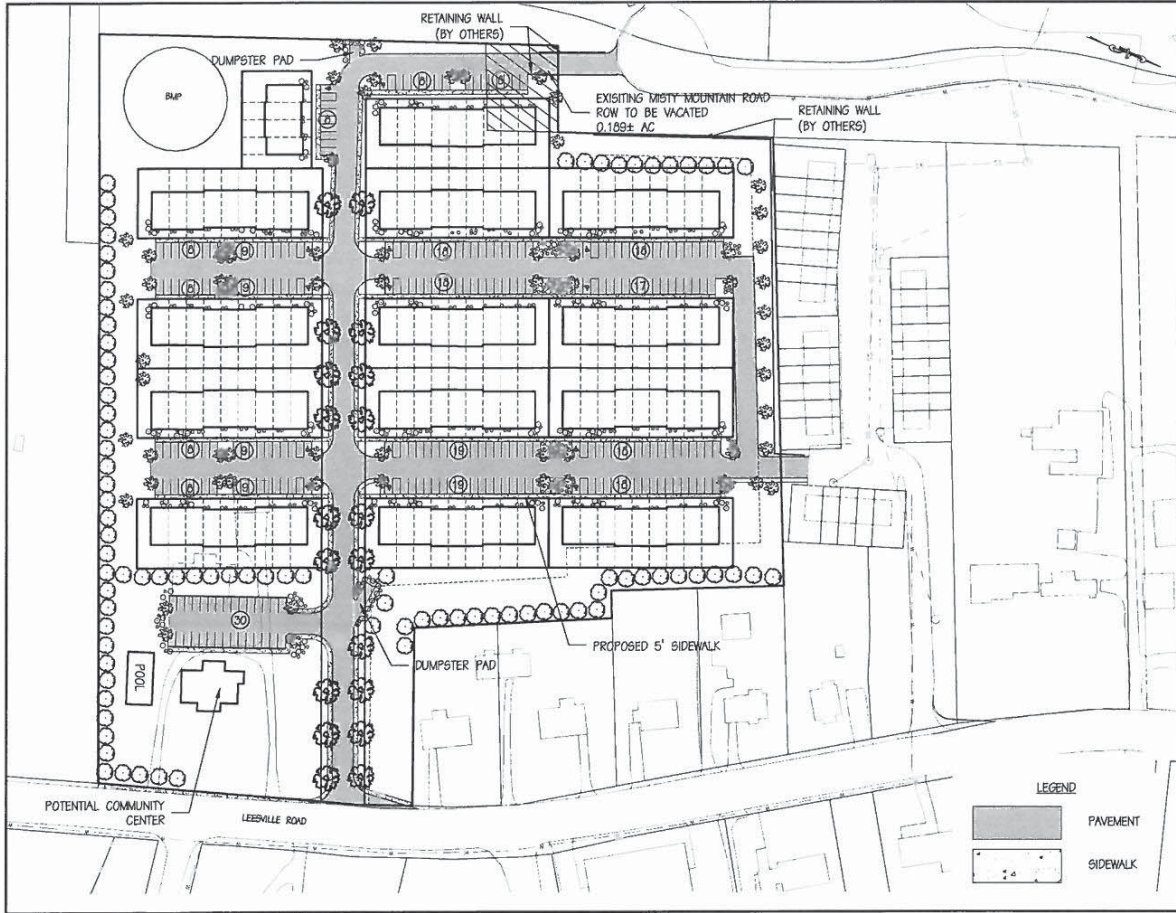
27 Green Hill Drive
Forest, Virginia 24551

Office: 434-525-5985
Fax: 434-525-5986
E-Mail: pno@perkins-orrison.com
WEBSITE: http://www.perkins-orrison.net

100 0 100
GRAPHIC SCALE 1"=100'

JOB#: 14119
DATE: 10/16/2014
DWN: AAD

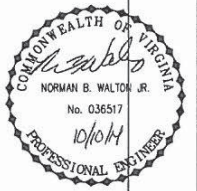
PLAT SHOWING RIGHT-OF-WAY VACATION
ADJOINING THE PROPERTY OF VIP, LLC.
552 LEESVILLE RD.
CITY OF LYNCHBURG, VIRGINIA





PO BOX 1567 17 W. NELSON STREET
LEXINGTON, VIRGINIA 24450
PHONE: 540-484-6001 FAX: 540-484-6009
EMAIL: PNO@PERKINS-ORRISON.COM

27 GREEN HILL DRIVE
FOREST, VIRGINIA 24551
PHONE: 434-525-5985 FAX: 434-525-5985



NORMAN B. WALTON, JR.
No. 036517
10/10/14
PROFESSIONAL ENGINEER

JOB:
HERITAGE COURT TOWNHOMES
CONDITIONAL USE PLAN

LYNCHBURG, VA

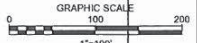
CLIENT:
COUNTS & DOBYNS

MARK	DATE	DESCRIPTION
4	10/10/14	ADD COMMUNITY CENTER
3	10/10/14	REV. PER. CITY
2	9/29/14	REVISED LAYOUT
1	05/20/14	REV. PER. CITY

ISSUE: 05/20/14
CONTOUR INTERVAL: 2'
DRAWN BY: MJD/NBW
CHECKED BY: NBW

SITE LAYOUT

GRAPHIC SCALE



1"=100'

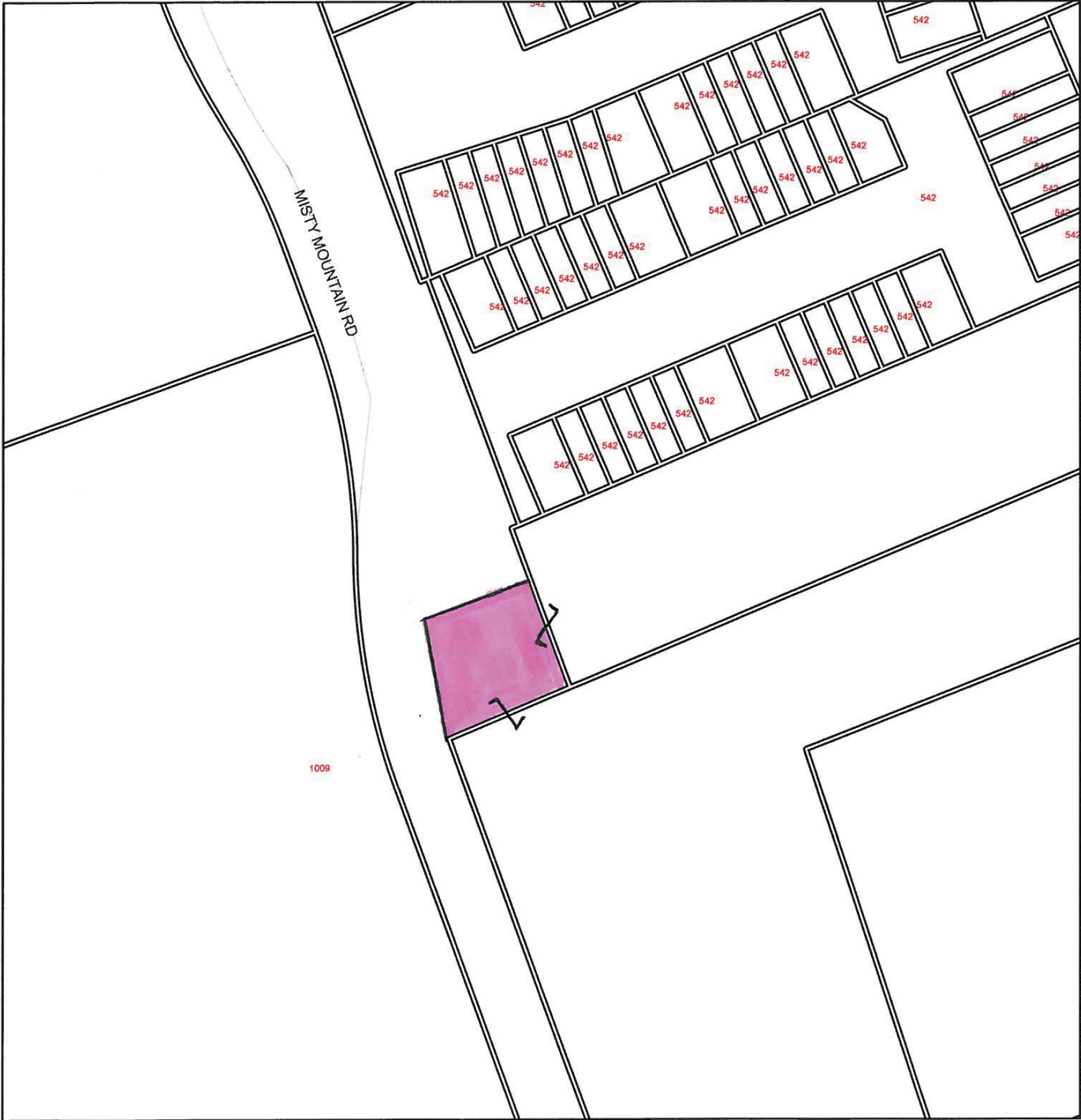
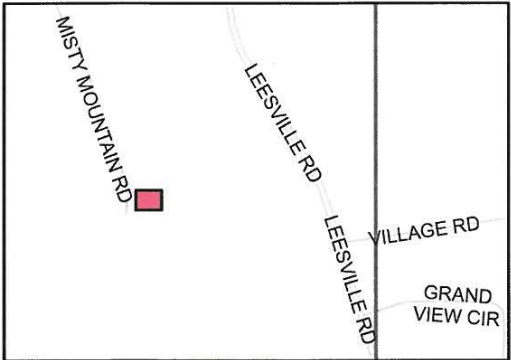
JOB NO. 14119 SHEET NO. 3 OF 4

552 Leesville Road

Right-of-Way Vacation



Area to be vacated



552 Leesville Road

Right-of-Way Vacation



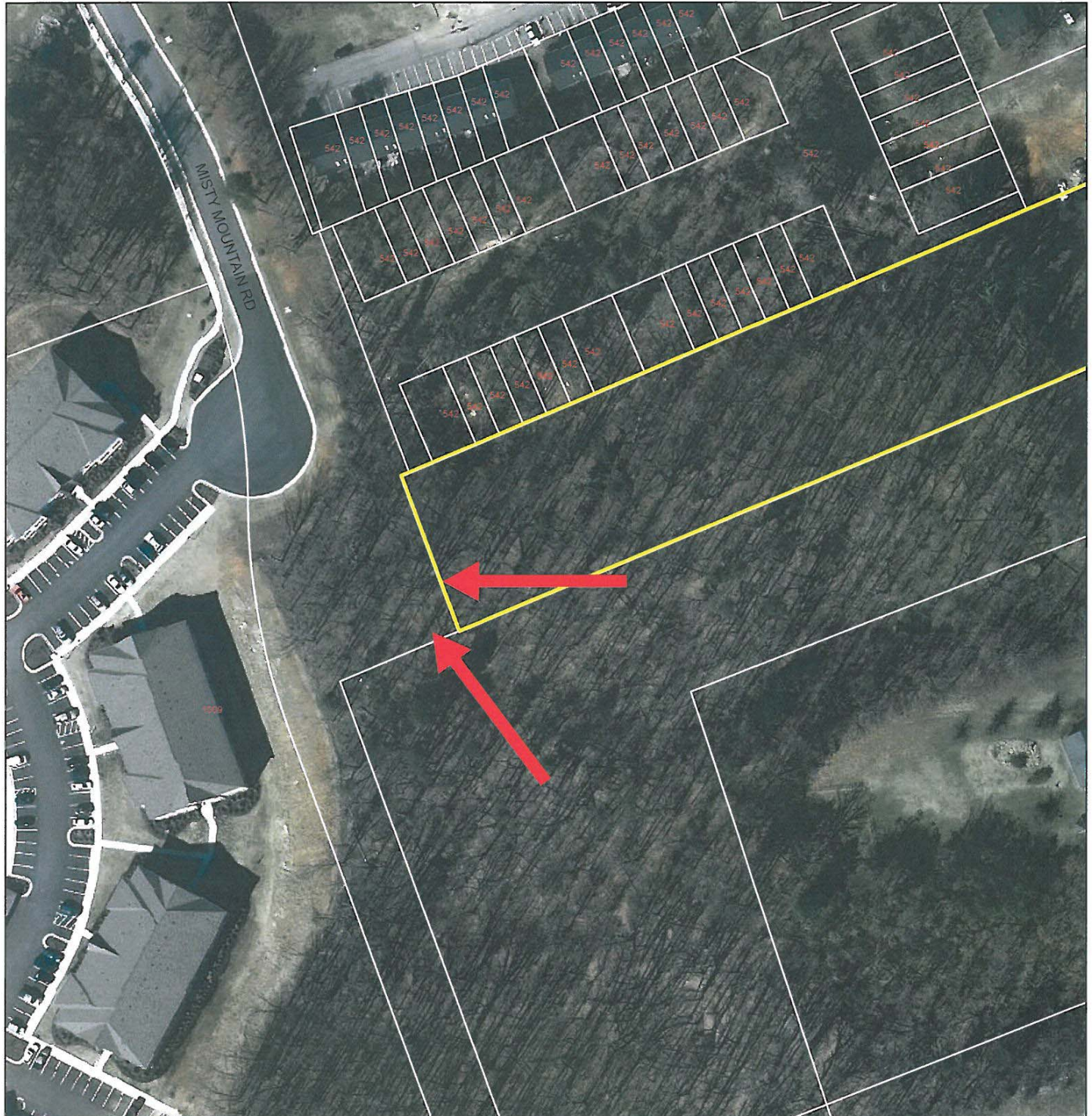
Location



MISTY
MOUNTAIN RD

LEESVILLE RD

VILLAGE RD
LEESVILLE RD
GRAND
VIEW CIR



LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 9

CONSENT:

REGULAR: X

WORK SESSION:

CLOSED SESSION:

(Confidential)

ACTION: X

INFORMATION:

ITEM TITLE: **Vacate a portion of Timbrook Place**

RECOMMENDATION: Vacate the right-of-way.

SUMMARY: Carriage Square LTD, the owner of 218 Timbrook Place, is petitioning to vacate a portion of right-of-way on the northern side of the cul-de-sac. The total area of the proposed vacation is approximately seven thousandths (0.007) of an acre. The right-of-way would be vacated in order to better align with the property the petitioner will be dedicating to the City as part of the rezoning petition City Council approved on March 11, 2014. A new street (Garden Way) off of Timbrook Place would connect to Candlewood Court, which is proposed to serve as an alternate turn around to offset the loss of the cul-de-sac.

Given the area adjoins only the petitioner's property and its limited size, there would be no effect upon any other property.

PRIOR ACTION(S):

March 11, 2014: City Council rezoned the property from R-1, Low-Density Single-Family Residential to R-4C, Medium-High Density Multi-Family Residential (Conditional) in order to facilitate the development of the property for apartments.

October 28, 2014: The Technical Review Committee [TRC] reviewed the petition. The TRC comments have been incorporated into the proposed ordinance.

November 6, 2014: The Physical Development Committee [PDC] reviewed the petition. The PDC recommended it be presented to Council.

FISCAL IMPACT: None

CONTACT(S):

Kevin Henry, Planner II – 455-3900
Tom Martin, City Planner - 455-3900
Kent White, Director of Community Development – 455-3900

ATTACHMENT(S):

- Ordinance
- Application
- Maps

REVIEWED BY: bms

UNCODIFIED ORDINANCE:

AN ORDINANCE VACATING A PORTION OF RIGHT-OF-WAY KNOWN AS TIMBROOK PLACE ADJOINING 218 TIMBROOK PLACE.

WHEREAS, Carriage Square LTD, is petitioning to vacate a portion of right-of-way known as Timbrook Place located adjacent to the property of 218 Timbrook Place;

WHEREAS, City Council finds that no public inconvenience will result from vacating a portion of the right-of-way; and

WHEREAS, City Council determined that the City has no need for the portion of public right-of-way in question and the City's continued ownership of such public right-of-way is not necessary or required to serve the best interest of the City;

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Lynchburg, on its own motion, and in accordance with the provisions of Section 15.2-2006 of the Code of Virginia, 1950, as amended, and Sections 35-71 through 35-77 of the City Code, 1981, as amended, the following described right of way be, and the same hereby is, discontinued and vacated, namely:

Beginning at an existing point on the northeasterly right-of-way of Timbrook Place at a common corner to tax parcels 25412003, property of Kroger Limited Partnership 1, and tax parcel 25412009, property of Carriage Square, LTD., thence along said right of way and tax parcel 25412009 S 50° 20 '26"W 2.31', thence along proposed right of way of Timbrook Place N 50° 40' 56" W 407.02' to the point of beginning of parcel being vacated, thence along a curve to the right having a central angle of 3° 35' 20", a radius of 375.00', a chord of N 43° 01' 32" W 23.49' for a curve length of 23.49', thence along a curve to the left having a central angle of 3° 01' 36", a radius of 525.00', a chord of N 42° 44' 39" W 27.73' for a curve length of 27.73', thence along a curve to the right having a central angle of 79° 36' 50", a radius of 40.00', a chord of S 42° 52' 24" E 51.22 for a curve length of 55.58' to the point of beginning and containing 0.007 acres.

Said vacation is contingent upon the following: (1) that an easement to locate, relocate, repair, replace, maintain and perpetually operate all utilities currently located therein or needed by the City in the future is hereby reserved unto the City of Lynchburg, and (2) the construction of any building or structure or the use of the vacated property in any manner that could interfere with the City's right to locate, relocate, repair, replace, maintain and perpetually operate utilities is prohibited without the prior written approval of the City Manager's Office, City Utilities Division and the City Engineering Division.

BE IT FURTHER ORDAINED that the Clerk of the Council is hereby authorized and directed to deliver a duly-certified copy of this ordinance to the Clerk of the Circuit Court for the City of Lynchburg so that said certified copy of this ordinance may be recorded as deeds are recorded and indexed in the name of the City of Lynchburg.

Adopted:

Certified:

Clerk of Council

APPLICATION FOR THE VACATION OF A

Street/Alley/Right-of-way

LOCATED BETWEEN

TIMBROOK DRIVE & REVERLY HILLS CH.

The undersigned applicant, CARRIDGE SQUARE LTD.
pursuant to the provisions of Section 51.1-364 of the Code of Virginia, 1950,
as amended, and Sections 35-71 to 35-77, both inclusive, of the Lynchburg
City Code, 1981, as amended, respectfully makes application to the
Lynchburg City Council for the vacation of that certain 0.007 ACRES
described as follows:

PORTION OF CUL-DE-SAC AT THE
WESTERN END OF TIMBROOK DRIVE.

The applicant further requests the Lynchburg City Council to hold a
public hearing on this application at its meeting to be held in the Council
Chamber, City Hall, 900 Church Street, Lynchburg, Virginia, on
DECEMBER 9, 2014, at 7:30 p.m., or as soon thereafter as
the matter may be heard, and at the conclusion of which hearing to consider
whether or not to vacate the above described 0.007 ACRES.

Given under my hand this 16 day of October,

2014.

Carriage Square LTD

by Gordon Lester Pres
Applicant

Address

Telephone Number

WE, THE ADJOINING PROPERTY OWNER(S), ARE IN AGREEMENT
TO THE VACATION OF THE ABOVE DESCRIBED PROPERTY.

NOTES:

1. THIS PLAT HAS BEEN PREPARED FROM AN ACTUAL FIELD SURVEY DONE AS PER DATE OF THIS PLAT AND THERE ARE NO VISIBLE EASEMENTS OR ENCROACHMENTS EXCEPT AS SHOWN.
2. THIS PLAT HAS BEEN PREPARED WITHOUT THE BENEFIT OF A TITLE REPORT AND DOES NOT, THEREFORE, NECESSARILY INDICATE ALL ENCUMBRANCES ON THE PROPERTY.
3. THE AREA SHOWN HEREON IS LOCATED IN FLOOD ZONE 'X' AND IS NOT LOCATED WITHIN FLOOD HAZARD ZONE 'A' FOR A 100 YEAR FLOOD AS DETERMINED BY THE FEDERAL EMERGENCY MANAGEMENT AGENCY AS SHOWN ON COMMUNITY-PANEL MAP #51009301010 DATED JUNE 8, 2008.
4. PARCELS A, C, AND D TO BE DEDICATED RIGHT-OF-WAY FOR ROAD USE.
5. PROPOSED SANITARY SEWER, DRAINAGE AND UTILITY EASEMENTS SHOWN HEREON TO BE DEDICATED TO THE CITY OF LYNCHBURG.
6. LOTS SHOWN HEREON ARE SERVED BY PUBLIC SEWER AND WATER.

SUBDIVISION APPROVED:

CITY ENGINEER, LYNCHBURG, VIRGINIA

CITY PLANNER, LYNCHBURG, VIRGINIA

CITY MANAGER, LYNCHBURG, VIRGINIA

JOYCE D. WILLIAMS
INST #060007889
TM# 24908006

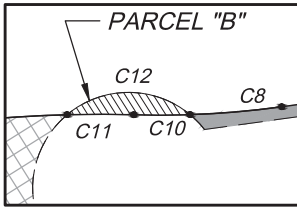
DAVID M. & LAURA L. WASMER
INSTR# 030010482
TM# 24908007
(LOTS 173-176)

MELISSA M. ROLF
INSTR# 080002053
TM# 24908008
(LOTS 177-180)

MARY S. PRENTICE
INSTR# 140003086
TM# 24908009
(LOTS 181-184)

KEVIN M. & BETHANY L. DAVIS
INSTR# 110002513
TM# 24908010
(LOTS 185-188)

W.R. AND J.W. FOSTER,
LIFE ESTATE
INSTR# 120005674
TM# 24908011



INSERT

CURVE TABLE

CURVE	DELTA	LENGTH	RADIUS	CHORD	CHORD BEARING
C1	168°47'11"	117.84	40.00	79.62	N 75°04'50" W
C2	19°43'59"	60.54	175.78	60.24	N 43°55'03" W
C3	9°27'05"	61.86	375.00	61.79	S 45°57'24" E
C4	9°18'23"	85.28	525.00	85.18	N 45°53'03" W
C5	9°13'35"	78.99	46.55	69.85	N 43°28'35" W
C6	76°47'37"	53.61	40.00	49.69	S 58°55'23" W
C7	6°16'47"	57.54	525.00	57.51	S 47°23'51" E
C8	5°51'44"	38.37	375.00	38.35	S 47°45'04" E
C9	12°22'44"	8.64	40.00	8.63	N 03°07'23" E
C10	3°35'20"	23.49	375.00	23.49	N 43°01'32" W
C11	3°01'36"	27.73	525.00	27.73	N 42°44'39" W
C12	79°36'50"	55.58	40.00	51.22	S 42°52'24" E

THE PLATTING OR DEDICATION OF THE FOLLOWING DESCRIBED LAND IS WITH THE FREE CONSENT AND IN ACCORDANCE WITH THE DESIRES OF THE UNDERSIGNED OWNERS, PROPRIETORS AND TRUSTEES, IF ANY.

REPRESENTATIVE FOR CARRIAGE SQUARE, LTD.

DATE

COMMONWEALTH AT LARGE TO WIT:

STATE OF VIRGINIA

COUNTY/CITY OF

I, _____, A NOTARY PUBLIC IN AND FOR THE STATE AFORESAID, DO HEREBY CERTIFY THAT THE OWNERS/REPRESENTATIVES WHOSE NAMES ARE SIGNED HEREON HAVE ACKNOWLEDGED THE SAME BEFORE ME THIS _____ DAY OF _____, 20____.

MY COMMISSION EXPIRES: _____.

NOTARY PUBLIC

STONEGATE LLC
INSTR# 010009304
PC 6, SL 388
TM# 24915089

CITY OF LYNCHBURG
DB 550, PG 214
TM# 24909008

SOURCES OF TITLE:

TM# 25412010
CARRIAGE SQUARE, LTD.
INSTRUMENT NO. 140001762

TM# 25412009
CARRIAGE SQUARE, LTD.
INSTRUMENT NO. 140001763

TM# 25415002
CARRIAGE SQUARE, LTD.
INSTRUMENT NO. 140001764

LEGEND

- IPF REBAR FOUND (UNLESS NOTED)
- IPS IRON PIN SET
- MONUMENT FOUND
- ⊗ ELECTRIC POLE
- OH — OVERHEAD ELECTRIC
- LOT LINE — R/W LINE
- HEREBY VACATED



VICINITY MAP

KROGER LIMITED PARTNERSHIP I
INSTR# 090001970
TM# 25412003

KROGER LIMITED PARTNERSHIP I
INSTR# 080001018
TM# 25412003

11.593 ACRES
TM# 25412010
218 TIMBROOK PL

5.089 ACRES
TM# 25412009
200 TIMBROOK PL

*ALL BUILDINGS & RELATED SEPTIC SYSTEMS TO BE REMOVED AS PART OF THE DEVELOPMENT DRAINFIELDS ARE SHOWN AS APPROXIMATE

PROPOSED TEMP. EASEMENT FOR CUL-DE-SAC (TO BE NULL AND VOID WHEN ROAD IS EXTENDED)

PARCEL B 0.007 AC. (TO BE VACATED) SEE INSERT

PARCEL C 0.411 AC.

PARCEL A 0.066 AC.

PROPOSED R/W

PROPOSED PUBLIC R/W

PROPOSED SANITARY SEWER EASEMENT

PROPOSED DRAINAGE EASEMENT

PROPOSED PUBLIC R/W

PROPOSED SANITARY SEWER EASEMENT

PROPOSED DRAINAGE EASEMENT

PROPOSED PUBLIC R/W

PROPOSED SANITARY SEWER EASEMENT

PROPOSED DRAINAGE EASEMENT

PROPOSED PUBLIC R/W

PROPOSED SANITARY SEWER EASEMENT

PROPOSED DRAINAGE EASEMENT

PROPOSED PUBLIC R/W

PROPOSED SANITARY SEWER EASEMENT

PROPOSED DRAINAGE EASEMENT

PROPOSED PUBLIC R/W

PROPOSED SANITARY SEWER EASEMENT

PROPOSED DRAINAGE EASEMENT



DOYLE ALLEN
Lic. No. 14028

AND SURVEYOR

1.501 AC. TM# 25415002
-0.335 AC. PARCEL D
1.166 AC. NEW TOTAL



REVISED: 11/21/14

PROJECT NO. 201307114

G.L. NO. 264-01-A3.3

FILE NO. SL-14311

DATE: 9-12-2014

DRAWN BY: TWB

CHECKED BY: DBA

HURT & PROFFITT

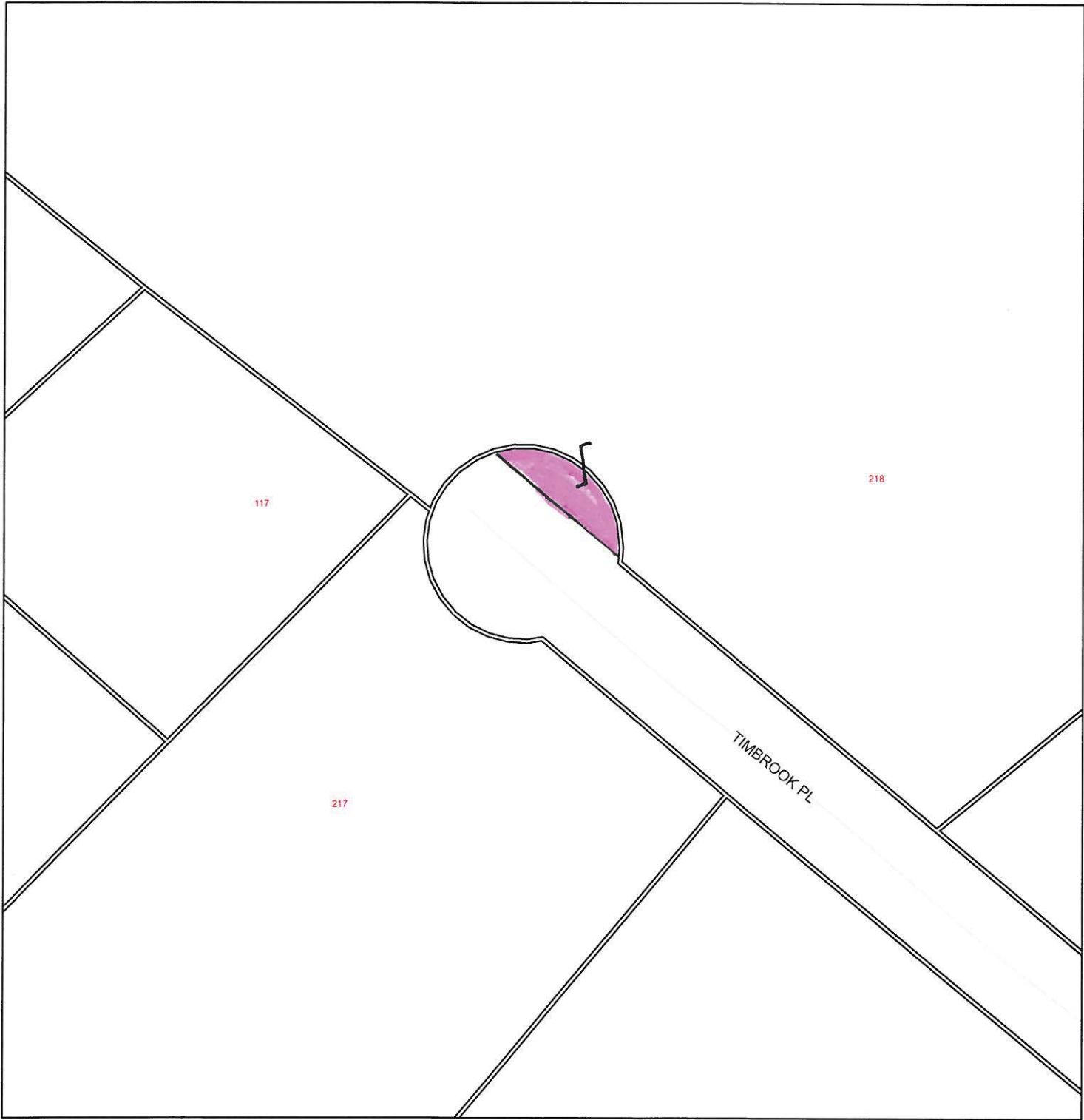
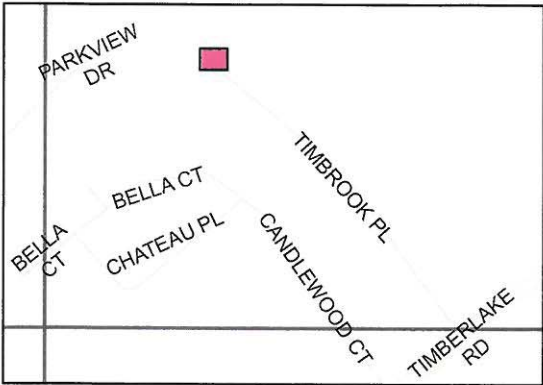
SHEET NO.
1 OF 1

218 Timbrook Place

Right-of-Way Vacation



Area to be vacated

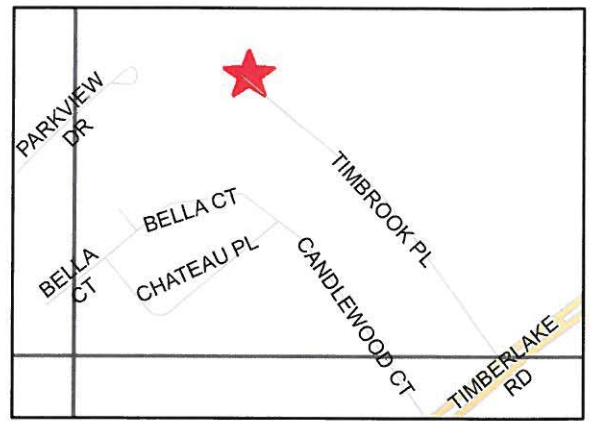


218 Timbrook Place

Right-of-Way Vacation



Location



LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 10

CONSENT:

REGULAR: X

WORK SESSION:

CLOSED SESSION:

(Confidential)

ACTION: X

INFORMATION:

ITEM TITLE: **Public Street Renaming: Timbrook Place to Beverly Hills Circle**

RECOMMENDATION: Rename the street.

SUMMARY: Carriage Square LTD, the owner of 200, 203 and 218 Timbrook Place, has applied to rename Timbrook Place to Beverly Hills Circle. The properties were rezoned in early 2014 and, as part of the rezoning proffers, right-of-way would be dedicated along 218 Timbrook Place to connect Beverly Hills Circle with Timbrook Place. Even though an actual street connection is not currently planned, TRC staff suggested the applicant apply for a street naming to improve addressing for future development.

The only property owner whose address would be affected by this change has been notified.

PRIOR ACTION(S):

March 11, 2014: Council rezoned the applicant's property adjoining Timbrook Place from R-1, Low-Density Single-Family Residential to R-4C, Medium-High Density Multi-Family Residential (Conditional) in order to facilitate the development of the property for apartments.

October 28, 2014: The Technical Review Committee [TRC] reviewed the application.

November 6, 2014: The Physical Development Committee [PDC] reviewed the petition. The PDC recommended it be presented to Council.

FISCAL IMPACT: None

CONTACT(S):

Kevin Henry, Planner II – 455-3900
Tom Martin, City Planner - 455-3900
Kent White, Director of Community Development – 455-3900

ATTACHMENT(S):

- Resolution
- Application
- Maps

REVIEWED BY: bms

RESOLUTION:

A RESOLUTION APPROVING THE RENAMING OF AN EXISTING PUBLIC STREET.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LYNCHBURG that the name of an existing public street called Timbrook Place be changed to Beverly Hills Circle.

Adopted:

Certified:

Clerk of Council

161K

APPLICATION FOR THE RENAMING OF

TIMBROOK PLACE

(Current Street Name)

LOCATED BETWEEN

TIMBROOK PLACE & BEVERLY HILLS CIRCLE

The undersigned applicant, CARRIAGE SQUARE LTD pursuant to the provisions of
Section 24.1-6 of the City Code, 1959, as amended, respectfully makes application to the City of
Lynchburg for the naming of BEVERLY HILLS CIRCLE, formerly known as
TIMBROOK PLACE.

The applicant further requests the Lynchburg Physical Development Committee (PDC) to review and provide comment
to the City Council on the proposed street naming request in the City Manager's Conference Room, 3rd floor, 900 Church
Street, Lynchburg, Virginia, on Nov. 11, 9:00 A.M., or as soon thereafter as the
matter may be heard.

Given under my hand this 10, day of OCTOBER 2014.

CARRIAGE SQUARE LTD
by Gregory Peter & Peter

Applicant Signature

Address

Telephone Number

Timbrook Place to Beverly Hills Circle

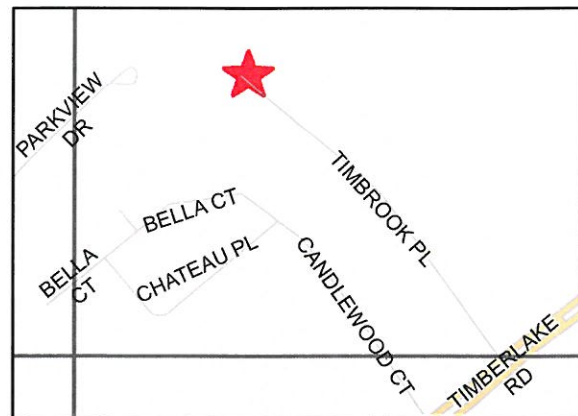
Street Renaming



Location



Area of right of way to be connected



LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 11

CONSENT: REGULAR: **X**

WORK SESSION:

CLOSED SESSION:
(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Adaptive Reuse of the Former Jones Memorial Library – 434 Rivermont Avenue**

RECOMMENDATION: Approval of the *Future Land Use Map* (FLUM) amendment and rezoning petitions.

SUMMARY: Buffalo Creek Land Company, LLC is petitioning to amend the *FLUM* and rezone approximately one and thirty-nine hundredths (1.39) acres at 434 Rivermont Avenue to allow the use of the former Jones Memorial Library building for event, educational and office uses. The Jones Memorial Library is the second oldest public library in Virginia and has been a prominent feature on Rivermont Avenue since it first opened its doors in 1908. The building has been vacant since 2008 and is falling into disrepair. The petitions would change the designation on the *City's Comprehensive Plan 2013 – 2030 Future Land Use Map* from Institutional to Traditional Residential and the underlying zoning from R-4, Medium-High Density, Multi-Family Residential District to B-6C, Riverfront Business District (Conditional) to provide greater flexibility of use in hopes of ensuring the building's survival.

PRIOR ACTION(S):

October 8, 2014: The Planning Division recommended approval of the *FLUM* amendment and rezoning petitions.
The Planning Commission postponed action on the petitions to allow the petitioner to clarify proffers and parking agreements.

November 12, 2014: The Planning Commission recommended approval of the *FLUM* amendment and rezoning petitions (5-0, 1 abstention, Marion, 1 absent, Mays)

FISCAL IMPACT: N/A

CONTACT(S): Tom Martin, City Planner - 455-3900
Kent White, Director of Community Development – 455-3900

ATTACHMENT(S):

- Ordinances
- Planning Commission Report and Minutes – October 8, 2014
- Planning Commission Memorandum and Minutes – November 12, 2014
- Revised Proffers and Parking Agreements
- Vicinity Zoning Map
- Vicinity Proposed Land Use Map
- Watershed Location Map
- Planimetric and Topographic Map
- Rezoning Plan
- Narrative
- Property Photograph
- Speaker Signup Sheet

REVIEWED BY: bms

UNCODIFIED ORDINANCE:

AN ORDINANCE AMENDING THE FUTURE LAND USE MAP TO CHANGE THE PROPERTY LOCATED AT 434 RIVERMONT AVENUE FROM INSTITUTIONAL TO TRADITIONAL RESIDENTIAL.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF LYNCHBURG that in order to promote the public necessity, convenience, welfare and good zoning practice that Chapter 35.1 of the Code of the City of Lynchburg, 1981, as amended, be and the same is hereby further amended by adding thereto Section 35.1-76__, which section shall read as follows:

Section 35.1-76__. Amend the Future Land Use Map for the subject property located at 434 Rivermont Avenue from Institutional to Traditional Residential.

The area embraced within the following boundaries:

LEGAL DESCRIPTION OF LAND STANDING IN THE NAME OF BUFFALO LAND CO., LLC, DESCRIBED IN DEED DATED DECEMBER 3, 2012 AND ON PLAT ENTITLED RESURVEY OF "PARTS OF LOTS 1, 3, 15, 16, 17, 18, 27 AND 29 AND ALL OF LOTS 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 19, 20, 21, 22, 23, 24, 25, 26 AND 28, BLOCK C, PLAN A, RIVERMONT COMPANY, CITY OF LYNCHBURG. VIRGINIA DATED JUNE 14, 1996" BOTH RECORDED IN THE CLERKS OFFICE OF THE CIRCUIT COURT OF THE CITY OF LYNCHBURG, VIRGINIA INSTRUMENT #120008051 AND PLAT CABINET 5, SLIDE 64 RESPECTIVELY.

POINT OF BEGINNING:

BEGINNING AT CORNER OF WALL AT THE INTERSECTION OF THE NORTHEASTERN RIGHT-OF- WAY OF RIVERMONT AVENUE AND THE SOUTHEASTERN RIGHT OF WAY OF LIBRARY STREET; THENCE N46°28'18"E WITH SAID RIGHT-OF-WAY 176.38' TO CORNER OF WALL AT THE INTERSECTION OF SAID RIGHT-OF-WAY WITH THE SOUTHWESTERN RIGHT-OF-WAY OF VICTORIA AVENUE; THENCE S39°27'01"E WITH SAID RIGHT-OF-WAY 241.55' TO POINT ON WALL; THENCE CONTINUING WITH SAID RIGHT-OF-WAY WITH A CURVE TO THE RIGHT HAVING A RADIUS OF 160.00' AND LENGTH OF 100.20' AND WITH SAID WALL TO A POINT ON SAID WALL; THENCE CONTINUING WITH SAID RIGHT-OF-WAY S2°34'42"E 109.88' TO A POINT ON SAID WALL; THENCE WITH A CURVE TO THE RIGHT HAVING A RADIUS OF 28.00' AND LENGTH OF 68.07' AND WITH SAID WALL TO A POINT ON THE WALL ON THE NORTHEASTERN RIGHT-OF-WAY OF RIVERMONT AVENUE; THENCE WITH SAID RIGHT-OF-WAY AND WALL N43°30'00"W 395.24' TO THE POINT OF BEGINNING CONSISTING OF 1.398 ACRES AND KNOWN AS 434 RIVERMONT AVENUE.

...is hereby amended on the Future Land Use Map from Institutional to Traditional Residential and the Director of Community Development shall forthwith cause the Future Land Use Map referred to in Section 35.1-4 of this chapter to be amended in accordance therewith:

Adopted: December 9, 2014

Certified: _____
Clerk of Council

163K

UNCODIFIED ORDINANCE:

AN ORDINANCE CHANGING A CERTAIN AREA LOCATED AT 434 RIVERMONT AVENUE FROM R-4, MEDIUM-HIGH DENSITY, MULTI-FAMILY RESIDENTIAL DISTRICT TO B-6C, RIVERFRONT BUSINESS DISTRICT (CONDITIONAL).

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF LYNCHBURG that in order to promote the public necessity, convenience, welfare and good zoning practice that Chapter 35.1 of the Code of the City of Lynchburg, 1981, as amended, be and the same is hereby further amended by adding thereto Section 35.1-76__, which section shall read as follows:

Section 35.1-76__. Change of a certain area located at 434 Rivermont Avenue from R-4, Medium-High Density, Multi-Family Residential District to B-6C, Riverfront Business District (Conditional).

The area embraced within the following boundaries:

LEGAL DESCRIPTION OF LAND STANDING IN THE NAME OF BUFFALO LAND CO., LLC, DESCRIBED IN DEED DATED DECEMBER 3, 2012 AND ON PLAT ENTITLED RESURVEY OF "PARTS OF LOTS 1, 3, 15, 16, 17, 18, 27 AND 29 AND ALL OF LOTS 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 19, 20, 21, 22, 23, 24, 25, 26 AND 28, BLOCK C, PLAN A, RIVERMONT COMPANY, CITY OF LYNCHBURG. VIRGINIA DATED JUNE 14, 1996" BOTH RECORDED IN THE CLERKS OFFICE OF THE CIRCUIT COURT OF THE CITY OF LYNCHBURG, VIRGINIA INSTRUMENT #120008051 AND PLAT CABINET 5, SLIDE 64 RESPECTIVELY.

POINT OF BEGINNING:

BEGINNING AT CORNER OF WALL AT THE INTERSECTION OF THE NORTHEASTERN RIGHT-OF- WAY OF RIVERMONT AVENUE AND THE SOUTHEASTERN RIGHT OF WAY OF LIBRARY STREET; THENCE N46°28'18"E WITH SAID RIGHT-OF-WAY 176.38' TO CORNER OF WALL AT THE INTERSECTION OF SAID RIGHT-OF-WAY WITH THE SOUTHWESTERN RIGHT-OF-WAY OF VICTORIA AVENUE; THENCE S39°27'01"E WITH SAID RIGHT-OF-WAY 241.55' TO POINT ON WALL; THENCE CONTINUING WITH SAID RIGHT-OF-WAY WITH A CURVE TO THE RIGHT HAVING A RADIUS OF 160.00' AND LENGTH OF 100.20' AND WITH SAID WALL TO A POINT ON SAID WALL; THENCE CONTINUING WITH SAID RIGHT-OF-WAY S2°34'42"E 109.88' TO A POINT ON SAID WALL; THENCE WITH A CURVE TO THE RIGHT HAVING A RADIUS OF 28.00' AND LENGTH OF 68.07' AND WITH SAID WALL TO A POINT ON THE WALL ON THE NORTHEASTERN RIGHT-OF-WAY OF RIVERMONT AVENUE; THENCE WITH SAID RIGHT-OF-WAY AND WALL N43°30'00"W 395.24' TO THE POINT OF BEGINNING CONSISTING OF 1.398 ACRES AND KNOWN AS 434 RIVERMONT AVENUE.

...is hereby changed from R-4, Medium-High Density, Multi-Family Residential District to B-6C, Riverfront Business District (Conditional) subject to the conditions set out herein below which were voluntarily proffered in writing by the petitioner, Buffalo Creek, Land Company, LLC, to wit:

1. Hours of Operation are 8:00 a.m. to 11:00 p.m.
2. We will provide off street parking in locations consistent with good business practice and safety of our clients.
3. Events will include weddings, bridal showers, fashion shows, art fairs, antique shows, business conferences, plays, religious meetings, birthday parties and community events.
4. The second floor of the building will be leased as professional office space.

And the Director of Community Development shall forthwith cause the "Official Zoning Map of Lynchburg, Virginia," referred to in Section 35.1-4 of this chapter to be amended in accordance therewith.

Adopted: December 9, 2014

Certified: _____
Clerk of Council

164K

The Department of Community Development

City Hall, Lynchburg, VA 24504 **434-455-3900**

To: Planning Commission

From: Planning Division

Date: October 8, 2014

Re: *Future Land Use Map (FLUM)* Amendment – Institutional to Traditional Residential

Rezoning: R-4, Medium-High Density, Multi-Family Residential District to B-6C, Riverfront Business District (Conditional) – 434 Rivermont Avenue, Jones Memorial Library

I. PETITIONER

Buffalo Creek Land Company, LLC, 378 Pannills Rd, Gladys, VA 24554

Representative: Kristin Osborne, Buffalo Creek Land Company, LLC, 1000 Court Street, Lynchburg, VA 24504

II. LOCATION

The subject property includes one (1) tract totaling approximately one and thirty-nine hundredths (1.39) acres located at 434 Rivermont Avenue.

Property Owners:

Buffalo Creek Land Company, LLC, 378 Pannills Rd, Gladys, VA 24554

III. PURPOSE

The purpose of the petition is to amend the *FLUM* from Institutional to Traditional Residential and to rezone the property from R-4, Medium-High Density Multi-Family Residential District to B-6C, Riverfront Business District (Conditional) to allow the use of an existing building for event, office and educational uses.

IV. SUMMARY

- The petition would amend the *Future Land Use Map (FLUM)* from Institutional to Traditional Residential. Within Traditional Residential neighborhoods, small retail, personal service, office, and restaurant uses are often found. These uses may continue, although expansion is not recommended, unless supported by a recommendation in a Neighborhood Conservation Area Plan.
- The petition would rezone the property from R-4, Medium-High Density Residential to B-6 Riverfront Business District (Conditional), which would allow the proposed uses for the property.
- Adequate parking can be provided through a combination of spots on the property, leased spots from the Piedmont Building and on-street spaces in the surrounding area.
- The petition would provide for the restoration and adaptive reuse of a historic Lynchburg landmark.
- The Jones Memorial Library was listed on the National Register of Historic Places in 1980.

The Planning Division recommends approval of the *FLUM* amendment and rezoning petitions.

V. FINDINGS OF FACT

1. **Comprehensive Plan.** The *FLUM* of the *Comprehensive Plan 2013-2030* recommends an Institutional Use for the property, though the surrounding area is entirely Traditional Residential. The subject property is recommended for uses allowed within Traditional Residential areas.

Institutional areas include “the religious, educational, and other nonprofit entities in the City. Examples include churches, cemeteries, private schools and universities, private nonprofit hospitals, service clubs and organizations, and other nonprofit institutions. (*pg. 76*)

Traditional Residential areas are generally applied to the City’s older neighborhoods, generally built before World War II and before the City was zoned. The City’s historic districts are located in the traditional residential area. Consequently, for many of the houses here, lot sizes, setbacks, and/or building heights do not conform to the standards of the City’s residential zoning districts. Most of these neighborhoods are identified as Neighborhood Conservation Areas on the Plan Framework Map and are planned for further study for appropriate zoning changes, public investment, and community building efforts. Infill residential development in these neighborhoods should be designed to complement the style and type of housing there and to utilize comparable setbacks, yards, and building heights. Large new or expanded public and institutional uses are not appropriate for these areas unless they can be designed to blend into the existing urban fabric through landscaping or architectural treatments. Within Traditional Residential neighborhoods, small retail, personal service, office, and restaurant uses are often found. These uses may continue, although expansion is not recommended unless supported by a recommendation in a Neighborhood Conservation Area Plan. (*pg. 75*)

The Jones Memorial Library, the second oldest public library in Virginia, has been a prominent feature on Rivermont Avenue since it first opened its doors in 1908. Since the library collection’s relocation in 1987, the building has been used as a college and a daycare. With the departure of Christ College, the building has been vacant since 2008 and is falling into disrepair. It is often difficult to find viable uses for large historic structures that require significant investment to be adapted for modern uses. Changing the *FLUM* for the property will provide the greatest flexibility possible and hopefully ensure the building’s survival.

2. **Zoning.** The subject property was annexed into the City in 1870. The existing R-4, Medium-High Density Residential zoning was established in 1978 with the adoption of the current *Zoning Ordinance*. The developers have found that retrofitting the building for loft apartments is not feasible and are proposing uses not currently permitted in R-4. Rezoning to B-6, Riverfront Business District, will allow permit all of their proposed uses, which provide more public accessibility to the landmark building.
3. **Proffers.** The petitioner has voluntarily submitted the following proffers:
 - a. Our hours of operation will be from 8am to 11pm with no after hours operation.
 - b. We will maintain parking agreement with Nancy Marion. 10 spaces during day hours and 27 spaces during evening hours.
 - c. Limited uses will be wedding receptions, birthday parties, bridal showers, antique shows, art fairs, plays, fashion shows and community events.
 - d. There are no plans to install a restaurant at this time.
 - e. The second floor of the building will be limited to professional office space.
 - f. We are pleased to open a successful well maintained event center that will enhance the community

- g. We intend to restore the old George Jones Memorial Library to a successful prestigious historical event center that will be an asset to Downtown Lynchburg.
4. **Board of Zoning Appeals (BZA).** The Zoning Official has determined that no variances would be needed for the development of the property as proposed.
5. **Surrounding Area.** There have been several items requiring City Council approval in the immediate area:
- On April 12, 1994, portions of the downtown between the John Lynch and Carter Glass Bridges were rezoned to B-6, Riverfront Business District as part of the Riverfront/Downtown Revitalization Program.
 - On May 14, 1996, Council approved the CUP petition of Christ College, Inc for an undergraduate/graduate college at 404-434 Rivermont Avenue, and dormitories at 501-503 Library Street, and 511-513 Victoria Avenue.
 - On April 8, 1997, Council approved the CUP petition of Stepping Stones Academy for use of the property at 434 Rivermont Avenue as a child care center for up to forty-nine (29) children.
 - On September 13, 1994, Council approved the CUP petition of the City of Lynchburg to allow the construction of a Visitor Center, Plantation Kitchen and parking area at 112 Cabell Street (Point of Honor).
 - On May 12, 2002, Council established the Rivermont Historic District.
 - On December 11, 2007, the Fifth Street Corridor was rezoned to B-6, Riverfront Business District and the Fifth Street Revitalization Corridor established.
 - On July 9, 2013, Council approved the petition of Cabell Street Land Trust to amend the FLUM from Traditional Residential to Downtown and to rezone approximately one and five tenths (1.5) acres located at 41, 57 & 59 Cabell Street from R-C, Resource Conservation District & B-5, General Business District to B-6 Riverfront Business District to allow the use of an existing building for forty-seven (47) apartments and the construction of a fifty (50) space parking area.
6. **Site Description.** The subject property includes one (1) tract totaling approximately one and thirty-nine hundredths (1.39) acres located at 434 Rivermont Avenue. The historic Jones Memorial Library sits at the highest point on the property with a lawn sloping towards downtown and a stairway that mimics Monument Terrace's fronting Rivermont Avenue. This Lynchburg landmark provides great views of and from downtown. The Jones
7. **Proposed Use of Property.** If the rezoning petition is approved, the property would be restored and adapted for event, office and educational uses.
8. **Traffic, Parking and Public Transit.** The proposed development may warrant a Traffic Impact Study (TIS) which will be determined at the time of site plan review. It is not likely that the use of the building will affect the capacity of Rivermont Avenue, though any recommendations provided by the study will be addressed at the site plan review stage.

A total of thirty (30) off-street parking spaces would be required for the proposed development. The submitted narrative states that thirty (30) off-street spaces will be available through the three on-site and ones leased from the Piedmont Building across the street. The petitioners have counted a total of one hundred and eighty-one (181) available on and off-street spaces currently within walking distance to the site, exceeding the

requirements of the *Zoning Ordinance*. Additionally, parking requirements are reduced when bus service is available to a property. With the combination of bus service, on-street and off-street spaces, parking quantity should not be an issue for the proposed development. However, one issue will be pedestrian activity from people accessing the library from the on and off-street parking across Rivermont Avenue. It is a busy, four-lane road section without pedestrian crossing facilities.

The development would be served by Greater Lynchburg Transit Company (GLTC) Routes 1 and 3.

9. **Stormwater Management.** The proposed project does not include any land disturbance at this time. If land disturbance is proposed at the time of site plan review, quantity and quality requirements will have to be met. The site currently drains to the storm sewer systems on the adjacent streets.
10. **Emergency Services.** The City Fire Marshal provided comments regarding site design requirements of the City of Lynchburg and the Virginia Statewide Fire Prevention Code. The City's Police Department provided comments related to site safety and security and concerns about parking and pedestrian safety. The petitioner is working with the Police Department to implement a crime prevention plan, which will include removing graffiti, making yard improvements, repairing broken windows and maintaining adequate lighting on the property. These comments have or will be addressed by the petitioner prior to final site plan approval.
11. **Impact.** It is often difficult to rehabilitate large historic structures and adapt them to modern standards. The proposed FLUM amendment and rezoning petitions would provide the flexibility necessary for finding a viable mix of uses for the property and facilitate the adaptive reuse of this historic landmark. The building is within the Rivermont Avenue Historic District and all exterior improvements will be subject to review by the City's Historic Preservation Commission (HPC).

Use of the building is not without issues. Parking is a major concern; although the petitioner has met the amount required by the *Zoning Ordinance*, access from those spaces to the building is still questionable. Rivermont Avenue is a busy thoroughfare and crossing can be difficult. The submitted proffers do address other potential issues by limiting the hours of operation and the uses of the property.
12. **Technical Review Committee.** The Technical Review Committee (TRC) reviewed the preliminary rezoning plan on July 1, 2014. Comments related to the proposed use have or will be addressed by the petitioner prior to final site plan approval.

VI. PLANNING DIVISION RECOMMENDATION

As provided in Section 35.1-43.1, Conditional Zone or Zone Approval, waive the twenty-one (21) day submittal requirement for voluntarily submitted proffers.

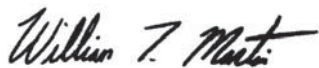
Based on the preceding Findings of Fact, the Planning Commission recommends to City Council approval of the petition of Buffalo Creek Land Company LLC to:

Amend the *Future Land Use Map (FLUM)* from Institutional to Traditional Residential for the property located at 434 Rivermont Avenue.

Rezone approximately one and thirty-nine hundredths (1.39) acres located at 434 Rivermont Avenue from R-4, Medium-High Density, Multi-Family Residential District to B-6C, Riverfront Business District (Conditional) subject to the following voluntarily submitted proffers:

- a. Our hours of operation will be from 8 a.m. to 11 p.m. with no after-hours operation.**
- b. We will maintain parking agreement with Nancy Marion to lease 10 spaces during day hours and 27 spaces during evening hours.**
- c. Limited uses will be wedding receptions, birthday parties, bridal showers, antique shows, art fairs, plays, fashion shows and community events.**
- d. There are no plans to install a restaurant at this time.**
- e. The second floor of the building will be limited to professional office space.**
- f. We are pleased to open a successful well maintained event center that will enhance the community**
- g. We intend to restore the old George Jones Memorial Library to a successful prestigious historical event center that will be an asset to Downtown Lynchburg.**

This matter is respectfully offered for your consideration.



William T. Martin, AICP
City Planner

pc: Mr. L. Kimball Payne, III, City Manager
Ms. Bonnie M. Svrcek, Deputy City Manager
Mr. Walter C. Erwin, City Attorney
Mr. Kent L. White, Director of Community Development
Mr. J. Lee Newland, City Engineer
Ms. Cynthia Kozarow, Lynchburg Police Department
Battalion Chief Greg Wormser, Fire Marshal
Mr. Don DeBerry, Transportation Engineer
Mr. Doug Saunders, Building Commissioner
Mr. Robert Fowler, Zoning Administrator
Ms. Kristin Osborne, Petitioner

VII. ATTACHMENTS

- 1. Vicinity Zoning Pattern Map**
- 2. Vicinity Proposed Land Use Map**
- 3. Watershed Location Map**
- 4. Planimetric and Topographic Map**
- 5. Rezoning Plan**
- 6. Narrative**
- 7. Property Photograph**

MINUTES OF THE OCTOBER 8, 2014 PLANNING COMMISSION MEETING (MINUTES HAVE BEEN APPROVED):

Petition of Buffalo Creek Land Company, LLC to amend the Future Land Use Map from Institutional to Traditional Residential and to rezone approximately one and thirty-nine hundredths (1.39) acres at 434 Rivermont Avenue from R-4, Medium-High Density, Multi-Family Residential District to B-6C, Riverfront Business District (Conditional) to allow the use of an existing building for event, office and educational uses.

Ms. Nancy Marion will be abstaining from the petition, as she may be entering into a parking agreement with the petitioner. Mr. Tom Martin explained that this building is the former Jones Memorial Library building and was constructed in 1900. It has been difficult to find uses for these older vacant buildings. In this case, the obstacle has primarily been its zoning. It is zoned R-4 and one would think that apartments would be a good use for this building; however, there are off-street parking requirements for that use which proves challenging.

The petition before them is to amend the *Future Land Use Map* from Institutional to Traditional Residential. Everything around this building is designated Traditional Residential. Traditional Residential areas can contain small retail and service businesses, offices and restaurants. These uses can continue but should not be expanded. It was staff's thinking that Traditional Residential would be the correct designation for this building because it has been an integral part of this neighborhood for decades.

The request to rezone to B-6, Riverfront Business, is in order to allow the multitude of uses that are being proposed as well as allowing an exemption to the parking requirements. The petitioner would like to use the building for wedding type events and office space. Mr. Martin acknowledged that staff's main concern is and has been with parking. Mr. Martin indicated that there is ample on-street parking in the area. The petitioner is also proposing to rent some spaces from Ms. Nancy Marion behind the Piedmont building across the street; however, the details of that arrangement have not been worked out as of today's meeting. Mr. Martin mentioned that staff is also concerned with the safety of pedestrians crossing Rivermont Avenue from this parking area. The most logical place for them to cross would be at the D Street Bridge. However, staff, including the City's Transportation Engineer, does not have enough details about this project at this point to make a recommendation about a pedestrian crossing.

Mr. Martin remarked that the *Comprehensive Plan* supports the adaptive reuse of these older buildings. The Planning Division does recommend approval of the petition but wished to point out the above items for the commission's consideration.

Ms. Kristin Osborne was present to represent the petition. She said that it is the intention of the owner to rehabilitate and revitalize the building back to its original condition. They have consulted with an architect, Mark Smith, who is very interested in doing the project. The owners feel there is a need for a downtown event facility. Ms. Osborne explained the layout of the inside of the building. There is a great room on the first floor. There are four offices and a balcony on the second floor. Then there is the three-story glass library, which is not usable space. Their plans are to leave that part in its original historical condition; it is probably the only one like it in the world. The addition that was done in 1976 has low ceilings and windows at floor level because it was designed to match the library. It is not really a functional space for events. The idea is to use the great room for functions of up to approximately 100 people. They also plan on leasing the office space to a tenant, so there will be someone in the building during regular business hours. The classroom space is suitable for educational purposes and church activities.

Ms. Osborne explained that there is a good deal of on-street parking around the building. There is no competition for the on-street parking immediately around the building. The people who live on Victoria Avenue park on the right hand side of the street. There is a good deal of on-street parking on

the left hand side of Rivermont Avenue because many of the houses are vacant and many of the residents of the homes that are occupied do not have vehicles.

Ms. Osborne remarked that she has had preliminary talks with Ms. Marion about renting some parking spaces on the weekends. Because they are a little far away from actually beginning to use the building, the owners have not entered into any kind of formal agreement with Ms. Marion. Ms. Osborne also mentioned that there are three parking spaces in the underground structure for the tenants that will be leasing the office space.

Vice-Chair Johnston asked for anyone else who wished to speak in the favor of the petition. No one came forward. She asked for anyone who wished to speak in opposition to the petition. Mr. Steve Perry came forward. He said he looks at the owners as "wolves in sheep's clothing." They have come in with the guise of rehabilitating and revitalizing a number of properties in Lynchburg including the Phelps school. Mr. Perry feels that the owners are not going to put out their own money but rather will try to partner with the City and see what grants are available. If people will shower them with money, then they will revitalize it.

Mr. Perry mentioned that the owners have been in noncompliance with the lawn for ten weeks. They hired him three weeks ago to mow the lawn and will not pay him. The owners are still not in compliance with the lawn but say they want to revitalize the property. Mr. Perry also pointed out that there is a large broken window that has been that way for some time.

Mr. Perry also does not know how Ms. Osborne has counted so many on-street parking spaces. Mr. Perry drove from Lower Rivermont down Victoria Avenue and Library Street and it is only two tenths of a mile, so there is no way there are over 100 parking spaces on those streets. He pointed out that cars cannot park on both sides of Victoria Avenue or a car would not be able to get through. Mr. Perry said he went door to door and did not find anyone who was in favor of the petition. He would be interested in getting a petition together; many could not make it to the meeting because of work schedules.

Ms. Debra Saucier of 442 Victoria Avenue came forward to speak. Her concern is with parking. She said the parking that surrounds this block is closer to between 40 and 50 spaces. That includes the corner where there is a bus stop. There are some spaces that are marked "No Parking" right on Victoria Avenue. Ms. Saucier pointed out that the Ellington also has events. The residents already live with the difficulty of dealing with the lack of parking cause by those events, although she acknowledged that they are not every weekend.

She is also concerned with the quality of life and decreased property values caused by this building being used for events. Will there be loud music and noise on the lawn during events that will affect the quality of life for residents? Ms. Saucier knows of someone trying to sell their residence because of the recent unfortunate partying that went on at this building in the past few weeks. If there is a lower quality of life and lower property values, she is not sure how that will bring Lower Rivermont back, which is the hope of she and other residents. Ms. Saucier thinks there will be a big impact on the area from this event center and she thinks they should study it carefully because they alter the area drastically and cannot undo it.

Vice-Chair Johnston closed the public hearing portion of the petition and opened it up for discussion by the commission.

Commissioner Light said that initially he was very happy to read in the paper that something positive was being proposed for this building. It is one of the architectural gems of the City. He commends them for taking on this project. It is a challenging piece of property. The commission understands that this is a complicated project to move through the process. At this point, Commissioner Light has some issues

with some of the wording on the proffers. He is not sure they will be able to overcome it this evening or not. He called Ms. Osborne back up to answer some of his questions.

Commissioner Light said he is not comfortable with the wording of the proffer regarding maintaining a parking agreement with Ms. Marion. He is not comfortable with seeing one of the proffers being something promised for the future. He would like to see some certainty in the wording of the proffers. He believes the parking issues raised today are a real concern. He is not sure that renting spaces at the Piedmont building will adequately address the parking concerns in the neighborhood. Commissioner Light has been to events at the Ellington; sometimes he has chosen not to go because it is so difficult to find parking. At a minimum, the wording of proffer b does not make him feel comfortable enough that the parking issue has been addressed.

Ms. Osborne explained that they had not executed a formal agreement because they are not close to receiving a certificate of occupancy for the building. It is Ms. Osborne's understanding from conversations and emails with Ms. Marion that she has a certain number of spaces available during the day and some more available in the evening and on weekends. Ms. Osborne will work to formalize this agreement with Ms. Marion. Ms. Osborne indicated that there will not be events held at the building during the week. They will also not be having events that conflict with the schedule of the Ellington. They will also probably not hold events at the building when the City is having events downtown because they do not want to conflict with those events. Their goal is to find a suitable use for the building and work with what they have; it would obviously be detrimental for the City and all residents to leave the building empty and in disrepair until it needs to be demolished like the Phelps school.

Ms. Osborne said they have respect for the neighbors and for their privacy. The events they hold will be professionally monitored. If there is music for an event, it will be kept to an acceptable level. Commissioner Light stated that he could not give her or Ms. Marion any individual legal advice on the parking agreement; however, a lease could be signed contingent upon this process. That would have enabled her to come to this hearing with a contract that clearly delineated the amount of parking that could be provided at the Piedmont building. Maybe this could be done before City Council. Commissioner Light is not comfortable signing off on this petition without some higher degree of confirmation regarding the parking spaces.

With regard to the scheduling of events, Commissioner Light would like to trust Ms. Osborne. She seems like a straightforward person. However, these assurances are not a part of the proffers. She can make an oral statement that they will not be having events on the same night as the Ellington and Commissioner Light thinks that would be a good business practice. However, it is not stated in a confirmed manner in the proffers.

Another proffer with which Commissioner Light had concerns was the proffer regarding no plans for a restaurant at this time. Ironically, many people who contacted Commissioner Light wanted a restaurant at this location. This proffer is couched in a very ambiguous manner and makes it difficult for the commission to make an informed recommendation to City Council. He believes Ms. Osborne but next week the owners could change their opinion about having a restaurant. He would like to see more of a definitive statement regarding the plans for a restaurant and pointed out that they could always come back and modify that request if things seem to be working from a safety and access viewpoint.

Commissioner Light wants her to know and thinks he is speaking for the rest of the commission that they would like to see this petition move forward in some fashion that is doable and workable and sustainable. He takes his hat off to them and their desire to make this building viable again because he knows many people have looked at the building and did not want to tackle it.

Ms. Osborne said she was open to revising the proffers. She did put in the narrative that they would not be competing with the Ellington. They also do not want to compete with the functions of the City because it does not make sense.

The reason they put in no restaurant was because initially they had leased the building to a tenant that wanted to do a restaurant. They have since evicted the tenant because he was not complying with his lease or with the future plans for the building. Ms. Osborne had to take over the reins and completely redo the narrative and the business plan. She said Mark Smith has been great to work with and will be doing the site plan and working with the historic tax credit programs. They will, of course, be applying for whatever grants that are available.

Ms. Osborne also mentioned that she is going to try to do a cooperative effort with the garden society to turn the front lawn into a community garden. The property will be fenced and have public seating. She thinks a community garden is much needed downtown.

Commissioner Mays asked Ms. Osborne how long they have owned the building. She said they bought it toward the end of 2013. Commissioner Mays asked if the owner, Mr. Stewart Smith, could come and speak with them. Ms. Osborne indicated that she had the date of the meeting wrong and therefore had informed Mr. Smith of the wrong meeting date. Ms. Osborne mentioned that Mr. Smith has a proven track record with rehabilitating historic properties. He did the entire Main Street of Brookneal.

Commissioner Mays asked about their time frame for completion and budget. Ms. Osborne said they have hired Mark Smith and will be using his contractors. His CPA will be doing the historic tax credit application. Ms. Osborne said that structurally the building is in great condition. For the time being, they will be doing some cosmetic repairs, repairing the bathrooms and installing fire sprinklers. They would like to be done with the work within the next six months and starting using it. Commissioner Mays said he is concerned with the parking but does think this is a wonderful building. He would like to see this project work and this building revitalized. He is concerned with proffer g because it says "we intend to restore." He would like to see it say "We will restore." He does not want to see this building sit. She is representing herself well but Commissioner Mays would be more comfortable with a more definite proffer about their intent to restore this building. He is excited but would like to see something in black and white. Ms. Osborne said she respects that and has no problem changing the language.

Mr. Martin stated that sometimes the proffers are worked out at the meeting. In light of the other items on the agenda, that might not be a good idea. The thing to remember though is that proffers have to be enforceable. There are proffers that he calls "do nothing" proffers. They sound great but are not enforceable by staff. Things like "We are pleased to open a successful, well maintained event center" cannot be enforced. Mr. Martin suggested they table the item until their next meeting and give Ms. Osborne a chance to draft a parking agreement and give staff a chance to work with Ms. Osborne on the wording of the proffers. Mr. Martin thinks he is clear on what the commission would like to see in the proffers. Everyone is excited about the project but would like to see it done right.

Vice-Chair Johnston said she is fine with tabling the petition but would like to give Commissioner Lowe a chance to speak. Commissioner Lowe said he would like to see the petition tabled because he had serious concerns with moving forward at this point. He would love to see the library come back; he thinks it is a vital part of the City.

Vice-Chair Johnston thanked them for taking this project on and thanked Ms. Osborne for being at today's meeting. This is a big project and people would love to see this building used. She is concerned with the parking issues that have been raised and is concerned with how the lack of parking will affect the neighbors. Vice-Chair Johnston understands why they do not want to compete with other events but does not think that events at the Ellington and downtown and at this building have to be mutually

exclusive. She thinks it would be nice to see multiple events happening at the same time. She is wondering if the petitioner could find parking elsewhere such as across the D Street Bridge at City-owned properties or possibly utilize the parking areas that Point of Honor uses for its bigger events.

Mr. Martin noted that the Holiday Inn has a public deck. There is a City-owned lot at the end of Court Street by the James River Conference Center. Parking downtown or in Lower Rivermont is not a problem; it is just not right next door to where we might like it to be. The petitioner could consider running a shuttle service to some of the other parking lots available. Mr. Martin is concerned with the enforcement aspect with scheduling conflicts. What is there is an event at the Ellington and one at the library? Which event does staff shut down? Vice-Chair Johnston does not think it is an enforceable agreement and she thinks it really limits what can be going on downtown. Think about the partnerships that could be developed. She would like to see them think in a big picture way. She would like to look beyond what they are considering today and look for other community partners. She thinks this could be a really cool thing and that is why she would like to come back to it.

Commissioner Lowe made a motion, which was seconded by Commissioner Mays, to table this item. It passed by the following vote:

AYES:	Johnston, Light, Lowe and Mays	4
NOES:		0
ABSTENTIONS:	Marion	1
ABSENT:	Perault and Swienton	2



Memorandum

Planning Division • Community Development

900 Church Street
Lynchburg, Virginia 24504
P 434-455-3900

To: Planning Commission

From: Tom Martin, AICP, City Planner

CC: Ms. Kristin Osborne, Petitioner

Date: November 12, 2014

Re: Future Land Use Map Amendment (FLUM) – Institutional to Traditional Residential and Rezoning R-4, Medium-High Density, Multi-Family Residential District to B-6C, Riverfront Business District (Conditional) – 434 Rivermont Avenue

The Planning Commission conducted a public hearing on October 8, 2014, concerning the request of Buffalo Creek Land Company, LLC to amend the FLUM from Institutional to Traditional Residential and to rezone approximately one and thirty-nine hundredths (1.39) acres located at 434 Rivermont Avenue from R-4, Medium-High Density, Multi-Family Residential District to B-6C, Riverfront Business District (Conditional). The purpose of the FLUM amendment and rezoning is to allow the use of the existing building for event, office and educational uses.

After closing the public hearing, the Planning Commission postponed action until the petitioner could clarify proffers and address parking issues related to the development of the property as proposed.

The petitioner has proffered that twenty (20) parking spaces will be leased at 311 Rivermont Avenue and ten (10) parking spaces will be leased at 401 Rivermont Avenue. Other parking areas planned to be utilized by the petitioner are the paid deck at the Holiday Inn and the free public parking area at 351 Court Street. The petitioner has proffered to provide a shuttle service from these parking areas to the event center.

MINUTES OF THE NOVEMBER 12, 2014 PLANNING COMMISSION MEETING (MINUTES HAVE NOT BEEN APPROVED):

Chair Swienton reminded the commissioners that they had tabled this item at their October 8, 2014 Planning Commission meeting due to its concerns with the proffers submitted and the parking arrangements. Commissioner Light commented that he had been concerned with the phrasing of the proffers in a subjective manner. They were all commendable things and everyone on the commission agreed that they would like to see this be a successful project. Parking was a particular issue of concern. He was happy to see that the issue of parking had been addressed in the new set of proffers.

Ms. Kristen Osborne came forward to present the proffers. She explained that proffer a was amended to clearly state the hours of operation. Proffer b was amended to reduce the number of spaces to be leased from the Piedmont Building from 27 to 20 and to add 10 spaces from Reggie's Auto Garage. She has executed agreements with the owners to indicate that they are willing to lease them these spaces contingent upon the favorable approval of the rezoning. Proffer c was amended to indicate that additional parking spaces will be used the Court Street parking lot and the Holiday Inn public parking lot. A shuttle service will be provided from all parking lots to 434 Rivermont Avenue when available. Proffer e was clarified to indicate that there will be a catering kitchen installed. Proffer f did not need clarification. Proffer g was amended to more clearly identify the hiring of an architect to help with them with the site work as well as the filing of any grant or tax credit applications. Proffer g also gives a tentative timeline to complete the project.

Chair Swienton asked Mr. Martin if he feels that these proffers as written are enforceable. Mr. Martin said that some of them are and some are not. At the end of the day, the decision of the commission and Council is whether or not seeing new life breathed into this building more important than possibly having parking issues at certain times. Staff is not going to be able to go out there every year and ask to see their executed parking agreements. The parking agreement with Reggie's already says that it can be revoked by either party. To the planning staff, it is more important to see that building used for something. Staff would also not be able to decide which venue can have an event, the Ellington or the library. They both have a right to have an event. They will have to deal with their parking issues however they deem appropriate. If the commission feels like they need to have dedicated off street parking on their lot, then they should not recommend approval of this rezoning. If you think it is more important to have the building used then to have it become more derelict, then yes, you should recommend approval.

Chair Swienton commented that he is taking from that statement that although all the proffers are not enforceable, it is also not a large concern of the planning staff. Mr. Martin said that is correct and he thinks they are better than they were last month.

Commissioner Johnston asked if they had changed their position not to have events at the same time as the Ellington. Ms. Osborne said the Ellington only has about four events a year. She plans to work with them and to not have a conflict. She would respect that they have been there for quite some time and they can live without scheduling events at the same time. Most weddings and events at the library would be during the day on Saturday and Sunday anyway. Commissioner Johnston said her concern is actually the opposite. Not having events at the same time seems counterproductive to bringing life to the area. To her, it is almost the same as saying we are only to have one restaurant open on each block of downtown at any time. Commissioner Johnston wanted to make sure that the option is there for them to have events at the same time. Ms. Osborne said it has been her experience that people park on Rivermont Avenue when the Ellington is having events. They do not park on Library Street or Victoria Avenue. Some of these parking issues will have to be worked out as they go along and see how their events pan out, how large they are, how often, etc.

Commissioner Johnston thinks that some people will choose to walk to the venue and she wants to make sure that is a safe option. She asked Mr. Martin if there has been any more discussion about a crosswalk. Mr. Martin commented that the Transportation Engineer does not think that will be feasible option, and thus the need for shuttle service. Mr. Martin commented that people park on both sides of the street now. People are already walking in the area and we are not requiring anyone else to put in a crosswalk. The petitioner has proffered to provide a shuttle service when available so they recognize that parking is an issue. It is Mr. Martin's understanding that the Transportation Engineer has not come up with an easy way to put in a crosswalk yet.

Chair Swienton commented that these are public streets they are discussing. There is no formal street sharing agreement that can be imposed. Chair Swienton would like it noted for the record that there is a way for the residents of Victoria Avenue to secure a parking permit. He is not sure what the exact process is but is confident there is someone in the City they could speak with about permit parking if that becomes necessary in the future. Chair Swienton indicated to Ms. Osborne that the Ellington is run by a non-profit board and encouraged her to contact them as necessary for future scheduling coordination.

Commissioner Lowe asked Mr. Martin what happens if the petition is unable to secure funding for the rehabilitation of the building. Mr. Martin said they would withhold zoning approval and not allow them to use the building until it is finished. Ms. Osborne indicated that Buffalo Creek Land Company paid cash for the property. The mortgagors will not issue him a line of credit until the property is designated commercial. Chair Swienton asked Ms. Osborne if she feels that this allows her to adequately address her business plan. She said yes. Chair Swienton reminded her that if anything needs to be altered, they have to go through the entire process again so he wants to ensure that they have everything they feel they need to be successful.

Commissioner Perault indicated he is a huge fan of reusing and redeveloping sites if at all possible. This is a case where if planning staff is comfortable with the proffers, then he is as well. He hopes the project works as he would like to see the building get used again. All the other commissioners agreed. Commissioner Light said he has not talked with anyone in town that has not been excited to see new life back in the building. This is a process and this is not the last step. He will be voting in favor of the petition and wishes them best recognizing that there are a lot of steps in front of them. He thinks that they are going to have an overwhelming amount of support from the community. Ms. Osborne thanked them and said she feels the same way about the project and feels they have a great deal of support for it.

Commissioner Johnston made the following motion, which was seconded by Commissioner Lowe:

"That the Planning Commission, as provided in Section 35.1-43.1, Conditional Zone or Zone Approval, waives the twenty-one (21) day submittal requirement for voluntarily submitted proffers.

The Planning Commission recommends to City Council approval of the petition of Buffalo Creek Land Company LLC to:

Amend the *Future Land Use Map (FLUM)* from Institutional to Traditional Residential for the property located at 434 Rivermont Avenue.

Rezone approximately one and thirty-nine hundredths (1.39) acres located at 434 Rivermont Avenue from R-4, Medium-High Density, Multi-Family Residential District to B-6C, Riverfront Business District (Conditional) subject to the following voluntarily submitted proffers:

- a. **Hours of Operation are 8:00 a.m. to 11:00 p.m.**
- b. **A parking agreement with Nancy Marion of the Piedmont Building located at 311 Rivermont Avenue to lease 20 parking spaces has been executed and is attached hereto, contingent upon the approval of the rezoning. A parking agreement with Bobby Johnson of Reggies Auto Garage at 401 Rivermont Avenue to lease 10 parking spaces has been executed and is attached hereto.**
- c. **Additional parking spaces will be used at the Court Street Parking Lot and at the Holiday Inn public parking lot. Buffalo Creek Land Company LLC will provide shuttle service from the Piedmont, Reggies Auto Garage, Court Street and Holiday Inn parking lots to 434 Rivermont Avenue when available.**
- d. **Events will include weddings, bridal showers, fashion shows, art fairs, antique shows, business conferences, plays, religious meetings, birthday parties and community events.**
- e. **There will be a catering kitchen installed.**
- f. **The second floor of the building will be leased as professional office space.**
- g. **Buffalo Creek Land Company LLC has contracted with Mark Smith of Architectural Partners in Lynchburg to develop site plans and proceed with rehabilitation of external and internal repairs of the building including processing grant applications and historical tax credit applications. It will take approximately six months to have a complete site plan developed and 18 months to complete rehabilitation.**

Commissioner Johnston thanked Ms. Osborne for their patience while they went through this process and their cooperation in revising the proffers. She thinks it looks a lot better than it did last month. She appreciates their flexibility and their drive to partner with other people because she thinks that is really important, especially in this part of the city. Partnerships are going to be what keeps our collaboration going.

Chair Swienton commended them on their drive to go forward. He thinks that a project to breathe new life into a historic building is an endeavor worth approving.

The motion passed by the following vote:

AYES:	Johnston, Light, Lowe, Perault and Swienton	5
NOES:		0
ABSTENTIONS:	Marion	1
ABSENT:	Mays	1

PROFFERS

- a. Hours of Operation are 8:00 a.m. to 11:00 p.m.
- b. A parking agreement with Nancy Marion of the Piedmont Building located at 311 Rivermont Avenue to lease 20 parking spaces has been executed and is attached hereto, contingent upon the approval of the rezoning. A parking agreement with Bobby Johnson of Reggies Auto Garage at 401 Rivermont Avenue to lease 10 parking spaces has been executed and is attached hereto.
- c. Additional parking spaces will be used at the Court Street Parking Lot and at the Holiday Inn public parking lot. Buffalo Creek Land Company LLC will provide shuttle service from the Piedmont, Reggies Auto Garage, Court Street and Holiday Inn parking lots to 434 Rivermont Avenue when available.
- d. Events will include weddings, bridal showers, fashion shows, art fairs, antique shows, business conferences, plays, religious meetings, birthday parties and community events.
- e. There will be a catering kitchen installed.
- f. The second floor of the building will be leased as professional office space.
- g. Buffalo Creek Land Company LLC has contracted with Mark Smith of Architectural Partners in Lynchburg to develop site plans and proceed with rehabilitation of external and internal repairs of the building including processing grant applications and historical tax credit applications. It will take approximately six months to have a complete site plan developed and 18 months to complete rehabilitation.

PARKING SPACE LEASE AGREEMENT

This Agreement is made the 12 day of October, 2014, by and between Nancy Marion hereinafter ("Lessor") and Buffalo Creek Land Company LLC hereinafter ("Lessee").

Lessor agrees to lease approximately 20 parking spaces in the Piedmont Center parking lot located behind 311 Rivermont Avenue, Lynchburg VA 24504 to Buffalo Creek Land Company LLC, for use for events to be held at the Old George Jones Memorial Library located at 434 Rivermont Avenue, Lynchburg CA 24504.

Lessee agrees to pay the sum of \$400.00 payable on the first day of the month for use of the parking spaces.

This Parking Space Lease Agreement is contingent upon the approval of the rezoning of 434 Rivermont Avenue, Lynchburg VA 24504 to B6 and will remain in full force and effect

~~indefinitely.~~ unless either party gives the other a 30-day notice. NBm
C.A.A.

Lessor will provide Lessee with dates of upcoming events for which available parking would be reduced.

AGREED TO BY AND BETWEEN:

Nancy B. Marion
Piedmont Center
Nancy Marion

C. Stewart Smith
Buffalo Creek Land Company LLC
C. Stewart Smith

9/15/2014

PARKING SPACE LEASE AGREEMENT

This Agreement is made the 12 day of October, 2014, by and between Bobby Johnson and Reggie Phelps Auto Garage hereinafter ("Lessor") and Buffalo Creek Land Company LLC hereinafter ("Lessee").

Lessor agrees to lease approximately 10 parking spaces from the Reggie Phelps Auto Garage parking lot located at 401 Rivermont Avenue, Lynchburg VA 24504 to Buffalo Creek Land Company LLC, for use from events to be held at the Old George Jones Memorial Library located at 434 Rivermont Avenue, Lynchburg VA 24504.

Lessee agrees to pay the sum of \$400.00 payable on the first day of the month for use of the parking spaces.

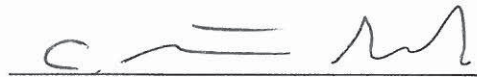
This Parking Space Lease Agreement is contingent upon the approval of the rezoning of 434 Rivermont Avenue, Lynchburg VA 24504 to B6 and will remain in full force and effect indefinitely.

AGREED TO BY AND BETWEEN:



Reggie Phelps Auto Garage

Bobby Johnson



Buffalo Creek Land Company LLC

C. Stewart Smith

This agreement may be revoked by either party.

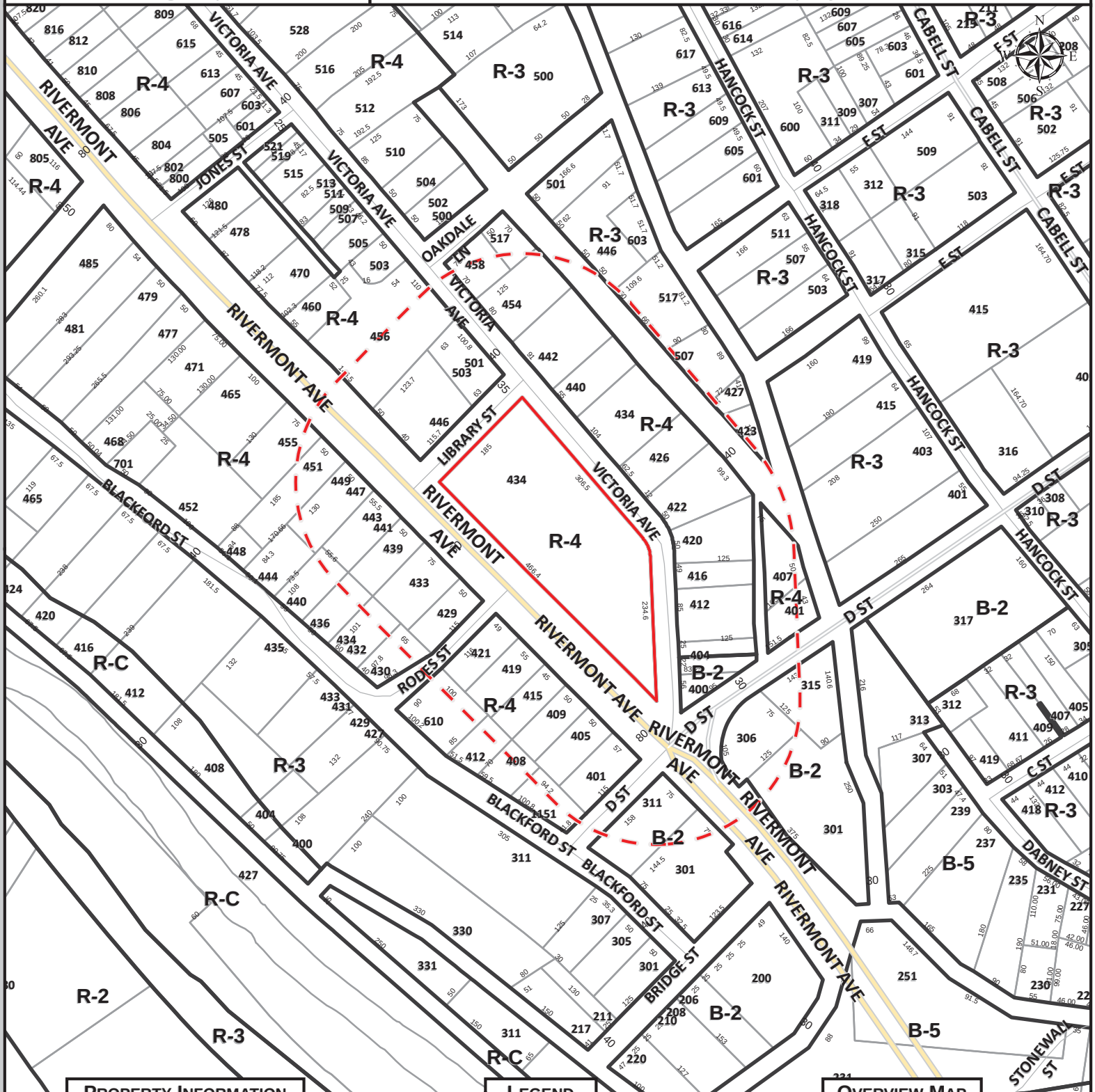
CAS
BQ

Zoning Map

JONES MEMORIAL LIBRARY EVENT CENTER

Zoning Request

Buffalo Land Creek Company, LLC



PROPERTY INFORMATION

PARCEL ID	ADDRESS
02316011	434 RIVERMONT AVE

LEGEND

- Subject Property
- 215' Buffer
- Zoning Boundary

OVERVIEW MAP



MAP SCALE: 1" = 200' DATE PRINTED: 9/26/2014

DISCLAIMER: THIS MAP IS NEITHER A LEGALLY RECORDED MAP NOR A SURVEY AND IS NOT INTENDED TO BE USED AS SUCH. THE INFORMATION DISPLAYED IS A COMPILATION OF RECORDS, INFORMATION, AND DATA OBTAINED FROM VARIOUS SOURCES. THE CITY OF LYNCHBURG IS NOT RESPONSIBLE FOR ITS ACCURACY OR HOW CURRENT IT MAY BE.

Parcel ID	Address	Owner
02326001	306 RIVERMONT AVE	306 RIVERMONT LLC
02316012	446 RIVERMONT AVE	AKIN, AMBERLYN M
02318009	427 SPRING ST	BARBOUR, FREDDIE L
02317007	422 VICTORIA AVE	BRIGMAN, CRAIG C & TIFFANY L
02317006	426 VICTORIA AVE	BRIGMAN, CRAIG C & TIFFANY L
02317005	434 VICTORIA AVE	BRIGMAN, CRAIG C & TIFFANY L
02316011	434 RIVERMONT AVE	BUFFALO CREEK LAND CO LLC
02315003	415 RIVERMONT AVE	CENTRAL CITY HOMES LP
02315002	419 RIVERMONT AVE	CENTRAL CITY HOMES LP
02314008	451 RIVERMONT AVE	CENTRAL CITY HOMES LP
02326002	315 SPRING ST	CITY OF LYNCHBURG
02326003	301 SPRING ST	CITY OF LYNCHBURG
02317015	401 SPRING ST	CITY OF LYNCHBURG
02317016	407 SPRING ST	CITY OF LYNCHBURG
02318013	423 SPRING ST	CITY OF LYNCHBURG
02318007	507 SPRING ST	CITY OF LYNCHBURG
02318005	517 SPRING ST	CITY OF LYNCHBURG
02318002	446 BEECH ST	COHEN, ABE ESTATE
02314012	433 RIVERMONT AVE	CRANK, PATRICIA C TRS
02315008	408 BLACKFORD ST	CRANK, WILLIAM H TRS
02315009	412 BLACKFORD ST	CRANK, WILLIAM H TRS
02315005	405 RIVERMONT AVE	CRANK, WILLIAM H TRS
02315004	409 RIVERMONT AVE	CRANK, WILLIAM H TRS
02314014	430 BLACKFORD ST	CRANK, WILLIAM H TRS
02314015	432 BLACKFORD ST	CRANK, WILLIAM H TRS
02314013	429 RIVERMONT AVE	CRANK, WILLIAM H TRS
02314016	436 BLACKFORD ST	CRANK, WILLIAM H TRS
02314017	440 BLACKFORD ST	CRANK, WILLIAM H TRS
02314018	444 BLACKFORD ST	CRANK, WILLIAM H TRS
02314011	439 RIVERMONT AVE	CRANK, WILLIAM H TRS
02314010	441 RIVERMONT AVE	CRANK, WILLIAM H TRS
02314009	447 RIVERMONT AVE	CRANK, WILLIAM H TRS
02314007	455 RIVERMONT AVE	CRANK, WILLIAM H TRS
02316009	456 RIVERMONT AVE	CRANK, WILLIAM H TRS
02317001	458 VICTORIA AVE	HERNDON, MATHEW T
02317018	517 OAKDALE LN	HERNDON, MATTHEW T
02317009	420 VICTORIA AVE	HOLY TRINITY EVANGELICAL LUTHERAN
02316010	501 LIBRARY ST	HOPKINS, EDWARD Y & DEBORAH S
02315007	1151 D ST	JOHNSON, BOBBY L & GURLEY A
02315006	401 RIVERMONT AVE	JOHNSON, BOBBY L & GURLEY A
02327001	311 RIVERMONT AVE	MARION, NANCY B
02317003	442 VICTORIA AVE	SAUCIER, COLTON B & SAUCIER, DEBRA J
02317010	416 VICTORIA AVE	SCRUGGS, CHARLENE & JACKSON, KATHY
02317011	412 VICTORIA AVE	SCRUGGS, JOHN D & CHARLENE P
02317012	404 VICTORIA AVE	SUMNER, JEFFREY W & ROSEMARY G

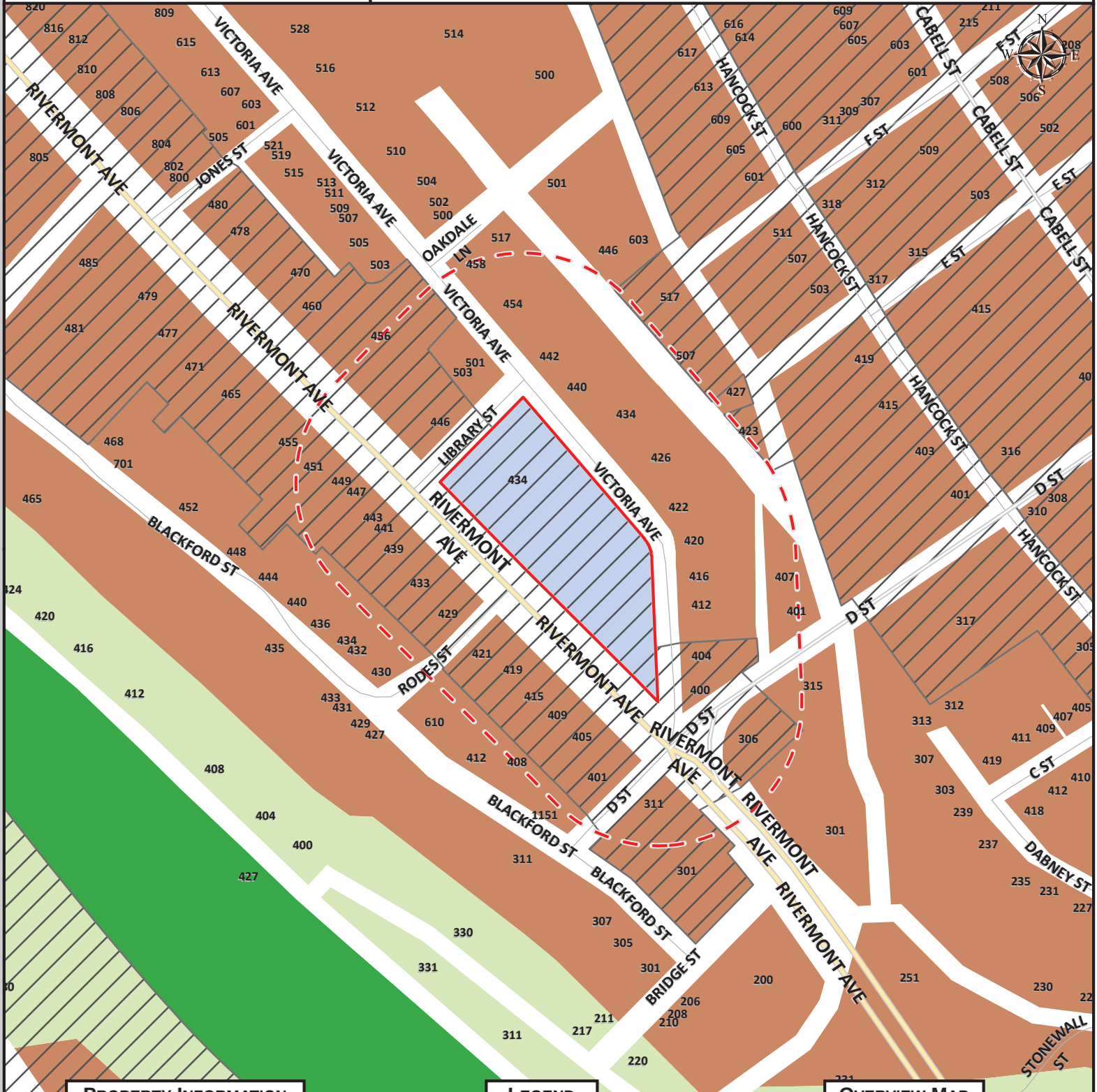
02317014	400 VICTORIA AVE	SUMNER, JEFFREY W & ROSEMARY G
02317004	440 VICTORIA AVE	VICTORIA AVENUE LLC
02327002	301 RIVERMONT AVE	VICTORIA'S INVENTORY LLC
02315010	610 RODES ST	W A L E
02315001	421 RIVERMONT AVE	W A L E
02317002	454 VICTORIA AVE	WELLS FARGO BANK NA

FLUM Map

JONES MEMORIAL LIBRARY EVENT CENTER

Zoning Request

Buffalo Land Creek Company, LLC



PROPERTY INFORMATION

PARCEL ID **ADDRESS**
 02316011 434 RIVERMONT AVE

LEGEND

- | | |
|----------------------------|-----------------------|
| Local Historic District | Employment 1 |
| Traditional Residential | Employment 2 |
| Low Density Residential | Downtown |
| Medium Density Residential | Institution |
| High Density Residential | Public Use |
| Neighborhood Commercial | Public Parks |
| Community Commercial | Resource Conservation |
| | Mixed Use |

OVERVIEW MAP



MAP SCALE: 1" to 200' DATE PRINTED: 9/26/2014

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Watershed Map

JONES MEMORIAL LIBRARY EVENT CENTER

Zoning Request

Buffalo Land Creek Company, LLC



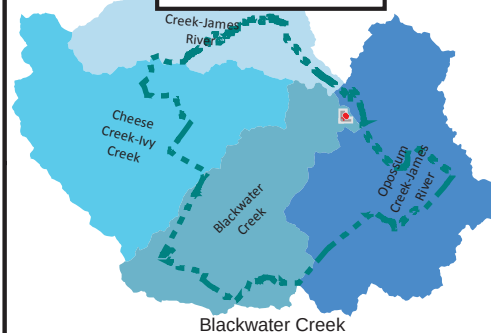
PROPERTY INFORMATION

PARCEL ID **ADDRESS**
02316011 434 RIVERMONT AVE

LEGEND

- Subject Property**
- Base Flood Elevation**
- Floodway**
- Floodzone**
- River / Lake / Stream**

OVERVIEW MAP



MAP SCALE: 1" to 200' DATE PRINTED: 9/26/2014

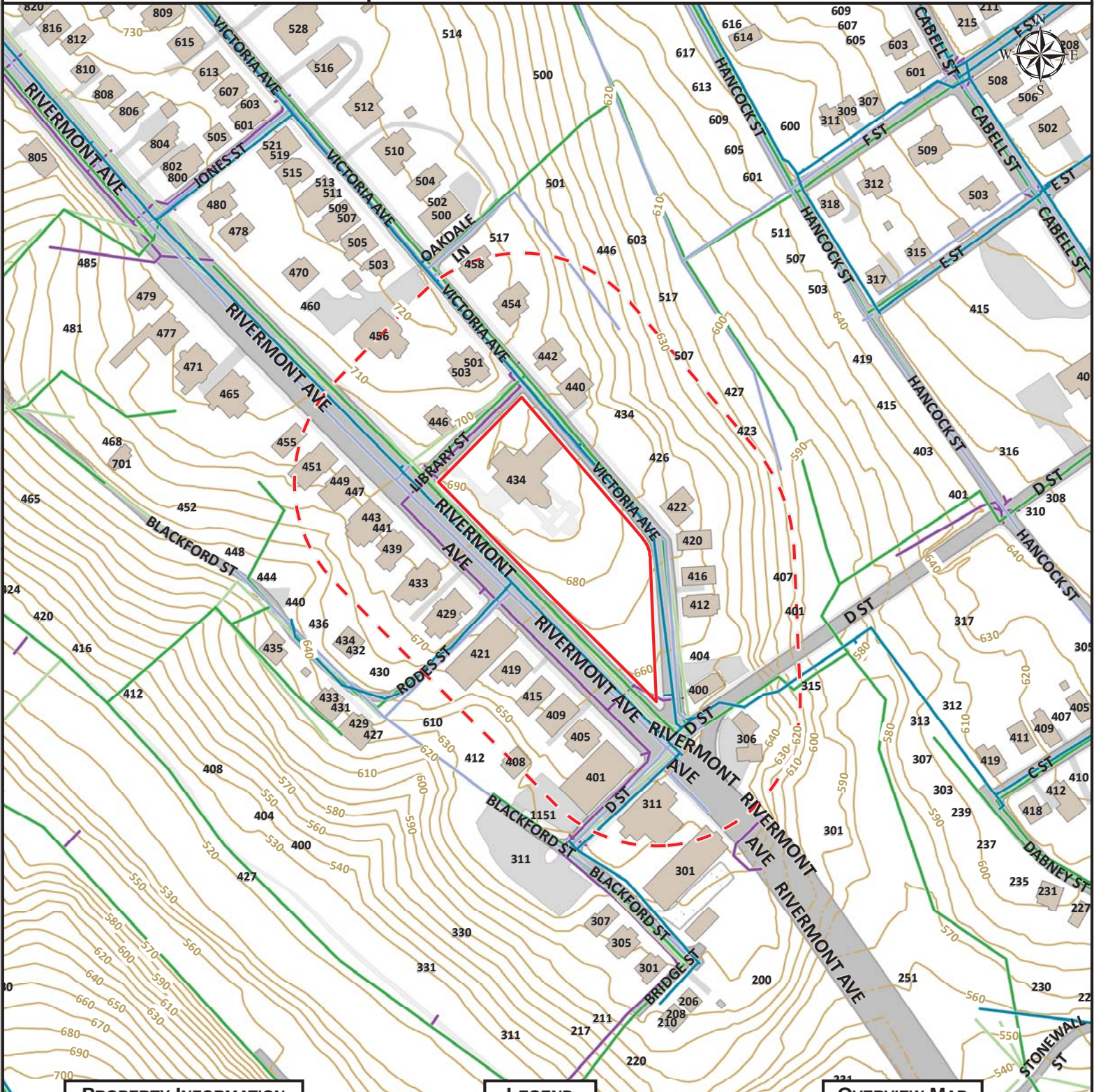
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Planimetric and Topographic Map

JONES MEMORIAL LIBRARY EVENT CENTER

Zoning Request

Buffalo Land Creek Company, LLC



PROPERTY INFORMATION

PARCEL ID	ADDRESS
02316011	434 RIVERMONT AVE

LEGEND

	Active	Proposed	Abandoned
Utilities			
Water			
Sanitary			
Storm			
Planimetrics			
Structure			
Roadway			
Parking			
Sidewalk			
Driveway			
Topography			
Contour			

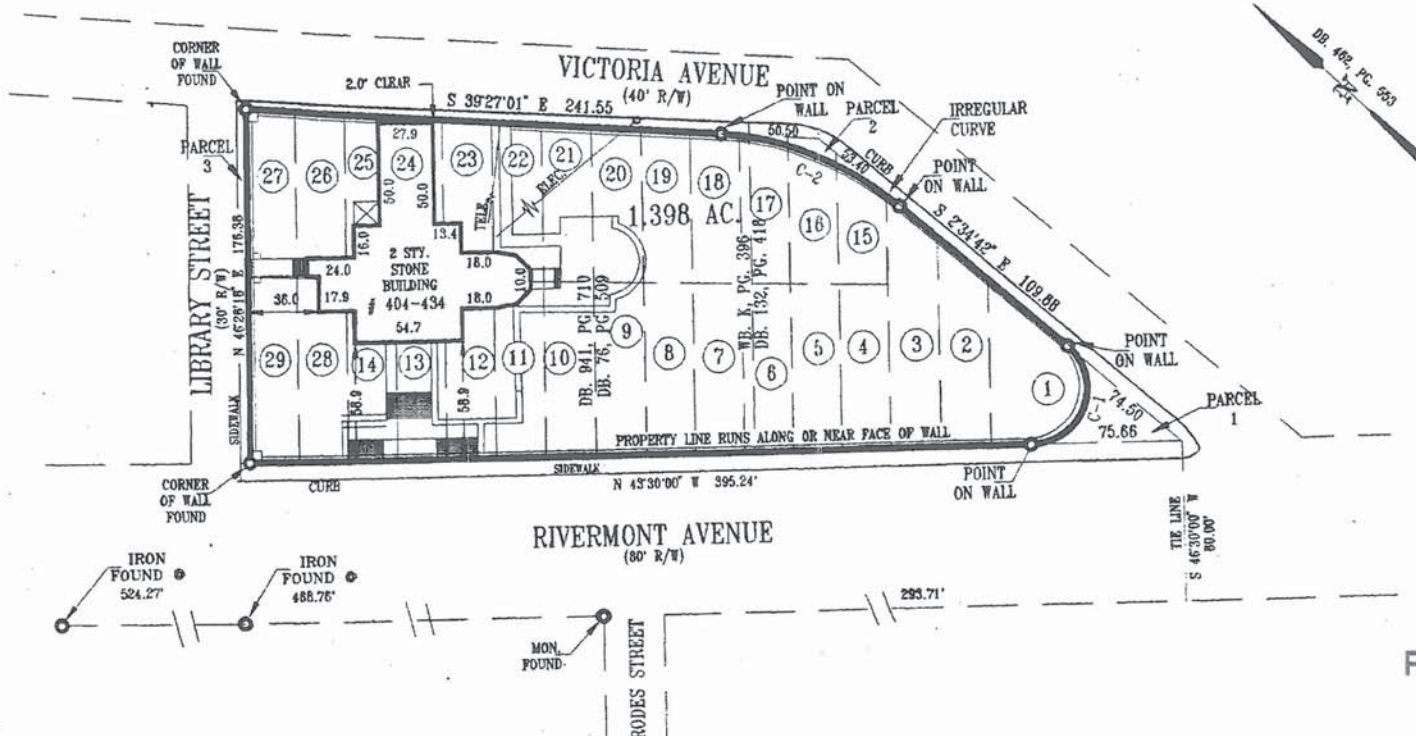
MAP SCALE: 1" to 200' DATE PRINTED: 9/26/2014

OVERVIEW MAP



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CURVE	DELTA ANGLE	RADIUS	ARC	TANGENT	CHORD	CHORD BEARING
C-1	139°17'05"	28.00	68.07	75.46	52.50	S 68°08'49" W
C-2	35°52'55"	180.00	100.20	51.80	98.57	S 20°28'53" E



RECEIVED

JUN 17 2014

COMMUNITY
DEVELOPMENT



- NOTES:
1. THIS SURVEY HAS BEEN PREPARED WITHOUT BENEFIT OF A TITLE REPORT AND DOES NOT, THEREFORE, NECESSARILY INDICATE ALL ENCUMBRANCES UPON THE PROPERTY.
 2. THIS PROPERTY IS NOT IN FLOOD ZONE A OR B.
THIS PROPERTY IS IN FLOOD ZONE C AS SCALED FROM F.E.M.A. FLOOD INSURANCE RATE MAP(S).
 3. THIS PLAT HAS BEEN PREPARED FROM AN ACTUAL FIELD SURVEY DONE PER DATE OF THIS PLAT AND THERE ARE NO VISIBLE EASEMENTS OR ENCROACHMENTS EXCEPT AS SHOWN HEREON.

JAMES C. MAY AND ASSOCIATES, P.C. ENGINEERS-SURVEYORS-PLANNERS LYNCHBURG, VIRGINIA 804-528-1005		RESURVEY OF PARTS OF LOTS 1,3,15,16,17,18,27 & 29 AND ALL OF LOTS 2,4,5,6,7,8,9,10,11,12,13,14,19,20, 21,22,23,24,25,26 AND 28, BLOCK C, PLAN A, RIVERMONT COMPANY CITY OF LYNCHBURG, VIRGINIA	
SOURCE OF TITLE:		PATRICK HENRY INSTITUTE, INC. (DE. 941, PG. 710)	
SCALE: 1"=60'	DATE: JUNE 14, 1996	COMM. NO.: 96413N	F.B. REF.: 96-11 LE 83
FOR: PATRICK HENRY INSTITUTE, INC.		TAX ID.: 23-16-11	

Narrative

At this time Buffalo Creek Land Company LLC intends to occupy and implement a small sized historical elegant event center at the old George Jones Memorial Library managed by Kristin Osborne. Our business plan is to implement a private event center to complement our community and make the history and culture of the Library open to the public. In addition to having a professional licensed business during normal business operating hours, our event center will be open to the public to reserve facilities to include weddings, wedding receptions, bridal showers, birthday parties for children and adults, fashion shows, antique and art sales, mother daughter tea parties, modeling and photography shoots, teen fashion shows, religious services, business meetings, art shows, open houses. Family and business oriented events will be held during day hours Monday through Friday from 8 a.m. to 6 p.m. and weekend hours to 9 p.m. in a safe and secure environment that will be an asset to our community.

Marketing for events will be implemented via a website and through local business contacts and advertising in a professional manner.

We will also hold teen fashion shows partnering with groups including Prom Princesses, a non-profit company providing prom dresses to under privileged teens and specialized youth activities.

The classroom areas in the three-story addition built in 1976 will be available for sublease to appropriate art and educational instructors to provide instructional and recreational classes for youth and adults after school hours. We are interested in partnering with a non-profit 501C3 or religious group to provide after school care and educational classes in the three-story classroom areas. The use of the classroom spaces will be donated. We are very motivated to have each one of the three-story classroom areas centered around youth and teen educational programs after school and Saturday day hours. This is a much needed service for City of Lynchburg teens as there are very limited structured recreational, art or educational programs in our community for after school programs for middle and high school students.

Our hours of operation will be primarily from 8 a.m. to 6 p.m. Monday through Friday. Other functions will be held during day hours and throughout the weekend with a closing time of no later than 9 p.m. No functions will be during night hours and any function contracted will have a closing time of 9 p.m. This should resolve the situation of parking conflict with the Ellington.

We are limiting capacity to fewer than 100 persons for wedding receptions and birthday parties due to limited parking and functional space in the main structure.

Buffalo Creek Land Company LLC has negotiated With Nancy Marion of the Piedmont Building who has agreed to lease us 10 parking spaces from 8 a.m. to 6 p.m. Monday through Friday and 27 spaces from 6 p.m. to 9 p.m. Monday through Friday and 27 spaces Saturday from 8 a.m. to 9 p.m. We count 32 parking spaces on Library Street and Rivermont Avenue to Library Street, 40 parking spaces on Rivermont Avenue in the 900 block up to D Street, 8 parking spaces on the 500 block of Victoria Avenue and 71 parking spaces on the west side of Rivermont Avenue from Belmont Street. The building has three parking spaces in the covered parking area. This gives a total of 181 non-permitted parking spaces, which will well exceed our needs for our capacity goals.

We have contracted with ADT Security to provide alarm services. All of our events will be supervised and provide professional security guards at all entrances.

We are interested in establishing a relationship with the Lynchburg Garden Society to revitalize and improve the grounds. In addition, we will welcome City groups such as the Humane Society to hold fundraising and publicity events on the grounds to create a safe public community area complementing the community and increasing public awareness.

We are seeking an appropriate professional licensed tenant to occupy the main building during normal business hours to operate a suitable professional business in a safe and secure environment which will enhance our community. This includes leasing the second floor office suites to an attorney, architect, business management firm or other appropriate professional business. There are two large office suites and two small corner offices on the second floor. The first floor consists of an open 3,500 square foot main floor and two small office suites. The basement level needs a considerable amount of renovation and consists of a large classroom, separate men's and women bathrooms and a large gathering room with a podium that leads to the back veranda which would be suitable for weddings and religious services.

The overall focus of our business plan is to provide a safe and secure community center which reflects the historical influence of downtown Lynchburg with an emphasis on historical architecture and culture, in a safe and secure environment with a positive influence improving our community.

At this time we are making improvements to the main building to make additional repairs to the roof, repair outdoor electrical lighting, repair original plaster work and replace and improve balusters and benches in the courtyard.

All future work intended for the main structure will be done cohesively via permits through Kevin Henry. Buffalo Creek Land Company, LLC has contracted with Kelvin Moore, Architect to provide design plans.

We are working with Cynthia Kozerow to implement a crime prevention plan including removing graffiti, making appropriate yard improvements and repairing broken windows and maintaining lights on the property during the evening and attempting to keep the property free of litter from pedestrians and vagrants.

Mr. DeBerry has been contacted to implement a traffic study on the property to address street traffic.

Our overall goal is to complete rezoning to a commercial property and work together with the City of Lynchburg and surrounding businesses to revive the Old George Jones Memorial Library into a successful, professional, well managed business that will be an asset and complement to our community and residents.



434 Rivermont Avenue

Planning Commission Public Hearing

PLEASE PRINT

[illegible]

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 12

CONSENT: REGULAR: **X**

WORK SESSION:

CLOSED SESSION:
(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Public Hearing and Resolution for Incentive Amendments to Enterprise Zones #2 and #46**

RECOMMENDATION: Approve Enterprise Zone Incentive Amendment Resolution of Support and Reaffirmation as required by DHCD.

SUMMARY: In June 2014, City Council adopted an Enterprise Zone Incentive Amendment that was subsequently submitted to the Virginia Department of Housing and Community Development (VDHCD). During VDHCD's review of the application, an error in the publication procedure for the Public Hearing Notice was discovered. As a result, VDHCD has requested that Lynchburg City Council hold a new second Public Hearing on the Enterprise Zone Incentive Amendment. As part of that action, VDHCD is also requested a new "Resolution of Support" for the City of Lynchburg Enterprise Zone Incentive Amendment, reaffirming the desire of Council for the amendment (see attached). The Public Hearing Notices for the new hearing were published in The News & Advance on Tuesday, November 25 and Tuesday, December 2, 2014, meeting the Public Hearing Notice Requirement.

PRIOR ACTION(S): June 10, 2014, original adoption of incentive amendments.

FISCAL IMPACT: N/A

CONTACT(S): Marjette Upshur, 434-455-4490

ATTACHMENT(S): Proposed resolution, June 10, 2014 Council Agenda Item Report

REVIEWED BY: lkp

RESOLUTION OF SUPPORT AND REAFFIRMATION FOR THE INCENTIVE AMENDMENTS OF
THE CITY OF LYNCHBURG ENTERPRISE ZONES

BE IT RESOLVED That the Lynchburg City Council endorses and reaffirms the amendment of the local incentive available in the City of Lynchburg, Virginia Enterprise Zone # 2 as described in the document entitled "Enterprise Zone Amendment Application, Zone #2 and Virginia Enterprise Zone #46 as described in the document entitled "Enterprise Zone Amendment Application, Zone #46. These Applications were previously submitted to Council on June 10, 2014.

BE IT FURTHER RESOLVED that the local incentive available to qualified businesses in the City of Lynchburg, Virginia Enterprise Zone #2 and #46 shall be administered by the Office of Economic Development in accordance with the standards and guidelines developed by the Virginia Department of Housing and Community Development.

Adopted:

Certified:

Clerk of Council

154K

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **June 10, 2014**

AGENDA ITEM NO.: 8

CONSENT: REGULAR: **X**

WORK SESSION:

CLOSED SESSION:
(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Public Hearing and Resolution for Incentive Amendments to Enterprise Zones #2 and #46**

RECOMMENDATION: Conduct a Public Hearing regarding incentive amendments to Virginia Enterprise Zones #2 and #46 as requested by the Virginia Department of Housing and Community Development (DHCD), contingent upon final approval by DHCD. Pass a resolution in support of the incentive amendments, as required by DHCD, and repeal the relevant City Code section.

SUMMARY: Lynchburg is an active participant in the Virginia Enterprise Zone Program, with two Enterprise Zones identified by DHCD as #2 and #46. The zones were established to provide incentives for businesses to locate or expand, stimulating economic development within the designated areas. The program offers state-level incentives authorized by the General Assembly, along with local incentives crafted by municipalities to target local economic development needs.

In a regular review of the Enterprise Zone program DHCD found that Lynchburg's local incentive required amendment for compliance with state best practices, and OED recognized an opportunity to craft a more targeted incentive. Staff noted that the existing local incentive: was in part duplicative of state incentives; could be more directly aligned with local development trends and return on investment; could better support the small- and medium-sized businesses that make up the majority of commercial entities in the zones; could better meet program best practices; and could be structured for improved tracking and budgetary oversight.

Working closely with the Department of Community Development, the City Assessor and the Commissioner of Revenue, OED amended the local incentive to address the issues noted above. The new incentive no longer duplicates state incentives while more effectively supporting greater aggregate investment within the zones made by small- and medium-sized businesses. Importantly, the economic impact of the amended incentive can be more easily tracked and its fiscal impact known and managed. DHCD has given preliminary approval of the amended incentive and its permission to proceed with the amendment application process.

In order to accomplish this amendment, City Council is required to conduct a public hearing regarding the proposed incentive amendment.

The replacement of this incentive will impact Sec. 36-126.19. of the City Code. Section 36-126.19 (a) regarding the Enterprise Zone is recommended for repeal by Council. The language to be repealed is as follows:

Enterprise zone and technology zones.

- (a) Enterprise zone—any business required to obtain a license pursuant to this article, and which is designated as a "qualified business firm" on or after July 1, 1995 pursuant to the provisions of Chapter 22, Title 59.1 of the Code of Virginia, 1950, as amended, (the Enterprise Zone Act), shall be entitled to the following tax credits: For the first three (3) calendar years, a one hundred percent (100%) credit; and for the fourth (4th) and fifth (5th) calendar years, a fifty percent (50%) credit. Thereafter the tax shall be at the rate provided for in this article.

PRIOR ACTION(S): Amended zone boundaries in FY2014

FISCAL IMPACT: May positively impact tax receipts as greater aggregate business growth and investment are supported in the Enterprise Zones. Fiscal impact of the local incentive can now be tracked and managed.

CONTACT(S): Marjette Upshur, 434-455-4490

ATTACHMENT(S): Resolution required by DHCD; Ordinance repealing part of Section 36-126.19 of the City Code; DHCD Enterprise Zone Incentive Amendment applications for Zones #2 and #46; Local EZ Application Form.

REVIEWED BY: lkp

RESOLUTION

BE IT RESOLVED That the Lynchburg City Council endorses the amendment of the local incentive available in the City of Lynchburg, Virginia Enterprise Zone #2 as described in the document entitled "Enterprise Zone Amendment Application, Zone #2" and Virginia Enterprise Zone #46 as described in the document entitled "Enterprise Zone Amendment Application, Zone #46,"as follows:

Enterprise zone—any business required to obtain a license pursuant to Chapter 36 of the Lynchburg City Code, and which is designated as a "qualified business firm" on or after July1, 2014, pursuant to the provisions of Chapter 22, Title 59.1 of the Code of Virginia, 1950, as amended, (the Enterprise Zone Act), shall be eligible for of a portion of qualified investments in the rehabilitation or renovation of certain commercial and industrial real estate pursuant to the terms and conditions herein.

BE IT FURTHER RESOLVED That the local incentive available to qualified businesses in City of Lynchburg, Virginia Enterprise Zone #2 and Virginia Enterprise Zone #46 shall be administered by the Department of Economic Development in accordance with the standards and guidelines developed by the Virginia Department of Housing and Community Development.

Adopted:

Certified:

Clerk of Council

082K

AN ORDINANCE TO AMEND AND REENACT SECTION 36-126.19 OF THE CODE OF THE CITY OF LYNCHBURG, 1981, THE AMENDED SECTION RELATING TO INCENTIVES FOR THE CITY'S ENTERPRISE AND TECHNOLOGY ZONES.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF LYNCHBURG:

1. That Section 36-126.19 of the Code of the City of Lynchburg, 1981, be and the same are hereby amended and reenacted as follows:

Sec. 36-126.19. ~~Enterprise zone and t~~Technology zones.

~~(a) Enterprise zone—any business required to obtain a license pursuant to this article, and which is designated as a "qualified business firm" on or after July 1, 1995 pursuant to the provisions of Chapter 22, Title 59.1 of the Code of Virginia, 1950, as amended, (the Enterprise Zone Act), shall be entitled to the following tax credits: For the first three (3) calendar years, a one hundred percent (100%) credit; and for the fourth (4th) and fifth (5th) calendar years, a fifty percent (50%) credit. Thereafter the tax shall be at the rate provided for in this article.~~

~~(b) Technology zone—any qualified technology business that locates in or is already located in the technology zone shall be entitled to a five-year reimbursement of business license taxes as follows: during the first (1st) calendar year, a seventy-five percent (75%) reimbursement; for the second (2nd) calendar year a fifty percent (50%) reimbursement; and for the third (3rd), fourth (4th) and fifth (5th) calendar years a twenty-five percent (25%) reimbursement.~~

2. That this ordinance shall become effective upon its adoption.

Adopted:

Certified:

Clerk of Council

083K

Enterprise Zone Amendment Application

Applicant Locality(ies): City of Lynchburg

Name of Zone: Enterprise Zone #2

Zone Number: #2

Virginia Department of Housing and Community
Development

600 East Main St, Suite 300

Richmond, Virginia 23219

(804) 371-7030

EZONE@dhcd.virginia.gov

www.dhcd.virginia.gov



**VIRGINIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT**
Partners for Better Communities

Overview of Amendment Application

Instructions for completing the coversheet and application can be found in the appendices beginning on page 12 of this document. Please read all of the appendices carefully before completing this application. The new enterprise zone statute establishes new zone amendment guidelines which are summarized below and outlined in detail in the appendices.

Each enterprise zone can consist of up to three non-contiguous zone areas. In cases where a locality has multiple zone designations, each of those zones can consist of up to three non-contiguous geographic areas. In the case of joint zones, each locality's portion of the joint zone can consist of up to three non-contiguous geographic areas, but one of those three non-contiguous areas must be contiguous to at least one other participant's zone area. For more details, refer to page 15 in the appendix. There are no longer zone-specific distress criteria requirements in the amendment application; the zone-specific distress criteria have been removed from the amendment application process.

An enterprise zone boundary amendment cannot consist of a site for a single business firm and cannot be less than 10 acres.

Enterprise zone amendment applications can be submitted once every twelve months from the date of the locality's last zone amendment. Joint zones may amend their zones in one application or independently so long as each locality amends their portion of the zone only once every twelve months from the date of that locality's last amendment. The locality submitting the amendment application must be up to date in its annual reporting requirements. **Once DHCD approves an enterprise zone amendment, the modifications to the zone are retroactive back to January 1st of the calendar year in which the amendment was approved. This means that businesses added via a boundary amendment approved in 2013 could submit grant applications for the 2013 grant year.**

Checklist of Required Attachments

Place the required attachments at the end of the amendment application. Unless otherwise specified, the attachment is required for all types of application amendments.

- ☒ **Public Hearing Advertisements (2)**
Published once a week for two successive weeks in a newspaper of general circulation; final advertisement cannot be published < 5 days or > 21 days prior to the hearing
- ☒ **Official Public Hearing Minutes**
- ☒ **Local Assurances**
- ☒ **Resolution**
In the case of a joint zone all participating localities must submit approval resolutions, even if they are not amending their portion of the zone
- ☐ **Joint Application Agreement** (Joint zones only)
- ☐ **Maps** (Boundary amendments only)
- ☒ **Incentive charts** (Incentive amendments only)

Coversheet

(For joint zone amendments, each locality must complete a separate coversheet)

Locality: City of Lynchburg Government Address: 900 Church Street Lynchburg, VA 24504 Chief Elected Official (Name and Title): The Honorable Michael Gillette, Mayor Local Zone Administrator: Name: Marjette G. Upshur Title: Director of Economic Development Phone: 434-455-4491 E-mail: marjette.upshur@lynchburgva.gov Application Type: ☒ Single (one locality) Enterprise Zone ☐ Joint (more than one locality) Enterprise Zone If Joint application, list all participating localities: Certification of Chief Administrative Officer: <i>To the best of my knowledge and belief, data in this proposal is true and correct and the governing body of the participant has duly authorized the proposal through resolution. The resolution is attached.</i> Signature: _____ Date: _____ Name: L. Kimball Payne III Title: City Manager	Type of Amendment (check all applicable boxes): ☐ Boundary deletion ☐ Boundary amendment ☒ Incentive amendment Number of existing non-contiguous areas present in locality's zone: ☐ 0 ☐ 1 ☐ 2 ☐ 3 Non-contiguous areas added or deleted as part of amendment application: ☐ 0 ☐ 1 ☐ 2 Total non-contiguous zone areas after amendment: _____ Enterprise Zone Public Hearings: ☒ Single Application (one hearing) ☐ Joint Application (one hearing in each locality) ☐ Joint Application (joint hearing) Attachments: ☒ Advertisements ☒ Minutes ☒ Resolutions ☒ Local assurances ☐ Joint application agreement (joint zones only) Locality has submitted all annual reports required to date: ☒ Yes ☐ No Amendment requests will not be processed until locality's annual reporting requirements are fulfilled.
---	--

IV. Incentive Amendment

Complete this section only if this amendment modifies incentives. Delete this section if your amendment is for boundary modification only. All zones are required by statute to offer local enterprise zone incentives. Localities should regularly review their incentive package to ensure utilization by businesses and effectiveness in attracting/expanding targeted business sectors within the zone. In the case of boundary amendments to include corporate town limits, the town functions as part of the county's zone boundaries and is not required to offer local incentives but may do so. Refer to Appendix III on page 17 for more information about local incentives.

- A. Why are the local incentives being modified? Discuss utilization, any changing trends or special circumstances affecting the decision to modify.

The existing local incentive of Machinery & Tools/Business, Professional and Occupational License tax credit is proposed for modification because its structure does not comply with DHCD best practices, it has had limited effect and its resources could be better targeted.

Currently, qualification for the local incentive requires qualification for the state Job Creation Grant; DHCD best practices discourage tying local incentives to state incentive qualification. The existing local incentive has had very limited utilization and has not performed as intended, underscoring the need to modify the incentive. The resources now used for the existing incentive could be more effectively used to target more prescient needs in the zone.

- B. What aspects of the incentives are being modified and why? Explain the research that the modification is based on (i.e. survey of zone businesses).

The local incentive will be modified from a tax "credit" tied to the state Job Creation Grant to a cash grant supporting real property investments. A regime of direct payments versus tax refunding is much more efficient to administrate. Significant job creation is also already incentivized through other local economic development programs while real property investments are not. Further, the existing incentive was not supporting the extensive investments of small businesses, while the modified incentive specifically targets these businesses that make up a substantial portion of commercial entities in the zone.

- C. Has the modified incentive package or new incentive(s) been reviewed by the local governing body's attorney and determined to be legal? ☒ Yes ☐ No

- D. Are incentives deleted as part of the amendment proposal? ☒ Yes ☐ No

Existing Incentive (by locality)	Replacement Incentive (by locality)	Justification for replacement
M&T/BPOL Tax Grant	Redevelopment Grant	Comply with DHCD best practices Streamline local incentives More effective incentive Resources from existing incentive needed to fund modified incentive

In order to fund the more effective and targeted Redevelopment Grant sufficiently and sustainably, the existing incentive will need to be deleted and its resources redirected to the modified incentive.

Incentive Package. Complete this section only if this amendment modifies incentives. Delete this section if your amendment is for boundary modification only. Provide information for **new and existing** incentives. This chart may be reproduced to accommodate all incentives. Identify new or revised incentives with an asterisk. **This chart will replace the current chart in your Enterprise Zone designation application. Complete the incentive chart to include all incentives to be offered upon approval of the incentive amendment.**

Locality Offering the Incentive: City of Lynchburg	
Incentive # 1: Name: Description:	Locality/Provider: City of Lynchburg
	Qualification Requirements:
	Exclusive to Zone: ☐ Yes ☐ No, if no please explain how incentives will be tailored to zone
	Period of Availability:
Financial Value of Incentive:	Effective date:
Action to Implement: ☒ Local Ordinance ☐ Approval by Board of Supervisors ☐ Other:	Source of Funds:
	Annual Budget Allocation Pending Approval:

Locality Offering the Incentive:	
Incentive #: Name: Description:	Locality/Provider:
	Qualification Requirements:
	Exclusive to Zone: ☐ Yes ☐ No, if no please explain how incentives will be tailored to zone
	Period of Availability:
Financial Value of Incentive:	Effective date:
Action to Implement: ☐ Local Ordinance ☐ Approval by Board of Supervisors ☐ Other:	Source of Funds:
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Appendix I: Public Hearing and Resolution Requirements

Public Hearing Requirements

A local governing body must hold **at least one public hearing** on the application for Enterprise Zone amendment **prior to** the locality's passage of its enterprise zone resolution and prior to submission to DHCD. A copy of the advertisement of the public hearing **and** the public hearing minutes must accompany the application. **Enterprise Zone Regulation 13 VAC-5-112 490 states that Public Hearings may not have been held more than six months prior to the amendment submission.**

For a joint application, each participating local governing body may either hold a separate public hearing or schedule a joint public hearing.

Public Hearing Advertisement Requirements

- ❑ Ads must be published once a week for two successive weeks in a newspaper of general circulation.
- ❑ The final advertisement cannot be published less than five days or more than twenty-one days prior to the hearing.
- ❑ The ad must give the time, date, and location of the hearing.

The complete requirements for conducting public hearings are stated in §15.2-2204, Code of Virginia.

Information regarding joint zone amendments

- Localities participating in a joint zone can choose to amend their respective portions of the zone application simultaneously through the submission of one amendment application. However, this is not required. Participants in a joint zone may amend their portion of the zone independently of each other.
- Each locality can only amend their portion of the zone application once every twelve months from the approval date of their last amendment.
- **All localities participating in the joint zone (regardless of whether or not they are amending their portion of the zone) must pass approval resolutions and sign joint application agreements for any amendment made by a partnering joint applicant.**
- DHCD will not process any amendment application until the applicant or applicants in the case of a joint zone amendment are up to date on their annual reporting requirements.

Minimum Resolution Format Requirements

While DHCD does not provide a template for zone amendment resolutions, **we outline the minimum requirements below which can also serve as the framework for a resolution.**

Single Jurisdiction--Resolutions accompanying single locality applications for enterprise zone amendment should state that the local governing body:

- ❑ Is applying for enterprise zone amendment;
- ❑ Authorizes its chief administrator (or clerk where there is no chief administrator) to submit all information needed to apply for a zone amendment.
- ❑ Authorizes its chief administrator (or clerk) to meet other program administrative and reporting requirements, as defined by the Enterprise Zone Regulations, throughout the life of the zone.

Joint Application--Separate resolutions are required of each participating locality and should state that:

- ❑ The local governing body is applying for enterprise zone amendment jointly with other localities (provide names);
- ❑ One jurisdiction (provide name) is designated to act as program administrator;
- ❑ The local governing body authorizes the chief administrator (or clerk) acting as program administrator to submit all information needed to apply for an enterprise zone amendment and to carry out all program administrative and reporting requirements on its behalf;
- ❑ The local governing body authorizes the chief administrator (or clerk) acting as program administrator to carry out all program administrative and reporting requirements on its behalf, as defined by the Enterprise Zone Regulations, throughout the life of the zone.
- ❑ Each jurisdiction participating in a joint EZ application has completed a Joint Application Agreement. **See page 14 of appendix for format of agreement.**

Appendix I: Local Assurances

Local Assurances and Authorizations are used to certify the accuracy of the information provided by the applicant and to insure that the Program Regulations will be met. **Important:** All applications must include a certified resolution from the local governing body. If a joint application, include resolutions of each local governing body. **Attach the resolutions at the end of the amendment application.** Joint applications must also include Joint Application Amendment Agreement (JA) – refer to page 14 of the appendix.

As the representative of the local governing body of _____, I hereby certify that:
(locality)

1. The information in the Enterprise Zone application is accurate to the best of my knowledge.
2. A public hearing was held by the aforementioned locality to solicit comments on this request for application amendment. A copy of the public hearing advertisement and a copy of the public hearing minutes are attached.
3. Any local enterprise zone incentives proposed by the aforementioned locality in the Enterprise Zone application represents a firm commitment by the locality and have been reviewed by the local governing body's attorney as to their legality;
4. It is understood that if at any time the aforementioned locality is unable or unwilling to fulfill a commitment to provide local enterprise zone incentives, or if no state enterprise zone incentives have been utilized within a five-year period, the zone shall be subject to termination.

Chief Administrator: _____

Title: _____

Date: _____

Appendix I: Joint Application Agreement

Each jurisdiction participating in a joint application must complete the following form. This form insures that all jurisdictions are in agreement with the application being submitted by the amending jurisdiction. Completed joint application amendment agreements should be attached at the end of the amendment application.

JOINT APPLICATION AMENDMENT AGREEMENT

As the representative of the local governing body of _____, I hereby certify that:
(locality)

1. The aforementioned locality is in agreement with the other participating localities in filing this amendment;
2. Any local enterprise zone incentives proposed by the aforementioned locality in this amendment application represent a firm commitment;
3. It is understood that if at any time the aforementioned locality is unable or unwilling to fulfill a commitment to provide local enterprise zone incentives listed in this application, the zone shall be subject to termination; and
4. A public hearing was held on _____ to solicit comments on application.
(date)

Chief Administrator's signature

Date

Name: _____

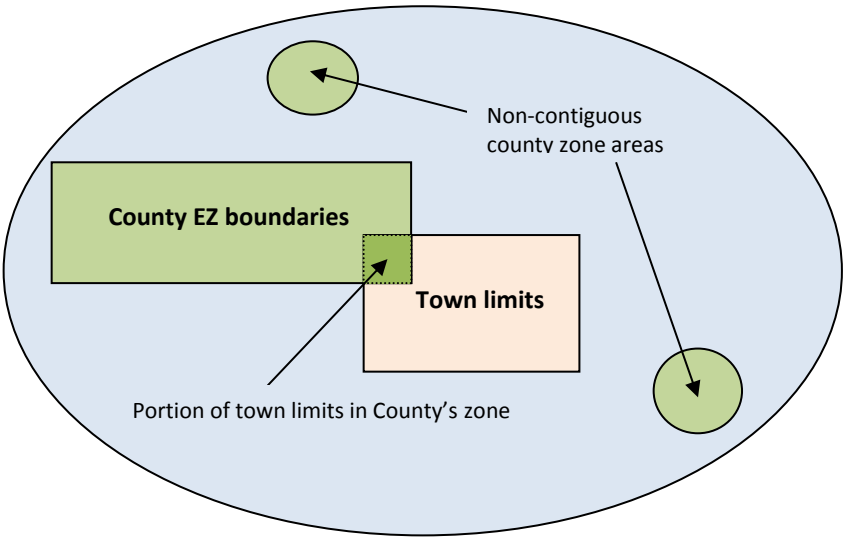
Title: _____

Appendix II: Zone Size Requirements and Configurations

Size Limits for Zones in Towns and Cities	Size Limits for Zones in Counties
<u>Minimum</u>: one-quarter (1/4) square mile (160 acres). <u>Maximum</u>: one square mile (640 acres). <u>Exception</u>: may be larger than one square mile provided it does not exceed seven percent of the locality's land area or it does not encompass more than seven percent of the locality's total population. To calculate the population exception, use the Weldon Cooper Centers' most recent final (not provisional) population estimates for the locality. The following is link to the Weldon Cooper Public Service Center: http://www.coopercenter.org/demographics/POPULATION%20ESTIMATES/	<u>Minimum</u>: one-half (1/2) square mile (320 acres). <u>Maximum</u>: six square miles (approximately 3,840 acres). Size Limits for Zones in Consolidated Cities Zones in cities where the present boundaries have been created through the consolidation of a city and county (Chesapeake, Hampton, Newport News, and Virginia Beach) or the consolidation of two cities (Suffolk and Richmond), must use the minimum and maximum size guidelines for zones in unincorporated areas of counties described above.

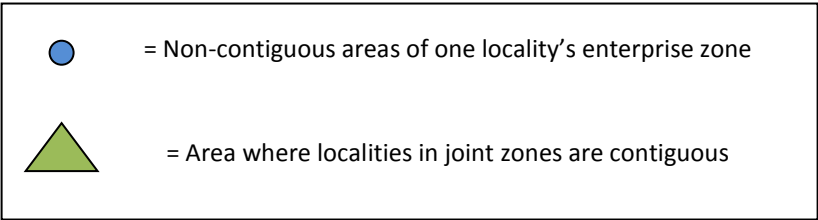
Single zone: An enterprise zone located entirely within a single jurisdiction. The locality's zone can consist of three non-contiguous zone areas. A county zone including areas within incorporated town limits constitutes a single zone and town acreage is considered part of the county's zone acreage.

Counties can amend their zone boundaries to include part of the corporate town limits as part of the zone. This addition does NOT constitute a joint zone. The acreage within the town limits counts towards the county's maximum zone acreage. Towns added into the county acreage are not required to offer local enterprise zone incentives, but may.

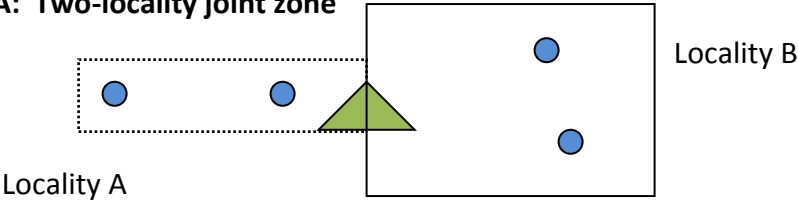


Appendix II: Zone Size Requirements and Configurations

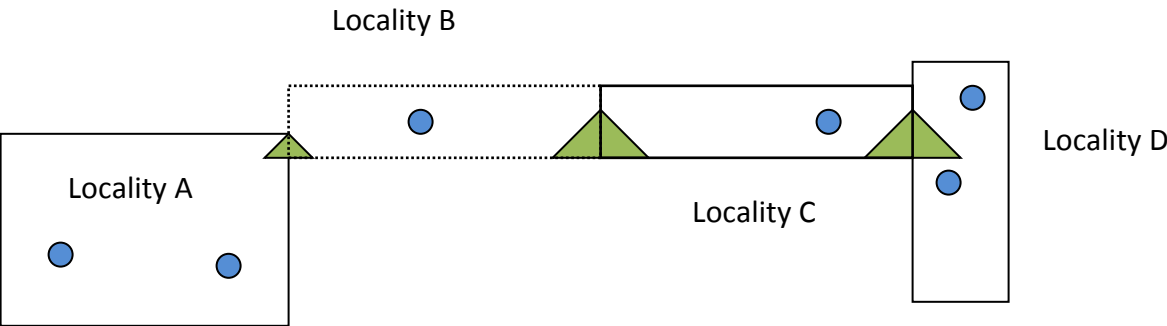
Joint zone: An enterprise zone located in two or more jurisdictions. Each locality's portion of the joint zone can consist of up to three non-contiguous geographic areas relative to that locality. The three non-contiguous areas comprise that locality's total zone size and the acreage of all three non-contiguous areas must meet the total size requirements for that type of locality. If a locality participates in a joint zone and also has two other zone designations, each of the three zones can consist of three non-contiguous areas. In the case of the joint zone, one of the locality's three possible zone areas must be contiguous to at least one other participant's zone area. The following are some examples of joint zone configurations:



EXAMPLE A: Two-locality joint zone



EXAMPLE B: Four-locality joint zone



Appendix III: Incentive Amendments

Local incentives are a critical part of the success of an enterprise zone and they should be selected carefully. It is important for a locality to develop a package of incentives that will best assist in overcoming the specific barriers to development within their zone by supporting targeted business sectors. The number of incentives is not as important as the quality and impact of the incentives. If no zone businesses have qualified for a particular local incentive for more than one year, it might be appropriate to make amendments to the incentive. **Local incentives that require a business to qualify for state incentives are HIGHLY discouraged.**

1. Role of Local Incentives

- Local incentives should help address the locality's economic conditions and barriers to economic development goals.
- Local incentives should be tailored to both new and existing targeted business sectors.
- Local incentives should fill in the gaps of the state incentives therefore qualification for local incentives should NOT be contingent on state incentive qualification.

2. Constitutionality of Local Incentives

Because Virginia is a Dillon Rule state, localities have very little authority to offer local tax incentives unless expressly allowed through the Code of Virginia. The Virginia Enterprise Zone Grant Act allows participating localities to offer a variety of incentives to businesses.

Local enterprise zone incentives must in no way violate the Virginia Constitution. The Uniformity Clause of Article 10, Section 1, of the Virginia Constitution specifies that taxation must be uniform in territory, subject, and class. As it relates to the Enterprise Zone program the concern is that taxation must be uniform throughout an entire locality unless there is state enabling legislation that allows otherwise. **The local governing body's attorney should review local incentives to ensure their compliance with the Virginia Constitution.**

The following examples offer simple guidelines for common tax-related local incentives:

Real estate tax exemption: Virginia Code sections 58.1-3220 and 3221 serve as the enabling legislation and give all localities the authority to offer exemptions on real estate tax when certain conditions are met. This incentive can be offered locality wide, not just within the zone. In such cases where this incentive is offered locality-wide, the incentive criteria needs to be customized in the zone in order to be considered as a local enterprise zone incentive. **Real estate tax abatement, refunds, or rebates are prohibited under the State Constitution.**

Machinery & tools tax grants: The Uniformity Clause applies and there is no enabling legislation to allow for the exemption of this tax. Therefore, a locality wishing to offer an incentive related to the machinery and tools tax must first collect the tax uniformly from all appropriate taxpayers across the locality -those within the enterprise zone as well as those outside the zone. Once the tax is collected, the locality may offer businesses a grant based on their machinery and tool tax. This is usually done through the local Industrial Development Authority. **Machinery and tools tax abatement, refunds, or rebates are prohibited under the State Constitution.**

BPOL tax, utility tax, or permit fees: The Uniformity Clause does not apply to these taxes and fees. Localities are free to offer these incentives in the form of rebates, refunds, and abatements.

Appendix III: Incentive Amendments Cont...

3. Examples of Local Incentives

An incentive that is available throughout a locality will not be considered an enterprise zone incentive unless special actions are taken to encourage greater utilization of the incentive within the proposed enterprise zone or a greater benefit is provided within the zone (i.e. lower qualification threshold or larger grant amount). Local governments provide a variety of financial and non-financial incentives to encourage economic growth and investment. The following list is not inclusive but serves as an example of the most frequently offered local enterprise zone incentives:

Local Enterprise Zone Development Taxation Program: Section 58.1-3245.6 through Section 58.1-3245.11 of the Code of Virginia enables designated zone localities to establish a Local Enterprise Zone Development Taxation Program. Incremental tax revenues generated from real property or machinery and tools, or both can be used to establish an enterprise zone development fund to pay for enhancements to government services that promote economic development.

Tax Exemption: §58.1-3221 of the Code of Virginia enables localities to defer the taxes on the increase in assessed value as a result of the rehabilitation of real estate for structures at least 15 years of age in enterprise zones and 20 years of age elsewhere in the jurisdiction.

Local Tax Rebates: BPOL tax fees, local sales tax on items purchased in the community for conduct and trade of business in the enterprise zone.

Business Loans: Facade improvement loans for both commercial and industrial properties, low interest loan funds for start-up and expansion, revolving loan funds composed of local and private funding sources.

Fee Waivers: Permit fees, sewer and water tap fees, utility fees.

Public Improvements: Highways, streets, sidewalks, water and sewer systems, signals, etc.

Job Training: Targeted training programs to meet business needs.

Non-financial: Fast track permitting, loan packaging assistance, and design assistance.

Suggested Rationale to Use When Developing Local Enterprise Zone Incentives

- a. Incentives should be directly linked to actions that are consistent with local enterprise zone revitalization and development goals.
- b. Survey existing zone businesses to gain feedback on existing local incentives and recommendations for new local incentives.
- c. Establish performance baselines that provide a threshold for qualification. Incentives should reward firms that make a commitment to invest in a zone by creating new jobs and/or investment.
- d. Develop measurable incentives.
- e. Incentives should represent sound fiscal policy and not provide an excessive level of benefit that would be inappropriate from an economic point of view.

Appendix III: Incentive Amendments Cont...

4. Local Incentive Qualification Requirements

A locality should establish qualification requirements for each of its local incentives so that the incentives allow for a good return on investment for the locality (i.e. private investment or jobs leveraged). These requirements should be reasonable (not too restrictive) so that businesses can actually qualify. The detailed qualification requirements for each local incentive should be outlined in writing and approved by the local governing body prior to the submitting the amendment to DHCD. As part of this process, pertinent terms of the incentive qualifications should be defined as should the process for incentive application approval, life of the incentive, and the value of incentives. For example, if a locality is offering a machinery and tools tax grant based on the creation of five new jobs the locality needs to define “new jobs” for the purposes of the incentive qualification. Continuing with this example, would “new jobs” be considered net new, permanent full time and would there be any wage or benefit requirements in this definition?

In addition, a locality may establish conditions on the availability of such incentives. For example, a locality may propose to make grant funds available to new businesses during the first five years of zone operation. It may propose a three-year utility tax exemption for new or expanding firms or propose to restrict the availability of low interest business loans to new firms locating in the zone that agree to meet certain locally set hiring requirements. **Conditions should NOT require businesses to qualify for a state incentive in order to qualify for a local incentive.**

5. Financial Value of Incentives

The quantity of local enterprise zone incentives offered is not as important as the quality of local incentives. The incentives should be meaningful and beneficial to targeted business sectors. For example, if the cost of water and sewer service is higher in the county than in the city, the county zone may consider offering a water/sewer hookup fee incentive to help offset its higher service fees. The financial impact of the water/sewer hookup fee incentive should provide a considerable reduction, not just mere pennies in savings. Some incentives may have a different type of monetary value but can still have a valuable impact on the business. For example, if crime and vandalism to zone businesses is an issue, free consultations with the Crime Prevention through Environmental Design (CPTED) planner with the police department can be a valuable incentive where the value of the incentive would be the “consultant” market rate or police employee wage for such training.

6. Local Assigned Agents

A locality may designate an assigned agent, such as a local redevelopment and housing authority, a nonprofit entity or a private for-profit entity, to provide local incentives. This arrangement should be documented by a written commitment from the agent.

7. Termination

Section §59.1-284 of the Virginia Enterprise Zone Grant Act describes two circumstances that can result in the termination of a designated zone. First, in the event the local government or an assigned agent is unable or unwilling to provide regulatory flexibility, tax incentives or other public incentives as proposed in the application for zone designation, the zone may be terminated. This is avoidable if the applicant is able to amend the application by substituting an incentive that is equal or superior to the incentive originally approved. Second, if no business firms in an enterprise zone have qualified for state incentives within a five-year period, the zone will be terminated.

Enterprise Zone Amendment Application

Applicant Locality(ies): City of Lynchburg

Name of Zone: Enterprise Zone #46

Zone Number: #46

Virginia Department of Housing and Community
Development

600 East Main St, Suite 300

Richmond, Virginia 23219

(804) 371-7030

EZONE@dhcd.virginia.gov

www.dhcd.virginia.gov



**VIRGINIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT**
Partners for Better Communities

Overview of Amendment Application

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An enterprise zone boundary amendment cannot consist of a site for a single business firm and cannot be less than 10 acres.

Enterprise zone amendment applications can be submitted once every twelve months from the date of the locality's last zone amendment. Joint zones may amend their zones in one application or independently so long as each locality amends their portion of the zone only once every twelve months from the date of that locality's last amendment. The locality submitting the amendment application must be up to date in its annual reporting requirements. **Once DHCD approves an enterprise zone amendment, the modifications to the zone are retroactive back to January 1st of the calendar year in which the amendment was approved. This means that businesses added via a boundary amendment approved in 2013 could submit grant applications for the 2013 grant year.**

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- ☐ **Joint Application Agreement** (Joint zones only)
- ☐ **Maps** (Boundary amendments only)
- ☒ **Incentive charts** (Incentive amendments only)

Coversheet

(For joint zone amendments, each locality must complete a separate coversheet)

Locality: City of Lynchburg Government Address: 900 Church Street Lynchburg, VA 24504 Chief Elected Official (Name and Title): The Honorable Michael Gillette, Mayor Local Zone Administrator: Name: Marjette G. Upshur Title: Director of Economic Development Phone: 434-455-4491 E-mail: marjette.upshur@lynchburgva.gov Application Type: ☒ Single (one locality) Enterprise Zone ☐ Joint (more than one locality) Enterprise Zone If Joint application, list all participating localities: Certification of Chief Administrative Officer: <i>To the best of my knowledge and belief, data in this proposal is true and correct and the governing body of the participant has duly authorized the proposal through resolution. The resolution is attached.</i> Signature: _____ Date: _____ Name: L. Kimball Payne III Title: City Manager	Type of Amendment (check all applicable boxes): ☐ Boundary deletion ☐ Boundary amendment ☒ Incentive amendment Number of existing non-contiguous areas present in locality's zone: ☐ 0 ☐ 1 ☐ 2 ☐ 3 Non-contiguous areas added or deleted as part of amendment application: ☐ 0 ☐ 1 ☐ 2 Total non-contiguous zone areas after amendment: _____ Enterprise Zone Public Hearings: ☐ Single Application (one hearing) ☐ Joint Application (one hearing in each locality) ☐ Joint Application (joint hearing) Attachments: ☒ Advertisements ☒ Minutes ☒ Resolutions ☒ Local assurances ☐ Joint application agreement (joint zones only) Locality has submitted all annual reports required to date: ☒ Yes ☐ No Amendment requests will not be processed until locality's annual reporting requirements are fulfilled.
---	---

IV. Incentive Amendment

Complete this section only if this amendment modifies incentives. Delete this section if your amendment is for boundary modification only. All zones are required by statute to offer local enterprise zone incentives. Localities should regularly review their incentive package to ensure utilization by businesses and effectiveness in attracting/expanding targeted business sectors within the zone. In the case of boundary amendments to include corporate town limits, the town functions as part of the county's zone boundaries and is not required to offer local incentives but may do so. Refer to Appendix III on page 17 for more information about local incentives.

- A. Why are the local incentives being modified? Discuss utilization, any changing trends or special circumstances affecting the decision to modify.

The existing local incentive of Machinery & Tools/Business, Professional and Occupational License tax credit is proposed for modification because its structure does not comply with DHCD best practices, it has had limited effect and its resources could be better targeted.

Currently, qualification for the local incentive requires qualification for the state Job Creation Grant; DHCD best practices discourage tying local incentives to state incentive qualification. The existing local incentive has had very limited utilization and has not performed as intended, underscoring the need to modify the incentive. The resources now used for the existing incentive could be more effectively used to target more prescient needs in the zone.

- B. What aspects of the incentives are being modified and why? Explain the research that the modification is based on (i.e. survey of zone businesses).

The local incentive will be modified from a tax "credit" tied to the state Job Creation Grant to a cash grant supporting real property investments. A regime of direct payments versus tax refunding is much more efficient to administrate. Significant job creation is also already incentivized through other local economic development programs while real property investments are not. Further, the existing incentive was not supporting the extensive investments of small businesses, while the modified incentive specifically targets these businesses that make up a substantial portion of commercial entities in the zone.

- C. Has the modified incentive package or new incentive(s) been reviewed by the local governing body's attorney and determined to be legal? ☒ Yes ☐ No
- D. Are incentives deleted as part of the amendment proposal? ☒ Yes ☐ No

Existing Incentive (by locality)	Replacement Incentive (by locality)	Justification for replacement
M&T/BPOL Tax Grant	Redevelopment Grant	Comply with DHCD best practices Streamline local incentives More effective incentive Resources from existing incentive needed to fund modified incentive

In order to fund the more effective and targeted Redevelopment Grant sufficiently and sustainably, the existing incentive will need to be deleted and its resources redirected to the modified incentive.

Incentive Package. Complete this section only if this amendment modifies incentives. Delete this section if your amendment is for boundary modification only. Provide information for **new and existing** incentives. This chart may be reproduced to accommodate all incentives. Identify new or revised incentives with an asterisk. **This chart will replace the current chart in your Enterprise Zone designation application. Complete the incentive chart to include all incentives to be offered upon approval of the incentive amendment.**

Locality Offering the Incentive: City of Lynchburg	
Incentive #: Name: Description:	Locality/Provider:
	Qualification Requirements:
	Exclusive to Zone: ☐ Yes ☐ No, if no please explain how incentives will be tailored to zone
	Period of Availability:
Financial Value of Incentive:	Effective date:
Action to Implement: ☐ Local Ordinance ☐ Approval by Board of Supervisors ☐ Other:	Source of Funds:
	Annual Budget Allocation Pending Approval:

Locality Offering the Incentive:	
Incentive #: Name: Description:	Locality/Provider:
	Qualification Requirements:
	Exclusive to Zone: ☐ Yes ☐ No, if no please explain how incentives will be tailored to zone
	Period of Availability:
Financial Value of Incentive:	Effective date:
Action to Implement: ☐ Local Ordinance ☐ Approval by Board of Supervisors ☐ Other:	Source of Funds:
	Annual Budget Allocation Pending Approval:

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Appendix I: Public Hearing and Resolution Requirements

Public Hearing Requirements

A local governing body must hold **at least one public hearing** on the application for Enterprise Zone amendment **prior to** the locality's passage of its enterprise zone resolution and prior to submission to DHCD. A copy of the advertisement of the public hearing **and** the public hearing minutes must accompany the application. **Enterprise Zone Regulation 13 VAC-5-112 490 states that Public Hearings may not have been held more than six months prior to the amendment submission.**

For a joint application, each participating local governing body may either hold a separate public hearing or schedule a joint public hearing.

Public Hearing Advertisement Requirements

- ❑ Ads must be published once a week for two successive weeks in a newspaper of general circulation.
- ❑ The final advertisement cannot be published less than five days or more than twenty-one days prior to the hearing.
- ❑ The ad must give the time, date, and location of the hearing.

The complete requirements for conducting public hearings are stated in §15.2-2204, Code of Virginia.

Information regarding joint zone amendments

- Localities participating in a joint zone can choose to amend their respective portions of the zone application simultaneously through the submission of one amendment application. However, this is not required. Participants in a joint zone may amend their portion of the zone independently of each other.
- Each locality can only amend their portion of the zone application once every twelve months from the approval date of their last amendment.
- **All localities participating in the joint zone (regardless of whether or not they are amending their portion of the zone) must pass approval resolutions and sign joint application agreements for any amendment made by a partnering joint applicant.**
- DHCD will not process any amendment application until the applicant or applicants in the case of a joint zone amendment are up to date on their annual reporting requirements.

Minimum Resolution Format Requirements

While DHCD does not provide a template for zone amendment resolutions, **we outline the minimum requirements below which can also serve as the framework for a resolution.**

Single Jurisdiction--Resolutions accompanying single locality applications for enterprise zone amendment should state that the local governing body:

- ❑ Is applying for enterprise zone amendment;
- ❑ Authorizes its chief administrator (or clerk where there is no chief administrator) to submit all information needed to apply for a zone amendment.
- ❑ Authorizes its chief administrator (or clerk) to meet other program administrative and reporting requirements, as defined by the Enterprise Zone Regulations, throughout the life of the zone.

Joint Application--Separate resolutions are required of each participating locality and should state that:

- ❑ The local governing body is applying for enterprise zone amendment jointly with other localities (provide names);
- ❑ One jurisdiction (provide name) is designated to act as program administrator;
- ❑ The local governing body authorizes the chief administrator (or clerk) acting as program administrator to submit all information needed to apply for an enterprise zone amendment and to carry out all program administrative and reporting requirements on its behalf;
- ❑ The local governing body authorizes the chief administrator (or clerk) acting as program administrator to carry out all program administrative and reporting requirements on its behalf, as defined by the Enterprise Zone Regulations, throughout the life of the zone.
- ❑ Each jurisdiction participating in a joint EZ application has completed a Joint Application Agreement. **See page 14 of appendix for format of agreement.**

Appendix I: Local Assurances

Local Assurances and Authorizations are used to certify the accuracy of the information provided by the applicant and to insure that the Program Regulations will be met. **Important:** All applications must include a certified resolution from the local governing body. If a joint application, include resolutions of each local governing body. **Attach the resolutions at the end of the amendment application.** Joint applications must also include Joint Application Amendment Agreement (JA) – refer to page 14 of the appendix.

As the representative of the local governing body of _____, I hereby certify that:
(locality)

1. The information in the Enterprise Zone application is accurate to the best of my knowledge.
2. A public hearing was held by the aforementioned locality to solicit comments on this request for application amendment. A copy of the public hearing advertisement and a copy of the public hearing minutes are attached.
3. Any local enterprise zone incentives proposed by the aforementioned locality in the Enterprise Zone application represents a firm commitment by the locality and have been reviewed by the local governing body's attorney as to their legality;
4. It is understood that if at any time the aforementioned locality is unable or unwilling to fulfill a commitment to provide local enterprise zone incentives, or if no state enterprise zone incentives have been utilized within a five-year period, the zone shall be subject to termination.

Chief Administrator: _____

Title: _____

Date: _____

Appendix I: Joint Application Agreement

Each jurisdiction participating in a joint application must complete the following form. This form insures that all jurisdictions are in agreement with the application being submitted by the amending jurisdiction. Completed joint application amendment agreements should be attached at the end of the amendment application.

JOINT APPLICATION AMENDMENT AGREEMENT

As the representative of the local governing body of _____, I hereby certify that:
(locality)

1. The aforementioned locality is in agreement with the other participating localities in filing this amendment;
2. Any local enterprise zone incentives proposed by the aforementioned locality in this amendment application represent a firm commitment;
3. It is understood that if at any time the aforementioned locality is unable or unwilling to fulfill a commitment to provide local enterprise zone incentives listed in this application, the zone shall be subject to termination; and
4. A public hearing was held on _____ to solicit comments on application.
(date)

Chief Administrator's signature

Date

Name: _____

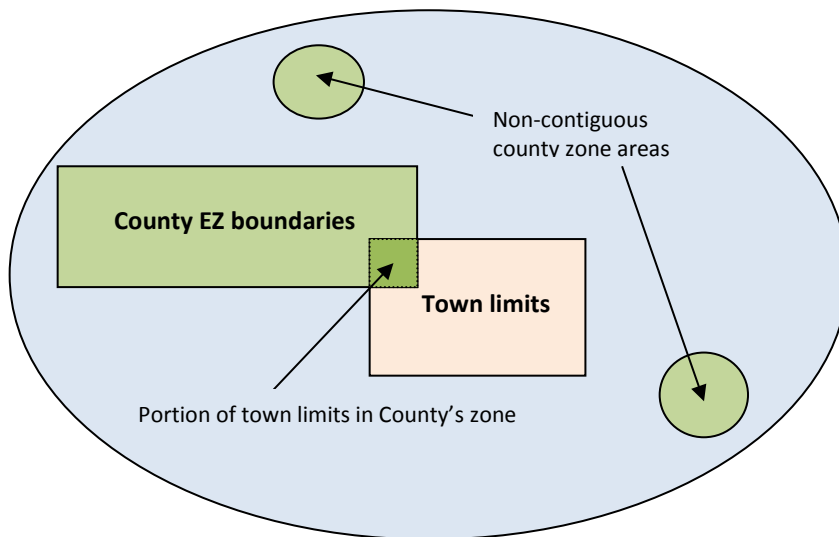
Title: _____

Appendix II: Zone Size Requirements and Configurations

Size Limits for Zones in Towns and Cities	Size Limits for Zones in Counties
<u>Minimum</u>: one-quarter (1/4) square mile (160 acres). <u>Maximum</u>: one square mile (640 acres). <u>Exception</u>: may be larger than one square mile provided it does not exceed seven percent of the locality's land area or it does not encompass more than seven percent of the locality's total population. To calculate the population exception, use the Weldon Cooper Centers' most recent final (not provisional) population estimates for the locality. The following is link to the Weldon Cooper Public Service Center: http://www.coopercenter.org/demographics/POPULATION%20ESTIMATES/	<u>Minimum</u>: one-half (1/2) square mile (320 acres). <u>Maximum</u>: six square miles (approximately 3,840 acres). Size Limits for Zones in Consolidated Cities Zones in cities where the present boundaries have been created through the consolidation of a city and county (Chesapeake, Hampton, Newport News, and Virginia Beach) or the consolidation of two cities (Suffolk and Richmond), must use the minimum and maximum size guidelines for zones in unincorporated areas of counties described above.

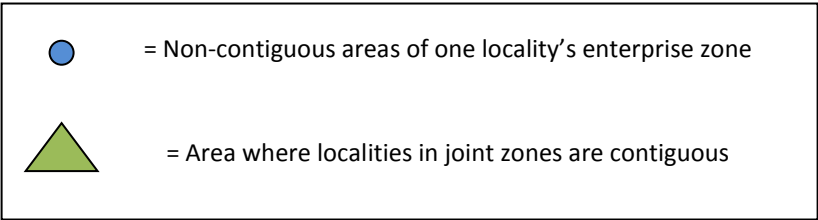
Single zone: An enterprise zone located entirely within a single jurisdiction. The locality's zone can consist of three non-contiguous zone areas. A county zone including areas within incorporated town limits constitutes a single zone and town acreage is considered part of the county's zone acreage.

Counties can amend their zone boundaries to include part of the corporate town limits as part of the zone. This addition does NOT constitute a joint zone. The acreage within the town limits counts towards the county's maximum zone acreage. Towns added into the county acreage are not required to offer local enterprise zone incentives, but may.

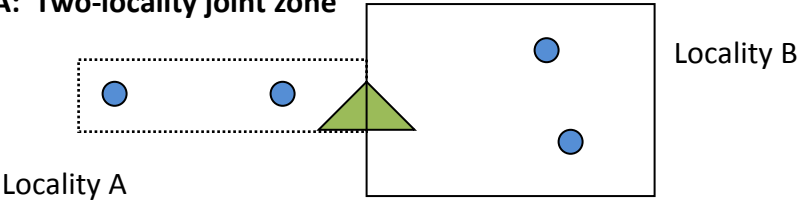


Appendix II: Zone Size Requirements and Configurations

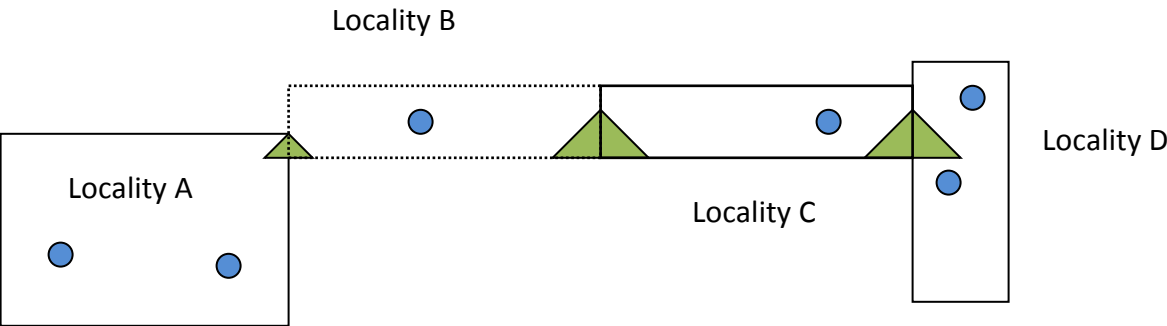
Joint zone: An enterprise zone located in two or more jurisdictions. Each locality's portion of the joint zone can consist of up to three non-contiguous geographic areas relative to that locality. The three non-contiguous areas comprise that locality's total zone size and the acreage of all three non-contiguous areas must meet the total size requirements for that type of locality. If a locality participates in a joint zone and also has two other zone designations, each of the three zones can consist of three non-contiguous areas. In the case of the joint zone, one of the locality's three possible zone areas must be contiguous to at least one other participant's zone area. The following are some examples of joint zone configurations:



EXAMPLE A: Two-locality joint zone



EXAMPLE B: Four-locality joint zone



Appendix III: Incentive Amendments

Local incentives are a critical part of the success of an enterprise zone and they should be selected carefully. It is important for a locality to develop a package of incentives that will best assist in overcoming the specific barriers to development within their zone by supporting targeted business sectors. The number of incentives is not as important as the quality and impact of the incentives. If no zone businesses have qualified for a particular local incentive for more than one year, it might be appropriate to make amendments to the incentive. **Local incentives that require a business to qualify for state incentives are HIGHLY discouraged.**

1. Role of Local Incentives

- Local incentives should help address the locality's economic conditions and barriers to economic development goals.
- Local incentives should be tailored to both new and existing targeted business sectors.
- Local incentives should fill in the gaps of the state incentives therefore qualification for local incentives should NOT be contingent on state incentive qualification.

2. Constitutionality of Local Incentives

Because Virginia is a Dillon Rule state, localities have very little authority to offer local tax incentives unless expressly allowed through the Code of Virginia. The Virginia Enterprise Zone Grant Act allows participating localities to offer a variety of incentives to businesses.

Local enterprise zone incentives must in no way violate the Virginia Constitution. The Uniformity Clause of Article 10, Section 1, of the Virginia Constitution specifies that taxation must be uniform in territory, subject, and class. As it relates to the Enterprise Zone program the concern is that taxation must be uniform throughout an entire locality unless there is state enabling legislation that allows otherwise. **The local governing body's attorney should review local incentives to ensure their compliance with the Virginia Constitution.**

The following examples offer simple guidelines for common tax-related local incentives:

Real estate tax exemption: Virginia Code sections 58.1-3220 and 3221 serve as the enabling legislation and give all localities the authority to offer exemptions on real estate tax when certain conditions are met. This incentive can be offered locality wide, not just within the zone. In such cases where this incentive is offered locality-wide, the incentive criteria needs to be customized in the zone in order to be considered as a local enterprise zone incentive. **Real estate tax abatement, refunds, or rebates are prohibited under the State Constitution.**

Machinery & tools tax grants: The Uniformity Clause applies and there is no enabling legislation to allow for the exemption of this tax. Therefore, a locality wishing to offer an incentive related to the machinery and tools tax must first collect the tax uniformly from all appropriate taxpayers across the locality -those within the enterprise zone as well as those outside the zone. Once the tax is collected, the locality may offer businesses a grant based on their machinery and tool tax. This is usually done through the local Industrial Development Authority. **Machinery and tools tax abatement, refunds, or rebates are prohibited under the State Constitution.**

BPOL tax, utility tax, or permit fees: The Uniformity Clause does not apply to these taxes and fees. Localities are free to offer these incentives in the form of rebates, refunds, and abatements.

Appendix III: Incentive Amendments Cont...

3. Examples of Local Incentives

An incentive that is available throughout a locality will not be considered an enterprise zone incentive unless special actions are taken to encourage greater utilization of the incentive within the proposed enterprise zone or a greater benefit is provided within the zone (i.e. lower qualification threshold or larger grant amount). Local governments provide a variety of financial and non-financial incentives to encourage economic growth and investment. The following list is not inclusive but serves as an example of the most frequently offered local enterprise zone incentives:

Local Enterprise Zone Development Taxation Program: Section 58.1-3245.6 through Section 58.1-3245.11 of the Code of Virginia enables designated zone localities to establish a Local Enterprise Zone Development Taxation Program. Incremental tax revenues generated from real property or machinery and tools, or both can be used to establish an enterprise zone development fund to pay for enhancements to government services that promote economic development.

Tax Exemption: §58.1-3221 of the Code of Virginia enables localities to defer the taxes on the increase in assessed value as a result of the rehabilitation of real estate for structures at least 15 years of age in enterprise zones and 20 years of age elsewhere in the jurisdiction.

Local Tax Rebates: BPOL tax fees, local sales tax on items purchased in the community for conduct and trade of business in the enterprise zone.

Business Loans: Facade improvement loans for both commercial and industrial properties, low interest loan funds for start-up and expansion, revolving loan funds composed of local and private funding sources.

Fee Waivers: Permit fees, sewer and water tap fees, utility fees.

Public Improvements: Highways, streets, sidewalks, water and sewer systems, signals, etc.

Job Training: Targeted training programs to meet business needs.

Non-financial: Fast track permitting, loan packaging assistance, and design assistance.

Suggested Rationale to Use When Developing Local Enterprise Zone Incentives

- a. Incentives should be directly linked to actions that are consistent with local enterprise zone revitalization and development goals.
- b. Survey existing zone businesses to gain feedback on existing local incentives and recommendations for new local incentives.
- c. Establish performance baselines that provide a threshold for qualification. Incentives should reward firms that make a commitment to invest in a zone by creating new jobs and/or investment.
- d. Develop measurable incentives.
- e. Incentives should represent sound fiscal policy and not provide an excessive level of benefit that would be inappropriate from an economic point of view.

Appendix III: Incentive Amendments Cont...

4. Local Incentive Qualification Requirements

A locality should establish qualification requirements for each of its local incentives so that the incentives allow for a good return on investment for the locality (i.e. private investment or jobs leveraged). These requirements should be reasonable (not too restrictive) so that businesses can actually qualify. The detailed qualification requirements for each local incentive should be outlined in writing and approved by the local governing body prior to the submitting the amendment to DHCD. As part of this process, pertinent terms of the incentive qualifications should be defined as should the process for incentive application approval, life of the incentive, and the value of incentives. For example, if a locality is offering a machinery and tools tax grant based on the creation of five new jobs the locality needs to define “new jobs” for the purposes of the incentive qualification. Continuing with this example, would “new jobs” be considered net new, permanent full time and would there be any wage or benefit requirements in this definition?

In addition, a locality may establish conditions on the availability of such incentives. For example, a locality may propose to make grant funds available to new businesses during the first five years of zone operation. It may propose a three-year utility tax exemption for new or expanding firms or propose to restrict the availability of low interest business loans to new firms locating in the zone that agree to meet certain locally set hiring requirements. **Conditions should NOT require businesses to qualify for a state incentive in order to qualify for a local incentive.**

5. Financial Value of Incentives

The quantity of local enterprise zone incentives offered is not as important as the quality of local incentives. The incentives should be meaningful and beneficial to targeted business sectors. For example, if the cost of water and sewer service is higher in the county than in the city, the county zone may consider offering a water/sewer hookup fee incentive to help offset its higher service fees. The financial impact of the water/sewer hookup fee incentive should provide a considerable reduction, not just mere pennies in savings. Some incentives may have a different type of monetary value but can still have a valuable impact on the business. For example, if crime and vandalism to zone businesses is an issue, free consultations with the Crime Prevention through Environmental Design (CPTED) planner with the police department can be a valuable incentive where the value of the incentive would be the “consultant” market rate or police employee wage for such training.

6. Local Assigned Agents

A locality may designate an assigned agent, such as a local redevelopment and housing authority, a nonprofit entity or a private for-profit entity, to provide local incentives. This arrangement should be documented by a written commitment from the agent.

7. Termination

Section §59.1-284 of the Virginia Enterprise Zone Grant Act describes two circumstances that can result in the termination of a designated zone. First, in the event the local government or an assigned agent is unable or unwilling to provide regulatory flexibility, tax incentives or other public incentives as proposed in the application for zone designation, the zone may be terminated. This is avoidable if the applicant is able to amend the application by substituting an incentive that is equal or superior to the incentive originally approved. Second, if no business firms in an enterprise zone have qualified for state incentives within a five-year period, the zone will be terminated.

Local Enterprise Zone Redevelopment Program

DEADLINE Application for Program must be received by June 30th.

PART I. Background Information

Date _____

Printed Name of Legal Owner(s) _____

Signature of Legal Owner (s) _____

Contact Telephone Numbers _____

Applicant _____ Applicant Telephone Number _____

Street Address _____

Website _____

Representative or Primary Contact _____

Email Address _____

Parcel ID Number of property upon which the building is located: _____

Federal Employee I.D. No. _____

Description of proposed improvements (attach additional page(s) for information as needed):-

Estimated cost of redevelopment capital improvements: _____

Estimated Completion Date: _____

I have attached the following documentation of City of Lynchburg project approval:

(the need for City project approval can be confirmed by the Office of Economic Development or the Department of Community Development)

- | | |
|---|---|
| ☐ Site Plan | ☐ Building Permit |
| ☐ Driveway or Right-of-Way Permit | ☐ Certificate of Appropriateness |
| ☐ Road/Water/Sewer or Public Infrastructure Plan | ☐ Sign Permit |

If City of Lynchburg project approval is not required for the work, please submit the following supporting documentation as applicable to your project:

- | | |
|--|--|
| ☐ Scaled Drawings | ☐ List of Materials |
|--|--|

I understand I will need to submit the following documents when the project is completed in order to receive the funds, including but not limited to, construction contract and/or receipts documenting investment in the above mentioned building and other documents such as Certificate of Occupancy or Documentation of Final Inspection by the City as the LEDA or City may request to verify the project is consistence with City Code,.

I understand the Lynchburg Economic Development Authority must approve this application before the work begins or I may not be eligible for this Program.

Please return this application, as well as a photograph of the building to be improved, to the Office of Economic Development, 900 Church Street, Lynchburg, VA, 24504. Call (434)455-4490 for more information.

Date Rec'd _____ EDA Approval _____ Completion _____ Check# & Date _____ Project Date _____

PART II. Qualification Information

Purpose of the Program:

The purpose of Local Enterprise Zone Redevelopment Program is to encourage investment and improvement of real property located within one of the City of Lynchburg's Enterprise Zones. The Program is designed to assist property owners and/or businesses with real property and capital investment projects. The Program is designed to decrease vacancy rates, revitalize designated areas and/or increase the City's tax base.

Redevelopment Program funds are available for qualifying commercial, industrial and mixed-use commercial (with no more than 80% residential or significant capital investment or a defined public purpose) projects from the Lynchburg Economic Development Authority of the City of Lynchburg, Virginia, of one third of qualified renovation, rehabilitation or capital improvement costs, with a maximum of \$25,000. This is limited to one award per year per property owner and/or "facility" (Facility: Means a complex of buildings, co-located at a single physical location within an enterprise zone, all of which are necessary to facilitate the conduct of the same trade or business. This definition applies to new construction, as well as to the rehabilitation and expansion of existing structures). This Program is funded with an appropriation of **\$75,000 annually through 2015**. The property or business must be located in one of the City of Lynchburg's Enterprise Zones and funding is contingent upon available appropriations.

To qualify for the Local Enterprise Zone Redevelopment Program a business or property owner must meet the following criteria:

- City taxes on all properties and businesses must be current
- Complete and sign the application form (must be signed by the owner of record) and return to the City of Lynchburg's Office of Economic Development for consideration and prior to acquiring a building permit. Special circumstances may be reviewed by Office of Economic Development.
- The Lynchburg Economic Development Authority (LEDA) at its next regularly scheduled meeting, unless otherwise agreed to by the LEDA, will review and approve or disapprove the application, considering recommendation made by the Office of Economic Development. (Please note the LEDA customarily meets the third Thursday of every month and applications should be received at least one week prior to the meeting).
- Programs up to a maximum of \$25,000 or one third of the costs for eligible improvements, whichever is less, per project subject to LEDA approval and availability of funds.
- Program monies will be paid, by the LEDA, on a reimbursement basis, upon receiving verifiable receipts of construction/improvement costs.
- The Redevelopment Project must be completed within one year of the date of approval, unless both the LEDA and Office of Economic Development grant an extension.

- The assessed value of the property must increase by at least the program amount approved by Lynchburg Economic Development Authority.
- Building permit(s) must have been issued for the project prior to grant being awarded, as required for the project.
- Applicants must comply with all other applicable laws, rules and regulations, including a review and approval of plans by the Office of Economic Development and the City's Technical Review Committee.
- For each commercial or industrial real estate, the existing structure must be twenty-five (25) years of age or older.

Part III. Eligible Improvements

Exterior Improvements (in accordance with approved Design Guidelines) :

- Masonry Repair
- Paint or Façade Repair/Removal/Cleaning
- Signage
- Awnings
- Lighting
- Landscaping
- Sidewalks
- Parking
- Storm Water Requirements
- Replace broken, tinted or boarded up windows
- Roof repair

Interior Improvements:

- HVAC
- Lighting
- Electrical
- Plumbing
- Telecommunications wiring
- Paint/wall coverings
- Floor Coverings

Funds used for upgrading property to meet City Fire Code, allow for mixed use of the property and/or improvements that would encourage occupancy of now vacant upper floors (subject to zoning regulations), including:

- ADA Improvements
- Elevators
- Fire Escapes
- Floor/wall improvements
- Sprinkler systems

PART III. Declaration

I, the undersigned, am an authorized representative of the business firm for which this form is intended. I declare this form has been examined by me and is, to the best of my knowledge, an accurate statement. I further affirm my business is physically located at the address indicated in Part I and my business meets the qualification criteria as indicated in Part II and defined in Section 36.1-3 of the Code of the City of Lynchburg, Virginia. I further attest that all required documentation is true and correct, and is included with this application. Providing false, inaccurate or misleading information will result in disqualification for consideration of the Local Enterprise Zone Redevelopment Project Program.

Signature of Applicant

Typed or Printed Name of Applicant

Title of Applicant

Date

Only _____ Internal Use

Verification: _____

Date: _____

Administrator's Signature _____

Code: _____

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 13

CONSENT: REGULAR: **X**

WORK SESSION:

CLOSED SESSION:
(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Public Hearing and Resolution for Boundary Amendments to Enterprise Zones #2 and #46**

RECOMMENDATION: Conduct a Public Hearing regarding amendments to Virginia Enterprise Zones #2 and #46 to encompass the areas shown on maps "Enterprise Zone Amendment, Zone # 2" and "Enterprise Zone Amendment, Zone #46," contingent upon approval by the Virginia Department of Housing and Community Development (DHCD). Pass a resolution in support of the boundary amendment, as required by DHCD.

SUMMARY: Lynchburg is an active participant in the Virginia Enterprise Zone Program, with two Enterprise Zones identified by DHCD as #2 and #46. The zones were established to provide incentives for businesses to locate or expand, stimulating economic development within the designated areas. Although the General Assembly has changed the benefits of Enterprise Zone designation over the years, two primary incentives remain for businesses: job creation grants and real estate improvement grants.

Enterprise Zone boundaries are eligible for amendment annually upon approval by City Council and DHCD. Program guidelines limit zone size to 7% of the locality's total land area, and both of Lynchburg's zones are close to the limit. In order to maximize zone size and therefore provide the greatest benefit to local businesses, ineligible property classes can be removed from the zone to allow for the inclusion of additional commercial property.

The areas proposed for deletion consist of public property and right-of-way where zone designation provides no benefit. The areas proposed for addition include primary commercial corridors, industrial park properties and areas of anticipated growth.

Enterprise Zone designation has no impact on land use or zoning.

In order to accomplish this amendment, City Council is required to conduct a public hearing regarding the proposed amendments.

PRIOR ACTION(S): Amended Zone #2 and #46 boundaries in FY2013

FISCAL IMPACT: May positively impact tax receipts as business growth and expansion is incentivized in newly designated areas.

CONTACT(S): Marjette Upshur, 434-455-4490

ATTACHMENT(S): Map showing existing zone #2, and proposed expansion; map showing existing zone #46, proposed deletion, and proposed expansion; proposed resolution.

REVIEWED BY: lkp

RESOLUTION

BE IT RESOLVED That the Lynchburg City Council endorses the addition of areas "2-A1" through "2-A6" to the City of Lynchburg, Virginia Enterprise Zone #2 as shown on the map entitled "Enterprise Zone Amendment, Zone #2."

BE IT FURTHER RESOLVED that the Lynchburg City Council endorses the removal of area "46-S1" from the City of Lynchburg, Virginia Enterprise Zone #46 and the addition of areas "46-A1" to the City of Lynchburg, Virginia Enterprise Zone #46 as shown on the map entitled "Enterprise Zone Amendment, Zone #46."

Adopted:

Certified:

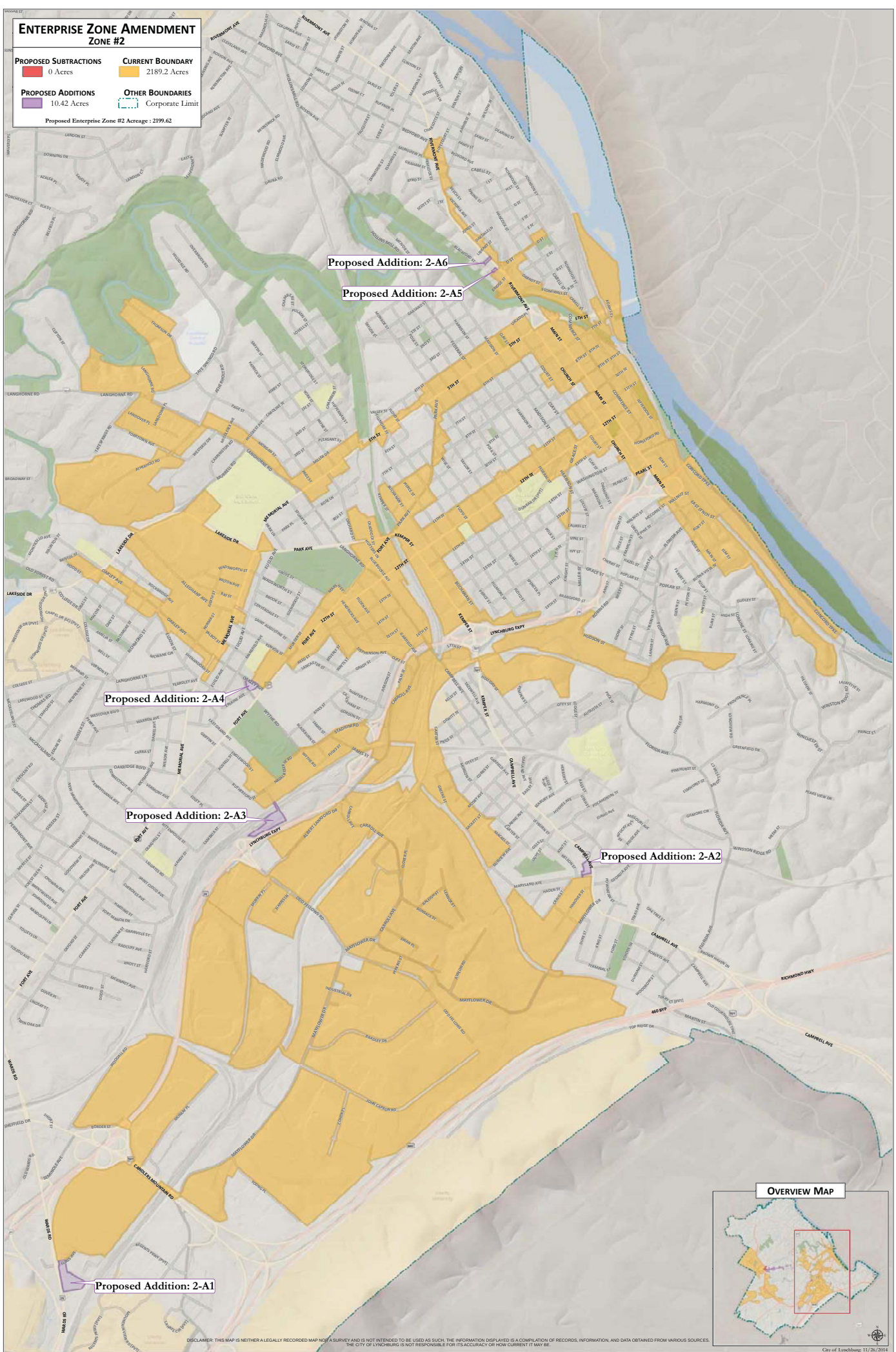
Clerk of Council

153K

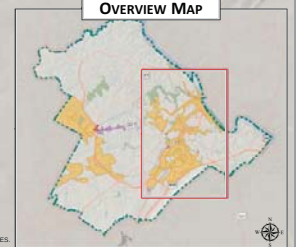
ENTERPRISE ZONE AMENDMENT ZONE #2

PROPOSED SUBTRACTIONS 0 Acres	CURRENT BOUNDARY 2189.2 Acres
PROPOSED ADDITIONS 10.42 Acres	OTHER BOUNDARIES Corporate Limit

Proposed Enterprise Zone #2 Acreage : 2199.62



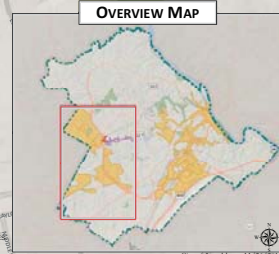
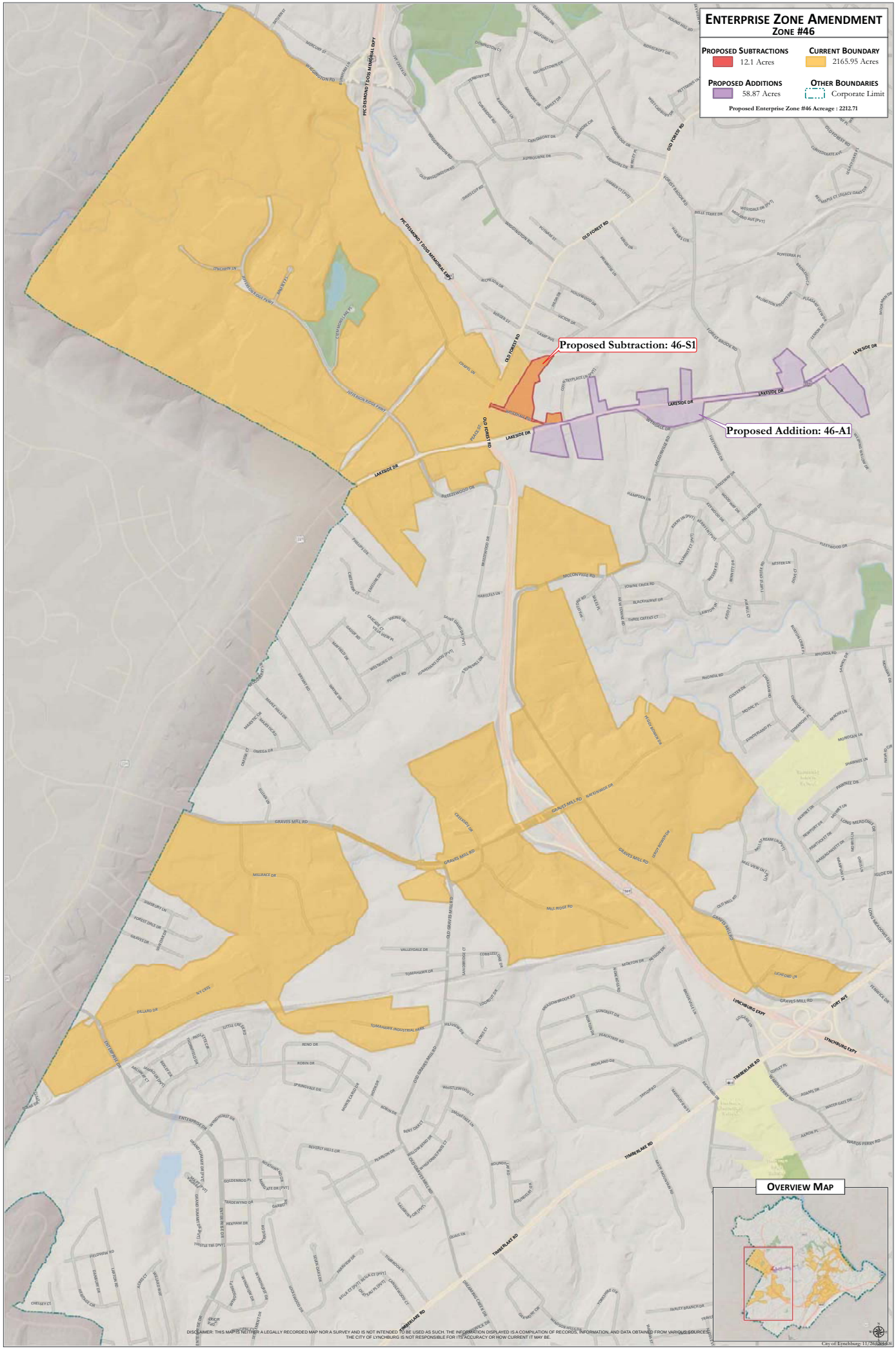
OVERVIEW MAP



DISCLAIMER: THIS MAP IS NEITHER A LEGALLY RECORDED MAP NOR A SURVEY AND IS NOT INTENDED TO BE USED AS SUCH. THE INFORMATION DISPLAYED IS A COMPILATION OF RECORDS, INFORMATION, AND DATA OBTAINED FROM VARIOUS SOURCES. THE CITY OF LYNCHBURG IS NOT RESPONSIBLE FOR ITS ACCURACY OR HOW CURRENT IT MAY BE.

ENTERPRISE ZONE AMENDMENT ZONE #46

PROPOSED SUBTRACTIONS	CURRENT BOUNDARY
■ 12.1 Acres	■ 2165.95 Acres
PROPOSED ADDITIONS	OTHER BOUNDARIES
■ 58.87 Acres	■ Corporate Limit
Proposed Enterprise Zone #46 Acreage : 2212.71	



DISCLAIMER: THIS MAP IS NOT A LEGALLY RECORDED MAP NOR A SURVEY AND IS NOT INTENDED TO BE USED AS SUCH. THE INFORMATION DISPLAYED IS A COMPILATION OF RECORDS, INFORMATION, AND DATA OBTAINED FROM VARIOUS SOURCES. THE CITY OF LYNCHBURG IS NOT RESPONSIBLE FOR ITS ACCURACY OR HOW CURRENT IT MAY BE.

Enterprise Zone Amendment Application

Applicant Locality(ies): City of Lynchburg

Name of Zone: Enterprise Zone #46

Zone Number: #46

Virginia Department of Housing and Community
Development

600 East Main St, Suite 300

Richmond, Virginia 23219

(804) 371-7030

EZONE@dhcd.virginia.gov

www.dhcd.virginia.gov



**VIRGINIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT**
Partners for Better Communities

Overview of Amendment Application

Instructions for completing the coversheet and application can be found in the appendices beginning on page 12 of this document. Please read all of the appendices carefully before completing this application. The new enterprise zone statute establishes new zone amendment guidelines which are summarized below and outlined in detail in the appendices.

Each enterprise zone can consist of up to three non-contiguous zone areas. In cases where a locality has multiple zone designations, each of those zones can consist of up to three non-contiguous geographic areas. In the case of joint zones, each locality's portion of the joint zone can consist of up to three non-contiguous geographic areas, but one of those three non-contiguous areas must be contiguous to at least one other participant's zone area. For more details, refer to page 15 in the appendix. There are no longer zone-specific distress criteria requirements in the amendment application; the zone-specific distress criteria have been removed from the amendment application process.

An enterprise zone boundary amendment cannot consist of a site for a single business firm and cannot be less than 10 acres.

Enterprise zone amendment applications can be submitted once every twelve months from the date of the locality's last zone amendment. Joint zones may amend their zones in one application or independently so long as each locality amends their portion of the zone only once every twelve months from the date of that locality's last amendment. The locality submitting the amendment application must be up to date in its annual reporting requirements. **Once DHCD approves an enterprise zone amendment, the modifications to the zone are retroactive back to January 1st of the calendar year in which the amendment was approved. This means that businesses added via a boundary amendment approved in 2013 could submit grant applications for the 2013 grant year.**

Checklist of Required Attachments

Place the required attachments at the end of the amendment application. Unless otherwise specified, the attachment is required for all types of application amendments.

- ☒ **Public Hearing Advertisements (2)**
Published once a week for two successive weeks in a newspaper of general circulation; final advertisement cannot be published < 5 days or > 21 days prior to the hearing
- ☒ **Official Public Hearing Minutes**
- ☒ **Local Assurances**
- ☒ **Resolution**
In the case of a joint zone all participating localities must submit approval resolutions, even if they are not amending their portion of the zone
- ☐ **Joint Application Agreement** (Joint zones only)
- ☒ **Maps** (Boundary amendments only)
- ☐ **Incentive charts** (Incentive amendments only)

Coversheet

(For joint zone amendments, each locality must complete a separate coversheet)

Locality: City of Lynchburg Government Address: 900 Church Street Lynchburg, VA 24504 Chief Elected Official (Name and Title): The Honorable Michael Gillette, Mayor Local Zone Administrator: Name: Marjette G. Upshur Title: Director of Economic Development Phone: 434-455-4492 E-mail: marjette.upshur@lynchburgva.gov Application Type: ☒ Single (one locality) Enterprise Zone ☐ Joint (more than one locality) Enterprise Zone If Joint application, list all participating localities: Certification of Chief Administrative Officer: <i>To the best of my knowledge and belief, data in this proposal is true and correct and the governing body of the participant has duly authorized the proposal through resolution. The resolution is attached.</i> Signature: _____ Date: _____ Name: L. Kimball Payne III Title: City Manager	Type of Amendment (check all applicable boxes): ☐ Boundary deletion ☒ Boundary amendment ☐ Incentive amendment Number of existing non-contiguous areas present in locality's zone: ☐ 0 ☐ 1 ☒ 2 ☐ 3 Non-contiguous areas added or deleted as part of amendment application: ☒ 0 ☐ 1 ☐ 2 Total non-contiguous zone areas after amendment: <u>2</u> Enterprise Zone Public Hearings: ☒ Single Application (one hearing) ☐ Joint Application (one hearing in each locality) ☐ Joint Application (joint hearing) Attachments: ☒ Advertisements ☒ Minutes ☒ Resolutions ☒ Local assurances ☐ Joint application agreement (joint zones only) Locality has submitted all annual reports required to date: ☒ Yes ☐ No Amendment requests will not be processed until locality's annual reporting requirements are fulfilled.
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I. Zone Size

Complete this section only if this amendment modifies the zone boundaries. Delete this section if your amendment is for incentive modification only.

A. Basic size limits are determined by the type of locality. Each locality in a joint zone may have the maximum zone acreage for that type of locality. If this is a joint amendment application, Question A must be completed for each locality. For joint applications, duplicate the check boxes for as many localities participating in the zone. List the locality’s name next to each duplicated box. Refer to Appendix II on page 15 for zone size limits and boundary modification requirements.

Type of locality:

☐ County: _____

☐ Consolidated City: _____

☒ Town (existing town zones only)/City: City of Lynchburg

Size guideline option used:

☐ Basic land size minimum and maximum

☒ 7 percent of land area (Cities and Towns only)

☐ 7 percent of population (Cities and Towns only)

B. Complete the chart below showing the size of the zone after the proposed modifications. For joint zones, please list each locality’s zone size adjustments on a separate line. Additional rows may be added to the table as needed. Zone size guidelines can be found in Appendix II on page 15.

Locality	Current zone size in acreage	Proposed deletion size in acreage	Proposed addition size in acreage	Amended zone size in acreage (total acreage)
City of Lynchburg	2165.94	12.1	58.87	2212.71

Map Requirements – Required only for boundary amendments.

For each of the required maps, joint applications must also submit one map showing the entire zone area. The required maps must be able to fit inside a legal size mailing envelope. Each of the required maps must be produced at the same scale. GIS generated maps are preferred. Topographic maps are highly discouraged. **Zone administrators MUST submit a draft boundary amendment map to DHCD prior to holding the public hearing for review.**

Map 1 – Map of the locality indicating the current and amended boundaries of the enterprise zone area. Please indicate the amended zone boundaries using the following key:

-  Proposed Additions – Red fill with bold red dashed border
-  Proposed Deletions – Blue fill with bold blue dashed border
-  Existing Zone Boundaries – Green fill

All required features listed in the charts must be included on each map and clearly visible.

Required Features Included on Map (where present in zone):

- Major Streets/Roads/Highways Labeled (dark gray lines)
- City/County/Town limit lines identified by bold blue line
- Key Businesses/Employers
- Key Properties/Revitalization Project Areas/ Developable Land
- Airports/ Ports of Entry
- Major Railways
- Office or Industrial Parks
- Special Districts

Map 2 - Map of the modified enterprise zone boundary indicating the existing land use characteristics according to the following classifications:

Privately Held Land

Business/Commercial
Industrial
Institutional
Single-family residential
Multi-family
Agriculture
Parking
Mixed-use (or “Other”)

Publicly Held Land

State/Federal Land
Local publicly owned land in use
Unused local public land
Parks & Recreational Areas
Parking

Indicate on this map the total zone acreage and the approximate number of acres devoted to each type of use.

Map 3 – Map of the modified enterprise zone showing the boundaries of existing zoning districts. (If the area is not zoned, this map is not required.)

Place required maps at the end of the application.

II. Boundary Deletion

Complete this section only if this amendment deletes acreage from the zone. Delete this section if your amendment is for a boundary addition or incentive modification only. Boundary deletions cannot exceed 15 percent of the total enterprise zone acreage for the locality. DHCD reviews boundary deletions on a case-by-case basis and requires assurance that the applicant has based their decision on reasonable and careful consideration.

- A. Describe the areas proposed for deletion from the zone. Explain **in detail** the locality's(ies) rationale for deleting the area(s) from the zone.
 - B. Identify the number of property and business owners in the deleted area and how they were notified of the decision. The local governing body must **separately notify each property owner and each business owner located within the area of the proposed deletion two weeks prior to holding the public hearing**. A copy of this notification letter must accompany the amendment application. Publication of an ad in the local newspaper does not, by itself, meet this requirement but may be used as an additional form of notification.
 - C. Summarize (using bullet points) any comments received from these owners as well as comments made at the public hearing regarding the deletion.
 - D. Discuss the impact of this decision on the revitalization efforts in the area(s) to be deleted and on the overall economic development efforts of the locality. Identify future plans for the area(s).
- A. **Area 46-S1 proposed for deletion, denoted in red on Map 1, consists solely of City owned property and right of way reserved for a public road project. These deletions total 12.1 acres of ineligible property. These areas will be removed to add known, expected and potential commercial development.**
 - B. **The City of Lynchburg was notified of the proposed deletions.**
 - C. **The boundary amendment will not impact revitalization efforts within the areas proposed for deletion, as these parcels are currently ineligible for Enterprise Zone benefits being City Property and right-of-way.**

.

III. Boundary Addition

Complete this section only if this amendment adds acreage to the zone. Delete this section if your amendment is for a boundary deletion or incentive modification only. Boundary additions cannot consist of a site for a single business and cannot be less than 10 acres in size. Counties with enterprise zones can include acreage within corporate town limits, provided the acreage addition falls within the total zone size requirements for the locality. Towns with enterprise zones CANNOT add portions of the unincorporated areas into the zone through the amendment process.

Describe the areas proposed for inclusion into the zone boundaries. Indicate if the added areas are contiguous to existing zone boundaries or will count as one of the three total non-contiguous zone areas per locality. Explain the strategic importance of adding the area(s) to the zone. Discuss relevant economic conditions, economic development/revitalization efforts occurring within the proposed addition. Quantify this information where possible.

Proposed addition 46-A1 denoted in green on the Map represent several large-scale commercial parcels around one of the City's major industrial park not already included in the zone. The additions cover 19 parcels at 58.87 acres. The areas proposed for addition encompass targeted areas for economic development and commercial property primed for investment. We very little acreage left in Zone #46 and added these parcels which are areas of known or expected real property investment and job creation.

All additions are contiguous to the existing zone. Zone #46 has two non-contiguous areas as shown on Map 1.

IV. Incentive Amendment

Complete this section only if this amendment modifies incentives. Delete this section if your amendment is for boundary modification only. All zones are required by statute to offer local enterprise zone incentives. Localities should regularly review their incentive package to ensure utilization by businesses and effectiveness in attracting/expanding targeted business sectors within the zone. In the case of boundary amendments to include corporate town limits, the town functions as part of the county's zone boundaries and is not required to offer local incentives but may do so. Refer to Appendix III on page 17 for more information about local incentives.

- A. Why are the local incentives being modified? Discuss utilization, any changing trends or special circumstances affecting the decision to modify.
- B. What aspects of the incentives are being modified and why? Explain the research that the modification is based on (i.e. survey of zone businesses).
- C. Has the modified incentive package or new incentive(s) been reviewed by the local governing body's attorney and determined to be legal? ☐ Yes ☐ No
- D. Are incentives deleted as part of the amendment proposal? ☐ Yes ☐ No
If yes, complete the following chart concerning the required replacement incentive and explain (below the chart) why the incentive is being deleted. For example, the creation of a regional water/waste water facility may necessitate amending the city's existing water and sewer hookup fee incentive because the city no longer collects these fees and therefore cannot rebate them.

Additional rows may be added to the chart as needed. Local incentives can be deleted if replaced by incentives that are equal or superior to those in the application or most recent amendment. **Contact DHCD staff to discuss your plans to modify incentives prior to holding the public hearing.**

Existing Incentive (by locality)	Replacement Incentive (by locality)	Justification for replacement

(Limit section IV responses aside from the above chart to the space provided plus one additional page.)

Incentive Package. Complete this section only if this amendment modifies incentives. Delete this section if your amendment is for boundary modification only. Provide information for **new and existing** incentives. This chart may be reproduced to accommodate all incentives. Identify new or revised incentives with an asterisk. **This chart will replace the current chart in your Enterprise Zone designation application. Complete the incentive chart to include all incentives to be offered upon approval of the incentive amendment.**

Locality Offering the Incentive:	
Incentive #: Name: Description:	Locality/Provider:
	Qualification Requirements:
	Exclusive to Zone: ☐ Yes ☐ No, if no please explain how incentives will be tailored to zone
	Period of Availability:
Financial Value of Incentive:	Effective date:
Action to Implement: ☐ Local Ordinance ☐ Approval by Board of Supervisors ☐ Other:	Source of Funds:
	Annual Budget Allocation Pending Approval:

Locality Offering the Incentive:	
Incentive #: Name: Description:	Locality/Provider:
	Qualification Requirements:
	Exclusive to Zone: ☐ Yes ☐ No, if no please explain how incentives will be tailored to zone
	Period of Availability:
Financial Value of Incentive:	Effective date:
Action to Implement: ☐ Local Ordinance ☐ Approval by Board of Supervisors ☐ Other:	Source of Funds:
	Annual Budget Allocation Pending Approval:

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Appendix I: Public Hearing and Resolution Requirements

Public Hearing Requirements

A local governing body must hold **at least one public hearing** on the application for Enterprise Zone amendment **prior to** the locality's passage of its enterprise zone resolution and prior to submission to DHCD. A copy of the advertisement of the public hearing **and** the public hearing minutes must accompany the application. **Enterprise Zone Regulation 13 VAC-5-112 490 states that Public Hearings may not have been held more than six months prior to the amendment submission.**

For a joint application, each participating local governing body may either hold a separate public hearing or schedule a joint public hearing.

Public Hearing Advertisement Requirements

- ❑ Ads must be published once a week for two successive weeks in a newspaper of general circulation.
- ❑ The final advertisement cannot be published less than five days or more than twenty-one days prior to the hearing.
- ❑ The ad must give the time, date, and location of the hearing.

The complete requirements for conducting public hearings are stated in §15.2-2204, Code of Virginia.

Information regarding joint zone amendments

- Localities participating in a joint zone can choose to amend their respective portions of the zone application simultaneously through the submission of one amendment application. However, this is not required. Participants in a joint zone may amend their portion of the zone independently of each other.
- Each locality can only amend their portion of the zone application once every twelve months from the approval date of their last amendment.
- **All localities participating in the joint zone (regardless of whether or not they are amending their portion of the zone) must pass approval resolutions and sign joint application agreements for any amendment made by a partnering joint applicant.**
- DHCD will not process any amendment application until the applicant or applicants in the case of a joint zone amendment are up to date on their annual reporting requirements.

Minimum Resolution Format Requirements

While DHCD does not provide a template for zone amendment resolutions, **we outline the minimum requirements below which can also serve as the framework for a resolution.**

Single Jurisdiction--Resolutions accompanying single locality applications for enterprise zone amendment should state that the local governing body:

- ❑ Is applying for enterprise zone amendment;
- ❑ Authorizes its chief administrator (or clerk where there is no chief administrator) to submit all information needed to apply for a zone amendment.
- ❑ Authorizes its chief administrator (or clerk) to meet other program administrative and reporting requirements, as defined by the Enterprise Zone Regulations, throughout the life of the zone.

Joint Application--Separate resolutions are required of each participating locality and should state that:

- ❑ The local governing body is applying for enterprise zone amendment jointly with other localities (provide names);
- ❑ One jurisdiction (provide name) is designated to act as program administrator;
- ❑ The local governing body authorizes the chief administrator (or clerk) acting as program administrator to submit all information needed to apply for an enterprise zone amendment and to carry out all program administrative and reporting requirements on its behalf;
- ❑ The local governing body authorizes the chief administrator (or clerk) acting as program administrator to carry out all program administrative and reporting requirements on its behalf, as defined by the Enterprise Zone Regulations, throughout the life of the zone.
- ❑ Each jurisdiction participating in a joint EZ application has completed a Joint Application Agreement. **See page 14 of appendix for format of agreement.**

Appendix I: Local Assurances

Local Assurances and Authorizations are used to certify the accuracy of the information provided by the applicant and to insure that the Program Regulations will be met. **Important:** All applications must include a certified resolution from the local governing body. If a joint application, include resolutions of each local governing body. **Attach the resolutions at the end of the amendment application.** Joint applications must also include Joint Application Amendment Agreement (JA) – refer to page 14 of the appendix.

As the representative of the local governing body of Lynchburg, I hereby certify that:
(locality)

1. The information in the Enterprise Zone application is accurate to the best of my knowledge.
2. A public hearing was held by the aforementioned locality to solicit comments on this request for application amendment. A copy of the public hearing advertisement and a copy of the public hearing minutes are attached.
3. Any local enterprise zone incentives proposed by the aforementioned locality in the Enterprise Zone application represents a firm commitment by the locality and have been reviewed by the local governing body's attorney as to their legality;
4. It is understood that if at any time the aforementioned locality is unable or unwilling to fulfill a commitment to provide local enterprise zone incentives, or if no state enterprise zone incentives have been utilized within a five-year period, the zone shall be subject to termination.

Chief Administrator: _____

Title: _____

Date: _____

Appendix I: Joint Application Agreement

Each jurisdiction participating in a joint application must complete the following form. This form insures that all jurisdictions are in agreement with the application being submitted by the amending jurisdiction. Completed joint application amendment agreements should be attached at the end of the amendment application.

JOINT APPLICATION AMENDMENT AGREEMENT

As the representative of the local governing body of _____, I hereby certify that:
(locality)

1. The aforementioned locality is in agreement with the other participating localities in filing this amendment;
2. Any local enterprise zone incentives proposed by the aforementioned locality in this amendment application represent a firm commitment;
3. It is understood that if at any time the aforementioned locality is unable or unwilling to fulfill a commitment to provide local enterprise zone incentives listed in this application, the zone shall be subject to termination; and
4. A public hearing was held on _____ to solicit comments on application.
(date)

Chief Administrator's signature

Date

Name: _____

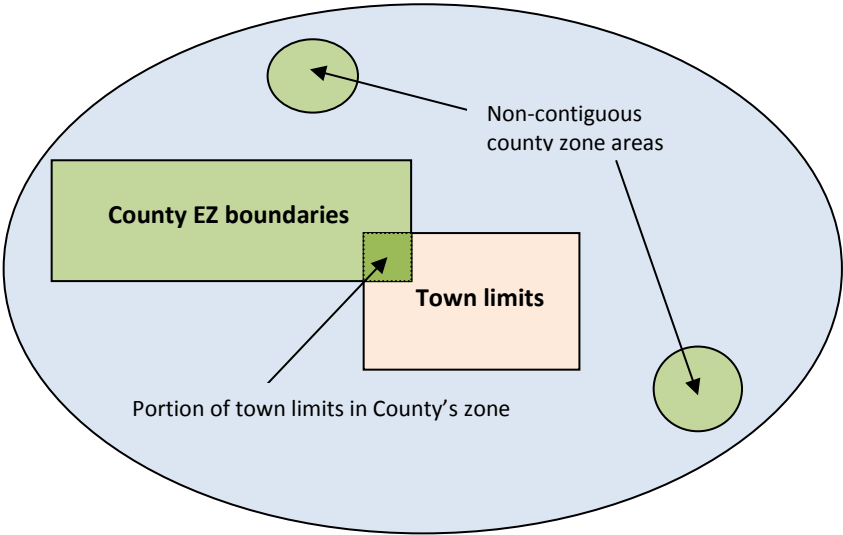
Title: _____

Appendix II: Zone Size Requirements and Configurations

Size Limits for Zones in Towns and Cities	Size Limits for Zones in Counties
<u>Minimum</u>: one-quarter (1/4) square mile (160 acres). <u>Maximum</u>: one square mile (640 acres). <u>Exception</u>: may be larger than one square mile provided it does not exceed seven percent of the locality's land area or it does not encompass more than seven percent of the locality's total population. To calculate the population exception, use the Weldon Cooper Centers' most recent final (not provisional) population estimates for the locality. The following is link to the Weldon Cooper Public Service Center: http://www.coopercenter.org/demographics/POPULATION%20ESTIMATES/	<u>Minimum</u>: one-half (1/2) square mile (320 acres). <u>Maximum</u>: six square miles (approximately 3,840 acres). Size Limits for Zones in Consolidated Cities Zones in cities where the present boundaries have been created through the consolidation of a city and county (Chesapeake, Hampton, Newport News, and Virginia Beach) or the consolidation of two cities (Suffolk and Richmond), must use the minimum and maximum size guidelines for zones in unincorporated areas of counties described above.

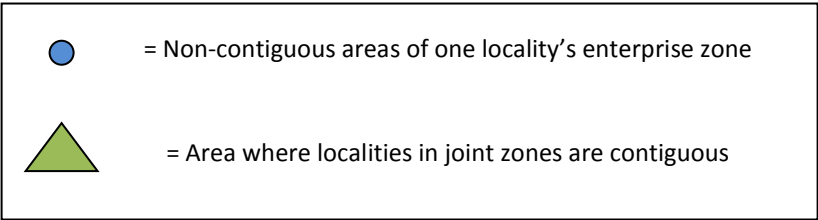
Single zone: An enterprise zone located entirely within a single jurisdiction. The locality's zone can consist of three non-contiguous zone areas. A county zone including areas within incorporated town limits constitutes a single zone and town acreage is considered part of the county's zone acreage.

Counties can amend their zone boundaries to include part of the corporate town limits as part of the zone. This addition does NOT constitute a joint zone. The acreage within the town limits counts towards the county's maximum zone acreage. Towns added into the county acreage are not required to offer local enterprise zone incentives, but may.

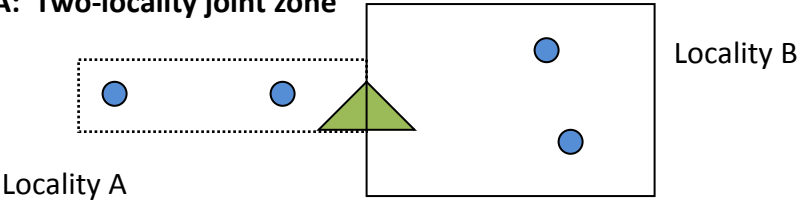


Appendix II: Zone Size Requirements and Configurations

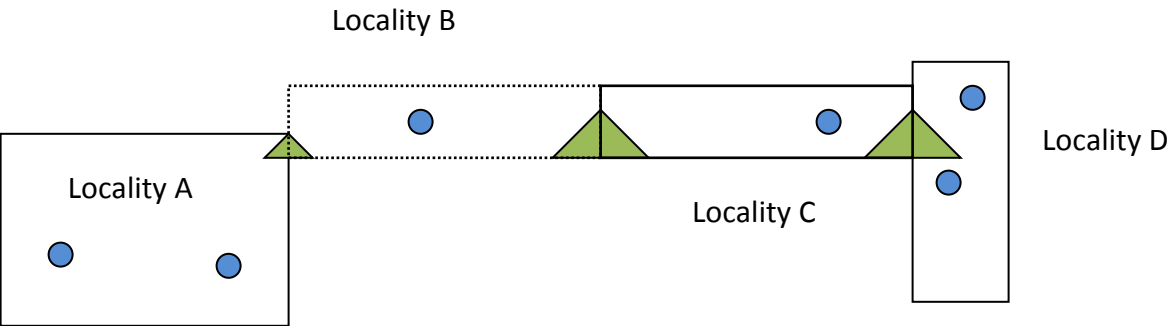
Joint zone: An enterprise zone located in two or more jurisdictions. Each locality's portion of the joint zone can consist of up to three non-contiguous geographic areas relative to that locality. The three non-contiguous areas comprise that locality's total zone size and the acreage of all three non-contiguous areas must meet the total size requirements for that type of locality. If a locality participates in a joint zone and also has two other zone designations, each of the three zones can consist of three non-contiguous areas. In the case of the joint zone, one of the locality's three possible zone areas must be contiguous to at least one other participant's zone area. The following are some examples of joint zone configurations:



EXAMPLE A: Two-locality joint zone



EXAMPLE B: Four-locality joint zone



Appendix III: Incentive Amendments

Local incentives are a critical part of the success of an enterprise zone and they should be selected carefully. It is important for a locality to develop a package of incentives that will best assist in overcoming the specific barriers to development within their zone by supporting targeted business sectors. The number of incentives is not as important as the quality and impact of the incentives. If no zone businesses have qualified for a particular local incentive for more than one year, it might be appropriate to make amendments to the incentive. **Local incentives that require a business to qualify for state incentives are HIGHLY discouraged.**

1. Role of Local Incentives

- Local incentives should help address the locality's economic conditions and barriers to economic development goals.
- Local incentives should be tailored to both new and existing targeted business sectors.
- Local incentives should fill in the gaps of the state incentives therefore qualification for local incentives should NOT be contingent on state incentive qualification.

2. Constitutionality of Local Incentives

Because Virginia is a Dillon Rule state, localities have very little authority to offer local tax incentives unless expressly allowed through the Code of Virginia. The Virginia Enterprise Zone Grant Act allows participating localities to offer a variety of incentives to businesses.

Local enterprise zone incentives must in no way violate the Virginia Constitution. The Uniformity Clause of Article 10, Section 1, of the Virginia Constitution specifies that taxation must be uniform in territory, subject, and class. As it relates to the Enterprise Zone program the concern is that taxation must be uniform throughout an entire locality unless there is state enabling legislation that allows otherwise. **The local governing body's attorney should review local incentives to ensure their compliance with the Virginia Constitution.**

The following examples offer simple guidelines for common tax-related local incentives:

Real estate tax exemption: Virginia Code sections 58.1-3220 and 3221 serve as the enabling legislation and give all localities the authority to offer exemptions on real estate tax when certain conditions are met. This incentive can be offered locality wide, not just within the zone. In such cases where this incentive is offered locality-wide, the incentive criteria needs to be customized in the zone in order to be considered as a local enterprise zone incentive. **Real estate tax abatement, refunds, or rebates are prohibited under the State Constitution.**

Machinery & tools tax grants: The Uniformity Clause applies and there is no enabling legislation to allow for the exemption of this tax. Therefore, a locality wishing to offer an incentive related to the machinery and tools tax must first collect the tax uniformly from all appropriate taxpayers across the locality -those within the enterprise zone as well as those outside the zone. Once the tax is collected, the locality may offer businesses a grant based on their machinery and tool tax. This is usually done through the local Industrial Development Authority. **Machinery and tools tax abatement, refunds, or rebates are prohibited under the State Constitution.**

BPOL tax, utility tax, or permit fees: The Uniformity Clause does not apply to these taxes and fees. Localities are free to offer these incentives in the form of rebates, refunds, and abatements.

Appendix III: Incentive Amendments Cont...

3. Examples of Local Incentives

An incentive that is available throughout a locality will not be considered an enterprise zone incentive unless special actions are taken to encourage greater utilization of the incentive within the proposed enterprise zone or a greater benefit is provided within the zone (i.e. lower qualification threshold or larger grant amount). Local governments provide a variety of financial and non-financial incentives to encourage economic growth and investment. The following list is not inclusive but serves as an example of the most frequently offered local enterprise zone incentives:

Local Enterprise Zone Development Taxation Program: Section 58.1-3245.6 through Section 58.1-3245.11 of the Code of Virginia enables designated zone localities to establish a Local Enterprise Zone Development Taxation Program. Incremental tax revenues generated from real property or machinery and tools, or both can be used to establish an enterprise zone development fund to pay for enhancements to government services that promote economic development.

Tax Exemption: §58.1-3221 of the Code of Virginia enables localities to defer the taxes on the increase in assessed value as a result of the rehabilitation of real estate for structures at least 15 years of age in enterprise zones and 20 years of age elsewhere in the jurisdiction.

Local Tax Rebates: BPOL tax fees, local sales tax on items purchased in the community for conduct and trade of business in the enterprise zone.

Business Loans: Facade improvement loans for both commercial and industrial properties, low interest loan funds for start-up and expansion, revolving loan funds composed of local and private funding sources.

Fee Waivers: Permit fees, sewer and water tap fees, utility fees.

Public Improvements: Highways, streets, sidewalks, water and sewer systems, signals, etc.

Job Training: Targeted training programs to meet business needs.

Non-financial: Fast track permitting, loan packaging assistance, and design assistance.

Suggested Rationale to Use When Developing Local Enterprise Zone Incentives

- a. Incentives should be directly linked to actions that are consistent with local enterprise zone revitalization and development goals.
- b. Survey existing zone businesses to gain feedback on existing local incentives and recommendations for new local incentives.
- c. Establish performance baselines that provide a threshold for qualification. Incentives should reward firms that make a commitment to invest in a zone by creating new jobs and/or investment.
- d. Develop measurable incentives.
- e. Incentives should represent sound fiscal policy and not provide an excessive level of benefit that would be inappropriate from an economic point of view.

Appendix III: Incentive Amendments Cont...

4. Local Incentive Qualification Requirements

A locality should establish qualification requirements for each of its local incentives so that the incentives allow for a good return on investment for the locality (i.e. private investment or jobs leveraged). These requirements should be reasonable (not too restrictive) so that businesses can actually qualify. The detailed qualification requirements for each local incentive should be outlined in writing and approved by the local governing body prior to the submitting the amendment to DHCD. As part of this process, pertinent terms of the incentive qualifications should be defined as should the process for incentive application approval, life of the incentive, and the value of incentives. For example, if a locality is offering a machinery and tools tax grant based on the creation of five new jobs the locality needs to define “new jobs” for the purposes of the incentive qualification. Continuing with this example, would “new jobs” be considered net new, permanent full time and would there be any wage or benefit requirements in this definition?

In addition, a locality may establish conditions on the availability of such incentives. For example, a locality may propose to make grant funds available to new businesses during the first five years of zone operation. It may propose a three-year utility tax exemption for new or expanding firms or propose to restrict the availability of low interest business loans to new firms locating in the zone that agree to meet certain locally set hiring requirements. **Conditions should NOT require businesses to qualify for a state incentive in order to qualify for a local incentive.**

5. Financial Value of Incentives

The quantity of local enterprise zone incentives offered is not as important as the quality of local incentives. The incentives should be meaningful and beneficial to targeted business sectors. For example, if the cost of water and sewer service is higher in the county than in the city, the county zone may consider offering a water/sewer hookup fee incentive to help offset its higher service fees. The financial impact of the water/sewer hookup fee incentive should provide a considerable reduction, not just mere pennies in savings. Some incentives may have a different type of monetary value but can still have a valuable impact on the business. For example, if crime and vandalism to zone businesses is an issue, free consultations with the Crime Prevention through Environmental Design (CPTED) planner with the police department can be a valuable incentive where the value of the incentive would be the “consultant” market rate or police employee wage for such training.

6. Local Assigned Agents

A locality may designate an assigned agent, such as a local redevelopment and housing authority, a nonprofit entity or a private for-profit entity, to provide local incentives. This arrangement should be documented by a written commitment from the agent.

7. Termination

Section §59.1-284 of the Virginia Enterprise Zone Grant Act describes two circumstances that can result in the termination of a designated zone. First, in the event the local government or an assigned agent is unable or unwilling to provide regulatory flexibility, tax incentives or other public incentives as proposed in the application for zone designation, the zone may be terminated. This is avoidable if the applicant is able to amend the application by substituting an incentive that is equal or superior to the incentive originally approved. Second, if no business firms in an enterprise zone have qualified for state incentives within a five-year period, the zone will be terminated.

Enterprise Zone Amendment Application

Applicant Locality(ies): City of Lynchburg

Name of Zone: Enterprise Zone #2

Zone Number: #2

Virginia Department of Housing and Community
Development

600 East Main St, Suite 300

Richmond, Virginia 23219

(804) 371-7030

EZONE@dhcd.virginia.gov

www.dhcd.virginia.gov



**VIRGINIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT**
Partners for Better Communities

Overview of Amendment Application

Instructions for completing the coversheet and application can be found in the appendices beginning on page 12 of this document. Please read all of the appendices carefully before completing this application. The new enterprise zone statute establishes new zone amendment guidelines which are summarized below and outlined in detail in the appendices.

Each enterprise zone can consist of up to three non-contiguous zone areas. In cases where a locality has multiple zone designations, each of those zones can consist of up to three non-contiguous geographic areas. In the case of joint zones, each locality's portion of the joint zone can consist of up to three non-contiguous geographic areas, but one of those three non-contiguous areas must be contiguous to at least one other participant's zone area. For more details, refer to page 15 in the appendix. There are no longer zone-specific distress criteria requirements in the amendment application; the zone-specific distress criteria have been removed from the amendment application process.

An enterprise zone boundary amendment cannot consist of a site for a single business firm and cannot be less than 10 acres.

Enterprise zone amendment applications can be submitted once every twelve months from the date of the locality's last zone amendment. Joint zones may amend their zones in one application or independently so long as each locality amends their portion of the zone only once every twelve months from the date of that locality's last amendment. The locality submitting the amendment application must be up to date in its annual reporting requirements. **Once DHCD approves an enterprise zone amendment, the modifications to the zone are retroactive back to January 1st of the calendar year in which the amendment was approved. This means that businesses added via a boundary amendment approved in 2013 could submit grant applications for the 2013 grant year.**

Checklist of Required Attachments

Place the required attachments at the end of the amendment application. Unless otherwise specified, the attachment is required for all types of application amendments.

- ☒ **Public Hearing Advertisements (2)**
Published once a week for two successive weeks in a newspaper of general circulation; final advertisement cannot be published < 5 days or > 21 days prior to the hearing
- ☒ **Official Public Hearing Minutes**
- ☒ **Local Assurances**
- ☒ **Resolution**
In the case of a joint zone all participating localities must submit approval resolutions, even if they are not amending their portion of the zone
- ☐ **Joint Application Agreement** (Joint zones only)
- ☒ **Maps** (Boundary amendments only)
- ☐ **Incentive charts** (Incentive amendments only)

Coversheet

(For joint zone amendments, each locality must complete a separate coversheet)

Locality: City of Lynchburg Government Address: 900 Church Street Lynchburg, VA 24504 Chief Elected Official (Name and Title): The Honorable Michael Gillette, Mayor Local Zone Administrator: Name: Marjette G. Upshur Title: Director of Economic Development Phone: 434-455-4492 E-mail: marjette.upshur@lynchburgva.gov Application Type: ☒ Single (one locality) Enterprise Zone ☐ Joint (more than one locality) Enterprise Zone If Joint application, list all participating localities: Certification of Chief Administrative Officer: <i>To the best of my knowledge and belief, data in this proposal is true and correct and the governing body of the participant has duly authorized the proposal through resolution. The resolution is attached.</i> Signature: _____ Date: _____ Name: L. Kimball Payne, III Title: City Manager	Type of Amendment (check all applicable boxes): ☐ Boundary deletion ☒ Boundary amendment ☐ Incentive amendment Number of existing non-contiguous areas present in locality's zone: ☒ 0 ☐ 1 ☐ 2 ☐ 3 Non-contiguous areas added or deleted as part of amendment application: ☒ 0 ☐ 1 ☐ 2 Total non-contiguous zone areas after amendment: <u>0</u> Enterprise Zone Public Hearings: ☒ Single Application (one hearing) ☐ Joint Application (one hearing in each locality) ☐ Joint Application (joint hearing) Attachments: ☒ Advertisements ☒ Minutes ☒ Resolutions ☒ Local assurances ☐ Joint application agreement (joint zones only) Locality has submitted all annual reports required to date: ☒ Yes ☐ No Amendment requests will not be processed until locality's annual reporting requirements are fulfilled.
---	---

I. Zone Size

Complete this section only if this amendment modifies the zone boundaries. Delete this section if your amendment is for incentive modification only.

A. Basic size limits are determined by the type of locality. Each locality in a joint zone may have the maximum zone acreage for that type of locality. If this is a joint amendment application, Question A must be completed for each locality. For joint applications, duplicate the check boxes for as many localities participating in the zone. List the locality’s name next to each duplicated box. Refer to Appendix II on page 15 for zone size limits and boundary modification requirements.

Type of locality:

☐ County: _____

☐ Consolidated City: _____

☒ Town (existing town zones only)/City: City of Lynchburg

Size guideline option used:

☐ Basic land size minimum and maximum

☒ 7 percent of land area (Cities and Towns only)

☐ 7 percent of population (Cities and Towns only)

B. Complete the chart below showing the size of the zone after the proposed modifications. For joint zones, please list each locality’s zone size adjustments on a separate line. Additional rows may be added to the table as needed. Zone size guidelines can be found in Appendix II on page 15.

Locality	Current zone size in acreage	Proposed deletion size in acreage	Proposed addition size in acreage	Amended zone size in acreage (total acreage)
City of Lynchburg	2189.20	0	10.42	2199.62

Map Requirements – Required only for boundary amendments.

For each of the required maps, joint applications must also submit one map showing the entire zone area. The required maps must be able to fit inside a legal size mailing envelope. Each of the required maps must be produced at the same scale. GIS generated maps are preferred. Topographic maps are highly discouraged. **Zone administrators MUST submit a draft boundary amendment map to DHCD prior to holding the public hearing for review.**

Map 1 – Map of the locality indicating the current and amended boundaries of the enterprise zone area. Please indicate the amended zone boundaries using the following key:

- | | |
|---|---|
|  | Proposed Additions – Red fill with bold red dashed border |
|  | Proposed Deletions – Blue fill with bold blue dashed border |
|  | Existing Zone Boundaries – Green fill |

All required features listed in the charts must be included on each map and clearly visible.

Required Features Included on Map (where present in zone):

- Major Streets/Roads/Highways Labeled (dark gray lines)
- City/County/Town limit lines identified by bold blue line
- Key Businesses/Employers
- Key Properties/Revitalization Project Areas/ Developable Land
- Airports/ Ports of Entry
- Major Railways
- Office or Industrial Parks
- Special Districts

Map 2 - Map of the modified enterprise zone boundary indicating the existing land use characteristics according to the following classifications:

Privately Held Land

Business/Commercial
Industrial
Institutional
Single-family residential
Multi-family
Agriculture
Parking
Mixed-use (or “Other”)

Publicly Held Land

State/Federal Land
Local publicly owned land in use
Unused local public land
Parks & Recreational Areas
Parking

Indicate on this map the total zone acreage and the approximate number of acres devoted to each type of use.

Map 3 – Map of the modified enterprise zone showing the boundaries of existing zoning districts. (If the area is not zoned, this map is not required.)

Place required maps at the end of the application.

II. Boundary Deletion

Complete this section only if this amendment deletes acreage from the zone. Delete this section if your amendment is for a boundary addition or incentive modification only. Boundary deletions cannot exceed 15 percent of the total enterprise zone acreage for the locality. DHCD reviews boundary deletions on a case-by-case basis and requires assurance that the applicant has based their decision on reasonable and careful consideration.

- A. Describe the areas proposed for deletion from the zone. Explain **in detail** the locality's(ies) rationale for deleting the area(s) from the zone.
- B. Identify the number of property and business owners in the deleted area and how they were notified of the decision. The local governing body must **separately notify each property owner and each business owner located within the area of the proposed deletion two weeks prior to holding the public hearing**. A copy of this notification letter must accompany the amendment application. Publication of an ad in the local newspaper does not, by itself, meet this requirement but may be used as an additional form of notification.
- C. Summarize (using bullet points) any comments received from these owners as well as comments made at the public hearing regarding the deletion.
- D. Discuss the impact of this decision on the revitalization efforts in the area(s) to be deleted and on the overall economic development efforts of the locality. Identify future plans for the area(s).

There are no property deletions for this boundary amendment.

III. Boundary Addition

Complete this section only if this amendment adds acreage to the zone. Delete this section if your amendment is for a boundary deletion or incentive modification only. Boundary additions cannot consist of a site for a single business and cannot be less than 10 acres in size. Counties with enterprise zones can include acreage within corporate town limits, provided the acreage addition falls within the total zone size requirements for the locality. Towns with enterprise zones CANNOT add portions of the unincorporated areas into the zone through the amendment process.

Describe the areas proposed for inclusion into the zone boundaries. Indicate if the added areas are contiguous to existing zone boundaries or will count as one of the three total non-contiguous zone areas per locality. Explain the strategic importance of adding the area(s) to the zone. Discuss relevant economic conditions, economic development/revitalization efforts occurring within the proposed addition. Quantify this information where possible.

The City of Lynchburg Enterprise Zone #2 is “mature” zone that we are constantly reviewing to optimize the number of business and manufacturing properties eligible for benefits. Additions 2-A1 through 2-A6 denoted in grey on Map 1 represent commercial parcels covering 10 plus acres. The parcels proposed for addition encompass targeted industry sectors and commercial property primed for redevelopment.

We have very little acreage available in Zone # 2 therefore we have added six new commercial parcels representing six businesses and commercial property owners. Several of these parcels were inadvertently missed by previous amendments.

All additions are contiguous to the existing zone.

IV. Incentive Amendment

Complete this section only if this amendment modifies incentives. Delete this section if your amendment is for boundary modification only. All zones are required by statute to offer local enterprise zone incentives. Localities should regularly review their incentive package to ensure utilization by businesses and effectiveness in attracting/expanding targeted business sectors within the zone. In the case of boundary amendments to include corporate town limits, the town functions as part of the county's zone boundaries and is not required to offer local incentives but may do so. Refer to Appendix III on page 17 for more information about local incentives.

- A. Why are the local incentives being modified? Discuss utilization, any changing trends or special circumstances affecting the decision to modify.
- B. What aspects of the incentives are being modified and why? Explain the research that the modification is based on (i.e. survey of zone businesses).
- C. Has the modified incentive package or new incentive(s) been reviewed by the local governing body's attorney and determined to be legal? ☐ Yes ☐ No
- D. Are incentives deleted as part of the amendment proposal? ☐ Yes ☐ No
If yes, complete the following chart concerning the required replacement incentive and explain (below the chart) why the incentive is being deleted. For example, the creation of a regional water/waste water facility may necessitate amending the city's existing water and sewer hookup fee incentive because the city no longer collects these fees and therefore cannot rebate them.

Additional rows may be added to the chart as needed. Local incentives can be deleted if replaced by incentives that are equal or superior to those in the application or most recent amendment. **Contact DHCD staff to discuss your plans to modify incentives prior to holding the public hearing.**

Existing Incentive (by locality)	Replacement Incentive (by locality)	Justification for replacement

(Limit section IV responses aside from the above chart to the space provided plus one additional page.)

Incentive Package. Complete this section only if this amendment modifies incentives. Delete this section if your amendment is for boundary modification only. Provide information for **new and existing** incentives. This chart may be reproduced to accommodate all incentives. Identify new or revised incentives with an asterisk. **This chart will replace the current chart in your Enterprise Zone designation application. Complete the incentive chart to include all incentives to be offered upon approval of the incentive amendment.**

Locality Offering the Incentive:	
Incentive #: Name: Description:	Locality/Provider:
	Qualification Requirements:
	Exclusive to Zone: ☐ Yes ☐ No, if no please explain how incentives will be tailored to zone
	Period of Availability:
Financial Value of Incentive:	Effective date:
Action to Implement: ☐ Local Ordinance ☐ Approval by Board of Supervisors ☐ Other:	Source of Funds:
	Annual Budget Allocation Pending Approval:

Locality Offering the Incentive:	
Incentive #: Name: Description:	Locality/Provider:
	Qualification Requirements:
	Exclusive to Zone: ☐ Yes ☐ No, if no please explain how incentives will be tailored to zone
	Period of Availability:
Financial Value of Incentive:	Effective date:
Action to Implement: ☐ Local Ordinance ☐ Approval by Board of Supervisors ☐ Other:	Source of Funds:
	Annual Budget Allocation Pending Approval:

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Zone configurations.....Page 15, 16

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Appendix I: Public Hearing and Resolution Requirements

Public Hearing Requirements

A local governing body must hold **at least one public hearing** on the application for Enterprise Zone amendment **prior to** the locality's passage of its enterprise zone resolution and prior to submission to DHCD. A copy of the advertisement of the public hearing **and** the public hearing minutes must accompany the application. **Enterprise Zone Regulation 13 VAC-5-112 490 states that Public Hearings may not have been held more than six months prior to the amendment submission.**

For a joint application, each participating local governing body may either hold a separate public hearing or schedule a joint public hearing.

Public Hearing Advertisement Requirements

- ❑ Ads must be published once a week for two successive weeks in a newspaper of general circulation.
- ❑ The final advertisement cannot be published less than five days or more than twenty-one days prior to the hearing.
- ❑ The ad must give the time, date, and location of the hearing.

The complete requirements for conducting public hearings are stated in §15.2-2204, Code of Virginia.

Information regarding joint zone amendments

- Localities participating in a joint zone can choose to amend their respective portions of the zone application simultaneously through the submission of one amendment application. However, this is not required. Participants in a joint zone may amend their portion of the zone independently of each other.
- Each locality can only amend their portion of the zone application once every twelve months from the approval date of their last amendment.
- **All localities participating in the joint zone (regardless of whether or not they are amending their portion of the zone) must pass approval resolutions and sign joint application agreements for any amendment made by a partnering joint applicant.**
- DHCD will not process any amendment application until the applicant or applicants in the case of a joint zone amendment are up to date on their annual reporting requirements.

Minimum Resolution Format Requirements

While DHCD does not provide a template for zone amendment resolutions, **we outline the minimum requirements below which can also serve as the framework for a resolution.**

Single Jurisdiction--Resolutions accompanying single locality applications for enterprise zone amendment should state that the local governing body:

- ❑ Is applying for enterprise zone amendment;
- ❑ Authorizes its chief administrator (or clerk where there is no chief administrator) to submit all information needed to apply for a zone amendment.
- ❑ Authorizes its chief administrator (or clerk) to meet other program administrative and reporting requirements, as defined by the Enterprise Zone Regulations, throughout the life of the zone.

Joint Application--Separate resolutions are required of each participating locality and should state that:

- ❑ The local governing body is applying for enterprise zone amendment jointly with other localities (provide names);
- ❑ One jurisdiction (provide name) is designated to act as program administrator;
- ❑ The local governing body authorizes the chief administrator (or clerk) acting as program administrator to submit all information needed to apply for an enterprise zone amendment and to carry out all program administrative and reporting requirements on its behalf;
- ❑ The local governing body authorizes the chief administrator (or clerk) acting as program administrator to carry out all program administrative and reporting requirements on its behalf, as defined by the Enterprise Zone Regulations, throughout the life of the zone.
- ❑ Each jurisdiction participating in a joint EZ application has completed a Joint Application Agreement. **See page 14 of appendix for format of agreement.**

Appendix I: Local Assurances

Local Assurances and Authorizations are used to certify the accuracy of the information provided by the applicant and to insure that the Program Regulations will be met. **Important:** All applications must include a certified resolution from the local governing body. If a joint application, include resolutions of each local governing body. **Attach the resolutions at the end of the amendment application.** Joint applications must also include Joint Application Amendment Agreement (JA) – refer to page 14 of the appendix.

As the representative of the local governing body of Lynchburg, I hereby certify that:
(locality)

1. The information in the Enterprise Zone application is accurate to the best of my knowledge.
2. A public hearing was held by the aforementioned locality to solicit comments on this request for application amendment. A copy of the public hearing advertisement and a copy of the public hearing minutes are attached.
3. Any local enterprise zone incentives proposed by the aforementioned locality in the Enterprise Zone application represents a firm commitment by the locality and have been reviewed by the local governing body's attorney as to their legality;
4. It is understood that if at any time the aforementioned locality is unable or unwilling to fulfill a commitment to provide local enterprise zone incentives, or if no state enterprise zone incentives have been utilized within a five-year period, the zone shall be subject to termination.

Chief Administrator: _____

Title: _____

Date: _____

Appendix I: Joint Application Agreement

Each jurisdiction participating in a joint application must complete the following form. This form insures that all jurisdictions are in agreement with the application being submitted by the amending jurisdiction. Completed joint application amendment agreements should be attached at the end of the amendment application.

JOINT APPLICATION AMENDMENT AGREEMENT

As the representative of the local governing body of _____, I hereby certify that:
(locality)

1. The aforementioned locality is in agreement with the other participating localities in filing this amendment;
2. Any local enterprise zone incentives proposed by the aforementioned locality in this amendment application represent a firm commitment;
3. It is understood that if at any time the aforementioned locality is unable or unwilling to fulfill a commitment to provide local enterprise zone incentives listed in this application, the zone shall be subject to termination; and
4. A public hearing was held on _____ to solicit comments on application.
(date)

Chief Administrator's signature

Date

Name: _____

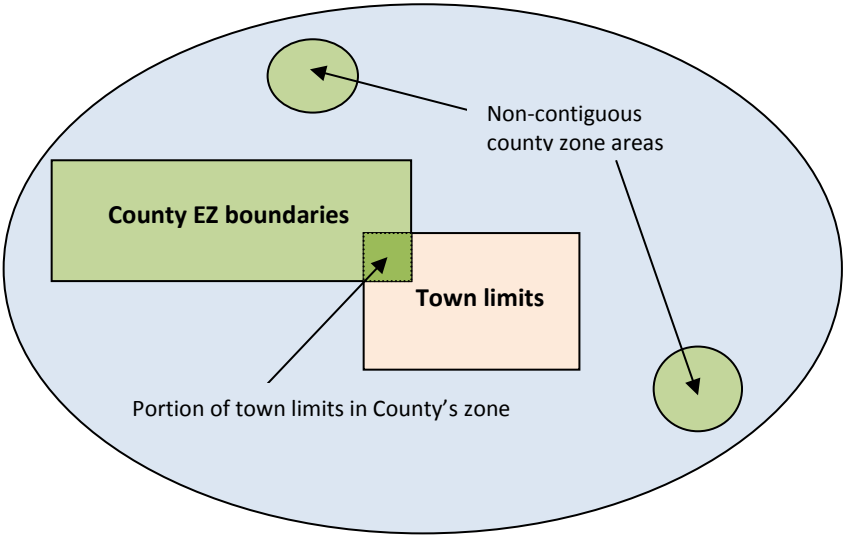
Title: _____

Appendix II: Zone Size Requirements and Configurations

Size Limits for Zones in Towns and Cities <u>Minimum</u>: one-quarter (1/4) square mile (160 acres). <u>Maximum</u>: one square mile (640 acres). <u>Exception</u>: may be larger than one square mile provided it does not exceed seven percent of the locality's land area or it does not encompass more than seven percent of the locality's total population. To calculate the population exception, use the Weldon Cooper Centers' most recent final (not provisional) population estimates for the locality. The following is link to the Weldon Cooper Public Service Center: http://www.coopercenter.org/demographics/POPULATION%20ESTIMATES/	Size Limits for Zones in Counties <u>Minimum</u>: one-half (1/2) square mile (320 acres). <u>Maximum</u>: six square miles (approximately 3,840 acres). Size Limits for Zones in Consolidated Cities Zones in cities where the present boundaries have been created through the consolidation of a city and county (Chesapeake, Hampton, Newport News, and Virginia Beach) or the consolidation of two cities (Suffolk and Richmond), must use the minimum and maximum size guidelines for zones in unincorporated areas of counties described above.
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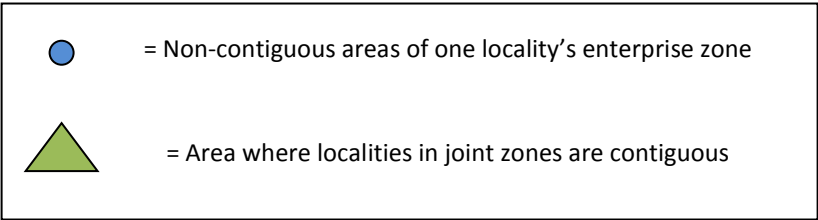
Single zone: An enterprise zone located entirely within a single jurisdiction. The locality’s zone can consist of three non-contiguous zone areas. A county zone including areas within incorporated town limits constitutes a single zone and town acreage is considered part of the county’s zone acreage.

Counties can amend their zone boundaries to include part of the corporate town limits as part of the zone. This addition does NOT constitute a joint zone. The acreage within the town limits counts towards the county’s maximum zone acreage. Towns added into the county acreage are not required to offer local enterprise zone incentives, but may.

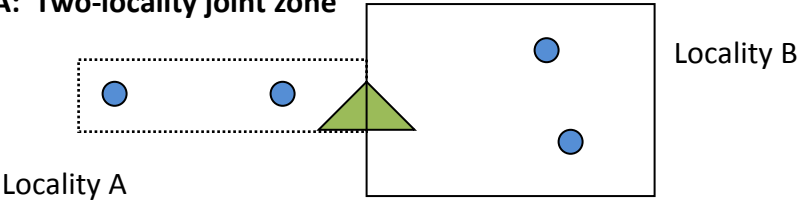


Appendix II: Zone Size Requirements and Configurations

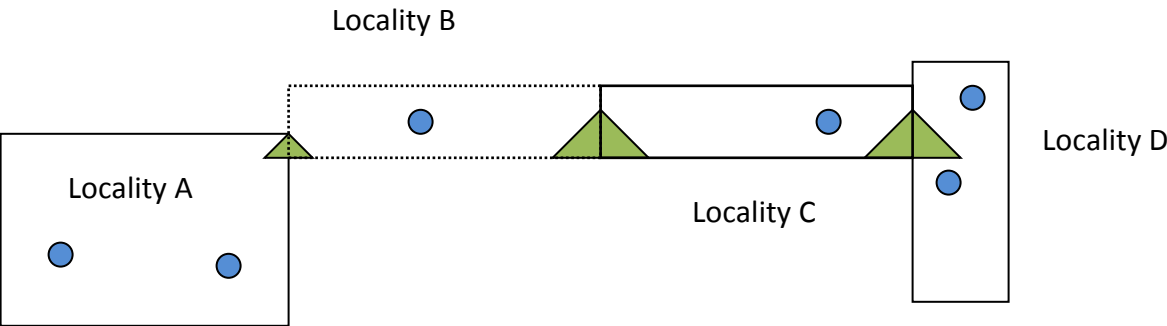
Joint zone: An enterprise zone located in two or more jurisdictions. Each locality's portion of the joint zone can consist of up to three non-contiguous geographic areas relative to that locality. The three non-contiguous areas comprise that locality's total zone size and the acreage of all three non-contiguous areas must meet the total size requirements for that type of locality. If a locality participates in a joint zone and also has two other zone designations, each of the three zones can consist of three non-contiguous areas. In the case of the joint zone, one of the locality's three possible zone areas must be contiguous to at least one other participant's zone area. The following are some examples of joint zone configurations:



EXAMPLE A: Two-locality joint zone



EXAMPLE B: Four-locality joint zone



Appendix III: Incentive Amendments

Local incentives are a critical part of the success of an enterprise zone and they should be selected carefully. It is important for a locality to develop a package of incentives that will best assist in overcoming the specific barriers to development within their zone by supporting targeted business sectors. The number of incentives is not as important as the quality and impact of the incentives. If no zone businesses have qualified for a particular local incentive for more than one year, it might be appropriate to make amendments to the incentive. **Local incentives that require a business to qualify for state incentives are HIGHLY discouraged.**

1. Role of Local Incentives

- Local incentives should help address the locality's economic conditions and barriers to economic development goals.
- Local incentives should be tailored to both new and existing targeted business sectors.
- Local incentives should fill in the gaps of the state incentives therefore qualification for local incentives should NOT be contingent on state incentive qualification.

2. Constitutionality of Local Incentives

Because Virginia is a Dillon Rule state, localities have very little authority to offer local tax incentives unless expressly allowed through the Code of Virginia. The Virginia Enterprise Zone Grant Act allows participating localities to offer a variety of incentives to businesses.

Local enterprise zone incentives must in no way violate the Virginia Constitution. The Uniformity Clause of Article 10, Section 1, of the Virginia Constitution specifies that taxation must be uniform in territory, subject, and class. As it relates to the Enterprise Zone program the concern is that taxation must be uniform throughout an entire locality unless there is state enabling legislation that allows otherwise. **The local governing body's attorney should review local incentives to ensure their compliance with the Virginia Constitution.**

The following examples offer simple guidelines for common tax-related local incentives:

Real estate tax exemption: Virginia Code sections 58.1-3220 and 3221 serve as the enabling legislation and give all localities the authority to offer exemptions on real estate tax when certain conditions are met. This incentive can be offered locality wide, not just within the zone. In such cases where this incentive is offered locality-wide, the incentive criteria needs to be customized in the zone in order to be considered as a local enterprise zone incentive. **Real estate tax abatement, refunds, or rebates are prohibited under the State Constitution.**

Machinery & tools tax grants: The Uniformity Clause applies and there is no enabling legislation to allow for the exemption of this tax. Therefore, a locality wishing to offer an incentive related to the machinery and tools tax must first collect the tax uniformly from all appropriate taxpayers across the locality -those within the enterprise zone as well as those outside the zone. Once the tax is collected, the locality may offer businesses a grant based on their machinery and tool tax. This is usually done through the local Industrial Development Authority. **Machinery and tools tax abatement, refunds, or rebates are prohibited under the State Constitution.**

BPOL tax, utility tax, or permit fees: The Uniformity Clause does not apply to these taxes and fees. Localities are free to offer these incentives in the form of rebates, refunds, and abatements.

Appendix III: Incentive Amendments Cont...

3. Examples of Local Incentives

An incentive that is available throughout a locality will not be considered an enterprise zone incentive unless special actions are taken to encourage greater utilization of the incentive within the proposed enterprise zone or a greater benefit is provided within the zone (i.e. lower qualification threshold or larger grant amount). Local governments provide a variety of financial and non-financial incentives to encourage economic growth and investment. The following list is not inclusive but serves as an example of the most frequently offered local enterprise zone incentives:

Local Enterprise Zone Development Taxation Program: Section 58.1-3245.6 through Section 58.1-3245.11 of the Code of Virginia enables designated zone localities to establish a Local Enterprise Zone Development Taxation Program. Incremental tax revenues generated from real property or machinery and tools, or both can be used to establish an enterprise zone development fund to pay for enhancements to government services that promote economic development.

Tax Exemption: §58.1-3221 of the Code of Virginia enables localities to defer the taxes on the increase in assessed value as a result of the rehabilitation of real estate for structures at least 15 years of age in enterprise zones and 20 years of age elsewhere in the jurisdiction.

Local Tax Rebates: BPOL tax fees, local sales tax on items purchased in the community for conduct and trade of business in the enterprise zone.

Business Loans: Facade improvement loans for both commercial and industrial properties, low interest loan funds for start-up and expansion, revolving loan funds composed of local and private funding sources.

Fee Waivers: Permit fees, sewer and water tap fees, utility fees.

Public Improvements: Highways, streets, sidewalks, water and sewer systems, signals, etc.

Job Training: Targeted training programs to meet business needs.

Non-financial: Fast track permitting, loan packaging assistance, and design assistance.

Suggested Rationale to Use When Developing Local Enterprise Zone Incentives

- a. Incentives should be directly linked to actions that are consistent with local enterprise zone revitalization and development goals.
- b. Survey existing zone businesses to gain feedback on existing local incentives and recommendations for new local incentives.
- c. Establish performance baselines that provide a threshold for qualification. Incentives should reward firms that make a commitment to invest in a zone by creating new jobs and/or investment.
- d. Develop measurable incentives.
- e. Incentives should represent sound fiscal policy and not provide an excessive level of benefit that would be inappropriate from an economic point of view.

Appendix III: Incentive Amendments Cont...

4. Local Incentive Qualification Requirements

A locality should establish qualification requirements for each of its local incentives so that the incentives allow for a good return on investment for the locality (i.e. private investment or jobs leveraged). These requirements should be reasonable (not too restrictive) so that businesses can actually qualify. The detailed qualification requirements for each local incentive should be outlined in writing and approved by the local governing body prior to the submitting the amendment to DHCD. As part of this process, pertinent terms of the incentive qualifications should be defined as should the process for incentive application approval, life of the incentive, and the value of incentives. For example, if a locality is offering a machinery and tools tax grant based on the creation of five new jobs the locality needs to define “new jobs” for the purposes of the incentive qualification. Continuing with this example, would “new jobs” be considered net new, permanent full time and would there be any wage or benefit requirements in this definition?

In addition, a locality may establish conditions on the availability of such incentives. For example, a locality may propose to make grant funds available to new businesses during the first five years of zone operation. It may propose a three-year utility tax exemption for new or expanding firms or propose to restrict the availability of low interest business loans to new firms locating in the zone that agree to meet certain locally set hiring requirements. **Conditions should NOT require businesses to qualify for a state incentive in order to qualify for a local incentive.**

5. Financial Value of Incentives

The quantity of local enterprise zone incentives offered is not as important as the quality of local incentives. The incentives should be meaningful and beneficial to targeted business sectors. For example, if the cost of water and sewer service is higher in the county than in the city, the county zone may consider offering a water/sewer hookup fee incentive to help offset its higher service fees. The financial impact of the water/sewer hookup fee incentive should provide a considerable reduction, not just mere pennies in savings. Some incentives may have a different type of monetary value but can still have a valuable impact on the business. For example, if crime and vandalism to zone businesses is an issue, free consultations with the Crime Prevention through Environmental Design (CPTED) planner with the police department can be a valuable incentive where the value of the incentive would be the “consultant” market rate or police employee wage for such training.

6. Local Assigned Agents

A locality may designate an assigned agent, such as a local redevelopment and housing authority, a nonprofit entity or a private for-profit entity, to provide local incentives. This arrangement should be documented by a written commitment from the agent.

7. Termination

Section §59.1-284 of the Virginia Enterprise Zone Grant Act describes two circumstances that can result in the termination of a designated zone. First, in the event the local government or an assigned agent is unable or unwilling to provide regulatory flexibility, tax incentives or other public incentives as proposed in the application for zone designation, the zone may be terminated. This is avoidable if the applicant is able to amend the application by substituting an incentive that is equal or superior to the incentive originally approved. Second, if no business firms in an enterprise zone have qualified for state incentives within a five-year period, the zone will be terminated.

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 14

CONSENT:

REGULAR: X

WORK SESSION:

CLOSED SESSION:

(Confidential)

ACTION: X

INFORMATION:

ITEM TITLE: **Public Hearing to Consider the Sale of Three Parcels of Land on Breezewood Drive**

RECOMMENDATION: After a public hearing, authorize the sale of the property with certain conditions.

SUMMARY: The attached letter is an offer from Lynchburg Realty, LLC to purchase three small tracts of land, totaling approximately 1.52 acres, at 99, 103, and 106 Breezewood Drive for \$90,000. The combined assessed value of the three parcels is \$81,300. The City Assessor has reviewed offer and has expressed an opinion that the amount offered is reasonable. The property is currently zoned R-4 and would have to be rezoned for commercial purposes. Staff suggests that no new access to either the Expressway or Lakeside Drive be allowed directly from these parcels. It is also suggested that the closing on the sale be deferred until a site plan has been submitted for the development of the property and that, if the sale has not been closed within two years, the City shall have the right to terminate the contract.

PRIOR ACTION(S): N/A

FISCAL IMPACT: \$90,000 that would be used for transportation improvements and ongoing revenue from real property tax and other taxes related to ongoing economic activity.

CONTACT(S): Kimball Payne, 455-3990

ATTACHMENT(S): Offer letter; Resolution.

REVIEWED BY: lkp

RESOLUTION

BE IT HEREBY RESOLVED THAT the Lynchburg City Council authorizes the sale of three parcels of property located at 99, 103 and 106 Breezewood Drive subject to the following conditions:

- The purchase price shall be \$90,000
- The City shall pay no real estate broker fee
- The property would have to be rezoned for commercial use
- There shall be no new access to Lakeside Drive or the Expressway from the parcels
- Closing on the sale shall take place after the submittal of a site plan for the development of the property
- If the sale is not closed within two years, the City reserves the right to terminate the contract.

Adopted:

Certified:

Clerk of Council

166K

MILTON & NEAL PROPERTIES, INC.

Real Estate Appraisers-Counselors-Brokers-Developers

7331 Timberlake Road, Suite 201B, P. O. Box 4397

Lynchburg, Virginia 24502

Phone 434-455-2311

wlmilton@miltonneal.com

Fax 434-455-0229

Confidential

August 22, 2014

Mr. L. Kimball Payne, III
City Manager
900 Church Street
Lynchburg, Va. 24504

Subject: Purchase of City Owned Property

Dear Mr. Payne:

I am representing Lynchburg Realty, LLC that is purchasing the 8.77 acre tract currently owned by BRC Co. Inc., located at 2609 Lakeside Drive. The purchaser plans to relocate the current salvage business and prepare the site for a major retail development. In order to make this proposed development most economically feasible, the site assemblage should include as many of the adjacent parcels as possible.

The City of Lynchburg owns three small vacant tracts of land that immediately joins the BRC Site being purchased. These tracts are identified as follows:

99 Breezewood Drive, Parcel ID: 23106012, Acreage 1.00, Assessed at \$50,000.00

103 Breezewood Drive, Parcel ID: 23106013, Acreage 0.510, Assessed at \$25,000.00

106 Breezewood Drive, Parcel ID: 23106021, Acreage 0.098, Assessed at \$6,300.00

Total Assessment = \$81,300.00

My client is willing to offer the City \$90,000.00 for these 3 tracts, subject to a sixty (60) day study period in which to verify quality of title, satisfactory environmental assessment, as well as applicability of the properties for the purchaser's intended use. It is very important this offer be kept CONFIDENTIAL as we work to assemble other adjoining properties. These 3 tracts are not practical for independently development, but when combined with the larger tract, the value is enhanced. Additionally, they will become taxable, thus increasing revenue to the City.

Mr. L. Kimball Payne, III

August 22, 2014

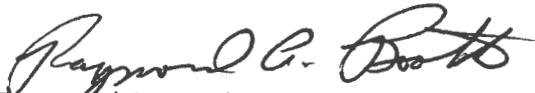
Page 2

Attached is a drawing outlining these parcels, along with the adjacent BRC Site. By relocating the recycling/salvage business and preparing site for retail development, the value of this entire portion of Lakeside Drive should be measurably enhanced; thus, maximally increasing revenue to the City.

I look forward to your response and will be pleased to provide any other information you desire.

Thanks for your consideration of our offer.

Sincerely,

A handwritten signature in black ink, appearing to read "Raymond A. Booth". The signature is fluid and cursive, with the first name "Raymond" being more prominent.

Raymond A. Booth, Agent
Milton and Neal Properties, Inc.
Cell: 434-841-1956
Email: raybooth@ntelos.net



LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 15

CONSENT: REGULAR: **X**

WORK SESSION:

CLOSED SESSION:
(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Use of Community Investment Funds for EC Glass Tennis Courts**

RECOMMENDATION: Adopt a resolution approving the use of \$50,000 of Capital Improvement Program Community Park Investment Funds to support community efforts to improve the tennis courts at EC Glass High School. The funds were appropriated in a previous fiscal year. Each project requires Council approval for use of the funds.

SUMMARY: Parks and Recreation is requesting Council's approval of \$50,000 in Community Park Investment Funds from the Capital Improvement Program to support a community effort to complete the renovation of the EC Glass High School tennis courts. The Community Investment Fund was established in the Capital budget to support community efforts to improve parks, trails, and recreation facilities.

Lynchburg City Schools recently completed renovation of eight of the twelve courts at EC Glass High School. Funding levels did not allow for renovation of the other four courts. Tennis advocates have formed a fund raising committee with the purpose to renovate the other four courts. The project cost estimate is \$130,000 and, with a City contribution of \$50,000, the committee has set a fund raising goal of \$80,000. The scope of the work includes resurfacing the courts, lining the courts for both adult and youth use, and installing new net poles and nets. If the fund raising effort is successful the project will be bid in late March and completed in the summer of 2015.

Parks and Recreation supports this project and requests that Council approve the use of Community Investment Funds. The tennis courts at EC Glass serve not only Lynchburg City Schools, but are also an important asset in meeting recreational and community needs. Parks and Recreation is working in partnership with Lynchburg City Schools and the citizen group to complete this project.

PRIOR ACTION(S): None

FISCAL IMPACT: \$50,000, Capital Improvement Program, FY2013, P0089 Community Park Investment Fund

CONTACT(S): Kay Frazier, 455-5868

ATTACHMENT(S): Resolution; FY 2013, Capital Improvement Program, page 64

REVIEWED BY: lkp

RESOLUTION

BE IT HEREBY RESOLVED THAT the Lynchburg City Council approves the use of \$50,000 from the Capital Improvement Program Community Park Investment Fund to be used, in conjunction with funds raised in the community to renovate four public tennis courts at E. C. Glass High School.

Adopted:

Certified:

Clerk of Council

158K



**FY 2013 – 2017 CAPITAL IMPROVEMENT PROGRAM ——— PARKS AND RECREATION
– NEW/ACTIVE**

SERVICE AREA
Parks and Recreation

DEPARTMENT
Parks and Recreation

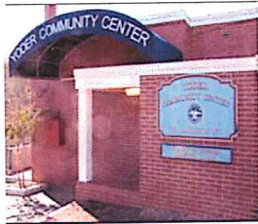
LOCATION
Various

PROJECT TITLE/PROJECT NUMBER
COMMUNITY PARK INVESTMENT FUND/ P0089

PROJECT TYPE
New

DEPARTMENT PRIORITY

Project required to support important but not essential services
Project contributes to generation of new revenue



PROJECT DESCRIPTION

Funding to be used in combination with community funds to improve parks, centers, and trails throughout the City.

RELATIONSHIP TO COMPREHENSIVE PLAN

Chapter 13, Page 7, Goal 4, Objective 4.B: Explore alternative funding methods for Parks and Recreation.

PROJECT MANAGER(S)

Kay Frazier, Director of Parks and Recreation

PROJECT START DATE

Continuing

PROJECT COMPLETION DATE

Continuing

COMPLETION SCHEDULE

Activity	Complete - Quarter
Consultant Engineering	Continuing
Construction	Continuing
Miscellaneous	Continuing

OPERATING BUDGET IMPACT (OVERALL OPERATING EXPENSES & PROJECTED STAFFING REQUIREMENTS):

Unknown at this time.

FIVE YEAR PROPOSED PROJECT APPROPRIATIONS BY SUB-PROJECT

Sub-Projects	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Program Period Estimate
Consultant Engineering	7,500	7,500	7,500	7,500	7,500	\$37,500
Construction	57,000	57,000	57,000	57,000	57,000	\$285,000
Miscellaneous	10,500	10,500	10,500	10,500	10,500	\$52,500
TOTAL	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$375,000

TOTAL PROJECT COST

TOTAL PRIOR APPROPRIATIONS THROUGH 9/30/11	FY 2013-2017 APPROPRIATIONS	BEYOND FY 2017 APPROPRIATIONS	TOTAL PROJECT APPROPRIATIONS
Continuing	\$375,000	Continuing	Continuing

FIVE YEAR PROPOSED PROJECT EXPENDITURE CASH FLOW PROJECTIONS BY SOURCE OF FUNDING

Funding Source	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Program Period Total
Local: Pay-As-You-Go	75,000	75,000	75,000	75,000	75,000	\$375,000
TOTAL	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$375,000

SOURCES OF PROJECT FUNDING FY 2013 - 2017 (%):

LOCAL = 100% STATE = 0% FEDERAL = 0% OTHER = 0%

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 16

CONSENT: REGULAR: **X**

WORK SESSION:

CLOSED SESSION:
(Confidential)

ACTION:

INFORMATION:

**ITEM TITLE: Appropriation of Heritage High School Furniture, Fixtures and Equipment (FF&E)
Committed Fund Balance Reserve for Athletic Field Equipment**

RECOMMENDATION: Adopt a resolution to amend the FY 2015 General Fund budget and appropriate \$100,000 with resources from the Heritage High School Furniture, Fixtures and Equipment (FF&E) Committed Fund Balance Reserve for transfer to the FY 2015 Schools Capital Project Fund to purchase equipment for the Heritage High School athletic fields.

SUMMARY: City Council has been diligent to set aside funds in the budget to fund Heritage High School debt service and FF&E. With the completion of the athletic fields, it is necessary to use a portion of the reserve funds for the related equipment to groom the fields. City Schools is requesting \$100,000 for FF&E needs through June 30, 2015.

PRIOR ACTION(S): FY 2015 Adopted Budget

FISCAL IMPACT: Use of \$100,000 from the Heritage High School FF&E Committed Fund Balance Reserve, which leaves a balance of \$2,672,682.

CONTACT(S): Donna Witt, Director of Financial Services, 455-3968

ATTACHMENT(S): Resolution

REVIEWED BY: lkp

RESOLUTION

BE IT RESOLVED that the FY 2015 General Fund budget is amended and \$100,000 is appropriated with resources from the Heritage High School Furniture, Fixtures and Equipment (FF&E) Committed Fund Balance Reserve for transfer to the FY 2015 Schools Capital Project Fund to purchase equipment for the Heritage High School athletic fields.

Introduced:

Adopted:

Certified:

Clerk of Council

165K

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 9, 2014**

AGENDA ITEM NO.: 17

CONSENT:

REGULAR: **X**

WORK SESSION:

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Appropriation of Fund Balance from FY 2014 Unexpended Schools Operating Fund, Authorization to Increase the Schools Health Insurance Reserve, and Appropriation of the Schools Textbook Reserve**

RECOMMENDATION: Adopt a resolution to amend the FY 2015 General Fund budget and appropriate \$2,648,287 with resources from unexpended FY 2014 Schools Operating Fund appropriations for transfer to the FY 2015 Schools Operating Fund (\$130,000) and to the FY 2015 Schools Capital Fund (\$2,518,287) to fund needs as approved by the School Board.

Also, adopt a resolution to amend the FY 2015 General Fund budget and authorize \$300,000 to increase the Schools Health Insurance Committed Fund Balance with resources from unexpended FY 2014 Schools Operating appropriations.

Also, adopt a resolution to amend the FY 2015 Schools Operating Fund budget and appropriate \$777,000 with resources from the Schools Textbook Reserve to purchase textbooks.

SUMMARY: This action is requested in accordance with an agreement signed by the Lynchburg City Council and the Lynchburg City School Board dated December 14, 1993. This agreement provides for the creation and maintenance of a Schools Operating Fund fund balance for "the purpose of underwriting any occasional shortfalls from the various budgetary categories of direct State funding support as well as other applications, all based upon the required expenditure approval of the School Board."

The FY 2014 Schools audit identified \$2,948,287 as available fund balance to be returned to City Schools. These funds are requested by the School Board to be used to increase the Health Insurance Reserve (\$300,000), establish weather and maintenance contingencies (\$225,000), purchase security equipment (\$55,000) and athletic equipment (\$35,000), purchase a tractor with snow plow and back hoe (\$50,000), purchase a scissor lift (\$20,000), install fire lane pavers at Bedford Hills Elementary School (\$23,000), replace the boiler at Dunbar Middle School (\$150,000) and fund pay-as-you-go projects for FY 2016 (\$2,090,287). Also requested is the transfer of \$777,000 from the Schools Textbook Reserve for the purchase of textbooks. The total to be transferred to Schools is \$3,425,287 with \$300,000 remaining in the General Fund to increase the Schools Health Insurance Reserve.

Note: While we understand that there will be additional funds unexpended in previous years from regional programs, the final amounts have not been determined. Any request to reallocate those funds will be handled as a separate matter at a future Council meeting.

PRIOR ACTION(S): December 14, 1993 Agreement with Schools regarding the Return of Fund Balance

FISCAL IMPACT: Transfer of available fund balance in the amount of \$3,425,287 to the Schools Operating and Capital Funds. Also \$300,000 increase to the General Fund for the Schools Health Insurance Reserve.

CONTACT(S):

Donna Witt, Director of Financial Services, 455-3968

Dr. Scott Brabrand, Superintendent, Lynchburg City Schools, 515-5070

Anthony Beckles, Chief Financial Officer, Lynchburg City Schools, 515-5010

ATTACHMENT(S): Resolution
Request from Dr. Scott Brabrand, Superintendent, dated October 27, 2014
School Board Agenda Report, dated October 21, 2014
List of Requested FY 2016 Pay-As-You-Go Capital Projects
Letter of Agreement between Lynchburg City Council and Lynchburg Board of School
Trustees, dated December 20, 1993

REVIEWED BY: lkp

RESOLUTION

BE IT RESOLVED that the FY 2015 General Fund budget is amended and \$2,648,287 is appropriated with resources from unexpended FY 2014 Schools Operating Fund appropriations for transfer to the FY 2015 Schools Operating Fund (\$130,000) and to the FY 2015 Schools Capital Fund (\$2,518,287) to fund needs as approved by the School Board,

BE IT FURTHER RESOLVED that the FY 2015 General Fund budget is amended and \$300,000 is authorized to increase the Schools Health Insurance Committed Fund Balance with resources from unexpended FY 2014 Schools Operating appropriations, and

BE IT FURTHER RESOLVED that the FY 2015 Schools Operating Fund budget is amended and \$777,000 is appropriated with resources from the Schools Textbook Reserve for the purchase of textbooks.

Introduced:

Adopted:

Certified:

Clerk of Council

157K



LYNCHBURG CITY SCHOOLS

SCHOOL ADMINISTRATION BUILDING

915 Court Street
Post Office Box 2497
Lynchburg, VA 24505-2497
www.lcsedu.net

October 27, 2014

Mr. L. Kimball Payne, III
City Manager
900 Church Street
Lynchburg, Virginia 24504

Dear Mr. Payne:

I am requesting permission to use the LCS fund balance for FY2014 in the amount of \$2,948,287 for the following purposes:

Establishment of Contingencies	
Weather	\$ 25,000
Maintenance	\$ 200,000
Increase in Health Insurance Reserve	\$ 300,000
Purchase of Middle Schools Athletic equipment	\$ 35,000
Purchase of new access and intrusion system for E.C. Glass	\$ 30,000
Purchase of security system Middle Schools	\$ 25,000
Installation of Fire Lane pavers at Bedford Hills ES	\$ 23,000
Replacement of Boiler at Dunbar Middle School	\$ 150,000
Purchase of tractor with snow plow & back hoe	\$ 50,000
Purchase of Scissor Lift	\$ 20,000
Capital Improvement Projects: 2015-16	\$2,090,287
	\$2,948,287
	=====

I am also requesting a transfer of \$777,000 from the School's Textbook reserves for the purchase of textbooks.

Sincerely,

Scott S. Brabrand, Ed.D.
Superintendent

SSB/wls

cc: Members, Lynchburg City School Board

Agenda Report

Date: 10/21/14

Agenda Number: E-2

Attachments: No

From: Scott S. Brabrand, Superintendent
Anthony E. Beckles, Sr., Chief Financial Officer

Subject: Fund Balance Recommendations: 2013-14

Summary/Description:

The fund balance for the 2013-14 school year is \$2,948,287. The school administration has discussed possible uses for those funds and recommends the following:

Establishment of Contingencies	
Weather	\$ 25,000
Maintenance	\$ 200,000
Increase in Health Insurance Reserve	\$ 300,000
Purchase of Middle Schools Athletic equipment	\$ 35,000
Installation of security system at DMS & LMS local match	\$ 25,000
Purchase of access and intrusion system for E.C. Glass	\$ 30,000
Installation of Fire Lane pavers at Bedford Hills ES	\$ 23,000
Replacement of boiler at Dunbar Middle School	\$ 150,000
Purchase of tractor with snow plow & back hoe	\$ 50,000
Purchase of scissor lift	\$ 20,000
Capital Improvement Projects: 2015-16	\$2,090,287

\$2,948,287

=====

Disposition: ☒ Action
☐ Information
☐ Action at Meeting on:

Recommendation:

The superintendent recommends that the school board approve the recommended fund balance uses for 2013-14.

FY 2016 City Schools Pay-As-You-Go Requests

1. EC Glass High School roof (phase 3)	\$500,287
2. EC Glass Turf Replacement	610,000
3. RS Payne Gym Floor replacement	60,000
4. Heritage Elementary School Main Electrical Service Replacement	210,000
5. Dearington Elementary School Ceiling Replacement/Lighting upgrade	475,000
6. Paving & Fencing	100,000
7. Playground Equip Replacement	85,000
8. Dunbar MS retaining wall	50,000
	\$2,090,287

LETTER OF AGREEMENT
BETWEEN LYNCHBURG CITY COUNCIL
AND LYNCHBURG BOARD OF SCHOOL TRUSTEES

In accordance with the attached, duly-adopted Resolution, the Lynchburg City Council and the Lynchburg Board of School Trustees hereby agree that the creation and maintenance of a School Operating Fund Balance is desirable to the long-range financial interests of both entities and, even more importantly, to the citizens and the community which both bodies represent. Accordingly, the City Council supports such approach by indicating its willingness to reappropriate to such Fund Balance any duly-budgeted, non-debt service local funding which the Schools manage to avoid spending by the close of each fiscal year. Similarly, the School Board expresses its intention of continuing to exercise cautiousness in the expenditure of all budgeted, appropriated local funding to the Schools, and further understands that any such unexpended, non-debt service monies would become part of a Schools Operating Fund Balance.

The separate, above-mentioned Fund Balance would be maintained in the accounting records of the Lynchburg City Schools for the purpose of underwriting any occasional shortfalls from any of the various budgetary categories of direct State funding support as well as other applications, all based upon the required expenditure approval of the School Board. For informational purposes, the Lynchburg City School Board would advise City Council annually as to amount of funding in such School Operating Fund Balance as of July 1 of each fiscal year; and such information would be reflected in the overall financial information of the City of Lynchburg along with other customary fiscal data for the Lynchburg City Schools.

Based upon this understanding, the creation of the above-referenced Fund Balance would occur promptly and would include any unexpended, duly-budgeted, non-debt service local funding at the close of the current 1992-1993 fiscal year. It is understood that such practice would remain active in the years thereafter.

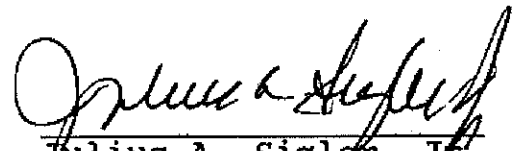
Lynchburg City Council

By:


Julian R. Adams
Mayor

Lynchburg City School Board

By:


Julius A. Sigler, Jr.
Chairman

Date:

12/14/93

Date:

December 20, 1993