

**CITY OF
LYNCHBURG, VIRGINIA**

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016

**CITY OF LYNCHBURG,
VIRGINIA**

Prepared by:
Financial Services

CITY OF LYNCHBURG, VIRGINIA

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INTRODUCTORY SECTION



THE CITY OF LYNCHBURG, VIRGINIA

OFFICE OF THE
CITY MANAGER

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TEL: (434) 455-3990
FAX: (434) 847-1536

November 15, 2016

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, 2016, is hereby submitted in accordance with the *City Code* and State statutes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the City. With reasonable assurance, based upon a comprehensive framework of internal controls, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows, as applicable, of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

The financial reporting entity includes all funds of the primary government (i.e., the City of Lynchburg), as well as its component units. The City provides a full range of municipal services including general administration, judicial functions, police, 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, 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 March 2016. During the fiscal year, adherence to these financial policies guided the City's management of its investment portfolio, the maintenance of budget reserve levels, and the issuance of debt.

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 citizen engagement, budget preparation, 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 78,675, Lynchburg is an important commercial center for the four-county region known as Region 2000. It serves a regional population of nearly 260,000 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 two of their members Mayor and Vice-Mayor 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 and employees of all departments 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 260,000. In May 2016, Lynchburg was ranked one of the most affordable and thriving small cities in the United States to live in by *MoneyGeek*. Compared to thousands of communities with a population under 100,000, Lynchburg earned the 37th spot in *MoneyGeek*'s "Top 40 Cities to Make a Living" list for its affordable living and well-paying job opportunities. According to *MoneyGeek*, the cost of living in Lynchburg is 8.7% lower than the national average. Real property assessments have experienced slight growth and personal property assessments have experienced continued growth due to consumer friendly gas prices. Consumption driven revenues, including Sales and Lodging Taxes, were consistent with budget for FY 2016. Meals Tax revenue continued to grow and exceed projections due to new restaurants opening in the City and an increase in the cost of meals. Looking ahead, it is anticipated that real property and personal property values will remain relatively stable, while consumption tax revenues will remain consistent with current year.

In August 2015, Lynchburg was designated a TechHire community, an Obama administration initiative intended to improve access to technology jobs. Lynchburg's designation places it in the first thirty communities nationwide to participate in the TechHire initiative and the first locality in Virginia. The TechHire initiative supports innovative approaches to training and employing low-skill individuals with barriers to training and employment. The Lynchburg Economic Development Authority and the City of Lynchburg's Office of Economic Development will partner with local employers, non-profits, and Central Virginia Community

College to identify and train students for a 21st century workforce. Another initiative in workforce development, the City's Office of Economic Development launched a CO.STARTERS Program in spring 2016 which is a 9-week entrepreneurial program to equip aspiring entrepreneurs with the insights, relationships, and tools needed to turn ideas into sustainable and thriving businesses. Thus far twenty-two entrepreneurs have completed the CO.STARTERS curriculum and five businesses received start-up funding through a Community Business Launch grant.

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 the City has sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenues without the need to borrow. The balance in excess of policy requirements is used as a source of one-time funds for items such as pay-as-you-go projects within the Capital Improvement Program.

Following the recession of 2008, the City identified 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 City Council adopted a new Vision for the City – *"A Great Place to Live, Work and Play!"* – with goal statements for each of the twelve pillars that support the Vision. A survey was conducted with citizens, employees, and City Council to measure progress on the goals; survey results were discussed at City Council's fall retreat.

Major Initiatives and Accomplishments

Downtown

The City's commitment to downtown revitalization remains strong. In 2016, Pacific Life announced a new location in the City and is investing \$4 million to renovate an existing building Downtown and create 300 new jobs. Since 2011, the private sector has invested nearly \$60 million in the redevelopment of Downtown buildings. During this time, small businesses in Downtown Lynchburg have created 85 jobs and nearly 800 residential lofts Downtown have been developed.

In November 2015, officials with Hilton Worldwide announced The Virginian hotel, an old dilapidated structure, will join the Curio Collection of Hilton Hotels and Resorts. "The Virginian" by Hilton is undergoing renovations and is expected to open in 2017. The hotel will offer 115 boutique guest rooms, a ballroom, and a conference center, along with a coffee shop and restaurant.

Education

Lynchburg City Schools (LCS) continues to improve its Standards of Learning (SOL) pass rates. SOL results for 2015-2016 by the Virginia Department of Education show LCS reading scores rose 2 points (9 points over the last two years) and math scores rose 4 points (14 points over the last two years). In both areas, LCS outpaces the State in improving SOL scores.

Additionally, scores for every identified group of students (white, black, economically disadvantaged, and students with disabilities) increased in both reading and math, and the achievement gap between white and black students was reduced in both subjects.

The on-time graduation rate continues to improve – E.C. Glass High School increased by 1% and Heritage High School increased by 4%. The overall division graduation rate went up by 2% to 83%, which is below the State average of 91%. Currently, the division's 4% dropout rate is better than the State average of 5%.

Infrastructure

Infrastructure improvements in FY 2016 included extensive work on the Kemper Street Bridge and the Midtown Connector, as well as building a new Heritage High School and a Juvenile Services Group Home. A complete renovation of the football/soccer facilities at Lynchburg City Stadium was also underway in FY 2016. Each of these projects is slated for completion in early FY 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 ranked Lynchburg sixth among city governments in the 75,000 – 124,999 population category in its 13th annual Digital Cities Survey. This is Lynchburg's twelfth year ranking in the top ten for communities of its size.

In June 2016, Esri presented the City with a Special Achievement in Geographic Information System (GIS) technology known as the SAG Award. The City received the award for its innovative application of technology, data collection, geospatial information visualization, and thought leadership through GIS in the field of Local Government.

Transportation

Greater Lynchburg Transit Company (GLTC) provides public bus service for Lynchburg citizens. Construction of a new bus maintenance and operations facility continued through FY 2016 with funding from federal, State, and local sources.

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 with an estimated yearly passenger count of 159,000. Commercial service is provided by American Airlines with 80% passenger loads resulting in continuing increases in airport revenues. Through its Air Service Development Partnership with the Lynchburg Regional Business Alliance 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.

The Lynchburg Regional Airport has two fixed base operators (FBOs) providing a full range of aeronautical services such as fueling, maintenance, flight training, and charter services. 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 Lynchburg continues to be a dynamic, vibrant city where there are economic opportunities for all. Marketing efforts continue to target prospects for appropriate commercial development to ensure the City remains the shopping and dining destination of the region. Tourism continues 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, 2015. This is the City's nineteenth consecutive year receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2015 Adopted Budget. This is the City's eleventh consecutive year 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,



Bonnie Svrcek
City Manager



Donna S. Witt
Director of Financial Services

CITY OF LYNCHBURG, VIRGINIA
COUNCIL-MANAGER FORM OF GOVERNMENT

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2016

CITY COUNCIL

Dr. Michael A. Gillette, Mayor

Rev. Ceasor T. Johnson, Vice-Mayor
Trenay Tweedy
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. Michael J. Nilles, Chair

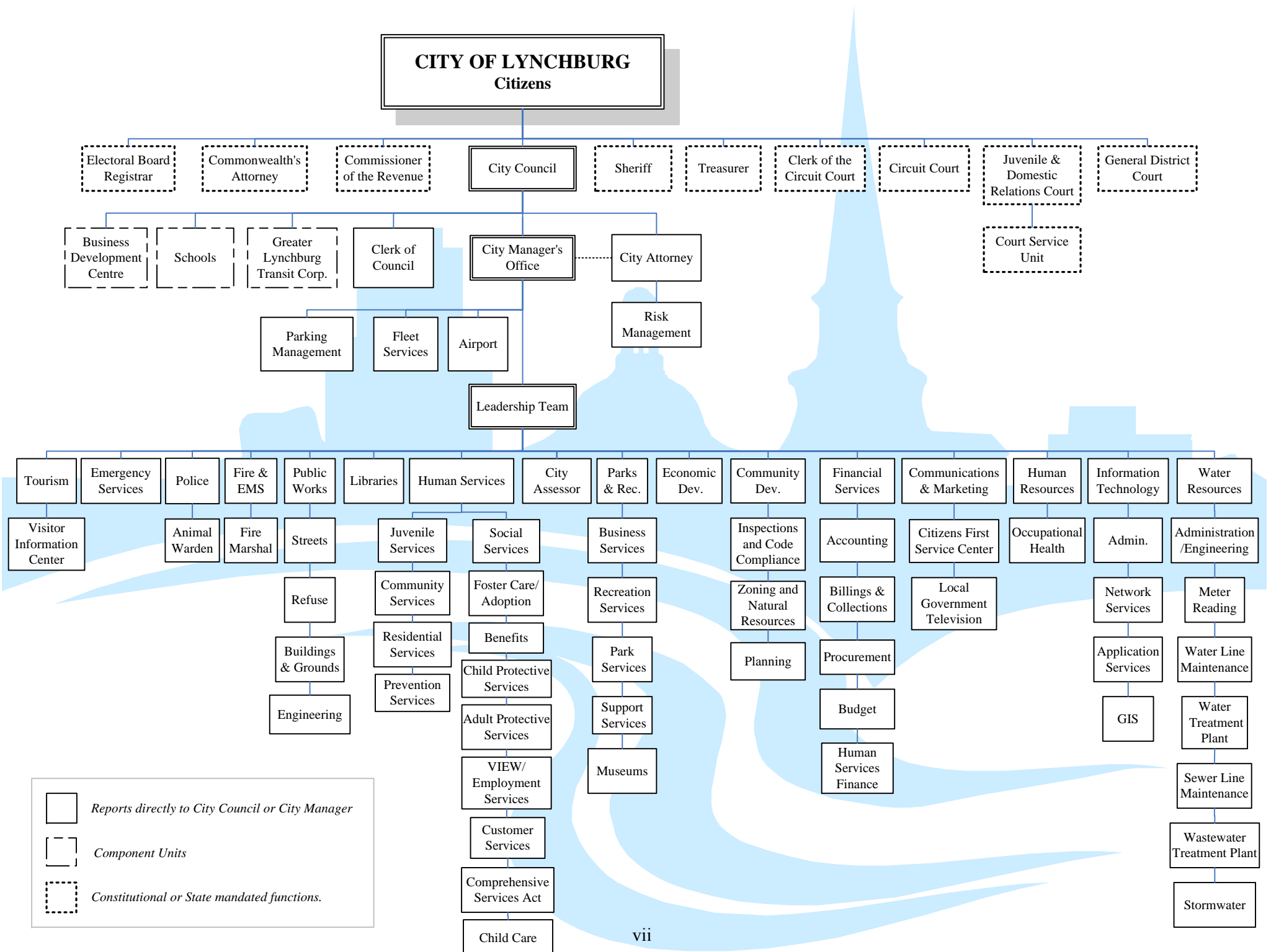
Dr. Regina T. Dolan-Sewell, Vice Chair
Ms. Sharon Y. Carter
Dr. James E. Coleman
Ms. Charleta F. Mason

Mrs. Susan D. Morrison
Mr. Derek L. Polley
Ms. Jennifer R. Poore
Mrs. Katie K. Snyder

SCHOOL BOARD OFFICIALS

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

Superintendent of Schools
Assistant Superintendent
Assistant Superintendent
Chief Financial Officer



Reports directly to City Council or City Manager

Component Units

Constitutional or State mandated functions.



Government Finance Officers Association

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

Presented to

**City of Lynchburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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, 2016, 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 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 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, 2016, 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 other required supplementary information, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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.

Other Matters (Continued)

Other Information (Continued)

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 15, 2016, 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 15, 2016

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, 2016. 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, 2016 by \$414.5 million (net position). Unrestricted net position of (\$10.7) million represented (\$27.0) million for governmental activities, which included the general fund, and \$16.3 million for business-type activities, which included the enterprise funds (water, sewer, stormwater, and airport).
- The general fund's unassigned fund balance of \$25.6 million was 14.2% of total general fund revenues, which were \$180.8 million. This was \$7.5 million more than the City Council adopted unassigned fund balance policy requirement of 10%, or \$18.1 million.
- In comparison with the prior fiscal year, the City's total net position increased 4.1%, or \$16.5 million, from FY 2015. Net position of governmental activities increased 3.7%, or \$6.7 million, from FY 2015; and, net position of business-type activities increased 4.5%, or \$9.8 million. The Schools' total net position increased 3.1% or \$2.5 million, from FY 2015 as restated.
- The City's total revenues of \$258.8 million increased 7.2%, or \$17.3 million, and total expenses of \$242.3 million increased 7.6%, or \$17.1 million, from FY 2015. General revenues of \$139.7 million were \$16.5 million more than the expenses net of program revenues of \$123.2 million.
- For the current fiscal year, the City's total liabilities and deferred inflows of resources of \$557.2 million decreased 3.6% or \$19.8 million from FY 2015.
- The City increased its overall debt by \$4.9 million, of which \$5.1 million was for governmental activities and (\$0.2) million was for business-type activities. This includes issuance of new debt totaling \$47.3 million, of which \$23.5 million was for governmental activities and \$23.8 million was for business-type activities. Debt retirements, through a combination of planned retirements and an advance refunding, totaled \$42.4 million, of which \$18.4 million was for governmental activities and \$24.0 million was for business-type activities. 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 obligation 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, 2016/2015
(in millions)***

	Governmental Activities		Business-Type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2016	2015	2016	2015	2016	2015	2016-2015	2016	2015
Current and other assets	\$ 154.0	\$ 178.1	\$ 53.5	\$ 41.8	\$ 207.5	\$ 219.9	-6%	\$ 13.0	\$ 17.5
Capital assets	373.9	332.5	373.2	373.7	747.1	706.2	6%	6.6	6.6
Total assets	527.9	510.6	426.7	415.5	954.6	926.1	3%	19.6	24.1
Total deferred outflows of resources	13.8	13.2	3.3	2.9	17.1	16.1	0%	9.9	9.4
Long-term liabilities	311.2	299.0	199.5	196.6	510.7	495.6	3%	91.6	86.3
Other liabilities	26.2	20.9	3.9	4.2	30.1	25.1	20%	9.8	15.0
Total liabilities	337.4	319.9	203.4	200.8	540.8	520.7	4%	101.4	101.3
Total deferred inflows of resources	15.6	21.9	0.8	1.6	16.4	23.5	0%	6.8	13.4
Net Position									
Net investment in capital assets	210.8	192.8	209.5	205.2	420.3	398.0	6%	6.6	6.5
Restricted for Capital projects	2.6	7.3	-	-	2.6	7.3	-64%	-	-
Restricted for Grants and other	2.3	2.2	-	-	2.3	2.2	5%	-	-
Unrestricted	(27.0)	(20.3)	16.3	10.8	(10.7)	(9.5)	13%	(85.3)	(87.7)
Total net position	\$ 188.7	\$ 182.0	\$ 225.8	\$ 216.0	\$ 414.5	\$ 398.0	4%	\$ (78.7)	\$ (81.2)

The City's total net position of \$414.5 million increased 4.1%, or \$16.5 million, from FY 2015.

Net investment in capital assets of \$420.3 million was 101.4% of total net position and increased 5.6%, or \$22.3 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 unrestricted net position of (\$10.7) million, which is comprised of (252.3%), or (\$27.0) million, for governmental activities, and 152.3%, or \$16.3 million, for business-type activities. Unrestricted net position available for providing services to the citizens decreased 12.6%, or \$1.2 million from FY 2015. Restricted net position of \$4.9 million is comprised of \$2.6 million of grant funds restricted for transportation projects and \$2.3 million of grant funds restricted mainly for public safety, and community development.

The Schools' component unit total net position of (\$78.7) million increased 3.1%, or \$2.5 million from FY 2015 as restated. Unrestricted net position of (\$85.3) million increased 2.74%, or \$2.4 million from FY 2015.

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, 2016/2015 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2016	2015	2016	2015	2016	2015	2016-2015	2016	2015
Revenues:									
Program Revenues:									
Charges for services	\$ 14.2	\$ 13.4	\$ 41.7	\$ 40.4	\$ 55.9	\$ 53.8	4%	\$ 2.0	\$ 1.8
Operating grants/contributions	43.4	42.1	0.4	0.4	43.8	42.5	3%	63.1	60.8
Capital grants/contributions	12.0	1.5	7.4	6.6	19.4	8.1	140%	-	1.0
General Revenues:									
Property taxes	77.7	75.7	-	-	77.7	75.7	3%	-	-
Other taxes	52.8	51.7	-	-	52.8	51.7	2%	-	-
Unrestricted intergovernmental	6.3	6.2	-	-	6.3	6.2	2%	-	-
Interest	0.5	0.3	0.1	0.1	0.6	0.4	50%	-	-
IRS Subsidy Build America Bonds	0.3	0.3	0.3	0.3	0.6	0.6	0%	-	-
Miscellaneous	1.4	2.2	0.1	-	1.5	2.2	-32%	1.4	0.7
Gain on sale of assets	0.2	0.3	-	-	0.2	0.3	-33%	-	-
City appropriation	-	-	-	-	-	-	-	42.6	36.3
Total Revenues	208.8	193.7	50.0	47.8	258.8	241.5	7%	109.1	100.6
Expenses:									
General government	14.5	13.7	-	-	14.5	13.7	6%	-	-
Judicial	6.3	6.3	-	-	6.3	6.3	0%	-	-
Public safety	48.5	48.7	-	-	48.5	48.7	0%	-	-
Public works	26.6	24.8	-	-	26.6	24.8	7%	-	-
Health and human services	28.8	27.3	-	-	28.8	27.3	5%	-	-
Cultural and recreational	10.1	9.8	-	-	10.1	9.8	3%	-	-
Community development	7.8	6.7	-	-	7.8	6.7	16%	-	-
Education	52.2	42.6	-	-	52.2	42.6	23%	106.6	95.5
Interest & other fiscal charges	7.3	7.2	-	-	7.3	7.2	1%	-	-
Stormwater	-	-	2.2	2.0	2.2	2.0	0%	-	-
Airport	-	-	4.6	4.5	4.6	4.5	2%	-	-
Water	-	-	14.4	13.2	14.4	13.2	9%	-	-
Sewer	-	-	19.0	18.4	19.0	18.4	3%	-	-
Total Expenses	202.1	187.1	40.2	38.1	242.3	225.2	8%	106.6	95.5
Increase in net position before transfers	6.7	6.6	9.8	9.7	16.5	16.3	1%	2.5	5.1
Transfers	-	(0.1)	-	0.1	-	-	-	-	-
Increase in net position	6.7	6.5	9.8	9.8	16.5	16.3	1%	2.5	5.1
Net position beginning - restated	182.0	175.5	216.0	206.2	398.0	381.7	4%	(81.2)	(86.3)
Net position ending	\$188.7	\$182.0	\$225.8	\$216.0	\$414.5	\$398.0	4%	\$(78.7)	\$(81.2)

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 \$188.7 million increased 3.7%, or \$6.7 million from FY 2015.

Revenue highlights:

Revenues from governmental activities of \$208.8 million increased 7.8%, or \$15.1 million from FY 2015.

Program revenues, specifically charges for services of \$14.2 million had an overall increase of \$0.8 million. The increase is mainly attributed to increases in permits, fees and other charges for community development of \$0.2 million; increases in Children's Services Act revenues of \$0.4 million; increases in police off duty fees of \$0.2 million offset by a decrease of \$0.1 million in revenue for the Detention Home.

Operating grants and contributions increased \$1.3 million. The net increase of \$1.3 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 \$2.1 million are comprised of the following: Health and Human Services grants increased \$0.7 million, Community Development Block Grant funds increased \$0.5 million, Street and Highway Maintenance funds increased \$0.4 million, House Bill 599 Law Enforcement Assistance grants increased \$0.3 million, Forfeited Asset funds increased \$0.1 million, and Cultural and Recreation grant funds increased \$0.1 million. Decreases in grants of \$0.8 million are comprised of the following: Fire and Emergency Medical Services grants decreased \$0.4 million, Governor's Agriculture and Forestry Industries Development grant decreased \$0.3 million, and Home Investment Trust funds decreased \$0.1 million.

Capital grants and contributions increased \$10.5 million. The increase is mainly attributed to the following: \$3.3 million increase in reimbursements from the Virginia Department of Transportation (VDOT) revenue sharing program; \$0.3 million increase in reimbursements from VDOT for street overlay projects; \$0.1 million increase in Safe Routes to Schools grants; \$0.5 million decrease in federal reimbursements for Riverside Park; \$0.4 million increase in Federal Highway Safety Improvement Program funds for Memorial Avenue; \$1.3 million increase in contributions from Liberty University for the Liberty Mountain Drive Phase 1 project; \$0.1 million increase in contributions from Lynchburg City Schools for school building projects; \$0.1 million increase in federal reimbursement funds for the Lynchpin Industrial Park sidewalk; and \$5.4 million increase in contributions for assets donated to the City. Donated assets of \$5.3 million include the building and land at 307 Alleghany Avenue received in an exchange with Centra Health Inc.

General revenues, specifically property taxes of \$77.7 million, increased \$2.0 million. Property taxes are comprised mainly of real property and personal property taxes. Real property taxes increased \$1.0 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 was effective July 1, 2015 and resulted in a nominal increase in assessed value of taxable real property. Personal Property taxes increased \$0.9 million.

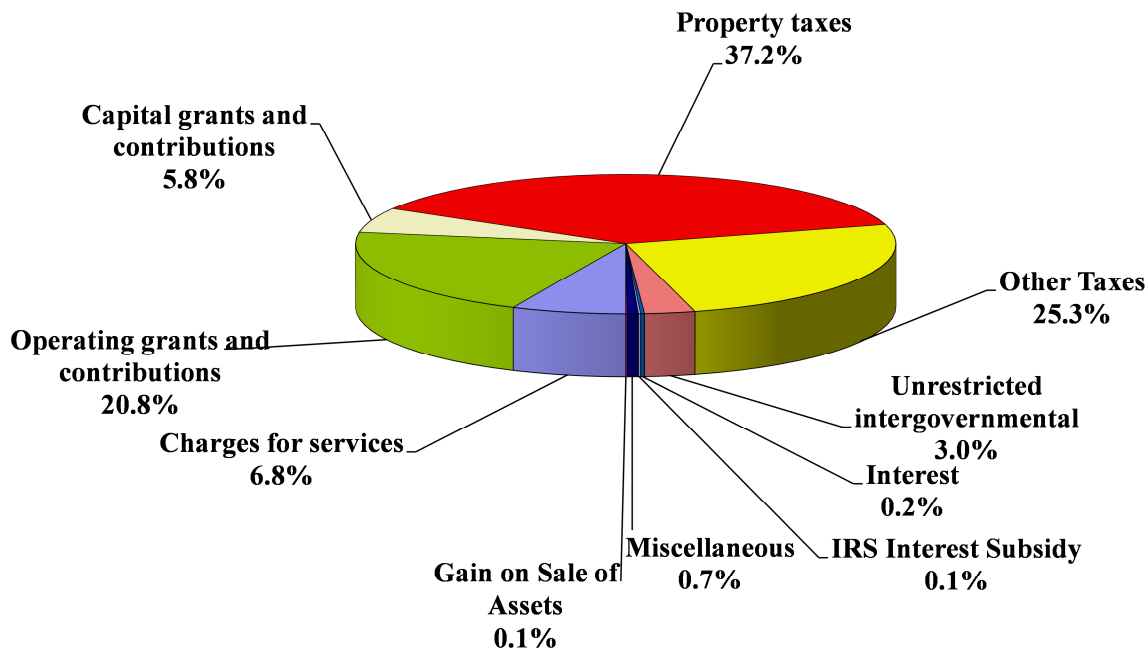
Other taxes revenue of \$52.8 million increased \$1.1 million. Other taxes are comprised mainly of revenue from local sales, meals, lodging, consumer utilities, business licenses, motor vehicle licenses, and communications sales and use taxes. The increase is mainly attributable to increases in meals, consumer utilities, business license, and motor vehicle license tax.

In accordance with the issuance of Build America Bonds, the City received \$0.3 million for IRS Subsidy.

Miscellaneous income decreased \$0.8 million primarily due to a decrease in one-time developer fees from the Miller Center Project.

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

Revenue by Source-Governmental Activities



Expense highlights:

Governmental activities expenses of \$202.1 million increased 8.0%, or \$15.0 million from FY 2015.

General government expenses increased \$0.8 million primarily due to a combination of increases and decreases in expenses. Increases included: other post-employment benefits (OPEB) of \$0.2 million, voting equipment and supplies of \$0.3 million, contracted services of \$0.1 million, information technology expenses of \$0.3 million, salaries of \$0.4 million, other insurance of \$0.1 million, and depreciation of \$0.1 million. Decreases included: retiree health insurance of \$0.6 million, and pension expense of \$0.1 million.

Public safety expenses decreased \$0.2 million primarily due to a combination of increases and decreases in expenses. Increases included: certification pay of \$0.3 million, OPEB of \$0.8 million, and salaries of \$0.3 million. Decreases included: insurance expenses of \$0.1 million, tools and supplies of \$0.1 million, vehicle expenses of \$0.1 million, gas and diesel expenses of \$0.2 million, law enforcement supplies of \$0.2 million, depreciation expense of \$0.1 million, pension expense of \$0.3 million, payments to the Detention Home of \$0.3 million, and payments to the Lynchburg Humane Society of \$0.2 million for shelter services.

Public works expenses increased \$1.8 million primarily due to the following: \$0.5 million increase in closure costs for the City's portion of the Lynchburg landfill, \$0.3 million increase in improvements to streets, roads, bridges, and buildings, \$0.3 million increase in salaries, \$0.2 million increase in depreciation expense, \$0.2 million increase in OPEB, \$0.1 million increase in expenses for chemicals, \$0.1 million increase in maintenance and repair expenses, \$0.1 million increase in refuse expenses, \$0.1 million decrease in utility expenses and \$0.1 million decrease in pension expense.

Health and human services expenses increased \$1.5 million primarily due to increases in adoption and foster care services, other post-employment benefits, salaries, and services for children under the Children's Services Act.

Cultural and recreational expenses increased \$0.3 million primarily due to the following: \$0.3 million increase in site improvements for City parks, \$0.1 million increase in OPEB, \$0.1 million increase in salaries, and \$0.2 million decrease in renovations for Armstrong school.

Community development expenses increased \$1.1 million primarily due to an increase of \$0.9 million in the City's required federal match to Greater Lynchburg Transit Company (GLTC) for capital projects and an increase of \$0.1 million in OPEB.

Education expenses increased \$9.6 million due to an increase in the local contribution to the schools of \$6.3 million, an increase in depreciation of \$0.2 million, an increase in expenses of \$4.0 million due to the write off of the old Heritage High school assets, and a decrease of \$1.0 million in vehicle expenses.

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 2016/2015
(in millions)***

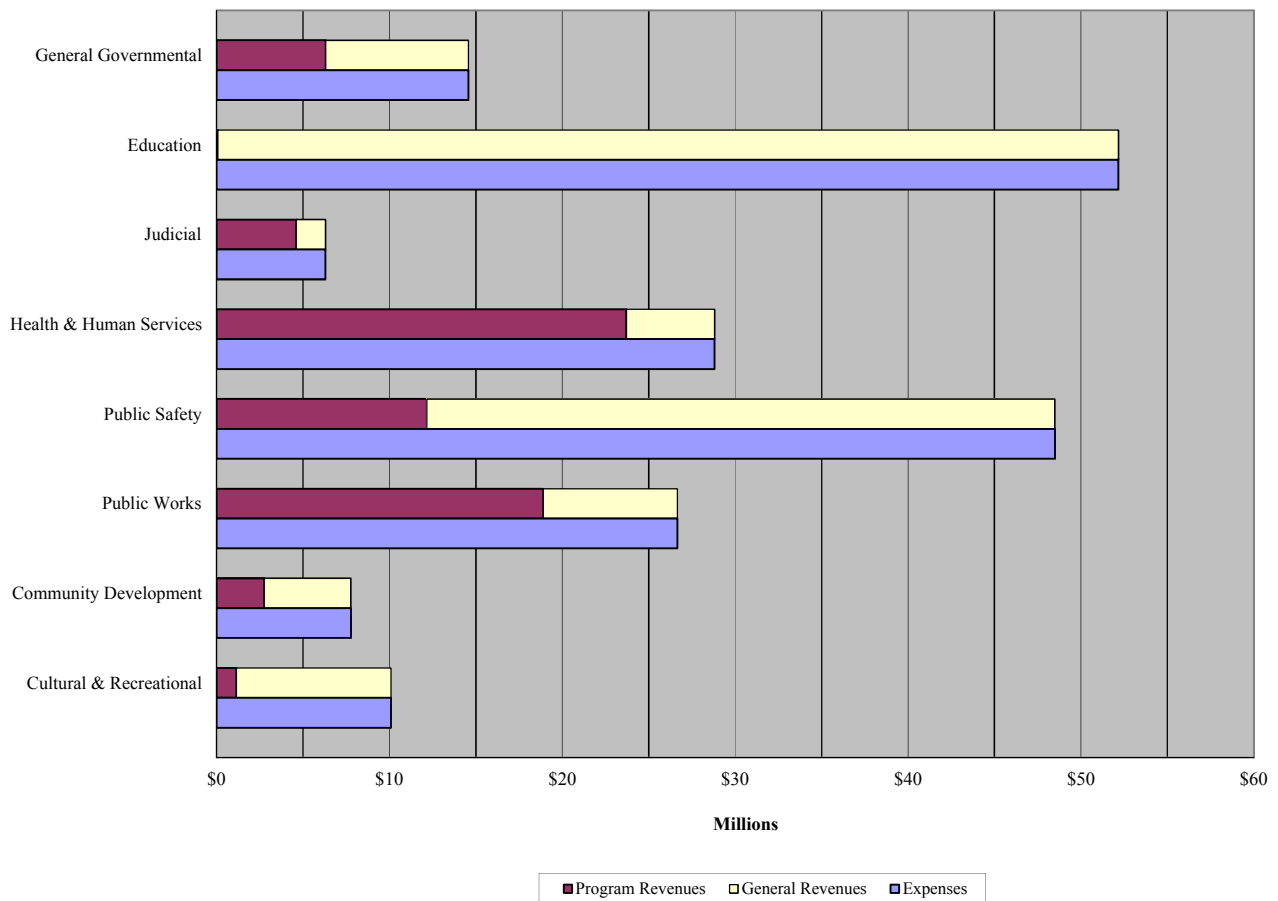
Governmental Activity	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2016	2015	2016-2015	2016	2015	2016-2015
General government	\$ 14.5	\$ 13.7	6%	\$ 8.2	\$ 12.8	-36%
Judicial	6.3	6.3	0%	1.7	1.7	0%
Public safety	48.5	48.7	0%	36.3	36.7	-1%
Public works	26.6	24.8	7%	7.8	11.4	-32%
Health and human services	28.8	27.3	5%	5.1	4.7	9%
Cultural and recreational	10.1	9.8	3%	8.9	8.7	2%
Community development	7.8	6.7	16%	5.0	4.3	16%
Education	52.2	42.6	23%	52.1	42.6	22%
Interest payments & other fiscal charges	7.3	7.2	1%	7.3	7.2	1%
Total Governmental Activities	<u>\$ 202.1</u>	<u>\$ 187.1</u>	<u>8.0%</u>	<u>\$ 132.4</u>	<u>\$ 130.1</u>	<u>2%</u>

The four largest funded programs were public safety at 24.0%, or \$48.5 million; local support for education at 25.8%, or \$52.2 million; public works at 13.2%, or \$26.6 million; and health and human services at 14.3%, or \$28.8 million. Education and public safety continued to be high priorities for the City.

The governmental activities total cost of services increased 8.0% from the prior year with a 2% increase in the net cost of services. The Statement of Net Position shows that the \$202.1 million in governmental activities program expenses were financed by \$14.2 million from those receiving services, \$43.4 million from operating grants and contributions, \$12.0 million from capital grants and contributions and \$132.5 million from general revenues. Overall, general revenues of \$139.2 million were \$6.8 million more than the \$132.4 million of expenses net of program revenues.

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

Program Expenses and Program Revenues - Governmental Activities



Business-type Activities

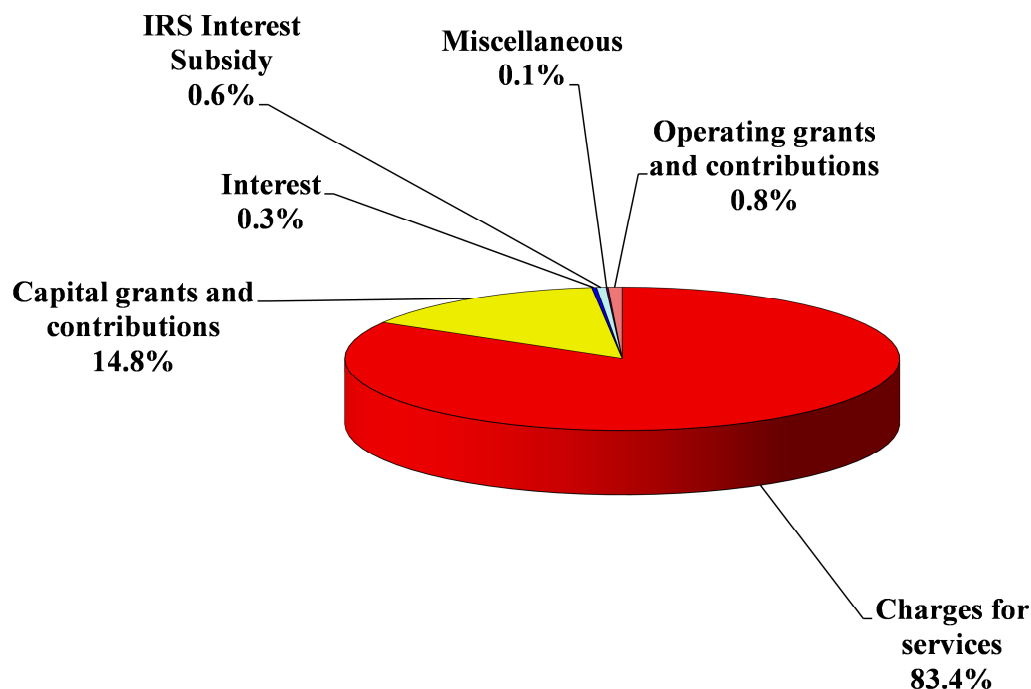
The business-type activities are comprised of enterprise funds for water, sewer, stormwater, and airport operations. Total net position of \$225.8 million increased 4.5%, or \$9.8 million from FY 2015.

Revenue highlights:

Business-type activities revenues of \$50.0 million increased \$2.2 million from the prior year. This was primarily due to an increase of \$1.1 million in charges for services in the Sewer fund for septic hauler waste fees, an increase of \$1.3 million in the Sewer fund for capital grants, an increase of \$0.4 million in the Water fund for capital grants, and a decrease of \$0.8 million in the Airport fund for capital grants.

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

Revenues by Source - Business-type Activities



Expense highlights:

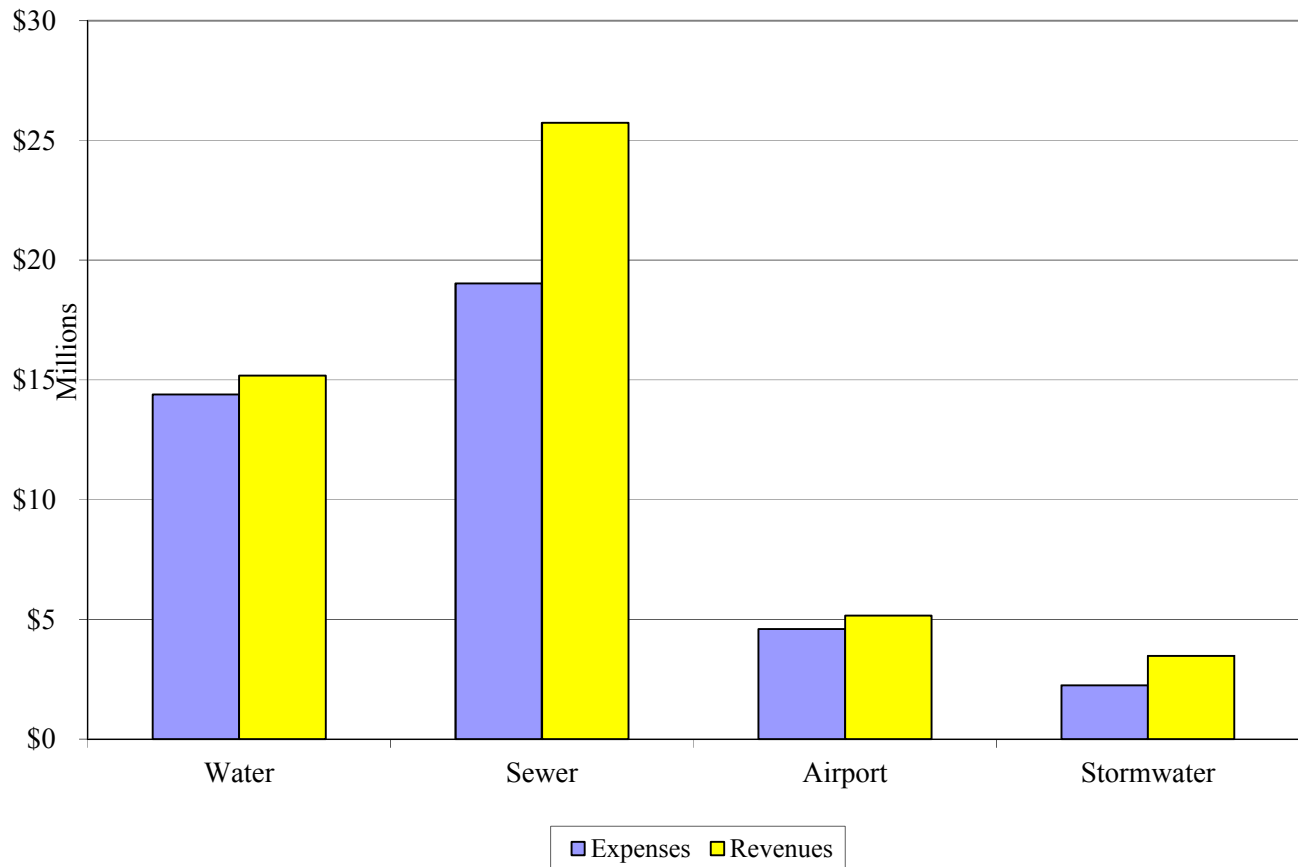
Business-type activities expenses of \$40.2 million increased 5.5%, or \$2.1 million, from the prior year. The increase was primarily due to the following: increase in depreciation expense of \$0.2 million, increase in salaries of \$0.5 million, increase in OPEB of \$0.2 million, increase in pension expense of \$0.3 million, increase in sludge disposal of \$0.3 million, and an increase in maintenance and repair expenses of \$0.2 million.

Overall, business-type activities revenues of \$50.0 million were \$9.8 million more than expenses of \$40.2 million.

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

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

Program Expenses and Program Revenues - Business-type Activities



Component Unit – Schools

The Schools' total net position of (\$78.7) million increased 3.1% or \$2.5 million, from FY 2015 as restated. Unrestricted net position of \$(85.3) million increased 2.7% or \$2.4 million from FY 2015 as restated.

Revenue highlights:

Total revenues of \$107.6 million increased 7.1%, or \$7.1 million in comparison with the prior year fund financial statements. For FY 2016, \$61.6 million or 57.2%, of total revenues were received from the Commonwealth of Virginia and the Federal Government as compared to \$61.7 million received in FY 2015. State sales tax receipts were \$10.3 million for FY 2016. The City government contributed \$42.6 million or 39.6%, to education. Federal revenues of \$12.2 million, included \$3.7 million from Title I funds to provide educational services to economically disadvantaged students. School Nutrition revenues of \$4.5 million included \$3.7 million from the federal government for the operation of the breakfast and lunch programs. Other revenue sources of \$3.4 million or 3.2% of total revenues 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 \$107.2 million increased 6.8% or \$6.8 million from the prior year fund financial statements. For FY 2016, \$75.8 million or 70.7% of total expenses related directly to providing instruction to 8,173 students and \$14.8 million or 13.8% supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were \$4.8 million or 4.5% of total expenses while administration for the schools and attendance and health services for students were \$5.4 million or 5.0%. Technology costs were \$3.3 million or 3.1% of total expenses. Capital outlay costs were \$3.1 million or 2.9% of total expenses.

FUND FINANCIAL ANALYSIS

Governmental Funds

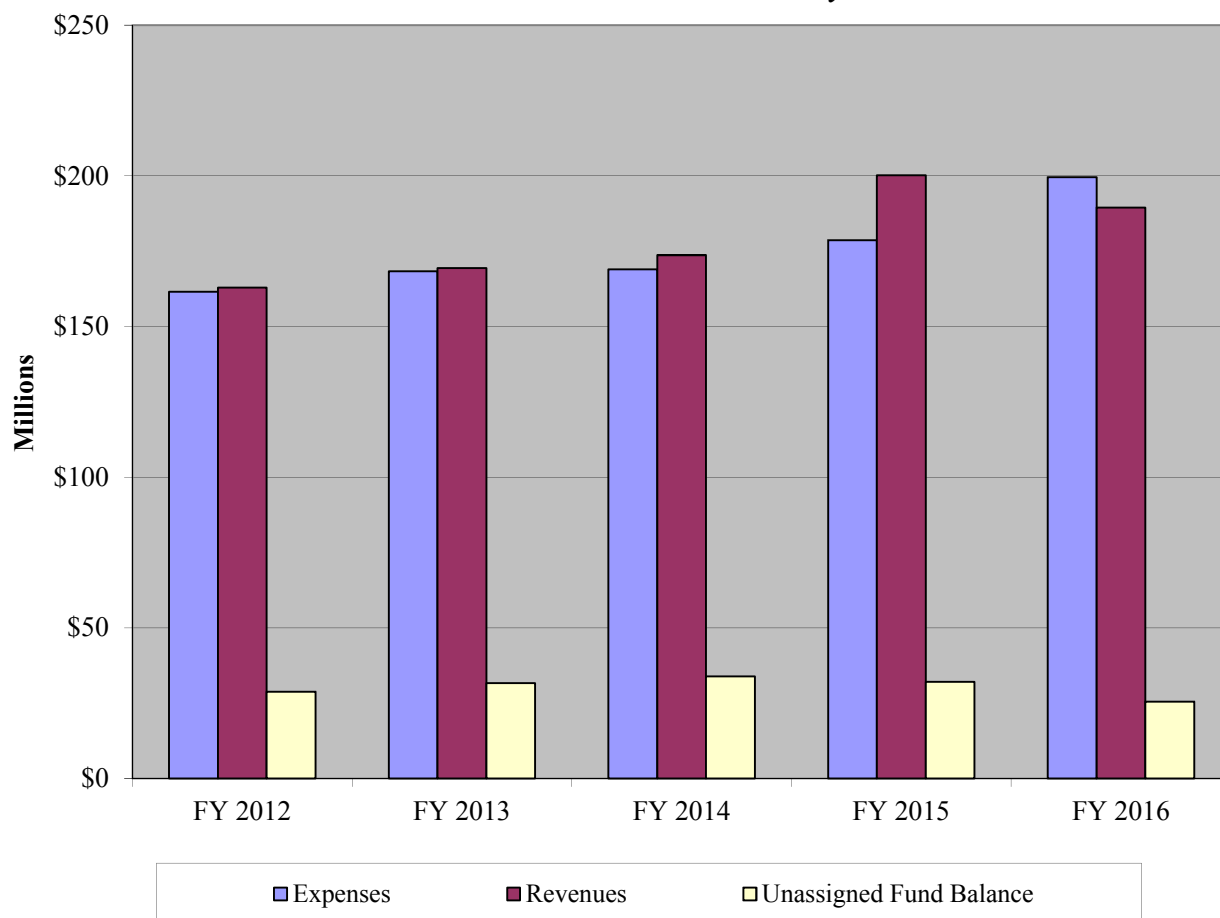
Governmental funds include the general fund, special revenue funds and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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 2016, the City's governmental funds reported combined fund balances of \$101.1 million, a decrease of \$30.4 million from FY 2015. Of that amount, \$0.3 million was nonspendable, \$4.9 million was restricted, \$65.0 million was committed, \$5.3 million was assigned, and \$25.6 million was unassigned. The general fund's decrease in fund balance was \$10.1 million. The City capital projects fund's increase in fund balance was \$2.6 million. The school capital projects fund's decrease in fund balance was \$23.1 million. Special revenue funds increase in fund balance was \$0.1 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 14.6% of total general fund expenditures, while total fund balance represents 24.4% 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 2016 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, 2016
(in millions)

General Fund Budgetary Highlights				
<u>Description</u>	Original Budget	Amended Budget	Actual	Amended versus Actual
<u>Revenues & Other Financing Sources</u>				
Taxes	\$ 128.7	\$ 128.7	\$ 130.0	\$ 1.3
Intergovernmental	33.9	36.5	36.6	0.1
Other	13.3	22.1	22.8	0.7
Total	175.9	187.3	189.4	2.1
<u>Expenditures & Other Financing Uses</u>				
Expenditures	176.7	191.9	182.8	9.1
Transfers	9.1	17.4	16.4	1.0
Total	185.8	209.3	199.2	10.1
<u>Change in Fund Balance</u>	<u>\$ (9.9)</u>	<u>\$ (22.0)</u>	<u>\$ (9.8)</u>	<u>\$ 12.2</u>

Actual expenditures and other financing uses of \$199.2 million was more than revenues and other financing sources of \$189.4 million by \$9.8 million, which resulted in a negative change in fund balance that was less than the amended budget projected decrease of \$22.0 million. The FY 2016 adopted and amended budgets included the use of \$9.9 million and \$22.0 million, respectively, of the FY 2015 General Fund's unassigned fund balance primarily to resource a planned \$7.8 million transfer out for general government capital projects; \$0.6 million transfer to the fleet fund for vehicle replacements; \$0.6 million transfer to the technology fund for equipment purchases; and \$0.1 million transfer to the city federal state aid fund for matching funds on grants. This transfer is in accordance with City Council's adopted Fund Balance Policy (revised in FY 2016), which states that funds in excess of the targeted fund balance of ten percent (10%) of general fund revenues may be considered to supplement "pay-as-you-go" capital outlay expenditures. In summary, actual revenues were above the amended budget by \$2.1 million and actual expenditures were below the amended budget by \$10.1 million, resulting in a \$9.8 million decrease in fund balance for FY 2016.

Actual revenues were greater than estimated and within 1.1%, or \$2.1 million, of the amended budget. Public service corporations, local sales, meals, delinquent, bank stock, lodging, and other local taxes were above the amended budget for FY 2016. Intergovernmental revenue was on pace with the amended budget. The other revenue category was \$0.7 million more than the amended budget due in part to the issuance of refunding bonds, as well as increases in regulatory licenses, permits and privilege fees, interest income, and miscellaneous revenue.

Actual expenditures and transfers were \$10.1 million less than the FY 2016 amended budget and mostly attributable to the following unexpended appropriations:

- \$2.2 million for general government
- \$0.2 million for judicial
- \$1.2 million for public safety
- \$0.5 million for public works
- \$1.3 million for health and human services
- \$0.3 million for cultural and recreational
- \$1.3 million for education
- \$1.9 million for debt service
- \$1.0 million for transfers

Consistent with Council adopted Financial Policies; City Council appropriated \$1.2 million for a General Fund Reserve for Contingencies. City Council authorized 17.4%, or \$0.2 million in expenditures from this contingency. The remaining 82.6%, or \$1.0 million, reverted to unassigned fund balance.

From the original budget of \$185.8 million, City Council approved budget amendments to increase the budget 12.6%, or \$23.5 million, resulting in an amended budget of \$209.3 million. The budget amendments were primarily for the following purposes:

- \$2.6 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 2016 amendment was comprised primarily of \$2.4 million for health and human services programs.
- \$8.3 million increase for the issuance of refunding bonds.
- \$1.8 million increase to the budget comprised primarily of \$1.1 million for prior year unexpended items requested to be re-appropriated in the current year to continue programs; \$0.2 million for transfers to the City capital projects fund for capital projects; \$0.3 million for expenses for snow removal and \$0.1 million for public works projects.
- \$2.2 million increase for a transfer to the City capital projects fund for stadium renovations.
- \$5.5 million increase for a transfer to the School capital projects fund for school capital and maintenance projects.

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 \$42.9 million increased 6.5%, or \$2.6 million, from FY 2015.

Revenues, issuance of bonds, and transfers of \$37.0 million increased 2.2%, or \$0.8 million. The increase is attributable to the following:

- \$3.3 million increase in reimbursements from the Virginia Department of Transportation (VDOT) revenue sharing program
- \$3.2 million increase in transfers from the general fund
- \$1.3 million increase in contributions for the Liberty Mountain Drive Phase 1 project
- \$5.9 million decrease in bond proceeds
- \$1.1 million decrease in Historical Tax credits for Miller Center Renovation

Expenditures, capital outlay, and capital contributions of \$34.4 million increased 55.7%, or \$12.3 million primarily due to the following:

- \$3.8 million increase for Kemper Street Bridge
- \$3.4 million increase for Juvenile Services Group Home
- \$2.5 million increase for City Football Stadium Renovations
- \$1.9 million increase for Midtown Connector
- \$1.6 million increase for Liberty Mountain Drive Phase 1 project
- \$1.3 million increase for Timberlake Road at Logans Lane and Wards Ferry Road
- \$1.0 million increase in contributions for Public Transportation
- \$0.5 million increase for renovations to Fire Station #6
- \$0.4 million increase for Memorial Avenue Intersection Improvements
- \$1.4 million decrease for Lower Bluffwalk
- \$0.9 million decrease for Greenview Drive Phase II Project
- \$0.7 million decrease for Wards Road Pedestrian and Bicycle Improvements
- \$0.6 million decrease for Miller Center Renovations
- \$0.3 million decrease for the Library Storytime Room
- \$0.2 million decrease for Street Overlay

School Capital Projects Fund

The school capital projects fund accounts for the major construction projects of the Lynchburg City Schools. 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 \$12.7 million decreased \$23.1 million, from FY 2015.

Revenues and transfers of \$4.8 million decreased \$66.8 million. The decrease is attributable to the following:

- \$67.4 million decrease in proceeds from bonds related to the construction of the new Heritage High School
- \$0.1 million increase in capital contribution from the Lynchburg City Schools
- \$0.5 million increase in transfers from the General Fund

Expenditures and capital outlay of \$27.9 million decreased \$8.9 million primarily due to the following:

- \$6.8 million decrease in expenditures for Heritage High School
- \$1.0 million decrease in expenditures for school bus replacement
- \$0.4 million decrease in expenditures for roof replacement
- \$0.3 million decrease in Bedford Hills Elementary School new classrooms
- \$0.3 million increase in Dunbar Middle School Tennis Courts
- \$0.2 million decrease in expenditures for E.C. Glass turf replacement
- \$0.2 million decrease in expenditures for E.C. Glass tennis court renovations
- \$0.2 million increase in Dearington Elementary School – replace Lighting
- \$0.2 million decrease in E.C. Glass Tennis Court Renovations
- \$0.1 million decrease in expenditures for Dunbar Middle School boiler replacement
- \$0.1 million decrease in expenditures for School Administrative Building elevator replacement
- \$0.1 million increase in Paul Munro elementary School chiller replacement

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 \$34.3 million increased 3.3%, or \$1.1 million, from FY 2015. Net investment in capital assets of \$27.6 million decreased 3.5%, or \$1.0 million, and was 80.5% of total net position. Unrestricted net position available to fund future expenses increased by 45.7% or \$2.1 million. This was primarily due to increase in cash and cash equivalents. Unrestricted net position was 19.5%, or \$6.7 million, of total net position. Operating revenues totaled \$14.8 million, and increased 0.7%, or \$0.1 million. Operating expenses totaled \$12.4 million and increased 7.8% mostly attributable to salaries and benefits. Investment earnings increased \$0.02 million. For FY 2016 the fund balance ratio was 66.4% as compared to the City Council's financial policy target range of 25% to 40%. The debt coverage ratio was 1.41, as compared to the City Council's financial policy minimum target of 1.2.

Sewer Fund

The sewer fund's total net position of \$153.1 million increased 4.9%, or \$7.1 million, from FY 2015. Net investment in capital assets of \$144.9 million increased 4.5%, or \$6.3 million, primarily due to a reduction of outstanding long-term debt that was used to finance capital projects. Net investment in capital assets was 94.6% of total net position. Unrestricted net position available to fund future expenses increased by 10.8%, or \$0.8 million. This was mostly attributable to increase in cash, cash equivalents, and investments. Unrestricted net position was 5.4%, or \$8.2 million of total net position. Operating revenues totaled \$21.3 million and increased 5.4%, or \$1.1 million, primarily due to an increase in septic hauler waste volume. Operating expenses totaled \$17.8 million and increased 3.5% or \$0.6 million. Investment earnings increased \$0.01 million. For FY 2016 the fund balance ratio was 29.4% as compared to the City Council's financial policy target range of 25% to 40%. The debt coverage ratio was 1.27, as compared to City Council's financial policy minimum target of 1.2 and was in compliance with the CSO Order requirements. Please refer to the Table 22 in Statistical Section of this report for details.

Stormwater Fund

The stormwater fund's total net position of \$4.9 million increased 28.9%, or \$1.1 million, from FY 2015. Net investment in capital assets of \$2.5 million increased 25.0%, or \$0.5 million primarily due to completion of capital projects and capital projects that are on-going. Net investment in capital assets was 51.0% of total net position. Unrestricted net position available to fund future expenses increased by 33.3%, or \$0.6 million. This was primarily due to increase in cash and cash equivalents. Unrestricted net position was 49.0%, or \$2.4 million, of total net position. Operating revenues totaled \$3.5 million and was unchanged as compared to FY 2015. Operating expenses totaled \$2.3 million and increased 15.0%, or \$0.3 million mostly attributable to increased administration and salaries and benefits. For FY 2016 the fund balance ratio was 37.1% as compared to City Council's financial policy target range of 15% to 20%.

Airport Fund

The airport fund's total net position of \$37.7 million increased 1.6%, or \$0.6 million, from FY 2015. Net investment in capital assets, of \$34.5 million, decreased 4.2%, or \$1.5 million. Net investment in capital assets was 91.5% of total net position. Net position, unrestricted, increased 190.9%, or \$2.1 million. Net position, unrestricted, was 8.5%, or \$3.2 million, of net position. Operating revenues increased 8.3%, to \$2.6 million, a \$0.2 million increase. Operating expenses totaled \$4.6 million, which was unchanged from FY 2015. Capital contributions totaled \$2.3 million, a decrease of 25.8%, or \$0.8 million, which represents a decrease of federal contributions towards airport capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of depreciation, were \$747.1 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 \$6.6 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

Capital Assets As of June 30, 2016/2015 (in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Percentage Change</u>	<u>Component Unit Schools</u>	
	2016	2015	2016	2015	2016	2015	2016-2015	2016	2015
Capital assets, not being depreciated:									
Land	\$ 20.0	\$ 17.5	\$ 5.1	\$ 5.1	\$ 25.1	\$ 22.6	11%	\$ -	\$ -
Construction in progress	29.6	62.7	14.4	20.8	44.0	83.5	-47%	-	-
Capital assets, being depreciated:									
Land improvements	48.1	39.6	12.8	12.6	60.9	52.2	17%	-	-
Buildings and improvements	279.9	239.3	57.8	57.1	337.7	296.4	14%	-	-
Infrastructure	261.9	235.7	452.0	435.1	713.9	670.8	6%	-	-
Machinery and equipment	49.3	48.0	22.4	22.0	71.7	70.0	2%	14.7	14.0
Less: Accumulated depreciation	(314.9)	(310.3)	(191.3)	(178.9)	(506.2)	(489.2)	3%	(8.1)	(7.4)
Total Capital Assets	<u>\$ 373.9</u>	<u>\$ 332.5</u>	<u>\$ 373.2</u>	<u>\$ 373.8</u>	<u>\$ 747.1</u>	<u>\$ 706.3</u>	<u>6%</u>	<u>\$ 6.6</u>	<u>\$ 6.6</u>

During FY 2016, the City's net increase in capital assets was 6% or \$40.8 million. Major capital assets completed and placed in service included the following:

- Phase 2 of the Heritage High School building project was completed at a cost of \$55.0 million which was financed by general obligation bonds. The former Heritage High School assets with a net book value of \$4.0 million were written off.
- Phase 1 of the Midtown Connector project was completed at a cost of \$24.3 million which was financed by a combination of Federal, State, and local grants.
- Several Sewer Infrastructure projects were completed at a cost of \$9.6 million with funding from Virginia Revolving Loan Program funds, State and Federal Combined Sewer Overflow (CSO) grants, and general obligation bonds.

- Several Water Infrastructure projects were completed at a cost of \$1.8 million with funding from Virginia Revolving Loan Program funds, and general obligation bonds.
- Blue Ridge Farms water and sewer improvements Phase 2 were completed at a cost of \$1.7 million with funding from local pay-as-you funds.
- Land acquisition at Timberlake Road / Logan's Lane / and Wards Ferry Road for \$1.6 million with funding from local pay-as-you-go funds.
- Aging water lines were replaced on Federal Street at a cost of \$1.5 million with funding from local pay-as-you-go funds.
- Roof was replaced at E.C. Glass High School at a cost of \$1.3 million with funding from general obligation bonds and local pay-as-you-go funds.
- Land and building located at 307 Alleghany Avenue was received in a property exchange with Centra Health Inc. (Centra). The land and building are valued at \$5.3 million. Centra received the land and building located at 1900 Thomson Drive.

On-going replacement of the vehicle fleet was completed at a cost of \$2.8 million and was financed with local pay-as-you-go funds.

Construction-in-progress at the end of FY 2016 includes additional CSO abatement projects, Heritage High School Demolition, Kemper Street Bridge, City Football Stadium Restorations, Juvenile Detention Home and Water & Sewer projects, Miller Center Renovation and Downtown Central Bus Area Improvements. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term Debt

Total outstanding debt was \$374.6 million with \$181.4 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$193.2 million. Liabilities for compensated absences and workers compensation of \$7.6 million and OPEB liability of \$7.7 million were excluded.

Long-term Debt Obligations As of June 30, 2016/2015 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2016	2015	2016	2015	2016	2015	2016-2015
General Obligation Bonds	\$ 191.8	\$ 186.5	\$ 76.4	\$ 70.4	\$ 268.2	\$ 256.9	4%
Revenue Bonds	-	-	105.0	111.2	105.0	111.2	-6%
Note Payable	1.4	1.6	-	-	1.4	1.6	-13%
Total	<u>\$ 193.2</u>	<u>\$ 188.1</u>	<u>\$ 181.4</u>	<u>\$ 181.6</u>	<u>\$ 374.6</u>	<u>\$ 369.7</u>	<u>1%</u>

Total new debt of \$47.3 million was issued, of which \$23.5 million was for governmental activities; and \$23.8 million was for business-type activities and include:

- \$26.9 million of general obligation public improvement bonds to fund new construction projects including transportation, economic development, water, and sewer projects, of which \$15.7 million was for governmental activities and \$11.2 million was for business-type activities.
- \$20.4 million of general obligation public improvement advanced refunding bonds, of which \$7.8 million was for governmental activities and \$23.8 million was for business-type activities.

The City retired \$42.4 million of outstanding principal. The governmental activities principal retirements were \$18.3 million and the business-type activities principal retirements were \$24.1 million and include:

- \$21.0 million in planned principal retirements, of which \$10.5 million was for governmental activities and \$10.5 million was for business-type activities.
- \$21.4 million of refunded principal payments, of which \$7.9 million was for governmental activities and \$13.5 million was for business-type activities.

The City's general obligation bonds continued to maintain an Aa2 rating from Moody's Investors Service dated April 19, 2016; an AA+ rating from Fitch Ratings dated April 21, 2016; and, an AA+ from Standard & Poor's Ratings Services dated April 21, 2016. These credit ratings were related to the City's issuance of the May 19, 2016 General Obligation Public Improvement and Refunding Bonds, Series 2016 of \$47,295,000 with final maturity on February 1, 2046. 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 retail;
- regional commerce center for retail and economic activity;
- strong management; with strong financial policies and practices;
- strong budgetary flexibility and strong fund balance positions resulting in a sound financial position; and
- above average and affordable debt burden.

On May 19, 2016, the City issued \$47,295,000 of General Obligation Public Improvement and Refunding Bonds, Series 2016 dated May 19, 2016 from its competitive bond sale on April 27, 2016. New bond proceeds totaled \$26.9 million of which \$15.7 million was for governmental activities and \$11.2 million was for business-type activities. The \$15.7 million of new proceeds for governmental activities will be used to fund transportation and economic development projects. The \$11.2 million of new proceeds will be used to fund business-type activities as follows: \$5.8 million for sewer projects and \$5.4 million for water projects. The City issued \$20.4 million to advance refund \$21.4 million of the August 2, 2007 General Obligation Public Improvement Bonds for maturities from FY 2019 to FY 2038. Of this \$20.4 million in refunding bonds, \$7.8 million was governmental activities and \$7.8 million was for business-type activities. The refunded bonds of \$21.4 million were \$7.9 million of governmental activities and \$13.5 million of business-type activities. Over the next twenty two years, the advance refunding reduced total debt service payments by \$3.8 million and resulted in an economic gain of \$3.2 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 2016, outstanding tax-supported debt was 3.39% 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." City Council revised the Debt Policy on March 22, 2016 with revisions to revenue supported debt in order to comply with the new Consent Order regarding the Combined Sewer Overflow (CSO) program. The Principal Payout Ratio as of June 30, 2016 was 63.28%.

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 6.5% in June 2015 to 5.7% in June 2016. This decrease of 0.8% reflects the continued growth in the economy. The City's unemployment rate typically trends above the State rate, which was 4.0% in June 2016. For three years, the City's unemployment rate has trended above the National rate, which was 5.1% for the same period. This trend is due to the increasing student population in the City. 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. American Electric Power (AEP), the region's electric utility provider, remains the City's largest property taxpayer with a 1.3% increase in taxable assessed value over FY 2015. Frito Lay, Inc., the City's second largest principal property taxpayer, saw a 3.1% increase in taxable assessed value over FY 2015. The ten principal property taxpayers, as a whole, realized an increase of 2.3% in taxable assessed value when compared to FY 2015. The City remains the retail hub for the region and has seen continued growth in the medical services and higher education sectors. Other important sectors of the Lynchburg economy include wireless technology, engineering, finance, retail, restaurants, and lodging.

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 2016 Operating and Capital Budgets, and FY 2016-2020 Capital Improvement Program are on the City's web site at www.lynchburgva.gov.

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BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2016

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Lynchburg City Schools	Other	
Assets						
Cash and cash equivalents	\$ 52,954,225	\$ 21,856,333	\$ 74,810,558	\$ 7,242,645	\$ 974,884	\$ 83,028,087
Investments	21,790,878	7,646,083	29,436,961	-	-	29,436,961
Receivables, net of allowance	20,794,531	5,311,712	26,106,243	707,606	1,491,708	28,305,557
Internal balances	4,051,615	(4,051,615)	-	-	-	-
Due from other governments	7,825,438	1,041,272	8,866,710	4,597,642	1,540,940	15,005,292
Due from component units	1,911,387	-	1,911,387	-	-	1,911,387
Inventory	28,731	462,684	491,415	35,371	176,384	703,170
Prepays and other assets	6,436,728	-	6,436,728	368,942	13,207	6,818,877
Restricted assets:						
Cash and cash equivalents	38,218,921	17,026,055	55,244,976	-	-	55,244,976
Due from other governments	-	4,230,325	4,230,325	-	-	4,230,325
Capital assets, net of accumulated depreciation	373,903,077	373,222,951	747,126,028	6,632,548	33,889,990	787,648,566
Total assets	527,915,531	426,745,800	954,661,331	19,584,754	38,087,113	1,012,333,198
Deferred Outflows of Resources						
Deferred charge on refunding	4,070,632	2,080,166	6,150,798	-	-	6,150,798
Pension contributions subsequent to measurement date	9,704,350	1,246,703	10,951,053	7,992,708	-	18,943,761
Change in proportion - teacher cost sharing pool	-	-	-	1,960,470	-	1,960,470
Total deferred outflows of resources	13,774,982	3,326,869	17,101,851	9,953,178	-	27,055,029
Liabilities						
Accounts payable and other liabilities	16,196,689	1,976,728	18,173,417	1,137,217	1,986,612	21,297,246
Accrued payroll and related liabilities	5,649,478	333,690	5,983,168	6,893,901	-	12,877,069
Accrued interest payable	1,235,523	698,015	1,933,538	-	-	1,933,538
Due to other governments	934,257	111	934,368	-	1,331,060	2,265,428
Due to primary government	-	-	-	1,779,622	131,765	1,911,387
Unearned revenue/prepaid rent	2,067,892	-	2,067,892	-	-	2,067,892
Deposits payable from restricted assets	141,766	923,681	1,065,447	-	-	1,065,447
Noncurrent liabilities:						
Net pension liability	91,320,676	11,731,817	103,052,493	86,614,422	-	189,666,915
Other noncurrent liabilities due within one year	12,096,832	10,859,586	22,956,418	689,075	-	23,645,493
Other noncurrent liabilities due in more than one year	207,750,000	176,903,933	384,653,933	4,335,123	255,165	389,244,221
Total liabilities	337,393,113	203,427,561	540,820,674	101,449,360	3,704,602	645,974,636
Deferred Inflows of Resources						
Property taxes	8,996,799	-	8,996,799	-	-	8,996,799
Net difference between projected and actual investment earnings on pension plan investments	5,718,508	734,647	6,453,155	5,582,902	-	12,036,057
Difference between expected and actual experience	884,929	113,685	998,614	1,209,000	-	2,207,614
Total deferred inflows of resources	15,600,236	848,332	16,448,568	6,791,902	-	23,240,470
Net Position						
Net investment in capital assets	210,809,815	209,526,622	420,336,437	6,632,548	33,889,990	460,858,975
Restricted for:						
Capital projects	2,597,036	-	2,597,036	-	-	2,597,036
Grants	2,282,179	-	2,282,179	-	-	2,282,179
Passenger facility charges	-	3,478	3,478	-	-	3,478
Unrestricted	(26,991,866)	16,266,676	(10,725,190)	(85,335,878)	492,521	(95,568,547)
Total net position	\$ 188,697,164	\$ 225,796,776	\$ 414,493,940	\$ (78,703,330)	\$ 34,382,511	\$ 370,173,121

Statement of Activities
For the Year Ended June 30, 2016

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	\$ 14,564,945	\$ 521,930	\$ 341,820	\$ 5,452,100	\$ (8,249,095)	\$ -	\$ (8,249,095)	\$ -	\$ -	\$ (8,249,095)
Judicial	6,294,658	807,987	3,805,039	-	(1,681,632)	-	(1,681,632)	-	-	(1,681,632)
Public safety	48,490,912	6,566,743	5,600,556	-	(36,323,613)	-	(36,323,613)	-	-	(36,323,613)
Public works	26,656,472	1,310,028	11,083,733	6,507,005	(7,755,706)	-	(7,755,706)	-	-	(7,755,706)
Health and human services	28,802,640	2,817,336	20,891,517	-	(5,093,787)	-	(5,093,787)	-	-	(5,093,787)
Cultural and recreational	10,090,164	860,612	293,126	-	(8,936,426)	-	(8,936,426)	-	-	(8,936,426)
Community development	7,764,713	1,352,602	1,402,440	-	(5,009,671)	-	(5,009,671)	-	-	(5,009,671)
Education	52,163,773	-	-	80,355	(52,083,418)	-	(52,083,418)	-	-	(52,083,418)
Interest payments and other fiscal charges	7,012,279	-	-	-	(7,012,279)	-	(7,012,279)	-	-	(7,012,279)
Issuance costs	268,267	-	-	-	(268,267)	-	(268,267)	-	-	(268,267)
Total governmental activities	202,108,823	14,237,238	43,418,231	12,039,460	(132,413,894)	-	(132,413,894)	-	-	(132,413,894)
Business-type activities:										
Stormwater	2,250,406	3,209,504	275,000	-	-	1,234,098	1,234,098	-	-	1,234,098
Airport	4,590,497	2,446,873	134,592	2,582,334	-	573,302	573,302	-	-	573,302
Water	14,392,767	14,811,555	-	362,917	-	781,705	781,705	-	-	781,705
Sewer	19,032,652	21,264,506	-	4,471,358	-	6,703,212	6,703,212	-	-	6,703,212
Total business-type activities	40,266,322	41,732,438	409,592	7,416,609	-	9,292,317	9,292,317	-	-	9,292,317
Total primary government	\$ 242,375,145	\$ 55,969,676	\$ 43,827,823	\$ 19,456,069	(132,413,894)	9,292,317	(123,121,577)	-	-	(123,121,577)
Component units:										
Lynchburg City Schools	\$ 106,583,733	\$ 1,963,813	\$ 63,113,566	\$ -	-	-	-	(41,506,354)	-	(41,506,354)
Greater Lynchburg Transit Company	9,735,966	1,087,084	6,149,890	12,248,684	-	-	-	-	9,749,692	9,749,692
Business Development Centre	242,928	257,129	4,000	-	-	-	-	-	18,201	18,201
Total component units	\$ 116,562,627	\$ 3,308,026	\$ 69,267,456	\$ 12,248,684	-	-	-	(41,506,354)	9,767,893	(31,738,461)
General revenues:										
Property taxes					77,654,736	-	77,654,736	-	-	77,654,736
Local sales and use taxes					14,995,131	-	14,995,131	-	-	14,995,131
Meals taxes					14,188,513	-	14,188,513	-	-	14,188,513
Consumer utility taxes					4,660,389	-	4,660,389	-	-	4,660,389
Business license taxes					8,826,486	-	8,826,486	-	-	8,826,486
Communications sales and use taxes					3,282,767	-	3,282,767	-	-	3,282,767
Other taxes					6,862,577	-	6,862,577	-	-	6,862,577
Unrestricted intergovernmental					6,291,034	-	6,291,034	-	-	6,291,034
Interest					477,313	136,484	613,797	-	-	613,797
IRS interest subsidy - Build America Bonds					272,975	276,573	549,548	-	-	549,548
Miscellaneous					1,374,166	56,305	1,430,471	1,413,644	-	2,844,115
Gain on sale of assets					179,924	6,866	186,790	-	-	186,790
City appropriation					-	-	-	42,621,770	-	42,621,770
Total general revenues					139,066,011	476,228	139,542,239	44,035,414	-	183,577,653
Changes in net position					6,652,117	9,768,545	16,420,662	2,529,060	9,767,893	28,717,615
Net position - beginning, as restated (Notes 11 and 12)					182,045,047	216,028,231	398,073,278	(81,232,390)	24,614,618	341,455,506
Net position - ending					\$ 188,697,164	\$ 225,796,776	\$ 414,493,940	\$ (78,703,330)	\$ 34,382,511	\$ 370,173,121

Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	City Capital Projects	School Capital Projects	Other Governmental	Total Governmental
Assets					
Cash and cash equivalents	\$ 29,463,092	\$ 11,514,057	\$ 8,133,012	\$ 1,879,605	\$ 50,989,766
Investments	12,205,106	8,837,737	-	-	21,042,843
Receivables, net of allowance:					
Taxes excluding penalties	13,912,277	-	-	-	13,912,277
Accounts	4,947,740	-	-	-	4,947,740
Other	1,075,891	300,000	-	151,574	1,527,465
Due from other funds	1,878,267	-	-	587,498	2,465,765
Due from other governments	2,754,210	2,483,703	-	2,587,525	7,825,438
Due from component units	1,786,387	-	-	125,000	1,911,387
Other assets	-	-	-	213	213
Restricted assets:					
Cash and cash equivalents	158,237	27,092,536	10,452,552	515,596	38,218,921
Total assets	\$ 68,181,207	\$ 50,228,033	\$ 18,585,564	\$ 5,847,011	\$ 142,841,815
Liabilities					
Accounts payable and other liabilities	\$ 1,828,525	\$ 7,355,752	\$ 5,843,091	\$ 1,030,853	\$ 16,058,221
Accrued payroll and related liabilities	5,788,227	2,248	-	133,340	5,923,815
Due to other funds	681,872	-	-	1,878,267	2,560,139
Due to other governments	481,397	-	-	98,860	580,257
Unearned revenue/prepaid rent	2,067,892	-	-	-	2,067,892
Deposits payable from restricted assets	141,766	-	-	-	141,766
Total liabilities	10,989,679	7,358,000	5,843,091	3,141,320	27,332,090
Deferred Inflows of Resources					
Unavailable/unearned revenue	14,230,012	-	-	198,116	14,428,128
Total deferred inflows of resources	14,230,012	-	-	198,116	14,428,128
Fund Balances					
Nonspendable	-	300,000	-	-	300,000
Restricted	-	2,597,036	-	2,282,179	4,879,215
Committed	12,139,666	39,972,997	12,742,473	125,384	64,980,520
Assigned	5,232,752	-	-	100,012	5,332,764
Unassigned	25,589,098	-	-	-	25,589,098
Total fund balances	42,961,516	42,870,033	12,742,473	2,507,575	101,081,597
Total liabilities, deferred inflows of resources, and fund balances	\$ 68,181,207	\$ 50,228,033	\$ 18,585,564	\$ 5,847,011	\$ 142,841,815

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016**

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

Ending fund balance - governmental funds		\$ 101,081,597
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		359,734,387
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		5,431,329
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		1,400,000
Deferred outflow of resources used to reflect deferred losses on debt refunding bonds are not reported in the governmental funds.		3,886,223
Certain receivables are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		5,044,133
Internal service fund activity that has been allocated to the user departments.		4,140,578
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.		11,979,046
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for employer contributions	9,622,880	
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(5,670,500)	
Deferred inflows of resources for the difference between expected and actual experience	(877,500)	
Net pension liability	<u>(90,554,020)</u>	(87,479,140)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. Long term liabilities at year end consist of:		
Bonds payable	(200,573,921)	
Accrued interest payable	(1,221,190)	
Notes payable	(1,400,000)	
Compensated absences	(4,200,054)	
Workers' compensation	(2,183,224)	
Other post-employment benefits obligation	<u>(6,942,600)</u>	(216,520,989)
Net position of governmental activities		<u>\$ 188,697,164</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General	City Capital Projects	School Capital Projects	Other Governmental	Total Governmental
Revenues					
Taxes	\$ 130,022,195	\$ -	\$ -	\$ -	\$ 130,022,195
Regulatory licenses, permits, and privilege fees	1,108,694	-	-	-	1,108,694
Intergovernmental	36,644,986	8,390,265	80,355	9,954,556	55,070,162
Fines and forfeitures	570,242	-	-	-	570,242
Revenue from use of money and property	916,257	13,682	88,417	32,999	1,051,355
Charges for services	10,356,244	-	-	4,128,058	14,484,302
Miscellaneous	1,234,853	1,419,872	-	378,720	3,033,445
Total revenues	180,853,471	9,823,819	168,772	14,494,333	205,340,395
Expenditures					
Current operating expenditures:					
General government	16,490,338	-	-	4,346	16,494,684
Judicial	4,788,676	-	-	985,139	5,773,815
Public safety	44,391,282	-	-	4,034,988	48,426,270
Public works	16,009,423	4,029,559	-	51,890	20,090,872
Health and human services	21,018,515	-	-	7,557,590	28,576,105
Cultural and recreational	8,394,652	533,951	-	-	8,928,603
Community development	4,590,547	1,336,979	-	1,696,315	7,623,841
Education	42,691,567	-	69,397	-	42,760,964
Capital outlay:					
Capital general government	-	28,054,672	27,815,877	10,552	55,881,101
Debt service:					
Principal retirements	9,837,962	-	-	296,865	10,134,827
Interest payments and other fiscal charges	7,281,382	-	-	25,046	7,306,428
Issuance costs	171,746	96,521	-	-	268,267
Total expenditures	175,666,090	34,051,682	27,885,274	14,662,731	252,265,777
Excess (deficiency) of revenues over expenditures	5,187,381	(24,227,863)	(27,716,502)	(168,398)	(46,925,382)
Other financing sources (uses)					
Issuance of bonds	83,298	15,596,702	-	-	15,680,000
Premium on debt issuance	-	1,505,630	-	-	1,505,630
Issuance of refunding bonds	7,243,402	-	-	-	7,243,402
Premium on refunding debt issuance	909,464	-	-	-	909,464
Payments to escrow agent	(8,065,760)	-	-	-	(8,065,760)
Transfers in	366,572	10,106,215	4,645,000	324,895	15,442,682
Transfers out	(15,773,891)	(416,572)	-	(15,000)	(16,205,463)
Total other financing sources (uses)	(15,236,915)	26,791,975	4,645,000	309,895	16,509,955
Net changes in fund balances	(10,049,534)	2,564,112	(23,071,502)	141,497	(30,415,427)
Fund balances - beginning	53,011,050	40,305,921	35,813,975	2,366,078	131,497,024
Fund balances - ending	\$ 42,961,516	\$ 42,870,033	\$ 12,742,473	\$ 2,507,575	\$ 101,081,597

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2016**

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

Net change in fund balances - total governmental funds \$ (30,415,427)

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	56,618,269
Depreciation expense	(16,612,768)

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. 1,325,225

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 440,936

Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

Employer pension contributions	9,622,880	
Pension expenses	<u>(6,433,588)</u>	
		3,189,292

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. (7,007,060)

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. (1,904,651)

To eliminate transfers to the internal service fund 762,781

The net loss of certain activities of the internal service fund is reported with governmental activities. 255,520

Change in net position of governmental activities. \$ 6,652,117

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 128,753,331	\$ 128,753,331	\$ 130,022,195	\$ 1,268,864
Regulatory licenses, permits, and privilege fees	927,133	927,133	1,108,694	181,561
Intergovernmental	33,908,791	36,520,012	36,644,986	124,974
Fines and forfeitures	552,500	552,500	570,242	17,742
Revenue from use of money and property	509,734	613,282	904,271	290,989
Charges for services	10,734,983	10,734,983	10,356,244	(378,739)
Miscellaneous	584,059	584,059	1,211,674	627,615
Total revenues	<u>175,970,531</u>	<u>178,685,300</u>	<u>180,818,306</u>	<u>2,133,006</u>
Expenditures				
Current operating expenditures:				
General government	20,744,861	17,779,370	15,616,786	2,162,584
Judicial	4,826,762	4,996,965	4,788,676	208,289
Public safety	44,042,465	45,570,441	44,391,282	1,179,159
Public works	14,894,090	16,477,578	16,009,423	468,155
Health and human services	19,206,596	22,343,990	21,018,515	1,325,475
Cultural and recreational	8,358,281	8,756,198	8,394,652	361,546
Community development	4,603,168	4,728,667	4,590,547	138,120
Education	41,135,072	44,051,521	42,691,567	1,359,954
Debt service:				
Principal retirements	11,416,626	11,565,280	9,837,962	1,727,318
Interest payments and other fiscal charges	7,522,135	7,373,481	7,281,382	92,099
Issuance costs	-	245,257	171,746	73,511
Total expenditures	<u>176,750,056</u>	<u>183,888,748</u>	<u>174,792,538</u>	<u>9,096,210</u>
Excess (deficiency) of revenues over expenditures	<u>(779,525)</u>	<u>(5,203,448)</u>	<u>6,025,768</u>	<u>11,229,216</u>
Other financing sources (uses)				
Issuance of bonds	-	83,298	83,298	-
Issuance of refunding bonds	-	7,243,402	7,243,402	-
Premium on refunding debt issuance	-	909,464	909,464	-
Payments to escrow agent	-	(8,065,760)	(8,065,760)	-
Transfers in	-	366,572	366,572	-
Transfers out	(9,131,725)	(17,429,057)	(16,450,011)	979,046
Total other financing sources (uses)	<u>(9,131,725)</u>	<u>(16,892,081)</u>	<u>(15,913,035)</u>	<u>979,046</u>
Net changes in fund balances	<u>(9,911,250)</u>	<u>(22,095,529)</u>	<u>(9,887,267)</u>	<u>12,208,262</u>
Fund balances - beginning	<u>50,019,798</u>	<u>50,019,798</u>	<u>50,019,798</u>	<u>-</u>
Fund balances - ending	<u>\$ 40,108,548</u>	<u>\$ 27,924,269</u>	<u>\$ 40,132,531</u>	<u>\$ 12,208,262</u>

Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Funds					
	Water	Sewer	Stormwater	Airport	Total	Internal Service
Assets						
Current assets:						
Cash and cash equivalents	\$ 7,649,322	\$ 8,030,008	\$ 2,531,388	\$ 3,645,615	\$ 21,856,333	\$ 1,964,459
Investments	4,884,354	2,761,729	-	-	7,646,083	748,035
Receivables, net of allowance:	1,751,397	2,989,353	468,361	102,601	5,311,712	45,431
Due from other funds	43,593	31,851	4,528	8,991	88,963	5,411
Due from other governments	7,679	93,447	-	930,837	1,031,963	-
Inventory	462,684	-	-	-	462,684	28,731
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	475,380	-	-	475,380	-
Total current assets	14,799,029	14,381,768	3,004,277	4,688,044	36,873,118	2,792,067
Noncurrent assets:						
Due from other governments	-	9,309	-	-	9,309	-
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	3,754,945	-	-	3,754,945	-
Cash and cash equivalents	7,295,154	9,713,413	-	17,488	17,026,055	-
Capital assets, net of accumulated depreciation:	70,470,539	265,225,190	2,484,986	35,042,236	373,222,951	14,168,690
Total noncurrent assets	77,765,693	278,702,857	2,484,986	35,059,724	394,013,260	14,168,690
Total assets	92,564,722	293,084,625	5,489,263	39,747,768	430,886,378	16,960,757
Deferred Outflows of Resources						
Deferred charge on refunding	815,371	1,220,826	-	43,969	2,080,166	184,409
Pension contributions subsequent to measurement date	655,569	413,454	56,502	121,178	1,246,703	81,470
Total deferred outflows of resources	1,470,940	1,634,280	56,502	165,147	3,326,869	265,879
Liabilities						
Current liabilities:						
Accounts payable and other liabilities	576,143	1,143,738	76,693	180,154	1,976,728	138,468
Accrued payroll and related liabilities	231,843	148,123	17,696	42,850	440,512	27,862
Accrued interest payable	486,077	208,314	-	3,624	698,015	14,333
Due to other governments	111	-	-	-	111	-
Current portion of general obligation bonds	2,317,659	2,059,474	-	100,886	4,478,019	318,363
Current portion of public utility revenue bonds	-	6,274,745	-	-	6,274,745	-
Total current liabilities	3,611,833	9,834,394	94,389	327,514	13,868,130	499,026
Noncurrent liabilities:						
Deposits payable from restricted assets	909,671	-	-	14,010	923,681	-
Self insurance claims	212,642	85,287	-	-	297,929	-
Compensated absences	262,187	159,427	15,664	48,160	485,438	32,905
Other post-employment benefits obligation	372,060	238,131	14,345	133,790	758,326	60,399
Pension plan obligation	6,169,088	3,890,715	531,698	1,140,316	11,731,817	766,656
General obligation bonds	47,743,281	28,407,085	-	488,570	76,638,936	3,833,167
Public utility revenue bonds	-	98,723,304	-	-	98,723,304	-
Total noncurrent liabilities	55,668,929	131,503,949	561,707	1,824,846	189,559,431	4,693,127
Total liabilities	59,280,762	141,338,343	656,096	2,152,360	203,427,561	5,192,153
Deferred Inflows of Resources						
Net difference between projected and actual investment earnings on pension plan investments	386,308	243,637	33,295	71,407	734,647	48,008
Difference between expected and actual experience	59,781	37,702	5,152	11,050	113,685	7,429
Total deferred outflows of resources	446,089	281,339	38,447	82,457	848,332	55,437
Net Position						
Net investment in capital assets	27,610,452	144,934,435	2,484,986	34,496,749	209,526,622	10,201,568
Restricted for:						
Passenger facility charges	-	-	-	3,478	3,478	-
Unrestricted	6,698,359	8,164,788	2,366,236	3,177,871	20,407,254	1,777,478
Total net position	\$ 34,308,811	\$ 153,099,223	\$ 4,851,222	\$ 37,678,098	229,937,354	\$ 11,979,046
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					(4,140,578)	
Total net position of business-type activities					\$ 225,796,776	

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds					
	Water	Sewer	Stormwater	Airport	Total	Internal Service
Operating revenues						
Charges for services and other operating revenues	\$ 14,811,555	\$ 21,264,506	\$ 3,209,504	\$ 2,446,873	\$ 41,732,438	\$ 4,968,390
Intergovernmental	-	-	275,000	134,592	409,592	-
Total operating revenues	<u>14,811,555</u>	<u>21,264,506</u>	<u>3,484,504</u>	<u>2,581,465</u>	<u>42,142,030</u>	<u>4,968,390</u>
Operating expenses						
Personal services and benefits	5,061,596	3,390,178	446,320	1,018,464	9,916,558	487,381
Operation and maintenance	1,788,171	2,906,172	285,560	1,011,546	5,991,449	1,604,309
Supplies and materials	1,229,613	1,489,227	136,741	137,041	2,992,622	76,204
Administration	1,335,499	2,341,346	1,353,809	235,287	5,265,941	4,999
Other charges	87,808	51,118	5,289	20,637	164,852	12,154
Depreciation	2,916,684	7,635,836	67,558	2,141,357	12,761,435	2,647,504
Total operating expenses	<u>12,419,371</u>	<u>17,813,877</u>	<u>2,295,277</u>	<u>4,564,332</u>	<u>37,092,857</u>	<u>4,832,551</u>
Operating income (loss)	<u>2,392,184</u>	<u>3,450,629</u>	<u>1,189,227</u>	<u>(1,982,867)</u>	<u>5,049,173</u>	<u>135,839</u>
Nonoperating revenues (expenses)						
Interest income	41,904	85,086	1,213	8,281	136,484	4,929
Miscellaneous	1,028	11,821	23,452	20,004	56,305	32,454
Gain on disposition of assets	6,128	738	-	-	6,866	169,350
Interest on long-term debt	(1,971,229)	(1,129,426)	-	(27,422)	(3,128,077)	(132,440)
IRS interest subsidy - Build America Bonds	233,860	42,713	-	-	276,573	-
Total nonoperating revenues (expenses)	<u>(1,688,309)</u>	<u>(989,068)</u>	<u>24,665</u>	<u>863</u>	<u>(2,651,849)</u>	<u>74,293</u>
Income (loss) before contributions and transfers	<u>703,875</u>	<u>2,461,561</u>	<u>1,213,892</u>	<u>(1,982,004)</u>	<u>2,397,324</u>	<u>210,132</u>
Capital contributions	362,917	4,471,358	-	2,264,831	7,099,106	-
Passenger facility charges	-	-	-	317,503	317,503	-
Transfers in	-	126,734	-	-	126,734	762,781
Transfers out	-	-	(126,734)	-	(126,734)	-
Change in net position	<u>1,066,792</u>	<u>7,059,653</u>	<u>1,087,158</u>	<u>600,330</u>	<u>9,813,933</u>	<u>972,913</u>
Total net position - beginning	<u>33,242,019</u>	<u>146,039,570</u>	<u>3,764,064</u>	<u>37,077,768</u>	<u>220,123,421</u>	<u>11,006,133</u>
Total net position - ending	<u>\$ 34,308,811</u>	<u>\$ 153,099,223</u>	<u>\$ 4,851,222</u>	<u>\$ 37,678,098</u>	<u>\$ 229,937,354</u>	<u>\$ 11,979,046</u>
Reconciliation with business-type activities in the Statement of Activities:						
Change in net position - enterprise funds reported in this statement					\$ 9,813,933	
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					(45,388)	
Change in net assets of business-type activities:					<u>\$ 9,768,545</u>	

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Operating activities						
Cash received from operations	\$ 14,626,362	\$ 20,978,643	\$ 3,455,956	\$ 2,571,611	\$ 41,632,572	\$ 4,968,390
Cash paid to employees	(4,752,192)	(3,223,557)	(425,515)	(1,071,285)	(9,472,549)	(673,100)
Cash paid to suppliers	(4,399,211)	(6,845,810)	(1,801,047)	(1,440,485)	(14,486,553)	(1,698,451)
Net cash provided by operating activities	5,474,959	10,909,276	1,229,394	59,841	17,673,470	2,596,839
Noncapital financing activities						
Transfers in	-	126,734	-	-	126,734	762,781
Transfers out	-	-	(126,734)	-	(126,734)	-
Net cash provided by (used in) noncapital financing activities	-	126,734	(126,734)	-	-	762,781
Capital and related financing activities						
Proceeds from issuance of long-term debt:						
General obligation bonds	5,664,827	6,686,178	-	-	12,351,005	-
Proceeds from bond refunding	8,538,918	4,959,593	-	-	13,498,511	624,545
Escrow payments to refunding trust	(8,450,838)	(5,522,666)	-	-	(13,973,504)	(621,112)
Payment of long-term debt:						
General obligation bonds	(2,219,134)	(1,990,110)	-	(109,652)	(4,318,896)	(318,507)
Revenue bonds	-	(6,238,057)	-	-	(6,238,057)	-
Bond anticipation notes	-	-	-	-	-	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	557,967	-	-	557,967	-
Payment of interest on long-term debt	(2,219,812)	(1,221,165)	-	(27,830)	(3,468,807)	(159,136)
Capital contributions received	-	4,421,380	-	2,017,402	6,438,782	-
Passenger facility charges collected	-	-	-	317,503	317,503	-
Proceeds from sale of capital assets	6,128	738	-	-	6,866	169,350
Additions to capital assets	(2,867,504)	(8,340,846)	(554,858)	(566,003)	(12,329,211)	(3,132,601)
Proceeds from other governments	19,200	525,856	-	20,004	565,060	28,073
Payments from other organizations	360,622	98,837	23,452	-	482,911	-
Net cash provided by (used in) capital and related financing activities	(1,167,593)	(6,062,295)	(531,406)	1,651,424	(6,109,870)	(3,409,388)
Investing activities						
Net sales (purchase) of investments	64,223	(487,520)	-	-	(423,297)	501,643
Interest income received	275,764	127,799	1,213	8,281	413,057	4,929
Net cash provided by (used in) investing activities	339,987	(359,721)	1,213	8,281	(10,240)	506,572
Net increase in cash and cash equivalents	4,647,353	4,613,994	572,467	1,719,546	11,553,360	456,804
Cash and cash equivalents						
Beginning	10,297,123	13,129,427	1,958,921	1,943,557	27,329,028	1,507,655
Ending	<u>\$ 14,944,476</u>	<u>\$ 17,743,421</u>	<u>\$ 2,531,388</u>	<u>\$ 3,663,103</u>	<u>\$ 38,882,388</u>	<u>\$ 1,964,459</u>
Reconciliation to Statement of Net Position						
Current Assets	\$ 7,649,322	\$ 8,030,008	\$ 2,531,388	\$ 3,645,615	\$ 21,856,333	\$ 1,964,459
Restricted Assets	7,295,154	9,713,413	-	17,488	17,026,055	-
	<u>\$ 14,944,476</u>	<u>\$ 17,743,421</u>	<u>\$ 2,531,388</u>	<u>\$ 3,663,103</u>	<u>\$ 38,882,388</u>	<u>\$ 1,964,459</u>

(Continued)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 2,392,184	\$ 3,450,629	\$ 1,189,227	\$ (1,982,867)	\$ 5,049,173	\$ 135,839
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	2,916,684	7,635,836	67,558	2,141,357	12,761,435	2,647,504
Pension expense net of employer contributions	109,912	(24,462)	1,271	(64,094)	22,627	(200,220)
Changes in assets and liabilities:						
Increase in accounts receivable	(290,515)	(285,863)	(28,548)	(9,854)	(614,780)	-
Increase (decrease) in due from other funds	(27,219)	(23,664)	(4,528)	(8,991)	(64,402)	(1,318)
Decrease (increase) in inventory	(30,564)	-	-	-	(30,564)	30,365
Increase (decrease) in accounts payable	72,444	(57,947)	(19,648)	(49,984)	(55,135)	(31,150)
Increase in accrued expenses	226,711	214,747	24,062	20,264	485,784	15,819
Increase in deposits payable	105,322	-	-	14,010	119,332	-
Net cash provided by operating activities	\$ 5,474,959	\$ 10,909,276	\$ 1,229,394	\$ 59,841	\$ 17,673,470	\$ 2,596,839
Supplemental cash flow information						
Non-cash transactions						
Capitalized interest	\$ 89,734	\$ 39,329	\$ -	\$ -	\$ 129,063	\$ -
Capital asset additions financed by retainage payable	\$ 21,999	\$ 332,592	\$ -	\$ 31,584	\$ 386,175	\$ -
Capital asset additions financed by accounts payable	\$ 290,927	\$ 530,841	\$ 59,859	\$ 120,485	\$ 1,002,112	\$ 62,240
Undrawn public utility revenue bond proceeds	\$ -	\$ 9,309	\$ -	\$ -	\$ 9,309	\$ -
Amortization of debt related items	\$ 39,392	\$ (5,293)	\$ -	\$ (697)	\$ 33,402	\$ 14,977

Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2016

	<u>Special Welfare</u>
Assets	
Cash and cash equivalents	<u>\$ 143,857</u>
Total assets	<u><u>\$ 143,857</u></u>
Liabilities	
Accounts payable	\$ 325
Amounts held for others	<u>143,532</u>
Total liabilities	<u><u>\$ 143,857</u></u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

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. The City is legally obligated to provide financial support to the Schools by State Law of the Commonwealth of Virginia. Annually the State Superintendent provides the City with the amount of the Required Local Effort (RLE).

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 City of Lynchburg 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, 2016

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 FY2016, the City paid \$5,714,925 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 \$457,323 for an operating contribution in FY2016.

Regional Commission 2000: The City serves as the Local Workforce Development Area grant recipient on behalf of the Regional Commission 2000/Central Virginia Local Workforce Development 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 FY2016, the Regional Commission 2000 received \$1,289,315 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 FY2016, the City paid \$865,997 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 is 33.1% effective through July 1, 2013. In accordance with the Cooperative Agreement, the City transferred the title to all 1996 assets to the Council. 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 FY2016, the City paid \$692,034 to the Board. The City's scheduled capital cost payment for FY17 is \$723,075.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

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 FY2016, the City appropriated \$226,588 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 FY2016, the City paid \$265,000 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, 2016

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.

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.

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, Children's Services Act, Lynchburg Expressway Appearance, HOME Investment Trust, and Lynchburg Regional Juvenile Detention Center.

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, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Proprietary Fund Types: (Continued)

Enterprise Funds: (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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

- 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.
- 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)	\$ (9,887,267)
Add: Net change in fund balance for Technology Fund	<u>(162,267)</u>
Net change in fund balance (GAAP basis)	<u>\$ (10,049,534)</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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.

- **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	\$	2,090,823
General Fund, ambulance receivables	\$	2,984,926
Enterprise Funds	\$	310,813

- **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 fair value. This inventory consists of purchased foods, USDA Foods (donated commodities) as well as kitchen supplies. An expense adjustment is made annually after the year-end inventory is counted and valued.

- **Capital Assets**

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

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Capital Assets (Continued)**

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 FY2016, the enterprise funds incurred interest costs of \$3,257,140 of which \$129,063 was capitalized.

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

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

- **Deferred 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 has three items that qualify for reporting in this category: deferred charge on refunding; pension contributions subsequent to measurement date; and change in proportion – teacher cost sharing pool. The deferred charge on refunding reported in the government-wide statement of net position 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. The pension contributions subsequent to the measurement date will be applied to the net pension liability in the next fiscal year. The change in proportion – teacher cost sharing pool results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as deferred inflow or outflow, as appropriate.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Deferred Outflows / Inflows of Resources (Continued)**

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 four 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 third is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period. The fourth item consists of differences between expected and actual experience for economic or demographic factors in the total pension liability measurement.

- **Compensated Absences**

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

- **Arbitrage Rebate Liability**

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

- **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City's and Schools' Retirement Plan and the additions to/deductions from the City's and Schools' Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **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.

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. These committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- 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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

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, 26% of the portfolio was invested in “Aaa” rated obligations; 4% was invested in “Aa1” Municipal Obligations; 2% was invested in “Aa2” Municipal Obligations and 68% was invested in an “AAAm” rated LGIP fund. The “Aaa” rated portion of the total portfolio included 3% of obligations guaranteed by the U. S. Government; 19% of Federal Agencies; and 5% of Municipal Obligations (percentages are based on the total portfolio). On August 5, 2011, Standard & Poor’s downgraded the long-term sovereign credit rating of the United States of America from “AAA” to “AA+” and affirmed the “A-1+” short-term rating. This downgrade relates to 26% 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, 2016

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	10%
Federal Home Loan Bank	7%
Federal National Mortgage Association	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	\$ 62,959,929	-
U.S. Treasury Bills	748,035	245
U.S. Treasury Notes	2,103,128	155
Federal Home Loan Mortgage Corporation	3,717,184	190
Federal National Mortgage Association	5,635,090	197
Federal Farm Credit Bank	1,501,870	295
Federal Home Loan Bank	6,306,547	222
Municipal Bonds	9,425,107	440
Total investments	<u>\$ 92,396,890</u>	
Portfolio weighted average maturity		90

* Weighted average maturity in days.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

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 above items are reflected in the statements as follows:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	\$ 17,200	\$ 700
Deposits	73,109,538	1,354,669
Funds held in trust by others	-	667,531
Investments	86,509,614	5,887,276
	<u>\$ 159,636,352</u>	<u>\$ 7,910,176</u>
Statement of net position:		
Cash and cash equivalents	\$ 74,810,558	\$ 7,242,645
Investments	29,436,961	-
Restricted cash and cash equivalents	55,244,976	-
Fiduciary fund cash and cash equivalents	143,857	667,531
	<u>\$ 159,636,352</u>	<u>\$ 7,910,176</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
U.S. Treasury Securities	\$ 2,851,163	\$ -	\$ -	\$ 2,851,163
U.S. Debt Securities	17,160,691	-	-	17,160,691
	<u>\$ 20,011,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,011,854</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 3. Property Taxes

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

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

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

Note 4. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2016 were as follows:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	\$ 1,878,267	\$ 681,872
Non-major Special Revenue Funds:		
City Federal/State Aid	263,378	263,990
Children's Services Act	324,120	1,264,447
Lynchburg Regional Juvenile Detention Center	-	349,830
Major Proprietary Funds:		
Sewer	31,851	-
Water	43,593	-
Stormwater	4,528	-
Airport	8,991	-
Internal Service	5,411	-
	<u>\$ 2,560,139</u>	<u>\$ 2,560,139</u>

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

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

Interfund transfers were as follows:

	To	From
Major Fund:		
General	\$ 366,572	\$ 15,773,891
Non-major Special Revenue Funds:		
City Federal/State Aid	324,895	-
Forfeited Assets	-	15,000
Major Fund – Capital Projects		
City Capital Projects	10,106,215	416,572
School Capital Projects	4,645,000	-
Major Proprietary Funds:		
Sewer	126,734	-
Stormwater	-	126,734
Internal Service	762,781	-
	<u>\$ 16,332,197</u>	<u>\$ 16,332,197</u>

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

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

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

	Due From Component Units	Due To Primary Government
Primary Government:		
Major Fund:		
General Fund	\$ 1,786,387	\$ -
Non-major Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
	<u>\$ 1,911,387</u>	<u>\$ -</u>
Component Units:		
Lynchburg City Schools	\$ -	\$ 1,779,622
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	-	6,765
	<u>\$ -</u>	<u>\$ 1,911,387</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 6. Due From Other Governments

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

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 7,825,438	\$ 1,031,963	\$ 4,597,642	\$ 1,540,940
Virginia Revolving Loan	-	9,309	-	-
Members of Regional Sewage Treatment Plant	-	4,230,325	-	-
	<u>\$ 7,825,438</u>	<u>\$ 5,271,597</u>	<u>\$ 4,597,642</u>	<u>\$ 1,540,940</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	\$ 475,380
Amount receivable 2 to 5 years	1,500,181
Amount receivable beyond 5 years	<u>2,254,764</u>
	<u>\$ 4,230,325</u>

Note 7. Receivables

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

	Taxes	Accounts	Other	Total
Major funds:				
General	\$ 13,912,277	\$ 4,947,740	\$ 1,075,891	\$ 19,935,908
City Capital Projects	-	-	300,000	300,000
Water	-	1,751,397	-	1,751,397
Sewer	-	2,989,353	-	2,989,353
Stormwater	-	468,361	-	468,361
Airport	-	102,601	-	102,601
Internal Service	-	-	45,431	45,431
Non-major Governmental Funds	-	-	151,574	151,574
	<u>\$ 13,912,277</u>	<u>\$ 10,259,452</u>	<u>\$ 1,572,896</u>	<u>\$ 25,744,625</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 8. Capital Assets

Primary Government:

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

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balances</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 17,457,692	\$ 2,724,931	\$ (117,668)	\$ 20,064,955
Construction in progress	62,748,608	55,999,770	(89,180,056)	29,568,322
Total capital assets, not being depreciated	80,206,300	58,724,701	(89,297,724)	49,633,277
<u>Capital assets, being depreciated:</u>				
Land improvements	39,621,521	8,632,112	(110,292)	48,143,341
Accumulated depreciation	(11,497,103)	(1,697,926)	109,450	(13,085,579)
Net land improvements	28,124,418	6,934,186	(842)	35,057,762
Buildings and improvements	239,300,892	56,700,789	(16,144,547)	279,857,134
Accumulated depreciation	(130,796,063)	(7,150,085)	12,155,091	(125,791,057)
Net buildings and improvements	108,504,829	49,550,704	(3,989,456)	154,066,077
Infrastructure	235,674,196	26,185,960	-	261,860,156
Accumulated depreciation	(137,072,913)	(6,590,280)	-	(143,663,193)
Net infrastructure	98,601,283	19,595,680	-	118,196,963
Machinery and equipment	47,972,465	3,791,767	(2,502,963)	49,261,269
Accumulated depreciation	(30,884,692)	(3,821,981)	2,394,402	(32,312,271)
Net machinery and equipment	17,087,773	(30,214)	(108,561)	16,948,998
Total capital assets being depreciated	562,569,074	95,310,628	(18,757,802)	639,121,900
Less: accumulated depreciation	(310,250,771)	(19,260,272)	14,658,943	(314,852,100)
Total capital assets, being depreciated	252,318,303	76,050,356	(4,098,859)	324,269,800
Capital assets, net	\$ 332,524,603	\$ 134,775,057	\$ (93,396,583)	\$ 373,903,077

There are no assets included above financed by capital leases as of June 30, 2016.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 570,686
Education	5,275,881
Judicial	691,697
Health and human services	329,565
Public safety	1,917,129
Public works	8,676,688
Community development	188,549
Cultural and recreational	1,171,607
	<hr/>
Total governmental activities	18,821,802
	<hr/>
Business-type activities:	
Water	162,014
Sewer	257,988
Airport	18,468
	<hr/>
Total business-type activities	438,470
	<hr/>
Total depreciation	\$ 19,260,272

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 \$438,470 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, 2016

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	\$ 5,061,471	\$ -	\$ -	\$ 5,061,471
Construction in progress	13,927,276	11,718,088	(18,264,046)	7,381,318
Total capital assets, not being depreciated	18,988,747	11,718,088	(18,264,046)	12,442,789
<u>Capital assets, being depreciated:</u>				
Land improvements	12,630,369	171,409	-	12,801,778
Accumulated depreciation	(11,915,083)	(85,819)	-	(12,000,902)
Net land improvements	715,286	85,590	-	800,876
Buildings and improvements	57,076,906	749,051	-	57,825,957
Accumulated depreciation	(27,356,874)	(1,862,839)	-	(29,219,713)
Net buildings and improvements	29,720,032	(1,113,788)	-	28,606,244
Infrastructure	435,125,954	16,916,603	(25,572)	452,016,985
Accumulated depreciation	(128,040,483)	(9,681,017)	25,572	(137,695,928)
Net infrastructure	307,085,471	7,235,586	-	314,321,057
Machinery and equipment	21,991,842	814,551	(430,325)	22,376,068
Accumulated depreciation	(9,594,144)	(994,270)	430,325	(10,158,089)
Net machinery and equipment	12,397,698	(179,719)	-	12,217,979
Capitalized interest	6,874,519	129,063	-	7,003,582
Accumulated depreciation	(2,032,086)	(137,490)	-	(2,169,576)
Net capitalized interest	4,842,433	(8,427)	-	4,834,006
Total capital assets being depreciated	533,699,590	18,780,677	(455,897)	552,024,370
Less: accumulated depreciation	(178,938,670)	(12,761,435)	455,897	(191,244,208)
Total capital assets, being depreciated	354,760,920	6,019,242	-	360,780,162
Capital assets, net	\$ 373,749,667	\$ 17,737,330	\$ (18,264,046)	\$ 373,222,951

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

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	\$ 12,761,748	\$ 1,415,211	\$ (609,951)	\$ 13,567,008
Accumulated depreciation	(6,623,593)	(1,226,971)	565,540	(7,285,024)
Net equipment	<u>6,138,155</u>	<u>188,240</u>	<u>(44,411)</u>	<u>6,281,984</u>
Equipment – cafeteria	1,188,691	-	-	1,188,691
Accumulated depreciation	(770,116)	(68,011)	-	(838,127)
Net equipment – cafeteria	<u>418,575</u>	<u>(68,011)</u>	<u>-</u>	<u>350,564</u>
Total capital assets being depreciated	13,950,439	1,415,211	(609,951)	14,755,699
Less: accumulated depreciation	<u>(7,393,709)</u>	<u>(1,294,982)</u>	<u>565,540</u>	<u>(8,123,151)</u>
Capital assets, net	<u>\$ 6,556,730</u>	<u>\$ 120,229</u>	<u>\$ (44,411)</u>	<u>\$ 6,632,548</u>

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

Land, buildings, and improvements	\$ 13,370,636
Construction in progress	13,935,580
Machinery and equipment	<u>24,223,276</u>
	51,529,492
Less accumulated depreciation	<u>17,639,502</u>
	<u>\$ 33,889,990</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 9. Long-Term Liabilities

Primary Government:

General Obligation Debt:

As of June 30, 2016	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Public Improvements	School Facilities	Proprietary Funds	Total
Serial Bonds								
VA Resources Authority	0.00	3/24/1994	2027	\$ 3,976,369	\$ -	\$ -	\$ 1,297,324	\$ 1,297,324
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	1,147,369	-	1,147,369
VPSA General Obligation	2.35-4.85	11/7/2002	2023	6,513,732	-	2,469,997	-	2,469,997
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	3,447,176	-	3,447,176
Public Improvement	4.00-5.00	8/2/2007	2038	33,300,000	1,624,812	-	935,188	2,560,000
Public Improvement Series A Tax Exempt	1.00-5.00	8/13/2009	2022	17,230,000	2,490,000	3,540,000	3,005,000	9,035,000
Public Improvement Series B Taxable Build America Bonds (BABs)	5.05-6.61	8/13/2009	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	8/13/2009	2023	12,800,000	1,661,456	901,408	2,877,136	5,440,000
VPSA General Obligation	0.00	11/13/2009	2027	10,255,000	-	8,390,000	-	8,390,000
Public Improvement Refunding	2.00-5.00	10/20/2010	2034	29,655,000	8,488,950	6,454,050	10,557,000	25,500,000
Public Improvement Refunding	3.80	12/19/2012	2023	4,129,625	2,865,819	-	-	2,865,819
Public Improvement	2.75	10/23/2013	2028	10,000,000	6,120,796	812,004	1,733,200	8,666,000
Public Improvement	2.00-5.00	7/10/2014	2044	101,730,000	19,620,000	62,465,000	17,285,000	99,370,000
Public Improvement Refunding	5.00	7/10/2014	2026	13,460,000	8,590,172	3,387,882	1,481,946	13,460,000
Public Improvement Refunding (Bond R-1)	1.60	3/12/2015	2020	9,657,000	2,687,273	1,629,696	2,049,031	6,366,000
Public Improvement Refunding (Bond R-2)	2.34	3/12/2015	2030	3,768,000	1,493,373	899,328	1,120,299	3,513,000
Public Improvement	2.00-5.00	5/19/2016	2046	26,945,000	15,680,000	-	11,265,000	26,945,000
Public Improvement Refunding	2.00-5.00	5/19/2016	2038	20,350,000	7,243,402	-	13,106,598	20,350,000
					<u>\$ 82,965,448</u>	<u>\$ 104,994,515</u>	<u>\$ 80,282,722</u>	<u>\$ 268,242,685</u>

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

Authorized and unissued general obligation public improvement bonds amounted to \$71,650,000 at June 30, 2016.

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 \$268,242,685 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 (4.50%) of its net assessed valuation of taxable property (general obligation bonds issued for self-supporting enterprise funds are not included in this calculation). 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. City Council revised the Debt Policy on March 22, 2016 with revisions to revenue supported debt in order to comply with the new Consent Order regarding the Combined Sewer Overflow (CSO) program. The principal payout ratio for the year ended June 30 was 63.28%. As shown in the Supplementary Statistical Table 20, outstanding tax-supported debt was 3.39% of net assessed valuation of taxable property. There are no overlapping tax jurisdictions.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Revenue Debt:

As of June 30, 2016	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	\$ 1,829,894
Public Utility Revenue Bonds	0.00	8/10/1995	2029	10,000,000	3,376,984
Public Utility Revenue Bonds	0.00	6/27/1996	2029	8,000,000	2,614,117
Public Utility Revenue Bonds	0.00	7/17/1997	2030	7,591,540	3,017,151
Public Utility Revenue Bonds	3.00	7/17/1997	2020	14,108,460	3,231,747
Public Utility Revenue Bonds	0.00	8/21/1998	2031	6,203,000	2,710,916
Public Utility Revenue Bonds	3.00	5/27/1999	2020	2,476,763	566,251
Public Utility Revenue Bonds	0.00	2/11/2000	2021	5,300,000	1,394,737
Public Utility Revenue Bonds	0.00	2/15/2001	2032	735,000	352,303
Public Utility Revenue Bonds	3.50	6/8/2001	2021	2,835,000	948,213
Public Utility Revenue Bonds	0.00	11/6/2001	2034	1,413,613	770,898
Public Utility Revenue Bonds	0.00	9/15/2003	2036	2,350,165	1,486,829
Public Utility Revenue Bonds	0.00	5/20/2004	2038	6,000,000	4,100,000
Public Utility Revenue Bonds	0.00	5/17/2005	2038	6,700,000	4,690,000
Public Utility Revenue Bonds	0.00	6/28/2006	2039	9,600,000	7,200,000
Public Utility Revenue Bonds	0.00	6/20/2007	2039	7,000,000	5,366,667
Public Utility Revenue Bonds	0.00	6/5/2008	2041	12,350,000	10,085,833
Public Utility Revenue Bonds	0.00	6/25/2009	2041	19,000,000	15,833,333
Public Utility Revenue Bonds	0.00	6/17/2010	2042	13,100,000	11,353,333
Public Utility Revenue Bonds	0.00	6/15/2011	2033	9,350,928	7,940,510
Public Utility Revenue Bonds	0.00	6/15/2011	2045	10,100,000	9,595,000
Public Utility Revenue Bonds	0.00	6/6/2012	2044	7,000,000	6,533,333
					<u>\$ 104,998,049</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 and are to be used for Sewer capital projects. 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 within an annual range of 1.1 to 1.5, computed under a rolling three year average, 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 1.27.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

The following is a summary of changes in long-term liabilities for FY2016:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
General obligation bonds	\$ 186,515,055	\$ 23,481,188	\$ 18,148,335	\$ 191,847,908	\$ 11,110,628
Notes payable*	1,580,000	-	180,000	1,400,000	180,000
Adjust for deferred amounts:					
Issuance discounts	(639,706)	-	(53,309)	(586,397)	-
Issuance premiums	11,727,074	2,481,853	744,986	13,463,941	-
Total bonds and notes	199,182,423	25,963,041	19,020,012	206,125,452	11,290,628
Workers' compensation**	2,458,871	742,921	720,856	2,480,936	297,712
Compensated absences**	4,146,159	2,998,169	2,906,883	4,237,445	508,492
Other post-employment benefits**	5,077,218	4,274,593	2,348,812	7,002,999	-
	<u>\$ 210,864,671</u>	<u>\$ 33,978,724</u>	<u>\$ 24,996,563</u>	<u>\$ 219,846,832</u>	<u>\$ 12,096,832</u>

Business-Type Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
General obligation bonds	\$ 70,414,861	\$ 23,813,812	\$ 17,833,896	\$ 76,394,777	\$ 4,478,019
Public utility revenue bonds	111,236,106	-	6,238,057	104,998,049	6,274,745
Adjust for deferred amounts:					
Issuance premiums	2,870,925	2,035,704	184,451	4,722,178	-
Total bonds and notes	184,521,892	25,849,516	24,256,404	186,115,004	10,752,764
Workers' compensation	141,214	288,923	91,581	338,556	40,627
Compensated absences	533,369	424,933	406,669	551,633	66,195
Other post-employment benefits	500,683	571,884	314,241	758,326	-
	<u>\$ 185,697,158</u>	<u>\$ 27,135,256</u>	<u>\$ 25,068,895</u>	<u>\$ 187,763,519</u>	<u>\$ 10,859,586</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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Debt Service to Maturity:

Year Ending June 30	Governmental Activities			
	General Obligation		Note Payable	
	Principal	Interest	Principal	Interest
2017	\$ 11,110,628	\$ 7,434,306	\$ 180,000	\$ 23,833
2018	10,817,623	7,365,732	180,000	22,249
2019	11,052,143	7,003,928	180,000	20,215
2020	11,306,367	6,578,678	180,000	17,326
2021	11,578,786	6,132,983	180,000	13,852
2022-2026	54,516,953	23,359,674	500,000	13,875
2027-2031	33,612,719	13,529,767	-	-
2032-2036	24,287,689	7,764,051	-	-
2037-2041	15,615,000	3,492,348	-	-
2042-2043	7,950,000	636,000	-	-
	<u>\$ 191,847,908</u>	<u>\$ 83,297,467</u>	<u>\$ 1,400,000</u>	<u>\$ 111,350</u>

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
2017	\$ 2,317,659	\$ 1,944,751	\$ 100,886	\$ 24,963	\$ 2,059,474	\$ 940,603	\$ 6,274,745	\$ 137,815
2018	2,158,554	1,998,596	94,937	22,207	1,863,830	973,043	6,312,571	99,989
2019	1,939,221	1,921,875	65,569	17,438	1,607,228	917,980	6,351,572	60,988
2020	1,812,819	1,843,874	33,221	13,564	1,384,935	867,240	5,816,175	20,775
2021	1,753,442	1,767,444	35,104	11,903	1,284,269	820,635	5,255,995	5,345
2022-2026	8,852,488	7,570,421	202,961	31,433	6,079,588	3,334,217	23,870,109	-
2027-2031	9,053,849	5,499,819	-	-	4,997,432	2,227,594	20,473,970	-
2032-2036	9,120,824	3,463,777	-	-	4,256,487	1,358,052	16,452,079	-
2037-2041	7,619,989	1,317,824	-	-	3,175,011	619,139	11,875,833	-
2042-2046	2,605,000	223,800	-	-	1,920,000	169,800	2,315,000	-
	<u>\$ 47,233,845</u>	<u>\$ 27,552,181</u>	<u>\$ 532,678</u>	<u>\$ 121,508</u>	<u>\$ 28,628,254</u>	<u>\$ 12,228,303</u>	<u>\$ 104,998,049</u>	<u>\$ 324,912</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

May 19, 2016 General Obligation Public Improvement and Refunding Bonds, Series 2016 - New Proceeds, Series 2016 and Advanced Refunding of General Obligation Bond Issue, Series 2007

The City issued \$47,295,000 of General Obligation Public Improvement and Refunding Bonds, Series 2016 dated May 19, 2016 from its competitive bond sale on April 27, 2016. General government projects including issuance costs were financed for twenty years. Water and sewer projects including issuance costs were financed for thirty years. The refunding bonds including issuance costs were financed for twenty-two years. The final maturity date is February 1, 2046, with interest rates ranging from 2.0% to 5.0% and a total interest cost of 2.6%. The proceeds were allocated for capital projects as follows: \$15,680,000 for general government projects, \$5,825,000 for sewer projects, and \$5,440,000 for water projects.

\$20,350,000 of bonds with an average interest rate of 3.6% were issued to advance refund \$21,390,000 of principal for the August 2, 2007 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 FY2019 thru FY2038. The City will fund maturities in FY2017 and FY2018. As of the bond closing date of May 19, 2016, these refunded bonds are considered defeased and the liability for them has been removed from the financial statements. The advance refunding reduced the total debt service payments over the next 22 years by \$3,832,100 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,170,215. This advance refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of \$1,270,376. This difference will be reported in the financial statements as deferred debt charges, and will be amortized as a component of interest expenses through FY2038 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 2007 in-substance defeased will be \$21,390,000 until the redemption date of August 1, 2017.

Component Unit – Lynchburg City Schools:

The following is a summary of changes in other long-term liabilities for FY2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 711,082	\$ 889,179	\$ 775,846	\$ 824,415	\$ 689,075
Other post-employment benefits	3,475,568	908,553	184,338	4,199,783	-
	<u>\$ 4,186,650</u>	<u>\$ 1,797,732</u>	<u>\$ 960,184</u>	<u>\$ 5,024,198</u>	<u>\$ 689,075</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

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 three 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 FY 2016 the City was in compliance with the Fund Balance Policy.

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

	MAJOR FUNDS			NON MAJOR SPECIAL REVENUE FUNDS			
	GENERAL FUND	CITY CAPITAL PROJECTS	SCHOOL CAPITAL PROJECTS	CITY FEDERAL STATE AID	COMMUNITY DEVELOPMENT BLOCK GRANT	LYNCHBURG BUSINESS DEVELOPMENT CENTRE	FORFEITED ASSETS
FUND BALANCES							
Nonspendable							
Advance to Lynchburg United Soccer	\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Transportation projects	-	2,597,036	-	-	-	-	-
Criminal Justice Academy	-	-	-	43,843	-	-	-
Community Corrections	-	-	-	98,860	-	-	-
Fire Department	-	-	-	282,150	-	-	-
Police Department	-	-	-	105,716	-	-	-
Economic Development	-	-	-	(26,231)	-	-	-
Grants	-	-	-	338	-	-	-
Social Services	-	-	-	10,920	-	-	-
CDBG - Bluffwalk	-	-	-	-	1,068,464	-	-
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	-	181,235
Federal Asset Forfeiture- Police	-	-	-	-	-	-	42,067
State Asset Forfeiture - Police	-	-	-	-	-	-	275,562
Lynchburg Expressway beautification	-	-	-	-	-	-	-
HOME projects	-	-	-	-	-	-	-
Committed to:							
Technology	2,891,233	-	-	-	-	-	-
Detention Home Workers Compensation	100,000	-	-	-	-	-	-
Health Insurance Reserve	731,009	-	-	-	-	-	-
Schools for Textbooks	810,693	-	-	-	-	-	-
Schools for Health Insurance Reserve	1,140,608	-	-	-	-	-	-
Juvenile Services Cap Needs	150,000	-	-	-	-	-	-
Other Post Employment Benefits	2,141,392	-	-	-	-	-	-
Solid Waste Debt Retirement	340,615	-	-	-	-	-	-
Schools Special Education	321,000	-	-	-	-	-	-
Heritage High School Reserve FF&E	900,000	-	-	-	-	-	-
GLTC Special Reserve	587,562	-	-	-	-	-	-
Self Insurance	1,831,559	-	-	-	-	-	-
Armstrong School	29,086	-	-	-	-	-	-
Cultural and Recreational	2,587	-	-	-	-	-	-
General Government	14,779	-	-	-	-	-	-
Health and Welfare	11,023	-	-	-	-	-	-
Judicial	1,097	-	-	-	-	-	-
Public Safety	8,551	-	-	-	-	-	-
Public Works	126,872	-	-	-	-	-	-
Sale of downtown GEFA building	-	116,388	-	-	-	-	-
Building projects	-	5,577,732	-	-	-	-	-
Transportation projects	-	24,793,135	-	-	-	-	-
Economic Development	-	2,881,544	-	-	-	-	-
Parks and Recreation projects	-	6,052,705	-	-	-	-	-
Waste Management projects	-	154,708	-	-	-	-	-
Other Projects	-	396,785	80,536	-	-	-	-
Provision of loan funds for small businesses	-	-	-	-	-	125,384	-
Heritage High School	-	-	12,661,937	-	-	-	-
Assigned to:							
Return of School Fund Balance	1,779,622	-	-	-	-	-	-
Law Library	36,990	-	-	-	-	-	-
Museum	50,028	-	-	-	-	-	-
Recreation Programs	185,445	-	-	-	-	-	-
Pier Program	119,854	-	-	-	-	-	-
Dental Claims Reserve	150,000	-	-	-	-	-	-
Health Insurance Reserve	664,538	-	-	-	-	-	-
Future Post Closure	473,951	-	-	-	-	-	-
Fire Equipment	30,922	-	-	-	-	-	-
Line of Duty Death Benefit	501,440	-	-	-	-	-	-
Future Landfill Needs	260,998	-	-	-	-	-	-
Parking Operations	59,155	-	-	-	-	-	-
Point of Honor	2,653	-	-	-	-	-	-
Police Range Operations	5,164	-	-	-	-	-	-
Blue Ridge Regional Jail	79,363	-	-	-	-	-	-
Fire Restitution	2,408	-	-	-	-	-	-
Adopt-A-Bed	2,772	-	-	-	-	-	-
Virginia Land Conservancy	2,314	-	-	-	-	-	-
General Government	183,804	-	-	-	-	-	-
Health and Welfare	32,717	-	-	-	-	-	-
Judicial	2,911	-	-	-	-	-	-
Public Safety	62,892	-	-	-	-	-	-
Public Works	328,184	-	-	-	-	-	-
Community Development	13,799	-	-	-	-	-	-
Community Diversion	195,809	-	-	-	-	-	-
Cultural & Recreational	5,019	-	-	-	-	-	-
Major Maintenance and Equipment replacement	-	-	-	-	-	-	-
Unassigned:	25,589,098	-	-	-	-	-	-
Total Fund Balance	<u>\$ 42,961,516</u>	<u>\$ 42,870,033</u>	<u>\$ 12,742,473</u>	<u>\$ 515,596</u>	<u>\$ 1,068,464</u>	<u>\$ 125,384</u>	<u>\$ 498,864</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

NON MAJOR SPECIAL REVENUE FUNDS

	LYNCHBURG EXPRESSWAY APPEARANCE	HOME INVESTMENT TRUST	LYNCHBURG REGIONAL JUVENILE DETENTION CENTER	ALL FUNDS
FUND BALANCES				
Nonspendable				
Advance to Lynchburg United Soccer	\$ -	\$ -	\$ -	\$ 300,000
Restricted for:				
Transportation projects	-	-	-	2,597,036
Criminal Justice Academy	-	-	-	43,843
Community Corrections	-	-	-	98,860
Fire Department	-	-	-	282,150
Police Department	-	-	-	105,716
Economic Development	-	-	-	(26,231)
Grants	-	-	-	338
Social Services	-	-	-	10,920
CDBG - Bluffwalk	-	-	-	1,068,464
State Asset Forfeiture - Commonwealth Attorney	-	-	-	181,235
Federal Asset Forfeiture- Police	-	-	-	42,067
State Asset Forfeiture - Police	-	-	-	275,562
Lynchburg Expressway beautification	173,008	-	-	173,008
HOME projects	-	26,247	-	26,247
Committed to:				
Technology	-	-	-	2,891,233
Detention Home Workers Compensation	-	-	-	100,000
Health Insurance Reserve	-	-	-	731,009
Schools for Textbooks	-	-	-	810,693
Schools for Health Insurance Reserve	-	-	-	1,140,608
Juvenile Services Cap Needs	-	-	-	150,000
Other Post Employment Benefits	-	-	-	2,141,392
Solid Waste Debt Retirement	-	-	-	340,615
Schools Special Education	-	-	-	321,000
Heritage High School Reserve FF&E	-	-	-	-
GLTC Special Reserve	-	-	-	900,000
Self Insurance	-	-	-	587,562
Armstrong School	-	-	-	1,831,559
Cultural and Recreational	-	-	-	29,086
General Government	-	-	-	2,587
Health and Welfare	-	-	-	14,779
Judicial	-	-	-	11,023
Public Safety	-	-	-	1,097
Public Works	-	-	-	8,551
Sale of downtown GEFA building	-	-	-	126,872
Building projects	-	-	-	116,388
Transportation projects	-	-	-	5,577,732
Economic Development	-	-	-	24,793,135
Parks and Recreation projects	-	-	-	2,881,544
Waste Management projects	-	-	-	6,052,705
Other Projects	-	-	-	154,708
Provision of loan funds for small businesses	-	-	-	477,321
Heritage High School	-	-	-	125,384
				12,661,937
Assigned to:				
Return of School Fund Balance	-	-	-	1,779,622
Law Library	-	-	-	36,990
Museum	-	-	-	50,028
Recreation Programs	-	-	-	185,445
Pier Program	-	-	-	119,854
Dental Claims Reserve	-	-	-	150,000
Health Insurance Reserve	-	-	-	664,538
Future Post Closure	-	-	-	473,951
Fire Equipment	-	-	-	30,922
Line of Duty Death Benefit	-	-	-	501,440
Future Landfill Needs	-	-	-	260,998
Parking Operations	-	-	-	59,155
Point of Honor	-	-	-	2,653
Police Range Operations	-	-	-	5,164
Blue Ridge Regional Jail	-	-	-	79,363
Fire Restitution	-	-	-	2,408
Adopt-A-Bed	-	-	-	2,772
Virginia Land Conservancy	-	-	-	2,314
General Government	-	-	-	183,804
Health and Welfare	-	-	-	32,717
Judicial	-	-	-	2,911
Public Safety	-	-	-	62,892
Public Works	-	-	-	328,184
Community Development	-	-	-	13,799
Community Diversion	-	-	-	195,809
Cultural & Recreational	-	-	-	5,019
Major Maintenance and Equipment replacement	-	-	100,012	100,012
Unassigned:	-	-	-	25,589,098
Total Fund Balance	<u>\$ 173,008</u>	<u>\$ 26,247</u>	<u>\$ 100,012</u>	<u>\$ 101,081,597</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan

City of Lynchburg

Plan Description

All full-time, salaried permanent employees of the City, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan is as follows:

Plan 1 – 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 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 1 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 Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. 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 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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **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.
- **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 1.70%. 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 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service, for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- **Disability Coverage** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% 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, 2016

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Plan Description (Continued)

Plan 2 - Plan 2 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 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.

- **Hybrid Opt-In Election** – Eligible Plan 2 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 2 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 have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **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** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Plan Description (Continued)

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 Plan 1 and 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 political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees and 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or 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.
- **Creditable Service** –
 - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service and is generally subject to the same terms as in Plans 1 and 2.
 - **Defined Contributions 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 (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Calculating the Benefit –**
 - **Defined Benefit Component:** See definition under Plan 1.
 - **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 Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
 - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
- **Earliest Reduced Retirement Eligibility –**
 - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **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 Plan 2.
- **Disability Coverage –** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service –** As with Plans 1 and 2, members may choose to purchase prior service credits subject to the Plan provisions.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	930
Inactive members:	
Vested inactive members	181
Non-vested inactive members	296
Inactive members active elsewhere in VRS	291
Total inactive members	768
Active members	1,154
Total covered employees	2,852

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The political subdivision's contractually required contribution rate for the year ended June 30, 2016 was 20.80% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$10,951,053 and \$10,728,502 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees - Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates: General employees - 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) increase in rates of withdrawal, and reduce rates of salary increase by 0.25% per year.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50	6.28 %	1.04
Emerging Market Equity	6.00	10.00 %	0.60
Fixed Income	15.00	0.09 %	0.01
Emerging Debt	3.00	3.51 %	0.11
Rate Sensitive Credit	4.50	3.51 %	0.16
Non Rate Sensitive Credit	4.50	5.00 %	0.23
Convertibles	3.00	4.81 %	0.14
Public Real Estate	2.25	6.12 %	0.14
Private Real Estate	12.75	7.10 %	0.91
Private Equity	12.00	10.41 %	1.25
Cash	1.00	(1.50)%	(0.02)
Total	100.00 %		5.83 %
	Inflation		2.50 %
	Expected arithmetic nominal return		8.33 %

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2014	\$ 337,591,843	\$ 238,604,898	\$ 98,986,945
Changes for the year:			
Service cost	6,349,597	-	6,349,597
Interest	22,979,376	-	22,979,376
Differences between expected and actual experience	(1,322,839)	-	(1,322,839)
Contributions – employer	-	10,640,498	(10,640,498)
Contributions – employee	-	2,623,103	(2,623,103)
Net investment income	-	10,830,296	(10,830,296)
Benefit payments, including refunds of employee contributions	(18,630,099)	(18,630,099)	-
Administrative expenses	-	(151,038)	151,038
Other changes	-	(2,273)	2,273
Net changes	9,376,035	5,310,487	4,065,548
Balances at June 30, 2015	\$ 346,967,878	\$ 243,915,385	\$ 103,052,493

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's net pension liability	\$ 145,589,748	\$ 103,052,493	\$ 67,499,853

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

City of Lynchburg (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the political subdivision recognized pension expense of \$7,496,164. At June 30, 2016, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 998,614
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	6,453,155
Employer contributions subsequent to the measurement date	10,951,053	-
Total	<u>\$ 10,951,053</u>	<u>\$ 7,451,769</u>

The \$10,951,053 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	\$ (2,853,867)
2018	(2,853,867)
2019	(2,853,866)
2020	1,109,831
2021	-
Thereafter	-

Payables to the Pension Plan

At June 30, 2016, approximately \$1,256,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of the Lynchburg City Schools, (the “School division”) are automatically covered by the VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Plan participants are covered under three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described for the City.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>95</u>
Inactive members:	
Vested inactive members	10
Non-vested inactive members	69
Inactive members active elsewhere in VRS	<u>21</u>
Total inactive members	100
Active members	<u>159</u>
Total covered employees	<u><u>354</u></u>

Contributions

The school division’s contractually required contribution rate for the year ended June 30, 2016 was 8.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

Contributions to the pension plan from the school division were \$327,494 and \$318,007 for the years ended June 30, 2016 and June 30, 2015, respectively.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Lynchburg City Schools (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2014, as restated*	\$ 13,508,070	\$ 12,667,526	\$ 840,544
Changes for the year:			
Service cost	406,482	-	406,482
Interest	919,361	-	919,361
Differences between expected and actual experience	(44,589)	-	(44,589)
Contributions – employer	-	308,821	(308,821)
Contributions – employee	-	173,123	(173,123)
Net investment income	-	574,086	(574,086)
Benefit payments, including refunds of employee contributions	(748,677)	(748,677)	-
Administrative expenses	-	(8,015)	8,015
Other changes	-	(120)	120
Net changes	532,577	299,218	233,359
Balances at June 30, 2015	\$ 14,040,647	\$ 12,966,744	\$ 1,073,903

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the school division using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's net pension liability	\$ 2,681,723	\$ 1,073,903	\$ (284,215)

*The net pension liability at June 30, 2014, as reported in 2015, included a separate legal entity, the Laurel Regional Program, which is a cost sharing participant in the School division's plan. The effects of this participation, which approximated 3.72% of the total liability, was removed resulting in an increase of beginning net position of \$51,437.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)**Lynchburg City Schools (Continued)****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the school division recognized pension expense of \$117,860. At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 31,189
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	344,723
Employer contributions subsequent to the measurement date	<u>327,494</u>	<u>-</u>
Total	<u><u>\$ 327,494</u></u>	<u><u>\$ 375,912</u></u>

The \$327,494 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	\$ (149,827)
2018	(149,827)
2019	(138,095)
2020	61,837
2021	-
Thereafter	-

Payables to the Pension Plan

At June 30, 2016, approximately \$11,700 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia school divisions, including the Lynchburg City Schools, (the “School Division”), are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is a multiple employer cost-sharing plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

Prior to the adoption of GASB Statement No. 68 in fiscal year 2015, Virginia local school divisions were required to disclose information about their contributions to the teacher cost-sharing plan, but not report a proportionate share of the plan’s net pension liability. Upon adoption of the new pension standards in 2015, the School Division now reports its proportionate share of the plan’s net pension liability as well as certain other deferred inflows and/or outflows as disclosed below.

Plan participants are covered under three different benefit structures – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 11.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division’s contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The amount of this transfer for the School division, included in operating grants and contributions in the Statement of Activities, was approximately \$1,310,000.

The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division were \$7,665,214 and \$7,180,755 for the years ended June 30, 2016 and June 30, 2015, respectively.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the school division reported a liability of \$85,540,519 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.70685% as compared to 0.70008% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$6,760,307. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

The net pension liability at June 30, 2014, as reported in 2015, included a separate legal entity, the Laurel Regional Program, which is a cost sharing participant in the School Division's plan. The effects of this participation, which approximated 3.72% of the total liability, was removed resulting in an increase in beginning net position of \$3,272,907.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,177,811
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,238,179
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,960,470	-
Employer contributions subsequent to the measurement date	7,665,214	-
Total	<u>\$ 9,625,684</u>	<u>\$ 6,415,990</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$1,960,470 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	\$ (1,621,419)
2018	(1,621,419)
2019	(1,621,419)
2020	494,675
2021	(85,938)
Thereafter	-

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability of the school division using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 125,181,531</u>	<u>\$ 85,540,519</u>	<u>\$ 52,909,422</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2016, approximately \$930,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 13. Other Post-Employment 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 post-employment health and dental benefits to its retirees, through its self-insured health plan. Retirees may continue to participate in the group health and dental plans based upon the date of full time hire in accordance with the provisions outlined below.

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

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

Membership

The number of participants as of the most recent valuation, July 1, 2016, was as follows:

Actives	1,125
Retirees	450
Spouses	<u>136</u>
Total Participants	<u><u>1,711</u></u>

Funding Policy

The City currently funds postemployment health care benefits on a pay-as-you-go basis. During FY2016, the City added \$9,578 in interest earnings to the funds committed for the OPEB liability. Total funds committed for OPEB at June 30, 2016 including interest are \$2,141,392. 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, 2016, the City's Annual OPEB Cost (expense) was \$4,846,478. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$2,080,511 for retirees, along with an Implicit Rate Subsidy of \$582,543 resulted in a Net OPEB obligation of \$7,761,325 for the year ended June 30, 2016.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 13. Other Post-Employment Benefits (Continued)

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

City of Lynchburg (Continued)

Annual required contribution	\$ 4,864,802
Interest on net OPEB obligation	223,116
Adjustment to annual required contribution	<u>(241,440)</u>
Annual OPEB cost	4,846,478
Contributions made	<u>(2,663,054)</u>
Increase in net OPEB obligation	2,183,424
Net OPEB obligation-beginning of year	<u>5,577,901</u>
Net OPEB obligation-end of year	<u><u>\$ 7,761,325</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 FY2014, FY2015, and FY2016 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>
06/30/2014	\$3,501,875	60.6%	\$5,525,059
06/30/2015	\$3,511,742	98.5%	\$5,577,901
06/30/2016	\$4,846,478	54.9%	\$7,761,325

Funded Status and Funding Progress

The funded status of the plan as of the most recent valuation, June 30, 2016, was as follows:

Actuarial Accrued Liability (AAL)	\$ 91,624,500
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 91,624,500</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 48,947,764
UAAL as a Percentage of Covered Payroll	187.19%

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 13. Other Post-Employment Benefits (Continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation (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, 2016 actuarial valuation, the Entry Age 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 retirement 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, 2016 is 26 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 employee-only low option medical plan for an eligible retiree. Employees are eligible for this early retirement incentive plan upon reaching twenty-five (25) years of Virginia Retirement System service and ten (10) continuous years of employment with Lynchburg City Schools immediately preceding retirement. The benefit is payable for five (5) years or until age 65, whichever occurs first. This plan was offered only in FY2009, and is no longer available to new participants.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 13. Other Post-Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Membership

The number of participants at June 30, 2016 was as follows:

Active participants	1,211
Inactive participants	<u>85</u>
Total	<u>1,296</u>

Funding Policy

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

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2016, the School's annual OPEB cost (expense) was \$908,553. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$184,338 for retirees, resulted in a Net OPEB obligation of \$4,199,783 for the year ended June 30, 2016.

Annual required contribution	\$ 962,789
Interest on net OPEB obligation	139,023
Adjustment to annual required contribution	<u>(193,259)</u>
Annual OPEB cost	908,553
Contributions made	<u>(184,338)</u>
Increase in net OPEB obligation	724,215
Net OPEB obligation-beginning of year	<u>3,475,568</u>
Net OPEB obligation-end of year	<u>\$ 4,199,783</u>

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2014, FY2015 and FY2016 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>
06/30/2014	\$895,582	49.5%	\$3,266,865
06/30/2015	\$926,754	77.5%	\$3,475,568
06/30/2016	\$908,553	20.3%	\$4,199,783

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 13. Other Post-Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016 was as follows:

Actuarial Accrued Liability (AAL)	\$ 7,723,237
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 7,723,237</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0 %
Covered Payroll (Active Plan Members)	\$ 57,846,819
UAAL as a Percentage of Covered Payroll	13.35 %

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

Actuarial Methods and Assumptions

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

In the June 30, 2016 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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 14. 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
2017	\$ 210,112	\$ 376,520
2018	126,573	345,508
2019	106,066	275,198
2020	102,585	93,369
2021	101,040	63,915
2022-2026	375,349	250,000
	<u>\$ 1,021,725</u>	<u>\$ 1,404,510</u>

For 2016, the City incurred rental expenditures of \$372,318 in the General Fund and the Schools incurred rental expenditures of \$619,951.

Note 15. 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 \$812,437.

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 \$435 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 \$511,111. 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 \$12,014,385 was incurred. Administrative fees, Affordable Care Act fees, and stop loss premiums for the year ended June 30 totaled \$1,068,585. Estimated incurred, but not reported, claims at June 30, included in ending claims payable, totaled approximately \$561,116 and has been funded by the City.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 15. Risk Management (Continued)

Changes in aggregate liabilities were as follows:

			Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Workers' Compensation	2016	\$	2,600,085	\$ 1,031,844	\$ 812,437	\$ 2,819,492
	2015	\$	2,419,999	\$ 1,046,442	\$ 866,356	\$ 2,600,085
General/Automotive Liability	2016	\$	-	\$ 170,404	\$ 170,404	\$ -
	2015	\$	-	\$ 451,186	\$ 451,186	\$ -
Healthcare	2016	\$	750,000	\$ 12,014,385	\$ 11,275,284	\$ 1,489,101
	2015	\$	346,784	\$ 9,800,881	\$ 9,397,665	\$ 750,000

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.

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 \$350,000 per covered individual per contract year. Total claims expense of \$9,234,959 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, Affordable Care Act fees, and stop loss premiums for the current year totaled \$776,180. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled \$776,180 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	2016	\$	551,416	\$ 9,010,195	\$ 10,562,555	\$ 776,180
	2015	\$	454,293	\$ 8,028,296	\$ 7,931,173	\$ 551,416

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 16. 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)	\$ 106,583,733
Principal and other debt service expenses included in City	<u>8,657,982</u>
Total expenses/expenditures for School activities	<u>\$ 115,241,715</u>

Note 17. Commitments 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. That permit required the City to implement a 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.

On July 31, 2015 VDEQ issued a revised Consent Special Order which significantly changed the CSO Long-Term Control Plan. The revised plan includes an alternate list of projects designed to integrate the CSO program with overarching water quality standards that encompass both CSO and stormwater management impacts. As of September 5, 2014 the revised program was estimated to cost \$63,890,000.

The new Consent Special Order 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 Consent Special Order requires the City to meet several specific criteria such as: maintain a sewer operating fund debt coverage ratio within a range of 1.1 to 1.5 computed on a rolling three year average; ensure sewer fund reserves equal no more than 40 percent of the subsequent years’ budgeted operating expenditures; and at least every other year adjust sewer rates and fees so that the annual sewer billing for a residential customer 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 Orders of Consent. The City is also required by the current Special Order of Consent to submit an annual report by December 10 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.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 17. Commitments and Contingencies (Continued)

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, 2016.

Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2016, the arbitrage rebate liability estimate was zero.

Encumbrance Commitments:

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

MAJOR FUNDS

General Fund	\$ 797,157
City Capital Projects Fund	13,311,830
School Capital Projects	9,179,904
Total Major Funds	<u>23,288,891</u>

NONMAJOR FUNDS

City Federal State Aid	391,700
Asset Forfeiture	30,380
Lynchburg Regional Juvenile Detention Center	7,640
Total Nonmajor Funds	<u>429,720</u>

TOTAL ENCUMBRANCES	<u>\$ 23,718,611</u>
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Construction Commitments:

Included in the encumbrances above are construction commitments of \$13,311,830 in the City Capital Projects fund and \$9,179,904 in the School Capital Projects fund. The City also had construction commitments of \$3,419,082 in the Water fund; \$3,275,949 in the Sewer fund; \$434,211 in the Stormwater Fund; and \$3,153,182 in the Airport fund as of June 30, 2016.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 18. Bluffwalk

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 FY2014, 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.

During FY2015, the City was contacted by the Financial Management division of HUD to advise that a new Section 108 Loan Guarantee Program public offering was available. The City refinanced the Series 2004-A note with an outstanding principal balance of \$1,580,000. The refunding saved the City approximately 13.5% or approximately \$213,000.

During FY2016 the City used \$174,524 of the retained funds along with \$100,000 received from Bluffwalk to pay the annual principal and interest payments. Subsequent to year end Bluffwalk paid \$50,000 towards the required principal and interest payment.

Note 19. New Accounting Standards

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 19. New Accounting Standards (Continued)

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplementary Information
Primary Government
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016

	Plan Year	
	2014	2015
Total Pension Liability		
Service cost	\$ 6,203,323	\$ 6,349,597
Interest on total pension liability	22,279,728	22,979,376
Changes in benefit terms	-	-
Difference between expected and actual experience	-	(1,322,839)
Benefit payments, including refunds of employee contributions	(18,346,084)	(18,630,099)
Net change in total pension liability	10,136,967	9,376,035
Total pension liability - beginning	327,454,876	337,591,843
Total pension liability - ending	337,591,843	346,967,878
Plan Fiduciary Net Position		
Contributions - employer	10,482,447	10,640,498
Contributions - employee	2,545,602	2,623,103
Net investment income	32,917,551	10,830,296
Benefit payments, including refunds of employee contributions	(18,346,084)	(18,630,099)
Administrative expenses	(180,075)	(151,038)
Other	1,737	(2,273)
Net change in plan fiduciary net position	27,421,178	5,310,487
Plan fiduciary net position - beginning	211,183,720	238,604,898
Plan fiduciary net position - ending	238,604,898	243,915,385
Net pension liability - ending	\$ 98,986,945	\$ 103,052,493
Plan fiduciary net position as a percentage of total pension liability	71%	70%
Covered employee payroll	\$ 47,572,054	\$ 50,441,350
Net pension liability as a percentage of covered employee payroll	208%	204%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report. This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

Required Supplementary Information
Schools – Non Professional Employees
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016

	Plan Year	
	2014	2015
Total Pension Liability		
Service cost	\$ 408,027	\$ 408,652
Interest on total pension liability	935,168	975,621
Difference between expected and actual experience	-	(47,318)
Benefit payments, including refunds of employee contributions	(736,082)	(794,492)
Net change in total pension liability	607,113	542,463
Total pension liability - beginning	13,727,582	14,334,695
Total pension liability - ending	14,334,695	14,877,158
Plan Fiduciary Net Position		
Contributions - employer	382,008	327,719
Contributions - employee	192,487	183,717
Net investment income	1,844,193	609,217
Benefit payments, including refunds of employee contributions	(736,082)	(794,492)
Administrative expenses	(9,987)	(8,505)
Other	98	(127)
Net change in plan fiduciary net position	1,672,717	317,529
Plan fiduciary net position - beginning	11,769,997	13,442,714
Plan fiduciary net position - ending	13,442,714	13,760,243
Net pension liability - ending	\$ 891,981	\$ 1,116,915
Plan fiduciary net position as a percentage of total pension liability	94%	92%
Covered employee payroll	\$ 3,851,034	\$ 3,727,782
Net pension liability as a percentage of covered employee payroll	23%	30%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report. This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

Required Supplementary Information
Schedule of Pension Contributions
For the Year Ended June 30, 2016

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2016	\$ 10,951,053	\$ 10,951,053	\$ -	\$ 51,326,626	21.34%
2015	\$ 10,728,502	\$ 10,728,502	\$ -	\$ 50,441,350	21.27%
Schools - Nonprofessional Employees					
2016	\$ 340,611	\$ 340,611	\$ -	\$ 3,613,671	9.43%
2015	\$ 330,294	\$ 330,294	\$ -	\$ 3,727,782	8.86%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available.

Required Supplementary Information
Schedule of Employer's Share of Net Pension Liability
VRS Teacher Retirement Plan
For the Year Ended June 30, 2016

School Division	Fiscal Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	2016	0.71%	\$ 88,962,000	\$ 51,468,623	172.85%	70.68%
	2015	0.70%	\$ 84,602,000	\$ 51,204,136	165.22%	70.88%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the measurement period, which is the twelve months prior to the School Division's fiscal year.

Required Supplementary Information
Schedule of Pension Contributions
VRS Teacher Retirement Plan
For the Year Ended June 30, 2016

School Division Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2016	\$ 7,972,259	\$ 7,972,259	\$ -	\$ 50,669,701	15.73%
2015	\$ 7,458,200	\$ 7,458,200	\$ -	\$ 51,468,623	14.49%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the school division's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

Required Supplemental Information
Schedule of Funding Progress for Other Post Employment Benefits
As of June 30, 2016

	Actuarial	Actuarial Value	Actuarial Accrued	Unfunded Actuarial Accrued	Funded	Annual Covered	UAAL as a
	Valuation Date	of Assets	Liability (AAL)	Liability (UAAL)	Ratio	Payroll	Percentage of Covered Payroll
City of Lynchburg							
	June 30, 2016	\$ -	\$ 91,624,500	\$ 91,624,500	0.00%	\$ 48,947,764	187.19%
	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, 2016	\$ -	\$ 7,723,237	\$ 7,723,237	0.00%	\$ 57,846,819	13.35%
	June 30, 2015	\$ -	\$ 7,268,479	\$ 7,268,479	0.00%	\$ 57,822,720	12.57%
	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%

CITY OF LYNCHBURG, VIRGINIA

Notes to Required Supplementary Information June 30, 2016

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Teacher cost-sharing pool

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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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 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.
- Children's Services Act Fund – Accounts for revenues received and expenditures made to support the Children's 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.

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2016

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Children's Services Act
Assets					
Cash and cash equivalents	\$ -	\$ 1,068,451	\$ 171	\$ 500,469	\$ -
Receivables, net of allowance:					
Other	68,660	2,355	-	-	8,425
Due from other funds	263,378	-	-	-	324,120
Due from other governments	217,587	12,437	-	-	1,915,339
Due from component unit	-	-	125,000	-	-
Other assets	-	-	213	-	-
Restricted assets:					
Cash and cash equivalents	515,596	-	-	-	-
Total assets	<u>\$ 1,065,221</u>	<u>\$ 1,083,243</u>	<u>\$ 125,384</u>	<u>\$ 500,469</u>	<u>\$ 2,247,884</u>
Liabilities					
Accounts payable and other liabilities	\$ 25,500	\$ 9,106	\$ -	\$ 1,605	\$ 981,565
Accrued payroll and related liabilities	61,233	3,318	-	-	1,872
Due to other funds	263,990	-	-	-	1,264,447
Due to other governments	98,860	-	-	-	-
Total liabilities	<u>449,583</u>	<u>12,424</u>	<u>-</u>	<u>1,605</u>	<u>2,247,884</u>
Deferred Inflows of Resources					
Unavailable revenue	100,042	2,355	-	-	-
Total deferred inflows of resources	<u>100,042</u>	<u>2,355</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted	515,596	1,068,464	-	498,864	-
Committed	-	-	125,384	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>515,596</u>	<u>1,068,464</u>	<u>125,384</u>	<u>498,864</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,065,221</u>	<u>\$ 1,083,243</u>	<u>\$ 125,384</u>	<u>\$ 500,469</u>	<u>\$ 2,247,884</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2016

	Lynchburg Expressway Appearance	HOME Investment Trust	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
Assets				
Cash and cash equivalents	\$ 197,681	\$ 26,030	\$ 86,803	\$ 1,879,605
Receivables, net of allowance:				
Other	72,134	-	-	151,574
Due from other funds	-	-	-	587,498
Due from other governments	-	1,979	440,183	2,587,525
Due from component unit	-	-	-	125,000
Other assets	-	-	-	213
Restricted assets:				
Cash and cash equivalents	-	-	-	515,596
Total assets	<u>\$ 269,815</u>	<u>\$ 28,009</u>	<u>\$ 526,986</u>	<u>\$ 5,847,011</u>
Liabilities				
Accounts payable and other liabilities	\$ 1,088	\$ 1,173	\$ 10,816	\$ 1,030,853
Accrued payroll and related liabilities	-	589	66,328	133,340
Due to other funds	-	-	349,830	1,878,267
Due to other governments	-	-	-	98,860
Total liabilities	<u>1,088</u>	<u>1,762</u>	<u>426,974</u>	<u>3,141,320</u>
Deferred Inflows of Resources				
Unavailable revenue	95,719	-	-	198,116
Total deferred inflows of resources	<u>95,719</u>	<u>-</u>	<u>-</u>	<u>198,116</u>
Fund Balances				
Restricted	173,008	26,247	-	2,282,179
Committed	-	-	-	125,384
Assigned	-	-	100,012	100,012
Unassigned	-	-	-	-
Total fund balances	<u>173,008</u>	<u>26,247</u>	<u>100,012</u>	<u>2,507,575</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 269,815</u>	<u>\$ 28,009</u>	<u>\$ 526,986</u>	<u>\$ 5,847,011</u>

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2016

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Children's Services Act
Revenues					
Intergovernmental	\$ 3,318,357	\$ 1,102,141	\$ -	\$ 279,651	\$ 3,931,736
Revenue from use of money and property	-	-	31,804	1,195	-
Charges for services	605,467	67,208	-	-	1,959,515
Miscellaneous	316,878	-	-	-	39,823
Total revenues	<u>4,240,702</u>	<u>1,169,349</u>	<u>31,804</u>	<u>280,846</u>	<u>5,931,074</u>
Expenditures					
Current operating expenditures:					
General government	-	-	-	-	-
Judicial	933,805	-	-	51,334	-
Public safety	1,543,960	-	-	38,646	-
Public works	14,999	-	-	-	-
Health and human services	1,611,960	-	-	-	5,945,630
Community development	81,732	1,345,938	31,804	-	-
Capital Outlay:					
Capital general government	-	-	-	10,552	-
Debt service:					
Principal retirements	180,000	-	-	-	-
Interest payments and other fiscal charges	16,680	-	-	-	-
Total expenditures	<u>4,383,136</u>	<u>1,345,938</u>	<u>31,804</u>	<u>100,532</u>	<u>5,945,630</u>
Excess (deficiency) of revenues over expenditures	<u>(142,434)</u>	<u>(176,589)</u>	<u>-</u>	<u>180,314</u>	<u>(14,556)</u>
Other financing sources (uses)					
Transfers in	324,895	-	-	-	-
Transfers out	-	-	-	(15,000)	-
Total other financing sources (uses)	<u>324,895</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>
Net changes in fund balances	182,461	(176,589)	-	165,314	(14,556)
Fund balances - beginning	<u>333,135</u>	<u>1,245,053</u>	<u>125,384</u>	<u>333,550</u>	<u>14,556</u>
Fund balances - ending	<u>\$ 515,596</u>	<u>\$ 1,068,464</u>	<u>\$ 125,384</u>	<u>\$ 498,864</u>	<u>\$ -</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2016

	Lynchburg Expressway Appearance	HOME Investment Trust	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
Revenues				
Intergovernmental	\$ -	\$ 236,841	\$ 1,085,830	\$ 9,954,556
Revenue from use of money and property	-	-	-	32,999
Charges for services	-	-	1,495,868	4,128,058
Miscellaneous	21,758	-	261	378,720
Total revenues	<u>21,758</u>	<u>236,841</u>	<u>2,581,959</u>	<u>14,494,333</u>
Expenditures				
Current operating expenditures:				
General government	-	-	4,346	4,346
Judicial	-	-	-	985,139
Public safety	-	-	2,452,382	4,034,988
Public works	36,891	-	-	51,890
Health and human services	-	-	-	7,557,590
Community development	-	236,841	-	1,696,315
Capital Outlay:				
Capital general government	-	-	-	10,552
Debt service:				
Principal retirements	-	-	116,865	296,865
Interest payments and other fiscal charges	-	-	8,366	25,046
Total expenditures	<u>36,891</u>	<u>236,841</u>	<u>2,581,959</u>	<u>14,662,731</u>
Deficiency of revenues over expenditures	<u>(15,133)</u>	<u>-</u>	<u>-</u>	<u>(168,398)</u>
Other financing sources (uses)				
Transfers in	-	-	-	324,895
Transfers out	-	-	-	(15,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,895</u>
Net changes in fund balances	<u>(15,133)</u>	<u>-</u>	<u>-</u>	<u>141,497</u>
Fund balances - beginning	<u>188,141</u>	<u>26,247</u>	<u>100,012</u>	<u>2,366,078</u>
Fund balances - ending	<u>\$ 173,008</u>	<u>\$ 26,247</u>	<u>\$ 100,012</u>	<u>\$ 2,507,575</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City/Federal/State Aid Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 2,858,195	\$ 5,030,659	\$ 3,318,357	\$ (1,712,302)
Charges for services	56,160	60,677	605,467	544,790
Miscellaneous	44,330	84,918	316,878	231,960
Total revenues	<u>2,958,685</u>	<u>5,176,254</u>	<u>4,240,702</u>	<u>(935,552)</u>
Expenditures				
Current operating expenditures:				
Judicial	857,953	1,007,659	933,805	73,854
Public safety	605,168	1,753,793	1,543,960	209,833
Public works	11,045	22,099	14,999	7,100
Health and human services	1,525,396	1,926,119	1,611,960	314,159
Community development	38,420	98,873	81,732	17,141
Debt service:				
Principal retirements	-	-	180,000	(180,000)
Interest payments and other fiscal charges	-	-	16,680	(16,680)
Total expenditures	<u>3,037,982</u>	<u>4,808,543</u>	<u>4,383,136</u>	<u>425,407</u>
Excess (deficiency) of revenues over expenditures	<u>(79,297)</u>	<u>367,711</u>	<u>(142,434)</u>	<u>(510,145)</u>
Other financing sources				
Transfers in	<u>79,297</u>	<u>323,671</u>	<u>324,895</u>	<u>1,224</u>
Total other financing sources	<u>79,297</u>	<u>323,671</u>	<u>324,895</u>	<u>1,224</u>
Net changes in fund balances	-	691,382	182,461	(508,921)
Fund balances - beginning	<u>333,135</u>	<u>333,135</u>	<u>333,135</u>	<u>-</u>
Fund balances - ending	<u>\$ 333,135</u>	<u>\$ 1,024,517</u>	<u>\$ 515,596</u>	<u>\$ (508,921)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 686,040	\$ 1,644,515	\$ 1,102,141	\$ (542,374)
Charges for services	1,708	4,442	67,208	62,766
Total revenues	<u>687,748</u>	<u>1,648,957</u>	<u>1,169,349</u>	<u>(479,608)</u>
Expenditures				
Current operating expenditures:				
Community development	857,882	2,806,707	1,345,938	1,460,769
Total expenditures	<u>857,882</u>	<u>2,806,707</u>	<u>1,345,938</u>	<u>1,460,769</u>
Net changes in fund balances	(170,134)	(1,157,750)	(176,589)	981,161
Fund balances - beginning	<u>1,245,053</u>	<u>1,245,053</u>	<u>1,245,053</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,074,919</u>	<u>\$ 87,303</u>	<u>\$ 1,068,464</u>	<u>\$ 981,161</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Forfeited Assets Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 279,651	\$ 279,651
Revenue from use of money and property	-	-	1,195	1,195
Total revenues	<u>-</u>	<u>-</u>	<u>280,846</u>	<u>280,846</u>
Expenditures				
Current operating expenditures:				
Judicial	33,296	218,795	51,334	167,461
Public safety	-	277,219	38,646	238,573
Capital Outlay				
Capital general government	-	34,151	10,552	23,599
Total expenditures	<u>33,296</u>	<u>530,165</u>	<u>100,532</u>	<u>429,633</u>
Excess (deficiency) of revenues over expenditures	<u>(33,296)</u>	<u>(530,165)</u>	<u>180,314</u>	<u>710,479</u>
Other financing uses				
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Total other financing uses	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net changes in fund balances	<u>(48,296)</u>	<u>(545,165)</u>	<u>165,314</u>	<u>710,479</u>
Fund balances - beginning	<u>333,550</u>	<u>333,550</u>	<u>333,550</u>	<u>-</u>
Fund balances (deficits) - ending	<u>\$ 285,254</u>	<u>\$ (211,615)</u>	<u>\$ 498,864</u>	<u>\$ 710,479</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Children's Services Act Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 3,517,404	\$ 4,175,902	\$ 3,931,736	\$ (244,166)
Charges for services	1,435,393	1,635,395	1,959,515	324,120
Miscellaneous	110,000	110,000	39,823	(70,177)
Total revenues	<u>5,062,797</u>	<u>5,921,297</u>	<u>5,931,074</u>	<u>9,777</u>
Expenditures				
Current operating expenditures:				
Health and human services	<u>5,062,797</u>	<u>5,921,297</u>	<u>5,945,630</u>	<u>(24,333)</u>
Total expenditures	<u>5,062,797</u>	<u>5,921,297</u>	<u>5,945,630</u>	<u>(24,333)</u>
Net changes in fund balances	-	-	(14,556)	(14,556)
Fund balances - beginning	<u>14,556</u>	<u>14,556</u>	<u>14,556</u>	<u>-</u>
Fund balances - ending	<u>\$ 14,556</u>	<u>\$ 14,556</u>	<u>\$ -</u>	<u>\$ (14,556)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Investment Trust Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 305,985	\$ 716,865	\$ 236,841	\$ (480,024)
Total revenues	<u>305,985</u>	<u>716,865</u>	<u>236,841</u>	<u>(480,024)</u>
Expenditures				
Current operating expenditures:				
Community development	305,985	629,607	236,841	392,766
Total expenditures	<u>305,985</u>	<u>629,607</u>	<u>236,841</u>	<u>392,766</u>
Net changes in fund balances	-	87,258	-	(87,258)
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>\$ 113,505</u></u>	<u><u>\$ 26,247</u></u>	<u><u>\$ (87,258)</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,119,463	\$ 1,127,304	\$ 1,085,830	\$ (41,474)
Charges for services	1,734,159	1,735,030	1,495,868	(239,162)
Miscellaneous	-	-	261	261
Total revenues	<u>2,853,622</u>	<u>2,862,334</u>	<u>2,581,959</u>	<u>(280,375)</u>
Expenditures				
Current operating expenditures:				
General government	4,125	4,346	4,346	-
Public safety	2,719,144	2,732,201	2,452,382	279,819
Debt service:				
Principal retirements	109,025	116,865	116,865	-
Interest payments and other fiscal charges	21,328	13,488	8,366	5,122
Total expenditures	<u>2,853,622</u>	<u>2,866,900</u>	<u>2,581,959</u>	<u>284,941</u>
Net changes in fund balances	-	(4,566)	-	4,566
Fund balances - beginning	<u>100,012</u>	<u>100,012</u>	<u>100,012</u>	<u>-</u>
Fund balances - ending	<u>\$ 100,012</u>	<u>\$ 95,446</u>	<u>\$ 100,012</u>	<u>\$ 4,566</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 8,702,900	\$ 21,333,504	\$ 8,390,265	\$ (12,943,239)
Revenue from use of money and property	-	-	13,682	13,682
Miscellaneous	1,600,000	3,224,347	1,419,872	(1,804,475)
Total revenues	<u>10,302,900</u>	<u>24,557,851</u>	<u>9,823,819</u>	<u>(14,734,032)</u>
Expenditures				
Current operating expenditures:				
Public works	8,397,428	11,990,500	4,029,559	7,960,941
Cultural and recreational	484,500	1,272,486	533,951	738,535
Community development	285,617	3,516,229	1,336,979	2,179,250
Capital outlay:				
Capital general government	11,062,092	41,579,136	28,054,672	13,524,464
Debt service:				
Issuance costs	-	96,521	96,521	-
Total expenditures	<u>20,229,637</u>	<u>58,454,872</u>	<u>34,051,682</u>	<u>24,403,190</u>
Deficiency of revenues over expenditures	<u>(9,926,737)</u>	<u>(33,897,021)</u>	<u>(24,227,863)</u>	<u>9,669,158</u>
Other financing sources (uses)				
Issuance of bonds	3,096,208	18,743,458	15,596,702	(3,146,756)
Premium on debt issuance	-	1,505,630	1,505,630	-
Transfers in	7,830,529	10,106,265	10,106,215	(50)
Transfers out	-	(416,572)	(416,572)	-
Total other financing sources (uses)	<u>10,926,737</u>	<u>29,938,781</u>	<u>26,791,975</u>	<u>(3,146,806)</u>
Net changes in fund balance	<u>1,000,000</u>	<u>(3,958,240)</u>	<u>2,564,112</u>	<u>6,522,352</u>
Fund balances - beginning	<u>40,305,921</u>	<u>40,305,921</u>	<u>40,305,921</u>	<u>-</u>
Fund balance - ending	<u>\$ 41,305,921</u>	<u>\$ 36,347,681</u>	<u>\$ 42,870,033</u>	<u>\$ 6,522,352</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Capital Projects
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ -	\$ -	\$ 80,355	\$ 80,355
Revenue from use of money and property	-	-	88,417	88,417
Total revenues	-	-	168,772	168,772
Expenditures				
Current operating expenditures:				
Education	-	351,132	69,397	281,735
Capital outlay:				
Capital general government	-	32,951,996	27,815,877	5,136,119
Total expenditures	-	33,303,128	27,885,274	5,417,854
Deficiency of revenues over expenditures	-	(33,303,128)	(27,716,502)	5,586,626
Other financing sources				
Transfers in	-	4,645,000	4,645,000	-
Total other financing sources	-	4,645,000	4,645,000	-
Net changes in fund balance	-	(28,658,128)	(23,071,502)	5,586,626
Fund balances - beginning	35,813,975	35,813,975	35,813,975	-
Fund balances - ending	<u>\$ 35,813,975</u>	<u>\$ 7,155,847</u>	<u>\$ 12,742,473</u>	<u>\$ 5,586,626</u>

Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<u>Special Welfare</u>				
Assets				
Cash and cash equivalents	\$ 123,281	\$ 236,670	\$ 216,094	\$ 143,857
Total Assets	<u>\$ 123,281</u>	<u>\$ 236,670</u>	<u>\$ 216,094</u>	<u>\$ 143,857</u>
Liabilities				
Accounts payable	\$ 753	\$ 145,148	\$ 145,576	\$ 325
Amounts held for others	<u>122,528</u>	<u>204,508</u>	<u>183,504</u>	<u>143,532</u>
Total Liabilities	<u>\$ 123,281</u>	<u>\$ 349,656</u>	<u>\$ 329,080</u>	<u>\$ 143,857</u>

Discretely Presented Component Unit - Lynchburg City Schools
Combining Balance Sheet
June 30, 2016

	School Operating	School Federal Aid	School Cafeteria	Total Governmental
Assets				
Cash and cash equivalents	\$ 6,027,286	\$ -	\$ 1,215,359	\$ 7,242,645
Receivables, net of allowance	511,720	-	195,886	707,606
Due from other funds	580,274	-	-	580,274
Due from other governments	2,876,966	1,720,676	-	4,597,642
Prepaid expenses	368,942	-	-	368,942
Inventory	-	-	35,371	35,371
Total assets	<u>\$ 10,365,188</u>	<u>\$ 1,720,676</u>	<u>\$ 1,446,616</u>	<u>\$ 13,532,480</u>
Liabilities				
Accounts payable and other liabilities	\$ 960,072	\$ 159,070	\$ 18,075	\$ 1,137,217
Accrued payroll and related liabilities	6,056,571	717,115	120,215	6,893,901
Due to other funds	147	540,467	39,660	580,274
Due to primary government - return of local funding	1,358,955	-	-	1,358,955
Due to primary government - other	420,667	-	-	420,667
Total liabilities	<u>8,796,412</u>	<u>1,416,652</u>	<u>177,950</u>	<u>10,391,014</u>
Deferred Inflows of Resources				
Unavailable revenue	1,053,279	304,024	-	1,357,303
Total deferred inflows of resources	<u>1,053,279</u>	<u>304,024</u>	<u>-</u>	<u>1,357,303</u>
Fund balances				
Nonspendable:				
Prepaid items	368,942	-	-	368,942
Inventory	-	-	35,371	35,371
Restricted for:				
Education	-	-	1,233,295	1,233,295
Committed for:				
Education	146,555	-	-	146,555
Total fund balances	<u>515,497</u>	<u>-</u>	<u>1,268,666</u>	<u>1,784,163</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,365,188</u>	<u>\$ 1,720,676</u>	<u>\$ 1,446,616</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.	6,632,548
Receivables on the Statement of Net Position that do not provide current financial resources are reported as unavailable revenue in the funds.	1,357,303
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2016 employer contributions	7,992,708
Deferred outflows of resources related to changes in proportion and differences between employer contributions and proportionate share of contributions - teacher cost sharing pension plan	1,960,470
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(5,582,902)
Difference between expected and actual experience	(1,209,000)
Net pension liability	(86,614,422)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,024,198)
Net position of governmental activities	<u>\$ (78,703,330)</u>

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
Revenues				
Intergovernmental:				
State and Federal	\$ 47,175,457	\$ 10,498,011	\$ 3,969,850	\$ 61,643,318
City of Lynchburg	42,621,770	-	-	42,621,770
Charges for services	1,491,359	-	472,454	1,963,813
Miscellaneous	1,365,368	-	48,276	1,413,644
Total revenues	<u>92,653,954</u>	<u>10,498,011</u>	<u>4,490,580</u>	<u>107,642,545</u>
Expenditures				
Education:				
Instruction	65,839,840	9,975,632	-	75,815,472
Administration, attendance, and health	5,426,428	1,969	-	5,428,397
Pupil transportation services	4,762,678	-	-	4,762,678
Operations and maintenance	10,485,381	78,078	-	10,563,459
Food service and other	21,358	132,879	4,092,029	4,246,266
Facilities	14,825	-	-	14,825
Technology	3,230,426	45,566	-	3,275,992
Capital outlay	2,813,555	263,887	-	3,077,442
Total expenditures	<u>92,594,491</u>	<u>10,498,011</u>	<u>4,092,029</u>	<u>107,184,531</u>
Net changes in fund balances	59,463	-	398,551	458,014
Fund balances - beginning	<u>456,034</u>	<u>-</u>	<u>870,115</u>	
Fund balances - ending	<u>\$ 515,497</u>	<u>\$ -</u>	<u>\$ 1,268,666</u>	

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,415,211) exceeded depreciation expense (\$1,294,982).	120,229
Loss on disposition of capital assets is not reflected in the fund statements.	(44,411)
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expenses.	
Employer pension contributions	7,992,708
Pension expense	(6,630,180)
Compensated absences are not due and payable at June 30, and therefore are not reported in the fund statements.	(113,333)
Other post-retirement benefits are not due and payable at June 30, and therefore are not reported in the fund statements.	(724,215)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>1,470,248</u>
Change in net position of governmental activities.	<u>\$ 2,529,060</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, 2016

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental:				
State and Federal	\$ 48,830,528	\$ 48,830,528	\$ 47,175,457	\$ (1,655,071)
City of Lynchburg	40,114,276	43,980,725	43,980,725	-
Revenue from use of money and property	100	100	-	(100)
Charges for services	1,453,620	1,453,620	1,491,359	37,739
Miscellaneous	421,500	1,528,232	1,365,368	(162,864)
Total revenues	<u>90,820,024</u>	<u>95,793,205</u>	<u>94,012,909</u>	<u>(1,780,296)</u>
Expenditures				
Education:				
Instruction	67,363,198	67,348,905	65,839,840	1,509,065
Administration, attendance, and health	5,193,272	6,366,682	5,426,428	940,254
Pupil transportation services	4,961,027	4,672,591	4,762,678	(90,087)
Operations and maintenance	10,294,429	10,647,895	10,485,381	162,514
Food service and other	28,615	28,615	21,358	7,257
Facilities	22,178	22,178	14,825	7,353
Technology	2,558,080	3,382,070	3,230,426	151,644
Capital outlay	399,225	3,324,269	2,813,555	510,714
Total expenditures	<u>90,820,024</u>	<u>95,793,205</u>	<u>92,594,491</u>	<u>3,198,714</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	1,418,418	<u>\$ 1,418,418</u>
Less return of funds to the City			(1,358,955)	
			<u>\$ 59,463</u>	

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Fiduciary Net Position
For the Year Ended June 30, 2016

	<u>Total Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 667,531
Receivables, net	9,762
Prepaid expenses	<u>7,435</u>
Total Assets	<u><u>\$ 684,728</u></u>
Liabilities	
Amounts held for others	<u>\$ 684,728</u>
Total Liabilities	<u><u>\$ 684,728</u></u>

Discretely Presented Component Unit - Lynchburg City Schools
Statements of Fiduciary Net Position
June 30, 2016

	<u>Governor's School</u>	<u>STEM</u>	<u>Step with Links</u>	<u>GLCT- Step with Links</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 419,772	\$ 20,988	\$ 51,341	\$ 175,430	\$ 667,531
Receivables, net of allowance	-	-	9,762	-	9,762
Prepaid expenses	5,468	1,915	52	-	7,435
Total assets	<u>\$ 425,240</u>	<u>\$ 22,903</u>	<u>\$ 61,155</u>	<u>\$ 175,430</u>	<u>\$ 684,728</u>
Liabilities					
Amounts held for others	\$ 425,240	\$ 22,903	\$ 61,155	\$ 175,430	\$ 684,728
Total liabilities	<u>\$ 425,240</u>	<u>\$ 22,903</u>	<u>\$ 61,155</u>	<u>\$ 175,430</u>	<u>\$ 684,728</u>

**Combining Statement of Net Position
Other Component Units
June 30, 2016**

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 545,413	\$ 429,471	\$ 974,884
Receivables, net of allowance	1,437,188	54,520	1,491,708
Due from other governments	-	1,540,940	1,540,940
Inventory	-	176,384	176,384
Prepays and other assets	800	12,407	13,207
Capital assets:			
Non-depreciable	-	15,631,593	15,631,593
Depreciable	3,842	18,254,555	18,258,397
Total assets	1,987,243	36,099,870	38,087,113
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	190,731	1,795,881	1,986,612
Due to other governments	1,331,060	-	1,331,060
Due to primary government	125,000	6,765	131,765
Total current liabilities	<u>1,646,791</u>	<u>1,802,646</u>	<u>3,449,437</u>
Noncurrent liabilities:			
Other post-employment benefits	-	164,000	164,000
Compensated absences	-	91,165	91,165
Total noncurrent liabilities	<u>-</u>	<u>255,165</u>	<u>255,165</u>
Total liabilities	1,646,791	2,057,811	3,704,602
Net position			
Net investment in capital assets	3,842	33,886,148	33,889,990
Unrestricted	<u>336,610</u>	<u>155,911</u>	<u>492,521</u>
Total net position	\$ 340,452	\$ 34,042,059	\$ 34,382,511

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Other Component Units
For the Year Ended June 30, 2016

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating revenues			
Charges for services and other operating revenues	\$ 257,129	\$ 1,087,084	\$ 1,344,213
Total operating revenues	<u>257,129</u>	<u>1,087,084</u>	<u>1,344,213</u>
Operating expenses			
Operations	223,752	6,256,334	6,480,086
Administration	780	1,691,645	1,692,425
Maintenance and repairs	18,396	1,787,987	1,806,383
Total operating expenses	<u>242,928</u>	<u>9,735,966</u>	<u>9,978,894</u>
Operating income (loss)	<u>14,201</u>	<u>(8,648,882)</u>	<u>(8,634,681)</u>
Nonoperating revenue			
Subsidy of operations - City of Lynchburg	-	1,387,273	1,387,273
Subsidy of operations - Counties	-	57,500	57,500
Subsidy of operations - Liberty University	-	1,236,898	1,236,898
Subsidy of operations - State aid for public transportation	-	1,442,121	1,442,121
Subsidy of operations - Federal operating grant	-	2,019,195	2,019,195
Donations and grants	4,000	6,903	10,903
Total nonoperating revenue	<u>4,000</u>	<u>6,149,890</u>	<u>6,153,890</u>
Capital contributions	-	12,248,684	12,248,684
Change in net position	<u>18,201</u>	<u>9,749,692</u>	<u>9,767,893</u>
Total net position - beginning	<u>322,251</u>	<u>24,292,367</u>	<u>24,614,618</u>
Total net position - ending	<u>\$ 340,452</u>	<u>\$ 34,042,059</u>	<u>\$ 34,382,511</u>

**Combining Statement of Cash Flows
Other Component Units
For the Year Ended June 30, 2016**

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating activities			
Cash received from operations	\$ 428,681	\$ 1,078,922	\$ 1,507,603
Cash paid to employees	(113,793)	(3,449,264)	(3,563,057)
Cash paid to suppliers for goods and services	(115,403)	(3,899,931)	(4,015,334)
New loans disbursed	(212,500)	-	(212,500)
Net cash used in operating activities	(13,015)	(6,270,273)	(6,283,288)
Noncapital financing activities			
Subsidies	-	6,111,404	6,111,404
Donations and grants	4,000	-	4,000
Net cash provided by noncapital financing activities	4,000	6,111,404	6,115,404
Capital and related financing activities			
Capital contributions received	-	11,212,801	11,212,801
Additions to capital assets	(2,186)	(11,114,427)	(11,116,613)
Net cash provided by (used in) capital and related financing activities	(2,186)	98,374	96,188
Net decrease in cash and cash equivalents	(11,201)	(60,495)	(71,696)
Cash and cash equivalents			
Beginning of year	556,614	489,966	1,046,580
End of year	\$ 545,413	\$ 429,471	\$ 974,884
Reconciliation of operating income (loss) to net cash used in operating activities			
Operating income (loss)	\$ 14,201	\$ (8,648,882)	\$ (8,634,681)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	851	2,303,286	2,304,137
Bad debt expenses	7,878	-	7,878
Increase in receivables	(41,948)	(8,162)	(50,110)
Decrease (increase) in prepaids and other assets	(381)	85,882	85,501
Increase in inventory	-	(5,161)	(5,161)
Increase (decrease) in accounts payable and other current liabilities	6,384	(12,903)	(6,519)
Increase in compensated absences and other post-employment benefits	-	15,667	15,667
Net cash used in operating activities	\$ (13,015)	\$ (6,270,273)	\$ (6,283,288)
Supplemental cash flow information			
Non-cash transactions:			
Capital assets additions financed by accounts payable	\$ -	\$ 1,531,257	\$ 1,531,257

SUPPLEMENTAL SCHEDULES

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients
<u>Primary Government</u>			
Department of Agriculture			
Direct Payments:			
Department of Parks & Recreation:			
USDA Farmers Market Promotion Grant	10.168	\$38,824	
Passed through Commonwealth of Virginia:			
Department of Social Services:			
Supplemental Nutrition Assistance Program	10.561	1,117,275	
Department of Juvenile Justice:			
National School Lunch Program	10.555	24,852	
National School Breakfast Program	10.553	18,748	
Department of Health and Human Services			
Passed through Commonwealth of Virginia:			
Department of Social Services:			
Family Preservation and Support	93.556	48,747	
TANF Block Grant	93.558	948,342	
Refugee and Entrant Assistance State - Administered Programs	93.566	949	
Low Income Energy Assistance	93.568	109,194	
Child Care Assistance	93.575	(1,900)	
Child Care Development Fund	93.596	151,418	
Chafee Education and Training Vouchers Program (ETV)	93.599	9,868	
Child Welfare Services	93.645	6,045	
Foster Care - Title IV-E	93.658	1,525,321	
Adoption Assistance	93.659	1,808,280	
Social Services Block Grant	93.667	1,076,653	
Independent Living	93.674	18,898	
Children's Insurance Program	93.767	41,190	
Medicaid Assistance	93.778	1,363,389	
Department of Housing and Urban Development			
Direct Payments:			
Community Development Block Grant Program, Entitlement Grants	14.218	1,345,938	
Boys & Girls Club			\$5,846
Lynchburg Community Action Group			2,209
Lynchburg Redevelopment and Housing Authority			226,588
Shelter Plus Care	14.238	98,615	
Lynchburg Redevelopment and Housing Authority			98,615
Home Investment Partnership Program	14.239	236,841	
Habitat for Humanity			93,060
Lynchburg Community Action Group			125,021
Department of Justice			
Direct Payments:			
Bulletproof Vest Partnership	16.607	24,923	
Passed through Commonwealth of Virginia:			
Department of Criminal Justice Services:			
Victim-Witness Services	16.575	200,813	
Violence Against Women Formula Grant	16.588	69,485	
Byrne Memorial Justice Assistance Grant	16.738	24,507	

(Continued)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016
(Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients
Department of Labor			
Passed through Commonwealth of Virginia:			
Virginia Community College System (VCCS):			
WIA Adult Program	17.258	\$319,784	\$319,784
WIA Youth Activities	17.259	386,308	386,308
WIA Dislocated Workers (after 7/1/10)	17.278	583,223	583,223
Department of Homeland Security			
Direct Payments:			
Transportation Security Administration:			
Airport LEO Cooperative Agreement	97.090	105,799	
Department of Transportation			
Direct Payments:			
Highway Planning and Construction	20.205	627,807	
Passed through Commonwealth of Virginia:			
Department of Motor Vehicles:			
Alcohol Impaired Driving Grants	20.600	50,380	
Environmental Protection Agency			
Passed through Commonwealth of Virginia:			
Virginia Resources Authority:			
Revolving Loan	66.458	557,966	
Federal Aviation Administration			
Direct Payments:			
Department of Aviation:			
Airport Improvement Program	20.106	264,831	
Federal Emergency Management Agency			
Direct Payments:			
Department of Homeland Security:			
Hazard Mitigation Grant	97.039	17,969	
Emergency Communications	97.042	22,073	
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	115,641	
Passed through Commonwealth of Virginia:			
Department of Emergency Management:			
State Homeland Security Program Grant	97.067	52,542	
<u>Component Unit - Lynchburg Schools</u>			
Department of Agriculture			
Passed through Commonwealth of Virginia:			
Department of Education:			
National School Lunch Program	10.555	2,497,257	
National School Breakfast Program	10.553	1,126,792	
Fresh Fruits and Vegetables	10.582	147,335	

(Continued)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016
(Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients
Department of Education			
Passed through Commonwealth of Virginia:			
Title I - Educationally Deprived Children - LEA	84.010	\$3,192,008	
Title I - Neglected and Delinquent Children	84.013	2,579	
Elementary and Secondary Education Act (ESEA):			
Title IV-B - Elementary and Secondary Education Act of 1965	84.287	1,375,179	
Title VI-B - Special Education	84.027	2,276,447	
Special Education Preschool Grants	84.173	41,974	
English Language Acquisition Grants	84.365	16,585	
Title II - Part A Funds	84.367	500,209	
Vocational Education:			
Basic Grants to States	84.048	199,404	
McKenney - Vento Homeless Education Assistance Improvements Act of 2001:			
Title X-C - No Child Left Behind Act	84.000	16,713	
TOTAL		\$24,804,020	\$1,840,654
Donated Food Received			
Primary Government			
Department of Agriculture			
Passed through Commonwealth of Virginia:			
Department of Social Services:			
Juvenile Detention Home (Commodities)	10.555	\$1,784	
Opportunity House (Commodities)	10.555	648	
Sparc House (Commodities)	10.555	459	
Component Unit - Lynchburg Schools			
Department of Agriculture			
Passed through Commonwealth of Virginia:			
Department of Education:			
National School Lunch Program (Commodities)	10.555	262,790	
TOTAL		\$265,681	

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2016

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, 2016

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
Boys & Girls Club	\$ 5,846	\$ -	\$ -
Bluffwalk Section 108 Loan	176,589	-	-
City Administration	91,842	18,760	-
Coordinated Infrastructure Improvements (City)	360,695	-	-
Habitat for Humanity	-	93,060	-
Lynchburg Community Action Group	2,209	125,021	-
Lynchburg Redevelopment & Housing Authority	226,588	-	-
Region 2000 Local Governmental Council	-	-	1,289,315
Riverside Park Improvements	89,540	-	-
Tinbridge Hill Rehab	392,629	-	-
	<u>\$ 1,345,938</u>	<u>\$ 236,841</u>	<u>\$ 1,289,315</u>

Note 5. Program Income

Program income received in FY2016 totals \$67,208 which was received through the sale of properties and loan repayments. In accordance with terms of the Community Development Block Grant Program, program income totaling \$67,208 was used in FY2016 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, 2016, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of \$104,998,049 which includes \$35,422,177 of federal funded loans. Expenditures associated with the federally funded loans totaled \$557,966 in FY2016.

CITY OF LYNCHBURG, VIRGINIA

Schedule of Passenger Facility Charges
As of June 30, 2016Passenger Facility Charges:

<u>Federal Agency/Program Name/Application Number</u>	<u>PFC Balance July 1, 2015</u>	<u>Adjustments</u>	<u>PFC Collected</u>	<u>Interest Earnings</u>	<u>Expenditures</u>	<u>PFC Balance June 30, 2016</u>
FEDERAL AVIATION ADMINISTRATION						
Passenger facility charges (12-06-C-00-LYH)	\$ 7,231	\$ -	\$ 317,503	\$ 438	\$ 321,694	\$ 3,478
	<u>\$ 7,231</u>	<u>\$ -</u>	<u>\$ 317,503</u>	<u>\$ 438</u>	<u>\$ 321,694</u>	<u>\$ 3,478</u>

SCHEDULE 3

Schedule of Expenditures of Passenger Facility Charges
As of June 30, 2016Expenditures of Passenger Facility Charges:

<u>Project</u>	<u>PFC Expenditures</u>
<u>Application 6 (12-06-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ 4,194
Local share reimbursement – “Local” expense	-
Local share reimbursement – “State Entitlements” expense	<u>317,500</u>
Total PFC expenditures	<u>\$ 321,694</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. 114-119

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. 120-133

REVENUE CAPACITY

Tables 13-18 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 134-139

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. 140-143

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. 144-145

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. 146-149

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, 2016

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 2012 (1)	77,203
United States Census 2013 (1)	77,376
United States Census 2014 (1)	77,874
United States Census 2015 (1)	78,675

(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, 2016
(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: 2013-2016
- \$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: 2005-2016
- \$3.30 per \$100 assessed value: 1990-2004

Machinery and Tools:

- \$3.00 per \$100 assessed value: 1990-2016

Local Sales Tax:

- 1% + 4.3% VA tax: 2014-2016
- 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, 2016
(Continued)

TAX RATES
(Continued)

Motor Vehicle License:

- \$29.50 for vehicles weighing 4,000 pounds or less: 2005-2016
- \$34.50 for vehicles weighing greater than 4,000 pounds: 2005-2016
- \$25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2016
- \$0.15 on pack of twenty cigarettes: 1990-2003

Lodging Tax:

- A tax of 5.5% of the charge made for each room rented per night. In FY2001, Lynchburg changed the lodging tax from 5.5% to 5.5% plus \$1 per room per night.

Meals Tax:

- A tax of 6.5% on prepared meals sold in the City in addition to Sales Tax. In FY2005, Lynchburg changed the meals tax from 6.0% to 6.5%.

Ambulance Services:

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

TAXES DUE

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

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

DELINQUENT TAXES

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

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2016
(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 2010, revised in 2011, revised in 2013, and revised in 2016 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 for the General Fund 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% within three 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.

Enterprise Funds:

- **Water Fund:** Minimum ending fund balance shall not be less than 25% of total appropriations with a target balance of 40% of total fund appropriations. In the event the ending fund balance falls below the minimum of 25% of total fund appropriations, the City shall restore the fund balance to the minimum of 25% within three years.
- **Sewer Fund:** In accordance with the Virginia Department of Environmental Quality Special Order, the City shall annually adjust sewer system reserve funds to no more than 40% of the subsequent fiscal years’ budgeted operating expenses and debt service. Minimum ending fund balance shall not be less than 25% of total appropriations. In the event the ending fund balance falls below the minimum of 25% of total fund appropriations, the City shall restore the fund balance to the minimum of 25% within three years.
- **Stormwater Fund:** Minimum ending fund balance shall not be less than 15% of total appropriations with a target balance of 20% of total fund appropriations. In the event the ending fund balance falls below the minimum of 15% of total fund appropriations, the City shall restore the fund balance to the minimum of 15% within three years.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2016
(Continued)

DEBT MANAGEMENT POLICY

The City council adopted a resolution on August 10, 1999, which was reaffirmed in 2004, revised in 2010, revised in 2013, and revised in 2016 establishing guidelines for the planning, issuance and management of debt, for and on behalf of City of Lynchburg. The City will issue debt for the purpose of acquiring or constructing capital projects and for making major renovations to existing capital projects. The City shall comply with all its undertakings in accordance with Securities and Exchange Commission Rule 15c2-12 and will follow the Government Finance Officers' Association and Securities and Exchange Commission requirements for continuing disclosure. Two types of debt obligations are used by the City:

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

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

BUDGET POLICY

The City council adopted a resolution November 14, 2000 which was revised in 2008, reaffirmed in 2010, revised in 2013 and revised in 2016.

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, Children's Services Act, Lynchburg Regional Juvenile Detention Center, and Greater Lynchburg Transit Company Funds.

Third Quarter Review

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2016
(Continued)

INVESTMENT POLICY

The City council adopted an investment policy on September 25, 2001, which was revised in 2008, reaffirmed in 2010, revised in 2013 and reaffirmed in 2016, 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 139,856,317	\$ 143,158,392	\$ 155,791,105	\$ 161,777,277	\$ 164,804,823	\$ 166,830,517	\$ 175,165,215	\$ 183,957,611	\$ 192,860,159	\$ 210,809,815
Restricted	-	19,975,370	20,149,056	18,733,893	23,708,274	18,760,659	16,805,325	15,935,153	9,483,640	4,879,215
Unrestricted	56,819,180	58,219,507	64,928,380	65,970,506	61,798,935	71,824,701	73,963,009	69,801,835	(20,298,752)	(26,991,866)
Total governmental activities net position	<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>	<u>\$ 182,045,047</u>	<u>\$ 188,697,164</u>
Business-type activities										
Net investment in capital assets	\$ 134,385,674	\$ 146,157,075	\$ 152,089,577	\$ 167,081,709	\$ 180,332,606	\$ 182,791,158	\$ 189,456,676	\$ 196,909,298	\$ 205,192,151	\$ 209,526,622
Restricted	1,765	4,708	8,786	5,213	10,312	119,534	25,193	8,433	7,231	3,478
Unrestricted	35,582,153	33,515,192	18,461,675	20,419,761	18,709,510	19,388,092	19,764,741	20,968,416	10,828,849	16,266,676
Total business-type activities net position	<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>	<u>\$ 216,028,231</u>	<u>\$ 225,796,776</u>
Primary government										
Net investment in capital assets	\$ 274,241,991	\$ 289,315,467	\$ 307,880,682	\$ 328,858,986	\$ 345,137,429	\$ 349,621,675	\$ 364,621,891	\$ 380,866,909	\$ 398,052,310	\$ 420,336,437
Restricted	1,765	19,980,078	20,157,842	18,739,106	23,718,586	18,880,193	16,830,518	15,943,586	9,490,871	4,882,693
Unrestricted	92,401,333	91,734,699	83,390,055	86,390,267	80,508,445	91,212,793	93,727,750	90,770,251	(9,469,903)	(10,725,190)
Total primary government net position	<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>	<u>\$ 398,073,278</u>	<u>\$ 414,493,940</u>

Note: GASB Statement No. 68 was adopted in Fiscal Year 2015.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General Government	\$ 12,148,875	\$ 13,397,520	\$ 14,572,569	\$ 14,710,937	\$ 13,623,646	\$ 14,209,838	\$ 15,116,426	\$ 13,291,661	\$ 13,675,189	\$ 14,564,945
Judicial	5,471,591	5,626,570	5,707,528	5,633,105	6,329,475	6,546,970	6,406,888	6,518,627	6,245,737	6,294,658
Public Safety	40,397,195	43,152,656	43,233,506	42,794,498	44,365,150	44,743,484	47,390,090	48,816,945	48,732,161	48,490,912
Public Works	19,643,233	21,511,617	28,957,020	26,790,420	25,504,881	25,535,985	26,539,357	29,261,348	24,846,090	26,656,472
Health and Human Services	23,439,351	27,078,262	26,097,589	24,935,622	24,577,656	24,620,381	25,274,269	25,805,934	27,317,037	28,802,640
Culture and Recreation	9,432,337	10,247,701	10,364,636	9,852,641	10,247,781	8,413,428	8,503,945	9,001,804	9,771,210	10,090,164
Community Development	6,759,110	5,284,797	4,974,659	5,024,903	5,490,368	7,757,830	5,076,676	6,730,055	6,742,294	7,764,713
Education	33,539,288	36,727,401	35,807,016	33,876,792	35,171,968	36,667,051	40,568,308	42,640,199	42,608,354	52,163,773
Interest Payments and Fiscal Charges	5,444,098	5,821,141	5,605,088	6,286,182	5,625,344	5,481,482	5,005,302	4,721,429	6,317,148	7,012,279
Issuance Costs	-	216,051	-	483,236	170,210	28,450	29,815	204,180	875,409	268,267
Total governmental activities expenses	156,275,078	169,063,716	175,319,611	170,388,336	171,106,479	174,004,899	179,911,076	186,992,182	187,130,629	202,108,823
Business-type activities:										
Solid Waste Management	6,436,950	8,240,113	206,551	-	-	-	-	-	-	-
Stormwater (1)	-	-	-	-	-	-	2,038,265	2,542,077	1,988,044	2,250,406
Airport	3,545,346	3,882,343	4,062,502	4,308,441	4,374,509	4,394,934	4,151,032	4,370,888	4,572,562	4,590,497
Water	9,846,038	11,406,440	11,274,496	12,600,109	12,231,617	11,881,318	12,822,767	12,867,800	13,192,403	14,392,767
Sewer	12,757,627	14,431,645	14,976,951	15,069,642	15,889,515	16,705,588	16,195,043	17,350,599	18,408,180	19,032,652
Total business-type activities expenses	32,585,961	37,960,541	30,520,500	31,978,192	32,495,641	32,981,840	35,207,107	37,131,364	38,161,189	40,266,322
Total primary government expenses	\$ 188,861,039	\$ 207,024,257	\$ 205,840,111	\$ 202,366,528	\$ 203,602,120	\$ 206,986,739	\$ 215,118,183	\$ 224,123,546	\$ 225,291,818	\$ 242,375,145

(1)The Stormwater fund was created in FY2013.

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues (see Table 3)										
Governmental Activities:										
Charges for services:										
General government	\$ 398,188	\$ 556,888	\$ 548,729	\$ 437,468	\$ 424,127	\$ 523,344	\$ 530,988	\$ 460,961	\$ 505,564	\$ 521,930
Judicial	730,625	716,313	737,613	846,930	686,417	781,941	917,900	816,341	785,268	807,987
Public safety	5,398,675	5,059,318	4,104,152	4,452,849	5,343,055	5,875,575	6,090,401	6,629,609	6,419,638	6,566,743
Public works	98,025	198,841	993,935	989,613	786,813	813,474	1,711,835	1,806,816	1,304,063	1,310,028
Health and human services	1,817,260	2,458,875	2,385,901	2,037,083	2,364,654	2,462,151	2,631,082	2,503,303	2,452,554	2,817,336
Cultural and Recreational	1,888,695	1,916,356	2,126,732	2,069,822	2,092,744	647,929	660,626	684,094	776,379	860,612
Community development	887,401	916,926	600,480	544,603	340,847	622,156	936,595	2,422,730	1,172,941	1,352,602
Operating Grants and Contributions	33,925,919	36,346,157	32,423,390	29,398,177	29,639,955	30,194,337	39,851,381	40,032,827	42,055,609	43,418,231
Capital Grants and Contributions	2,217,419	24,914,181	12,940,905	13,954,135	11,833,437	11,546,586	4,320,470	2,407,771	1,516,624	12,039,460
Total governmental activities program services	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049	53,467,493	57,651,278	57,764,452	56,988,640	69,694,929
Business-type activities:										
Charges for services:										
Solid Waste Management	7,276,645	6,313,555	-	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	3,355,267	3,124,545	3,268,776	3,209,504
Airport	1,848,109	1,839,685	1,967,871	2,152,132	2,093,668	2,011,159	2,124,073	2,235,749	2,254,531	2,446,873
Water	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,314,865	12,985,275	13,478,920	14,703,923	14,811,555
Sewer	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990	18,520,421	18,913,651	19,763,592	20,216,758	21,264,506
Operating Grants and Contributions	398,850	406,261	178,948	203,659	202,704	158,129	951,522	810,040	417,601	409,592
Capital Grants and Contributions	8,918,563	7,490,370	4,826,469	15,197,159	10,563,426	2,007,777	2,827,806	5,697,350	6,601,428	7,416,609
Total business-type activities program revenues	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382	35,012,351	41,157,594	45,110,196	47,463,017	49,558,639
Total primary government program revenues	\$ 92,242,741	\$ 118,265,500	\$ 93,257,306	\$ 102,848,825	\$ 96,858,431	\$ 88,479,844	\$ 98,808,872	\$ 102,874,648	\$ 104,451,657	\$ 119,253,568
Net (Expense) Revenue										
Governmental Activities	\$ (108,912,871)	\$ (95,979,861)	\$ (118,457,774)	\$ (115,657,656)	\$ (117,594,430)	\$ (120,537,406)	\$ (122,259,798)	\$ (129,227,730)	\$ (130,141,989)	\$ (132,413,894)
Business-type Activities	12,294,573	7,221,104	5,874,969	16,139,953	10,850,741	2,030,511	5,950,487	7,978,832	9,301,828	9,292,317
Total Primary Government Net Expenses	\$ (96,618,298)	\$ (88,758,757)	\$ (112,582,805)	\$ (99,517,703)	\$ (106,743,689)	\$ (118,506,895)	\$ (116,309,311)	\$ (121,248,898)	\$ (120,840,161)	\$ (123,121,577)

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 57,241,907	\$ 63,187,947	\$ 65,185,656	\$ 67,786,672	\$ 69,849,510	\$ 70,054,855	\$ 74,446,360	\$ 74,994,389	\$ 75,714,767	\$ 77,654,736
Local sales and use taxes	14,481,096	14,266,750	13,056,829	12,675,632	13,290,563	13,440,973	13,589,747	13,842,292	15,006,326	14,995,131
Meals taxes	10,000,796	10,326,953	10,477,061	10,477,700	10,975,580	11,658,371	11,916,522	12,549,321	13,756,602	14,188,513
Consumer utility taxes	5,835,367	4,793,431	4,739,261	4,700,202	4,692,477	4,475,316	4,628,647	4,738,343	4,575,492	4,660,389
Business license taxes	7,922,666	8,010,597	7,913,270	7,818,381	7,263,543	7,885,841	8,057,554	8,580,699	8,219,996	8,826,486
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	3,382,915	3,282,767
Other taxes	6,697,407	5,827,855	5,719,878	6,070,900	6,377,684	7,299,554	5,823,989	6,638,042	6,785,275	6,862,577
Unrestricted intergovernmental	9,687,718	6,227,484	5,601,254	5,576,232	5,418,525	5,940,422	6,052,604	6,240,433	6,223,664	6,291,034
Interest	3,082,813	3,522,533	1,716,449	794,471	601,999	438,375	201,735	295,656	312,688	477,313
IRS interest subsidy - Build America Bonds	-	-	-	283,891	146,839	293,680	293,680	270,332	272,388	272,975
Miscellaneous	1,919,538	1,026,286	3,827,687	1,683,037	1,498,803	1,162,435	1,606,926	1,480,036	2,141,167	1,374,166
Transfers	11,134	(577,893)	16,198,418	(261,260)	(259,950)	(417,961)	(336,330)	(218,809)	(60,658)	-
Gain (Loss) on sale of assets	-	152,532	-	112,905	95,976	73,749	1,024,231	165,312	324,443	179,924
Total governmental activities	118,550,410	120,657,633	137,973,046	121,270,791	123,485,998	125,768,231	130,777,470	132,988,780	136,655,065	139,066,011
Business-type activities:										
Interest	2,382,245	1,784,508	825,779	207,953	206,665	210,782	108,977	132,701	96,910	136,484
IRS interest subsidy - Build America Bonds	-	-	-	287,632	148,776	297,551	297,550	273,896	275,978	276,573
Miscellaneous	92,880	123,878	297,033	49,847	79,613	148,571	45,232	22,332	22,966	56,305
Transfers	(11,134)	577,893	(16,198,418)	261,260	259,950	-	336,330	218,809	60,658	-
Gain (loss) on sale of assets	-	-	83,700	-	-	417,961	209,250	12,967	9,825	6,866
Total business-type activities	2,463,991	2,486,279	(14,991,906)	806,692	695,004	1,074,865	997,339	660,705	466,337	476,228
Total primary government	\$ 121,014,401	\$ 123,143,912	\$ 122,981,140	\$ 122,077,483	\$ 124,181,002	\$ 126,843,096	\$ 131,774,809	\$ 133,649,485	\$ 137,121,402	\$ 139,542,239
Changes in Net Position										
Governmental activities	\$ 9,637,539	\$ 24,677,772	\$ 19,515,272	\$ 5,613,135	\$ 5,891,568	\$ 5,230,825	\$ 8,517,672	\$ 3,761,050	\$ 6,513,076	\$ 6,652,117
Business-type activities	14,758,564	9,707,383	(9,116,937)	16,946,645	11,545,745	3,105,376	6,947,826	8,639,537	9,768,165	9,768,545
Total primary government	\$ 24,396,103	\$ 34,385,155	\$ 10,398,335	\$ 22,559,780	\$ 17,437,313	\$ 8,336,201	\$ 15,465,498	\$ 12,400,587	\$ 16,281,241	\$ 16,420,662

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function/Program										
Governmental Activities:										
General Government	\$ 734,876	\$ 942,144	\$ 900,082	\$ 784,656	\$ 733,374	\$ 842,476	\$ 842,595	\$ 772,920	\$ 822,568	\$ 6,315,850
Judicial	3,978,858	4,477,871	4,319,914	4,434,426	4,405,123	4,685,775	4,369,390	4,705,330	4,556,364	4,613,026
Public Safety	8,489,027	11,106,642	11,638,433	10,221,136	11,507,560	10,901,882	12,249,088	12,655,192	12,043,156	12,167,299
Public Works	9,143,028	31,409,029	13,461,837	14,184,338	12,761,729	13,637,579	16,225,091	13,736,037	13,462,198	18,900,766
Health and Human Services	17,439,083	20,030,396	20,093,434	19,645,184	19,710,295	19,756,196	20,786,993	21,009,420	22,626,330	23,708,853
Culture and Recreation	2,125,708	2,117,677	2,332,948	2,266,212	2,335,925	842,913	932,261	1,335,292	1,010,645	1,153,738
Community Development	3,239,533	2,134,843	3,322,867	2,217,737	2,027,021	2,445,719	2,216,576	3,550,261	2,467,379	2,755,042
Education	2,212,094	865,253	792,322	976,991	31,022	354,953	29,284	-	-	80,355
Subtotal governmental activities	47,362,207	73,083,855	56,861,837	54,730,680	53,512,049	53,467,493	57,651,278	57,764,452	56,988,640	69,694,929
Business-type activities:										
Solid Waste Management (1)	7,478,380	6,517,869	-	-	-	-	-	-	-	-
Stormwater (2)	-	-	-	-	-	-	4,005,267	3,774,545	3,543,776	3,484,504
Airport	10,159,028	7,283,243	2,889,032	4,917,589	4,331,554	3,452,187	5,046,920	5,214,040	5,786,312	5,163,799
Water	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,338,865	13,067,064	13,492,023	14,708,923	15,174,472
Sewer	16,845,346	20,110,651	21,800,842	31,171,530	26,552,234	19,221,299	19,038,343	22,629,588	23,424,006	25,735,864
Subtotal business-type activities	44,880,534	45,181,645	36,395,469	48,118,145	43,346,382	35,012,351	41,157,594	45,110,196	47,463,017	49,558,639
Total primary government	\$ 92,242,741	\$ 118,265,500	\$ 93,257,306	\$ 102,848,825	\$ 96,858,431	\$ 88,479,844	\$ 98,808,872	\$ 102,874,648	\$ 104,451,657	\$ 119,253,568

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

(2) The Stormwater fund was created in FY2013.

CITY OF LYNCHBURG, VIRGINIA

TABLE 4

FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Pre-GASB 54					
	2007	2008	2009	2010		
General Fund						
Reserved	\$ 1,236,149	\$ 2,406,773	\$ 719,850	\$ 1,457,305		
Unreserved	31,541,207	32,158,992	36,459,043	44,287,091		
Total General Fund	<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	\$ 5,430,322	\$ 44,832,256	\$ 31,264,091	\$ 9,752,227		
Unreserved, reported in:						
Special revenue funds	3,219,576	1,082,960	4,263,967	4,265,193		
Capital projects funds	13,985,011	6,697,269	11,646,868	31,943,779		
Total All Other Governmental Funds	<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	2015	2016
General Fund						
Committed	\$ 13,707,762	\$ 13,992,915	\$ 14,610,825	\$ 15,237,982	\$ 14,803,075	\$ 12,139,666
Assigned	4,077,230	5,574,299	3,128,072	5,029,549	6,118,051	5,232,752
Unassigned	29,215,575	28,835,650	31,675,248	33,878,501	32,089,924	25,589,098
Total General Fund	<u>\$ 47,000,567</u>	<u>\$ 48,402,864</u>	<u>\$ 49,414,145</u>	<u>\$ 54,146,032</u>	<u>\$ 53,011,050</u>	<u>\$ 42,961,516</u>
All Other Governmental Funds						
Nonspendable	\$ 500,000	\$ 500,000	\$ 450,000	\$ 400,000	\$ 350,000	\$ 300,000
Restricted	23,708,274	18,760,659	16,805,325	15,935,152	9,483,641	4,879,215
Committed	18,396,943	21,518,899	17,761,570	13,852,139	68,602,388	52,840,854
Assigned	121,599	126,818	100,000	100,012	100,012	100,012
Unassigned	(539,488)	(257,944)	(257,945)	-	(50,067)	-
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>	<u>\$ 78,485,974</u>	<u>\$ 58,120,081</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 FY2011.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$102,976,887	\$110,668,029	\$110,330,014	\$112,551,637	\$115,044,676	\$116,760,078	\$122,436,720	\$125,237,029	\$127,770,651	\$130,022,195
Regulatory licenses, permits and privilege fees	887,272	849,742	650,514	664,028	683,712	916,546	991,098	1,068,270	1,000,222	1,108,694
Intergovernmental	45,511,572	67,254,109	50,772,908	48,877,101	46,663,521	47,320,286	50,245,714	48,326,225	49,874,673	55,070,162
Fines and forfeitures	581,986	586,661	612,595	667,756	598,424	721,839	726,438	634,485	637,417	570,242
Revenue from use of money and property	4,438,852	4,843,948	3,113,910	2,177,785	1,962,064	749,017	506,030	702,100	820,000	1,051,355
Charges for services	10,480,891	11,155,656	11,782,655	11,846,063	11,977,908	11,467,834	13,687,367	15,916,305	14,365,457	14,484,302
Miscellaneous	2,019,557	1,035,977	2,317,772	2,281,001	1,863,720	1,828,931	2,863,553	2,516,916	2,807,317	3,033,445
Total revenues	166,897,017	196,394,122	179,580,368	179,065,371	178,794,025	179,764,531	191,456,920	194,401,330	197,275,737	205,340,395
Expenditures										
General government	14,284,594	14,978,175	16,046,197	16,125,721	15,157,924	15,499,218	16,130,210	14,289,462	16,152,572	16,255,049
Judicial	5,279,455	5,359,727	5,478,171	5,347,422	5,553,219	5,790,132	5,767,935	5,758,228	5,717,080	5,654,176
Public Safety	38,394,220	40,564,072	41,723,778	40,379,295	42,216,297	42,427,687	46,421,193	46,660,711	48,818,343	48,233,548
Public Works	13,054,801	14,583,441	22,154,990	18,834,896	17,746,056	17,681,810	19,474,530	22,150,384	18,097,502	19,790,108
Health and human services	22,886,119	26,320,281	25,693,662	24,400,078	23,992,172	24,172,488	25,059,481	25,328,758	27,443,758	28,554,889
Cultural and recreational	8,753,747	9,197,360	9,496,115	8,915,422	9,114,228	7,383,687	7,672,890	7,611,982	8,821,557	8,928,603
Community development	6,716,287	5,097,359	4,990,958	5,200,664	5,507,839	7,734,642	5,072,557	6,519,328	6,681,436	7,623,841
Education (1)	30,330,939	33,170,354	32,191,853	29,472,854	30,343,130	31,830,468	35,590,981	36,856,139	37,562,551	42,897,772
Capital Outlay										
Capital general government (2)	14,285,864	14,477,202	33,101,444	37,055,272	12,891,432	10,688,906	14,864,174	22,238,043	53,408,143	56,618,269
Debt Services										
Principal Retirement	8,428,304	8,400,119	8,582,070	17,214,799	10,872,412	10,119,044	10,103,234	9,689,223	10,296,872	10,134,827
Interest payments and other fiscal charges	5,113,526	5,519,494	5,455,250	5,619,800	5,671,296	5,399,200	4,985,875	4,683,175	7,435,810	7,306,428
Issuance costs	-	216,051	-	483,236	170,210	28,450	29,815	204,180	875,409	268,267
Total expenditures	167,527,856	177,883,635	204,914,488	209,049,459	179,236,215	178,755,732	191,172,875	201,989,613	241,311,033	252,265,777
Excess (deficiency) of revenues over expenditures	(630,839)	18,510,487	(25,334,120)	(29,984,088)	(442,190)	1,008,799	284,045	(7,588,283)	(44,035,296)	(46,925,382)
Other financing sources (uses)										
Proceeds from debt issues	-	16,788,389	6,156,611	36,180,000	-	-	-	-	83,225,000	15,680,000
Premium on debt proceeds	-	167,163	-	993,827	-	-	-	-	7,792,446	1,505,630
Discount on debt proceeds	-	-	-	(959,560)	-	-	-	-	-	-
Issuance of refunding bonds	-	4,824,128	-	6,103,649	18,591,517	-	4,129,625	8,000,638	23,292,975	7,243,402
Refunded bond principal payments	-	(4,756,894)	-	-	-	-	-	-	-	-
Premium on refunding debt issuance	-	-	-	-	-	-	-	-	-	909,464
Payments to escrow agent	-	-	-	(6,046,285)	(18,397,260)	-	(4,129,625)	-	(23,114,836)	(8,065,760)
Capital contributions	-	-	-	-	-	-	(4,725,916)	-	-	-
Transfers in	14,494,290	7,790,103	25,197,199	5,962,962	10,739,030	11,057,987	9,560,807	9,978,763	11,606,390	15,442,682
Transfers out	(16,995,849)	(11,557,391)	(8,844,121)	(4,898,729)	(10,947,585)	(12,203,385)	(9,897,137)	(10,230,878)	(11,702,990)	(16,205,463)
Total other financing sources (uses)	(2,501,559)	13,255,498	22,509,689	37,335,864	(14,298)	(1,145,398)	(5,062,246)	7,748,523	91,098,985	16,509,955
Net change in fund balances	<u>\$ (3,132,398)</u>	<u>\$ 31,765,985</u>	<u>\$ (2,824,431)</u>	<u>\$ 7,351,776</u>	<u>\$ (456,488)</u>	<u>\$ (136,599)</u>	<u>\$ (4,778,201)</u>	<u>\$ 160,240</u>	<u>\$ 47,063,689</u>	<u>\$ (30,415,427)</u>
Debt Service as a percentage of noncapital expenditures (3)	8.84%	8.52%	8.17%	13.28%	9.95%	9.23%	8.56%	8.00%	9.44%	8.91%

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

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

(3) The Debt Service ratio has been updated to only include the principal and interest components of debt service expenditures in the ratio.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Taxes	\$ 102,480,268	\$ 110,636,590	\$ 110,297,053	\$ 112,519,658	\$ 115,009,873	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029	\$ 127,770,651	\$ 130,022,195
Regulatory licenses, permits, and privilege fees	887,272	849,742	650,514	664,028	683,712	916,546	991,098	1,068,270	1,000,222	1,108,694
Intergovernmental	31,311,980	33,410,321	33,646,195	33,239,946	33,199,440	35,030,474	33,669,141	34,333,156	34,604,123	36,644,986
Fines & forfeitures	581,986	586,661	612,595	667,756	598,424	721,839	726,438	634,485	637,417	570,242
Revenues from use of money & property	3,377,730	3,308,104	1,403,024	995,450	840,217	690,069	437,531	640,544	697,756	916,257
Charges for services	7,083,847	7,198,099	7,593,070	7,905,479	7,907,113	7,676,012	9,949,886	10,555,494	10,750,591	10,356,244
Miscellaneous	387,005	452,272	1,168,236	1,132,221	945,324	871,056	1,097,217	1,150,545	1,154,870	1,234,853
Total revenues	146,110,088	156,441,789	155,370,687	157,124,538	159,184,103	162,666,074	169,308,031	173,619,523	176,615,630	180,853,471
Expenditures:										
Current operating expenditures:										
General government	14,111,441	14,561,922	15,808,721	15,896,808	15,453,014	15,908,597	16,408,318	14,507,532	16,298,894	16,490,338
Judicial	4,182,946	4,423,005	4,457,959	4,342,042	4,426,215	4,421,907	4,650,024	4,655,974	4,696,403	4,788,676
Public safety	34,640,217	36,703,695	36,981,993	36,756,234	38,405,071	38,845,495	42,026,411	42,455,002	44,421,121	44,391,282
Public works	11,565,845	11,257,662	17,209,120	14,432,901	15,139,289	14,436,170	15,547,537	16,403,344	14,600,543	16,009,423
Health and human services	16,577,034	18,890,171	19,126,038	18,532,152	18,713,485	18,268,410	18,905,329	19,184,011	19,825,954	21,018,515
Cultural & recreational	7,287,216	7,691,627	7,794,603	7,311,064	7,397,754	7,383,687	7,560,762	7,479,777	8,558,412	8,394,652
Community development	4,034,373	3,936,251	3,730,495	3,604,356	3,883,971	3,930,173	3,504,251	4,283,676	4,819,261	4,590,547
Education	30,418,183	32,932,233	32,150,370	29,443,654	30,310,602	31,696,712	35,308,205	35,709,226	36,389,604	42,691,567
Debt service:										
Principal retirements	7,702,865	7,812,969	8,152,512	16,708,675	10,354,910	9,706,899	9,693,099	9,359,924	9,959,146	9,837,962
Interest payments and other fiscal charges	4,794,314	5,212,231	5,121,995	5,307,936	5,380,142	5,225,436	4,829,728	4,544,745	7,276,813	7,281,382
Issuance costs	-	127,866	-	186,536	162,757	28,450	29,815	204,180	443,933	171,746
Total expenditures	135,314,434	143,549,632	150,533,806	152,522,358	149,627,210	149,851,936	158,463,479	158,787,391	167,290,084	175,666,090
Excess (deficiency) of revenues over expenditures	10,795,654	12,892,157	4,836,881	4,602,180	9,556,893	12,814,138	10,844,552	14,832,132	9,325,546	5,187,381
Other financing sources (uses):										
Issuance of bonds	-	69,980	-	7,082,817	-	-	-	57,468	412,470	83,298
Premium on debt proceeds	-	-	-	540,631	-	-	-	-	-	-
Issuance of refunding bonds	-	4,106,224	-	5,929,460	16,605,512	-	4,129,625	-	22,823,100	8,152,866
Refunded bond principal payments	-	(4,048,996)	-	-	-	-	-	-	-	-
Payments to escrow agent	-	-	-	(5,872,800)	(16,418,708)	-	(4,129,625)	-	(22,647,772)	(8,065,760)
Transfers in	126,333	26,150	6,450,066	464,020	546,826	283,272	18,524	4,761	325,036	366,572
Transfers out	(15,241,180)	(11,257,106)	(8,673,819)	(4,180,805)	(10,170,259)	(11,695,113)	(9,851,795)	(10,162,474)	(11,373,362)	(15,773,891)
Total other financing sources (uses)	(15,114,847)	(11,103,748)	(2,223,753)	3,963,323	(9,436,629)	(11,411,841)	(9,833,271)	(10,100,245)	(10,460,528)	(15,236,915)
Net changes in fund balances	(4,319,193)	1,788,409	2,613,128	8,565,503	120,264	1,402,297	1,011,281	4,731,887	(1,134,982)	(10,049,534)
Fund balance - beginning, as restated (1)	37,096,549	32,777,356	34,565,765	37,178,893	46,880,303	47,000,567	48,402,864	49,414,145	54,146,032	53,011,050
Fund balance - ending	\$ 32,777,356	\$ 34,565,765	\$ 37,178,893	\$ 45,744,396	\$ 47,000,567	\$ 48,402,864	\$ 49,414,145	\$ 54,146,032	\$ 53,011,050	\$ 42,961,516

(1) Beginning fund balance restated as of June 30, 2006 and June 30, 2011. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Intergovernmental	\$ 78,033,072	\$ 82,325,106	\$ 86,283,375	\$ 82,233,197	\$ 71,983,645	\$ 74,046,427	\$ 78,946,545	\$ 80,213,734	\$ 84,423,859	\$ 89,797,227
Revenue from use of money & property	31,600	34,279	6,748	1,314	527	136	106	-	-	-
Charges for services	1,344,909	1,380,153	1,367,940	1,228,196	1,504,368	1,556,187	1,468,451	1,471,332	1,169,484	1,491,359
Miscellaneous	159,662	208,542	111,542	230,075	804,264	1,197,197	590,372	520,942	726,730	1,365,368
Total revenues	79,569,243	83,948,080	87,769,605	83,692,782	74,292,804	76,799,947	81,005,474	82,206,008	86,320,073	92,653,954
Expenditures:										
Education:										
Instruction	60,849,179	63,943,555	66,182,342	61,342,226	54,022,173	54,189,572	57,096,206	57,686,592	61,909,077	65,839,840
Administration, attendance, and health	2,821,351	4,301,683	4,962,843	4,069,394	3,820,833	3,767,196	4,193,846	5,581,280	4,865,032	5,426,428
Pupil transportation services	4,112,219	4,698,221	4,122,671	3,508,602	3,786,131	4,418,735	4,661,286	4,690,144	4,828,845	4,762,678
Operations and maintenance	10,086,015	9,876,043	10,336,820	9,885,883	9,347,596	9,287,310	9,643,581	9,497,568	10,665,930	10,485,381
Food service and other	-	-	528	-	-	-	5,633	16,087	24,670	21,358
Facilities	-	-	55,414	64,784	48,403	40,563	87,879	20,365	10,163	14,825
Technology	-	-	-	2,048,301	2,037,654	2,362,774	2,049,937	3,244,460	3,525,049	3,230,426
Capital outlay	1,373,409	1,779,204	1,942,808	1,683,684	709,526	1,999,266	3,253,181	862,639	742,418	2,813,555
Debt service:										
Principal retirements	867,874	834,058	947,970	920,908	642,489	480,697	264,931	109,353	-	-
Interest payments	80,702	93,842	89,419	72,838	44,389	22,256	8,261	970	-	-
Total expenditures	80,190,749	85,526,606	88,640,815	83,596,620	74,459,194	76,568,369	81,264,741	81,709,458	86,571,184	92,594,491
Excess (deficiency) of revenues over expenditures	(621,506)	(1,578,526)	(871,210)	96,162	(166,390)	231,578	(259,267)	496,550	(251,111)	59,463
Other financing sources (uses):										
Capital lease proceeds	1,000,000	1,000,000	1,000,000	-	-	-	-	-	-	-
Transfers in (out)	-	-	-	(433,046)	(23,726)	-	(26,655)	-	-	-
Total other financing sources (uses)	1,000,000	1,000,000	1,000,000	(433,046)	(23,726)	-	(26,655)	-	-	-
Net change in fund balances	378,494	(578,526)	128,790	(336,884)	(190,116)	231,578	(285,922)	496,550	(251,111)	59,463
Fund balance - beginning, as restated	863,181	1,241,675	663,149	791,939	455,055	264,939	496,517	210,595	707,145	456,034
Fund balance - ending	\$ 1,241,675	\$ 663,149	\$ 791,939	\$ 455,055	\$ 264,939	\$ 496,517	\$ 210,595	\$ 707,145	\$ 456,034	\$ 515,497

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SOLID WASTE MANAGEMENT FUND (1)
FINAL THREE FISCAL YEARS**

	Fiscal Year		
	2007	2008	2009
Operating revenues:			
Charges for services and other operating revenues	\$ 7,276,645	\$ 6,313,555	\$ -
Total operating revenues	7,276,645	6,313,555	-
Operating expenses:			
Personal services and benefits	1,836,677	1,735,135	-
Operation and maintenance	789,615	1,182,370	-
Supplies and materials	915,039	809,041	-
Administration	809,909	752,468	-
Landfill closure and postclosure care	492,408	1,404,613	-
Other charges	62,399	58,990	-
Depreciation	770,892	1,523,214	-
Total operating expenses	5,676,939	7,465,831	-
Operating income (loss)	1,599,706	(1,152,276)	-
Nonoperating revenues (expenses):			
Interest income	788,040	714,888	363,207
Governmental grants	201,735	204,314	-
Miscellaneous	65,594	81,774	889
Gain (loss) on disposition of assets	(12,540)	(805)	83,700
Interest on long-term debt	(238,168)	(243,528)	(118,078)
Total nonoperating revenues (expenses)	804,661	756,643	329,718
Income before contributions and transfers	2,404,367	(395,633)	329,718
Transfers in	732,529	1,572,529	-
Transfers out	(582,000)	(813,500)	(16,494,268)
Change in net assets	2,554,896	363,396	(16,164,550)
Total net assets - beginning	13,246,258	15,801,154	-
Ending net assets:			
Invested in capital assets, net of related debt	2,543,907	4,399,040	-
Restricted	-	-	-
Unrestricted	13,257,247	11,765,510	-
Total net assets - ending	\$ 15,801,154	\$ 16,164,550	\$ -

(1) 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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenues:										
Charges for services and other operating revenues	\$ 10,397,780	\$ 11,269,882	\$ 11,705,595	\$ 12,029,026	\$ 12,462,594	\$ 12,314,865	\$ 12,985,275	\$ 13,478,920	\$ 14,703,923	\$ 14,811,555
Total operating revenues	10,397,780	11,269,882	11,705,595	12,029,026	12,462,594	12,314,865	12,985,275	13,478,920	14,703,923	14,811,555
Operating expenses:										
Personal services and benefits	3,175,057	3,696,365	3,886,560	4,010,326	4,253,120	3,835,816	4,385,357	4,345,690	4,350,457	5,061,596
Operation and maintenance	1,086,665	1,439,712	1,296,658	1,839,617	1,234,608	1,158,818	1,460,251	1,453,789	1,550,252	1,788,171
Supplies and materials	915,748	1,409,039	1,451,738	1,353,184	1,471,159	1,296,768	1,220,000	1,218,645	1,210,601	1,229,613
Administration	1,329,083	1,299,889	1,227,113	1,084,407	1,174,601	1,182,821	1,220,437	1,308,718	1,462,335	1,335,499
Other charges	57,613	55,342	61,621	52,684	67,481	60,133	65,424	60,118	77,950	87,808
Depreciation	1,796,958	2,072,079	2,090,517	2,468,788	2,519,349	2,701,356	2,711,581	2,757,951	2,852,246	2,916,684
Total operating expenses	8,361,124	9,972,426	10,014,207	10,809,006	10,720,318	10,235,712	11,063,050	11,144,911	11,503,841	12,419,371
Operating income	2,036,656	1,297,456	1,691,388	1,220,020	1,742,276	2,079,153	1,922,225	2,334,009	3,200,082	2,392,184
Nonoperating revenues (expenses):										
Interest income	629,409	343,836	82,842	22,207	30,674	40,275	2,729	21,508	21,514	41,904
Governmental grants	-	-	-	-	-	-	72,289	13,103	-	-
Miscellaneous	8,468	28,142	25,223	29,613	19,585	10,847	16,535	2,122	2,781	1,028
Gain (loss) on disposition of assets	(12,880)	-	-	-	(293)	-	-	7,314	9,219	6,128
Interest on long-term debt	(1,382,240)	(1,331,124)	(1,267,391)	(1,796,575)	(1,520,334)	(1,643,503)	(1,751,114)	(1,708,765)	(1,678,042)	(1,971,229)
IRS interest subsidy - Build America Bonds	-	-	-	243,211	125,799	251,598	251,598	231,596	233,357	233,860
Total nonoperating revenues (expenses)	(757,243)	(959,146)	(1,159,326)	(1,501,544)	(1,344,569)	(1,340,783)	(1,407,963)	(1,433,122)	(1,411,171)	(1,688,309)
Income before contributions and transfers	1,279,413	338,310	532,062	(281,524)	397,707	738,370	514,262	900,887	1,788,911	703,875
Capital contributions	-	-	-	-	-	24,000	9,500	-	5,000	362,917
Transfers out	(77,000)	(215,500)	-	-	-	-	-	-	-	-
Change in net position	1,202,413	122,810	532,062	(281,524)	397,707	762,370	523,762	900,887	1,793,911	1,066,792
Total net position - beginning, as restated (1) (2)	33,239,942	34,442,355	34,565,165	35,097,227	34,815,703	35,273,830	36,036,200	36,559,962	31,448,108	33,242,019
Ending net position:										
Net investment in capital assets	27,457,812	28,835,542	29,577,116	29,406,782	28,353,428	28,177,375	27,787,795	28,010,070	28,620,307	27,610,452
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,984,543	5,729,623	5,520,111	5,408,921	6,859,982	7,858,825	8,772,167	9,450,779	4,621,712	6,698,359
Total net position - ending	\$ 34,442,355	\$ 34,565,165	\$ 35,097,227	\$ 34,815,703	\$ 35,213,410	\$ 36,036,200	\$ 36,559,962	\$ 37,460,849	\$ 33,242,019	\$ 34,308,811

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

(2) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Comprehensive Annual Financial Report for FY2015 for an explanation.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenues:										
Charges for services and other operating revenues	\$ 16,040,587	\$ 17,861,892	\$ 17,716,586	\$ 18,536,169	\$ 18,023,990	\$ 18,520,421	\$ 18,913,651	\$ 19,763,592	\$ 20,216,758	\$ 21,264,506
Total operating revenues	16,040,587	17,861,892	17,716,586	18,536,169	18,023,990	18,520,421	18,913,651	19,763,592	20,216,758	21,264,506
Operating expenses:										
Personal services and benefits	2,094,012	2,497,423	2,580,269	2,690,817	2,821,960	2,963,550	2,731,139	2,871,425	2,944,024	3,390,178
Operation and maintenance	1,776,185	2,653,861	2,922,473	2,648,489	2,756,734	3,054,420	2,493,078	2,742,797	2,697,307	2,906,172
Supplies and materials	841,857	906,778	988,444	1,120,551	1,142,833	1,119,265	1,040,125	1,158,838	1,336,709	1,489,227
Administration	1,863,792	2,025,740	2,370,470	2,222,341	2,599,513	2,337,126	2,273,339	2,282,628	2,573,784	2,341,346
Other charges	34,347	35,078	35,903	45,466	39,915	70,699	33,447	44,651	66,946	51,118
Depreciation	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336	5,819,288	6,147,918	7,049,861	7,584,388	7,635,836
Total operating expenses	10,718,754	12,415,373	13,328,517	13,585,507	14,396,291	15,364,348	14,719,046	16,150,200	17,203,158	17,813,877
Operating income	5,321,833	5,446,519	4,388,069	4,950,662	3,627,699	3,156,073	4,194,605	3,613,392	3,013,600	3,450,629
Nonoperating revenues (expenses):										
Interest income	858,384	691,799	363,942	182,548	173,319	167,849	102,589	108,729	73,142	85,086
Governmental grants	38,500	38,500	38,500	93,000	93,000	-	93,667	10,759	-	-
Miscellaneous	6,558	5,800	257,943	15,985	15,936	125,336	11,999	11,170	10,400	11,821
Gain (loss) on disposition of assets	-	-	-	-	-	-	(160,294)	5,653	606	738
Interest on long-term debt	(1,901,244)	(1,838,986)	(1,632,263)	(1,496,908)	(1,477,230)	(1,359,726)	(1,234,971)	(1,148,525)	(1,086,336)	(1,129,426)
IRS interest subsidy - Build America Bonds	-	-	-	44,421	22,977	45,953	45,952	42,300	42,621	42,713
Total nonoperating revenues (expenses)	(997,802)	(1,102,887)	(971,878)	(1,160,954)	(1,171,998)	(1,020,588)	(1,141,058)	(969,914)	(959,567)	(989,068)
Income before contributions and transfers	4,324,031	4,343,632	3,416,191	3,789,708	2,455,701	2,135,485	3,053,547	2,643,478	2,054,033	2,461,561
Capital contributions	766,259	2,210,259	4,045,756	12,542,361	8,435,244	700,878	31,025	2,855,237	3,207,248	4,471,358
Transfers in (out)	(452,000)	(325,000)	-	-	-	(3,401)	-	126,734	126,734	126,734
Change in net position	4,638,290	6,228,891	7,461,947	16,332,069	10,890,945	2,832,962	3,084,572	5,625,449	5,388,015	7,059,653
Total net position - beginning, as restated (1) (2)	87,384,514	92,022,804	98,251,695	105,713,642	122,045,711	132,997,076	135,830,038	138,914,610	140,651,555	146,039,570
Ending net position:										
Net investment in capital assets	74,801,294	78,570,747	89,162,429	103,867,512	118,483,855	122,482,265	128,264,125	133,496,405	138,595,419	144,934,435
Unrestricted	17,221,510	19,680,948	16,551,213	18,178,199	14,452,801	13,347,773	10,650,485	11,043,654	7,444,151	8,164,788
Total net position - ending	\$ 92,022,804	\$ 98,251,695	\$ 105,713,642	\$ 122,045,711	\$ 132,936,656	\$ 135,830,038	\$ 138,914,610	\$ 144,540,059	\$ 146,039,570	\$ 153,099,223

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

(2) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Comprehensive Annual Financial Report for FY2015 for an explanation.

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

	2013	2014	2015	2016
Operating revenues:				
Charges for services and other operating revenues	\$ 3,355,267	\$ 3,124,545	\$ 3,268,776	\$ 3,209,504
Intergovernmental	650,000	650,000	275,000	275,000
Total operating revenues	<u>4,005,267</u>	<u>3,774,545</u>	<u>3,543,776</u>	<u>3,484,504</u>
Operating expenses:				
Personal services and benefits	281,160	414,356	362,502	446,320
Operation and maintenance	651,189	719,470	306,678	285,560
Supplies and materials	50,358	113,528	104,029	136,741
Administration	1,109,817	1,340,126	1,227,229	1,353,809
Other charges	4,804	8,233	11,916	5,289
Depreciation	-	4,465	33,662	67,558
Total operating expenses	<u>2,097,328</u>	<u>2,600,178</u>	<u>2,046,016</u>	<u>2,295,277</u>
Operating income	<u>1,907,939</u>	<u>1,174,367</u>	<u>1,497,760</u>	<u>1,189,227</u>
Nonoperating revenue:				
Interest Income	-	-	-	1,213
Miscellaneous	1	-	61	23,452
Total nonoperating revenue	<u>1</u>	<u>-</u>	<u>61</u>	<u>24,665</u>
Income before contributions and transfers	<u>1,907,940</u>	<u>1,174,367</u>	<u>1,497,821</u>	<u>1,213,892</u>
Capital contributions	-	-	-	-
Transfers out	<u>-</u>	<u>(126,734)</u>	<u>(162,676)</u>	<u>(126,734)</u>
Change in net position	<u>1,907,940</u>	<u>1,047,633</u>	<u>1,335,145</u>	<u>1,087,158</u>
Total net position - beginning, as restated (1)	<u>-</u>	<u>1,907,940</u>	<u>2,428,919</u>	<u>3,764,064</u>
Ending net position:				
Net investment in capital assets	99,062	771,687	2,002,495	2,484,986
Unrestricted	<u>1,808,878</u>	<u>2,183,886</u>	<u>1,761,569</u>	<u>2,366,236</u>
Total net position - ending	<u>\$ 1,907,940</u>	<u>\$ 2,955,573</u>	<u>\$ 3,764,064</u>	<u>\$ 4,851,222</u>

The Stormwater Fund was created in FY2013.

(1) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Comprehensive Annual Financial Report for FY2015 for an explanation.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenues:										
Charges for services and other operating revenues	\$ 1,848,109	\$ 1,839,685	\$ 1,967,871	\$ 2,152,132	\$ 2,093,668	\$ 2,011,159	\$ 2,124,073	\$ 2,235,749	\$ 2,254,531	\$ 2,446,873
Intergovernmental	129,582	132,487	178,948	179,276	168,209	158,129	135,566	136,178	142,601	134,592
Total operating revenues	1,977,691	1,972,172	2,146,819	2,331,408	2,261,877	2,169,288	2,259,639	2,371,927	2,397,132	2,581,465
Operating expenses: (2)										
Personal services and benefits	867,626	954,186	912,723	940,547	962,868	917,266	942,087	970,660	1,006,709	1,018,464
Operation and maintenance	751,314	710,025	825,665	962,156	993,088	979,812	1,008,265	1,160,643	1,166,823	1,011,546
Supplies and materials	96,152	117,270	99,852	107,755	118,586	122,848	113,371	133,670	12,803	137,041
Administration	235,657	231,223	203,813	242,702	233,300	263,522	243,385	233,277	239,614	235,287
Other charges	16,004	15,683	17,935	20,088	15,794	21,416	18,000	16,800	24,384	20,637
Depreciation	1,568,656	1,720,304	1,911,836	1,964,051	1,969,925	2,035,816	1,782,786	1,820,883	2,115,435	2,141,357
Total operating expenses	3,535,409	3,748,691	3,971,824	4,237,299	4,293,561	4,340,680	4,107,894	4,335,933	4,565,768	4,564,332
Operating loss	(1,557,718)	(1,776,519)	(1,825,005)	(1,905,891)	(2,031,684)	(2,171,392)	(1,848,255)	(1,964,006)	(2,168,636)	(1,982,867)
Nonoperating revenues (expenses):										
Interest income	106,412	33,985	15,788	3,198	2,672	2,658	3,659	2,464	2,254	8,281
Governmental grants	29,033	30,960	-	24,383	34,495	-	-	-	-	-
Passenger facility charges (3)	223,331	185,815	319,360	377,504	350,002	321,031	-	-	-	-
Miscellaneous	12,260	8,162	11,508	4,249	44,092	12,388	16,697	9,040	9,724	20,004
Gain (Loss) on disposition of assets	117,431	-	-	-	(17,651)	-	137,762	-	-	-
Interest on long-term debt	(103,910)	(108,456)	(86,964)	(73,265)	(64,581)	(54,416)	(45,020)	(39,411)	(8,061)	(27,422)
Total nonoperating revenues (expenses)	384,557	150,466	259,692	336,069	349,029	281,661	113,098	(27,907)	3,917	863
Loss before contributions and transfers	(1,173,161)	(1,626,053)	(1,565,313)	(1,569,822)	(1,682,655)	(1,889,731)	(1,735,157)	(1,991,913)	(2,164,719)	(1,982,004)
Capital contributions	7,928,973	5,094,296	422,853	2,184,294	1,685,180	961,868	2,452,072	2,512,162	3,065,217	2,264,831
Passenger facility charges (3)	-	-	-	-	-	-	335,209	329,951	323,963	317,503
Transfers in	367,337	359,364	295,850	261,260	259,950	421,362	336,330	218,809	96,600	-
Change in net position	7,123,149	3,827,607	(846,610)	875,732	262,475	(506,501)	1,388,454	1,069,009	1,321,061	600,330
Total net position - beginning - as restated (1,2)	23,741,434	30,864,583	34,692,190	33,845,580	34,721,312	35,003,927	34,497,426	35,885,880	35,756,707	37,077,768
Ending net position:										
Net investment in capital assets	29,582,661	34,351,746	33,350,032	33,807,415	33,495,323	32,131,518	33,305,694	34,631,136	35,973,930	34,496,749
Restricted	1,765	4,708	8,786	5,213	10,312	119,534	25,193	8,433	7,231	3,478
Unrestricted	1,280,157	335,736	486,762	908,684	1,478,152	2,246,374	2,554,993	2,315,320	1,096,607	3,177,871
Total net position - ending	<u>\$ 30,864,583</u>	<u>\$ 34,692,190</u>	<u>\$ 33,845,580</u>	<u>\$ 34,721,312</u>	<u>\$ 34,983,787</u>	<u>\$ 34,497,426</u>	<u>\$ 35,885,880</u>	<u>\$ 36,954,889</u>	<u>\$ 37,077,768</u>	<u>\$ 37,678,098</u>

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

(2) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Comprehensive Annual Financial Report for FY2015 for an explanation.

(3) Beginning in FY2013, 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real Estate (4)	\$ 40,177,919	\$ 45,704,771	\$ 47,350,940	\$ 49,771,556	\$ 50,443,704	\$ 50,575,233	\$ 54,258,297	\$ 54,360,607	\$ 54,894,485	\$ 55,825,934
PSC Taxes	2,084,337	1,859,402	2,092,537	2,156,835	2,231,177	2,188,113	2,333,580	2,313,627	2,267,069	2,371,493
Personal Property Tax	13,601,986	15,404,439	14,888,406	14,735,238	15,452,280	16,138,693	16,757,814	17,578,172	17,578,905	18,390,620
Penalties & Interest	665,421	711,491	896,215	862,989	954,397	1,032,498	1,142,986	1,241,614	1,299,858	1,198,049
Sales & Use Tax	14,481,096	14,266,750	13,056,829	12,686,171	13,290,563	13,440,973	13,589,747	13,842,292	15,006,326	14,995,131
Utility Tax (1) (2)	5,835,367	4,793,431	4,739,261	4,700,202	4,692,477	4,475,316	4,628,647	4,738,343	4,575,492	4,660,389
Business License Tax (3)	7,924,649	8,004,385	7,678,586	7,648,170	7,342,658	7,539,926	7,810,315	8,391,989	8,535,544	8,464,009
Franchise License Tax (1)	316,824	4,277	500	4,527	8,554	4,527	500	-	-	10,100
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	3,382,915	3,282,767
Motor Vehicle Licenses	1,491,186	1,511,831	1,572,792	1,601,123	1,621,362	1,629,845	1,643,420	1,672,627	1,701,647	1,722,007
Bank Stock Taxes	503,322	442,123	500,385	685,879	901,240	817,990	722,734	769,284	831,103	836,320
Taxes on Recordation and Wills	809,424	661,671	401,833	525,417	381,719	461,835	549,056	486,321	592,113	504,432
Tobacco Taxes	1,002,130	1,014,759	1,044,465	953,513	936,648	974,864	1,025,289	975,078	936,024	900,484
Admission and Amusement Taxes	409,473	407,024	400,835	576,139	610,625	644,842	660,558	662,453	667,212	678,870
Hotel and Motel Room Taxes	1,565,191	1,698,848	1,742,232	1,667,064	1,738,042	1,787,719	1,967,393	2,125,145	2,066,200	2,100,391
Restaurant Food Taxes	9,974,012	10,289,669	10,426,915	10,424,786	10,904,781	11,585,083	11,874,579	12,666,743	13,435,756	14,081,199
Emergency Telephone Service Tax (1)	464,582	-	-	-	-	-	-	-	-	-
Total General Government Tax Revenues	\$ 102,976,887	\$ 110,668,029	\$ 110,330,014	\$ 112,551,637	\$ 115,044,676	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029	\$ 127,770,649	\$ 130,022,195

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

- (1) In 2006 the General Assembly of the State of Virginia created a new tax called the Communication Sales & Use Tax. This tax will account for all communication taxes for telephone land line services and wireless services. Therefore, the utility taxes, franchise taxes, and emergency telephone service taxes will be less in FY2007 and future years.
- (2) Utility Tax has been restated beginning in FY2007 to include Utility tax for electric, gas, and right of way fees. Previously consumption tax for electric and gas were included.
- (3) Business License Tax has been restated beginning in FY2007 to include consumption tax for electric and gas. Utility companies are assessed business license tax based upon consumption.
- (4) Real Estate Taxes have been restated for FY2007 to FY2010 to exclude utility tax for right of way fees.

**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
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
2015	3,358,581,200	1,312,217,000	356,639,200	5,027,437,400	1.11
2016	3,383,069,800	1,396,087,500	364,092,500	5,143,249,800	1.11

Source: Real Estate Assessor, City of Lynchburg, Virginia

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

(2) Excludes tax-exempt property.

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

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

Fiscal Year	Real Property (1)					Personal Property (3)				Machinery and Tools		Total Assessed Value of Taxable Property	Total Direct Tax Rate (9)
	Residential Property (2)(6)	Commercial Property (2)(7)	Public Service Corporation	Total	Tax Rate	Personal Property	Public Service Corporation	Total	Tax Rate	Machinery and Tools (2)	Tax Rate		
2007	\$ 2,454,171,000 (8)	\$ 1,217,460,100	\$ 163,455,331	\$ 3,835,086,431	\$ 1.11	\$ 514,804,057 (4)	\$ 22,435,903	\$ 537,239,960	\$ 3.80	\$ 128,776,059 (4)	\$ 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 (4)	24,595,702	579,175,983	3.80	129,957,629 (4)	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 (4)	23,990,045	529,100,410	3.80	138,538,171 (4)	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 (4)	26,216,286	557,034,291	3.80	138,218,372 (4)	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 (4)	26,206,858	573,218,840	3.80	142,664,977 (4)	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 (4)	24,189,993	597,874,313	3.80	159,096,582 (4)	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 (4)	23,632,441	609,730,495	3.80	150,157,140 (4)	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	603,981,655 (4)	25,839,427	629,821,082	3.80	152,877,609 (4)	3.00	5,945,180,505	7.91
2015	3,358,581,200	1,668,856,200	175,223,235	5,202,660,635	1.11	622,453,513 (4)	25,979,883	648,433,396	3.80	155,103,327 (4)	3.00	6,006,197,358	7.91
2016	3,383,069,800	1,760,180,000	185,088,590	5,328,338,390	1.11	524,875,105 (5)	28,004,949	552,880,054	3.80	159,788,323 (5)	3.00	6,041,006,767	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) These figures have been updated to reflect all billings associated with the levy.

(5) 2016 Personal Property Tax Levy in FY2016. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2017 to reflect all four billings.

(6) 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.

(7) Commercial property also includes industrial property.

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

(9) 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	2016				2007			
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2016 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
AEP - American Electric Power	Utility	\$ 81,543,285	1	1.35 %	\$ 917,578	1.11 %	\$ 43,339,274	5	0.97 %
Frito Lay, Inc.	Food Manufacturer	55,879,517	2	0.93	1,194,538	1.44	33,173,772	6	0.74
Areva NP Inc.	Nuclear Power Design & Fuel	53,129,287	3	0.88	1,114,739	1.35	49,323,306	2	1.11
River Ridge, Ltd.	Shopping Mall	46,604,400	4	0.77	517,309	0.63	44,768,400	4	1.00
Wal-Mart Real Estate Business Trust	Retail	40,853,090	5	0.68	520,585	0.63			-
Verizon Va, Inc.	Utility	39,503,306	6	0.65	445,557	0.54	64,730,322	1	1.45
R R Donnelley	Periodical Publication Printing	34,837,220	7	0.58	755,762	0.91	46,076,218	3	1.03
Columbia Gas of Virginia, Inc.	Utility	33,540,015	8	0.56	365,415	0.44			-
J Crew Inc.	Clothing	25,070,689	9	0.42	445,724	0.54			-
C.B. Fleet Co.	Pharmaceuticals	20,705,321	10	0.34	385,354	0.47			-
LU Candler Station Holdings LLC	Shopping Center	19,011,400	11	0.31	211,027	0.26			-
CCRC, Inc.	Nursing Home/Assisted Living	18,802,100	12	0.31	208,703	0.25	17,587,300	10	0.39
Genworth Financial, Inc.	Life Insurance	18,577,501	13	0.31	325,249	0.39	20,312,918	7	0.46
Bostic Development at Lynchburg, LLC	Real Estate	-		-	-	-	19,662,500	9	0.44
JDN Realty Corp, Inc.	Real Estate	-		-	-	-	20,028,300	8	0.45
Total		<u>\$ 488,057,131</u>		<u>8.09 %</u>	<u>\$ 7,407,540</u>	<u>8.96 %</u>	<u>\$ 359,002,310</u>		<u>8.04 %</u>
Total Assessed Valuation:		<u>\$ 6,041,006,767</u>					<u>\$ 4,463,198,853</u>		
Tax Levy:									
Real Estate		\$ 57,084,805							
Railroads and Pipelines		282,130							
Public Service Corporations		2,103,877							
Personal Property		<u>23,278,628</u>							
Total Tax Levy:		<u>\$ 82,749,440</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)	Adjustments (2)	Adjusted Levy	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (4)	Total Collections to Date	
				Amount	Percentage of Levy (3)		Amount	Percentage of Levy (3)
2007	\$ 62,567,703	\$ 676,463	\$ 63,244,166	\$ 60,579,970	96.82%	\$ 2,642,267	\$ 63,222,237	99.97%
2008	69,433,693	425,442	\$ 69,859,135	67,913,137	97.81%	1,917,835	69,830,972	99.96%
2009	70,416,682	(237,520)	\$ 70,179,162	68,912,258	97.86%	1,224,626	70,136,884	99.94%
2010	73,945,100	366,011	\$ 74,311,111	71,488,683	96.68%	2,597,983	74,086,666	99.70%
2011	75,304,880	269,189	\$ 75,574,069	72,759,636	96.62%	2,566,986	75,326,622	99.67%
2012	76,467,417	297,827	\$ 76,765,244	73,256,961	95.80%	3,151,938	76,408,899	99.54%
2013	80,037,980	325,706	\$ 80,363,686	77,536,743	96.87%	2,278,373	79,815,116	99.32%
2014	80,297,119	406,284	\$ 80,703,403	78,239,826	97.44%	1,540,995	79,780,821	98.86%
2015	81,223,917	456,115	\$ 81,680,032	78,731,871	96.93%	1,970,781	80,702,652	98.80%
2016	82,721,284	(708,335)	\$ 82,012,949	80,478,895	97.29%	-	80,478,895	98.13%

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

- (1) Total tax levy is calculated based on the sum of the initial Real Estate Tax and Personal Property Tax levies.
 (2) Adjustments include supplemental billings and exonerations attributable to the year the tax was levied. The current year only includes exonerations.
 (3) These columns represent the amount and percentage of the tax levy within the respective tax year reporting period.
 (4) These columns represent collections in subsequent years for the tax levied in the noted fiscal year.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Real Estate										
Locally Assessed	\$ 1.11	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.11	\$ 1.11	\$ 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	1.05	1.05	1.05	1.05	1.05	1.11	1.11	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	7.85	7.85	7.85	7.85	7.85	7.91	7.91	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 2016
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⁾
2007	\$ 108,593	\$ 68	\$ -	\$ 3,020	\$ 6,810	\$ 2,171	\$ 52,295	\$ 16,500	\$ 74,985	\$ 707	\$ 262,271	\$ 265,149	11.60%	\$ 3,666
2008	117,407	49	1,343	2,840	6,316	2,211	63,550	-	84,426	806	275,931	278,948	11.48%	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	11.99%	3,883
2010	139,180	11	-	2,480	5,274	2,168	71,749	-	109,907	1,162	328,601	331,931	13.37%	4,378
2011	129,807	-	-	2,300	4,723	3,251	68,005	-	125,601	2,150	330,436	335,837	12.89%	4,393
2012	120,078	-	-	2,120	4,285	3,007	63,936	80	127,973	2,000	318,472	323,479	11.91%	4,190
2013	114,209	-	-	1,940	-	2,763	59,864	5,194	122,876	1,849	304,083	308,695	11.33%	3,990
2014	114,519	-	-	1,760	-	2,424	56,083	7,159	117,270	1,711	296,791	300,926	11.99%	3,864
2015	186,515	-	-	1,580	-	11,087	70,415	-	111,236	2,871	369,746	383,704	13.46%	10,589
2016	191,848	-	-	1,400	-	12,877	76,395	-	104,998	4,722	374,641	392,240	13.76%	10,824

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 FY2015 and FY2016, the FY2014 amount for per capita personal income of \$36,237 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)	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)	Bonded Debt Payable From Enterprise Fund Revenues (4)	Net Deferred Amounts Enterprise Funds (4)	Net Bonded Debt Governmental Funds Only (4)	Net Bonded Debt Governmental Funds Only To Assessed Value (Includes Net Deferred Amounts) (4)
2007	72,331	\$ 4,501,102	\$ 184,266	\$ 2,878	\$ 187,144	4.16%	\$ 2,587	\$ 68,795	\$ 707	\$ 117,642	2.61%
2008	73,834	5,330,939	188,665	3,017	191,682	3.60%	2,596	63,550	806	127,326	2.39%
2009	75,204	5,463,547	186,176	2,823	188,999	3.46%	2,513	60,831	637	127,531	2.33%
2010	75,826	5,764,489	216,214	3,330	219,544	3.81%	2,895	71,749	1,162	146,633	2.54%
2011	76,448	5,864,104	202,535	5,401	207,936	3.55%	2,720	68,005	2,150	137,781	2.35%
2012	77,203	5,888,828 (5)	188,379	5,007	193,386	3.28%	2,505	64,016	2,000	127,370	2.16%
2013	77,376	5,930,510 (5)	179,267	4,612	183,879	3.10%	2,376	65,058	1,849	116,972	1.97%
2014	77,874	5,945,181 (5)	177,761	4,135	181,896	3.06%	2,336	63,242	1,711	116,943	1.97%
2015	78,675	6,006,197 (5)	256,930	13,958	270,888	4.51%	3,443	70,415	2,871	197,602	3.29%
2016	78,675	6,041,007 (6)	268,243	17,599	285,842	4.73%	3,633	76,395	4,722	204,725	3.39%

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

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

(2) Includes governmental and business type activity general obligation principal only and excludes City of Lynchburg Public Utility revenue bonds.

(3) Net Deferred Amounts include Premiums and Discounts.

(4) Per City Council Adopted Debt Policies, total tax-supported debt will not exceed 4.5% of the net assessed valuation of taxable property in the City of Lynchburg.

For the purpose of this policy, tax-supported obligations are defined as those that are expected to be repaid from 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 the calculations of tax-supported bonds.

The City is including a ratio of Governmental Fund debt only to prove adherence to internal debt policies.

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

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

These figures will be updated in FY2017 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 2016

Real Property Assessed Value	\$ 5,143,250
Public Service Corporations Real Property Assessed Value	185,088
Total Real Property Assessed Value (1)	<u>5,328,338</u>
Debt limit (10% of assessed value)	532,834
Debt applicable to limit:	
Less: General Obligation Debt	<u>(268,243)</u>
Legal Debt Margin	<u><u>\$ 264,591</u></u>

Description	Fiscal Years									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 383,509	\$ 462,181	\$ 479,591	\$ 506,924	\$ 514,821	\$ 513,186	\$ 517,062	\$ 516,248	\$ 520,266	\$ 532,834
Total net debt applicable to limit	<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>	<u>256,930</u>	<u>268,243</u>
Legal debt margin	<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>	<u>\$ 263,336</u>	<u>\$ 264,591</u>
Total net debt applicable to the limit as a percentage of the debt limit	46.27%	39.45%	37.61%	41.61%	38.42%	35.87%	34.67%	34.43%	49.38%	50.34%

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

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

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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sewer Fund Operating Income	\$ 5,321,833	\$ 5,446,519	\$ 4,388,069	\$ 4,950,662	\$ 3,627,699	\$ 3,156,073	\$ 4,194,605	\$ 3,613,392	\$ 3,013,600	\$ 3,450,629
Plus:										
Depreciation & amortization	4,108,561	4,296,493	4,430,958	4,857,843	5,035,336	5,819,288	6,147,918	7,049,861	7,584,388	7,635,836
Interest income received	858,384	691,799	363,942	226,969	173,319	167,849	102,589	108,729	73,142	85,086
Capital contributions from members										
Regional Sewerage Treatment Plant	385,623	386,530	394,761	431,486	474,581	451,645	480,922	614,353	1,015,339	525,856
Governmental grants & miscellaneous income	45,058	44,300	296,443	108,985	108,936	125,336	105,666	21,929	10,400	11,821
Intergovernmental transfer (4)	-	-	-	-	-	688,036	-	126,734	126,734	126,734
Capitalized cost (3)	-	-	-	-	229,662	258,186	220,691	159,026	151,044	131,088
Net Revenue per Indenture (1)	<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>	<u>\$ 11,974,647</u>	<u>\$ 11,967,050</u>
Debt Service										
General obligation bonds										
Principal (2)	\$ 2,386,638	\$ 4,207,969	\$ 1,810,056	\$ 2,103,851	\$ 2,259,476	\$ 2,061,150	\$ 2,053,469	\$ 1,860,166	\$ 1,962,544	\$ 1,990,110
Interest	1,445,911	1,411,626	1,233,745	1,128,126	1,139,108	1,053,216	961,054	908,213	1,058,566	1,046,664
Total	<u>3,832,549</u>	<u>5,619,595</u>	<u>3,043,801</u>	<u>3,231,977</u>	<u>3,398,584</u>	<u>3,114,366</u>	<u>3,014,523</u>	<u>2,768,379</u>	<u>3,021,110</u>	<u>3,036,774</u>
Revenue bonds										
Principal (5)	2,557,922	2,909,118	3,097,845	3,520,797	3,757,168	4,627,820	5,096,949	5,597,966	6,034,143	6,238,057
Interest	455,333	427,360	398,518	368,782	338,122	306,510	273,917	240,312	210,084	174,501
Total	<u>3,013,255</u>	<u>3,336,478</u>	<u>3,496,363</u>	<u>3,889,579</u>	<u>4,095,290</u>	<u>4,934,330</u>	<u>5,370,866</u>	<u>5,838,278</u>	<u>6,244,227</u>	<u>6,412,558</u>
Total Debt Service Principal and Interest	<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>	<u>\$ 9,265,337</u>	<u>\$ 9,449,332</u>
Debt Coverage	<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>	<u>1.29</u>	<u>1.27</u>

(1) On August 19, 1994, the Virginia Department of Environmental Quality (VDEQ) 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 did not contain fixed dates for finished CSO Control Plan Projects for achieving complete sewer system separation, but rather provided implementation that reflects the City's financial capability. On July 31, 2015, VDEQ issued a revised Consent Special Order which significantly changed the CSO Long Term Control Plan that includes an alternate list of projects. The former Consent Order included a debt coverage requirement for determining City's financial capability within a annual range of 1.1 to 1.5. The revised Consent Order includes a debt coverage ratio requirement within a range of 1.1 to 1.5 computed under a rolling three year average.

(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 FY2012, the General Fund transferred \$688,036 to the Sewer Fund for maintenance and operation of the City's storm sewer system. For FY2014, FY2015, and FY2016, the Stormwater Operating Fund transferred \$126,734 to the Sewer Operating Fund which were annual installments to reimburse the Sewer Operating Fund for Stormwater Operating Funds set up costs.

(5) For FY2014 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)
2007	72,331	\$ 2,356,689	\$ 31,612	35.1	8,883	4.3
2008	73,834	2,430,025	32,912	35.1	8,715	5.6
2009	75,204	2,434,579	32,373	35.1	8,634	9.3
2010	75,826	2,482,619	32,741	30.3	8,597	9.2
2011	76,448	2,605,959	34,088	30.3	8,646	9.1
2012	77,203	2,715,847	35,178	30.3	8,688	8.9
2013	77,376	2,724,641	35,213	30.3	8,576	8.2
2014	77,874	2,821,920	36,237	30.3	8,583	7.1
2015	78,675	*	*	30.3	8,577	6.5
2016	78,675	*	*	30.3	8,566	5.7

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 through 2014 are all based on a July 1st estimate published on January 27, 2016.

(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 November 19, 2015. Estimates for 2010-2014 reflect population estimates available as of March 2015.

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 2016

2015 Unemployment Rate has been adjusted to reflect the most current data available.

* Information unavailable

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

	2016	2007
Employer	Employees (3)	Employees (4)
Liberty University (2)	8000 +	
Centra Health, Inc.	7000-7999	4,401
Lynchburg City Schools	1500-1999	1,410
Areva	1001-1499	1,639
City of Lynchburg	1000-1499	1,521
Genworth Financial Inc.	1000-1499	1,240
J. Crew Outfitters	1000-1499	800
Central Virginia Community College	500-999	
Harris Corp. (6)	500-999	
Horizon Behavioral Health (1)	500-999	
Kroger	500-999	550
Southern Air, Inc	500-999	
Walmart	500-999	
Lynchburg College	500-999	599
Tri-Tech Laboratories, Inc.	250-499	
Frito Lay	250-499	
R.R. Donnelley	250-499	
Nationwide Insurance Company	0-249	562
Thomas Road Baptist Church (5)		3,321
Employed Civilian Labor Force (June 2016) Lynchburg City - Virginia		
Employment Commission		33,444
Employed Civilian Labor Force (June 2007) Lynchburg City - Virginia		
Employment Commission		31,546

Source: FY2016 numbers are derived from Office of Economic Development, City of Lynchburg, VA, or employer contact, as of June 30, 2016.

Source: FY2007 numbers are derived from City of Lynchburg CAFR.

(1) Formerly Central Virginia Community Services

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

(3) Beginning in FY2013 ranges were used for employee count due to privacy issues, as well as availability of data from employers.

(4) Numbers as reported in the FY2007 Comprehensive Annual Financial Report.

(5) Combined numbers for TRBC and Liberty University for 2007

(6) 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 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Adopted 2016 ⁽¹⁾
Primary government:										
Council Manager Offices	9	8	9	8	8	8.0	6.0	6.0	6.0	6.0
Parking Division ⁽⁵⁾	-	-	-	3	4	4.5	5.0	5.0	5.7	5.7
City Assessor	12	12	12	12	10	10.0	10.0	9.6	9.6	9.6
City Attorney	7	7	7	7	7	6.9	6.9	6.9	6.9	6.9
Commissioner of Revenue	16	15	15	13	12	10.4	10.4	10.4	10.4	10.4
Communications & Marketing	3	3	4	4	4	4.0	4.0	4.0	4.0	4.0
Local Government Channel	-	2	2	2	2	2.0	2.0	2.0	2.0	2.0
Citizens First	2	4	4	4	3	3.5	3.5	3.0	3.0	3.0
Financial Services	49	47	46	44	42	42.0	42.0	41.7	41.7	41.7
Financial Services-Human Services	12	12	12	10	10	8.8	7.8	6.0	5.7	5.7
Human Resources	12	13	11	11	10	10.0	10.0	10.0	9.6	9.6
Information Technology	28	28	29	30	31	31.0	30.0	30.0	30.0	32.0
Internal Audit	2	2	2	2	2	2.0	-	-	-	-
Registrar and Electoral Board	3	3	3	2	2	2.3	2.3	2.5	2.5	2.5
State Treasurer (State)	2	2	2	2	2	2.0	2.0	2.0	2.0	2.0
Risk Management Fund	3	3	3	3	3	3.0	3.0	3.0	2.9	2.9
Circuit Court Clerk (State)	13	13	13	13	13	13.0	13.0	13.0	13.0	13.0
Circuit Court Judges	2	2	2	2	2	2.0	2.0	2.0	2.0	2.0
Commonwealth Attorney	14	16	16	17	17	16.7	17.7	17.7	16.9	16.9
Sheriff	31	31	31	31	29	30.4	30.4	30.6	30.0	30.4
Regional Juvenile Detention Center Fund	50	50	50	50	47	47.3	46.1	45.1	45.1	45.1
Police Department	198	207	204	204	203	202.7	197.9	199.8	199.8	200.8
Emergency Communications	31	31	31	36	35	32.0	35.0	35.6	35.6	36.6
Fire Department	180	185	186	186	187	187.0	185.0	187.5	187.5	189.5
Public Works Administration	-	-	11	11	11	11.0	10.0	10.0	10.7	10.7
Buildings & Grounds Maintenance	88	88	83	78	74	76.3	71.8	72.3	72.3	74.2
Engineering Division ⁽²⁾	-	-	-	38	31	32.8	30.8	30.7	31.2	32.2
Geographic Information System	-	-	-	-	-	-	-	-	-	-
Street, Traffic & Refuse Maintenance ⁽³⁾	36	38	57	53	50	52.4	52.2	47.5	48.5	46.3
Health & Human Services	188	188	184	175	169	169.9	164.4	170.1	167.9	165.5
Cultural and recreational	102	101	99	99	99	96.7	91.3	97.4	94.6	101.1
Community Planning & Economic Development ⁽²⁾	78	77	84	33	32	26.8	25.1	25.1	25.0	26.0
Tourism and Visitor Center ⁽⁷⁾	-	-	-	-	-	-	-	3.9	11.8	11.8
Fleet Services Fund	13	12	12	13	11	11.0	11.5	10.5	11.0	11.0
Business-type activities:										
Airport Fund	21	21	20	18	18	17.7	17.7	17.7	17.7	17.7
Water Fund	65	68	65	68	67	68.4	66.2	69.1	68.9	70.4
Sewer Fund	47	46	46	50	50	55.0	50.5	52.5	52.5	53.5
Stormwater Fund ⁽⁶⁾	-	-	-	-	-	-	5.8	5.8	7.1	7.1
Solid Waste Fund ⁽⁴⁾	43	43	-	-	-	-	-	-	-	-
Source: Budget Office, City of Lynchburg, Virginia	1,360	1,378	1,355	1,332	1,297	1,299.5	1,269.3	1,286.0	1,291.1	1,305.8

(1) FY2016 actual will be available with the FY2017 adopted budget.

(2) During FY2007 the Engineering Division was moved to Community Planning & Economic Development.

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

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

(5) The Parking Division was formed in FY2010.

(6) The Stormwater Fund began in FY2013.

(7) Tourism and Visitor Center were formed in FY2014.

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

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical Arrests	6,634	6,813	6,662	6,605	7,039	6,879	6,835	5,927	5,435	5,047
Traffic Violations	10,634	11,327	14,489	12,672	11,437	12,506	12,483	10,366	10,344	8,581
Parking Violations	7,741	7,786	6,370	4,599	3,943	6,338	4,481	4,854	6,812	5,718
Fire (4)										
Number of Fire calls answered (per month)	501	517	506	518	574	511	315	268	241	277
Number of inspections conducted (2) (5) (6)	253	368	641	567	767	469	254	291	192	441
Number of EMS calls	13,764	14,660	15,279	15,124	14,731	14,393	20,612	20,113	19,426	19,169
Sanitation and Refuse										
Refuse collected (tons/day)	72.22	69.68	69.03	69.35	69.74	70.14	72.96	65.58	55.70	63.17
Recyclables collected (tons/day)	5.34	6.73	7.45	7.23	7.31	6.85	6.46	5.26	4.10	7.09
Airport										
Total number of passengers	115,560	98,423	142,569	178,387	169,174	152,064	157,450	157,074	153,729	154,218
Sewage										
Number of service connections (3)	18,310	18,486	18,549	18,606	18,706	18,785	18,916	19,057	19,060	19,083
Average daily treatment in million gallons (1)	12.35	10.86	10.68	12.99	11.09	10.57	10.35	12.20	11.33	12.97
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 (3)	22,044	22,158	22,290	22,265	22,361	22,422	22,517	22,628	22,640	22,716
Average daily consumption of plant in million gallons	10	12	11	12	11	10	10	10	10	11
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 FY2004-2007 differ from those previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.

(2) Fire had additional personnel conducting inspections beginning in FY2009.

(3) The amounts for FY2012 have been revised to exclude stormwater accounts.

(4) The City implemented an enhanced reporting system in FY2013. The new system more accurately reports fire calls, inspections and EMS calls.

(5) In FY2012, number of inspectors in the Fire Marshal's Office dropped from 4 to 3 and in FY2015 the number dropped from 3 to 2 due to retirement.

(6) In FY2016, the Fire department trained additional field employees to conduct inspections and the inspections were conducted off-duty with paid overtime funds.

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	55	57	57	57	57	57	57	57	60	83
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	16	16	16	16	16	16	22	22	20	20
Highways and Streets										
Street (miles)	374.42	374.42	377.37	378.26	378.26	378.61	378.61	379.36	378.10	378.95
Streetlights	9,899	9,926	9,990	9,966	9,982	9,982	10,167	10,287	10,347	10,347
Traffic signals	117	118	119	119	119	119	120	120	121	120
Culture and Recreation										
Community centers	7	7	7	7	7	7	6	7	7	7
Senior centers	1	1	1	1	1	1	1	1	1	1
Parks (10)	20	20	20	20	21	21	21	21	21	21
Parks acreage (1) (8)	917	917	917	917	948	948	948	948	948	948
Swimming pools	1	1	1	1	2	2	2	2	2	2
Tennis courts (2)	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) (3)	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped
Water										
Fire hydrants	2,800	2,887	2,892	3,080	3,111	3,156	3,177	3,204	3,210	3,230
Storage capacity (thousands of gallons)	33,000	33,000	31,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Sewer										
Average daily sewage treatment (MGD) (4)	12.35	10.86	10.68	12.99	11.09	10.57	10.35	12.20	11.33	12.97
Maximum daily sewage treatment (MGD)	33.44	26.37	28.65	33.69	29.54	31.68	31.03	39.07	30.47	38.82
Transit - route service buses (5)	29	37	37	38	38	39	39	39	39	39
Transit - paratransit service buses (6)	-	7	11	11	11	10	14	14	14	17
Facility and service not included in the reporting entity:										
Education										
Number of elementary schools (7)	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	587	575	575	513	519	519	519	519	519	519

Source: City Departments, City of Lynchburg, Virginia

- (1) Including Blackwater Creek Natural Area.
- (2) 10 locations with a total of 40 courts - including schools.
- (3) Mapping is under development. Complete information is not available.
- (4) The numbers stated for FY1999-2007 differ from previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.
- (5) The increase in the number of route service buses is due to additional route covered according to the agreement with Liberty University.
- (6) GLTC purchased new paratransit buses to better serve the elderly population.
- (7) Kizer Elementary School used for Special Education, therefore, excluded from total number of elementary schools for reporting purposes.
- (8) The numbers stated for FY2002-2010 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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Elementary School Membership	3,877	3,916	3,936	3,934	3,968	3,987	3,975	4,020	3,921	3,982
Secondary School Membership	4,745	4,447	4,583	4,438	4,359	4,317	4,133	4,171	4,216	4,191
Total Membership	<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>	<u>8,137</u>	<u>8,173</u>
Teachers and Administrators (1)	772	774	780	759	977	851	836	850	967	1,019
Other Employees	482	482	482	449	466	478	505	458	426	434
Total Employees	<u>1,254</u>	<u>1,256</u>	<u>1,262</u>	<u>1,208</u>	<u>1,443</u>	<u>1,329</u>	<u>1,341</u>	<u>1,308</u>	<u>1,393</u>	<u>1,453</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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
K	722	732	732	718	696	740	735	732	567	667
1	675	673	673	702	726	705	720	738	719	701
2	629	648	648	648	670	676	662	692	696	677
3	629	653	653	632	620	643	643	619	658	675
4	625	606	608	639	629	615	601	642	638	637
5	597	604	622	595	627	608	614	597	643	625
6	618	613	635	598	605	621	609	604	615	619
7	694	581	604	619	593	586	608	607	608	597
8	662	625	614	581	622	593	567	613	585	597
9	867	777	797	706	642	669	629	599	639	610
10	661	647	732	719	666	580	623	609	596	619
11	621	654	702	619	672	625	534	606	612	591
12	<u>622</u>	<u>550</u>	<u>499</u>	<u>596</u>	<u>559</u>	<u>643</u>	<u>563</u>	<u>533</u>	<u>561</u>	<u>558</u>
Total	<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>	<u>8,137</u>	<u>8,173</u>

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

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COMPLIANCE SECTION

**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, 2016, 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 15, 2016.

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 instance of noncompliance or other matters that is 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 15, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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 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, 2016. 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.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 15, 2016

**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, 2016.

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, 2016.

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 15, 2016

CITY OF LYNCHBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2016

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, 2016

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 the Uniform Guidance.
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>
Special Education Cluster:	
Title IV-B Special Education	84.027
Special Education Preschool Grants	84.173
Title I Educationally Deprived Children - LEA	84.010
WIA Cluster:	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.278

8. The **threshold for** distinguishing Type A and B programs was **\$752,091**.
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, 2016**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

1.) 2016-001: Access Permission – Department of Social Services

Condition:

We noted one out of five terminated users tested did not have access privileges to all Virginia Department of Social Services systems removed within three working days of termination as required by the VDSS acceptable use policy.

Recommendation:

Steps should be implemented to insure that all terminated users are promptly removed from all necessary systems.

Management's Response:

Management understands the importance of removing access from terminated users in a timely manner. The appropriate steps have been implemented to ensure timely removal of access.

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

None.

E. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM

None.