

# City of Lynchburg, Virginia



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the fiscal year  
ended June 30, 2017*





**CITY OF  
LYNCHBURG, VIRGINIA**

Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2017

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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*FISCAL YEAR ENDED JUNE 30, 2017*

**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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[www.lynchburgva.gov](http://www.lynchburgva.gov)  
TEL: (434) 455-3990  
FAX: (434) 847-1536

November 15, 2017

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, 2017, 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, the Greater Lynchburg Transit Company, and the Business Development Centre, Inc.

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 development of the Capital Improvement Plan.

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 79,531, 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 Lynchburg business community continues to lead the regional economy with significant capital investment and job creation. In fiscal year 2017, Lynchburg companies invested over \$80 million in new capital and created 322 jobs through programs tracked by the Office of Economic Development. Commercial building permits in 2017 totaled more than \$155 million in real property investment.

The City of Lynchburg was selected to receive a 2017 Community Economic Development Award (CEDA) from the Virginia Economic Developers Association for Lynchburg Innovation Week. The CEDA awards are designed to recognize outstanding communities in the Commonwealth for their efforts in advancing the economic viability of their community through economic and community development programs. Economic development objectives focus on the growth of local business and industry and existing business expansion continues to be the primary driver of Lynchburg's economy and job growth. In August 2016, Governor McAuliffe announced Pacific Life Insurance Company would invest nearly \$4 million to open a business center in the City of Lynchburg, expanding the company's suite of innovative products and service capabilities. With this investment, the company completed an acquisition of the term life new business platform from Genworth Financial. This business addition is projected to create 300 new jobs.



Since 2004, the private sector has invested approximately \$74 million in the redevelopment of Downtown buildings and nearly 900 residential lofts Downtown have been developed. There are currently more than 5,300 employees working daily in Downtown Lynchburg.

In November 2015, officials with Hilton Worldwide announced The Virginian hotel, an old dilapidated structure currently under substantial renovation, will join the Curio Collection of Hilton Hotels and Resorts. “The Virginian” by Hilton is expected to open in spring 2018. The hotel will offer 115 boutique guest rooms, a ballroom, and a conference center, along with a coffee shop and two restaurants.

In June 2016, the Academy Center for the Arts announced that it had exceeded its fundraising goal of over \$16.6 million to restore and open the 1905 Academy Music Theatre. The restoration of the Academy of Music Theatre will transform Downtown Lynchburg, not only as a physical representation of downtown’s renaissance, but also an emotional symbol of the creative vibrancy of the area. The Theatre will serve as a magnet for the continued economic development of historic Downtown Lynchburg by increasing downtown sales volume, increasing property values, and increasing tax revenue. The City of Lynchburg leveraged its support for the project with an Industrial Revitalization Fund grant from the Virginia Department of Housing and Community Development.

In the summer of 2017, the City of Lynchburg embarked on an update to the Downtown/Riverfront Master Plan to address the future growth and development of downtown. This plan will build upon the previous Downtown Plans developed in 2000 (Lynchburg Downtown and Riverfront Master Plan) and in 2006 (Riverfront Implementation Plan). The process for developing the new plan, Downtown 2040, will provide multiple opportunities for public and business input throughout the project.

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. 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, Meals and Lodging Taxes, reflect growth compared to FY 2016. 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.

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 as well as a changing environment such as the sharing economy and changes in personal spending. 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. In FY 2017, staff collapsed the twelve pillars into five focus areas: Economic Development, Infrastructure, Poverty Reduction, Workforce Development and Customer Service. These focus areas address City Council’s four priorities and staff’s desire to extend Disney-like customer service.

## **Major Initiatives and Accomplishments**

### *Education*

Lynchburg City Schools continues to see more schools receive full accreditation from the state. Since 2014-2015, LCS has more than doubled the number of schools that are fully accredited from three to seven, adding two more schools in FY 2017.

Also, both high schools saw increases in their on-time graduation rates (OGR). The OGR for E.C. Glass for the class of 2017 is 85% and for Heritage High it is 89%. Over the past two years E.C. Glass has improved by 1% and Heritage High has improved by 9%.

### *Infrastructure*

Infrastructure improvements in FY 2017 included the completion of the Kemper Street Bridge rehabilitation, the Midtown Connector, the new Heritage High School, a new Juvenile Services Group Home and the renovation of the football/soccer facilities at Lynchburg City Stadium. New projects underway included the first phase of the Downtown Utility Line and Streetscape Improvements, the reworking of the Timberlake Road at Logan's Lane intersection and the widening of Wards Ferry Road.

### *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 second among city governments in the 75,000 – 124,999 population category in its 15th annual Digital Cities Survey. This is Lynchburg's thirteenth year ranking in the top ten for communities of its size.

### *Transportation*

Greater Lynchburg Transit Company (GLTC) provides public bus service for Lynchburg citizens. Construction of a new bus maintenance and operations facility was completed in FY 2017 which incorporated additional maintenance, bus parking and administrative space.

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 up to 6 daily departures with an estimated yearly passenger count of 161,000. 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 a fixed base operator (FBO) providing a full range of aeronautical services including fueling, maintenance, flight training, and charter services. In addition, Liberty University's rapidly growing School of Aeronautics is based at the airport.

## *Parks and Recreation*

Parks and Recreation was honored with four awards from the Virginia Recreation and Park Society (VRPS) in November 2016. The awards are: The Distinguished Service Award for Benita Ripley's service; Best New Environmental Sustainability Program for the Neighborhood Center Teaching Gardens; Best New Renovation Project for the Miller Center; and Best Promotional Effort – Specialty for the "Lynchburg is for Locavores" campaign. The VRPS' annual awards are a prestigious statewide program that honors individuals, agencies and organizations throughout Virginia who have demonstrated excellence in any of several areas during the previous year.

## **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, 2016. This is the City's twentieth consecutive year receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2016 Adopted Budget. This is the City's twelfth 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, 2017**

**CITY COUNCIL**

Joan Foster, Mayor

Treney Tweedy, Vice-Mayor  
Sterling Wilder  
Jeff Helgeson

Mary Jane Dolan  
Turner Perrow  
Randy Nelson

**CITY OFFICIALS**

Bonnie M. Svrcek  
Charles Hartgrove  
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

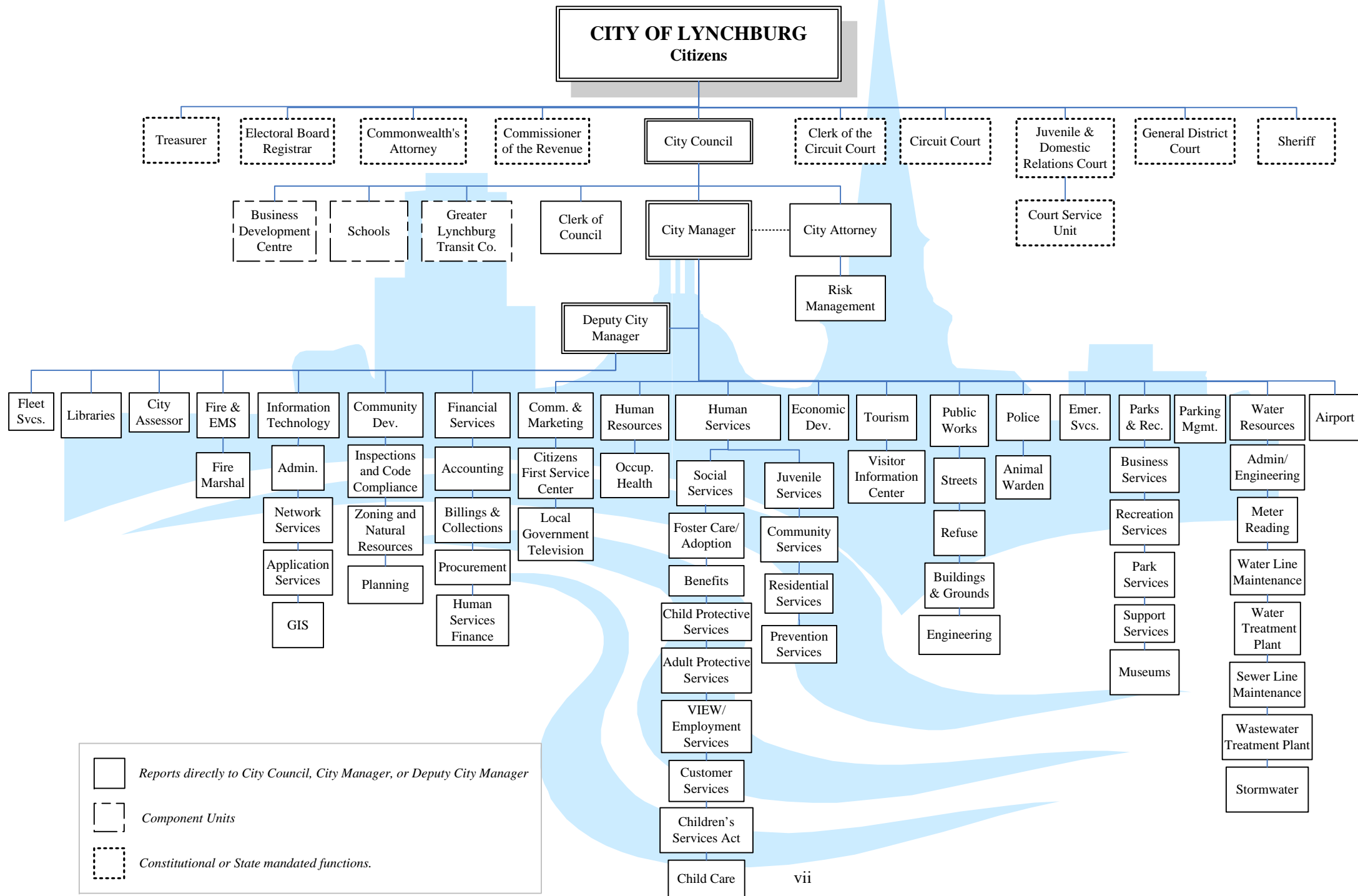
Dr. Regina T. Dolan-Sewell, Vice Chair  
Ms. Sharon Y. Carter  
Dr. James E. Coleman  
Ms. Charleta F. Mason

Mrs. Susan D. Morrison  
Mr. Derek L. Polley  
Dr. Kimberly A. Sinha  
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





Government Finance Officers Association

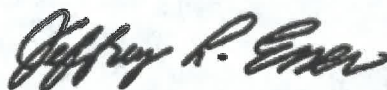
**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Lynchburg  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**



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, 2017, 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, 2017, 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, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 15, 2017

## **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, 2017. 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, 2017 by \$423.7 million (net position). Unrestricted net position of (\$12.8) million represented (\$29.7) million for governmental activities, which included the general fund, and \$16.9 million for business-type activities, which included the enterprise funds (water, sewer, stormwater, and airport).
- The general fund's unassigned fund balance of \$27.1 million was 14.7% of total general fund revenues, which were \$184.0 million. This was \$8.7 million more than the City Council adopted unassigned fund balance policy requirement of 10%, or \$18.4 million.
- In comparison with the prior fiscal year, the City's total net position increased 2.2%, or \$9.2 million, from FY 2016. Net position of governmental activities decreased 0.2%, or \$(0.4) million, from FY 2016; and, net position of business-type activities increased 4.25%, or \$9.6 million. The Schools' total net position decreased 1.0% or \$(0.8) million, from FY 2016.
- The City's total revenues of \$255.7 million decreased 1.2%, or (\$3.1) million, and total expenses of \$246.5 million increased 1.7%, or \$4.2 million, from FY 2016. General revenues of \$141.8 million were \$9.2 million more than the expenses net of program revenues of \$132.6 million.
- For the current fiscal year, the City's total liabilities and deferred inflows of resources of \$535.4 million decreased 3.9% or \$21.8 million from FY 2016.
- The City decreased its overall debt by \$21.3 million. Governmental activities decreased by \$11.3 million and business-type activities decreased by \$10.0 million. This includes issuance of new debt totaling \$0.8 million, all attributable to business-type activities. Debt retirements, all through planned retirements, totaled \$22.1 million; of which \$11.3 million was for governmental activities and \$10.8 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 Global 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, 2017/2016  
(in millions)***

	Governmental Activities		Business-Type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2017	2016	2017	2016	2017	2016	2017-2016	2017	2016
Current and other assets	\$ 121.7	\$ 154.0	\$ 48.2	\$ 53.5	\$ 169.9	\$ 207.5	-18%	\$ 13.6	\$ 13.0
Capital assets	387.3	373.9	379.9	373.2	767.2	747.1	3%	6.5	6.6
Total assets	509.0	527.9	428.1	426.7	937.1	954.6	-2%	20.1	19.6
Total deferred outflows of resources	18.2	13.8	3.8	3.3	22.0	17.1	29%	17.8	9.9
Long-term liabilities	308.7	311.2	190.9	199.5	499.6	510.7	-2%	104.7	91.6
Other liabilities	18.2	26.2	5.3	3.9	23.5	30.1	-22%	9.1	9.8
Total liabilities	326.9	337.4	196.2	203.4	523.1	540.8	-3%	113.8	101.4
Total deferred inflows of resources	12.0	15.6	0.3	0.8	12.3	16.4	-25%	3.6	6.8
Net Position									
Net investment in capital assets	215.2	210.8	218.4	209.5	433.6	420.3	3%	6.4	6.6
Restricted for Capital projects	1.0	2.6	-	-	1.0	2.6	-62%	-	-
Restricted for Grants and other	1.8	2.3	-	-	1.8	2.3	-22%	-	-
Restricted for Passenger facility charges	-	-	0.1	-	0.1	-	100%	-	-
Unrestricted	(29.7)	(27.0)	16.9	16.3	(12.8)	(10.7)	20%	(85.9)	(85.3)
Total net position	\$ 188.3	\$ 188.7	\$ 235.4	\$ 225.8	\$ 423.7	\$ 414.5	2%	\$ (79.5)	\$ (78.7)

The City's total net position of \$423.7 million increased 2.2%, or \$9.2 million, from FY 2016.

Net investment in capital assets of \$433.6 million was 102.3% of total net position and increased 3.1%, or \$13.3 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 (\$12.8) million, which is comprised of (232.0%), or (\$29.7) million, for governmental activities, and 132.0%, or \$16.9 million, for business-type activities. Unrestricted net position available for providing services to the citizens decreased 19.6%, or \$2.1 million from FY 2016. Restricted net position of \$2.9 million is comprised of \$1.0 million of grant funds restricted for transportation projects and \$1.9 million of grant funds restricted mainly for public safety, and community development.

The Schools' component unit total net position of (\$79.5) million decreased 1.0%, or (\$0.8) million from FY 2016. Unrestricted net position of (\$85.9) million decreased 0.7%, or (\$0.6) million from FY 2016.



## 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, 2017/2016 (in millions)*

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2017	2016	2017	2016	2017	2016	2017-2016	2017	2016
Revenues:									
Program Revenues:									
Charges for services	\$ 13.5	\$ 14.2	\$ 43.5	\$ 41.7	\$ 57.0	\$ 55.9	2%	\$ 2.4	\$ 2.0
Operating grants/contributions	44.7	43.4	0.4	0.4	45.1	43.8	3%	66.0	63.1
Capital grants/contributions	6.5	12.0	5.3	7.4	11.8	19.4	-39%	-	-
General Revenues:									
Property taxes	78.4	77.7	-	-	78.4	77.7	1%	-	-
Other taxes	54.5	52.8	-	-	54.5	52.8	3%	-	-
Unrestricted intergovernmental	6.3	6.3	-	-	6.3	6.3	0%	-	-
Interest	0.5	0.5	0.2	0.1	0.7	0.6	17%	-	-
IRS Subsidy Build America Bonds	0.3	0.3	0.3	0.3	0.6	0.6	0%	-	-
Miscellaneous	1.1	1.4	0.1	0.1	1.2	1.5	-20%	0.5	1.4
Gain on sale of assets	0.1	0.2	-	-	0.1	0.2	-50%	-	-
City appropriation	-	-	-	-	-	-	-	42.8	42.6
Total Revenues	205.9	208.8	49.8	50.0	255.7	258.8	-1%	111.7	109.1
Expenses:									
General government	15.7	14.5	-	-	15.7	14.5	8%	-	-
Judicial	6.7	6.3	-	-	6.7	6.3	6%	-	-
Public safety	50.8	48.5	-	-	50.8	48.5	5%	-	-
Public works	28.9	26.6	-	-	28.9	26.6	9%	-	-
Health and human services	29.3	28.8	-	-	29.3	28.8	2%	-	-
Cultural and recreational	11.1	10.1	-	-	11.1	10.1	10%	-	-
Community development	6.2	7.8	-	-	6.2	7.8	-21%	-	-
Education	50.2	52.2	-	-	50.2	52.2	-4%	112.5	106.6
Interest & other fiscal charges	7.4	7.3	-	-	7.4	7.3	1%	-	-
Stormwater	-	-	2.3	2.2	2.3	2.2	5%	-	-
Airport	-	-	4.8	4.6	4.8	4.6	4%	-	-
Water	-	-	13.7	14.4	13.7	14.4	-5%	-	-
Sewer	-	-	19.4	19.0	19.4	19.0	2%	-	-
Total Expenses	206.3	202.1	40.2	40.2	246.5	242.3	2%	112.5	106.6
Increase in net position	(0.4)	6.7	9.6	9.8	9.2	16.5	-44%	(0.8)	2.5
Net position beginning	188.7	182.0	225.8	216.0	414.5	398.0	4%	(78.7)	(81.2)
Net position ending	\$188.3	\$188.7	\$235.4	\$225.8	\$423.7	\$414.5	2%	\$(79.5)	\$(78.7)

## **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 \$188.3 million decreased 0.2%, or \$0.4 million from FY 2016.

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

Revenues from governmental activities of \$205.9 million decreased 1.4%, or \$2.9 million from FY 2016.

Program revenues, specifically charges for services of \$13.5 million had an overall decrease of \$0.7 million. The change is mainly attributed to the following: \$0.2 million decrease in court fines, forfeitures, and fees; \$0.1 million decrease in Ambulance service fees; \$0.6 million decrease in Detention Home charges; \$0.2 million increase in public works charges primarily related to stormwater; \$0.2 million increase for the amortization of prepaid rent from the stadium; and \$0.2 million decrease in community development charges primarily for building related fees, stormwater charges, and program income from the Community Development Block Grant (CDBG).

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 \$2.2 million are comprised of the following: Health and Human Services grants increased \$0.3 million, Street and Highway Maintenance funds increased \$0.4 million, House Bill 599 Law Enforcement Assistance grants increased \$0.1 million, HOME Investment Trust funds increased \$0.3 million, Office on Violence Against Women (OVW) grant increased \$0.1 million, Department of Juvenile Justice Community Placement Program grant increased \$0.6 million, public safety grants increased \$0.3 million, and Commonwealth Attorney grants increased \$0.1 million. Decreases in grants of \$0.9 million are comprised of the following: \$0.8 million decrease in CDBG funds, and \$0.1 million decrease in Forfeited Asset funds.

Capital grants and contributions decreased \$5.5 million. The decrease is mainly attributed to the following: \$5.4 million decrease in contributions for assets donated to the City; \$0.3 million decrease in reimbursements from the Virginia Department of Transportation (VDOT) for street overlay projects; \$0.2 million decrease in Safe Routes to Schools grants; \$0.1 million decrease in federal reimbursement funds for the Lynchpin Industrial Park sidewalk; \$0.1 million decrease in Federal Highway Safety Improvement Program funds for Memorial Avenue; \$0.3 million increase in contributions from Liberty University for the Liberty Mountain Drive Phase 2 project; and \$0.3 million increase in reimbursements from the VDOT revenue sharing program.

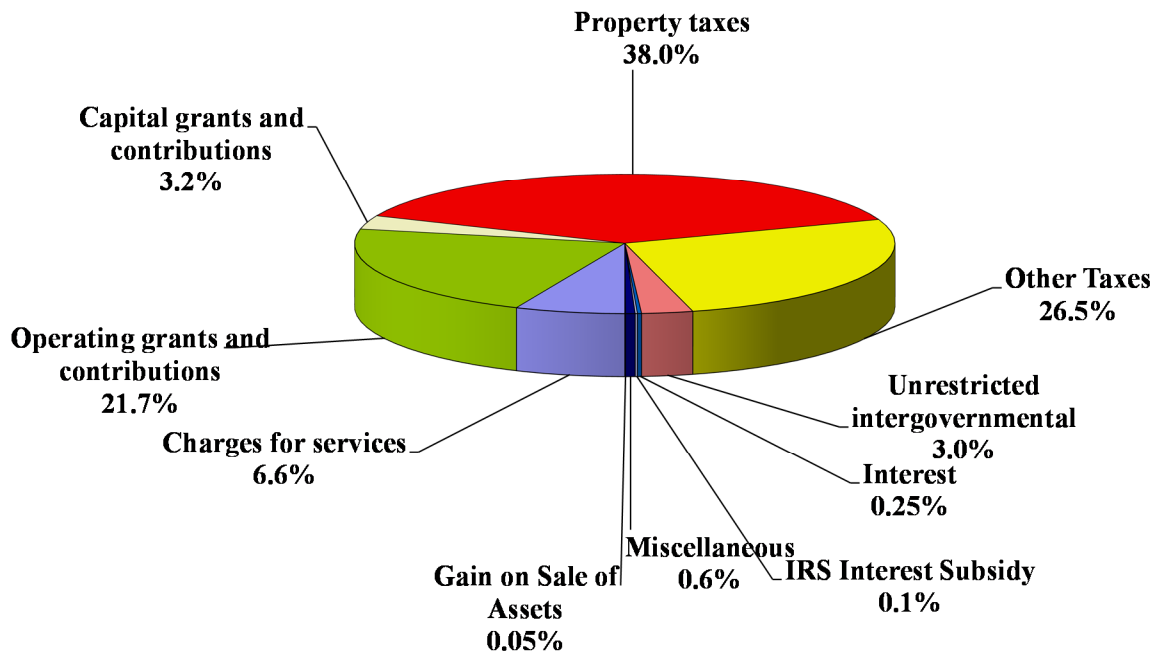
General revenues, specifically property taxes of \$78.4 million, increased \$0.7 million. Property taxes are comprised mainly of real property and personal property taxes. Real property taxes increased \$0.7 million. The City's general reassessment of real property occurs biennially and is effective on July 1 of the fiscal year. The City's biennial reassessment was effective July 1, 2017 and resulted in a nominal increase in assessed value of taxable real property. Personal Property taxes decreased \$0.2 million. Interest and penalty on delinquent taxes increased \$0.2 million.

Other taxes revenue of \$54.5 million increased \$1.7 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, local sales, business license, recordation, lodging, amusement, and motor vehicle license tax.

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

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

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



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

Governmental activities expenses of \$206.3 million increased 2.1%, or \$4.2 million from FY 2016.

Council approved a 2% salary increase effective January 1, 2017.

General government expenses increased \$1.2 million primarily due to a combination of increases and decreases in expenses. Increases included: pension expense of \$0.3 million; retiree health insurance of \$0.5 million; depreciation of \$0.2 million; and workers compensation payments of \$0.5 million. Decreases included: voting equipment and supplies of \$0.2 million; other insurance of \$0.1 million; and information technology consulting expenses of \$0.2 million.

Public safety expenses increased \$2.3 million primarily due to a combination of increases and decreases in expenses. Increases included: workers compensation payments of \$0.2 million; law enforcement supplies of \$0.2 million; public safety supplies primarily for body worn cameras of \$0.5 million; upgrades to the emergency communications system of \$0.2 million; rental expenses of \$0.1 million; pension expense of \$1.0 million; and minor tools, equipment and supplies of \$0.3 million. Decreases included: \$0.1 million decrease in payments to the Blue Ridge Regional Jail and \$0.2 million decrease in OPEB.

Public works expenses increased \$2.3 million primarily due to the following: \$0.7 million increase in depreciation expense; \$0.3 million increase in salaries and benefits; \$0.2 million increase in post closure costs for the City's portion of the Lynchburg landfill; \$0.2 million increase in pension expense; \$0.2 million increase in supplies, materials, and maintenance expenses; \$0.2 million increase in building improvements; \$0.2 million increase in tools and equipment; \$0.1 million increase in utility charges; and \$0.1 million decrease in payments for solid waste removal.

Health and human services expenses increased \$0.5 million primarily due to an increase of \$0.3 million in pension expenses.

Cultural and recreational expenses increased \$1.0 million primarily due to the following: \$0.4 million increase in salaries and benefits; \$0.2 million increase in contributions to the Academy Center of the Arts; \$0.2 million increase in depreciation; \$0.1 million increase in pension expense; and \$0.1 million decrease in site improvements for City parks.

Community development expenses decreased \$1.6 million primarily due to the following: \$0.7 million decrease in operating assistance provided to the Greater Lynchburg Transit Company (GLTC); \$1.0 million decrease in expenditures for the Community Development Block Grant (CDBG); \$0.1 million decrease in the City's required federal match to GLTC for capital projects; \$0.3 million increase in expenditures for the HOME Investment Trust Grant; and \$0.1 million increase in pension expense.

Education expenses decreased \$2.0 million due to the following: \$4.1 million decrease in expenses due to the write off of the old Heritage High School assets in the prior year; \$1.7 million increase in depreciation; \$0.2 million increase in the local contribution to the schools; and \$0.2 million increase in professional fees for an electrical Arc flash study for the schools.

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

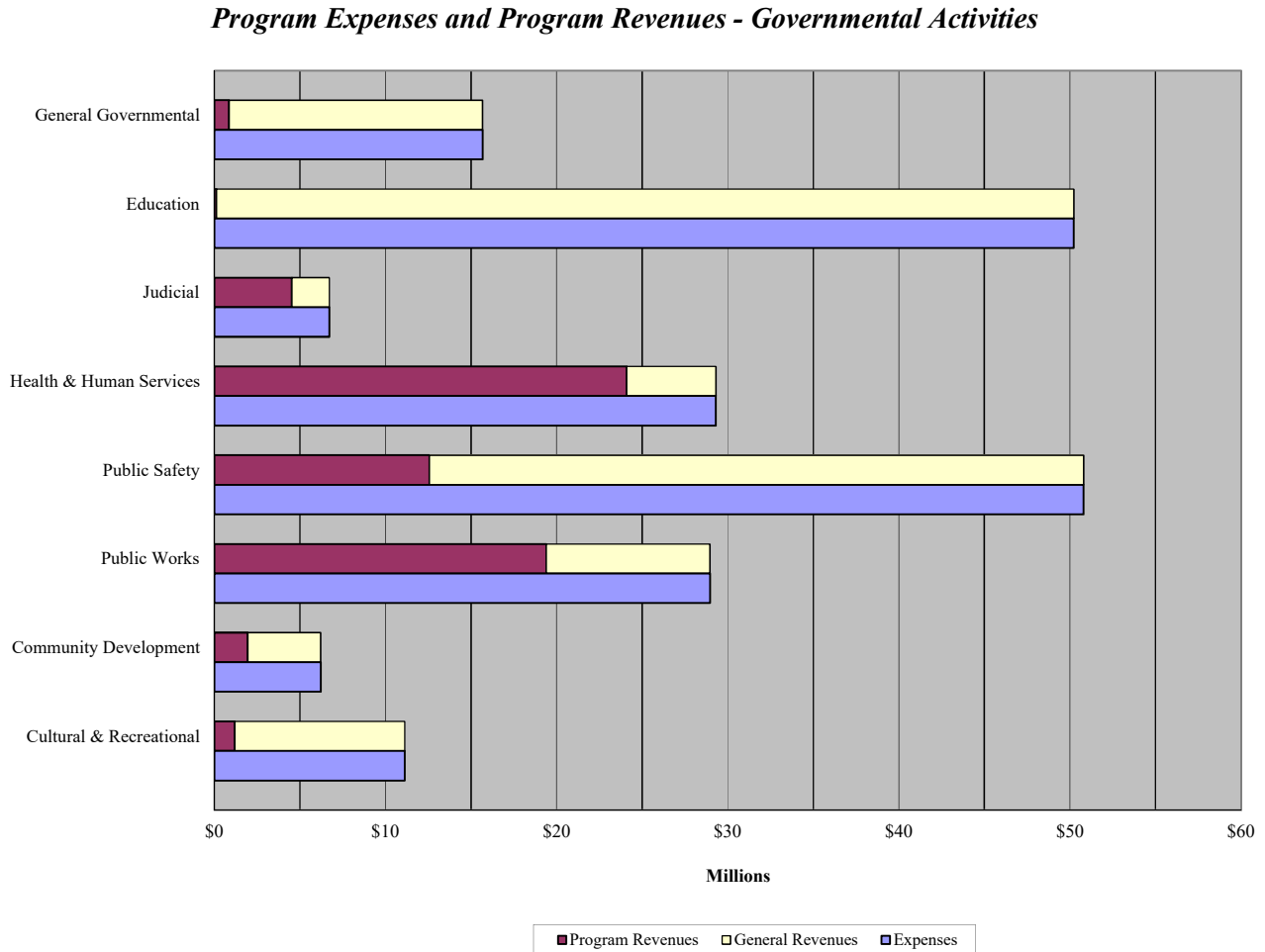
***Net Cost of Governmental Activities  
For Fiscal Years Ended FY 2017/2016  
(in millions)***

Governmental Activity	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2017	2016	Change 2017-2016	2017	2016	Change 2017-2016
General government	\$ 15.7	\$ 14.5	8%	\$ 14.8	\$ 8.2	80%
Judicial	6.7	6.3	6%	2.2	1.7	29%
Public safety	50.8	48.5	5%	38.2	36.3	5%
Public works	28.9	26.6	9%	9.5	7.8	22%
Health and human services	29.3	28.8	2%	5.2	5.1	2%
Cultural and recreational	11.1	10.1	10%	9.9	8.9	11%
Community development	6.2	7.8	-21%	4.3	5.0	-14%
Education	50.2	52.2	-4%	50.1	52.1	-4%
Interest payments & other fiscal charges	7.4	7.3	1%	7.4	7.3	1%
Total Governmental Activities	<u>\$ 206.3</u>	<u>\$ 202.1</u>	<u>2.1%</u>	<u>\$ 141.6</u>	<u>\$ 132.4</u>	<u>7%</u>

The four largest funded programs were public safety at 24.6%, or \$50.8 million; local support for education at 24.3%, or \$50.2 million; public works at 14.0%, or \$28.9 million; and health and human services at 14.2%, or \$29.3 million. Education and public safety continued to be high priorities for the City.

The governmental activities total cost of services increased 2.1% from the prior year with a 7% increase in the net cost of services. The Statement of Net Position shows that the \$206.3 million in governmental activities program expenses were financed by \$13.5 million from those receiving services, \$44.7 million from operating grants and contributions, \$6.5 million from capital grants and contributions, \$141.2 million from general revenues, and \$0.4 million from net position. Overall, general revenues of \$141.2 million were \$0.4 million less than the \$141.6 million of expenses net of program revenues.

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



### **Business-type Activities**

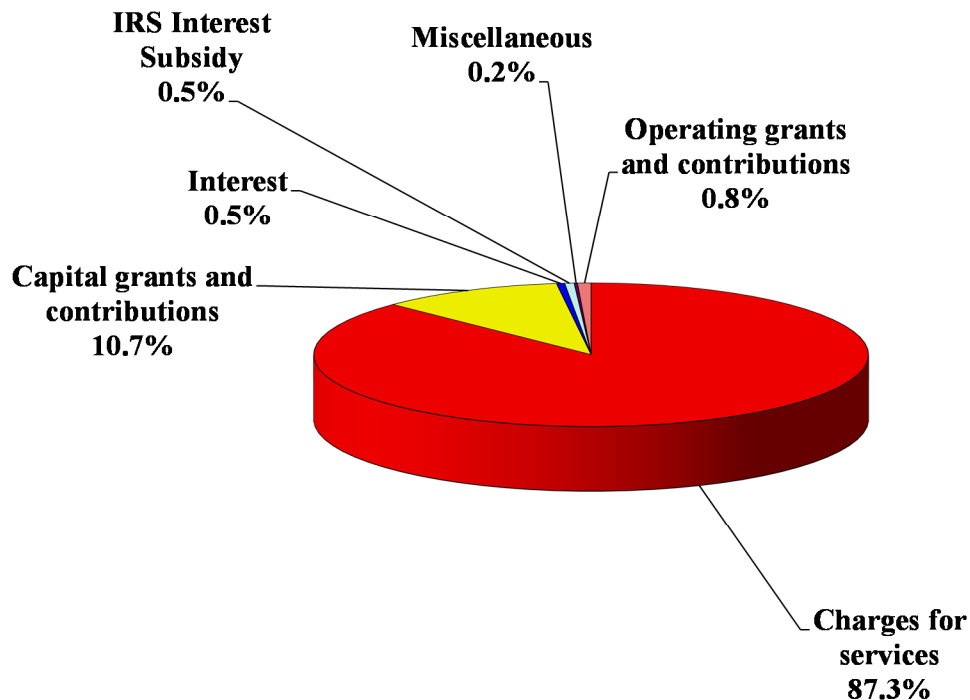
The business-type activities are comprised of enterprise funds for water, sewer, stormwater, and airport operations. Total net position of \$235.4 million increased 4.25%, or \$9.6 million from FY 2016.

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

Business-type activities revenues of \$49.8 million decreased \$0.2 million from the prior year. This was primarily due to a combination of increases and decreases. Increases include: \$0.4 million increase in charges for services in the Water fund primarily due to a 4.9% rate increase; \$1.4 million increase in charges for services in the Sewer fund primarily due to a rate increase of 3.3% and an increase in septic hauler charges; \$0.5 million increase in capital grants in the Airport fund; \$0.1 million increase in capital grants in the Stormwater fund; and \$0.1 million increase in interest income. Decreases include: \$2.6 million decrease in capital grants in the Sewer fund; and \$0.1 million decrease in capital grants in the Water fund.

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

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



***Expense highlights:***

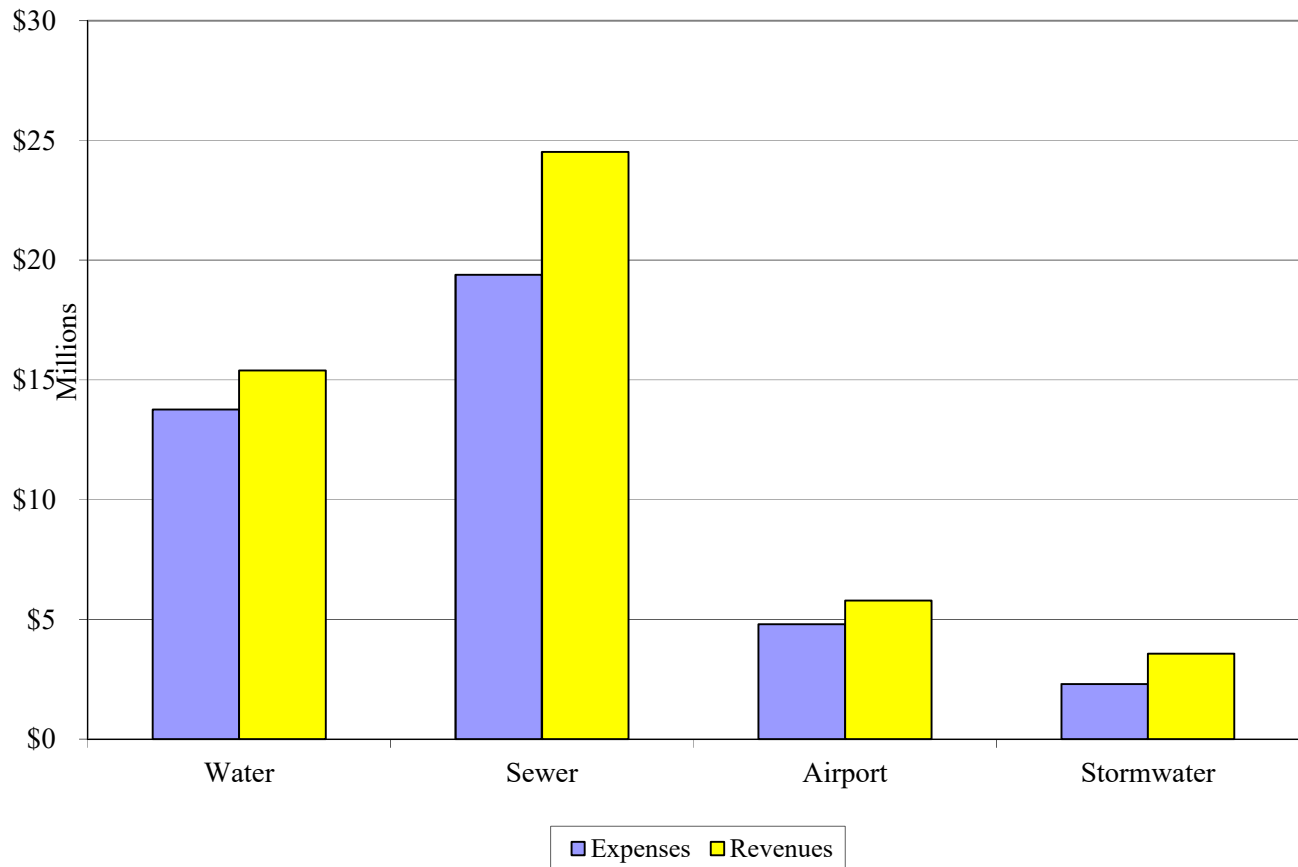
Business-type activities expenses of \$40.2 million did not increase from the prior year.

Overall, business-type activities revenues of \$49.8 million were \$9.6 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 (\$79.5) million decreased 1.0% or \$0.8 million, from FY 2016. Unrestricted net position of \$(85.9) million decreased 0.7% or (\$0.6) million from FY 2016.

***Revenue highlights:***

Total revenues of \$111.8 million increased 3.9%, or \$4.2 million in comparison with the prior year fund financial statements. For FY 2017, \$66.1 million or 59.1%, of total revenues were received from the Commonwealth of Virginia and the Federal Government as compared to \$61.6 million received in FY 2016. State sales tax receipts were \$10.5 million for FY 2017. The City government contributed \$42.9 million or 38.3%, to education. Federal revenues of \$12.3 million, included \$3.9 million from Title I funds to provide educational services to economically disadvantaged students. School Nutrition revenues of \$4.4 million included \$3.7 million from the federal government for the operation of the breakfast and lunch programs. Other revenue sources of \$2.8 million or 2.5% 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.

***Expenditure highlights:***

Total expenditures of \$110.3 million increased 2.8% or \$3.1 million from the prior year fund financial statements. For FY 2017, \$79.8 million or 72.3% of total expenditures related directly to providing instruction to 8,212 students and \$14.8 million or 13.4% supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were \$5.0 million or 4.5% of total expenditures while administration for the schools and attendance and health services for students were \$5.7 million or 5.2%. Technology costs were \$3.0 million or 2.7% of total expenditures. Capital outlay costs were \$2.0 million or 1.8% of total expenditures.



## FUND FINANCIAL ANALYSIS

### Governmental Funds

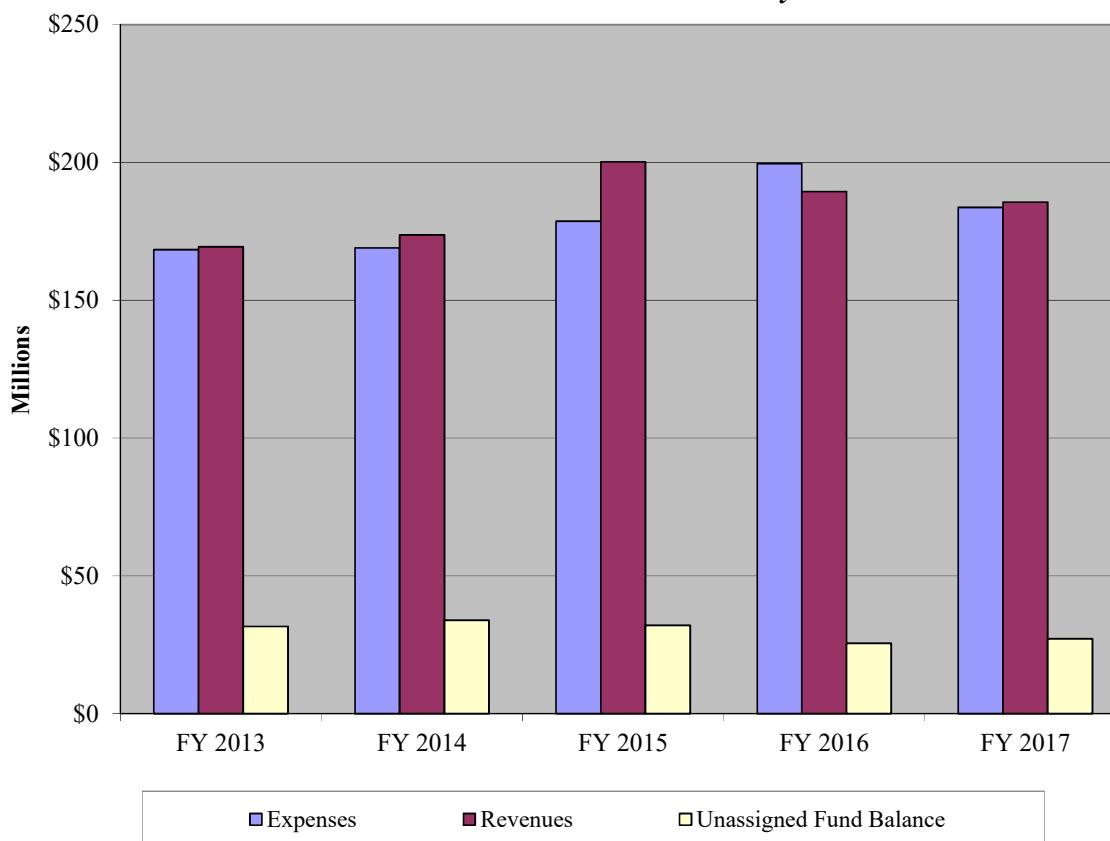
Governmental funds include the general fund, special revenue funds, and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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 2017, the City's governmental funds reported combined fund balances of \$81.2 million, a decrease of \$19.9 million from FY 2016. Of that amount, \$0.3 million was nonspendable; \$2.7 million was restricted; \$47.2 million was committed; \$3.9 million was assigned; and \$27.1 million was unassigned. The general fund's increase in fund balance was \$2.0 million. The City capital projects fund's decrease in fund balance was \$12.1 million. The decrease is attributed to the use of bond proceeds and local funds for capital projects. The school capital projects fund's decrease in fund balance was \$9.1 million and was attributed primarily to the use of funds for the Heritage High School project. Special revenue funds decrease in fund balance was \$0.5 million and was due primarily to the use of grant funds for public safety projects.
- 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 15.2% of total general fund expenditures, while total fund balance represents 25.1% of that same amount.

### General Fund

The general fund is the chief operating fund of the City. The following graph and table present a five-year summary of financial information for expenditures, revenues, and unassigned fund balance as well as a FY 2017 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, 2017**  
*(in millions)*

<u>Description</u>	<u>General Fund Budgetary Highlights</u>			
	Original Budget	Amended Budget	Actual	Amended versus Actual
<u>Revenues &amp; Other Financing Sources</u>				
Taxes	\$ 132.1	\$ 132.1	\$ 132.8	\$ 0.7
Intergovernmental	35.8	37.2	37.4	0.2
Other	13.6	15.1	15.2	0.1
Total	181.5	184.4	185.4	1.0
<u>Expenditures &amp; Other Financing Uses</u>				
Expenditures	181.5	185.2	178.1	7.1
Transfers	5.0	5.5	5.5	-
Total	186.5	190.7	183.6	7.1
<u>Change in Fund Balance</u>	<u>\$ (5.0)</u>	<u>\$ (6.3)</u>	<u>\$ 1.8</u>	<u>\$ 8.1</u>

Actual expenditures and other financing uses of \$183.6 million was less than revenues and other financing sources of \$185.4 million by \$1.8 million, which resulted in a positive change in fund balance that was more than the amended budget projected decrease of \$6.3 million. The FY 2017 adopted and amended budgets included the use of \$5.0 million and \$6.3 million, respectively, of the FY 2016 General Fund's unassigned fund balance primarily to resource a planned \$3.9 million transfer out for general government capital projects; \$0.6 million transfer to the technology fund for equipment purchases; \$0.5 million transfer out for school capital projects; 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 \$1.0 million and actual expenditures were below the amended budget by \$7.1 million, resulting in a \$1.8 million increase in fund balance for FY 2017.

Actual revenues were greater than estimated and within 1.0%, or \$1.0 million, of the amended budget. Public service corporations, business license, delinquent, motor vehicle license, bank stock, permits and fees, lodging, and other local taxes were above the amended budget for FY 2017. Intergovernmental revenue was on pace with the amended budget.

Actual expenditures and transfers were \$7.1 million less than the FY 2017 amended budget and mostly attributable to the following unexpended appropriations:

- \$2.1 million for general government
- \$0.2 million for judicial
- \$1.3 million for public safety
- \$0.6 million for public works
- \$1.0 million for health and human services
- \$0.2 million for cultural and recreational
- \$1.3 million for community development
- \$0.4 million for education

Consistent with Council adopted Financial Policies; City Council appropriated \$1.2 million for a General Fund Reserve for Contingencies. City Council authorized 8.9%, or \$0.1 million in expenditures from this contingency. The remaining 91.1%, or \$1.1 million, reverted to unassigned fund balance.

From the original budget of \$186.5 million, City Council approved budget amendments to increase the budget 2.3%, or \$4.2 million, resulting in an amended budget of \$190.7 million. The budget amendments were primarily for the following purposes:

- \$2.9 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 2017 amendment was comprised primarily of \$1.2 million for a capital maintenance reserve, \$0.8 million for health and human services programs, \$0.4 million for public works, and \$0.2 million for school maintenance projects.
- \$1.2 million increase to the budget comprised primarily of \$1.0 million for prior year unexpended items requested to be re-appropriated in the current year to continue programs and \$0.2 million for expenses for snow removal.

### **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 \$30.7 million decreased 28.4%, or \$12.2 million, from FY 2016.

Revenues, issuance of bonds, and transfers of \$13.6 million decreased 63.2%, or \$23.4 million. The decrease is attributable to the following:

- \$17.1 million decrease in general obligation bonds proceeds
- \$6.1 million decrease in transfers from the general fund
- \$0.4 million decrease in reimbursement from the Virginia Department of Transportation (VDOT) revenue sharing program
- \$0.1 million decrease in other revenue
- \$0.3 million increase in contributions for the Liberty Mountain Drive, Phase 2 project

Expenditures, capital outlay, and capital contributions of \$25.8 million decreased 25.0%, or \$8.6 million primarily due to the following:

- \$6.2 million decrease for Midtown Connector, Phase I
- \$4.1 million decrease for Kemper Street Bridge
- \$3.3 million decrease for Juvenile Services Group Home
- \$1.4 million decrease for City Football Stadium Renovations
- \$1.4 million decrease for Timberlake Road at Logan's Line and Wards Ferry Road
- \$0.6 million decrease for the Liberty Mountain Drive, Phase I
- \$0.5 million decrease for Street Overlay Program
- \$0.4 million decrease in street and utility extensions
- \$1.8 million increase for Streetscape Improvements Downtown, Phase 1
- \$1.5 million increase for Liberty Mountain Drive, Phase 2
- \$1.2 million increase for Baseball Stadium Field Improvements
- \$1.1 million increase for Roundabout at Memorial Avenue project
- \$1.4 million increase for Community Market Plaza Deck Renovations
- \$1.0 million increase for City Stadium Parking Lot Renovations
- \$0.8 million increase for Fifth Street Improvements, Phase 1 and Phase 2
- \$0.7 million increase for Main Street Bridge over the Expressway
- \$0.6 million increase for Monument Terrace Building HVAC replacement
- \$0.5 million increase for McConville Road Culvert replacement

### **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 \$3.6 million decreased \$9.1 million, from FY 2016.

Revenues and transfers of \$0.9 million decreased \$3.9 million. The decrease is attributable to the following:

- \$3.9 million decrease in transfers from the General Fund primarily due to Heritage High School.

Expenditures and capital outlay of \$10.1 million decreased \$17.8 million primarily due to the following:

- \$17.9 million decrease in expenditures for Heritage High School
- \$ 0.7 million decrease in expenditures for E.C. Glass roof replacement
- \$ 0.3 million decrease in expenditures for E.C. Glass Auditorium Stage Upgrades
- \$ 0.3 million decrease in Dunbar Middle School Tennis Courts
- \$ 0.2 million increase in Perrymont Elementary School Chiller replacement
- \$ 1.2 million increase in transfers to the General Fund from the Heritage High School project

### **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 \$36.2 million increased 5.5%, or \$1.9 million, from FY 2016. Net investment in capital assets of \$29.4 million increased 6.5%, or \$1.8 million, primarily due to reduction of outstanding long-term debt that was used to finance capital projects. Net investment in capital assets was 81.2% of total net position. Unrestricted net position available to fund future expenses increased by 1.5% or \$0.1 million. Unrestricted net position was 18.8%, or \$6.8 million, of total net position. Operating revenues totaled \$15.2 million, and increased 2.7%, or \$0.4 million primarily due to a 4.9% rate increase to City customers offset by decreased sales to one contract customer. Operating expenses totaled \$11.8 million and decreased 4.8% mostly attributable to decrease in operation and maintenance expenses. Investment earnings increased \$0.03 million. For FY 2017, the fund balance ratio was 75.0% as compared to the City Council's financial policy target range of 25% to 40%. The debt coverage ratio was 1.52, as compared to the City Council's financial policy minimum target of 1.2.

#### **Sewer Fund**

The sewer fund's total net position of \$158.5 million increased 3.5%, or \$5.4 million, from FY 2016. Net investment in capital assets of \$148.0 million increased 2.1%, or \$3.1 million, primarily due to a reduction of outstanding long-term debt that was used to finance capital projects. Net investment in capital assets was 93.4% of total net position. Unrestricted net position available to fund future expenses increased by 26.8%, or \$2.2 million. This was mostly attributable to an increase in cash, cash equivalents, and investments. Unrestricted net position was 6.6%, or \$10.4 million of total net position. Operating revenues totaled \$22.6 million and increased 6.1%, or \$1.3 million, primarily due to a rate increase of 3.3% to City customers and increase in septic hauler waste volume. Operating expenses totaled \$18.4 million and increased 3.4% or \$0.6 million. Investment earnings increased \$0.04 million. For FY 2017, the fund balance ratio was 40.0% 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 City Council's financial policy minimum target of 1.2 and was in compliance with the Consent Special Order for Combined Sewer Overflows (CSO) Long Term Control Plan requirements. Please refer to the Table 24 in Statistical Section of this report for details.

### **Stormwater Fund**

The stormwater fund's total net position of \$6.1 million increased 24.5%, or \$1.2 million, from FY 2016. Net investment in capital assets of \$4.0 million increased 60%, or \$1.5 million primarily due to completion of capital projects and increased activity of capital projects that are on-going. Net investment in capital assets was 65.6% of total net position. Unrestricted net position available to fund future expenses decreased by 12.5%, or \$0.3 million. This was primarily due to a decrease in cash and cash equivalents. Unrestricted net position was 34.4%, or \$2.1 million, of total net position. Operating revenues totaled \$3.5 million and was unchanged as compared to FY 2016. Operating expenses totaled \$2.4 million and increased 4.3%, or \$0.1 million mostly attributable to increased administration and salaries and benefits. Investment earnings increased \$0.01 million. For FY 2017 the fund balance ratio was 46.0% as compared to City Council's financial policy target range of 15% to 20%.

### **Airport Fund**

The Airport Fund's total net position of \$38.8 million increased 2.9%, or \$1.1 million, from FY 2016. Net investment in capital assets, of \$37.1 million, increased 7.5%, or \$2.6 million. Net investment in capital assets was 95.6% of total net position. Net position, unrestricted, decreased 50.0%, or \$1.6 million. Net position, unrestricted, was 4.1%, or \$1.6 million, of net position. Operating revenues were unchanged at \$2.6 million. Operating expenses totaled \$4.8 million, an increase of 4.3% or \$0.2 million from FY 2016. Capital contributions totaled \$2.8 million, an increase of 27.3%, or \$0.6 million, and reflects an increase of federal contributions for airport capital projects.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's capital assets, net of depreciation, were \$767.2 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 \$6.4 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

#### ***Capital Assets As of June 30, 2017/2016 (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>	
	2017	2016	2017	2016	2017	2016	2017-2016	2017	2016
Capital assets, not being depreciated:									
Land	\$ 20.3	\$ 20.0	\$ 5.1	\$ 5.1	\$ 25.4	\$ 25.1	1%	\$ -	\$ -
Construction in progress	10.1	29.6	24.7	14.4	34.8	44.0	-21%	-	-
Capital assets, being depreciated:									
Land improvements	57.4	48.1	13.2	12.8	70.6	60.9	16%	-	-
Buildings and improvements	303.7	279.9	62.8	57.8	366.5	337.7	9%	-	-
Infrastructure	278.8	261.9	454.8	452.0	733.6	713.9	3%	-	-
Machinery and equipment	52.3	49.3	23.7	22.4	76.0	71.7	6%	15.6	14.7
Less: Accumulated depreciation	(335.3)	(314.9)	(204.4)	(191.3)	(539.7)	(506.2)	7%	(9.2)	(8.1)
Total Capital Assets	<u>\$ 387.3</u>	<u>\$ 373.9</u>	<u>\$ 379.9</u>	<u>\$ 373.2</u>	<u>\$ 767.2</u>	<u>\$ 747.1</u>	<u>3%</u>	<u>\$ 6.4</u>	<u>\$ 6.6</u>

During FY 2017, the City's net increase in capital assets was 3% or \$20.1 million. Major capital assets completed and placed in service included the following:

- Kemper Street Bridge Reconstruction project was completed at a cost of \$7.9 million with general obligation bonds, state revenue sharing and local pay-as-you-go funds.
- City Football Stadium Restoration project was completed at a cost of \$7.5 million with general obligation bonds and local pay-as-you-go funds.
- Juvenile Detention Group Home was completed at a cost of \$6.3 million with general obligation bonds and local pay-as-you-go funds.

- Phase 1 and Phase 2 of the Liberty Mountain Drive project were completed at a cost of \$2.6 and \$1.6 million, respectively with Liberty University's contributions and state revenue sharing funds.
- Intersection improvements at Memorial/Park/Lakeside Road were completed at a cost of \$2.1 million with federal and state revenue funds.
- Miller Center Renovations were completed at a cost of \$6.0 million with local pay-as-you-go funds and historic tax credits.
- Baseball Stadium Field Improvements were completed at a cost of \$1.2 million with general obligation bonds and local pay-as-you-go funds.
- City Stadium Parking Lot Renovations were completed at a cost of \$1.0 million with local pay-as-you-go funds.
- Sewer Systems Evaluations & Rehabilitations were completed at a cost of \$0.8 million with local pay-as-you-go funds.
- Liberty Mountain Drive Waterline was completed at a cost of \$0.6 million with donations from Liberty University.
- Lynchburg Regional Airport New Air Traffic Control tower was completed at a cost of \$4.2 million with federal and state grants.
- Continued work on Heritage High School resulted in an additional \$7.2 million which was financed by a combination of general obligation bonds and pay-as-you-go-funds.

On-going replacement of the vehicle fleet was completed at a cost of \$1.7 million and was financed with local pay-as-you-go funds.

Construction-in-progress at the end of FY 2017 includes additional CSO abatement projects, Burton Creek Interceptor (Sewer), Downtown Central Business Area Improvements (Water), Stormwater Program Master Plan, Streetscape Improvements Downtown, Community Market Plaza Deck Renovations, and various transportation projects such as Timberlake at Logan's Lane Improvements, Fifth Street Improvements and Main Street Bridge over the Expressway reconstruction. Additional information on the City's capital assets can be found in Note 8 of this report.

### **Long-term Debt**

Total outstanding debt was \$353.3 million with \$171.4 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$181.9 million. Liabilities for compensated absences and workers compensation of \$7.6 million and OPEB liability of \$9.5 million were excluded.

#### ***Long-term Debt Obligations As of June 30, 2017/2016 (in millions)***

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2017	2016	2017	2016	2017	2016	2017-2016
General Obligation Bonds	\$ 180.7	\$ 191.8	\$ 71.9	\$ 76.4	\$ 252.6	\$ 268.2	-6%
Revenue Bonds	-	-	99.5	105.0	99.5	105.0	-5%
Note Payable	1.2	1.4	-	-	1.2	1.4	-14%
Total	<u>\$ 181.9</u>	<u>\$ 193.2</u>	<u>\$ 171.4</u>	<u>\$ 181.4</u>	<u>\$ 353.3</u>	<u>\$ 374.6</u>	<u>-6%</u>

Total new debt of \$0.8 million was issued from the Virginia Revolving Loan Program for stormwater capital projects. All new debt is for business-type activities.

The City retired \$22.1 million of outstanding principal, all of which were planned retirements. The governmental activities principal retirements were \$11.3 million and the business-type activities principal retirements were \$10.8 million.

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 Global Ratings. These credit ratings were obtained in August 2017 for the City's issuance of \$29.1 million General Obligation Public Improvement Refunding Bonds, Series 2017 on September 26, 2017. All three agencies noted the City's strong management and financial policies and practices when reaffirming the ratings. Other contributing factors included the City's stable and diverse tax base and stable economy.

On September 12, 2017, the City had a very successful General Obligation Public Improvement Refunding Bond sale. The City received seven electronic bids on \$29.1 million of GO refunding bonds. The bonds were awarded to Robert W. Baird & Co, Inc., at a final All-In-True Interest Cost of 2.67%. The refunding achieved debt service savings of \$4.57 million over twenty-two years and represents a present value savings of 11.22%. The bonds closed on September 26, 2017.

The Constitution of Virginia limits the amount of general obligation debt a governmental entity may issue to 10% of the total assessed value of real property. As of June 30, 2017, the City's assessed value of real property was \$5.37 billion. The City's debt is less than the current debt limitation of \$536.6 million.

The City's debt management policy states that tax-supported debt should not exceed 4.5% of net assessed valuation of taxable property in the City of Lynchburg. For the purposes of calculating this ratio, assessed value includes real property and personal property. As of June 30, 2017, debt to assessed value was 3.16%. The debt policy also 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 for tax-supported general obligation indebtedness. As of June 30, 2017, the 10-year principal payout ratio was 64.2%.

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 5.7% in June 2016 to 4.8% in June 2017. This reflects a decrease year over year in the unemployment rate since 2010. This decrease of 0.9%, from 2016 to 2017, reflects the continued growth in the economy, however this increase is slight. The City's unemployment rate typically trends above the State rate, which was 3.7% in June 2017. For four years, the City's unemployment rate has trended above the National rate, which was 4.4% 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 2.3% increase in taxable assessed value over FY 2016. The ten principal property taxpayers, as a whole, realized a slight increase of 0.7% in taxable assessed value when compared to FY 2016. 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 tourism.

## **REQUESTS FOR INFORMATION**

This report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, City of Lynchburg, 900 Church Street, Lynchburg, VA, 24504, or via telephone at 434-455-3968. This report, the FY 2017 Operating and Capital Budgets, and FY 2017-2021 Capital Improvement Program are on the City's web site at [www.lyncburgva.gov](http://www.lyncburgva.gov).



## **BASIC FINANCIAL STATEMENTS**

Statement of Net Position  
June 30, 2017

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Lynchburg City Schools	Other	
<b>Assets</b>						
Cash and cash equivalents	\$ 53,346,359	28,840,843	\$ 82,187,202	\$ 7,809,035	\$ 1,037,684	\$ 91,033,921
Investments	15,934,459	3,968,237	19,902,696	-	-	19,902,696
Receivables, net of allowance	20,486,063	5,192,289	25,678,352	505,756	1,839,227	28,023,335
Internal balances	4,220,305	(4,220,305)	-	-	-	-
Due from other governments	5,639,379	819,469	6,458,848	4,798,850	2,309,349	13,567,047
Due from component units	1,929,800	-	1,929,800	-	-	1,929,800
Inventory	42,304	423,710	466,014	52,414	233,563	751,991
Prepays and other assets	2,427,957	-	2,427,957	460,587	18,490	2,907,034
Restricted assets:						
Cash and cash equivalents	17,601,377	9,425,371	27,026,748	-	-	27,026,748
Due from other governments	-	3,803,396	3,803,396	-	-	3,803,396
Capital assets, net of accumulated depreciation	387,340,543	379,840,846	767,181,389	6,446,110	42,011,531	815,639,030
<b>Total assets</b>	<b>508,968,546</b>	<b>428,093,856</b>	<b>937,062,402</b>	<b>20,072,752</b>	<b>47,449,844</b>	<b>1,004,584,998</b>
<b>Deferred Outflows of Resources</b>						
Deferred charge on refunding	3,650,302	1,910,419	5,560,721	-	-	5,560,721
Pension contributions subsequent to measurement date	8,976,029	1,190,501	10,166,530	8,133,321	-	18,299,851
Net difference between projected and actual investment earnings on pension plan investments	5,559,070	737,305	6,296,375	5,922,734	-	12,219,109
Change in proportion- teacher cost sharing pool	-	-	-	3,736,948	-	3,736,948
<b>Total deferred outflows of resources</b>	<b>18,185,401</b>	<b>3,838,225</b>	<b>22,023,626</b>	<b>17,793,003</b>	<b>-</b>	<b>39,816,629</b>
<b>Liabilities</b>						
Accounts payable and other liabilities	7,835,502	3,028,027	10,863,529	703,563	2,113,670	13,680,762
Accrued payroll and related liabilities	5,346,585	359,756	5,706,341	7,104,180	-	12,810,521
Accrued interest payable	1,443,604	898,737	2,342,341	-	-	2,342,341
Due to other governments	1,229,063	4,222	1,233,285	-	1,331,060	2,564,345
Due to primary government	-	-	-	769,253	1,160,547	1,929,800
Unearned revenue/prepaid rent	2,187,001	3,300	2,190,301	480,642	-	2,670,943
Deposits payable from restricted assets	142,254	989,622	1,131,876	-	-	1,131,876
Noncurrent liabilities:						
Net pension liability	99,278,648	13,167,436	112,446,084	98,856,457	-	211,302,541
Other noncurrent liabilities due within one year	11,816,710	10,526,938	22,343,648	628,876	-	22,972,524
Other noncurrent liabilities due in more than one year	197,652,298	167,176,117	364,828,415	5,211,046	303,598	370,343,059
<b>Total liabilities</b>	<b>326,931,665</b>	<b>196,154,155</b>	<b>523,085,820</b>	<b>113,754,017</b>	<b>4,908,875</b>	<b>641,748,712</b>
<b>Deferred Inflows of Resources</b>						
Property taxes	9,299,190	-	9,299,190	-	-	9,299,190
Difference between expected and actual experience	2,654,122	352,019	3,006,141	3,566,856	-	6,572,997
<b>Total deferred inflows of resources</b>	<b>11,953,312</b>	<b>352,019</b>	<b>12,305,331</b>	<b>3,566,856</b>	<b>-</b>	<b>15,872,187</b>
<b>Net Position</b>						
Net investment in capital assets	215,193,933	218,449,553	433,643,486	6,446,110	42,011,531	482,101,127
Restricted for:						
Capital projects	1,009,829	-	1,009,829	-	-	1,009,829
Grants	1,734,159	-	1,734,159	-	-	1,734,159
Passenger facility charges	-	108,833	108,833	-	-	108,833
Unrestricted	(29,668,951)	16,867,521	(12,801,430)	(85,901,228)	529,438	(98,173,220)
<b>Total net position</b>	<b>\$ 188,268,970</b>	<b>\$ 235,425,907</b>	<b>\$ 423,694,877</b>	<b>\$ (79,455,118)</b>	<b>\$ 42,540,969</b>	<b>\$ 386,780,728</b>

Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total Reporting Unit
					Governmental Activities	Business-type Activities	Total	Lynchburg City Schools	Other	
<b>Primary government:</b>										
Governmental activities:										
General government	\$ 15,669,122	\$ 529,426	\$ 322,721	\$ -	\$ (14,816,975)	\$ -	\$ (14,816,975)	\$ -	\$ -	\$ (14,816,975)
Judicial	6,719,652	628,411	3,900,367	-	(2,190,874)	-	(2,190,874)	-	-	(2,190,874)
Public safety	50,797,418	5,881,973	6,680,409	-	(38,235,036)	-	(38,235,036)	-	-	(38,235,036)
Public works	28,964,652	1,540,998	11,487,781	6,365,805	(9,570,068)	-	(9,570,068)	-	-	(9,570,068)
Health and human services	29,306,224	2,837,112	21,252,526	-	(5,216,586)	-	(5,216,586)	-	-	(5,216,586)
Cultural and recreational	11,126,401	955,311	246,133	-	(9,924,957)	-	(9,924,957)	-	-	(9,924,957)
Community development	6,216,395	1,120,860	822,971	-	(4,272,564)	-	(4,272,564)	-	-	(4,272,564)
Education	50,225,729	-	-	135,337	(50,090,392)	-	(50,090,392)	-	-	(50,090,392)
Interest payments and other fiscal charges	7,354,890	-	-	-	(7,354,890)	-	(7,354,890)	-	-	(7,354,890)
<b>Total governmental activities</b>	<b>206,380,483</b>	<b>13,494,091</b>	<b>44,712,908</b>	<b>6,501,142</b>	<b>(141,672,342)</b>	<b>-</b>	<b>(141,672,342)</b>	<b>-</b>	<b>-</b>	<b>(141,672,342)</b>
Business-type activities:										
Stormwater	2,303,672	3,208,044	275,000	89,058	-	1,268,430	1,268,430	-	-	1,268,430
Airport	4,793,694	2,522,138	119,740	3,145,065	-	993,249	993,249	-	-	993,249
Water	13,767,772	15,177,716	-	210,000	-	1,619,944	1,619,944	-	-	1,619,944
Sewer	19,382,060	22,640,530	219	1,882,733	-	5,141,422	5,141,422	-	-	5,141,422
<b>Total business-type activities</b>	<b>40,247,198</b>	<b>43,548,428</b>	<b>394,959</b>	<b>5,326,856</b>	<b>-</b>	<b>9,023,045</b>	<b>9,023,045</b>	<b>-</b>	<b>-</b>	<b>9,023,045</b>
<b>Total primary government</b>	<b>\$ 246,627,681</b>	<b>\$ 57,042,519</b>	<b>\$ 45,107,867</b>	<b>\$ 11,827,998</b>	<b>(141,672,342)</b>	<b>9,023,045</b>	<b>(132,649,297)</b>	<b>-</b>	<b>-</b>	<b>(132,649,297)</b>
<b>Component units:</b>										
Lynchburg City Schools	\$ 112,514,736	\$ 2,370,197	\$ 66,044,845	\$ -	-	-	-	(44,099,694)	-	(44,099,694)
Greater Lynchburg Transit Company	10,609,809	945,185	7,015,675	10,720,253	-	-	-	-	8,071,304	8,071,304
Business Development Centre	238,119	272,542	4,000	-	-	-	-	-	38,423	38,423
<b>Total component units</b>	<b>\$ 123,362,664</b>	<b>\$ 3,587,924</b>	<b>\$ 73,064,520</b>	<b>\$ 10,720,253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,099,694)</b>	<b>8,109,727</b>	<b>(35,989,967)</b>
General revenues:										
Property taxes					78,396,772	-	78,396,772	-	-	78,396,772
Local sales and use taxes					15,351,347	-	15,351,347	-	-	15,351,347
Meals taxes					14,881,552	-	14,881,552	-	-	14,881,552
Consumer utility taxes					4,569,906	-	4,569,906	-	-	4,569,906
Business license taxes					9,377,091	-	9,377,091	-	-	9,377,091
Communications sales and use taxes					3,202,076	-	3,202,076	-	-	3,202,076
Other taxes					7,137,128	-	7,137,128	-	-	7,137,128
Unrestricted intergovernmental					6,292,632	-	6,292,632	-	-	6,292,632
Interest					504,776	231,789	736,565	-	-	736,565
IRS interest subsidy- Build America Bonds					273,563	277,168	550,731	-	-	550,731
Miscellaneous					1,164,928	90,785	1,255,713	474,674	9,783	1,740,170
Gain on sale of assets					92,377	6,344	98,721	-	38,948	137,669
City appropriation					-	-	-	42,873,232	-	42,873,232
Total general revenues					141,244,148	606,086	141,850,234	43,347,906	48,731	185,246,871
<b>Changes in net position</b>					(428,194)	9,629,131	9,200,937	(751,788)	8,158,458	16,607,607
<b>Net position - beginning</b>					188,697,164	225,796,776	414,493,940	(78,703,330)	34,382,511	370,173,121
<b>Net position - ending</b>					<b>\$ 188,268,970</b>	<b>\$ 235,425,907</b>	<b>\$ 423,694,877</b>	<b>\$ (79,455,118)</b>	<b>\$ 42,540,969</b>	<b>\$ 386,780,728</b>

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<b>General Fund</b>	<b>City Capital Projects</b>	<b>School Capital Projects</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 36,600,025	\$ 8,613,219	\$ 3,843,402	\$ 1,943,562	\$ 51,000,208
Investments	8,289,049	6,145,723	1,000,000	-	15,434,772
Receivables, net of allowance:					
Taxes excluding penalties	13,457,735	-	-	-	13,457,735
Accounts	5,052,651	-	-	-	5,052,651
Other	995,216	250,000	-	221,237	1,466,453
Due from other funds	1,251,487	-	-	263,378	1,514,865
Due from other governments	2,345,894	1,344,849	-	1,948,636	5,639,379
Due from component units	1,804,800	-	-	125,000	1,929,800
Other assets	757,744	-	-	213	757,957
Restricted assets:					
Cash and cash equivalents	215,407	17,010,569	-	375,401	17,601,377
<b>Total assets</b>	<b>\$ 70,770,008</b>	<b>\$ 33,364,360</b>	<b>\$ 4,843,402</b>	<b>\$ 4,877,427</b>	<b>\$ 113,855,197</b>
<b>Liabilities</b>					
Accounts payable and other liabilities	\$ 2,901,086	\$ 2,646,019	\$ 1,256,257	\$ 898,866	\$ 7,702,228
Accrued payroll and related liabilities	5,507,239	115	-	137,903	5,645,257
Due to other funds	265,506	-	-	1,154,457	1,419,963
Due to other governments	726,508	-	-	43,975	770,483
Unearned revenue/prepaid rent	1,855,801	-	-	331,200	2,187,001
Deposits payable from restricted assets	142,254	-	-	-	142,254
<b>Total liabilities</b>	<b>11,398,394</b>	<b>2,646,134</b>	<b>1,256,257</b>	<b>2,566,401</b>	<b>17,867,186</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	14,414,580	-	-	351,471	14,766,051
<b>Total deferred inflows of resources</b>	<b>14,414,580</b>	<b>-</b>	<b>-</b>	<b>351,471</b>	<b>14,766,051</b>
<b>Fund Balances</b>					
Nonspendable	-	250,000	-	-	250,000
Restricted	-	1,009,829	-	1,734,159	2,743,988
Committed	13,970,703	29,458,397	3,587,145	125,384	47,141,629
Assigned	3,838,602	-	-	100,012	3,938,614
Unassigned	27,147,729	-	-	-	27,147,729
<b>Total fund balances</b>	<b>44,957,034</b>	<b>30,718,226</b>	<b>3,587,145</b>	<b>1,959,555</b>	<b>81,221,960</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 70,770,008</b>	<b>\$ 33,364,360</b>	<b>\$ 4,843,402</b>	<b>\$ 4,877,427</b>	<b>\$ 113,855,197</b>

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2017**

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

Ending fund balance - governmental funds		\$ 81,221,960
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		374,424,445
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		5,466,861
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		1,220,000
Deferred outflow of resources used to reflect deferred losses on debt refunding bonds are not reported in the governmental funds.		3,482,228
Certain receivables are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		14,363
Internal service fund activity that has been allocated to the user departments.		4,132,027
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.		11,477,001
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	8,886,564	
Deferred outflows of resources for the net difference between projected and actual investment earnings on pension plan investments	5,503,662	
Deferred inflows of resources for the difference between expected and actual experience	(2,627,668)	
Net pension liability	<u>(98,289,122)</u>	(86,526,564)
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	(189,071,978)	
Accrued interest payable	(1,422,691)	
Notes payable	(1,220,000)	
Compensated absences	(4,087,830)	
Workers' compensation	(2,372,578)	
Other post-employment benefits obligation	<u>(8,468,274)</u>	
		<u>(206,643,351)</u>
Net position of governmental activities		<u>\$ 188,268,970</u>

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<b>General</b>	<b>City Capital Projects</b>	<b>School Capital Projects</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
<b>Revenues</b>					
Taxes	\$ 132,895,836	\$ -	\$ -	\$ -	\$ 132,895,836
Regulatory licenses, permits, and privilege fees	1,071,926	-	-	-	1,071,926
Intergovernmental	37,432,488	7,989,045	135,337	10,227,436	55,784,306
Fines and forfeitures	505,829	-	-	-	505,829
Revenue from use of money and property	1,125,893	12,867	72,474	32,610	1,243,844
Charges for services	9,938,717	-	-	3,458,424	13,397,141
Miscellaneous	1,050,756	1,668,167	19,199	579,755	3,317,877
<b>Total revenues</b>	<b>184,021,445</b>	<b>9,670,079</b>	<b>227,010</b>	<b>14,298,225</b>	<b>208,216,759</b>
<b>Expenditures</b>					
Current operating expenditures:					
General government	17,106,909	-	-	4,172	17,111,081
Judicial	4,832,773	-	-	1,209,973	6,042,746
Public safety	45,274,306	-	-	4,903,302	50,177,608
Public works	16,364,853	4,041,873	-	87,326	20,494,052
Health and human services	21,401,062	-	-	7,491,625	28,892,687
Cultural and recreational	9,034,143	294,629	-	-	9,328,772
Community development	3,804,380	1,251,602	-	939,417	5,995,399
Education	42,943,004	-	247,919	-	43,190,923
Capital outlay:					
Capital general government	-	20,055,417	8,687,419	53,147	28,795,983
Debt service:					
Principal retirements	10,683,800	-	-	288,465	10,972,265
Interest payments and other fiscal charges	7,294,605	-	-	30,275	7,324,880
<b>Total expenditures</b>	<b>178,739,835</b>	<b>25,643,521</b>	<b>8,935,338</b>	<b>15,007,702</b>	<b>228,326,396</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>5,281,610</b>	<b>(15,973,442)</b>	<b>(8,708,328)</b>	<b>(709,477)</b>	<b>(20,109,637)</b>
<b>Other financing sources (uses)</b>					
Transfers in	1,585,000	3,971,635	738,000	161,457	6,456,092
Transfers out	(4,871,092)	(150,000)	(1,185,000)	-	(6,206,092)
<b>Total other financing sources (uses)</b>	<b>(3,286,092)</b>	<b>3,821,635</b>	<b>(447,000)</b>	<b>161,457</b>	<b>250,000</b>
<b>Net changes in fund balances</b>	<b>1,995,518</b>	<b>(12,151,807)</b>	<b>(9,155,328)</b>	<b>(548,020)</b>	<b>(19,859,637)</b>
<b>Fund balances - beginning</b>	<b>42,961,516</b>	<b>42,870,033</b>	<b>12,742,473</b>	<b>2,507,575</b>	<b>101,081,597</b>
<b>Fund balances - ending</b>	<b>\$ 44,957,034</b>	<b>\$ 30,718,226</b>	<b>\$ 3,587,145</b>	<b>\$ 1,959,555</b>	<b>\$ 81,221,960</b>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2017**

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

Net change in fund balances - total governmental funds \$ (19,859,637)

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	29,017,350
Depreciation expense	(19,369,995)

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. 6,189

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 42,277

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	8,886,564	
Pension expenses	<u>(7,933,989)</u>	952,575

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. 11,097,948

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. (1,804,305)

To eliminate transfers to the internal service fund (250,000)

The net loss of certain activities of the internal service fund is reported with governmental activities. (260,596)

Change in net position of governmental activities. \$ (428,194)



**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 132,164,626	\$ 132,164,626	\$ 132,895,836	\$ 731,210
Regulatory licenses, permits, and privilege fees	932,526	932,526	1,071,926	139,400
Intergovernmental	35,789,026	37,217,892	37,432,488	214,596
Fines and forfeitures	557,500	557,500	505,829	(51,671)
Revenue from use of money and property	682,920	682,920	1,111,843	428,923
Charges for services	10,651,836	10,652,836	9,938,717	(714,119)
Miscellaneous	605,271	606,771	1,017,525	410,754
<b>Total revenues</b>	<u>181,383,705</u>	<u>182,815,071</u>	<u>183,974,164</u>	<u>1,159,093</u>
<b>Expenditures</b>				
Current operating expenditures:				
General government	20,511,683	18,574,826	16,537,099	2,037,727
Judicial	4,935,004	5,060,199	4,832,773	227,426
Public safety	45,712,781	46,568,025	45,274,306	1,293,719
Public works	15,776,032	16,969,563	16,364,853	604,710
Health and human services	21,200,783	22,412,294	21,401,062	1,011,232
Cultural and recreational	9,006,348	9,211,154	9,034,143	177,011
Community development	5,063,007	5,077,504	3,804,380	1,273,124
Education	41,424,835	43,292,614	42,943,004	349,610
Debt service:				
Principal retirements	10,942,257	10,683,800	10,683,800	-
Interest payments and other fiscal charges	6,981,481	7,295,938	7,294,605	1,333
<b>Total expenditures</b>	<u>181,554,211</u>	<u>185,145,917</u>	<u>178,170,025</u>	<u>6,975,892</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(170,506)</u>	<u>(2,330,846)</u>	<u>5,804,139</u>	<u>8,134,985</u>
<b>Other financing sources (uses)</b>				
Transfers in	250,000	1,585,000	1,585,000	-
Transfers out	(5,084,367)	(5,536,189)	(5,516,226)	19,963
<b>Total other financing sources (uses)</b>	<u>(4,834,367)</u>	<u>(3,951,189)</u>	<u>(3,931,226)</u>	<u>19,963</u>
<b>Net changes in fund balances</b>	<u>(5,004,873)</u>	<u>(6,282,035)</u>	<u>1,872,913</u>	<u>8,154,948</u>
<b>Fund balances - beginning</b>	<u>40,132,531</u>	<u>40,132,531</u>	<u>40,132,531</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 35,127,658</u>	<u>\$ 33,850,496</u>	<u>\$ 42,005,444</u>	<u>\$ 8,154,948</u>

**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 11,405,785	\$ 11,868,941	\$ 2,834,675	\$ 2,731,442	\$ 28,840,843	\$ 2,346,151
Investments	1,969,861	1,998,376	-	-	3,968,237	499,687
Receivables, net of allowance:	1,670,410	3,003,361	433,733	84,785	5,192,289	36,281
Due from other governments	-	-	-	321,462	321,462	-
Inventory	423,710	-	-	-	423,710	42,304
Prepaids and other assets	-	-	-	-	-	450,000
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	465,003	-	-	465,003	-
Total current assets	15,469,766	17,335,681	3,268,408	3,137,689	39,211,544	3,374,423
Noncurrent assets:						
Due from other governments	-	-	498,007	-	498,007	-
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	3,338,393	-	-	3,338,393	-
Cash and cash equivalents	4,680,974	4,627,974	-	116,423	9,425,371	-
Capital assets, net of accumulated depreciation:	72,591,869	265,487,287	4,258,692	37,502,998	379,840,846	12,916,098
Total noncurrent assets	77,272,843	273,453,654	4,756,699	37,619,421	393,102,617	12,916,098
<b>Total assets</b>	92,742,609	290,789,335	8,025,107	40,757,110	432,314,161	16,290,521
<b>Deferred Outflows of Resources</b>						
Deferred charge on refunding	742,422	1,130,546	-	37,451	1,910,419	168,074
Pension contributions subsequent to measurement date	622,192	392,428	65,066	110,815	1,190,501	89,465
Net difference between projected and actual investment earnings on pension plan investments	385,338	243,040	40,297	68,630	737,305	55,408
<b>Total deferred outflows of resources</b>	1,749,952	1,766,014	105,363	216,896	3,838,225	312,947
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and other liabilities	709,717	1,675,847	440,071	202,392	3,028,027	133,274
Accrued payroll and related liabilities	251,763	139,165	23,347	42,527	456,802	29,877
Accrued interest payable	604,168	291,446	-	3,123	898,737	20,913
Due to other funds	45,947	29,881	5,134	7,316	88,278	6,624
Due to other governments	-	-	4,222	-	4,222	-
Unearned revenue/prepaid rent	-	-	-	3,300	3,300	-
Current portion of general obligation bonds	2,158,554	1,863,830	-	94,937	4,117,321	317,470
Current portion of public utility revenue bonds	-	6,312,571	-	-	6,312,571	-
Total current liabilities	3,770,149	10,312,740	472,774	353,595	14,909,258	508,158
Noncurrent liabilities:						
Deposits payable from restricted assets	982,032	-	-	7,590	989,622	-
Self insurance claims	218,543	7,605	-	-	226,148	-
Compensated absences	267,336	152,792	20,493	44,898	485,519	36,780
Other post-employment benefits obligation	475,051	309,701	23,073	156,484	964,309	74,364
Pension plan obligation	6,881,700	4,340,419	719,655	1,225,662	13,167,436	989,526
General obligation bonds	45,444,061	26,451,313	-	387,404	72,282,778	3,491,185
Public utility revenue bonds	-	92,410,733	806,630	-	93,217,363	-
Total noncurrent liabilities	54,268,723	123,672,563	1,569,851	1,822,038	181,333,175	4,591,855
<b>Total liabilities</b>	58,038,872	133,985,303	2,042,625	2,175,633	196,242,433	5,100,013
<b>Deferred Inflows of Resources</b>						
Difference between expected and actual experience	183,976	116,037	19,239	32,767	352,019	26,454
<b>Total deferred outflows of resources</b>	183,976	116,037	19,239	32,767	352,019	26,454
<b>Net Position</b>						
Net investment in capital assets	29,430,618	148,010,757	3,950,070	37,058,108	218,449,553	9,275,517
Restricted for:						
Passenger facility charges	-	-	-	108,833	108,833	-
Unrestricted	6,839,095	10,443,252	2,118,536	1,598,665	20,999,548	2,201,484
<b>Total net position</b>	\$ 36,269,713	\$ 158,454,009	\$ 6,068,606	\$ 38,765,606	239,557,934	\$ 11,477,001
<b>Reconciliation with business-type activities in the Statement of Net Position:</b>						
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					(4,132,027)	
<b>Total net position of business-type activities</b>					\$ 235,425,907	

**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	<b>Enterprise Funds</b>					
	<b>Water</b>	<b>Sewer</b>	<b>Stormwater</b>	<b>Airport</b>	<b>Total</b>	<b>Internal Service</b>
<b>Operating revenues</b>						
Charges for services and other operating revenues	\$ 15,177,716	\$ 22,640,530	\$ 3,208,044	\$ 2,522,138	\$ 43,548,428	\$ 5,044,382
Intergovernmental	-	-	275,000	119,740	394,740	-
<b>Total operating revenues</b>	<u>15,177,716</u>	<u>22,640,530</u>	<u>3,483,044</u>	<u>2,641,878</u>	<u>43,943,168</u>	<u>5,044,382</u>
<b>Operating expenses</b>						
Personal services and benefits	5,173,210	3,424,756	651,860	1,058,236	10,308,062	901,895
Operation and maintenance	945,920	3,071,702	327,657	1,134,897	5,480,176	1,668,781
Supplies and materials	1,378,106	1,562,481	131,321	141,930	3,213,838	20,138
Administration	1,196,167	2,316,721	1,160,256	258,123	4,931,267	1,870
Other charges	90,180	106,560	16,864	27,399	241,003	22,237
Depreciation	3,048,763	7,888,946	76,239	2,145,813	13,159,761	2,660,267
<b>Total operating expenses</b>	<u>11,832,346</u>	<u>18,371,166</u>	<u>2,364,197</u>	<u>4,766,398</u>	<u>37,334,107</u>	<u>5,275,188</u>
<b>Operating income (loss)</b>	<u>3,345,370</u>	<u>4,269,364</u>	<u>1,118,847</u>	<u>(2,124,520)</u>	<u>6,609,061</u>	<u>(230,806)</u>
<b>Nonoperating revenues (expenses)</b>						
Interest income	75,939	124,705	9,477	21,668	231,789	12,791
Governmental grants	-	219	-	-	219	-
Miscellaneous	1,131	19,605	2	70,047	90,785	44,287
Gain on disposition of assets	5,172	1,172	-	-	6,344	55,875
Interest on long-term debt	(1,911,073)	(985,817)	-	(24,752)	(2,921,642)	(134,192)
IRS interest subsidy- Build America Bonds	234,363	42,805	-	-	277,168	-
<b>Total nonoperating revenues (expenses)</b>	<u>(1,594,468)</u>	<u>(797,311)</u>	<u>9,479</u>	<u>66,963</u>	<u>(2,315,337)</u>	<u>(21,239)</u>
<b>Income (loss) before contributions and transfers</b>	<u>1,750,902</u>	<u>3,472,053</u>	<u>1,128,326</u>	<u>(2,057,557)</u>	<u>4,293,724</u>	<u>(252,045)</u>
Capital contributions	210,000	1,882,733	89,058	2,824,123	5,005,914	-
Passenger facility charges	-	-	-	320,942	320,942	-
Transfers out	-	-	-	-	-	(250,000)
<b>Change in net position</b>	<u>1,960,902</u>	<u>5,354,786</u>	<u>1,217,384</u>	<u>1,087,508</u>	<u>9,620,580</u>	<u>(502,045)</u>
<b>Total net position - beginning</b>	<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>
<b>Total net position - ending</b>	<u>\$ 36,269,713</u>	<u>\$ 158,454,009</u>	<u>\$ 6,068,606</u>	<u>\$ 38,765,606</u>	<u>\$ 239,557,934</u>	<u>\$ 11,477,001</u>
<b>Reconciliation with business-type activities in the Statement of Activities:</b>						
Change in net position - enterprise funds reported in this statement					\$ 9,620,580	
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					<u>8,551</u>	
<b>Change in net position of business-type activities:</b>					<u>\$ 9,629,131</u>	

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2017

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
<b>Operating activities</b>						
Cash received from operations	\$ 15,346,567	\$ 22,650,438	\$ 3,517,672	\$ 2,662,994	\$ 44,177,671	\$ 5,044,382
Cash paid to employees	(4,851,171)	(3,322,341)	(503,102)	(1,045,432)	(9,722,046)	(739,521)
Cash paid to suppliers	(3,620,071)	(7,075,104)	(1,644,115)	(1,568,749)	(13,908,039)	(1,669,553)
<b>Net cash provided by operating activities</b>	<b>6,875,325</b>	<b>12,252,993</b>	<b>1,370,455</b>	<b>48,813</b>	<b>20,547,586</b>	<b>2,635,308</b>
<b>Noncapital financing activities</b>						
Transfers out	-	-	-	-	-	(250,000)
<b>Net cash used in noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(250,000)</b>
<b>Capital and related financing activities</b>						
Payment of long-term debt:						
General obligation bonds	(2,317,659)	(2,059,474)	-	(100,886)	(4,478,019)	(318,363)
Revenue bonds	-	(6,274,745)	-	-	(6,274,745)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	9,309	308,623	-	317,932	-
Payment of interest on long-term debt	(1,909,899)	(1,029,540)	-	(24,964)	(2,964,403)	(135,789)
Capital contributions received	210,000	1,693,412	89,058	3,433,498	5,425,968	-
Passenger facility charges collected	-	-	-	320,942	320,942	-
Proceeds from sale of capital assets	5,172	1,172	-	-	6,344	55,875
Additions to capital assets	(4,938,647)	(7,476,101)	(1,478,550)	(4,584,356)	(18,477,654)	(1,919,915)
Proceeds from other governments	7,568	709,916	4,222	70,047	791,753	53,437
Payments from (to) other organizations	(14,372)	(4,311)	2	-	(18,681)	-
<b>Net cash used in capital and related financing activities</b>	<b>(8,957,837)</b>	<b>(14,430,362)</b>	<b>(1,076,645)</b>	<b>(885,719)</b>	<b>(25,350,563)</b>	<b>(2,264,755)</b>
<b>Investing activities</b>						
Net sales of investments	2,914,493	763,353	-	-	3,677,846	248,348
Interest income received	310,302	167,510	9,477	21,668	508,957	12,791
<b>Net cash provided by investing activities</b>	<b>3,224,795</b>	<b>930,863</b>	<b>9,477</b>	<b>21,668</b>	<b>4,186,803</b>	<b>261,139</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,142,283</b>	<b>(1,246,506)</b>	<b>303,287</b>	<b>(815,238)</b>	<b>(616,174)</b>	<b>381,692</b>
<b>Cash and cash equivalents</b>						
Beginning	14,944,476	17,743,421	2,531,388	3,663,103	38,882,388	1,964,459
Ending	<u>\$ 16,086,759</u>	<u>\$ 16,496,915</u>	<u>\$ 2,834,675</u>	<u>\$ 2,847,865</u>	<u>\$ 38,266,214</u>	<u>\$ 2,346,151</u>
<b>Reconciliation to Statement of Net Position</b>						
Current Assets	\$ 11,405,785	\$ 11,868,941	\$ 2,834,675	\$ 2,731,442	\$ 28,840,843	\$ 2,346,151
Restricted Assets	4,680,974	4,627,974	-	116,423	9,425,371	-
	<u>\$ 16,086,759</u>	<u>\$ 16,496,915</u>	<u>\$ 2,834,675</u>	<u>\$ 2,847,865</u>	<u>\$ 38,266,214</u>	<u>\$ 2,346,151</u>

(Continued)

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2017

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>						
Operating income (loss)	\$ 3,345,370	\$ 4,269,364	\$ 1,118,847	\$ (2,124,520)	\$ 6,609,061	\$ (230,806)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	3,048,763	7,888,946	76,239	2,145,813	13,159,761	2,660,267
Pension expense net of employer contributions	98,538	62,388	119,888	(22,611)	258,203	130,484
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	96,490	9,908	34,628	17,816	158,842	-
(Increase) decrease in due from other funds	43,593	31,851	4,528	8,991	88,963	5,411
(Increase) decrease in inventory	38,974	-	-	-	38,974	(13,573)
Increase (decrease) in unearned revenue	-	-	-	3,300	3,300	-
Increase (decrease) in accounts payable	(48,672)	(17,640)	(8,017)	20	(74,309)	57,046
Increase (decrease) in accrued expenses	133,961	(21,705)	19,208	19,108	150,572	19,855
Increase (decrease) in due to other funds	45,947	29,881	5,134	7,316	88,278	6,624
Increase (decrease) in deposits payable	72,361	-	-	(6,420)	65,941	-
<b>Net cash provided by operating activities</b>	<b>\$ 6,875,325</b>	<b>\$ 12,252,993</b>	<b>\$ 1,370,455</b>	<b>\$ 48,813</b>	<b>\$ 20,547,586</b>	<b>\$ 2,635,308</b>
<b>Supplemental cash flow information</b>						
<b>Non-cash transactions</b>						
Capitalized interest	\$ 49,200	\$ 125,192	\$ -	\$ -	\$ 174,392	\$ -
Capital asset additions financed by retainage payable	\$ 133,268	\$ 454,261	\$ -	\$ 153,099	\$ 740,628	\$ -
Capital asset additions financed by accounts payable	\$ 361,904	\$ 958,923	\$ 431,254	\$ 21,189	\$ 1,773,270	\$ -
Amortization of debt related items	\$ 67,717	\$ 1,663	\$ -	\$ (289)	\$ 69,091	\$ 8,177

**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Fund**  
**June 30, 2017**

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	<u>Special Welfare</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 164,261
<b>Total assets</b>	<u>\$ 164,261</u>
<b>Liabilities</b>	
Accounts payable	\$ 456
Amounts held for others	<u>163,805</u>
<b>Total liabilities</b>	<u>\$ 164,261</u>

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## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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

The City of Lynchburg, Virginia (the “City”) was founded by John Lynch in 1757, chartered as a town in 1786 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, 2017

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

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#### **A. Financial Reporting Entity (Continued)**

##### **Blue Ridge Regional Jail Authority: (Continued)**

The City sold its existing jail facilities to the Authority during FY1997. A new central jail facility was constructed in Lynchburg and opened in FY2000. It is owned and operated by the Authority. Each Member Jurisdiction pays a per diem charge for each day that one of its prisoners is at any Regional Jail Facility. In accordance with the Service Agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based on an agreed upon number of prisoner days, and is subject to an adjustment at the end of each fiscal year. During FY2017, the City paid \$5,601,929 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 FY2017.

**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 FY2017, the Regional Commission 2000 received \$1,182,521 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 FY2017, the City paid \$711,928 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 FY2017, the City paid \$720,375 to the Board. The City's scheduled capital cost payment for FY18 is \$720,393.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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#### **A. Financial Reporting Entity (Continued)**

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

Lynchburg Redevelopment and Housing Authority: Under the *Code of Virginia* (“Code”), the Commonwealth of Virginia (“Commonwealth”) created in each city and county a redevelopment and housing authority which is a separate political subdivision of the Commonwealth. In April 1956, City Council activated the Lynchburg Redevelopment and Housing Authority (the “LRHA”) which owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the LRHA are appointed by City Council; however, City Council is not financially accountable for LRHA. During FY2017, the City appropriated \$122,666 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 FY2017, the City paid \$250,000 to the Economic Development Authority.

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

#### **B. Basis of Presentation**

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

Government-wide Statements: The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements include the financial activities of the overall government. The effect of interfund activity, other than services provided and used, has been eliminated from these statements to minimize the double counting of internal activities. Excess revenues or expenses of the Internal Service Fund are allocated to the appropriate governmental functional activity. 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, 2017

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

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

*Fund Financial Statements:* The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, 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: Governmental funds account for expendable financial resources, other than proprietary fund types. Governmental fund types use the flow of current financial resources measurement focus.

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: Proprietary funds account for operations that are financed and operated in a manner similar to private business enterprises. The proprietary fund measurement focus is on the flow of economic resources. Operating revenues include charges for services and other revenues. Operating expenses include personal services, operation and maintenance, supplies and materials, depreciation, as well as other services and charges. All revenues and expenses, excluding capital contributions and transfers, not meeting these definitions are reported as non-operating revenues and expenses.

The City reports the following major proprietary funds:

Enterprise Funds: Enterprise Funds account for (a) the financing of services to the general public 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.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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

Water Fund: The Water Fund operates the water distribution system for the City and supplies water to three surrounding counties.

Sewer Fund: 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.

Stormwater Fund: 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.

Airport Fund: The Airport Fund accounts for the administration of the Lynchburg Regional Airport.

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: The 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.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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#### **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. Basic of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

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

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

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.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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

As a result of the different measurement focus and basis of accounting used in preparing the government-wide statements, a reconciliation between the government-wide and fund financial statements is necessary. Exhibit 4 presents a reconciliation of the net position as reported on the Statement of Net Position (Exhibit 1) to total governmental fund balance as reported on the Balance Sheet – Governmental Funds (Exhibit 3). Exhibit 6 presents a reconciliation of the total change in net position as reported on the Statement of Activities (Exhibit 2) and the total net change in fund balances as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit 5).

#### **D. Budgets and Budgetary Accounting**

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

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

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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

- All operating budget appropriations lapse at the end of the fiscal year to the extent that they are not expended or encumbered, with the exception of year-end carry-forward items approved by City Council.
- Prior to the implementation of GASB 54, the City's special revenue funds included the Technology Fund which has a separate legally adopted budget. With the implementation of GASB 54, the Technology Fund is utilized for internal reporting purposes only. For financial statement reporting (GAAP-basis), the Technology Fund is collapsed into the General Fund. For budgetary basis reporting, the Technology Fund is not included with the General Fund.

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

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ 1,872,913
Add: Net change in fund balance for Technology Fund	<u>122,605</u>
Net change in fund balance (GAAP basis)	<u><u>\$ 1,995,518</u></u>

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

- **Cash and Cash Equivalents**

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

- **Investments**

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

- **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	\$ 2,214,610
General Fund, ambulance receivables	\$ 3,037,276
Enterprise Funds	\$ 271,002

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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

- **Inventory**

Inventory in the Water and Internal Service Funds is valued at cost using the first-in, first-out (FIFO) method. This inventory consists principally of spare parts and fuel held for consumption. The cost is recorded as an expense at the time individual inventory items are withdrawn for use. Inventory in the Lynchburg City School Nutrition program is valued at 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.

**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. Capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

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 FY2017, the enterprise funds incurred interest costs of \$3,096,034 of which \$174,392 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



## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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

- **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 the following items that qualify for reporting in this category:

- 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 net difference between projected and actual earnings on pension plan investments will be recognized in pension expense over a closed five year period.
- The change in proportion of the 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.

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 the following types of items that qualify for reporting in this category:

- *Unavailable revenue* is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. 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 City reports the 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.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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

- **Arbitrage Rebate Liability**

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

- **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.

- **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.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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

- **Net Position/Fund Equity (Continued)**

- 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 her 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.

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

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#### **Deposits:**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges 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). 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 carrying 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 in accordance with GASB No. 79). 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.

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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#### Investments: (Continued)

##### Credit Risk:

As required by state statute or by the City, the Policy requires that commercial paper have a short-term debt rating of P-1 or higher by Moody's 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, 20% of the portfolio was invested in "Aaa" rated obligations; 3% was invested in "Aa1" Municipal Obligations; 77% was invested in an "AAA" rated LGIP fund. The "Aaa" rated portion of the total portfolio included 4% of obligations guaranteed by the U. S. Government; 14% of Federal Agencies; and 2% 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 20% 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.

##### 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	6%
Federal Home Loan Bank	11%

##### 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.

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

## Note 2. Cash and Investments (Continued)

Investments: (Continued)

Interest Rate Risk: (Continued)

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

Investment Type	Carrying Value	Weighted Average Maturity*
LGIP	\$ 66,717,332	-
U.S. Treasury Notes	3,046,760	398
Federal Farm Credit Bank	2,498,063	380
Federal Home Loan Bank	9,403,519	320
Municipal Bonds	4,954,355	355
Total investments	<u>\$ 86,620,029</u>	
Portfolio weighted average maturity		80

\* Weighted average maturity in days.

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, City Capital Projects, and Enterprise Funds include certain deposits, grant advances, unspent bond proceeds restricted for capital projects, 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	\$ 17,700	\$ -
Deposits	42,643,178	7,809,035
Funds held in trust by others	-	537,335
Investments	86,620,029	-
	<u>\$ 129,280,907</u>	<u>\$ 8,346,370</u>
Statement of net position:		
Cash and cash equivalents	\$ 82,187,202	\$ 7,809,035
Investments	19,902,696	-
Restricted cash and cash equivalents	27,026,748	-
Fiduciary fund cash and cash equivalents	164,261	537,335
	<u>\$ 129,280,907</u>	<u>\$ 8,346,370</u>

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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#### Investments: (Continued)

#### Custodial Credit Risk: (Continued)

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:

	Level 1	Level 2	Level 3	Total
U.S. Treasury Securities	\$ 3,046,760	\$ -	\$ -	\$ 3,046,760
U.S. Debt Securities	11,901,582	-	-	11,901,582
Municipal Bonds	-	4,954,355	-	4,954,355
	<u>\$ 14,948,342</u>	<u>\$ 4,954,355</u>	<u>\$ -</u>	<u>\$ 19,902,697</u>

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

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

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

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

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

Interfund balances at June 30, 2017 were as follows:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	\$ 1,251,487	\$ 265,506
Non-major Special Revenue Funds:		
City Federal/State Aid	263,378	490,623
Children's Services Act	-	592,229
Community Development Block Grant	-	285
HOME Investment Trust	-	54,421
Lynchburg Regional Juvenile Detention Center	-	16,899
Major Proprietary Funds:		
Sewer	-	29,881
Water	-	45,947
Stormwater	-	5,134
Airport	-	7,316
Internal Service	-	6,624
	<u>\$ 1,514,865</u>	<u>\$ 1,514,865</u>

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

Interfund transfers were as follows:

	To	From
Major Fund:		
General	\$ 1,585,000	\$ 4,871,092
Non-major Special Revenue Funds:		
City Federal/State Aid	161,457	-
Major Fund – Capital Projects		
City Capital Projects	3,971,635	150,000
School Capital Projects	738,000	1,185,000
Major Proprietary Funds:		
Internal Service	-	250,000
	<u>\$ 6,456,092</u>	<u>\$ 6,456,092</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.

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

## ***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	\$ 1,804,800	\$ -
Non-major Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
	<u>\$ 1,929,800</u>	<u>\$ -</u>
Component Units:		
Lynchburg City Schools	\$ -	\$ 769,253
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	-	1,035,547
	<u>\$ -</u>	<u>\$ 1,929,800</u>

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

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

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 5,639,379	\$ 321,462	\$ 4,798,850	\$ 2,309,349
Virginia Revolving Loan	-	498,007	-	-
Members of Regional Sewage Treatment Plant	-	3,803,396	-	-
	<u>\$ 5,639,379</u>	<u>\$ 4,622,865</u>	<u>\$ 4,798,850</u>	<u>\$ 2,309,349</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	\$ 465,003
Amount receivable 2 to 5 years	1,248,698
Amount receivable beyond 5 years	2,089,695
	<u>\$ 3,803,396</u>

(Continued)



**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements

As of June 30, 2017

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***Note 7. Receivables***

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

	<u>Taxes</u>	<u>Accounts</u>	<u>Other</u>	<u>Total</u>
Major funds:				
General	\$ 13,457,735	\$ 5,052,651	\$ 995,216	\$ 19,505,602
City Capital Projects	-	-	250,000	250,000
Water	-	1,670,410	-	1,670,410
Sewer	-	3,003,361	-	3,003,361
Stormwater	-	433,733	-	433,733
Airport	-	84,785	-	84,785
Internal Service	-	-	36,281	36,281
Non-major Governmental Funds	-	-	221,237	221,237
	<u>\$ 13,457,735</u>	<u>\$ 10,244,940</u>	<u>\$ 1,502,734</u>	<u>\$ 25,205,409</u>

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

## Note 8. Capital Assets

### Primary Government:

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

Governmental Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
<u>Capital assets, not being depreciated:</u>				
Land	\$ 20,064,955	\$ 267,039	\$ (1,344)	\$ 20,330,650
Construction in progress	29,568,322	33,266,383	(52,686,210)	10,148,495
Total capital assets, not being depreciated	49,633,277	33,533,422	(52,687,554)	30,479,145
<u>Capital assets, being depreciated:</u>				
Land improvements	48,143,341	9,302,712	-	57,446,053
Accumulated depreciation	(13,085,579)	(2,323,060)	-	(15,408,639)
Net land improvements	35,057,762	6,979,652	-	42,037,414
Buildings and improvements	279,857,134	23,795,198	-	303,652,332
Accumulated depreciation	(125,791,057)	(8,679,372)	-	(134,470,429)
Net buildings and improvements	154,066,077	15,115,826	-	169,181,903
Infrastructure	261,860,156	16,942,855	-	278,803,011
Accumulated depreciation	(143,663,193)	(7,244,509)	-	(150,907,702)
Net infrastructure	118,196,963	9,698,346	-	127,895,309
Machinery and equipment	49,261,269	4,799,515	(1,736,285)	52,324,499
Accumulated depreciation	(32,312,271)	(3,783,321)	1,517,865	(34,577,727)
Net machinery and equipment	16,948,998	1,016,194	(218,420)	17,746,772
Total capital assets being depreciated	639,121,900	54,840,280	(1,736,285)	692,225,895
Less: accumulated depreciation	(314,852,100)	(22,030,262)	1,517,865	(335,364,497)
Total capital assets, being depreciated	324,269,800	32,810,018	(218,420)	356,861,398
Capital assets, net	\$ 373,903,077	\$ 66,343,440	\$ (52,905,974)	\$ 387,340,543

There are no assets included above financed by capital leases as of June 30, 2017.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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#### Primary Government: (Continued)

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 769,713
Education	7,008,838
Judicial	697,185
Health and human services	324,100
Public safety	1,826,627
Public works	9,391,392
Community development	189,874
Cultural and recreational	1,403,658
	<hr/>
Total governmental activities	21,611,387
	<hr/>
Business-type activities:	
Water	155,525
Sewer	247,561
Stormwater	1,359
Airport	14,430
	<hr/>
Total business-type activities	418,875
	<hr/>
Total depreciation	\$ 22,030,262

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 \$418,875 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, 2017

## 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	\$ 46,855	\$ -	\$ 5,108,326
Construction in progress	7,381,318	19,083,019	(8,950,015)	17,514,322
Total capital assets, not being depreciated	12,442,789	19,129,874	(8,950,015)	22,622,648
<u>Capital assets, being depreciated:</u>				
Land improvements	12,801,778	347,889	-	13,149,667
Accumulated depreciation	(12,000,902)	(93,837)	-	(12,094,739)
Net land improvements	800,876	254,052	-	1,054,928
Buildings and improvements	57,825,957	4,949,578	-	62,775,535
Accumulated depreciation	(29,219,713)	(1,884,121)	-	(31,103,834)
Net buildings and improvements	28,606,244	3,065,457	-	31,671,701
Infrastructure	452,016,985	2,801,181	-	454,818,166
Accumulated depreciation	(137,695,928)	(9,993,572)	-	(147,689,500)
Net infrastructure	314,321,057	(7,192,391)	-	307,128,666
Machinery and equipment	22,376,068	1,324,756	(53,679)	23,647,145
Accumulated depreciation	(10,158,089)	(1,048,159)	53,679	(11,152,569)
Net machinery and equipment	12,217,979	276,597	-	12,494,576
Capitalized interest	7,003,582	174,392	-	7,177,974
Accumulated depreciation	(2,169,576)	(140,071)	-	(2,309,647)
Net capitalized interest	4,834,006	34,321	-	4,868,327
Total capital assets being depreciated	552,024,370	9,597,796	(53,679)	561,568,487
Less: accumulated depreciation	(191,244,208)	(13,159,760)	53,679	(204,350,289)
Total capital assets, being depreciated	360,780,162	(3,561,964)	-	357,218,198
Capital assets, net	\$ 373,222,951	\$ 15,567,910	\$ (8,950,015)	\$ 379,840,846

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

## 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	\$ 13,567,008	\$ 1,130,512	\$ (303,467)	\$ 14,394,053
Accumulated depreciation	(7,285,024)	(1,278,443)	303,467	(8,260,000)
Net equipment	6,281,984	(147,931)	-	6,134,053
Equipment – cafeteria	1,188,691	28,366	(19,660)	1,197,397
Accumulated depreciation	(838,127)	(64,266)	17,053	(885,340)
Net equipment – cafeteria	350,564	(35,900)	(2,607)	312,057
Total capital assets being depreciated	14,755,699	1,158,878	(323,127)	15,591,450
Less: accumulated depreciation	(8,123,151)	(1,342,709)	320,520	(9,145,340)
Capital assets, net	<u>\$ 6,632,548</u>	<u>\$ (183,831)</u>	<u>\$ (2,607)</u>	<u>\$ 6,446,110</u>

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

Land, buildings, and improvements	\$ 36,449,993
Construction in progress	42,552
Machinery and equipment	25,382,838
	<u>61,875,383</u>
Less accumulated depreciation	<u>19,863,852</u>
	<u>\$ 42,011,531</u>

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

### Primary Government:

### General Obligation Debt:

As of June 30, 2017	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Public Improvements	School Facilities	Proprietary Funds	Total
<b>Serial Bonds</b>								
VA Resources Authority	0.00	3/24/1994	2027	\$ 3,976,369	\$ -	\$ -	\$ 1,167,592	\$ 1,167,592
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	964,299	-	964,299
VPSA General Obligation	2.35-4.85	11/7/2002	2023	6,513,732	-	2,135,679	-	2,135,679
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	3,128,403	-	3,128,403
Public Improvement	4.00-5.00	8/2/2007	2038	33,300,000	812,406	-	477,594	1,290,000
Public Improvement Series A Tax Exempt	1.00-5.00	8/13/2009	2022	17,230,000	2,075,000	2,950,000	2,550,000	7,575,000
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	1,284,495	690,969	2,194,536	4,170,000
VPSA General Obligation	0.00	11/13/2009	2027	10,255,000	-	7,570,000	-	7,570,000
Public Improvement Refunding	2.00-5.00	10/20/2010	2034	29,655,000	7,808,168	5,936,461	9,710,371	23,455,000
Public Improvement Refunding	3.80	12/19/2012	2023	4,129,625	2,489,065	-	-	2,489,065
Public Improvement	2.75	10/23/2013	2028	10,000,000	5,649,694	749,506	1,599,800	7,999,000
Public Improvement	2.00-5.00	7/10/2014	2044	101,730,000	18,680,000	62,465,000	16,660,000	97,805,000
Public Improvement Refunding	5.00	7/10/2014	2026	13,460,000	7,907,298	3,118,563	1,364,139	12,390,000
Public Improvement Refunding (Bond R-1)	1.60	3/12/2015	2020	9,657,000	1,470,013	888,064	1,110,923	3,469,000
Public Improvement Refunding (Bond R-2)	2.34	3/12/2015	2030	3,768,000	1,415,139	847,616	1,048,245	3,311,000
Public Improvement	2.00-5.00	5/19/2016	2046	26,945,000	15,105,000	-	11,075,000	26,180,000
Public Improvement Refunding	2.00-5.00	5/19/2016	2038	20,350,000	7,176,860	-	12,958,140	20,135,000
					<u>\$ 76,272,533</u>	<u>\$ 100,895,165</u>	<u>\$ 75,486,340</u>	<u>\$ 252,654,038</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 \$63,400,000 at June 30, 2017.

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 \$252,654,038 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 64.2%. As shown in the Supplementary Statistical Table 22, outstanding tax-supported debt was 3.16% 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, 2017

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

### **Primary Government: (Continued)**

#### **Revenue Debt:**

As of June 30, 2017	Interest Rates %	Date Issued	Final Maturity	Original Issue	Sewer Fund	Stormwater Fund	Total
<b>Virginia Resources Authority</b>							
Public Utility Revenue Bonds	0.00	3/28/1995	2027	\$ 6,571,207	\$ 1,646,904	\$ -	\$ 1,646,904
Public Utility Revenue Bonds	0.00	8/10/1995	2029	10,000,000	3,083,333	-	3,083,333
Public Utility Revenue Bonds	0.00	6/27/1996	2029	8,000,000	2,386,802	-	2,386,802
Public Utility Revenue Bonds	0.00	7/17/1997	2030	7,591,540	2,785,062	-	2,785,062
Public Utility Revenue Bonds	3.00	7/17/1997	2020	14,108,460	2,342,497	-	2,342,497
Public Utility Revenue Bonds	0.00	8/21/1998	2031	6,203,000	2,517,279	-	2,517,279
Public Utility Revenue Bonds	3.00	5/27/1999	2020	2,476,763	410,441	-	410,441
Public Utility Revenue Bonds	0.00	2/11/2000	2021	5,300,000	1,115,790	-	1,115,790
Public Utility Revenue Bonds	0.00	2/15/2001	2032	735,000	328,816	-	328,816
Public Utility Revenue Bonds	3.50	6/8/2001	2021	2,835,000	771,497	-	771,497
Public Utility Revenue Bonds	0.00	11/6/2001	2034	1,413,613	724,177	-	724,177
Public Utility Revenue Bonds	0.00	9/15/2003	2036	2,350,165	1,408,575	-	1,408,575
Public Utility Revenue Bonds	0.00	5/20/2004	2038	6,000,000	3,900,000	-	3,900,000
Public Utility Revenue Bonds	0.00	5/17/2005	2038	6,700,000	4,466,667	-	4,466,667
Public Utility Revenue Bonds	0.00	6/28/2006	2039	9,600,000	6,880,000	-	6,880,000
Public Utility Revenue Bonds	0.00	6/20/2007	2039	7,000,000	5,133,333	-	5,133,333
Public Utility Revenue Bonds	0.00	6/5/2008	2041	12,350,000	9,674,167	-	9,674,167
Public Utility Revenue Bonds	0.00	6/25/2009	2041	19,000,000	15,200,000	-	15,200,000
Public Utility Revenue Bonds	0.00	6/17/2010	2042	13,100,000	10,916,667	-	10,916,667
Public Utility Revenue Bonds	0.00	6/15/2011	2033	9,350,928	7,472,964	-	7,472,964
Public Utility Revenue Bonds	0.00	6/15/2011	2045	10,100,000	9,258,333	-	9,258,333
Public Utility Revenue Bonds	0.00	6/6/2012	2044	7,000,000	6,300,000	-	6,300,000
Public Utility Revenue Bonds	0.00	1/5/2017	2038	806,630	-	806,630	806,630
					<u>\$ 98,723,304</u>	<u>\$ 806,630</u>	<u>\$ 99,529,934</u>

The revenue bonds have been issued in accordance with the terms of an indenture agreement with the Virginia Resources Authority, a public body corporate and a political subdivision of the Commonwealth of Virginia (the "Authority"), as Administrator of the Virginia Water Facilities Revolving Fund and City of Lynchburg.

Pursuant to Chapter 22 Title 62.1 of the *Code of Virginia* (1950), as amended ("the Act", the General Assembly created a permanent and perpetual fund known as the "Virginia Water Facilities Revolving Fund". In conjunction with the State Water Control Board, the Authority administers and manages the Fund. From the Fund, the Authority from time to time makes loans to and acquires obligations of local governments in Virginia to finance the costs of constructing the following facilities: 1) Wastewater treatment within the meaning of Section 62.1-224 of the Act 2) Structures or implementing other best management practices that reduce or prevent pollution of state waters caused by stormwater runoff from impervious surfaces within the meaning of Section 62.1-229.4 of the Act.

The indenture agreement requires the City to pledge its Sewer Fund and Stormwater Fund Revenues as collateral for the revenue bonds and to maintain debt coverage ratio at least equal to 1.15. As shown in the Supplementary Statistical Table 24, the Sewer Fund's debt coverage ratio for the year ended June 30 was 1.40. There was no calculation of Stormwater Fund's debt coverage since the first debt service payment will not incur until FY 2019.

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

### **Primary Government: (Continued)**

The following is a summary of change in long-term liabilities for FY2017:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
General obligation bonds	\$191,847,908	\$ -	\$ 11,110,628	\$180,737,280	\$ 10,817,623
Note payable*	1,400,000	-	180,000	1,220,000	180,000
Adjust for deferred amounts:					
Issuance discounts	(586,397)	-	(53,309)	(533,088)	-
Issuance premiums	13,463,941	-	787,500	12,676,441	-
Total bonds and note	206,125,452	-	12,024,819	194,100,633	10,997,623
Workers' compensation**	2,480,936	1,621,437	1,406,262	2,696,111	323,533
Compensated absences**	4,237,445	3,073,443	3,181,262	4,129,626	495,554
Other post-employment benefits**	7,002,999	4,386,562	2,846,923	8,542,638	-
	<u>\$219,846,832</u>	<u>\$ 9,081,442</u>	<u>\$ 19,459,266</u>	<u>\$209,469,008</u>	<u>\$ 11,816,710</u>

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
General obligation bonds	\$ 76,394,777	\$ -	\$ 4,478,019	\$ 71,916,758	\$ 4,117,321
Public utility revenue bonds	104,998,049	806,630	6,274,745	99,529,934	6,312,571
Adjust for deferred amounts:					
Issuance premiums	4,722,178	-	238,837	4,483,341	-
Total bonds	186,115,004	806,630	10,991,601	175,930,033	10,429,892
Workers' compensation	338,556	(59,541)	22,029	256,986	30,838
Compensated absences	551,633	450,696	450,602	551,727	66,208
Other post-employment benefits	758,326	586,864	380,881	964,309	-
	<u>\$187,763,519</u>	<u>\$ 1,784,649</u>	<u>\$ 11,845,113</u>	<u>\$177,703,055</u>	<u>\$ 10,526,938</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, 2017

## ***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
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	11,655,762	5,647,050	180,000	9,955
2023-2027	51,365,363	20,979,216	320,000	3,920
2028-2032	30,504,380	12,232,116	-	-
2033-2037	22,131,856	6,779,449	-	-
2038-2042	15,025,000	2,826,008	-	-
2043-2044	5,300,000	318,000	-	-
	<u>\$ 180,737,280</u>	<u>\$ 75,863,160</u>	<u>\$ 1,220,000</u>	<u>\$ 87,517</u>

Year Ending June 30	Business-Type Activities					
	General Obligation					
	Water Fund		Airport Fund		Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 2,158,554	\$ 1,998,596	\$ 94,937	\$ 22,207	\$ 1,863,830	\$ 973,043
2019	1,939,221	1,921,875	65,569	17,438	1,607,228	917,980
2020	1,812,819	1,843,874	33,221	13,564	1,384,935	867,240
2021	1,753,442	1,767,444	35,104	11,903	1,284,269	820,635
2022	1,784,356	1,688,151	36,719	10,148	1,299,459	772,565
2023-2027	8,872,481	7,131,328	166,242	21,285	5,819,608	3,077,025
2028-2032	9,088,032	5,110,011	-	-	4,893,588	2,048,009
2033-2037	9,193,156	3,040,691	-	-	4,149,988	1,201,920
2038-2042	6,389,125	972,859	-	-	2,785,875	502,333
2043-2046	1,925,000	132,600	-	-	1,480,000	106,950
	<u>\$ 44,916,186</u>	<u>\$ 25,607,429</u>	<u>\$ 431,792</u>	<u>\$ 96,545</u>	<u>\$ 26,568,780</u>	<u>\$ 11,287,700</u>

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

Primary Government: (Continued)

Debt Service to Maturity: (Continued)

Year Ending June 30	Business-Type Activities			
	Revenue Bonds			
	Sewer Fund		Stormwater Fund	
	Principal	Interest	Principal	Interest
2018	\$ 6,312,571	\$ 99,989	\$ -	\$ -
2019	6,351,572	60,988	40,331	-
2020	5,816,175	20,775	40,331	-
2021	5,255,995	5,345	40,331	-
2022	4,774,022	-	40,331	-
2023-2027	23,687,120	-	201,658	-
2028-2032	19,503,792	-	201,658	-
2033-2037	15,759,557	-	201,658	-
2038-2042	9,954,167	-	40,332	-
2043-2046	1,308,333	-	-	-
	<u>\$ 98,723,304</u>	<u>\$ 187,097</u>	<u>\$ 806,630</u>	<u>\$ -</u>

## **September 26, 2017 General Obligation Public Improvement Refunding Bonds, Series 2017**

The City issued \$29,100,000 of General Obligation Public Improvement Refunding Bonds, Series 2017 on September 26, 2017 with an average interest rate of 3.61% from its competitive bond sale on September 12, 2017. The proceeds of the Series 2017 Bond will be used to (i) advance refund and defease certain maturities of the City's outstanding General Obligation Public Improvement Bonds, Series 2009A (the "2009A Bonds"), (ii) advance refund, pursuant to a crossover refunding, all of the City's outstanding General Obligation Public Improvement Bonds, Series 2009B (the "2009B Bonds"), (iii) pay interest on the Series 2017 Bonds until the Crossover Date, and (iv) pay the costs of issuance of the Series 2017 Bonds. The refunding reduced the total debt service payments over the next 22 years by \$4,569,704 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,422,230.

As part of the above refunding, \$3,165,000 of bonds with an average interest rate of 3.00% were issued to advance refund \$3,090,000 of principal for the 2009A Bonds. 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 FY2021 and FY2022. The City will fund maturities through FY 2020. As of the bond closing date of September 26, 2017, 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 4 years by \$148,506 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$149,451. This advance refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of \$231,064. This difference will be reported in the financial statements as deferred debt charges, and will be amortized as a component of interest expenses through FY2022 over the life of the refunded bonds. The outstanding principal of the Series 2009A Bonds in-substance defeased will be \$3,090,000 until the redemption date of August 1, 2019.

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

Primary Government: (Continued)

#### **September 26, 2017 General Obligation Public Improvement Refunding Bonds, Series 2017 (Continued)**

Also as part of the above refunding, \$25,935,000 of bonds with an average interest rate of 3.63% were issued to advance refund, pursuant to a crossover refunding, \$27,420,000 of principal for the 2009B Bonds. 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 to (i) pay when due the interest on the Series 2017 Refunding bonds to August 1, 2019 (the "Crossover Date") and (ii) to pay the principal of the Refunded Bonds upon their redemption on the Crossover Date. The Refunded Bonds have not been defeased and the debt service on such Refunded Bonds to the Crossover Date shall remain a general obligation of the City. The crossover refunding will reduce the total debt service payments over the next 22 years by \$4,421,198 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,272,779. This advance refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of \$1,177,355. This difference will be reported in the financial statements as deferred debt charges, and will be amortized as a component of interest expense through FY2040 over the remaining life of the refunded bonds, which is the same as the life of the refunding bonds.

Component Unit – Lynchburg City Schools:

The following is a summary of changes in other long-term liabilities for FY2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	\$ 824,415	\$ 852,775	\$ 807,026	\$ 870,164	\$ 628,876
Other post-employment benefits	4,199,783	945,246	175,271	4,969,758	-
	<u>\$ 5,024,198</u>	<u>\$ 1,798,021</u>	<u>\$ 982,297</u>	<u>\$ 5,839,922</u>	<u>\$ 628,876</u>

### **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 2017 the City was in compliance with the Fund Balance Policy.

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

(Continued)

**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2017

	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
<b>FUND BALANCES</b>							
<b>Nonspendable</b>							
Advance to Lynchburg United Soccer	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted for:</b>							
Transportation projects	-	1,009,829	-	-	-	-	-
Fire Department	-	-	-	253,908	-	-	-
Police Department	-	-	-	19,191	-	-	-
Economic Development	-	-	-	12,997	-	-	-
Grants	-	-	-	45,902	-	-	-
CDBG - Bluffwalk	-	-	-	-	962,995	-	-
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	-	132,655
Federal Asset Forfeiture- Police	-	-	-	-	-	-	31,008
State Asset Forfeiture - Police	-	-	-	-	-	-	77,951
Health and Human Services	-	-	-	-	-	-	-
Lynchburg Expressway beautification	-	-	-	-	-	-	-
HOME projects	-	-	-	-	-	-	-
<b>Committed to:</b>							
Technology	3,029,536	-	-	-	-	-	-
Detention Home Workers Compensation	100,000	-	-	-	-	-	-
Health Insurance Reserve	748,507	-	-	-	-	-	-
Schools for Textbooks	901,869	-	-	-	-	-	-
Schools for Health Insurance Reserve	340,608	-	-	-	-	-	-
Juvenile Services Cap Needs	50,000	-	-	-	-	-	-
Other Post Employment Benefits	2,397,722	-	-	-	-	-	-
Solid Waste Debt Retirement	241,121	-	-	-	-	-	-
Schools Special Education	321,000	-	-	-	-	-	-
Heritage High School Reserve FF&E	362,000	-	-	-	-	-	-
GLTC Special Reserve	1,535,547	-	-	-	-	-	-
Self Insurance	1,644,249	-	-	-	-	-	-
Capital Maintenance Reserve	1,642,809	-	-	-	-	-	-
Community Development	2,799	-	-	-	-	-	-
Cultural and Recreational	16,509	-	-	-	-	-	-
General Government	49,639	-	-	-	-	-	-
Health and Welfare	14,709	-	-	-	-	-	-
Judicial	1,735	-	-	-	-	-	-
Public Safety	47,759	-	-	-	-	-	-
Public Works	522,585	-	-	-	-	-	-
Sale of downtown GEFA building	-	116,388	-	-	-	-	-
Building projects	-	3,501,998	-	-	-	-	-
Transportation projects	-	19,417,882	-	-	-	-	-
Economic Development	-	2,089,463	-	-	-	-	-
Parks and Recreation projects	-	1,209,618	-	-	-	-	-
Waste Management projects	-	242,910	-	-	-	-	-
Other Projects	-	2,880,138	-	-	-	-	-
Heritage High School	-	-	1,887,193	-	-	-	-
EC Glass High School	-	-	153,860	-	-	-	-
Dunbar Middle School	-	-	229,445	-	-	-	-
School Contruction and Manintenance	-	-	1,316,647	-	-	-	-
Provision of loan funds for small businesses	-	-	-	-	-	125,384	-
<b>Assigned to:</b>							
Return of School Fund Balance	769,253	-	-	-	-	-	-
Law Library	21,070	-	-	-	-	-	-
Museum	50,028	-	-	-	-	-	-
Recreation Programs	117,696	-	-	-	-	-	-
Pier Program	108,698	-	-	-	-	-	-
Health Insurance Reserve	664,538	-	-	-	-	-	-
Fire Equipment	7,373	-	-	-	-	-	-
Line of Duty Death Benefit	501,440	-	-	-	-	-	-
Future Landfill Needs	260,998	-	-	-	-	-	-
Parking Operations	113,790	-	-	-	-	-	-
Point of Honor	2,653	-	-	-	-	-	-
Police Range Operations	3,275	-	-	-	-	-	-
Future Police Building	47,175	-	-	-	-	-	-
Fire Restitution	99	-	-	-	-	-	-
Adopt-A-Bed	2,772	-	-	-	-	-	-
Virginia Land Conservancy	2,314	-	-	-	-	-	-
General Government	226,512	-	-	-	-	-	-
Health and Welfare	53,555	-	-	-	-	-	-
Judicial	8	-	-	-	-	-	-
Public Safety	278,775	-	-	-	-	-	-
Public Works	399,283	-	-	-	-	-	-
Community Development	4,850	-	-	-	-	-	-
Community Diversion	195,430	-	-	-	-	-	-
Cultural & Recreational	7,017	-	-	-	-	-	-
Major Maintenance and Equipment replacement	-	-	-	-	-	-	-
<b>Unassigned:</b>	27,147,729	-	-	-	-	-	-
<b>Total Fund Balance</b>	<u>\$ 44,957,034</u>	<u>\$ 30,718,226</u>	<u>\$ 3,587,145</u>	<u>\$ 331,998</u>	<u>\$ 962,995</u>	<u>\$ 125,384</u>	<u>\$ 241,614</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

NON MAJOR SPECIAL REVENUE FUNDS					
	CHILDREN'S SERVICES ACT	LYNCHBURG EXPRESSWAY APPEARANCE	HOME INVESTMENT TRUST	LYNCHBURG REGIONAL JUVENILE DETENTION CENTER	ALL FUNDS
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Advance to Lynchburg United Soccer	\$ -	\$ -	\$ -	\$ -	\$ 250,000
<b>Restricted for:</b>					
Transportation projects	-	-	-	-	1,009,829
Fire Department	-	-	-	-	253,908
Police Department	-	-	-	-	19,191
Economic Development	-	-	-	-	12,997
Grants	-	-	-	-	45,902
CDBG - Bluffwalk	-	-	-	-	962,995
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	132,655
Federal Asset Forfeiture- Police	-	-	-	-	31,008
State Asset Forfeiture - Police	-	-	-	-	77,951
Health and Human Services	5,037	-	-	-	5,037
Lynchburg Expressway beautification	-	166,268	-	-	166,268
HOME projects	-	-	26,247	-	26,247
<b>Committed to:</b>					
Technology	-	-	-	-	3,029,536
Detention Home Workers Compensation	-	-	-	-	100,000
Health Insurance Reserve	-	-	-	-	748,507
Schools for Textbooks	-	-	-	-	901,869
Schools for Health Insurance Reserve	-	-	-	-	340,608
Juvenile Services Cap Needs	-	-	-	-	50,000
Other Post Employment Benefits	-	-	-	-	2,397,722
Solid Waste Debt Retirement	-	-	-	-	241,121
Schools Special Education	-	-	-	-	321,000
Heritage High School Reserve FF&E	-	-	-	-	362,000
GLTC Special Reserve	-	-	-	-	1,535,547
Self Insurance	-	-	-	-	1,644,249
Capital MaintenanceReserve	-	-	-	-	1,642,809
Community Development	-	-	-	-	2,799
Cultural and Recreational	-	-	-	-	16,509
General Government	-	-	-	-	49,639
Health and Welfare	-	-	-	-	14,709
Judicial	-	-	-	-	1,735
Public Safety	-	-	-	-	47,759
Public Works	-	-	-	-	522,585
Sale of downtown GEFA building	-	-	-	-	116,388
Building projects	-	-	-	-	3,501,998
Transportation projects	-	-	-	-	19,417,882
Economic Development	-	-	-	-	2,089,463
Parks and Recreation projects	-	-	-	-	1,209,618
Waste Management projects	-	-	-	-	242,910
Other Projects	-	-	-	-	2,880,138
Heritage High School	-	-	-	-	1,887,193
EC Glass High School	-	-	-	-	153,860
Dunbar Middle School	-	-	-	-	229,445
School Contruction and Manintenance	-	-	-	-	1,316,647
Provision of loan funds for small businesses	-	-	-	-	125,384
<b>Assigned to:</b>					
Return of School Fund Balance	-	-	-	-	769,253
Law Library	-	-	-	-	21,070
Museum	-	-	-	-	50,028
Recreation Programs	-	-	-	-	117,696
Pier Program	-	-	-	-	108,698
Health Insurance Reserve	-	-	-	-	664,538
Fire Equipment	-	-	-	-	7,373
Line of Duty Death Benefit	-	-	-	-	501,440
Futore Landfill Needs	-	-	-	-	260,998
Parking Operations	-	-	-	-	113,790
Point of Honor	-	-	-	-	2,653
Police Range Operations	-	-	-	-	3,275
Future Police Building	-	-	-	-	47,175
Fire Restitution	-	-	-	-	99
Adopt-A-Bed	-	-	-	-	2,772
Virginia Land Conservancy	-	-	-	-	2,314
General Government	-	-	-	-	226,512
Health and Welfare	-	-	-	-	53,555
Judicial	-	-	-	-	8
Public Safety	-	-	-	-	278,775
Public Works	-	-	-	-	399,283
Community Development	-	-	-	-	4,850
Community Diversion	-	-	-	-	195,430
Cultural & Recreational	-	-	-	-	7,017
Major Maintenance and Equipment replacement	-	-	-	100,012	100,012
<b>Unassigned:</b>	-	-	-	-	27,147,729
<b>Total Fund Balance</b>	<u>\$ 5,037</u>	<u>\$ 166,268</u>	<u>\$ 26,247</u>	<u>\$ 100,012</u>	<u>\$ 81,221,960</u>

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### ***Note 11. Defined Benefit Pension Plan – City of Lynchburg***

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#### **Plan Description**

All full-time, salaried permanent employees of the City of Lynchburg, Virginia, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan is 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. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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 and the eligibility for covered groups within each plan are 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.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### **Note 11. Defined Benefit Pension Plan – City of Lynchburg (Continued)**

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#### **Plan Description (Continued)**

##### **Plan 1 (Continued)**

- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. 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. Age 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%.
  - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
  - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
    - The member retires on disability.
    - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – 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, 2017

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### **Note 11. Defined Benefit Pension Plan – City of Lynchburg (Continued)**

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#### **Plan Description (Continued)**

##### **Plan 1 (Continued)**

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

**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.



## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### **Note 11. Defined Benefit Pension Plan – City of Lynchburg (Continued)**

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#### **Plan Description (Continued)**

##### **Plan 2 (Continued)**

- **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%.
  - **Eligibility** – Same as Plan 1.
  - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

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

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### ***Note 11. Defined Benefit Pension Plan – City of Lynchburg (Continued)***

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#### **Plan Description (Continued)**

##### **Hybrid Retirement Plan (Continued)**

- **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.
- **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.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility –**
  - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (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.

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### **Note 11. Defined Benefit Pension Plan – City of Lynchburg (Continued)**

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#### **Plan Description (Continued)**

##### **Hybrid Retirement Plan (Continued)**

- **Cost-of-Living Adjustment (COLA) in Retirement**
  - **Defined Benefit Component** – Same as Plan 2.
  - **Defined Contribution Component** – Not Applicable.
  - **Eligibility** – Same as Plan 1 and 2.
  - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 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 an 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 –**
  - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
    - Hybrid Retirement Plan members are ineligible for ported service.
    - The cost for purchasing refunded service is the higher or 4% of creditable compensation or average final compensation.
    - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
  - **Defined Contribution Component** – Not Applicable.

#### **Employees Covered by Benefit Terms**

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>953</u>
Inactive members:	
Vested inactive members	189
Non-vested inactive members	224
Inactive members active elsewhere in VRS	<u>295</u>
Total inactive members	708
Active members	<u>1,157</u>
Total covered employees	<u><u>2,818</u></u>

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### **Note 11. Defined Benefit Pension Plan – City of Lynchburg (Continued)**

#### **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, 2017 was 18.69% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$10,166,530 and \$10,951,053 for the years ended June 30, 2017 and June 30, 2016, respectively.

#### **Net Pension Liability**

The political subdivision's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

#### **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, 2015, 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, 2016.

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*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### **Note 11. Defined Benefit Pension Plan – City of Lynchburg (Continued)**

#### **Actuarial Assumptions (Continued)**

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, 2015 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) and increase in rates of withdrawal.

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

## **Note 11. Defined Benefit Pension Plan – 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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
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 %

\*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

## **Note 11. Defined Benefit Pension Plan – City of Lynchburg (Continued)**

### **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.

### **Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2015	\$ 346,967,878	\$ 243,915,385	\$ 103,052,493
Changes for the year:			
Service cost	6,346,042	-	6,346,042
Interest	23,599,711	-	23,599,711
Differences between expected and actual experience	(3,091,281)	-	(3,091,281)
Contributions – employer	-	10,888,855	(10,888,855)
Contributions – employee	-	2,647,107	(2,647,107)
Net investment income	-	4,079,524	(4,079,524)
Benefit payments, including refunds of employee contributions	(19,658,299)	(19,658,299)	-
Administrative expenses	-	(152,831)	152,831
Other changes	-	(1,774)	1,774
Net changes	7,196,173	(2,197,418)	9,393,591
Balances at June 30, 2016	\$ 354,164,051	\$ 241,717,967	\$ 112,446,084

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

## **Note 11. Defined Benefit Pension Plan – City of Lynchburg (Continued)**

### **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:

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
Political subdivision's net pension liability	<b><u>\$ 155,468,994</u></b>	<b><u>\$ 112,446,084</u></b>	<b><u>\$ 76,447,491</u></b>

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$9,540,443. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ 3,006,141
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	6,296,375	-
Employer contributions subsequent to the measurement date	<u>10,166,530</u>	<u>-</u>
Total	<b><u>\$ 16,462,905</u></b>	<b><u>\$ 3,006,141</u></b>



## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### **Note 11. Defined Benefit Pension Plan – City of Lynchburg (Continued)**

#### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The \$10,166,530 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to Pension Expense</b>
2018	\$ (1,058,424)
2019	(1,058,423)
2020	2,905,274
2021	2,501,807
2022	-
Thereafter	-

#### **Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017, approximately \$1,322,860 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### **Note 11. Defined Benefit Pension Plan – School Nonprofessionals**

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#### **Plan Description**

All full-time, salaried permanent non-professional employees (non-teachers) of the Lynchburg City Schools, (the “School division”) are automatically covered by VRS Retirement Plan upon employment. This plan is 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. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The System administers 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.

The School Division is the fiscal agent for a separate legal entity, the Laurel Regional Program (the “Program”). The Program participates in VRS through inclusion with the School Division’s nonprofessional and teacher plans. This participation is considered a cost sharing relationship for the Program. As a result, the proportionate share of the Program’s participation in the School Division’s pension plan is excluded from the School Division’s pension related balances. However, the Required Supplementary Information included after the notes to the financial statements, is reported for the VRS plans of the School Division as a whole, including the Program.

#### **Employees Covered by Benefit Terms**

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>102</u>
Inactive members:	
Vested inactive members	8
Non-vested inactive members	52
Inactive members active elsewhere in VRS	<u>36</u>
Total inactive members	96
Active members	<u>147</u>
Total covered employees	<u><u>345</u></u>

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

## **Note 11. Defined Benefit Pension Plan – School Nonprofessionals (Continued)**

### **Contributions**

The school division's contractually required contribution rate for the year ended June 30, 2017 was 6.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

Contributions to the pension plan from the school division were \$225,358 and \$327,497 for the years ended June 30, 2017 and June 30, 2016, respectively.

### **Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2015	\$ 14,040,647	\$ 12,966,744	\$ 1,073,903
Changes for the year:			
Service cost	373,357	-	373,357
Interest	969,746	-	969,746
Differences between expected and actual experience	(575,398)	-	(575,398)
Contributions – employer	-	318,071	(318,071)
Contributions – employee	-	177,443	(177,443)
Net investment income	-	226,264	(226,264)
Benefit payments, including refunds of employee contributions	(774,114)	(774,114)	-
Administrative expenses	-	(8,257)	8,257
Other changes	-	4,685	(4,685)
Net changes	(6,409)	(55,908)	49,499
Balances at June 30, 2016	\$ 14,034,238	\$ 12,910,836	\$ 1,123,402

**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2017

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***Note 11. Defined Benefit Pension Plan – School Nonprofessionals (Continued)***

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**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:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School division's net pension liability	<u>\$ 2,701,062</u>	<u>\$ 1,123,402</u>	<u>\$ (209,734)</u>

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

For the year ended June 30, 2017, the school division recognized pension expense of \$58,237. At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 400,405
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	340,285	-
Employer contributions subsequent to the measurement date	<u>225,358</u>	<u>-</u>
Total	<u>\$ 565,643</u>	<u>\$ 400,405</u>

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### ***Note 11. Defined Benefit Pension Plan – School Nonprofessionals (Continued)***

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#### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The \$225,358 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to Pension Expense</b>
2018	\$ (203,819)
2019	(192,140)
2020	198,699
2021	137,140
2022	-
Thereafter	-

#### **Payables to the Pension Plan**

At June 30, 2017, approximately \$38,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

#### **Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

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#### **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.

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

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#### **General Information about the Teacher Cost Sharing Plan (Continued)**

##### ***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, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 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 16.32%.

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 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division were \$7,907,963 and \$7,665,214 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$97,733,055 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016 the school division's proportion was 0.729% as compared to 0.707% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$9,394,059. 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.

**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2017

***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)***

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 3,166,451
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	5,582,449	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,736,948	-
Employer contributions subsequent to the measurement date	7,907,963	-
Total	<u>\$ 17,227,360</u>	<u>\$ 3,166,451</u>

The \$7,907,963 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Increase to Pension Expense</b>
2018	\$ 335,981
2019	335,981
2020	3,302,375
2021	2,170,952
2022	7,657
Thereafter	-

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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

#### **General Information about the Teacher Cost Sharing Plan (Continued)**

##### ***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	<u>\$ 14,014,115</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

##### ***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:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 139,319,044</u>	<u>\$ 97,733,055</u>	<u>\$ 63,476,424</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 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 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, 2017, approximately \$1,084,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.



## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### **Note 13. Other Post-Employment Benefits**

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#### **City of Lynchburg**

##### **Plan Description**

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

##### **Benefits Provided**

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

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

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

##### **Membership**

The number of participants 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 FY2017, the City added \$6,330 in interest earnings to the funds committed for the OPEB liability. Total funds committed for OPEB at June 30, 2017 including interest are \$2,397,722.

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

For the fiscal year ended June 30, 2017, the City's Annual OPEB Cost (expense) was \$4,973,426. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$2,652,264 for retirees, along with an Implicit Rate Subsidy of \$575,540 resulted in a Net OPEB obligation of \$9,506,947 as of June 30, 2017.

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

## Note 13. Other Post-Employment Benefits (Continued)

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

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

Annual required contribution	\$ 5,010,746
Interest on net OPEB obligation	310,453
Adjustment to annual required contribution	<u>(347,773)</u>
Annual OPEB cost	4,973,426
Contributions made	<u>(3,227,804)</u>
Increase in net OPEB obligation	1,745,622
Net OPEB obligation-beginning of year	<u>7,761,325</u>
Net OPEB obligation-end of year	<u>\$ 9,506,947</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 FY2015, FY2016, and FY2017 are as follows.

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
06/30/2015	\$3,511,742	98.5%	\$5,577,901
06/30/2016	\$4,846,478	54.9%	\$7,761,325
06/30/2017	\$4,973,426	64.9%	\$9,506,947

#### **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)	\$ 100,945,728
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 100,945,728</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 50,416,197
UAAL as a Percentage of Covered Payroll	200.2%

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, 2017

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### **Note 13. Other Post-Employment Benefits (Continued)**

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#### **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 3.56% discount rate, a 3.0% inflation rate, and an initial annual healthcare cost trend of 6.75% 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, 2017 is 25 years.

##### **Lynchburg City Schools**

##### **Plan Description**

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

##### **Benefits Provided**

The Schools provide post-employment medical, dental, and vision benefits to its retirees and their eligible dependents 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, 2017

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### **Note 13. Other Post-Employment Benefits (Continued)**

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

##### **Membership**

The number of participants at June 30, 2017 was as follows:

Active participants	1,185
Inactive participants	<u>68</u>
Total	<u>1,253</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, 2017, the School's annual OPEB cost (expense) was \$945,246. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$175,271 for retirees, resulted in a Net OPEB obligation of \$4,969,758 as of June 30, 2017.

Annual required contribution	\$ 1,010,784
Interest on net OPEB obligation	167,991
Adjustment to annual required contribution	<u>(233,529)</u>
Annual OPEB cost	945,246
Contributions made	<u>(175,271)</u>
Increase in net OPEB obligation	769,975
Net OPEB obligation-beginning of year	<u>4,199,783</u>
Net OPEB obligation-end of year	<u>\$ 4,969,758</u>

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2015, FY2016 and FY2017 are as follows.

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
06/30/2015	\$926,754	77.5%	\$3,475,568
06/30/2016	\$908,553	20.3%	\$4,199,783
06/30/2017	\$945,245	18.5%	\$4,969,758

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### **Note 13. Other Post-Employment Benefits (Continued)**

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

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

The funded status of the plan as of June 30, 2017 was as follows:

Actuarial Accrued Liability (AAL)	\$ 5,950,699
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 5,950,699</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0 %
Covered Payroll (Active Plan Members)	\$ 61,142,865
UAAL as a Percentage of Covered Payroll	9.73 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required 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, 2017 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, 2017

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### ***Note 14. Leases***

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#### Lessee:

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

Year Ending June 30	Operating Leases	
	Primary Government	Component Unit – Schools
2018	\$ 169,555	\$ 367,429
2019	104,520	313,244
2020	80,813	160,387
2021	71,068	140,815
2022	64,665	71,190
2023-2027	99,159	175,000
	<u>\$ 589,780</u>	<u>\$ 1,228,065</u>

For 2017, the City incurred rental expenditures of \$468,583 in the General Fund and the Schools incurred rental expenditures of \$663,611.

### ***Note 15. Risk Management***

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The Risk Management Programs of the City are as follows:

Workers' Compensation: The City is self-insured for workers' compensation claims. All settled claims are paid through the General Fund. The liability for worker's compensation claims, including an estimate of incurred but not reported claims based on prior experience, to be paid in the next fiscal year and in future years is reflected in the statement of net position. Total claims paid for the year ended June 30 amounted to \$1,428,291.

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 \$385 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 \$513,834. 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. Included in accrued payroll related liabilities for the year ended June 30 were claims payables of \$877,000. Administrative fees, Affordable Care Act fees, and stop loss premiums for the year ended June 30 totaled \$1,069,496.

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

## **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	2017	\$	2,819,492	\$ 1,561,896	\$ 1,428,291	\$ 2,953,097
	2016	\$	2,600,085	\$ 1,031,844	\$ 812,437	\$ 2,819,492
General/Automotive Liability	2017	\$	-	\$ 390,967	\$ 390,967	\$ -
	2016	\$	-	\$ 170,404	\$ 170,404	\$ -
Healthcare	2017	\$	1,489,101	\$ 11,956,917	\$ 12,568,523	\$ 877,495
	2016	\$	750,000	\$ 12,014,385	\$ 11,275,284	\$ 1,489,101

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. Included in accrued payroll related liabilities for the year ended June 30 were claims payables of \$1,043,392. Administrative fees, Affordable Care Act fees, and stop loss premiums for the year ended June 30 totaled \$985,410.

Changes in aggregate liabilities were as follows:

			Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Healthcare	2017	\$	776,180	\$ 10,377,317	\$ 10,110,105	\$ 1,043,392
	2016	\$	551,416	\$ 9,234,959	\$ 9,010,195	\$ 776,180

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### ***Note 16. Significant Transactions of the City and Discretely Presented Component Unit – Schools***

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

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

Expenses of Schools – Component Unit (Exhibit 2)	\$ 112,514,736
Principal and other debt service expenses included in City	<u>8,440,063</u>
Total expenses/expenditures for School activities	<u>\$ 120,954,799</u>

### ***Note 17. Commitments and Contingencies***

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#### **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, 2017

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### Note 17. Commitments and Contingencies (Continued)

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#### 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, 2017.

#### Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2017, the arbitrage rebate liability estimate was zero.

#### Encumbrance Commitments:

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

##### MAJOR FUNDS

General Fund	\$ 1,761,100
City Capital Projects Fund	11,838,716
School Capital Projects	<u>2,915,487</u>
<b>Total Major Funds</b>	<b><u>16,515,303</u></b>

##### NONMAJOR FUNDS

City Federal State Aid	93,458
Asset Forfeiture	17,321
Lynchburg Regional Juvenile Detention Center	<u>5,251</u>
<b>Total Nonmajor Funds</b>	<b><u>116,030</u></b>

<b>TOTAL ENCUMBRANCES</b>	<b><u>\$ 16,631,333</u></b>
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#### Construction Commitments:

Included in the encumbrances above are construction commitments of \$11,838,716 in the City Capital Projects fund and \$2,915,487 in the School Capital Projects fund. The City also had construction commitments of \$2,222,185 in the Water fund; \$5,740,025 in the Sewer fund; \$571,817 in the Stormwater Fund; and \$277,764 in the Airport fund as of June 30, 2017.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### ***Note 18. Bluffwalk***

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#### Loan Agreement:

In 2004, the City entered into a contract with the U.S. Department of Housing and Urban Development (HUD) whereas the City is the borrower and HUD is the guarantor of a Section 108 loan (Note 9). With the funds borrowed from HUD, the City entered into a loan agreement with Bluffwalk Center L.P. (Bluffwalk). The City loaned Bluffwalk \$3,200,000 with payments required twice a year. 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 FY2017 the City used \$104,580 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***

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

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 replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest 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 the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and 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, 2018.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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### ***Note 19. New Accounting Standards (Continued)***

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

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

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## **REQUIRED SUPPLEMENTAL INFORMATION**

## Required Supplementary Information

## Primary Government

## Schedule of Changes in Net Pension Liability and Related Ratios

## For the Year Ended June 30, 2017

	2014	Plan Year 2015	2016
<b>Total Pension Liability</b>			
Service cost	\$ 6,203,323	\$ 6,349,597	\$ 6,346,042
Interest on total pension liability	22,279,728	22,979,376	23,599,711
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	(1,322,839)	(3,091,281)
Benefit payments, including refunds of employee contributions	(18,346,084)	(18,630,099)	(19,658,299)
Net change in total pension liability	10,136,967	9,376,035	7,196,173
<b>Total pension liability - beginning</b>	<b>327,454,876</b>	<b>337,591,843</b>	<b>346,967,878</b>
<b>Total pension liability - ending</b>	<b>337,591,843</b>	<b>346,967,878</b>	<b>354,164,051</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	10,482,447	10,640,498	10,888,855
Contributions - employee	2,545,602	2,623,103	2,647,107
Net investment income	32,917,551	10,830,296	4,079,524
Benefit payments, including refunds of employee contributions	(18,346,084)	(18,630,099)	(19,658,299)
Administrative expenses	(180,075)	(151,038)	(152,831)
Other	1,737	(2,273)	(1,774)
Net change in plan fiduciary net position	27,421,178	5,310,487	(2,197,418)
<b>Plan fiduciary net position - beginning</b>	<b>211,183,720</b>	<b>238,604,898</b>	<b>243,915,385</b>
<b>Plan fiduciary net position - ending</b>	<b>238,604,898</b>	<b>243,915,385</b>	<b>241,717,967</b>
<b>Net pension liability - ending</b>	<b>\$ 98,986,945</b>	<b>\$ 103,052,493</b>	<b>\$ 112,446,084</b>
Plan fiduciary net position as a percentage of total pension liability	71%	70%	68%
Covered employee payroll	\$ 47,572,054	\$ 50,441,350	\$ 51,326,626
Net pension liability as a percentage of covered employee payroll	208%	204%	219%

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, 2017**

	<b>2014</b>	<b>Plan Year 2015</b>	<b>2016</b>
<b>Total Pension Liability</b>			
Service cost	\$ 408,027	\$ 408,652	\$ 390,047
Interest on total pension liability	935,168	975,621	1,013,096
Difference between expected and actual experience	-	(47,318)	(601,120)
Benefit payments, including refunds of employee contribution:	(736,082)	(794,492)	(808,719)
Net change in total pension liability	607,113	542,463	(6,696)
<b>Total pension liability - beginning</b>	<b>13,727,582</b>	<b>14,334,695</b>	<b>14,877,158</b>
<b>Total pension liability - ending</b>	<b>14,334,695</b>	<b>14,877,158</b>	<b>14,870,462</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	382,008	327,719	332,290
Contributions - employee	192,487	183,717	185,375
Net investment income	1,844,193	609,217	236,379
Benefit payments, including refunds of employee contribution:	(736,082)	(794,492)	(808,719)
Administrative expenses	(9,987)	(8,505)	(8,626)
Other	98	(127)	(101)
Net change in plan fiduciary net position	1,672,717	317,529	(63,402)
<b>Plan fiduciary net position - beginning</b>	<b>11,769,997</b>	<b>13,442,714</b>	<b>13,760,243</b>
<b>Plan fiduciary net position - ending</b>	<b>13,442,714</b>	<b>13,760,243</b>	<b>13,696,841</b>
<b>Net pension liability - ending</b>	<b>\$ 891,981</b>	<b>\$ 1,116,915</b>	<b>\$ 1,173,621</b>
Plan fiduciary net position as a percentage of total pension liability	94%	92%	92%
Covered employee payroll	\$ 3,851,034	\$ 3,613,671	\$ 3,593,865
Net pension liability as a percentage of covered employee payroll	23%	31%	33%

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, 2017**

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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
<b>Primary Government</b>					
2017	\$ 10,166,530	\$ 10,166,530	\$ -	\$ 52,930,961	19.21%
2016	\$ 10,951,053	\$ 10,951,053	\$ -	\$ 51,326,626	21.34%
2015	\$ 10,728,502	\$ 10,728,502	\$ -	\$ 50,441,350	21.27%
<b>Schools - Nonprofessional Employees</b>					
2017	\$ 235,433	\$ 235,433	\$ -	\$ 3,593,865	6.55%
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 three years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.



**Required Supplementary Information**  
**Schedule of Employer's Share of Net Pension Liability**  
**VRS Teacher Retirement Plan**  
**For the Year Ended June 30, 2017**

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<b>School Division</b>	<b>Fiscal Year Ended June 30</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
	2017	0.73%	\$ 102,102,000	\$ 53,942,322	189.28%	72.85%
	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 three 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, 2017**

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<b>School Division Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2017	\$ 8,261,471	\$ 8,261,471	\$ -	\$ 53,942,322	15.32%
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 three 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, 2017**

	Actuarial	Actuarial Value	Actuarial Accrued	Unfunded	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, 2017	\$ -	\$ 100,945,728	\$ 100,945,728	0.00%	\$ 50,416,197	200.22%
	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, 2017	\$ -	\$ 5,950,699	\$ 5,950,699	0.00%	\$ 61,142,865	9.73%
	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, 2017**

#### **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, 2016 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

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#### 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, 2017

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Children's Services Act
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 976,721	\$ 171	\$ 242,079	\$ -
Receivables, net of allowance:					
Other	84,753	2,050	-	-	10,904
Due from other funds	263,378	-	-	-	-
Due from other governments	374,185	14,250	-	-	1,217,742
Due from component unit	-	-	125,000	-	-
Other assets	-	-	213	-	-
Restricted assets:					
Cash and cash equivalents	375,401	-	-	-	-
<b>Total assets</b>	<u>\$ 1,097,717</u>	<u>\$ 993,021</u>	<u>\$ 125,384</u>	<u>\$ 242,079</u>	<u>\$ 1,228,646</u>
<b>Liabilities</b>					
Accounts payable and other liabilities	\$ 52,013	\$ 23,784	\$ -	\$ 465	\$ 629,424
Accrued payroll and related liabilities	62,276	3,907	-	-	1,956
Due to other funds	490,623	285	-	-	592,229
Due to other governments	43,975	-	-	-	-
Unearned revenue/prepaid rent	-	-	-	-	-
<b>Total liabilities</b>	<u>648,887</u>	<u>27,976</u>	<u>-</u>	<u>465</u>	<u>1,223,609</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	116,832	2,050	-	-	-
<b>Total deferred inflows of resources</b>	<u>116,832</u>	<u>2,050</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Restricted	331,998	962,995	-	241,614	5,037
Committed	-	-	125,384	-	-
Assigned	-	-	-	-	-
<b>Total fund balances</b>	<u>331,998</u>	<u>962,995</u>	<u>125,384</u>	<u>241,614</u>	<u>5,037</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 1,097,717</u>	<u>\$ 993,021</u>	<u>\$ 125,384</u>	<u>\$ 242,079</u>	<u>\$ 1,228,646</u>



Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2017

	Lynchburg Expressway Appearance	HOME Investment Trust	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
<b>Assets</b>				
Cash and cash equivalents	\$ 291,076	\$ 26,247	\$ 407,268	\$ 1,943,562
Receivables, net of allowance:				
Other	123,530	-	-	221,237
Due from other funds	-	-	-	263,378
Due from other governments	-	216,938	125,521	1,948,636
Due from component unit	-	-	-	125,000
Other assets	-	-	-	213
Restricted assets:				
Cash and cash equivalents	-	-	-	375,401
<b>Total assets</b>	<u>\$ 414,606</u>	<u>\$ 243,185</u>	<u>\$ 532,789</u>	<u>\$ 4,877,427</u>
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ 15,749	\$ 161,788	\$ 15,643	\$ 898,866
Accrued payroll and related liabilities	-	729	69,035	137,903
Due to other funds	-	54,421	16,899	1,154,457
Due to other governments	-	-	-	43,975
Unearned revenue/prepaid rent	-	-	331,200	331,200
<b>Total liabilities</b>	<u>15,749</u>	<u>216,938</u>	<u>432,777</u>	<u>2,566,401</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	232,589	-	-	351,471
<b>Total deferred inflows of resources</b>	<u>232,589</u>	<u>-</u>	<u>-</u>	<u>351,471</u>
<b>Fund Balances</b>				
Restricted	166,268	26,247	-	1,734,159
Committed	-	-	-	125,384
Assigned	-	-	100,012	100,012
<b>Total fund balances</b>	<u>166,268</u>	<u>26,247</u>	<u>100,012</u>	<u>1,959,555</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 414,606</u>	<u>\$ 243,185</u>	<u>\$ 532,789</u>	<u>\$ 4,877,427</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2017

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Children's Services Act
<b>Revenues</b>					
Intergovernmental	\$ 3,561,461	\$ 227,103	\$ -	\$ 96,100	\$ 4,094,091
Revenue from use of money and property	-	-	29,988	2,622	-
Charges for services	596,931	1,234	-	-	1,963,357
Miscellaneous	477,031	-	-	1,311	33,656
<b>Total revenues</b>	<u>4,635,423</u>	<u>228,337</u>	<u>29,988</u>	<u>100,033</u>	<u>6,091,104</u>
<b>Expenditures</b>					
Current operating expenditures:					
General government	-	-	-	-	-
Judicial	1,122,957	-	-	87,016	-
Public safety	2,191,394	-	-	217,120	-
Public works	13,646	-	-	-	-
Health and human services	1,405,558	-	-	-	6,086,067
Community development	43,090	333,806	29,988	-	-
Capital Outlay:					
Capital general government	-	-	-	53,147	-
Debt service:					
Principal retirements	180,000	-	-	-	-
Interest payments and other fiscal charges	23,833	-	-	-	-
<b>Total expenditures</b>	<u>4,980,478</u>	<u>333,806</u>	<u>29,988</u>	<u>357,283</u>	<u>6,086,067</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(345,055)</u>	<u>(105,469)</u>	<u>-</u>	<u>(257,250)</u>	<u>5,037</u>
<b>Other financing sources</b>					
Transfers in	161,457	-	-	-	-
<b>Total other financing sources</b>	<u>161,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	<u>(183,598)</u>	<u>(105,469)</u>	<u>-</u>	<u>(257,250)</u>	<u>5,037</u>
<b>Fund balances - beginning</b>	<u>515,596</u>	<u>1,068,464</u>	<u>125,384</u>	<u>498,864</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 331,998</u>	<u>\$ 962,995</u>	<u>\$ 125,384</u>	<u>\$ 241,614</u>	<u>\$ 5,037</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2017**

	<b>Lynchburg Expressway Appearance</b>	<b>HOME Investment Trust</b>	<b>Lynchburg Regional Juvenile Detention Center</b>	<b>Total Nonmajor Special Revenue</b>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 532,533	\$ 1,716,148	\$ 10,227,436
Revenue from use of money and property	-	-	-	32,610
Charges for services	-	-	896,902	3,458,424
Miscellaneous	66,940	-	817	579,755
<b>Total revenues</b>	<u>66,940</u>	<u>532,533</u>	<u>2,613,867</u>	<u>14,298,225</u>
<b>Expenditures</b>				
Current operating expenditures:				
General government	-	-	4,172	4,172
Judicial	-	-	-	1,209,973
Public safety	-	-	2,494,788	4,903,302
Public works	73,680	-	-	87,326
Health and human services	-	-	-	7,491,625
Community development	-	532,533	-	939,417
Capital Outlay:				
Capital general government	-	-	-	53,147
Debt service:				
Principal retirements	-	-	108,465	288,465
Interest payments and other fiscal charges	-	-	6,442	30,275
<b>Total expenditures</b>	<u>73,680</u>	<u>532,533</u>	<u>2,613,867</u>	<u>15,007,702</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(6,740)</u>	<u>-</u>	<u>-</u>	<u>(709,477)</u>
<b>Other financing sources</b>				
Transfers in	-	-	-	161,457
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,457</u>
<b>Net changes in fund balance</b>	<u>(6,740)</u>	<u>-</u>	<u>-</u>	<u>(548,020)</u>
<b>Fund balances - beginning</b>	<u>173,008</u>	<u>26,247</u>	<u>100,012</u>	<u>2,507,575</u>
<b>Fund balances - ending</b>	<u>\$ 166,268</u>	<u>\$ 26,247</u>	<u>\$ 100,012</u>	<u>\$ 1,959,555</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**City/Federal/State Aid Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 2,961,254	\$ 5,811,230	\$ 3,561,461	\$ (2,249,769)
Charges for services	58,358	54,515	596,931	542,416
Miscellaneous	28,982	307,570	477,031	169,461
<b>Total revenues</b>	<u>3,048,594</u>	<u>6,173,315</u>	<u>4,635,423</u>	<u>(1,537,892)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Judicial	868,252	1,544,369	1,122,957	421,412
Public safety	507,789	2,353,261	2,191,394	161,867
Public works	-	20,746	13,646	7,100
Health and human services	1,727,400	2,042,276	1,405,558	636,718
Community development	37,000	61,113	43,090	18,023
Debt service:				
Principal retirements	-	-	180,000	(180,000)
Interest payments and other fiscal charges	-	-	23,833	(23,833)
<b>Total expenditures</b>	<u>3,140,441</u>	<u>6,021,765</u>	<u>4,980,478</u>	<u>1,041,287</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(91,847)</u>	<u>151,550</u>	<u>(345,055)</u>	<u>(496,605)</u>
<b>Other financing sources</b>				
Transfers in	91,847	162,049	161,457	(592)
<b>Total other financing sources</b>	<u>91,847</u>	<u>162,049</u>	<u>161,457</u>	<u>(592)</u>
<b>Net changes in fund balance</b>	-	313,599	(183,598)	(497,197)
<b>Fund balance - beginning</b>	<u>515,596</u>	<u>515,596</u>	<u>515,596</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 515,596</u>	<u>\$ 829,195</u>	<u>\$ 331,998</u>	<u>\$ (497,197)</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Community Development Block Grant Fund**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 662,772	\$ 1,205,146	\$ 227,103	\$ (978,043)
Charges for services	-	287	1,234	947
<b>Total revenues</b>	<u>662,772</u>	<u>1,205,433</u>	<u>228,337</u>	<u>(977,096)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Community development	<u>767,352</u>	<u>1,947,374</u>	<u>333,806</u>	<u>1,613,568</u>
<b>Total expenditures</b>	<u>767,352</u>	<u>1,947,374</u>	<u>333,806</u>	<u>1,613,568</u>
<b>Net changes in fund balance</b>	(104,580)	(741,941)	(105,469)	636,472
<b>Fund balance - beginning</b>	<u>1,068,464</u>	<u>1,068,464</u>	<u>1,068,464</u>	<u>-</u>
<b>Fund balance - ending</b>	<u><u>\$ 963,884</u></u>	<u><u>\$ 326,523</u></u>	<u><u>\$ 962,995</u></u>	<u><u>\$ 636,472</u></u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Forfeited Assets Fund**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 96,100	\$ 96,100
Revenue from use of money and property	-	-	2,622	2,622
Miscellaneous	-	-	1,311	1,311
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>100,033</u>	<u>100,033</u>
<b>Expenditures</b>				
Current operating expenditures:				
Judicial	-	176,643	87,016	89,627
Public safety	-	301,528	217,120	84,408
Capital Outlay				
Capital general government	-	53,147	53,147	-
<b>Total expenditures</b>	<u>-</u>	<u>531,318</u>	<u>357,283</u>	<u>174,035</u>
<b>Net changes in fund balance</b>	-	(531,318)	(257,250)	274,068
<b>Fund balance - beginning</b>	<u>498,864</u>	<u>498,864</u>	<u>498,864</u>	<u>-</u>
<b>Fund balance (deficits) - ending</b>	<u><u>\$ 498,864</u></u>	<u><u>\$ (32,454)</u></u>	<u><u>\$ 241,614</u></u>	<u><u>\$ 274,068</u></u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Children's Services Act Fund**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 4,130,165	\$ 4,295,165	\$ 4,094,091	\$ (201,074)
Charges for services	1,813,357	1,963,357	1,963,357	-
Miscellaneous	55,500	55,500	33,656	(21,844)
<b>Total revenues</b>	<u>5,999,022</u>	<u>6,314,022</u>	<u>6,091,104</u>	<u>(222,918)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Health and human services	5,999,022	6,314,022	6,086,067	227,955
<b>Total expenditures</b>	<u>5,999,022</u>	<u>6,314,022</u>	<u>6,086,067</u>	<u>227,955</u>
<b>Net changes in fund balance</b>	-	-	5,037	5,037
<b>Fund balance - beginning</b>	-	-	-	-
<b>Fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,037</u>	<u>\$ 5,037</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**HOME Investment Trust Fund**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 316,176	\$ 797,917	\$ 532,533	\$ (265,384)
<b>Total revenues</b>	<u>316,176</u>	<u>797,917</u>	<u>532,533</u>	<u>(265,384)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Community development	316,176	595,752	532,533	63,219
<b>Total expenditures</b>	<u>316,176</u>	<u>595,752</u>	<u>532,533</u>	<u>63,219</u>
<b>Net changes in fund balance</b>	-	202,165	-	(202,165)
<b>Fund balance - beginning</b>	<u>26,247</u>	<u>26,247</u>	<u>26,247</u>	<u>-</u>
<b>Fund balance - ending</b>	<u><u>\$ 26,247</u></u>	<u><u>\$ 228,412</u></u>	<u><u>\$ 26,247</u></u>	<u><u>\$ (202,165)</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 1,108,886	\$ 1,765,886	\$ 1,716,148	\$ (49,738)
Charges for services	1,546,012	889,012	896,902	7,890
Miscellaneous	-	-	817	817
<b>Total revenues</b>	<u>2,654,898</u>	<u>2,654,898</u>	<u>2,613,867</u>	<u>(41,031)</u>
<b>Expenditures</b>				
Current operating expenditures:				
General government	4,290	4,172	4,172	-
Public safety	2,535,701	2,538,209	2,494,788	43,421
Debt service:				
Principal retirements	108,465	108,465	108,465	-
Interest payments and other fiscal charges	6,442	6,442	6,442	-
<b>Total expenditures</b>	<u>2,654,898</u>	<u>2,657,288</u>	<u>2,613,867</u>	<u>43,421</u>
<b>Net changes in fund balance</b>	-	(2,390)	-	2,390
<b>Fund balance - beginning</b>	<u>100,012</u>	<u>100,012</u>	<u>100,012</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 100,012</u>	<u>\$ 97,622</u>	<u>\$ 100,012</u>	<u>\$ 2,390</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**City Capital Projects**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 14,742,784	\$ 24,708,353	\$ 7,989,045	\$ (16,719,308)
Revenue from use of money and property	-	29,610	12,867	(16,743)
Miscellaneous	-	2,259,802	1,668,167	(591,635)
<b>Total revenues</b>	<u>14,742,784</u>	<u>26,997,765</u>	<u>9,670,079</u>	<u>(17,327,686)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Public works	11,851,352	16,267,761	4,041,873	12,225,888
Cultural and recreational	-	659,591	294,629	364,962
Community development	3,888,281	2,806,251	1,251,602	1,554,649
Capital outlay:				
Capital general government	16,005,217	35,672,104	20,055,417	15,616,687
<b>Total expenditures</b>	<u>31,744,850</u>	<u>55,405,707</u>	<u>25,643,521</u>	<u>29,762,186</u>
<b>Deficiency of revenues over expenditures</b>	<u>(17,002,066)</u>	<u>(28,407,942)</u>	<u>(15,973,442)</u>	<u>12,434,500</u>
<b>Other financing sources (uses)</b>				
Issuance of bonds	14,130,431	16,260,205	-	(16,260,205)
Transfers in	3,871,635	4,601,506	3,971,635	(629,871)
Transfers out	-	(150,000)	(150,000)	-
<b>Total other financing sources (uses)</b>	<u>18,002,066</u>	<u>20,711,711</u>	<u>3,821,635</u>	<u>(16,890,076)</u>
<b>Net changes in fund balance</b>	<u>1,000,000</u>	<u>(7,696,231)</u>	<u>(12,151,807)</u>	<u>(4,455,576)</u>
<b>Fund balance - beginning</b>	<u>42,870,033</u>	<u>42,870,033</u>	<u>42,870,033</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 43,870,033</u>	<u>\$ 35,173,802</u>	<u>\$ 30,718,226</u>	<u>\$ (4,455,576)</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**School Capital Projects**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 217,180	\$ 135,337	\$ (81,843)
Revenue from use of money and property	-	-	72,474	72,474
Miscellaneous	-	-	19,199	19,199
<b>Total revenues</b>	<u>-</u>	<u>217,180</u>	<u>227,010</u>	<u>9,830</u>
<b>Expenditures</b>				
Current operating expenditures:				
Education	100,698	450,282	247,919	202,363
Capital outlay:				
Capital general government	437,302	11,011,768	8,687,419	2,324,349
<b>Total expenditures</b>	<u>538,000</u>	<u>11,462,050</u>	<u>8,935,338</u>	<u>2,526,712</u>
<b>Deficiency of revenues over expenditures</b>	<u>(538,000)</u>	<u>(11,244,870)</u>	<u>(8,708,328)</u>	<u>2,536,542</u>
<b>Other financing sources (uses)</b>				
Transfers in	538,000	738,000	738,000	-
Transfers out	-	(1,185,000)	(1,185,000)	-
<b>Total other financing sources (uses)</b>	<u>538,000</u>	<u>(447,000)</u>	<u>(447,000)</u>	<u>-</u>
<b>Net changes in fund balance</b>	<u>-</u>	<u>(11,691,870)</u>	<u>(9,155,328)</u>	<u>2,536,542</u>
<b>Fund balance - beginning</b>	<u>12,742,473</u>	<u>12,742,473</u>	<u>12,742,473</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 12,742,473</u>	<u>\$ 1,050,603</u>	<u>\$ 3,587,145</u>	<u>\$ 2,536,542</u>

Statement of Changes in Fiduciary Assets and Liabilities  
Agency Fund  
For the Year Ended June 30, 2017

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
<b><u>Special Welfare</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 143,857	\$ 115,028	\$ 94,624	\$ 164,261
<b>Total Assets</b>	<u>\$ 143,857</u>	<u>\$ 115,028</u>	<u>\$ 94,624</u>	<u>\$ 164,261</u>
<b>Liabilities</b>				
Accounts payable	\$ 325	\$ 30,740	\$ 30,609	\$ 456
Amounts held for others	143,532	177,743	157,470	163,805
<b>Total Liabilities</b>	<u>\$ 143,857</u>	<u>\$ 208,483</u>	<u>\$ 188,079</u>	<u>\$ 164,261</u>

**Discretely Presented Component Unit - Lynchburg City Schools**  
**Combining Balance Sheet**  
**June 30, 2017**

	<b>School Operating</b>	<b>School Federal Aid</b>	<b>School Cafeteria</b>	<b>Total Governmental</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 6,301,584	\$ -	\$ 1,507,451	\$ 7,809,035
Receivables, net of allowance	379,155	-	126,601	505,756
Due from other funds	745,462	-	-	745,462
Due from other governments	2,586,544	2,212,306	-	4,798,850
Prepaid expenses	460,587	-	-	460,587
Inventory	-	-	52,414	52,414
<b>Total assets</b>	<b>\$ 10,473,332</b>	<b>\$ 2,212,306</b>	<b>\$ 1,686,466</b>	<b>\$ 14,372,104</b>
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ 618,519	\$ 67,203	\$ 17,841	\$ 703,563
Accrued payroll and related liabilities	6,260,460	744,379	99,341	7,104,180
Due to other funds	-	713,907	31,555	745,462
Due to primary government- return of local funding	426,317	-	-	426,317
Due to primary government- other	342,936	-	-	342,936
<b>Total liabilities</b>	<b>7,648,232</b>	<b>1,525,489</b>	<b>148,737</b>	<b>9,322,458</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	1,064,123	686,817	-	1,750,940
<b>Total deferred inflows of resources</b>	<b>1,064,123</b>	<b>686,817</b>	<b>-</b>	<b>1,750,940</b>
<b>Fund balances</b>				
Nonspendable:				
Prepaid items	460,587	-	-	460,587
Inventory	-	-	52,414	52,414
Restricted for:				
Education	-	-	1,485,315	1,485,315
Committed for:				
Education	1,300,390	-	-	1,300,390
<b>Total fund balances</b>	<b>1,760,977</b>	<b>-</b>	<b>1,537,729</b>	<b>3,298,706</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 10,473,332</b>	<b>\$ 2,212,306</b>	<b>\$ 1,686,466</b>	

**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.	6,446,110
Receivables on the Statement of Net Position that do not provide current financial resources are reported as unavailable revenue in the funds.	1,270,298
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2017 employer contributions	8,133,321
Deferred outflows of resources for the net difference between projected and actual investment earnings on pension plan investments	5,922,734
Deferred outflows of resources related to changes in proportion and differences between employer contributions and proportionate share of contributions - teacher cost sharing pension plan	3,736,948
Difference between expected and actual experience	(3,566,856)
Net pension liability	(98,856,457)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,839,922)
Net position of governmental activities	<u>\$ (79,455,118)</u>

**Discretely Presented Component Unit - Lynchburg City Schools**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2017**

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
<b>Revenues</b>				
Intergovernmental:				
State and Federal	\$ 50,155,147	\$ 11,911,732	\$ 4,064,971	\$ 66,131,850
City of Lynchburg	42,873,232	-	-	42,873,232
Charges for services	1,820,727	-	549,470	2,370,197
Miscellaneous	412,650	-	62,024	474,674
<b>Total revenues</b>	<u>95,261,756</u>	<u>11,911,732</u>	<u>4,676,465</u>	<u>111,849,953</u>
<b>Expenditures</b>				
Education:				
Instruction	68,909,218	10,881,096	-	79,790,314
Administration, attendance and health	5,717,931	10,760	-	5,728,691
Pupil transportation services	5,016,591	-	-	5,016,591
Operations and maintenance	10,157,853	97,242	-	10,255,095
Food service and other	12,153	108,536	4,379,036	4,499,725
Facilities	20,758	-	-	20,758
Technology	3,034,004	-	-	3,034,004
Capital outlay	1,147,768	814,098	28,366	1,990,232
<b>Total expenditures</b>	<u>94,016,276</u>	<u>11,911,732</u>	<u>4,407,402</u>	<u>110,335,410</u>
<b>Net changes in fund balances</b>	1,245,480	-	269,063	1,514,543
<b>Fund balances - beginning</b>	<u>515,497</u>	<u>-</u>	<u>1,268,666</u>	
<b>Fund balances - ending</b>	<u>\$ 1,760,977</u>	<u>\$ -</u>	<u>\$ 1,537,729</u>	

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$1,342,709) exceeded capital outlay (\$1,158,878).	(183,831)
Loss on disposition of capital assets is not reflected in the fund statements.	(2,607)
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	8,133,321
Pension expense	(9,310,485)
Compensated absences are not due and payable at June 30, and therefore are not reported in the fund statements.	(45,749)
Other post-retirement benefits are not due and payable at June 30, and therefore are not reported in the fund statements.	(769,975)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(87,005)
<b>Change in net position of governmental activities.</b>	<u><u>\$ (751,788)</u></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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental:				
State and Federal	\$ 50,111,636	\$ 50,631,636	\$ 50,155,147	\$ (476,489)
City of Lynchburg	41,354,039	43,221,818	43,299,549	77,731
Charges for services	1,194,000	1,194,000	1,820,727	626,727
Miscellaneous	396,500	570,064	412,650	(157,414)
<b>Total revenues</b>	<u>93,056,175</u>	<u>95,617,518</u>	<u>95,688,073</u>	<u>70,555</u>
<b>Expenditures</b>				
Education:				
Instruction	68,477,711	69,034,198	68,909,218	124,980
Administration, attendance and health	5,460,845	5,685,086	5,717,931	(32,845)
Pupil transportation services	4,566,608	4,872,050	5,016,591	(144,541)
Operations and maintenance	10,281,779	10,383,860	10,157,853	226,007
Food service and other	15,113	15,113	12,153	2,960
Facilities	11,842	18,342	20,758	(2,416)
Technology	2,967,812	3,067,944	3,034,004	33,940
Capital outlay	1,033,646	2,540,925	1,147,768	1,393,157
<b>Total expenditures</b>	<u>92,815,356</u>	<u>95,617,518</u>	<u>94,016,276</u>	<u>1,601,242</u>
<b>Net changes in fund balances</b>	<u>\$ 240,819</u>	<u>\$ -</u>	1,671,797	<u>\$ 1,671,797</u>
Less return of funds to the City			(426,317)	
			<u>\$ 1,245,480</u>	

**Discretely Presented Component Unit - Lynchburg City Schools**  
**Combining Statement of Fiduciary Net Position**  
**For the Year Ended June 30, 2017**

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	<b><u>Total Agency Funds</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ 537,335
Receivables, net	2,500
Prepaid expenses	<u>6,155</u>
<b>Total Assets</b>	<u><u>\$ 545,990</u></u>
<b>Liabilities</b>	
Amounts held for others	<u>\$ 545,990</u>
<b>Total Liabilities</b>	<u><u>\$ 545,990</u></u>



**Discretely Presented Component Unit - Lynchburg City Schools**  
**Statements of Fiduciary Net Position**  
**June 30, 2017**

	<u>Governor's School</u>	<u>STEM</u>	<u>Step with Links</u>	<u>GLCT- Step with Links</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 248,960	\$ 22,924	\$ 55,025	\$ 210,426	\$ 537,335
Receivables, net of allowance	-	-	2,500	-	2,500
Prepaid expenses	5,583	557	15	-	6,155
<b>Total assets</b>	<u>\$ 254,543</u>	<u>\$ 23,481</u>	<u>\$ 57,540</u>	<u>\$ 210,426</u>	<u>\$ 545,990</u>
<b>Liabilities</b>					
Amounts held for others	\$ 254,543	\$ 23,481	\$ 57,540	\$ 210,426	\$ 545,990
<b>Total liabilities</b>	<u>254,543</u>	<u>23,481</u>	<u>57,540</u>	<u>210,426</u>	<u>545,990</u>

Combining Statement of Net Position  
Other Component Units  
June 30, 2017

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 654,581	\$ 383,103	\$ 1,037,684
Receivables, net of allowance	1,366,392	472,835	1,839,227
Due from other governments	-	2,309,349	2,309,349
Inventory	-	233,563	233,563
Prepays and other assets	97	18,393	18,490
Capital assets:			
Non-depreciable	-	1,738,565	1,738,565
Depreciable	2,555	40,270,411	40,272,966
<b>Total assets</b>	<b>2,023,625</b>	<b>45,426,219</b>	<b>47,449,844</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and other liabilities	188,690	1,924,980	2,113,670
Due to other governments	1,331,060	-	1,331,060
Due to primary government	125,000	1,035,547	1,160,547
Total current liabilities	1,644,750	2,960,527	4,605,277
Noncurrent liabilities:			
Other post-employment benefits	-	200,170	200,170
Compensated absences	-	103,428	103,428
Total noncurrent liabilities	-	303,598	303,598
<b>Total liabilities</b>	<b>1,644,750</b>	<b>3,264,125</b>	<b>4,908,875</b>
<b>Net position</b>			
Net investment in capital assets	2,555	42,008,976	42,011,531
Unrestricted	376,320	153,118	529,438
<b>Total net position</b>	<b>\$ 378,875</b>	<b>\$ 42,162,094</b>	<b>\$ 42,540,969</b>

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Other Component Units**  
**For the Year Ended June 30, 2017**

	<b>Component Units</b>		
	<b>Business Development Centre, Inc.</b>	<b>Greater Lynchburg Transit Company</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services and other operating revenues	\$ 272,542	\$ 945,185	\$ 1,217,727
<b>Total operating revenues</b>	<u>272,542</u>	<u>945,185</u>	<u>1,217,727</u>
<b>Operating expenses</b>			
Operations	219,571	6,761,817	6,981,388
Administration	1,290	1,704,387	1,705,677
Maintenance and repairs	17,258	2,143,605	2,160,863
<b>Total operating expenses</b>	<u>238,119</u>	<u>10,609,809</u>	<u>10,847,928</u>
<b>Operating income (loss)</b>	<u>34,423</u>	<u>(9,664,624)</u>	<u>(9,630,201)</u>
<b>Nonoperating revenue</b>			
Subsidy of operations - City of Lynchburg	-	640,258	640,258
Subsidy of operations - Counties	-	71,875	71,875
Subsidy of operations - Liberty University	-	2,239,525	2,239,525
Subsidy of operations - State aid for public transportation	-	2,014,644	2,014,644
Subsidy of operations - Federal operating grant	-	2,049,373	2,049,373
Donations and grants	4,000	-	4,000
Miscellaneous revenue	-	9,783	9,783
Gain on sale of capital assets	-	38,948	38,948
<b>Total nonoperating revenue</b>	<u>4,000</u>	<u>7,064,406</u>	<u>7,068,406</u>
Capital contributions	-	10,720,253	10,720,253
<b>Change in net position</b>	<u>38,423</u>	<u>8,120,035</u>	<u>8,158,458</u>
<b>Total net position - beginning</b>	<u>340,452</u>	<u>34,042,059</u>	<u>34,382,511</u>
<b>Total net position - ending</b>	<u>\$ 378,875</u>	<u>\$ 42,162,094</u>	<u>\$ 42,540,969</u>

**Combining Statement of Cash Flows  
Other Component Units  
For the Year Ended June 30, 2017**

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
<b>Operating activities</b>			
Cash received from operations	\$ 565,818	\$ 526,870	\$ 1,092,688
Cash paid to employees	(120,904)	(3,889,653)	(4,010,557)
Cash paid to suppliers for goods and services	(117,266)	(4,120,441)	(4,237,707)
New loans disbursed	(222,480)	-	(222,480)
<b>Net cash provided by (used in) operating activities</b>	<b>105,168</b>	<b>(7,483,224)</b>	<b>(7,378,056)</b>
<b>Noncapital financing activities</b>			
Subsidies	-	7,376,284	7,376,284
Operating grants and contributions	4,000	-	4,000
<b>Net cash provided by noncapital financing activities</b>	<b>4,000</b>	<b>7,376,284</b>	<b>7,380,284</b>
<b>Capital and related financing activities</b>			
Capital contributions received	-	10,627,700	10,627,700
Purchases of capital assets	-	(10,608,176)	(10,608,176)
Proceeds from sale of capital assets	-	38,948	38,948
Miscellaneous receipts (disbursements), net	-	2,100	2,100
<b>Net cash provided by capital and related financing activities</b>	<b>-</b>	<b>60,572</b>	<b>60,572</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>109,168</b>	<b>(46,368)</b>	<b>62,800</b>
<b>Cash and cash equivalents</b>			
<b>Beginning of year</b>	<b>545,413</b>	<b>429,471</b>	<b>974,884</b>
<b>End of year</b>	<b>\$ 654,581</b>	<b>\$ 383,103</b>	<b>\$ 1,037,684</b>
<b>Reconciliation of operating income (loss) to net cash used in operating activities</b>			
Operating income (loss)	\$ 34,423	\$ (9,664,624)	\$ (9,630,201)
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:			
Depreciation	1,287	2,574,974	2,576,261
Decrease (increase) in receivables	70,796	(418,315)	(347,519)
Decrease (increase) in prepaids and other assets	703	(5,986)	(5,283)
Decrease (increase) in inventory	-	(57,179)	(57,179)
Increase (decrease) in accounts payable and other current liabilities	(2,041)	28,782	26,741
Increase in compensated absences and other post-employment benefits	-	59,124	59,124
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 105,168</b>	<b>\$ (7,483,224)</b>	<b>\$ (7,378,056)</b>
<b>Supplemental cash flow information</b>			
<b>Non-cash transactions:</b>			
Capital assets additions financed by accounts payable	\$ -	\$ 1,620,883	\$ 1,620,883

## **SUPPLEMENTAL SCHEDULES**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b>Primary Government</b>					
<b>Department of Agriculture</b>					
Passed through Commonwealth of Virginia:					
Department of Social Services:					
Supplemental Nutrition Assistance Program	10.561	171VA407S2514		\$ 1,312,210	\$ 1,312,210
National School Lunch Program	10.555	16161VA347N2535		30,607	30,607
National School Breakfast Program	10.553	16161VA347N2535		23,090	23,090
Total Department of Agriculture					<u>\$ 1,365,907</u>
<b>Department of Health and Human Services</b>					
Passed through Commonwealth of Virginia:					
Department of Social Services:					
Family Preservation and Support	93.556	1701VAFPSS		\$ 49,337	\$ 49,337
TANF Block Grant	93.558	1701VATANF		951,491	951,491
Refugee and Entrant Assistance State - Administered Programs	93.566	1701VARSOC		3,668	3,668
Low Income Energy Assistance	93.568	17B1VALIEA		110,452	110,452
Child Care Assistance	93.575	1701VACCDF		(919)	(919)
Child Care Development Fund	93.596	1701VACCDF		163,818	163,818
Chafee Education and Training Vouchers Program (ETV)	93.599	1701VACETV		8,596	8,596
Adoption and Legal Guardian Incentive Payments	93.603	1701VAAIPP		2,166	2,166
Child Welfare Services	93.645	1701VACWSS		1,456	1,456
Foster Care - Title IV-E	93.658	1701VAFOST		1,724,325	1,724,325
Adoption Assistance	93.659	1701VAADPT		1,884,148	1,884,148
Social Services Block Grant	93.667	1701VASOSR		929,332	929,332
Independent Living	93.674	1701VACILP		20,479	20,479
Children's Insurance Program	93.767	1705VA0301		46,300	46,300
Medicaid Assistance	93.778	1705VA5MAP		1,591,897	1,591,897
Total Department of Health and Human Services					<u>\$ 7,486,546</u>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b>Primary Government (Continued)</b>					
<b>Department of Housing and Urban Development</b>					
Direct Payments:					
Community Development Block Grant Program, Entitlement Grants					
Community Development Block Grant FY14	14.218	B13MC5-10014	-	\$ 734	
Community Development Block Grant FY15	14.218	B14MC5-10014	-	107,781	
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B14MC5-10014	15,110	-	
Community Development Block Grant FY16	14.218	B15MC5-10014	-	13,312	
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B15MC5-10014	48,813	-	
Boys and Girls Club	14.218	B15MC5-10014	1,841	-	
Community Development Block Grant FY17	14.218	B16MC5-10014	-	81,782	
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B16MC5-10014	58,008	-	
Lynchburg Community Action Group	14.218	B16MC5-10014	6,424	-	<b>333,805</b>
Home Investment Partnership Program					
Home Investment Partnership Program FY15	14.239	M14MC5-10211	-	454	
Passed through to:					
Habitat for Humanity	14.239	M14MC5-10211	11,040	-	
Lynchburg Community Action Group	14.239	M14MC5-10211	21,621	-	
Lynchburg Redevelopment and Housing Authority	14.239	M14MC5-10211	108,997	-	
Home Investment Partnership Program FY16	14.239	M15MC5-10211	-	19,874	
Passed through to:					
Habitat for Humanity	14.239	M15MC5-10211	52,880	-	
Rush Homes	14.239	M15MC5-10211	120,756	-	
Lynchburg Community Action Group	14.239	M15MC5-10211	84,384	-	
Home Investment Partnership Program FY17	14.239	M16MC5-10211	-	-	
Passed through to:					
Lynchburg Community Action Group	14.239	M16MC5-10211	112,526	-	<b>532,532</b>
Total Department of Housing and Urban Development				<b>\$</b>	<b>866,337</b>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b>Primary Government (Continued)</b>					
<b>Department of Justice</b>					
Direct Payments:					
Office of Violence Against Women - Improving Criminal Responses Program	16.590	2016-WE-AX-0020		\$ 72,919	\$ 72,919
Bulletproof Vest Partnership	16.607	2016-BUBX-1608-2768		19,665	19,665
Edward Byrne Memorial Justice Assistance Grant Program - FY16	16.738	2015-DJ-BX-0648		21,600	
Edward Byrne Memorial Justice Assistance Grant Program - FY17	16.738	2016-DJ-BX-0022		43,797	
Edward Byrne Memorial Justice Assistance Grant Program - Body Cameras	16.738	2015-DE-BX-K064		194,826	260,223
Passed through Commonwealth of Virginia:					
Department of Criminal Justice Services:					
Victim -Witness Services	16.575	17-U9267VW15		270,287	270,287
Violence Against Women Formula Grant	16.588	16-G6141VA15		37,862	
Violence Against Women Formula Grant	16.588	17-H6141VA16		52,058	89,920
Byrne / JAG - Policing in the 21st Century	16.738	17-A6076AD13		2,112	2,112
Total Department of Justice				\$	715,126
<b>Department of Labor</b>					
Passed through Commonwealth of Virginia:					
Virginia Community College System (VCCS):					
WIA Adult Program	17.258	AA-26810-15-55-A51		\$ 174,993	
WIA Adult Program	17.258	AA-28347-16-55-A51		293,705	468,698
WIA Youth Activities	17.259	AA-26810-15-55-A51		198,719	
WIA Youth Activities	17.259	AA-28347-16-55-A51		268,410	467,129
WIA Dislocated Workers (after 7/1/10)	17.278	AA-26810-15-55-A51		159,181	
WIA Dislocated Workers (after 7/1/10)	17.278	AA-28347-16-55-A51		72,513	231,694
National Reserve for WIOA Implementation	17.281	MI-27276-15-60-A-51		15,000	15,000
Total Department of Labor				\$	1,182,521



## CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1  
(Continued)Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b>Primary Government (Continued)</b>					
<b>Department of Homeland Security</b>					
Direct Payments:					
Transportation Security Administration:					
Airport LEO Cooperative Agreement	97.090	HSTS02-16-H-SLR753		\$ 82,878	\$ 82,878
Total Department of Homeland Security					\$ 82,878
<b>Department of Transportation</b>					
Direct Payments:					
SAFETEA - LU Grant	20.522	NRT-10FY-VRT-258		\$ 97,000	\$ 97,000
Passed through Commonwealth of Virginia:					
Virginia Department of Transportation					
Highway Planning and Construction					
Safe Route to School - TC Miller	20.205	SRTS-118-221		31,546	
Safe Route to School - Bass / Linkhorne	20.205	SRTS-118-246		788	
Safe Route to School - Stoneridge Street - Dearington	20.205	EN16-118-001		153	
Intersection Improvements - Memorial / Park / Lakeside	20.205	HSIP-5118(212)		217,559	
Lynchpin Center Sidewalk	20.205	EN14-118-060, C501		17,528	267,574
Passed through Commonwealth of Virginia:					
VA Department of Motor Vehicles:					
DMV Selective Enforcement - Alcohol FY16	20.600	AL-2016-56124-6324		11,841	
DMV Selective Enforcement - Speed FY16	20.600	SC-2016-56119-6319		5,586	
DMV Selective Enforcement - Speed FY17	20.600	SC-2017-57245-6894		6,423	23,850
DMV Selective Enforcement - Alcohol FY17	20.607	15AL-2017-57098-6747		37,613	37,613
Total Department of Transportation					\$ 426,037

## CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1  
(Continued)Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b>Primary Government (Continued)</b>					
<b>Environmental Protection Agency</b>					
Passed through Commonwealth of Virginia:					
Virginia Resources Authority:					
Revolving Loan	66.458	C-515460E-02		\$ 9,309	\$ 9,309
Total Environmental Protection Agency					\$ 9,309
<b>Federal Aviation Administration</b>					
Direct Payments:					
Department of Aviation:					
Airport Improvement Program	20.106	3-51-0029-036-2013		\$ 42,055	
Airport Improvement Program	20.106	3-51-0029-037-2015		983,383	
Airport Improvement Program	20.106	3-51-0029-038-2016		537,525	
Airport Improvement Program	20.106	3-51-0029-039-2017		96,215	1,659,178
Total Federal Aviation Administration					\$ 1,659,178
<b>Federal Emergency Management Agency</b>					
Passed through Commonwealth of Virginia:					
Virginia Department of Emergency Management:					
Emergency Management Performance Grants	97.042	7196		\$ 13,033	\$ 13,033
Direct Payments:					
State Homeland Security Program Grant - Police	97.067	VA16-SHSP-0055		34,999	
State Homeland Security Program Grant - Fire	97.067	7028		74,888	109,887
Total Federal Emergency Management Agency					\$ 122,920

## CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1  
(Continued)Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b><u>Component Unit - Lynchburg Schools</u></b>					
<b>Department of Agriculture</b>					
Passed through Commonwealth of Virginia:					
Department of Education:					
National School Lunch Program	10.555			\$ 2,646,246	\$ 2,646,246
National School Breakfast Program	10.553			1,179,555	1,179,555
Total Department of Agriculture					\$ 3,825,801
<b>Department of Transportation</b>					
Passed through Commonwealth of Virginia:					
Virginia Department of Transportation					
Highway Planning and Construction					
Safe Routes to School	20.205			\$ 1,658	
Safe Routes to School	20.205			63,450	65,108
Total Department of Transportation					\$ 65,108
<b>Department of Education</b>					
Passed through Commonwealth of Virginia:					
Title I - Part A - Improving Basic Programs	84.010	S010A150046		\$ 656,631	
Title I - Part A - Improving Basic Programs	84.010	S010A160046		3,251,883	3,908,514
Title I - Neglected and Delinquent Children	84.013	S013A140046		239	
Title I - Neglected and Delinquent Children	84.013	S013A150046		306	545
Elementary and Secondary Education Act (ESEA):					
Title IV-B - 21st Century	84.287	S287C140047		1,993	
Title IV-B - 21st Century	84.287	S287C150047		321,619	
Title IV-B - 21st Century	84.287	S287C160047		1,196,018	1,519,630
IDEA - Part B Section 611 - Special Education	84.027	H027A140107		6,034	
IDEA - Part B Section 611 - Special Education	84.027	H027A150107		131,900	
IDEA - Part B Section 611 - Special Education	84.027	H027A160107		2,024,914	2,162,848

## CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1  
(Continued)Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b><u>Component Unit - Lynchburg Schools (Continued)</u></b>					
<b>Department of Education (Continued)</b>					
Passed through Commonwealth of Virginia:					
Elementary and Secondary Education Act (ESEA):					
IDEA - Part B Section 619 - Special Education Preschool	84.173	H173A140112		9,403	
IDEA - Part B Section 619 - Special Education Preschool	84.173	H173A150112		37,630	
IDEA - Part B Section 619 - Special Education Preschool	84.173	H173A160112		5,716	<b>52,749</b>
Title I - Neglected and Delinquent Children					
Title III Part A - Language Acquisition State Grant	84.365	S365A140046		658	
Title III Part A - Language Acquisition State Grant	84.365	S365A150046		13,653	
Title III Part A - Language Acquisition State Grant	84.365	S365A160046		6,323	<b>20,634</b>
Title II - Part A - Improving Teacher Quality	84.367	S367A140044		31,744	
Title II - Part A - Improving Teacher Quality	84.367	S367A150044		60,673	
Title II - Part A - Improving Teacher Quality	84.367	S367A160044		470,123	<b>562,540</b>
Vocational Education:					
Basic Grants to States	84.048	V048A150046		5,871	
Basic Grants to States	84.048	V048A160046		226,039	<b>231,910</b>
McKenney - Vento Homeless Education Assistance Improvements Act of 2001:					
Title X-C - No Child Left Behind Act	84.000	S196A150048		5,022	
Title X-C - No Child Left Behind Act	84.000	S196A160048		9,450	<b>14,472</b>
Total Department of Education					<b>\$ 8,473,842</b>
<b>TOTAL</b>				<b>\$ 642,400</b>	<b>\$ 25,639,110</b>
				<b>\$ 26,281,510</b>	

## CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1  
(Continued)Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
		Donated Food Received			
<b><u>Primary Government</u></b>					
<b>Department of Agriculture</b>					
Passed through Commonwealth of Virginia:					
Department of Social Services:					
Juvenile Detention Home (Commodities)	10.555	16161VA347N2535		\$ 2,548	
Opportunity House (Commodities)	10.555	16161VA347N2535		413	
<b><u>Component Unit - Lynchburg Schools</u></b>					
<b>Department of Agriculture</b>					
Passed through Commonwealth of Virginia:					
Department of Education:					
National School Lunch Program (Commodities)	10.555	16161VA347N2535		289,614	<b>292,575</b>
<b>TOTAL</b>				<b>\$ 292,575</b>	<b>\$ 292,575</b>

## CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
As of June 30, 2017

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

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#### Basis of Accounting:

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

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

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

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

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

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

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

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### ***Note 4. Indirect Costs***

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The City has not elected to use the de minimis 10% cost rate.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
As of June 30, 2017

### ***Note 5. 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:

<b>Subrecipient</b>	<b>Community Development Block Grant</b>	<b>Home Investment Trust</b>	<b>Workforce Investment Act Cluster</b>
Boys & Girls Club	1,841	-	-
Bluffwalk Section 108 Loan	105,469	-	-
City Administration	95,828	20,328	-
Habitat for Humanity	-	63,920	-
Lynchburg Community Action Group	6,424	218,531	-
Lynchburg Redevelopment & Housing Authority	121,931	108,997	-
Region 2000 Local Governmental Council	-	-	1,182,521
Rush Homes	-	120,756	-
Tinbridge Hill Rehab	2,312	-	-
	<u>\$ 333,805</u>	<u>\$ 532,532</u>	<u>\$ 1,182,521</u>

### ***Note 6. Program Income***

Program income received in FY2017 totals \$1,234 which was received through the repayment of delinquent fees. In accordance with terms of the Community Development Block Grant Program, program income totaling \$1,234 was used in FY2017 to reduce the amount of federal funds in conjunction with the program's objective.

### ***Note 7. Virginia Revolving Loan Fund (CFDA 66.458)***

At June 30, 2017, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of \$99,529,934 which includes \$33,947,963 of federal funded loans. Expenditures associated with the federally funded loans totaled \$9,309 in FY2017.

## SCHEDULE 2

### CITY OF LYNCHBURG, VIRGINIA

Schedule of Passenger Facility Charges  
As of June 30, 2017

#### Passenger Facility Charges:

Federal Agency/Program Name/Application Number	PFC Balance July 1, 2016	Adjustments	PFC Collected	Interest Earnings	Expenditures	PFC Balance June 30, 2017
<b>FEDERAL AVIATION ADMINISTRATION</b>						
Passenger facility charges (12-06-C-00-LYH)	\$ 3,478	\$ -	\$ 197,369	\$ 98	\$ 192,392	\$ 8,553
Passenger facility charges (17-07-C-00-LYH)	-	-	123,573	252	23,545	100,280
	<u>\$ 3,478</u>	<u>\$ -</u>	<u>\$ 320,942</u>	<u>\$ 350</u>	<u>\$ 215,937</u>	<u>\$ 108,833</u>

## SCHEDULE 3

Schedule of Expenditures of Passenger Facility Charges  
As of June 30, 2017

#### Expenditures of Passenger Facility Charges:

Project	PFC Expenditures
<u>Application 6 (12-06-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ 3,805
Local share reimbursement – “Local” expense	-
Local share reimbursement – “State Entitlements” expense	188,587
Total PFC expenditures	<u>\$ 192,392</u>
<u>Application 7 (17-07-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ 23,545
Local share reimbursement – “Local” expense	-
Local share reimbursement – “State Entitlements” expense	-
Total PFC expenditures	<u>\$ 23,545</u>

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



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## **STATISTICAL SECTION**

## STATISTICAL SECTION

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

### **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. 123-128

#### **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. 129-142

#### **REVENUE CAPACITY**

Tables 13-20 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 143-150

#### **DEBT CAPACITY**

Tables 21-24 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. 151-154

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

Tables 25-26 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 155-156

#### **OPERATING INFORMATION**

Tables 27-30 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. 157-160

**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, 2017**

**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 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
United States Census 2016 (1) .....	79,531

(1) Source: Weldon Cooper Center for Public Service,  
[www.coopercenter.org](http://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, 2017**  
**(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: 2013-2017
- \$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: 2005-2017
- \$3.30 per \$100 assessed value: 1990-2004

Machinery and Tools:

- \$3.00 per \$100 assessed value: 1990-2017

Local Sales Tax:

- 1% + 4.3% VA tax: 2014-2017
- 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	Not Subject to a License
\$10,000 - \$50,000	\$30.00
\$50,000 - \$100,000	\$50.00
\$100,001 - \$150,000	\$160.00

- If gross receipts/purchases are greater than \$150,000 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
- Effective January 1, 2017 the City of Lynchburg will no longer issue a Business License for any business with gross receipts / purchases of \$10,000 or less.

**CITY OF LYNCHBURG, VIRGINIA**  
**MISCELLANEOUS STATISTICAL DATA**  
**June 30, 2017**  
**(Continued)**

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

Motor Vehicle License:

- \$29.50 for vehicles weighing 4,000 pounds or less: 2005-2017
- \$34.50 for vehicles weighing greater than 4,000 pounds: 2005-2017
- \$25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2017
- \$0.15 on pack of twenty cigarettes: 1990-2003

Lodging Tax:

- A tax of 5.5% of the charge made for each room rented per night. In FY 2001, Lynchburg changed the lodging tax from 5.5% to 5.5% plus \$1 per room per night.

Meals Tax:

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

Ambulance Services:

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

**TAXES DUE**

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

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

**DELINQUENT TAXES**

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

**CITY OF LYNCHBURG, VIRGINIA**  
**MISCELLANEOUS STATISTICAL DATA**  
**June 30, 2017**  
**(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, 2017**  
**(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.



**CITY OF LYNCHBURG, VIRGINIA**  
**MISCELLANEOUS STATISTICAL DATA**  
**June 30, 2017**  
**(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.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 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	\$ 215,193,933
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	2,743,988
Unrestricted	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)	(29,668,951)
Total governmental activities net position	<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>	<u>\$ 188,268,970</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 218,449,553
Restricted	4,708	8,786	5,213	10,312	119,534	25,193	8,433	7,231	3,478	108,833
Unrestricted	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	16,867,521
Total business-type activities net position	<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>	<u>\$ 235,425,907</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 433,643,486
Restricted	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	2,852,821
Unrestricted	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)	(12,801,430)
Total primary government net position	<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>	<u>\$ 423,694,877</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 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	\$ 15,669,122
Judicial	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	6,719,652
Public safety	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	50,797,418
Public works	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	28,964,652
Health and human services	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	29,306,224
Cultural and recreational	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	11,126,401
Community development	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	6,216,395
Education	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	50,225,729
Interest Payments and Fiscal Charges	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	7,354,890
Issuance Costs	216,051	-	483,236	170,210	28,450	29,815	204,180	875,409	268,267	-
Total governmental activities expenses	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	206,380,483
Business-type activities:										
Solid Waste Management	8,240,113	206,551	-	-	-	-	-	-	-	-
Stormwater (1)	-	-	-	-	-	2,038,265	2,542,077	1,988,044	2,250,406	2,303,672
Airport	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	4,793,694
Water	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	13,767,772
Sewer	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	19,382,060
Total business-type activities expenses	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	40,247,198
Total primary government expenses	\$ 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	\$ 246,627,681

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

(Continued)

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

**CITY OF LYNCHBURG, VIRGINIA**

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Program Revenues</b> (see Table 3)										
Governmental Activities:										
Charges for services:										
General government	\$ 556,888	\$ 548,729	\$ 437,468	\$ 424,127	\$ 523,344	\$ 530,988	\$ 460,961	\$ 505,564	\$ 521,930	\$ 529,426
Judicial	716,313	737,613	846,930	686,417	781,941	917,900	816,341	785,268	807,987	628,411
Public safety	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	5,881,973
Public works	198,841	993,935	989,613	786,813	813,474	1,711,835	1,806,816	1,304,063	1,310,028	1,540,998
Health and human services	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	2,837,112
Cultural and recreational	1,916,356	2,126,732	2,069,822	2,092,744	647,929	660,626	684,094	776,379	860,612	955,311
Community development	916,926	600,480	544,603	340,847	622,156	936,595	2,422,730	1,172,941	1,352,602	1,120,860
Operating Grants and Contributions	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	44,712,908
Capital Grants and Contributions	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	6,501,142
Total governmental activities program services	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	64,708,141
Business-type activities:										
Charges for services:										
Solid Waste Management	6,313,555	-	-	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	3,355,267	3,124,545	3,268,776	3,209,504	3,208,044
Airport	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	2,522,138
Water	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	15,177,716
Sewer	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	22,640,530
Operating Grants and Contributions	406,261	178,948	203,659	202,704	158,129	951,522	810,040	417,601	409,592	394,959
Capital Grants and Contributions	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	5,326,856
Total business-type activities program revenues	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	49,270,243
Total primary government program revenues	\$ 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	\$ 113,978,384
<b>Net (Expense) Revenue</b>										
Governmental Activities	\$ (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)	\$ (141,672,342)
Business-type Activities	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	9,023,045
Total Primary Government Net Expenses	\$ (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)	\$ (132,649,297)

(Continued)

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

**CITY OF LYNCHBURG, VIRGINIA**

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes										
Property taxes	\$ 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	\$ 78,396,772
Local sales and use taxes	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	15,351,347
Meals taxes	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	14,881,552
Consumer utility taxes	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	4,569,906
Business license taxes	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	9,377,091
Communications sales and use taxes	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	3,202,076
Other taxes	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	7,137,128
Unrestricted intergovernmental	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	6,292,632
Interest	3,522,533	1,716,449	794,471	601,999	438,375	201,735	295,656	312,688	477,313	504,776
IRS interest subsidy - Build America bonds	-	-	283,891	146,839	293,680	293,680	270,332	272,388	272,975	273,563
Miscellaneous	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	1,164,928
Transfers	(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	92,377
Total governmental activities	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	141,244,148
Business-type activities:										
Interest	1,784,508	825,779	207,953	206,665	210,782	108,977	132,701	96,910	136,484	231,789
IRS interest subsidy - Build America Bonds	-	-	287,632	148,776	297,551	297,550	273,896	275,978	276,573	277,168
Miscellaneous	123,878	297,033	49,847	79,613	148,571	45,232	22,332	22,966	56,305	90,785
Transfers	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	6,344
Total business-type activities	2,486,279	(14,991,906)	806,692	695,004	1,074,865	997,339	660,705	466,337	476,228	606,086
Total primary government	\$ 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	\$ 141,850,234
<b>Changes in Net Position</b>										
Governmental activities	\$ 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	\$ (428,194)
Business-type activities	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	9,629,131
Total primary government	\$ 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	\$ 9,200,937

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Function/Program</b>										
Governmental Activities:										
General government	\$ 942,144	\$ 900,082	\$ 784,656	\$ 733,374	\$ 842,476	\$ 842,595	\$ 772,920	\$ 822,568	\$ 6,315,850	\$ 852,147
Judicial	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	4,528,778
Public safety	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	12,562,382
Public works	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	19,394,584
Health and human services	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	24,089,638
Cultural and recreational	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	1,201,444
Community development	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	1,943,831
Education	865,253	792,322	976,991	31,022	354,953	29,284	-	-	80,355	135,337
Subtotal governmental activities	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	64,708,141
Business-type activities:										
Solid Waste Management (1)	6,517,869	-	-	-	-	-	-	-	-	-
Stormwater (2)	-	-	-	-	-	4,005,267	3,774,545	3,543,776	3,484,504	3,572,102
Airport	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	5,786,943
Water	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	15,387,716
Sewer	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	24,523,482
Subtotal business-type activities	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	49,270,243
Total primary government	<u>\$ 118,265,500</u>	<u>\$ 93,257,306</u>	<u>\$ 102,848,825</u>	<u>\$ 96,858,431</u>	<u>\$ 88,479,844</u>	<u>\$ 98,808,872</u>	<u>\$ 102,874,648</u>	<u>\$ 104,451,657</u>	<u>\$ 119,253,568</u>	<u>\$ 113,978,384</u>

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

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

TABLE 4

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

	<b>Pre-GASB 54</b>						
	<b>2008</b>	<b>2009</b>	<b>2010</b>				
General Fund							
Reserved	\$ 2,406,773	\$ 719,850	\$ 1,457,305				
Unreserved	32,158,992	36,459,043	44,287,091				
Total General Fund	<u>\$ 34,565,765</u>	<u>\$ 37,178,893</u>	<u>\$ 45,744,396</u>				
All Other Governmental Funds							
Reserved	\$ 44,832,256	\$ 31,264,091	\$ 9,752,227				
Unreserved, reported in:							
Special revenue funds	1,082,960	4,263,967	4,265,193				
Capital projects funds	6,697,269	11,646,868	31,943,779				
Total All Other Governmental Funds	<u>\$ 52,612,485</u>	<u>\$ 47,174,926</u>	<u>\$ 45,961,199</u>				
	<b>Post-GASB 54</b>						
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General Fund							
Committed	\$ 13,707,762	\$ 13,992,915	\$ 14,610,825	\$ 15,237,982	\$ 14,803,075	\$ 12,139,666	\$ 13,970,703
Assigned	4,077,230	5,574,299	3,128,072	5,029,549	6,118,051	5,232,752	3,838,602
Unassigned	29,215,575	28,835,650	31,675,248	33,878,501	32,089,924	25,589,098	27,147,729
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>	<u>\$ 44,957,034</u>
All Other Governmental Funds							
Nonspendable	\$ 500,000	\$ 500,000	\$ 450,000	\$ 400,000	\$ 350,000	\$ 300,000	\$ 250,000
Restricted	23,708,274	18,760,659	16,805,325	15,935,152	9,483,641	4,879,215	2,743,988
Committed	18,396,943	21,518,899	17,761,570	13,852,139	68,602,388	52,840,854	33,170,926
Assigned	121,599	126,818	100,000	100,012	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>	<u>\$ 36,264,926</u>

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



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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$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	\$132,895,836
Regulatory licenses, permits, and privilege fees	849,742	650,514	664,028	683,712	916,546	991,098	1,068,270	1,000,222	1,108,694	1,071,926
Intergovernmental	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	55,784,306
Fines and forfeitures	586,661	612,595	667,756	598,424	721,839	726,438	634,485	637,417	570,242	505,829
Revenue from use of money and property	4,843,948	3,113,910	2,177,785	1,962,064	749,017	506,030	702,100	820,000	1,051,355	1,243,844
Charges for services	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	13,397,141
Miscellaneous	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	3,317,877
Total revenues	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	208,216,759
<b>Expenditures</b>										
General government	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	16,987,863
Judicial	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	6,042,746
Public Safety	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	49,659,468
Public Works	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	20,593,526
Health and human services	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	28,892,687
Cultural and recreational	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	9,623,473
Community development	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	5,995,399
Education	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	43,216,739
Capital Outlay										
Capital general government (1)	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	29,017,350
Debt Services										
Principal Retirement	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	10,972,265
Interest payments and other fiscal charges	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	7,324,880
Issuance costs	216,051	-	483,236	170,210	28,450	29,815	204,180	875,409	268,267	-
Total expenditures	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	228,326,396
<b>Excess (deficiency) of revenues over expenditures</b>	<b>18,510,487</b>	<b>(25,334,120)</b>	<b>(29,984,088)</b>	<b>(442,190)</b>	<b>1,008,799</b>	<b>284,045</b>	<b>(7,588,283)</b>	<b>(44,035,296)</b>	<b>(46,925,382)</b>	<b>(20,109,637)</b>
<b>Other financing sources (uses)</b>										
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	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	6,456,092
Transfers out	(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)	(6,206,092)
Total other financing sources (uses)	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	250,000
Net change in fund balances	\$ 31,765,985	\$ (2,824,431)	\$ 7,351,776	\$ (456,488)	\$ (136,599)	\$ (4,778,201)	\$ 160,240	\$ 47,063,689	\$ (30,415,427)	\$ (19,859,637)
<b>Debt Service as a percentage of noncapital expenditures (2)</b>										
	8.52%	8.17%	13.28%	9.95%	9.23%	8.56%	8.00%	9.44%	8.91%	9.18%

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

(2) 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Taxes	\$ 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	\$ 132,895,836
Regulatory licenses, permits, and privilege fees	849,742	650,514	664,028	683,712	916,546	991,098	1,068,270	1,000,222	1,108,694	1,071,926
Intergovernmental	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	37,432,488
Fines & forfeitures	586,661	612,595	667,756	598,424	721,839	726,438	634,485	637,417	570,242	505,829
Revenues from use of money & property	3,308,104	1,403,024	995,450	840,217	690,069	437,531	640,544	697,756	916,257	1,125,893
Charges for services	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	9,938,717
Miscellaneous	452,272	1,168,236	1,132,221	945,324	871,056	1,097,217	1,150,545	1,154,870	1,234,853	1,050,756
<b>Total revenues</b>	<b>156,441,789</b>	<b>155,370,687</b>	<b>157,124,538</b>	<b>159,184,103</b>	<b>162,666,074</b>	<b>169,308,031</b>	<b>173,619,523</b>	<b>176,615,630</b>	<b>180,853,471</b>	<b>184,021,445</b>
<b>Expenditures:</b>										
<b>Current operating expenditures:</b>										
General government	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	17,106,909
Judicial	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	4,832,773
Public safety	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	45,274,306
Public works	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	16,364,853
Health and human services	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	21,401,062
Cultural & recreational	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	9,034,143
Community development	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	3,804,380
Education	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	42,943,004
<b>Debt service:</b>										
Principal retirements	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	10,683,800
Interest payments and other fiscal charges	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	7,294,605
Issuance costs	127,866	-	186,536	162,757	28,450	29,815	204,180	443,933	171,746	-
<b>Total expenditures</b>	<b>143,549,632</b>	<b>150,533,806</b>	<b>152,522,358</b>	<b>149,627,210</b>	<b>149,851,936</b>	<b>158,463,479</b>	<b>158,787,391</b>	<b>167,290,084</b>	<b>175,666,090</b>	<b>178,739,835</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>12,892,157</b>	<b>4,836,881</b>	<b>4,602,180</b>	<b>9,556,893</b>	<b>12,814,138</b>	<b>10,844,552</b>	<b>14,832,132</b>	<b>9,325,546</b>	<b>5,187,381</b>	<b>5,281,610</b>
<b>Other financing sources (uses):</b>										
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	26,150	6,450,066	464,020	546,826	283,272	18,524	4,761	325,036	366,572	1,585,000
Transfers out	(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)	(4,871,092)
<b>Total other financing sources (uses)</b>	<b>(11,103,748)</b>	<b>(2,223,753)</b>	<b>3,963,323</b>	<b>(9,436,629)</b>	<b>(11,411,841)</b>	<b>(9,833,271)</b>	<b>(10,100,245)</b>	<b>(10,460,528)</b>	<b>(15,236,915)</b>	<b>(3,286,092)</b>
<b>Net changes in fund balances</b>	<b>1,788,409</b>	<b>2,613,128</b>	<b>8,565,503</b>	<b>120,264</b>	<b>1,402,297</b>	<b>1,011,281</b>	<b>4,731,887</b>	<b>(1,134,982)</b>	<b>(10,049,534)</b>	<b>1,995,518</b>
<b>Fund balance - beginning, as restated (1)</b>	<b>32,777,356</b>	<b>34,565,765</b>	<b>37,178,893</b>	<b>46,880,303</b>	<b>47,000,567</b>	<b>48,402,864</b>	<b>49,414,145</b>	<b>54,146,032</b>	<b>53,011,050</b>	<b>42,961,516</b>
<b>Fund balance - ending</b>	<b>\$ 34,565,765</b>	<b>\$ 37,178,893</b>	<b>\$ 45,744,396</b>	<b>\$ 47,000,567</b>	<b>\$ 48,402,864</b>	<b>\$ 49,414,145</b>	<b>\$ 54,146,032</b>	<b>\$ 53,011,050</b>	<b>\$ 42,961,516</b>	<b>\$ 44,957,034</b>

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Intergovernmental	\$ 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	\$ 93,028,379
Revenue from use of money & property	34,279	6,748	1,314	527	136	106	-	-	-	-
Charges for services	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	1,820,727
Miscellaneous	208,542	111,542	230,075	804,264	1,197,197	590,372	520,942	726,730	1,365,368	412,650
Total revenues	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	95,261,756
<b>Expenditures:</b>										
Education:										
Instruction	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	68,909,218
Administration, attendance, and health	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	5,717,931
Pupil transportation services	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	5,016,591
Operations and maintenance	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	10,157,853
Food service and other	-	528	-	-	-	5,633	16,087	24,670	21,358	12,153
Facilities	-	55,414	64,784	48,403	40,563	87,879	20,365	10,163	14,825	20,758
Technology	-	-	2,048,301	2,037,654	2,362,774	2,049,937	3,244,460	3,525,049	3,230,426	3,034,004
Capital outlay	1,779,204	1,942,808	1,683,684	709,526	1,999,266	3,253,181	862,639	742,418	2,813,555	1,147,768
Debt service:										
Principal retirements	834,058	947,970	920,908	642,489	480,697	264,931	109,353	-	-	-
Interest payments	93,842	89,419	72,838	44,389	22,256	8,261	970	-	-	-
Total expenditures	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	94,016,276
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,578,526)</b>	<b>(871,210)</b>	<b>96,162</b>	<b>(166,390)</b>	<b>231,578</b>	<b>(259,267)</b>	<b>496,550</b>	<b>(251,111)</b>	<b>59,463</b>	<b>1,245,480</b>
<b>Other financing sources (uses):</b>										
Capital lease proceeds	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	(433,046)	(23,726)	-	(26,655)	-	-	-	-
<b>Net change in fund balances</b>	<b>(578,526)</b>	<b>128,790</b>	<b>(336,884)</b>	<b>(190,116)</b>	<b>231,578</b>	<b>(285,922)</b>	<b>496,550</b>	<b>(251,111)</b>	<b>59,463</b>	<b>1,245,480</b>
<b>Fund balance - beginning, as restated</b>	<b>1,241,675</b>	<b>663,149</b>	<b>791,939</b>	<b>455,055</b>	<b>264,939</b>	<b>496,517</b>	<b>210,595</b>	<b>707,145</b>	<b>456,034</b>	<b>515,497</b>
<b>Fund balance - ending</b>	<b>\$ 663,149</b>	<b>\$ 791,939</b>	<b>\$ 455,055</b>	<b>\$ 264,939</b>	<b>\$ 496,517</b>	<b>\$ 210,595</b>	<b>\$ 707,145</b>	<b>\$ 456,034</b>	<b>\$ 515,497</b>	<b>\$ 1,760,977</b>

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

	Fiscal Year	
	2008	2009
<b>Operating revenues:</b>		
Charges for services and other operating revenues	\$ 6,313,555	\$ -
Total operating revenues	6,313,555	-
<b>Operating expenses:</b>		
Personal services and benefits	1,735,135	-
Operation and maintenance	1,182,370	-
Supplies and materials	809,041	-
Administration	752,468	-
Landfill closure and postclosure care	1,404,613	-
Other charges	58,990	-
Depreciation	1,523,214	-
Total operating expenses	7,465,831	-
<b>Operating income (loss)</b>	<b>(1,152,276)</b>	<b>-</b>
<b>Nonoperating revenues (expenses):</b>		
Interest income	714,888	363,207
Governmental grants	204,314	-
Miscellaneous	81,774	889
Gain (loss) on disposition of assets	(805)	83,700
Interest on long-term debt	(243,528)	(118,078)
Total nonoperating revenues (expenses)	756,643	329,718
<b>Income before contributions and transfers</b>	<b>(395,633)</b>	<b>329,718</b>
Transfers in	1,572,529	-
Transfers out	(813,500)	(16,494,268)
<b>Change in net assets</b>	<b>363,396</b>	<b>(16,164,550)</b>
<b>Total net assets - beginning</b>	<b>15,801,154</b>	<b>-</b>
<b>Ending net assets:</b>		
Invested in capital assets, net of related debt	4,399,040	-
Restricted	-	-
Unrestricted	11,765,510	-
<b>Total net assets - ending</b>	<b>\$ 16,164,550</b>	<b>\$ -</b>

(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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Operating revenues:</b>										
Charges for services and other operating revenues	\$ 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	\$ 15,177,716
Total operating revenues	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	15,177,716
<b>Operating expenses:</b>										
Personal services and benefits	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	5,173,210
Operation and maintenance	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	945,920
Supplies and materials	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	1,378,106
Administration	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	1,196,167
Other charges	55,342	61,621	52,684	67,481	60,133	65,424	60,118	77,950	87,808	90,180
Depreciation	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	3,048,763
Total operating expenses	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	11,832,346
<b>Operating income</b>	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	3,345,370
<b>Nonoperating revenues (expenses):</b>										
Interest income	343,836	82,842	22,207	30,674	40,275	2,729	21,508	21,514	41,904	75,939
Governmental grants	-	-	-	-	-	72,289	13,103	-	-	-
Miscellaneous	28,142	25,223	29,613	19,585	10,847	16,535	2,122	2,781	1,028	1,131
Gain (loss) on disposition of assets	-	-	-	(293)	-	-	7,314	9,219	6,128	5,172
Interest on long-term debt	(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)	(1,911,073)
IRS interest subsidy - Build America Bonds	-	-	243,211	125,799	251,598	251,598	231,596	233,357	233,860	234,363
Total nonoperating revenues (expenses)	(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)	(1,594,468)
<b>Income before contributions and transfers</b>	338,310	532,062	(281,524)	397,707	738,370	514,262	900,887	1,788,911	703,875	1,750,902
Capital contributions	-	-	-	-	24,000	9,500	-	5,000	362,917	210,000
Transfers out	(215,500)	-	-	-	-	-	-	-	-	-
<b>Change in net position</b>	122,810	532,062	(281,524)	397,707	762,370	523,762	900,887	1,793,911	1,066,792	1,960,902
<b>Total net position - beginning, as restated (1) (2)</b>	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	34,308,811
<b>Ending net position:</b>										
Net investment in capital assets	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	29,430,618
Unrestricted	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	6,839,095
<b>Total net position - ending</b>	<u>\$ 34,565,165</u>	<u>\$ 35,097,227</u>	<u>\$ 34,815,703</u>	<u>\$ 35,213,410</u>	<u>\$ 36,036,200</u>	<u>\$ 36,559,962</u>	<u>\$ 37,460,849</u>	<u>\$ 33,242,019</u>	<u>\$ 34,308,811</u>	<u>\$ 36,269,713</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 FY 2012 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 FY 2015 for an explanation.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Operating revenues:</b>										
Charges for services and other operating revenues	\$ 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	\$ 22,640,530
Total operating revenues	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	22,640,530
<b>Operating expenses:</b>										
Personal services and benefits	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	3,424,756
Operation and maintenance	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	3,071,702
Supplies and materials	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	1,562,481
Administration	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	2,316,721
Other charges	35,078	35,903	45,466	39,915	70,699	33,447	44,651	66,946	51,118	106,560
Depreciation	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	7,888,946
Total operating expenses	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	18,371,166
<b>Operating income</b>	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	4,269,364
<b>Nonoperating revenues (expenses):</b>										
Interest income	691,799	363,942	182,548	173,319	167,849	102,589	108,729	73,142	85,086	124,705
Governmental grants	38,500	38,500	93,000	93,000	-	93,667	10,759	-	-	219
Miscellaneous	5,800	257,943	15,985	15,936	125,336	11,999	11,170	10,400	11,821	19,605
Gain (loss) on disposition of assets	-	-	-	-	-	(160,294)	5,653	606	738	1,172
Interest on long-term debt	(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)	(985,817)
IRS interest subsidy - Build America Bonds	-	-	44,421	22,977	45,953	45,952	42,300	42,621	42,713	42,805
Total nonoperating revenues (expenses)	(1,102,887)	(971,878)	(1,160,954)	(1,171,998)	(1,020,588)	(1,141,058)	(969,914)	(959,567)	(989,068)	(797,311)
<b>Income before contributions and transfers</b>	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	3,472,053
Capital contributions	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	1,882,733
Transfers in (out)	(325,000)	-	-	-	(3,401)	-	126,734	126,734	126,734	-
<b>Change in net position</b>	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	5,354,786
<b>Total net position - beginning, as restated (1) (2)</b>	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	153,099,223
<b>Ending net position:</b>										
Net investment in capital assets	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	148,010,757
Unrestricted	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	10,443,252
<b>Total net position - ending</b>	\$ 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	\$ 158,454,009

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

(2) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Comprehensive Annual Financial Report for FY 2015 for an explanation.

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

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Operating revenues:</b>					
Charges for services and other operating revenues	\$ 3,355,267	\$ 3,124,545	\$ 3,268,776	\$ 3,209,504	\$ 3,208,044
Intergovernmental	650,000	650,000	275,000	275,000	275,000
Total operating revenues	4,005,267	3,774,545	3,543,776	3,484,504	3,483,044
<b>Operating expenses:</b>					
Personal services and benefits	281,160	414,356	362,502	446,320	651,860
Operation and maintenance	651,189	719,470	306,678	285,560	327,657
Supplies and materials	50,358	113,528	104,029	136,741	131,321
Administration	1,109,817	1,340,126	1,227,229	1,353,809	1,160,256
Other charges	4,804	8,233	11,916	5,289	16,864
Depreciation	-	4,465	33,662	67,558	76,239
Total operating expenses	2,097,328	2,600,178	2,046,016	2,295,277	2,364,197
<b>Operating income</b>	<b>1,907,939</b>	<b>1,174,367</b>	<b>1,497,760</b>	<b>1,189,227</b>	<b>1,118,847</b>
<b>Nonoperating revenue:</b>					
Interest Income	-	-	-	1,213	9,477
Miscellaneous	1	-	61	23,452	2
Total nonoperating revenue	1	-	61	24,665	9,479
<b>Income before contributions and transfers</b>	<b>1,907,940</b>	<b>1,174,367</b>	<b>1,497,821</b>	<b>1,213,892</b>	<b>1,128,326</b>
Capital contributions	-	-	-	-	89,058
Transfers out	-	(126,734)	(162,676)	(126,734)	-
<b>Change in net position</b>	<b>1,907,940</b>	<b>1,047,633</b>	<b>1,335,145</b>	<b>1,087,158</b>	<b>1,217,384</b>
<b>Total net position - beginning, as restated (1)</b>	<b>-</b>	<b>1,907,940</b>	<b>2,428,919</b>	<b>3,764,064</b>	<b>4,851,222</b>
<b>Ending net position:</b>					
Net investment in capital assets	99,062	771,687	2,002,495	2,484,986	3,950,070
Unrestricted	1,808,878	2,183,886	1,761,569	2,366,236	2,118,536
<b>Total net position - ending</b>	<b>\$ 1,907,940</b>	<b>\$ 2,955,573</b>	<b>\$ 3,764,064</b>	<b>\$ 4,851,222</b>	<b>\$ 6,068,606</b>

The Stormwater Fund was created in FY 2013.

(1) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Comprehensive Annual Financial Report for FY 2015 for an explanation.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Operating revenues:</b>										
Charges for services and other operating revenues	\$ 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	\$ 2,522,138
Intergovernmental	132,487	178,948	179,276	168,209	158,129	135,566	136,178	142,601	134,592	119,740
Total operating revenues	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	2,641,878
<b>Operating expenses: (2)</b>										
Personal services and benefits	954,186	912,723	940,547	962,868	917,266	942,087	970,660	1,006,709	1,018,464	1,058,236
Operation and maintenance	710,025	825,665	962,156	993,088	979,812	1,008,265	1,160,643	1,166,823	1,011,546	1,134,897
Supplies and materials	117,270	99,852	107,755	118,586	122,848	113,371	133,670	12,803	137,041	141,930
Administration	231,223	203,813	242,702	233,300	263,522	243,385	233,277	239,614	235,287	258,123
Other charges	15,683	17,935	20,088	15,794	21,416	18,000	16,800	24,384	20,637	27,399
Depreciation	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	2,145,813
Total operating expenses	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	4,766,398
<b>Operating loss</b>	(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)	(2,124,520)
<b>Nonoperating revenues (expenses):</b>										
Interest income	33,985	15,788	3,198	2,672	2,658	3,659	2,464	2,254	8,281	21,668
Governmental grants	30,960	-	24,383	34,495	-	-	-	-	-	-
Passenger facility charges (3)	185,815	319,360	377,504	350,002	321,031	-	-	-	-	-
Miscellaneous	8,162	11,508	4,249	44,092	12,388	16,697	9,040	9,724	20,004	70,047
Gain (Loss) on disposition of assets	-	-	-	(17,651)	-	137,762	-	-	-	-
Interest on long-term debt	(108,456)	(86,964)	(73,265)	(64,581)	(54,416)	(45,020)	(39,411)	(8,061)	(27,422)	(24,752)
Total nonoperating revenues (expenses)	150,466	259,692	336,069	349,029	281,661	113,098	(27,907)	3,917	863	66,963
<b>Loss before contributions and transfers</b>	(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)	(2,057,557)
Capital contributions	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	2,824,123
Passenger facility charges (3)	-	-	-	-	-	335,209	329,951	323,963	317,503	320,942
Transfers in	359,364	295,850	261,260	259,950	421,362	336,330	218,809	96,600	-	-
<b>Change in net position</b>	3,827,607	(846,610)	875,732	262,475	(506,501)	1,388,454	1,069,009	1,321,061	600,330	1,087,508
<b>Total net position - beginning - as restated (1,2)</b>	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	37,678,098
<b>Ending net position:</b>										
Net investment in capital assets	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	37,058,108
Restricted	4,708	8,786	5,213	10,312	119,534	25,193	8,433	7,231	3,478	108,833
Unrestricted	335,736	486,762	908,684	1,478,152	2,246,374	2,554,993	2,315,320	1,096,607	3,177,871	1,598,665
<b>Total net position - ending</b>	\$ 34,692,190	\$ 33,845,580	\$ 34,721,312	\$ 34,983,787	\$ 34,497,426	\$ 35,885,880	\$ 36,954,889	\$ 37,077,768	\$ 37,678,098	\$ 38,765,606

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

(2) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Comprehensive Annual Financial Report for FY 2015 for an explanation.

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



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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real Estate	\$ 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	\$ 56,473,104
PSC Taxes	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	2,419,023
Personal Property Tax	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	18,747,247
Penalties & Interest	711,491	896,215	862,989	954,397	1,032,498	1,142,986	1,241,614	1,299,858	1,198,049	1,385,475
Sales & Use Tax	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	15,351,346
Utility Tax	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	4,569,906
Business License Tax	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	9,258,208
Franchise License Tax	4,277	500	4,527	8,554	4,527	500	-	-	10,100	500
Communication Sales & Use Tax	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	3,202,076
Motor Vehicle Licenses	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	1,764,571
Bank Stock Taxes	442,123	500,385	685,879	901,240	817,990	722,734	769,284	831,103	836,320	834,986
Taxes on Recordation and Wills	661,671	401,833	525,417	381,719	461,835	549,056	486,321	592,113	504,432	614,673
Tobacco Taxes	1,014,759	1,044,465	953,513	936,648	974,864	1,025,289	975,078	936,024	900,484	903,846
Admission and Amusement Taxes	407,024	400,835	576,139	610,625	644,842	660,558	662,453	667,212	678,870	762,657
Hotel and Motel Room Taxes	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	2,226,551
Restaurant Food Taxes	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	14,381,667
Total General Government Tax Revenues	\$ 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	\$ 132,895,836

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

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

<b>Fiscal Year</b>	<b>Residential Property (3)</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Total Taxable Assessed Value (2)</b>	<b>Direct Tax Rate</b>
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
2017	3,417,070,700	1,395,683,100	364,597,600	5,177,351,400	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 (8)
	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		
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	625,528,817 (4)	28,004,949	653,533,766	3.80	159,879,989 (4)	3.00	6,141,752,145	7.91
2017	3,417,070,700	1,760,280,700	188,976,706	5,366,328,106	1.11	550,352,994 (5)	26,479,912	576,832,906	3.80	158,838,864 (5)	3.00	6,101,999,876	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) 2017 Personal Property Tax Levy in FY 2017. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2018 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) 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.

## CITY OF LYNCHBURG, VIRGINIA

TABLE 16

PRINCIPAL PROPERTY TAXPAYERS,  
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2017					2008		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2017 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
AEP - American Electric Power	Utility	\$ 83,460,207	1	1.37 %	\$ 934,811	1.11 %	\$ 40,191,477	5	0.77 %
Frito Lay, Inc.	Food Manufacturer	56,070,416	2	0.92	1,200,264	1.43	35,026,814	6	0.67
Areva NP Inc.	Nuclear Power Design & Fuel	52,457,583	3	0.86	1,089,214	1.30	56,311,456	2	1.07
River Ridge, Ltd.	Shopping Mall	46,604,400	4	0.76	517,309	0.62	50,000,000	4	0.95
Wal-Mart Real Estate Business Trust	Retail	40,489,467	5	0.66	506,767	0.60	-	-	-
Verizon Va, Inc.	Utility	40,050,849	6	0.66	427,819	0.51	61,341,676	1	1.17
LSC Communications (fmr RR Donnelley)	Periodical Publication Printing	34,831,675	7	0.57	755,595	0.90	51,024,394	3	0.97
Columbia Gas of Virginia, Inc.	Utility	33,999,319	8	0.56	377,451	0.45	-	-	-
J Crew Inc.	Clothing	25,071,923	9	0.41	445,770	0.53	-	-	-
C.B. Fleet Co.	Pharmaceuticals	20,884,844	10	0.34	390,739	0.46	-	-	-
Genworth Financial, Inc.	Life Insurance	19,965,135	13	0.33	377,980	0.45	30,883,000	7	0.59
LU Candler Station Holdings LLC	Shopping Center	19,011,400	11	0.31	211,027	0.25	-	-	-
CCRC, Inc.	Nursing Home/Assisted Living	18,802,100	12	0.31	208,703	0.25	18,466,900	10	0.35
Bostic Development at Lynchburg, LLC	Real Estate	-	-	-	-	-	20,233,400	9	0.39
JDN Realty Corp, Inc.	Real Estate	-	-	-	-	-	20,950,100	8	0.40
Total		<u>\$ 491,699,318</u>		<u>8.06 %</u>	<u>\$ 7,443,449</u>	<u>8.86 %</u>	<u>\$ 384,429,217</u>		<u>7.33 %</u>
Total Assessed Valuation:		<u>\$ 6,101,999,876</u>					<u>\$ 5,246,349,109</u>		
Tax Levy:									
Real Estate		\$ 57,481,915							
Railroads and Pipelines		280,015							
Public Service Corporations		2,126,198							
Personal Property		<u>24,144,731</u>							
Total Tax Levy:		<u>\$ 84,032,859</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)
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	365,936	\$ 74,311,036	71,488,683	96.68%	2,597,908	74,086,591	99.70%
2011	75,304,880	266,682	\$ 75,571,562	72,759,636	96.62%	2,564,479	75,324,115	99.67%
2012	76,467,417	297,285	\$ 76,764,702	73,256,961	95.80%	3,151,396	76,408,357	99.54%
2013	80,037,980	321,569	\$ 80,359,549	77,536,743	96.87%	2,274,236	79,810,979	99.32%
2014	80,297,119	388,849	\$ 80,685,968	78,239,826	97.44%	1,523,561	79,763,387	98.86%
2015	81,223,917	419,822	\$ 81,643,739	78,731,871	96.93%	1,934,488	80,666,359	98.80%
2016	82,721,284	263,774	\$ 82,985,058	80,478,895	97.29%	1,613,977	82,092,872	98.92%
2017	84,486,980	(442,024)	\$ 84,044,956	81,750,492	96.76%	-	81,750,492	97.27%

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>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>	<u>2017</u>
Real Estate										
Locally Assessed	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.11	\$ 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	1.05	1.05	1.05	1.05	1.05	1.11	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	7.85	7.85	7.85	7.85	7.85	7.91	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 2017

Commissioner of the Revenue for City of Lynchburg, Virginia [www.lynchburgva.gov](http://www.lynchburgva.gov)

**TAXABLE RETAIL SALES AND  
TAXABLE RETAIL SALES PER CAPITA**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Taxable Retail Sales (2)</b>	<b>Taxable Retail Sales Per Capita (2)</b>
2008	73,834	\$ 1,274,691,679	\$ 17,264
2009	75,204	1,170,583,027	15,565
2010	75,826	1,159,339,401	15,289
2011	76,448	1,148,536,650	15,024
2012	77,203	1,217,552,914	15,771
2013	77,376	1,240,113,906	16,027
2014	77,874	1,279,815,746	16,434
2015	78,675	1,353,815,269	17,208
2016	79,531	1,345,647,515	16,920
2017	79,531	*	*

(1) Weldon Cooper Center for Public Service, University of Virginia [www.coopercenter.org](http://www.coopercenter.org)

Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given. 2010 through 2016 are all based on a July 1st estimate published on January 30, 2017.

(2) Weldon Cooper Center for Public Service, University of Virginia <https://ceps.coopercenter.org/content/taxable-sales>

Information provided courtesy of the Virginia Department of Taxation, information is as of January 31st

\* Information unavailable

**WATER AND SEWER RATES  
LAST TEN FISCAL YEARS**

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b><u>Water</u></b>										
Volume Rate/hcf*	\$ 1.97	\$ 2.05	\$ 2.13	\$ 2.22	\$ 2.29	\$ 2.38	\$ 2.38	\$ 2.43	\$ 2.43	\$ 2.55
Hydrant charge or 8" or smaller fire line	17.99	17.99	17.99	19.79	19.79	19.79	19.79	19.79	19.79	20.58
10" fire line	32.30	32.30	32.30	35.53	35.53	35.53	35.53	35.53	35.53	36.95
12" fire line	51.25	51.25	51.25	56.38	56.38	56.38	56.38	56.38	56.38	58.64
<b><u>Sewer</u></b>										
Volume Rate/hcf*	\$ 5.17	\$ 5.38	\$ 5.54	\$ 5.54	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.83	\$ 6.02

\* hundred cubic feet

**Monthly Service Charge Table**

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b><u>Meter Size</u></b>										
5/8"	\$ 3.69	\$ 3.69	\$ 3.69	\$ 3.69	\$ 3.69	\$ 3.69	\$ 5.69	\$ 7.69	\$ 7.69	\$ 7.69
3/4"	3.69	3.69	3.69	3.69	3.69	3.69	6.69	9.69	9.69	9.69
1"	3.69	3.69	3.69	3.69	3.69	3.69	8.69	13.69	13.69	13.69
1-1/2"	3.69	3.69	3.69	3.69	3.69	3.69	13.69	23.69	23.69	23.69
2"	3.69	3.69	3.69	3.69	3.69	3.69	19.69	35.69	35.69	35.69
3"	3.69	3.69	3.69	3.69	3.69	3.69	33.69	63.69	63.69	63.69
4"	3.69	3.69	3.69	3.69	3.69	3.69	63.69	123.69	123.69	123.69
6"	3.69	3.69	3.69	3.69	3.69	3.69	123.69	243.69	243.69	243.69
8"	3.69	3.69	3.69	3.69	3.69	3.69	183.69	363.69	363.69	363.69
10"	3.69	3.69	3.69	3.69	3.69	3.69	303.69	603.69	603.69	603.69

Source: Director of Water Resources, City of Lynchburg, Virginia.



## 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 <sup>(1)</sup>	General Obligation Bonds	General Obligation Notes	Public Utility Revenue Bonds	Net Deferred Amounts <sup>(1)</sup>		Total Primary Government - Net (Includes Net Deferred Amounts)	Percentage of Personal Income <sup>(2)</sup>	Total Primary Government - Net Bonded Debt Per Capita <sup>(2)</sup>
2008	\$ 117,407	\$ 49	\$ 1,343	\$ 2,840	\$ 6,316	\$ 2,211	\$ 63,550	-	\$ 84,426	\$ 806	\$ 275,931	\$ 278,948	11.47%	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	12.00%	3,883
2010	139,180	11	-	2,480	5,274	2,168	71,749	-	109,907	1,162	328,601	331,931	13.33%	4,378
2011	129,807	-	-	2,300	4,723	3,251	68,005	-	125,601	2,150	330,436	335,837	12.88%	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	11.42%	3,990
2014	114,519	-	-	1,760	-	2,424	56,083	7,159	117,270	1,711	296,791	300,926	10.66%	3,864
2015	186,515	-	-	1,580	-	11,087	70,415	-	111,236	2,871	369,746	383,704	13.14%	4,877
2016	191,848	-	-	1,400	-	12,877	76,395	-	104,998	4,722	374,641	392,240	13.29%	4,932
2017	180,737	-	-	1,220	-	12,143	71,917	-	99,530	4,483	353,404	370,030	12.54%	4,653

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 25 for population and per capita personal income information. For FY 2017 and FY 2016, the FY 2015 amount for per capita personal income of \$37,107 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)
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	79,531	6,141,752 (5)	268,243	17,599	285,842	4.65%	3,594	76,395	4,722	204,725	3.33%
2017	79,531	6,102,000 (6)	252,654	16,626	269,280	4.41%	3,386	71,917	4,483	192,880	3.16%

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

(1) See Table 15 for Assessed Valuations and Table 25 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 FY 2018 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 2017**

Real Property Assessed Value	\$ 5,177,351
Public Service Corporations Real Property Assessed Value	188,977
Total Real Property Assessed Value (1)	<u>5,366,328</u>
Debt limit (10% of assessed value)	536,633
Debt applicable to limit:	
Less: General Obligation Debt	(252,654)
<b>Legal Debt Margin</b>	<u><u>\$ 283,979</u></u>

Description	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 462,181	\$ 479,591	\$ 506,924	\$ 514,821	\$ 513,186	\$ 517,062	\$ 516,248	\$ 520,266	\$ 532,834	\$ 536,633
Total net debt applicable to limit	182,350	180,372	210,940	197,812	184,094	179,267	177,761	256,930	268,243	252,654
Legal debt margin	<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>	<u>\$ 283,979</u>
Total net debt applicable to the limit as a percentage of the debt limit	39.45%	37.61%	41.61%	38.42%	35.87%	34.67%	34.43%	49.38%	50.34%	<u>47.08%</u>

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

(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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Sewer Fund Operating Income</b>	\$ 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	\$ 4,269,364
Plus:										
Depreciation & amortization	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	7,888,946
Interest income received	691,799	363,942	226,969	173,319	167,849	102,589	108,729	73,142	85,086	124,705
Capital contributions from members										
Regional Sewerage Treatment Plant	386,530	394,761	431,486	474,581	451,645	480,922	614,353	1,015,339	525,856	616,250
Governmental grants & miscellaneous income	44,300	296,443	108,985	108,936	125,336	105,666	21,929	10,400	11,821	19,824
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	163,662
<b>Net Revenue per Indenture (1)</b>	<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>	<u>\$ 13,082,751</u>
<b>Debt Service</b>										
General obligation bonds										
Principal (2)	\$ 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	\$ 2,059,474
Interest	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	891,725
Total	5,619,595	3,043,801	3,231,977	3,398,584	3,114,366	3,014,523	2,768,379	3,021,110	3,036,774	2,951,199
Revenue bonds										
Principal (5)	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	6,274,745
Interest	427,360	398,518	368,782	338,122	306,510	273,917	240,312	210,084	174,501	137,815
Total	3,336,478	3,496,363	3,889,579	4,095,290	4,934,330	5,370,866	5,838,278	6,244,227	6,412,558	6,412,560
<b>Total Debt Service Principal and Interest</b>	<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>	<u>\$ 9,363,759</u>
<b>Debt Coverage</b>	<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>	<u>1.40</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 an 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 FY2008 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 Fund's 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**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (thousands of dollars) (2)</b>	<b>Per Capita Personal Income (3)</b>	<b>Median Age (4)</b>	<b>School Enrollment (5)</b>	<b>Unemployment Rate (6)</b>
2008	73,834	\$ 2,431,870	\$ 32,937	35.1	8,715	4.3
2009	75,204	2,432,473	32,345	35.1	8,634	8.0
2010	75,826	2,489,292	32,829	30.3	8,597	8.0
2011	76,448	2,606,647	34,097	30.3	8,646	7.7
2012	77,203	2,716,619	35,188	30.3	8,688	7.3
2013	77,376	2,703,904	34,945	30.3	8,576	6.9
2014	77,874	2,822,387	36,243	30.3	8,583	6.0
2015	78,675	2,919,393	37,107	30.3	8,577	5.4
2016	79,531	*	*	30.3	8,566	4.9
2017	79,531	*	*	30.3	8,500	4.8

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

(1) Weldon Cooper Center for Public Service, University of Virginia [www.coopercenter.org](http://www.coopercenter.org)

Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given. 2010 through 2016 are all based on a July 1st estimate published on January 30, 2017.

(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](http://www.bea.gov/regional/docs/income)

The information was last updated November 17, 2016. Estimates for 2010-2014 reflect population estimates available as of March 2016.

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 2017.  
2017 Unemployment Rate has been adjusted to reflect the most current data available.

\* Information unavailable

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

Employer	2017	2008
	Employees (3)	Employees (4)
Liberty University (2)	8000 +	
Centra Health, Inc.	7000-7999	4,500
Lynchburg City Schools	1500-1999	1,500
Areva	1000-1499	1,512
City of Lynchburg	1000-1499	1,309
Genworth Financial Inc.	1000-1499	1,240
Central Virginia Community College	500-999	
Horizon Behavioral Health (1)	500-999	
J. Crew Outfitters	500-999	800
KDC (8)	500-999	
Kroger, Inc.	500-999	619
Southern Air, Inc.	500-999	
Wal-Mart Stores, Inc.	500-999	
C.B. Fleet Company, Inc.	250-499	
Delta Star, Inc.	250-499	
Flowers Baking Company	250-499	
Frito-Lay, Inc.	250-499	
Harris, Inc.	250-499	
LSC Communications (6)	250-499	
Lynchburg College	250-499	599
Norcraft	250-499	
Parker-Hannifin	250-499	
U.S. Post Office	250-499	
Westminster-Canterbury	250-499	
Aerofin Corporation	100-249	
Babcock & Wilcox Company	100-249	
Bausch & Lomb	100-249	
BB&T	100-249	
Belvac Production Machinery	100-249	
Flowserve Corp.	100-249	
Forterra (7)	100-249	
Hanwha Azdel	100-249	
International Paper (9)	100-249	
Lowe's	100-249	
News & Advance	100-249	
Pacific Life	100-249	
Randolph College	100-249	
Tessy Plastics	100-249	
Thomas Road Baptist Church (5)	100-249	3,321
Virginia Department of Transportation	100-249	
Wells Fargo Bank	100-249	
Wiley Wilson	100-249	
WSET	100-249	
Nationwide Insurance Company	-	585
Employed Civilian Labor Force (June 2017) Lynchburg City - Virginia Employment Commission		33,927
Employed Civilian Labor Force (June 2008) Lynchburg City - Virginia Employment Commission		31,882

Source: FY2017 numbers are derived from Office of Economic Development, City of Lynchburg, VA, or employer contact, as of June 30, 2017.

Source: FY2008 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 FY2008 Comprehensive Annual Financial Report.

(5) Combined numbers for TRBC and Liberty University for 2008

(6) Formerly RR Donnelly

(7) Formerly Griffin Pipe

(8) Formerly Tri-Tech Laboratories

(9) Formerly Weyerhaeuser

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

Functions/Programs	Full-Time Equivalent Employees as of June 30									
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Adopted
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 <sup>(1)</sup>
Primary government:										
Council Manager Offices	8	9	8	8	8.0	6.0	6.0	6.0	6.0	7.0
Parking Division <sup>(5)</sup>	-	-	3	4	4.5	5.0	5.0	5.7	5.7	5.7
City Assessor	12	12	12	10	10.0	10.0	9.6	9.6	9.0	9.0
City Attorney	7	7	7	7	6.9	6.9	6.9	6.9	6.9	6.9
Commissioner of Revenue	15	15	13	12	10.4	10.4	10.4	10.4	10.4	10.5
Communications & Marketing	3	4	4	4	4.0	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	2.0
Citizens First	4	4	4	3	3.5	3.5	3.0	3.0	3.0	3.0
Financial Services	47	46	44	42	42.0	42.0	41.7	41.7	41.7	41.7
Financial Services-Human Services	12	12	10	10	8.8	7.8	6.0	5.7	5.7	5.7
Human Resources	13	11	11	10	10.0	10.0	10.0	9.6	9.6	9.7
Information Technology	28	29	30	31	31.0	30.0	30.0	30.0	32.0	32.0
Internal Audit <sup>(8)</sup>	2	2	2	2	2.0	-	-	-	-	-
Registrar and Electoral Board	3	3	2	2	2.3	2.3	2.5	2.5	2.5	2.5
State Treasurer (State)	2	2	2	2	2.0	2.0	2.0	2.0	2.0	2.0
Risk Management Fund	3	3	3	3	3.0	3.0	3.0	2.9	2.9	2.9
Circuit Court Clerk (State)	13	13	13	13	13.0	13.0	13.0	13.0	13.0	13.0
Circuit Court Judges	2	2	2	2	2.0	2.0	2.0	2.0	2.0	2.0
Commonwealth Attorney	16	16	17	17	16.7	17.7	17.7	16.9	16.2	19.2
Sheriff	31	31	31	29	30.4	30.4	30.6	30.0	30.4	29.4
Regional Juvenile Detention Center Fund	50	50	50	47	47.3	46.1	45.1	45.1	45.1	41.1
Police Department	207	204	204	203	202.7	197.9	199.8	199.8	200.8	204.3
Emergency Services	31	31	36	35	32.0	35.0	35.6	35.6	36.6	36.6
Fire Department	185	186	186	187	187.0	185.0	187.5	187.5	189.5	189.5
Public Works Administration	-	11	11	11	11.0	10.0	10.0	10.7	10.7	10.0
Buildings & Grounds Maintenance	88	83	78	74	76.3	71.8	72.3	72.3	74.2	74.3
Engineering Division <sup>(2)</sup>	-	-	38	31	32.8	30.8	30.7	31.2	32.2	32.2
Street, Traffic & Refuse Maintenance <sup>(3)</sup>	38	57	53	50	52.4	52.2	47.5	48.5	46.3	47.0
Health & Human Services	188	184	175	169	169.9	164.4	170.1	167.9	170.5	166.5
Cultural and Recreational	101	99	99	99	96.7	91.3	97.4	94.6	97.1	101.3
Community Planning & Economic Development <sup>(2)</sup>	77	84	33	32	26.8	25.1	25.1	25.0	26.0	26.0
Tourism and Visitor Center <sup>(7)</sup>	-	-	-	-	-	-	3.9	11.8	9.3	11.8
Fleet Services Fund	12	12	13	11	11.0	11.5	10.5	11.0	10.6	11.1
Business-type activities:										
Airport Fund	21	20	18	18	17.7	17.7	17.7	17.7	17.7	17.7
Water Fund	68	65	68	67	68.4	66.2	69.1	68.9	70.4	72.4
Sewer Fund	46	46	50	50	55.0	50.5	52.5	52.5	53.5	55.5
Stormwater Fund <sup>(6)</sup>	-	-	-	-	-	5.8	5.8	7.1	7.1	9.1
Solid Waste Fund <sup>(4)</sup>	43	-	-	-	-	-	-	-	-	-
Source: Budget Office, City of Lynchburg, Virginia	1,378	1,355	1,332	1,297	1,299.5	1,269.3	1,286.0	1,291.1	1,302.6	1,314.6

(1) FY2017 actual will be available with the FY2018 adopted budget.

(2) During FY2007 the Engineering Division was moved to Community Planning & Economic Development. It was later removed in FY2010.

(3) Refuse Collection was moved to Public Works Division in FY2009

(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.

(8) Internal Audit was closed in FY2013.

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Police										
Physical Arrests	6,813	6,662	6,605	7,039	6,879	6,835	5,927	5,435	5,047	4,608
Traffic Violations	11,327	14,489	12,672	11,437	12,506	12,483	10,366	10,344	8,581	5,667
Parking Violations	7,786	6,370	4,599	3,943	6,338	4,481	4,854	6,812	5,718	6,642
Fire (3)										
Number of Fire calls answered (per month)	517	506	518	574	511	315	268	241	277	296
Number of inspections conducted (1) (4) (5) (6)	368	641	567	767	469	254	291	192	441	332
Number of EMS calls	14,660	15,279	15,124	14,731	14,393	20,612	20,113	19,426	19,169	19,296
Sanitation and Refuse										
Refuse collected (tons/day)	69.68	69.03	69.35	69.74	70.14	72.96	65.58	55.70	63.17	65.37
Recyclables collected (tons/day)	6.73	7.45	7.23	7.31	6.85	6.46	5.26	4.10	7.09	6.04
Airport										
Total number of passengers	98,423	142,569	178,387	169,174	152,064	157,450	157,074	153,729	154,218	159,523
Sewage										
Number of service connections (2)	18,486	18,549	18,606	18,706	18,785	18,916	19,057	19,060	19,083	19,149
Average daily treatment in million gallons	10.86	10.68	12.99	11.09	10.57	10.35	12.20	11.33	12.97	11.19
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 (2)	22,158	22,290	22,265	22,361	22,422	22,517	22,628	22,640	22,716	22,786
Average daily consumption of plant in million gallons	12	11	12	11	10	10	10	10	11	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) Fire had additional personnel conducting inspections beginning in FY2009.

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

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

(4) 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.

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

(6) In FY2017, fewer field employees were available to conduct off-duty inspections due to staffing issues. There are still only 3 inspectors in the Fire Marshall's Office.



CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	57	57	57	57	57	57	57	60	83	91
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	16	16	16	16	16	22	22	20	20	19
Highways and Streets										
Street (miles)	374.42	377.37	378.26	378.26	378.61	378.61	379.36	378.10	378.95	378.95
Streetlights	9,926	9,990	9,966	9,982	9,982	10,167	10,287	10,347	10,347	10,378
Traffic signals	118	119	119	119	119	120	120	121	120	116
Culture and Recreation										
Community centers	7	7	7	7	7	6	7	7	7	6
Senior centers	1	1	1	1	1	1	1	1	1	1
Parks (10)	20	20	20	21	21	21	21	21	21	21
Parks acreage (1) (7)	917	917	917	948	948	948	948	948	948	948
Swimming pools	1	1	1	2	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	2,887	2,892	3,080	3,111	3,156	3,177	3,204	3,210	3,230	3,253
Storage capacity (thousands of gallons)	33,000	31,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Sewer										
Average daily sewage treatment (MGD)	10.86	10.68	12.99	11.09	10.57	10.35	12.20	11.33	12.97	11.19
Maximum daily sewage treatment (MGD)	26.37	28.65	33.69	29.54	31.68	31.03	39.07	30.47	38.82	32.95
Transit - route service buses (4)	37	37	38	38	39	39	39	39	39	39
Transit - paratransit service buses (5)	7	11	11	11	10	14	14	14	17	13
Facility and service not included in the reporting entity:										
Education										
Number of elementary schools (6)	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	575	575	513	519	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 increase in the number of route service buses is due to additional route covered according to the agreement with Liberty University.
- (5) GLTC purchased new paratransit buses to better serve the elderly population.
- (6) Kizer Elementary School used for Special Education, therefore, excluded from total number of elementary schools for reporting purposes.
- (7) 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 30

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

<b>Student Enrollment, Employees and Schools by Fiscal Year</b>										
<b>Description</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Elementary School Membership	3,916	3,936	3,934	3,968	3,987	3,975	4,020	3,921	3,982	3,985
Secondary School Membership	4,447	4,583	4,438	4,359	4,317	4,133	4,171	4,216	4,191	4,270
Total Membership	8,363	8,519	8,372	8,327	8,304	8,108	8,191	8,137	8,173	8,255
Teachers and Administrators (1)	774	780	759	977	851	836	850	967	1,019	994
Other Employees	482	482	449	466	478	505	458	426	434	479
Total Employees	1,256	1,262	1,208	1,443	1,329	1,341	1,308	1,393	1,453	1,473
Elementary Schools (2)	11	11	11	11	11	11	11	11	11	11
Secondary Schools	5	5	5	5	5	5	5	5	5	5
Total Buildings	16	16	16	16	16	16	16	16	16	16

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

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

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

<b>Grade</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
K	732	732	718	696	740	735	732	567	667	670
1	673	673	702	726	705	720	738	719	701	653
2	648	648	648	670	676	662	692	696	677	695
3	653	653	632	620	643	643	619	658	675	675
4	606	608	639	629	615	601	642	638	637	662
5	604	622	595	627	608	614	597	643	625	630
6	613	635	598	605	621	609	604	615	619	630
7	581	604	619	593	586	608	607	608	597	616
8	625	614	581	622	593	567	613	585	597	613
9	777	797	706	642	669	629	599	639	610	641
10	647	732	719	666	580	623	609	596	619	595
11	654	702	619	672	625	534	606	612	591	605
12	550	499	596	559	643	563	533	561	558	570
Total	8,363	8,519	8,372	8,327	8,304	8,108	8,191	8,137	8,173	8,255

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

## **COMPLIANCE SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *the Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia (the "City"), as of and for the year ended June 30, 2017, 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, 2017.

**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 instances of noncompliance or other matters identified as Items 2017-001 and 2017-002 in the accompanying schedule of findings and questioned costs, that are required to be reported under *Government Auditing Standards*.**

## City of Lynchburg, Virginia's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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, 2017

**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, 2017. 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, 2017.

### **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, 2017

**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, 2017.

***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, 2017.**



## 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, 2017

**CITY OF LYNCHBURG, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2017**

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, 2017**

**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>
Child Nutrition Cluster:	
National School Breakfast Programs	10.553
National School Lunch Programs	10.555
Airport Improvement Program	20.106
21 <sup>st</sup> Century Learning Centers	84,287
Foster Care – Title IV-E	93.658

8. The **threshold for** distinguishing Type A and B programs was **\$797,223**.
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, 2017**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

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

1.) 2017-001: System Controls – Department of Social Services

Condition:

The Virginia Department of Social Services requires review of local employees with access to OASIS, VaCMS, ADAPT, and EAS to determine if they have a current access request form on file and it agrees to the system access. We noted in our testing that two of the five employees selected did not have an access request form on file.

Recommendation:

Access to the various computer software programs should be reviewed annually, access updated accordingly, and the access request form maintained for each user.

Management's Response:

Management understands the importance of updating and documenting access for users to reflect the users need. The appropriate steps have been implemented to ensure review of software access.

2.) 2017-002: Commonwealth of Virginia Disclosure Statements

Condition:

The *Code of Virginia* designates individuals serving on the governing body of the City as well as those serving on other boards of the local government to submit statements of economic interest by a statutorily defined deadline. We noted seven individuals who did not submit their filings in accordance with this deadline and one individual who did not submit the filing.

Recommendation:

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

Management's Response:

Management concurs with the recommendation.

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

None.

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

None.