

**CITY OF
LYNCHBURG, VIRGINIA**

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2020

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2020

**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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December 1, 2020

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, 2020, is hereby submitted in accordance with the *City Code* and State statutes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the City. With reasonable assurance, based upon a comprehensive framework of internal controls, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows, as applicable, of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

The financial reporting entity includes all funds of the primary government (i.e., the City of Lynchburg), as well as its component units. The City provides a full range of municipal services including general administration, legal counsel, 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 (LCS), 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 December 2019. 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 82,168, Lynchburg is an important commercial center for the four-county region known as Central Virginia. It serves a regional population of just over 262,000 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 amongst themselves the 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

In 2018, the Office of Economic Development & Tourism launched a five year strategic action plan, the *Blueprint for Opportunity*. Centered around five goals, the framework will keep the City focused on growing and expanding Lynchburg's existing industry base, engaging anchor institutions, building a better workforce pipeline, enhancing tourism and neighborhood assets, and telling the City's story to the world.

The Lynchburg business community continues to lead the regional economy with significant capital investment and job creation. Since 2015, the Economic Development Authority and Office of Economic Development have leveraged \$98.6 million in private investment with \$5.8 million in support, retaining 135 jobs and creating 1,045 new jobs.

In March 2018, Tessy Plastics announced that it would invest \$9.2 million to expand its manufacturing operation to accommodate a new product line, creating 34 new jobs in the process. The 35,000 square-foot addition marked the fourth expansion to the Lynchburg plant and was completed in November 2019.

In October 2019, CloudFit Software announced that the company's new headquarters will locate in the historic Carter Glass Building in Downtown Lynchburg as part of a \$5 million renovation. CloudFit Software was founded in March 2018 by a group of cloud pioneers from Microsoft, serving Fortune 500 and Department of Defense customers. The company currently has hired 90 employees in 16 states and plans to add 139 jobs in the first three years of operation in Lynchburg. There are currently more than 3,700 employees working daily in Downtown Lynchburg.

Also, in October 2019, Starr Hill Brewery announced a new location to open on Main Street in early 2020. The brewery and taproom will lease nearly 4,000 total square feet, housing a 5-barrel brewing system. Starr Hill will also propose an outdoor seating area that will create a vibrant urban atmosphere. Also in October, The Water Dog restaurant was recognized with The Ordinary Award in the category of Restaurant of the Year by the Virginia Restaurant, Lodging & Travel Association (VRLTA), an organization that celebrates and honors all of Virginia's restaurants, lodging establishments and hotels, DMOs, attractions, and more.

As part of the Blueprint, the Office of Economic Development & Tourism has partnered with Campbell County to engage Edison Welding Institute (EWI). EWI is an advanced engineering service provider with applied research and development capabilities to support innovation in Lynchburg's existing advanced manufacturing sector and promote business expansion in the City.

The City of Lynchburg is headquarters to two of the major nuclear engineering companies in the country. In April 2018, Framatome Inc., a designer and supplier of nuclear steam supply system and nuclear equipment, services, and fuel for high levels of safety and performance, announced that it would relocate its North American corporate headquarters to the City of Lynchburg from Charlotte, North Carolina. The headquarters move makes Lynchburg the central hub for Framatome's 2,300 North American employees, more than half of which are in central Virginia.

In September 2019, Framatome opened its new SPEC 200 manufacturing facility in the City. SPEC 200 is an analog integration and control system that serves as part of the central nervous system of a nuclear plant. The move of the SPEC 200 facility marks the completion of the factory's move from China to the U.S.

Also headquartered in Lynchburg, BWX Technologies, Inc. is a leading supplier of nuclear components and fuel to the U.S. government. In April 2018, BWXT announced that it had acquired Sotera Health's Nordion medical isotope business. This acquisition accelerates and de-risks BWXT's entrance into the medical radioisotope market. The company will add licensed infrastructure, approximately 150 highly trained and experienced personnel and two production centers to BWXT.

In the education sector, Liberty University's School of Business completed a new building, spanning 78,000 square feet and reaching three stories. The new \$33 million building includes 12 Bloomberg stock-trading terminals and state-of-the-art telecommunication technology. Construction also began on a new 125,000 square-foot facility attached to the Vines Center to be used mostly for volleyball and basketball games. The arena is anticipated to open in 2020.

The City continues to maintain its role as an employment and commercial center for Central Virginia. Real property assessments have experienced slight growth and personal property assessments have experienced continued growth due to deals offered by dealerships leading to more registered vehicles in the City. Consumption driven revenues, including sales, meals, and lodging taxes, were impacted by the pandemic but significantly exceeded revised FY 2020 projections. Looking ahead, it is anticipated that real property assessments will grow as a result of the biennial (every two years) reassessment and personal property values are projected to grow compared to the FY 2020 Revised Adopted Budget. However, consumption tax revenues are projected to be lower than current year due to the continued economic impact of COVID-19.

The City received \$14.2 million from the Coronavirus Aid, Relief, and Economic Security Act. In an effort to support small business in the City of Lynchburg, \$4 million has been allocated to the Economic Development Authority to provide grants to the businesses impacted by the pandemic.

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 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.

During 2018 and 2019, several conversations with City Council and department heads have led to the identification of areas of needed focus, the development of ideas for how we move forward and robust consideration of how we determine our progress. *The Lynchburg Plan* is the outcome of months of conversations and thought about what our organization needs to do to set the path forward for long-term success. *The Lynchburg Plan* is broken down into 4 priority areas: the City's growing and redeveloping economy; exceptional neighborhoods and strong families; a resilient, agile, and innovative organization; and an impactful public schools. Within these priorities, eight goals have been set with operational initiatives and metrics to gauge progress. City Council continues to work through *The Lynchburg Plan* to ensure it correctly represents their vision for the City. City Council will receive updates on an annual basis.

Major Initiatives and Accomplishments

Education

For FY 2020, Lynchburg City Schools (LCS) was slightly ahead of FY 2019 having thirteen fully accredited schools and three accredited with conditions. LCS continues to make progress in achievement gaps for Math and English.

Infrastructure

Infrastructure improvements in FY 2020 include the ongoing Main Street Renewal project, the design of Lakeside Drive Bridge over Blackwater Creek, the design of the Police Department Headquarters, the replacement of Link Road Bridge, and the Riverside Park Overlook restoration.

Technology

The City once again was recognized nationally as a leader in using information technology to assist in service delivery. In its 19th annual Digital Cities Survey, eRepublic's Center for Digital Government and Digital Communities Program ranked Lynchburg first in the nation among city governments in the 75,000 – 124,999 population category. Lynchburg has been ranked in the top ten for sixteen consecutive years, being ranked first for communities of its size in four of those years.

Transportation

Greater Lynchburg Transit Company (GLTC) provides critical public bus and paratransit services for Lynchburg citizens. GLTC operates 14 bus routes within the City of Lynchburg and a portion of Madison Heights. Heavily impacted by COVID-19, GLTC is currently operating seven days a week with fare-free rides funded by CARES.

The City is also served by the Lynchburg Regional Airport, a Federal Aviation Administration-designated small non-hub commercial airport with significant general aviation flight and training activity. The Lynchburg Regional Airport received \$6,647,475 in CARES funding. These funds are available through June 2024 for revenue replacement. Before the economic impact of COVID-19, the airport had a total of 14 scheduled airline arrivals and departures daily. The Airport has been notified in November 2020 scheduled arrivals and departure will be back to 10 utilizing larger aircraft than before COVID-19 began.

Prospects for the Future

As the City moves forward in an ever changing environment, City staff continues to work diligently with community partners and the 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 keep 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, 2019. This is the City’s twenty-third consecutive year receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2019 Adopted Budget. This is the City’s fifteenth 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 supporting compliance with its Financial Policies.

Respectfully submitted,



Reid A. Wodicka, PhD
Interim City Manager



Donna S. Witt
Chief Financial Officer

CITY OF LYNCHBURG, VIRGINIA
COUNCIL-MANAGER FORM OF GOVERNMENT

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2020

CITY COUNCIL

Treney Tweedy, Mayor

MaryJane Dolan, Vice-Mayor
J. Randolph “Randy” Nelson
Sterling A. Wilder

Jeff S. Helgeson
Edgar J. T. Perrow, Jr., P.E.
Beau Wright

CITY OFFICIALS

Bonnie Svrcek
Reid Wodicka
Walter Erwin, III
Donna Witt

City Manager
Deputy City Manager
City Attorney
Chief Financial Officer

SCHOOL BOARD

Mrs. Susan Morrison, Chair

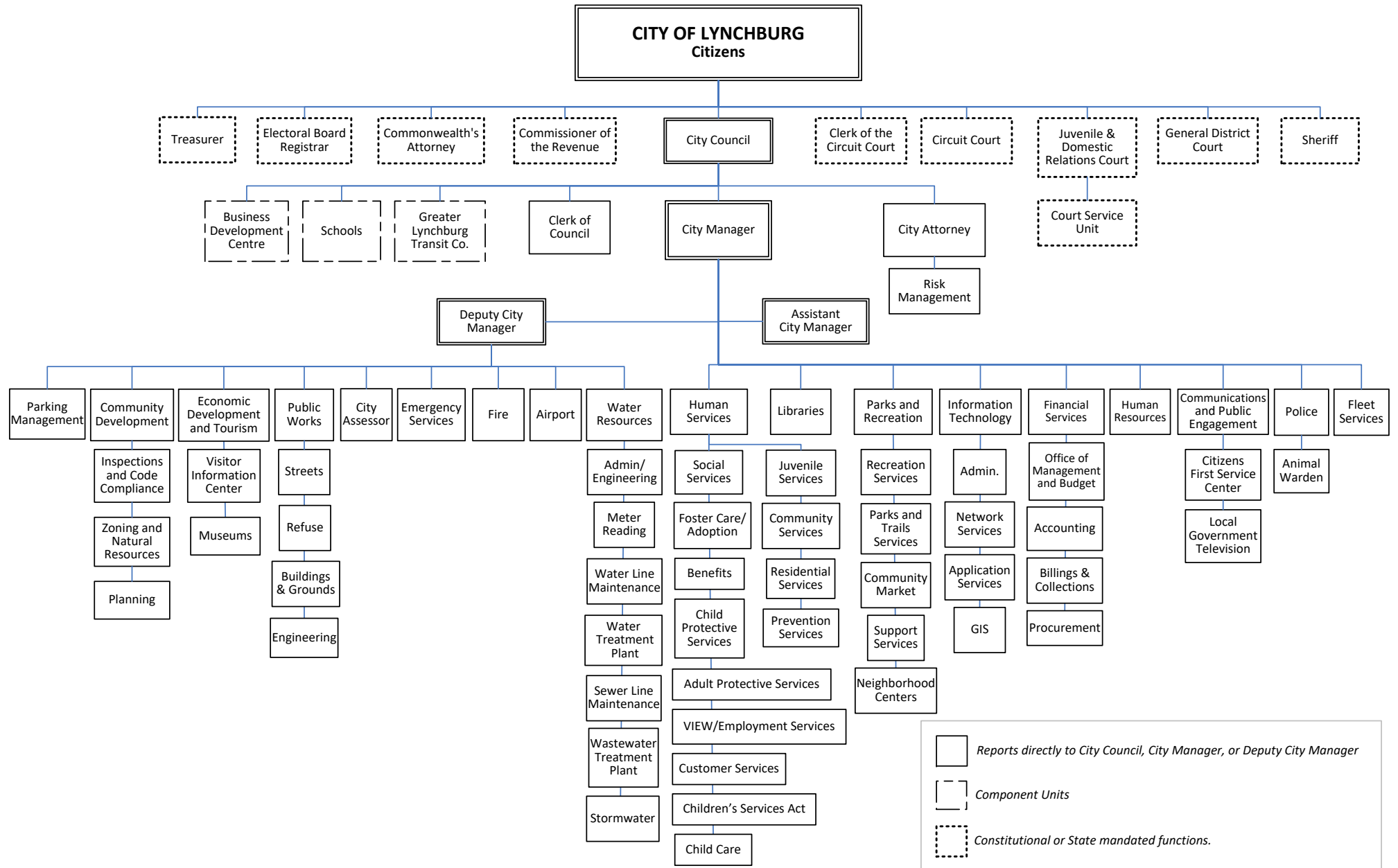
Dr. James E. Coleman, Vice Chair
Ms. Sharon Y. Carter
Dr. Robert O. Brennan
Mr. Gary E. Harvey

Dr. Atul Gupta
Mrs. Belle Evans
Dr. Kimberly A. Sinha
Dr. Michael Nilles

SCHOOL BOARD OFFICIALS

Dr. Crystal M. Edwards
Mr. Ben W. Copeland (through 05/22/20)
Mrs. Kimberly Lukanich

Superintendent of Schools
Deputy 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, 2019

Christopher P. Morrell

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, 2020, 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, 2020, 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 December 1, 2020, 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 solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 1, 2020

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, 2020. 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, 2020 by \$411.1 million (net position). Unrestricted net position of (\$78.9) million represented (\$91.4) million for governmental activities, which included the general fund, and \$12.5 million for business-type activities, which included the enterprise funds (water, sewer, stormwater, and airport).
- The general fund's unassigned fund balance of \$34.6 million was 17.9% of total general fund revenues, which were \$192.8 million. This was \$15.3 million more than the City Council adopted unassigned fund balance policy requirement of 10%, or \$19.3 million.
- In comparison with the prior fiscal year, the City's total net position increased 8.0%, or \$30.4 million, from FY 2019. Net position of governmental activities increased 11.0%, or \$14.7 million, from FY 2019; and, net position of business-type activities increased 6.3%, or \$15.7 million. The Schools' total net position decreased 1.1% or \$1.0 million, from FY 2019.
- The City's total revenues of \$273.8 million increased 0.4%, or \$1.0 million, and total expenses of \$243.4 million increased 0.7%, or \$1.8 million, from FY 2019. General revenues of \$149.9 million were \$30.4 million more than the expenses net of program revenues of \$119.5 million.
- For the current fiscal year, the City's total liabilities and deferred inflows of resources of \$676.1 million increased 2.6% or \$17.1 million from FY 2019.
- The City decreased its overall debt by \$5.3 million. Governmental activities increased by \$9.0 million and business-type activities decreased by \$14.3 million. This includes the issuance of new debt totaling \$50.4 million, of which \$36.5 million was for governmental activities and \$13.9 million was for business-type activities. Debt retirements, through a combination of planned retirements and debt refunding, totaled \$48.2 million; of which \$25.5 million was for governmental activities and \$22.7 million was for business-type activities. Additionally, there was a \$7.5 million overall decrease in the use of bond anticipation notes of which \$2.0 million was for governmental activities and \$5.5 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 postemployment 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 City's and the Schools' 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, 2020/2019
(in millions)***

	Governmental Activities		Business-Type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2020	2019	2020	2019	2020	2019	2020-2019	2020	2019
Current and other assets	\$ 162.3	\$ 127.6	\$ 67.4	\$ 88.8	\$ 229.7	\$ 216.4	6%	\$ 15.7	\$ 17.5
Capital assets	405.8	405.2	420.1	395.9	825.9	801.1	3%	6.7	7.0
Total assets	568.1	532.8	487.5	484.7	1,055.6	1,017.5	4%	22.4	24.5
Total deferred outflows of resources	27.0	18.6	4.6	3.6	31.6	22.2	42%	22.2	15.6
Long-term liabilities	354.8	369.3	214.3	230.8	569.1	600.1	-5%	108.1	101.8
Other liabilities	25.4	17.7	7.8	7.0	33.2	24.7	34%	11.8	13.6
Total liabilities	380.2	387.0	222.1	237.8	602.3	624.8	-4%	119.9	115.4
Total deferred inflows of resources	67.1	31.3	6.7	2.9	73.8	34.2	116%	17.4	16.4
Net Position									
Net investment in capital assets	235.9	236.3	250.8	235.1	486.7	471.4	3%	6.7	7.0
Restricted for Capital projects	0.7	0.7	-	-	0.7	0.7	0%	-	-
Restricted for Grants and other	2.6	2.8	-	-	2.6	2.8	-7%	-	-
Unrestricted	(91.4)	(106.7)	12.5	12.5	(78.9)	(94.2)	-16%	(99.4)	(98.7)
Total net position	\$ 147.8	\$ 133.1	\$ 263.3	\$ 247.6	\$ 411.1	\$ 380.7	8%	\$ (92.7)	\$ (91.7)

The City's total net position of \$411.1 million increased 8.0%, or \$30.4 million, from FY 2019.

Net investment in capital assets of \$486.7 million was 118.4% of total net position and increased 3.2%, or \$15.3 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 (\$78.9) million, which is comprised of (115.8%), or (\$91.4) million, for governmental activities, and 15.8%, or \$12.5 million, for business-type activities. Unrestricted net position available for providing services to the citizens increased 16.2%, or \$15.3 million from FY 2019. Restricted net position of \$3.3 million is comprised primarily of \$0.7 million of grant funds restricted for transportation projects and \$2.6 million of grant funds restricted mainly for public safety.

The Schools' component unit total net position of (\$92.7) million decreased 1.1%, or \$1.0 million from FY 2019. Unrestricted net position of (\$99.4) million decreased 0.7%, or \$0.7 million from FY 2019.

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, 2020/2019 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2020	2019	2020	2019	2020	2019	2020-2019	2020	2019
Revenues:									
Program Revenues:									
Charges for services	\$ 14.1	\$ 14.8	\$ 44.6	\$ 44.8	\$ 58.7	\$ 59.6	-2%	\$ 3.0	\$ 2.1
Operating grants/contributions	47.0	44.7	1.1	0.4	48.1	45.1	7%	68.4	69.2
Capital grants/contributions	4.2	8.3	12.9	11.8	17.1	20.1	-15%	-	-
General Revenues:									
Property taxes	85.5	81.4	-	-	85.5	81.4	5%	-	-
Other taxes	53.7	55.7	-	-	53.7	55.7	-4%	-	-
Unrestricted intergovernmental	6.4	6.4	-	-	6.4	6.4	0%	-	-
Interest	1.4	1.6	0.9	1.1	2.3	2.7	-15%	-	-
IRS Subsidy Build America Bonds	0.1	0.3	0.1	0.3	0.2	0.6	-67%	-	-
Miscellaneous	1.0	0.7	0.5	0.1	1.5	0.8	88%	1.6	0.9
Gain on sale of assets	0.2	0.4	0.1	-	0.3	0.4	-25%	-	-
City appropriation	-	-	-	-	-	-	-	37.4	38.3
Total Revenues	213.6	214.3	60.2	58.5	273.8	272.8	0%	110.4	110.5
Expenses:									
General government	14.4	13.7	-	-	14.4	13.7	5%	-	-
Judicial	6.5	6.7	-	-	6.5	6.7	-3%	-	-
Public safety	49.5	49.9	-	-	49.5	49.9	-1%	-	-
Public works	29.0	29.6	-	-	29.0	29.6	-2%	-	-
Health and human services	30.8	28.2	-	-	30.8	28.2	9%	-	-
Cultural and recreational	10.4	10.8	-	-	10.4	10.8	-4%	-	-
Community development	6.4	6.6	-	-	6.4	6.6	-3%	-	-
Education	45.0	45.8	-	-	45.0	45.8	-2%	111.4	106.1
Interest & other fiscal charges	6.2	7.0	-	-	6.2	7.0	-11%	-	-
Issuance costs	0.7	-	-	-	0.7	-	100%	-	-
Stormwater	-	-	3.4	3.1	3.4	3.1	10%	-	-
Airport	-	-	5.1	5.0	5.1	5.0	2%	-	-
Water	-	-	15.0	14.9	15.0	14.9	1%	-	-
Sewer	-	-	21.0	20.3	21.0	20.3	3%	-	-
Total Expenses	198.9	198.3	44.5	43.3	243.4	241.6	1%	111.4	106.1
Increase in net position before transfers	14.7	16.0	15.7	15.2	30.4	31.2	-3%	(1.0)	4.4
Transfers	-	0.2	-	(0.2)	-	-	-	-	-
Increase in net position	14.7	16.2	15.7	15.0	30.4	31.2	-3%	(1.0)	4.4
Net position beginning	133.1	116.9	247.6	232.6	380.7	349.5	9%	(91.7)	(96.1)
Net position ending	\$147.8	\$133.1	\$263.3	\$247.6	\$411.1	\$380.7	8%	\$(92.7)	\$(91.7)

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 \$147.8 million increased 11.0%, or \$14.7 million from FY 2019.

Revenue highlights:

Revenues from governmental activities of \$213.6 million decreased 0.3%, or \$0.7 million from FY 2019.

Program revenues, specifically charges for services of \$14.1 million had an overall decrease of \$0.7 million. The decrease is primarily attributed to the following: \$0.7 million decrease in program income from the Community Development Block grant; \$0.1 million decrease in cultural and recreation fees; \$0.2 million decrease in ambulance service fees; \$0.1 million increase in court fines and fees; \$0.4 million increase in residential trash disposal fees; and \$0.2 million decrease in health and human services fees.

Operating grants and contributions increased \$2.3 million. The increase is primarily attributed to the following: \$0.5 million increase in public safety grants; \$0.4 million increase in public works grants from Coronavirus Aid, Relief, and Economic Security (CARES) Act funds; \$1.3 million increase in health and human services grants; and \$0.1 million increase in Community Development Block grant funds.

Capital grants and contributions decreased \$4.1 million. The decrease is mainly attributed to the following: \$0.3 million decrease in contributions for assets donated to the City; \$1.6 million decrease in contributions from Liberty University for the Liberty University Intramural Field Road, Phase III project; \$2.7 million decrease in reimbursements from the Virginia Department of Transportation (VDOT) revenue sharing program; \$0.1 million decrease in Safe Route to Schools grant funds; \$0.9 million increase in Transportation Alternative Grant funds; and \$0.3 million decrease in capital contributions from the Schools.

General revenues, specifically property taxes of \$85.5 million, increased \$4.1 million. Property taxes are comprised mainly of real property and personal property taxes. The City's general reassessment of real property occurs biennially and is effective on July 1 of the fiscal year. Real estate taxes increased \$2.7 million and personal property taxes increased \$1.4 million.

Other taxes revenue of \$53.7 million decreased \$2.0 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 decrease is primarily attributed to the following: \$0.6 million increase in local sales tax; \$1.4 million decrease in meals tax; \$0.1 million decrease in consumer utility taxes; \$0.2 million increase in business license tax; \$0.4 million decrease in bank stock tax; \$0.2 million decrease in amusement tax; and \$0.5 million decrease in lodging tax.

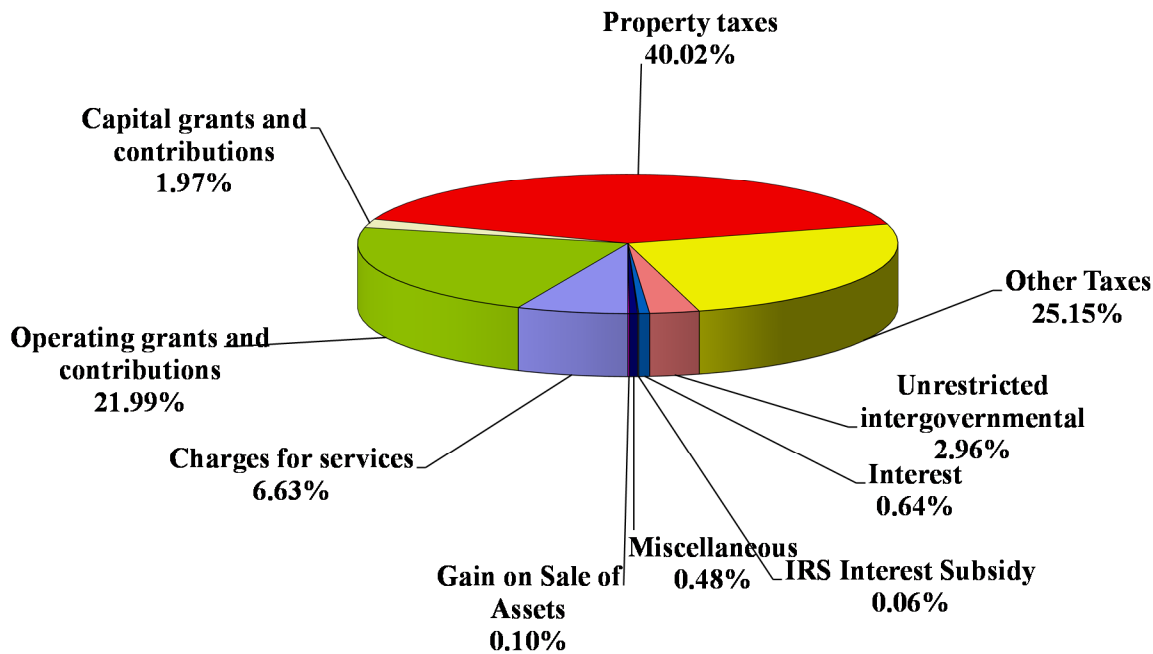
Interest revenue of \$1.4 million decreased \$0.2 million primarily due to lower interest rates during FY 2020.

In accordance with the issuance of Build America Bonds, the City received \$0.1 million for IRS interest subsidy.

Miscellaneous revenue increased \$0.3 million primarily due to the increase in profit sharing from the Regional Services Authority.

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

Revenue by Source-Governmental Activities



Expense highlights:

Governmental activities expenses of \$198.9 million increased 0.3%, or \$0.6 million from FY 2019.

General government expenses increased \$0.7 million. The increase is primarily due to a combination of increases and decreases. Increases included: \$0.7 million in pension expense; \$0.3 million in workers compensation payments; and \$0.3 million in computer equipment. Other postemployment benefits decreased \$0.5 million.

Public safety expenses decreased \$0.4 million primarily due to a combination of increases and decreases. Increases included: \$0.2 million for overtime expenses; \$0.2 million for salaries; \$0.2 million for certification pay; and \$2.2 million for pension expense. Decreases included \$0.6 million for health benefits; \$0.5 million for professional liability insurance; and \$2.3 million in other postemployment benefits.

Public works expenses decreased \$0.6 million primarily due to a combination of increases and decreases. Increases included \$0.3 million for depreciation expense and \$0.6 million for pension expense. Decreases included: \$0.2 million for chemicals; \$0.6 million for improvements to streets and roads; and \$0.6 million in other postemployment benefits.

Health and human services expenses increased \$2.6 million primarily due to increases in public assistance expenses for adoption and children's services for foster care and community based services.

Education expenses decreased \$0.8 million due to a decrease in the local contribution to the schools.

Interest and other fiscal charges decreased \$0.8 million due to the defeasance of the 2009B refunded bonds and decreased interest costs for FY 2020.

Issuance costs increased \$0.7 million due to the issuance of General Obligation Public Improvement Bonds, Series 2020 and a line of credit financing agreement issued in June.

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 2020/2019
(in millions)***

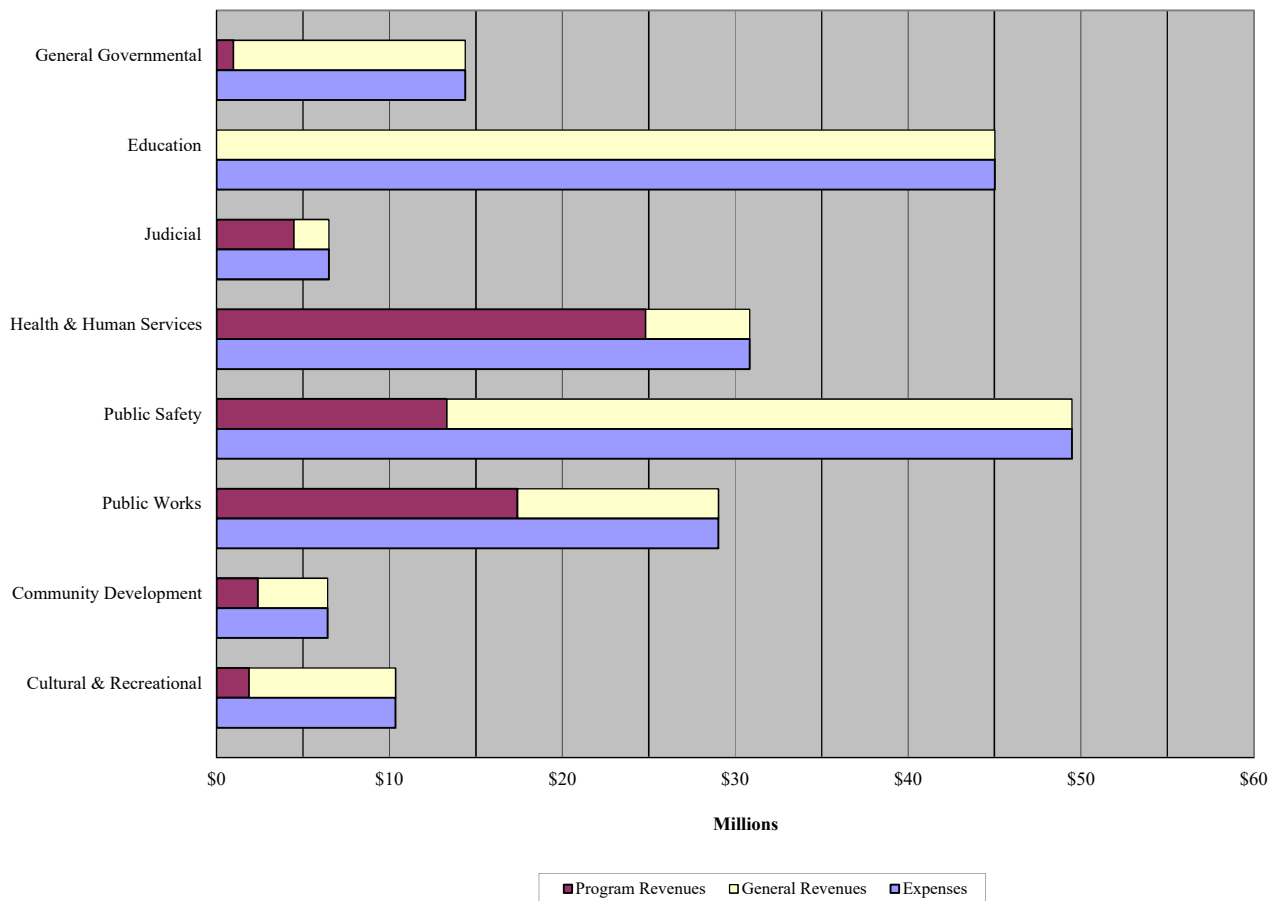
Governmental Activity	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2019	2020-2019	2020	2019	2020-2019
General government	\$ 14.4	\$ 13.7	5%	\$ 13.4	\$ 12.4	8%
Judicial	6.5	6.7	-3%	2.0	2.3	-13%
Public safety	49.5	49.9	-1%	36.2	36.8	-2%
Public works	29.0	29.6	-2%	11.6	8.7	33%
Health and human services	30.8	28.2	9%	6.0	4.4	36%
Cultural and recreational	10.4	10.8	-4%	8.5	9.6	-11%
Community development	6.4	6.6	-3%	4.0	3.8	5%
Education	45.0	45.8	-2%	45.0	45.5	-1%
Interest payments & other fiscal charges	6.2	7.0	-11%	6.2	7.0	-11%
Issuance Costs	0.7	-	100%	0.7	-	100%
Total Governmental Activities	<u>\$ 198.9</u>	<u>\$ 198.3</u>	<u>0.3%</u>	<u>\$ 133.6</u>	<u>\$ 130.5</u>	<u>2%</u>

The four largest funded programs were public safety at 24.9%, or \$49.5 million; local support for education at 22.6%, or \$45.0 million; health and human services at 15.5%, or \$30.8 million; and public works at 14.6%, or \$29.0 million. Education and public safety continued to be high priorities for the City.

The governmental activities total cost of services increased 0.3% from the prior year with a 2.0% increase in the net cost of services. The Statement of Net Position shows that the \$198.9 million in governmental activities program expenses were financed by \$14.1 million from those receiving services, \$47.0 million from operating grants and contributions, \$4.2 million from capital grants and contributions, and \$133.6 million from general revenues. Overall, general revenues of \$148.3 million were \$14.7 million more than the \$133.6 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.

Program Expenses and Program Revenues - Governmental Activities



Business-type Activities

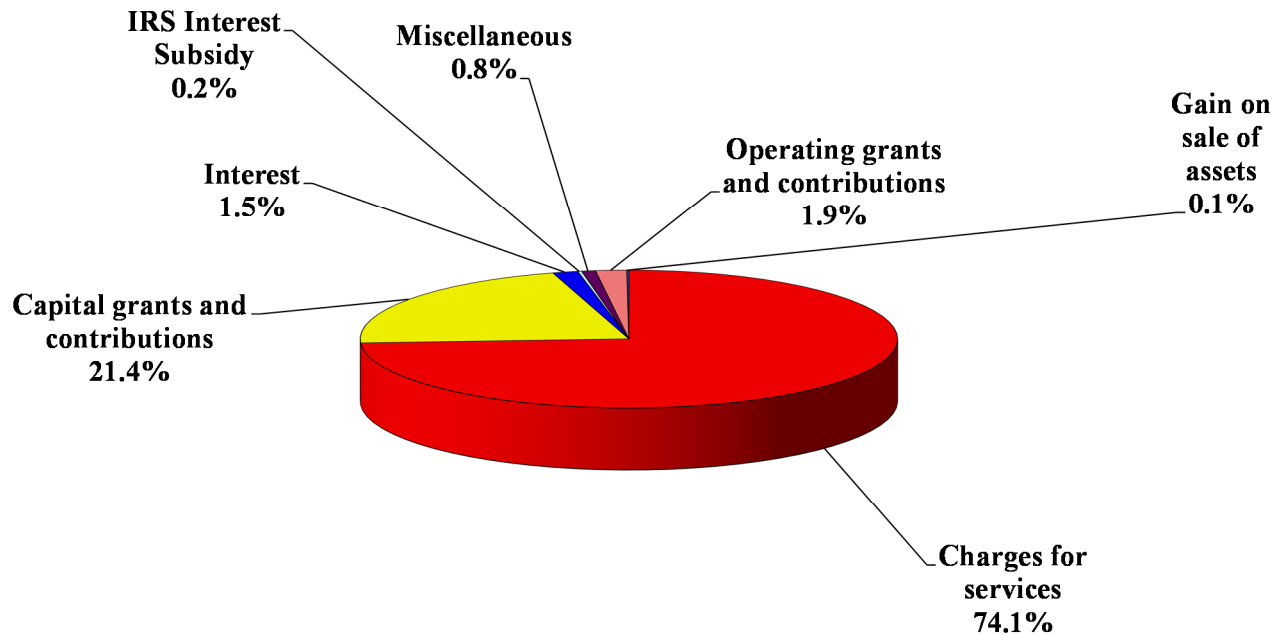
The business-type activities are comprised of enterprise funds for water, sewer, stormwater, and airport operations. Total net position of \$263.3 million increased 6.3%, or \$15.7 million from FY 2019.

Revenue highlights:

Business-type activities revenues of \$60.2 million increased \$1.7 million from the prior year. This was primarily due to a combination of increases and decreases. Increases included: \$0.4 million in the water fund for charges for services; \$0.7 million in the airport fund for CARES Act funds; \$0.6 million for a Stormwater local assistance fund grant; \$0.9 million for capital grants for the airport fund primarily for a passenger boarding bridge; and \$0.4 million in miscellaneous revenue. Decreases included: \$0.2 million in charges for services for the airport fund; \$0.5 million in charges for services in the sewer fund; and \$0.3 million in the water fund for contributions from Liberty University for the Liberty University Intramural Field Road, Phase III project; \$0.1 million decrease in interest; and \$0.1 million decrease in IRS interest subsidy.

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

Revenues by Source - Business-type Activities



Expense highlights:

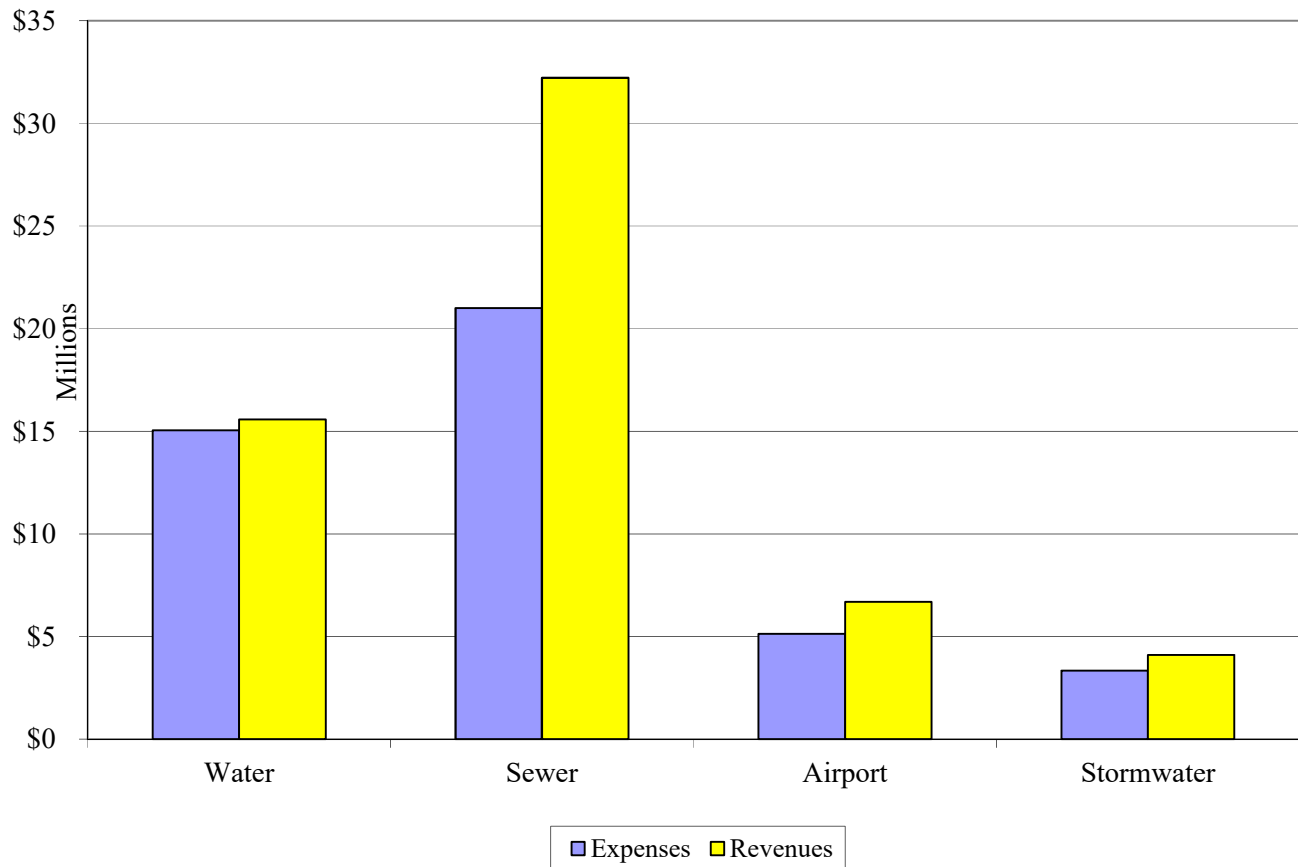
Business-type activities expenses of \$44.5 million increased \$1.2 million from the prior year.

Overall, business-type activities revenues of \$60.2 million were \$15.7 million more than expenses of \$44.5 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 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 (\$92.7) million decreased 1.1% or \$1.0 million, from FY 2019. Unrestricted net position of (\$99.4) million decreased 0.7% or \$0.7 million from FY 2019.

Revenue Highlights

Total revenues of \$110.7 million increased 0.2% or \$0.2 million in comparison with the prior year fund financial statements. For FY 2020, \$68.7 million or 62.1% of total revenues were received from the Commonwealth of Virginia and the Federal Government as compared to \$69.2 million received in FY 2019. State sales tax receipts were \$11.8 million for FY 2020. The City government contributed \$37.4 million or 33.8% to education. Federal revenues of \$13.8 million included the \$4.6 million from Title I funds to provide educational services to economically disadvantaged students. School Nutrition revenues of \$5.2 million included \$4.6 million from the Federal government for the operation of the breakfast and lunch programs. Other revenue sources of \$4.6 million or 4.2% of the total revenues included the following: school meals sales; facility and transportation rentals; and other miscellaneous sources.

Expenditure Highlights

Total expenditures of \$110.4 million increased slightly by \$0.7 million from the prior year fund financial statements. For FY 2020, \$77.5 million or 70.2% of total expenditures related directly to providing instruction to an enrollment of 7,933 students and \$15.9 million or 14.4% supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were \$5.3 million or 4.8% of total expenditures while administration costs for the schools and attendance and health services for students were \$6.1 million or 5.5%. Technology costs were \$3.8 million or 3.4% of total expenditures. Capital outlay costs were \$1.8 million or 1.6% of total expenditures.

FUND FINANCIAL ANALYSIS

Governmental Funds

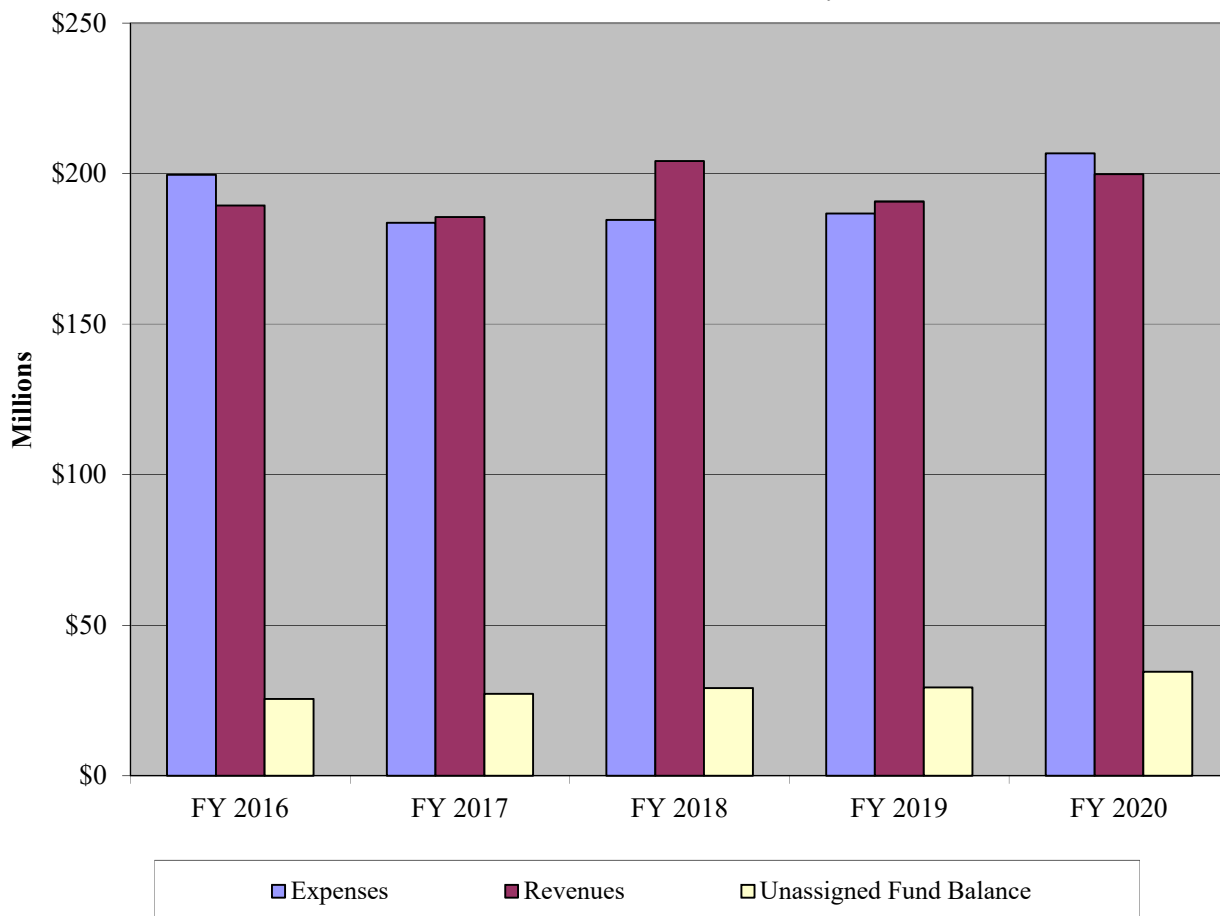
Governmental funds include the general fund, special revenue funds, and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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 2020, the City's governmental funds reported combined fund balances of \$109.7 million, an increase of \$20.1 million from FY 2019. Of that amount, \$3.2 million was restricted; \$61.8 million was committed; \$10.1 million was assigned; and \$34.6 million was unassigned. The general fund's decrease in fund balance was \$6.8 million. The City capital projects fund's increase in fund balance was \$26.3 million. The increase is attributed to the issuance of general obligation bonds for capital projects. The school capital projects fund's increase in fund balance was \$1.0 million and was due to the increase in borrowing for capital projects. Special revenue funds decrease in fund balance was \$0.4 million.
- As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.7% of total general fund expenditures, while total fund balance represents 33.2% 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 2020 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

<u>Description</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Amended versus Actual</u>
<u>Revenues & Other Financing Sources</u>				
Taxes	\$ 138.4	\$ 133.8	\$ 139.0	\$ 5.2
Intergovernmental	38.0	38.5	38.1	(0.4)
Other	<u>15.3</u>	<u>21.9</u>	<u>22.6</u>	<u>0.7</u>
Total	<u>191.7</u>	<u>194.2</u>	<u>199.7</u>	<u>5.5</u>
<u>Expenditures & Other Financing Uses</u>				
Expenditures	189.4	207.7	198.2	9.5
Transfers	<u>6.1</u>	<u>8.1</u>	<u>8.1</u>	<u>-</u>
Total	<u>195.5</u>	<u>215.8</u>	<u>206.3</u>	<u>9.5</u>
<u>Change in Fund Balance</u>	<u>\$ (3.8)</u>	<u>\$ (21.6)</u>	<u>\$ (6.6)</u>	<u>\$ 15.0</u>

Actual expenditures and other financing uses of \$206.3 million was more than revenues and other financing sources of \$199.7 million by \$6.6 million, which resulted in a negative change in fund balance that was less than the amended budget projected decrease of \$21.6 million. The FY 2020 adopted budget included the use of \$3.8 million of the FY 2019 General Fund's unassigned fund balance primarily to resource a planned \$5.0 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 fleet vehicle replacements; 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 2020) 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, with the goal of moving towards the target of fifteen percent (15%). In summary, actual revenues were above the amended budget by \$5.5 million and actual expenditures were below the amended budget by \$9.5 million, resulting in a \$15.0 million increase in fund balance for FY 2020.

Actual revenues were greater than estimated and within 2.8%, or \$5.5 million, of the amended budget. Personal property, real estate, public service corporations, motor vehicle license, sales and use, business license, permits and fees, meals, and lodging taxes were above the amended budget for FY 2020. Intergovernmental revenue was on pace with the amended budget.

Actual expenditures and transfers were \$9.5 million less than the FY 2020 amended budget and mostly attributable to the following unexpended appropriations:

- \$1.8 million for general government
- \$0.2 million for judicial
- \$1.4 million for public safety
- \$0.3 million for public works
- \$0.3 million for health and human services
- \$0.6 million for cultural and recreational
- \$0.5 million for community development
- \$4.1 million for education
- \$0.3 million for debt service

Keeping consistent with Council adopted Financial Policies, City Council appropriated \$1.2 million for a General Fund Reserve for Contingencies. City Council authorized 80.0%, or \$1.0 million in expenditures from this contingency. The remaining 20.0%, or \$0.2 million, reverted to unassigned fund balance.

From the original budget of \$195.5 million, City Council approved budget amendments to increase the budget 10.4%, or \$20.3 million, resulting in an amended budget of \$215.8 million. The budget amendments were primarily for the following purposes:

- \$21.0 million increase for the issuance of refunding bonds.
- \$2.6 million net decrease 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 2020 amendment was primarily for reductions in revenues/expenditures due to the COVID-19 pandemic.
- \$2.0 million increase in transfers to other funds.
- \$1.0 million increase to the budget for unexpended items requested to be re-appropriated in the current year to continue programs (first quarter carryforward).

City Capital Projects Fund

The City capital projects fund accounts for the major construction projects of the City other than those financed by proprietary funds or the school capital projects fund. Annually, the City adopts a five year capital project plan. Year one of the plan is appropriated for current year expenditures. The fund balance of \$42.1 million increased 166.5%, or \$26.3 million from FY 2019.

Revenues, issuance of bonds, and transfers of \$47.2 million increased 184.3%, or \$30.6 million primarily due to the following:

- \$33.1 million increase in bond proceeds
- \$0.7 million increase in line of credit proceeds
- \$0.3 million increase in transfers from other funds
- \$1.9 million decrease in state and federal funding
- \$1.6 million decrease in contributions from Liberty University

Expenditures, capital outlay, and transfers of \$20.9 million decreased 6.3%, or \$1.4 million primarily due to the following:

- \$2.1 million increase in Lakeside Drive Bridge over Blackwater Creek
- \$1.8 million increase in Indian Hill Road Bridge Repair
- \$0.9 million increase in Bikeway Bridge to Linkhorne Renovation
- \$0.8 million increase in John Capron Road Extension
- \$0.8 million increase in State of Good Repair 2019 Fort Avenue Paving
- \$0.7 million increase in Main Street Renewal
- \$0.6 million increase in College Lake Dam Removal
- \$0.5 million increase in Riverside Park Overlook Restoration
- \$0.4 million increase in Midtown Parking Deck
- \$0.4 million increase in debt issuance costs
- \$3.4 million decrease in Main Street Bridge Over Expressway
- \$2.8 million decrease in Liberty University Intramural Field Road, Phase III
- \$1.6 million decrease in Street Overlay Program
- \$1.1 million decrease in Fifth Street Streetscape Improvements, Phase III
- \$0.6 million decrease in Timberlake Rd at Logans Lane
- \$0.4 million decrease in Wards Ferry Road Widening
- \$0.3 million decrease in Miller Park Retaining Wall Restoration
- \$0.3 million decrease in transfers

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 \$3.3 million increased \$1.0 million, from FY 2019.

Revenues, issuance of bonds, and transfers of \$4.9 million increased 28.9%, or \$1.1 million. The increase is attributable to the following:

- \$1.4 million increase in proceeds from line of credit for roof replacement projects at Paul Munro, Linkhorne, Dunbar and Sheffield Elementary Schools
- \$0.4 million increase in proceeds from bond funding for Bedford Hills and Perrymont Elementary School gym additions; Bedford Hills Elementary and Dunbar Middle School chiller replacements.
- \$0.3 million decrease in Lynchburg City Schools capital contribution
- \$0.3 million decrease in transfers from the general fund

Expenditures and capital outlay of \$3.9 million increased 95.0%, or \$1.9 million primarily due to the following:

- \$0.8 million increase in Sheffield Elementary School gym addition
- \$0.8 million increase in Bedford Hills Elementary School gym addition
- \$0.6 million increase in Heritage Elementary School roof replacement
- \$0.5 million increase in School Administration Building HVAC upgrade
- \$0.2 million increase in Dunbar Middle School HVAC replacement
- \$0.2 million increase in R.S. Payne Elementary School roof replacement
- \$0.2 million increase in paving for Heritage Elementary School
- \$0.1 million increase in Linkhorne Middle School boiler replacement
- \$0.1 million increase in Linkhorne Middle School chiller rebuild
- \$0.6 million decrease in Linkhorne Middle School roof replacement
- \$0.3 million decrease in elementary school gym additions
- \$0.2 million decrease in Dearington Elementary School roof replacement
- \$0.2 million decrease in E.C. Glass roof replacement
- \$0.1 million decrease in Linkhorne Middle School track replacement
- \$0.1 million decrease in Sandusky Middle School track resurfacing

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 \$33.9 million increased 4.3%, or \$1.4 million, from FY 2019. Net investment in capital assets of \$31.5 million increased 4.0%, or \$1.2 million. Net investment in capital assets was 92.9% of total net position. Unrestricted net position available to fund future expenses increased by 9.1% or \$0.2 million. This was primarily due to an antitrust lawsuit settlement for liquid aluminum sulfate price fixing. Operating revenues totaled \$15.6 million, and increased 3.3%, or \$0.5 million primarily due to overall increased water sales for both contract and noncontract customers. Operating expenses totaled \$13.4 million, and increased 6.3% compared to FY 2019. This was mostly attributable to increased expenses to other postemployment benefits obligations. Investment earnings decreased \$0.07 million. For FY 2020, the fund balance ratio was 60.0% as compared to City Council's financial policy target range of 25% to 40%. The debt coverage ratio was 1.67 as compared to City Council's financial policy minimum target of 1.20.

Sewer Fund

The sewer fund's total net position of \$185.3 million increased 6.9%, or \$11.9 million, from FY 2019. Net investment in capital assets of \$177.6 million increased 8.1%, or \$13.3 million, primarily due to completion of capital projects and increased activity of other projects that are on-going. Net investment in capital assets was 95.8% of total net position. Unrestricted net position available to fund future expenses decreased by 15.4%, or \$1.4 million. This was primarily due to reduction of cash and cash equivalents that funded capital projects. Unrestricted net position was 4.2%, or \$7.7 million of total net position. Operating revenues totaled \$23.2 million and decreased 2.1% or \$0.5 million from FY 2019. This was mostly attributable to decreased septic hauler charges. Operating expenses totaled \$19.8 million and increased 2.6% or \$0.5 million. This was largely due to increased cost of administration and depreciation expenses. Investment earnings decreased \$0.06 million. For FY 2019, the fund balance ratio was 46.0% as compared to City Council's financial policy target range of 25% to 40%. The debt coverage ratio was 1.61 as compared to City Council's financial policy minimum target of 1.20 and was in compliance with the Consent Special Order for Combined Sewer Overflows (CSO) Long Term Control Plan requirements. Please refer to Table 23 in the Statistical Section of this report for details.

Stormwater Fund

The stormwater fund's total net position of \$7.7 million increased 11.6%, or \$0.8 million from FY 2019. Net investment in capital assets of \$6.5 million increased 32.7%, or \$1.6 million primarily due to completion of capital projects and increased activity of capital projects that are on-going. Net investment in capital assets was 84.4% of total net position. Unrestricted net position available to fund future expenses decreased by 40.0%, or \$0.8 million. This was primarily due to reduction of cash and cash equivalents that funded capital projects. Unrestricted net position was 15.6%, or \$1.2 million, of total net position. Operating revenues totaled \$3.5 million and were unchanged from the prior year. Operating expenses totaled \$3.4 million and increased 6.2%, or \$0.2 million due to increased supplies, materials expenses. Investment earnings decreased \$0.02 million. For FY 2020, the fund balance ratio was 44.0% as compared to City Council's financial policy target range of 15% to 20%. The debt coverage ratio was 5.93 as compared to City financial policy minimum target of 1.20. Please refer to Table 24 in the Statistical Section of this report for details.

Airport Fund

The airport fund's total net position of \$40.2 million increased 4.1%, or \$1.6 million, from FY 2019. Net investment in capital assets, of \$35.2 million decreased \$0.2 million, or 0.6% from the prior year. Net investment in capital assets was 87.6% of total net position. Net position, unrestricted, increased 61.3%, or \$1.9 million from FY 2019. Unrestricted net position was 12.4%, or \$5.0 million, of net position. Operating revenues were \$3.4 million, an increase of \$0.5 million or 17.2%. Operating expenses totaled \$5.1 million, an increase of 2.0% or \$0.1 million from FY 2019. Capital contributions totaled \$3.0 million, an increase of 42.9%, or \$0.9 million, and reflects an increase of state and federal contributions received for airport capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of depreciation, were \$825.9 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 \$6.7 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

Capital Assets As of June 30, 2020/2019 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2020	2019	2020	2019	2020	2019	2020-2019	2020	2019
Capital assets, not being depreciated:									
Land	\$ 23.4	\$ 23.4	\$ 5.1	\$ 5.1	\$ 28.5	\$ 28.5	0%	\$ -	\$ -
Construction in progress	17.5	15.3	57.2	38.4	74.7	53.7	39%	-	-
Capital assets, being depreciated:									
Land improvements	63.1	62.7	14.2	13.3	77.3	76.0	2%	-	-
Buildings and improvements	314.2	308.0	69.8	65.1	384.0	373.1	3%	-	-
Infrastructure	327.4	316.4	492.2	480.6	819.6	797.0	3%	-	-
Machinery and equipment	56.7	54.7	26.6	24.6	83.3	79.3	5%	18.9	18.4
Less: Accumulated depreciation	(396.5)	(375.3)	(245.0)	(231.2)	(641.5)	(606.5)	6%	(12.2)	(11.4)
Total Capital Assets	<u>\$ 405.8</u>	<u>\$ 405.2</u>	<u>\$ 420.1</u>	<u>\$ 395.9</u>	<u>\$ 825.9</u>	<u>\$ 801.1</u>	<u>3%</u>	<u>\$ 6.7</u>	<u>\$ 7.0</u>

During FY 2020 the City's net increase in capital assets was 3.1% or \$24.8 million. Major capital assets completed and placed in service included the following:

- Liberty University Intramural Field Road, Phase III was completed with \$2.3 million of Liberty contributed funds and \$2 million in VDOT contributions.
- Timberlake Road at Wards Ferry Rd, Phase I was completed with \$2.9 million general obligation bonds and \$3.0 million in VDOT contributions.
- Fifth Street Streetscape Improvements, Phase III was completed with \$1.1 million general obligation bonds, and \$1.1 million in VDOT contributions.
- Rock Castle Creek Stream Restoration (Stormwater) was completed for \$2.0 million with funds from Stormwater Local Assistance Funds (SLAF) grant and a loan from the Virginia Resource Authority (VRA).
- Wastewater Treatment Plant Operations Building Renovations was completed for \$4.3 million with general obligation bonds and line of credit proceeds.
- Denver Avenue Water and Sewer Improvements were completed for \$2.7 million with general obligation bonds and line of credit proceeds.
- Fifth Street Phase III Sewer Improvements were completed for \$1.2 million with general obligation bonds and line of credit.

Construction-in-progress at the end of FY 2020 includes John Capron Rd Extension; College Lake Dam Removal; Bikeway Bridge to Linkhorne Renovation; Main Street Renewal; College Lake Dam Removal; Route 501/221 One Way Pair; along with various other transportation and building projects; various sewer system evaluation and rehabilitation projects; various waterline distribution projects; and CSO Wastewater Treatment Plant Upgrade Project. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term Debt

Total outstanding debt was \$374.2 million with \$187.9 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$186.3 million. Liabilities of \$7.4 million for compensated absences and workers compensation were excluded.

Long-term Debt Obligations As of June 30, 2020/2019 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2020	2019	2020	2019	2020	2019	2020-2019
General obligation bonds	\$ 173.5	\$ 160.5	\$ 73.0	\$ 76.6	\$ 246.5	\$ 237.1	4%
General obligation-Direct borrowing	9.2	10.8	0.9	1.2	10.1	12.0	-16%
Revenue bonds	-	-	113.9	118.8	113.9	118.8	-4%
Bond anticipation notes	0.5	2.5	0.1	5.6	0.6	8.1	-93%
Other long-term payables	3.1	3.5	-	-	3.1	3.5	-11%
Total	<u>\$ 186.3</u>	<u>\$ 177.3</u>	<u>\$ 187.9</u>	<u>\$ 202.2</u>	<u>\$ 374.2</u>	<u>\$ 379.5</u>	<u>-1%</u>

Total new debt of \$50.4 million was issued, of which \$36.5 million was for governmental activities, and \$13.9 million was for business-type activities and includes:

- \$49.4 million of general obligation public improvement bonds, of which \$36.5 million was for governmental activities and \$12.9 million was for business-type activities.
- \$1.0 million of revenue bonds issued from the Virginia Revolving Loan Program for stormwater capital projects, all of which was for business-type activities.

The City retired \$48.2 million of outstanding principal. The governmental activities principal retirements were \$25.5 million and the business-type activities principal retirements were \$22.7 million and include:

- \$20.8 million in planned principal retirements, of which \$11.7 million was for governmental activities and \$9.1 million was for business-type activities.
- \$27.4 million of refunded principal payments, of which \$13.8 million was for governmental activities and \$13.6 million was for business-type activities.

There was a \$7.5 million reduction in the use of bond anticipation notes, of which \$2.0 million was for governmental activities and \$5.5 million was for business-type activities. The changes include:

- \$7.8 million increase of the Series 2018 bond anticipation note, of which \$3.9 million was for governmental activities and \$3.9 million was for business-type activities.
- \$15.9 million pay-off of the Series 2018 bond anticipation note, of which \$6.4 million was for governmental activities and \$9.5 million was for business-type activities. The Series 2018 bond anticipation note was permanently financed with a portion of the proceeds from the \$49.4 million general obligation public improvement bond issue.
- \$0.6 million increase of the Series 2020 bond anticipation note, of which \$0.5 million was for governmental activities and \$0.1 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. These credit ratings were obtained in December 2019 for the City's issuance of \$49.4 million General Obligation Public Improvement Bonds, Series 2020 on January 30, 2020 and again in October 2020 for the City's issuance of \$15.3 million General Obligation Public Improvement Refunding Bonds, Series 2020B on October 29, 2020. All three agencies noted the City's strong management and financial policies and practices when reaffirming the ratings.

On January 15, 2020, the City had a successful general obligation bond sale. The City received nine electronic bids and awarded the \$49.4 million General Obligation Public Improvement, Series 2020 bonds to Robert W. Baird & Co, Inc., at a final All-In-True Interest Cost of 2.27%. The bonds closed on January 30, 2020. The proceeds were used to permanently finance projects funded with the General Obligation Bond Anticipation Note, Series 2018 and to fund new construction projects, including the Lakeside Drive Bridge project.

On June 30, 2020 the City issued a three-year General Obligation Bond Anticipation Note, Series 2020 and concurrently entered into a line of credit Financing Agreement with JPMorgan Chase, N.A. The Agreement provided for borrowings of up to \$42.0 million to provide interim financing for qualifying city, school, water, sewer, stormwater, and fleet capital improvements. Interest on the unpaid principal is equal to the sum of (i) 80% times Daily One-Month London Interbank Offered Rate (LIBOR), plus (ii) 0.96%, as calculated by the Lender on each day. Interest shall be computed on the basis of the actual number of days elapsed in a 360-day year and paid monthly. Final maturity of the Note is June 15, 2023. Outstanding principal as of June 30 is \$0.6 million. The unused line of credit is \$41.4 million.

On October 15, 2020, the City had a very successful general obligation refunding bond sale. The City received four electronic bids and awarded the \$15.3 million General Obligation Public Improvement Refunding Bonds, Series 2020B to Jefferies LLC., at a final All-In-True Interest Cost of 0.98%. The refunding achieved aggregate debt service savings of \$2.79 million or 14.4% of the total refunded par amount on the Net Present Value basis. The bonds closed on October 29, 2020. The Series 2015 direct bank loan was prepaid in full on October 29, 2020 with proceeds from this issue. The Series 2010 bonds were also refunded as a part of this issue and will be called on December 1, 2020.

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, 2020, the City's assessed value of real property was \$5.8 billion. The City's debt is less than the current debt limitation of \$581.3 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, 2020, debt to assessed value was 2.99%. 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, 2020, the 10-year principal payout ratio was 62.09%.

Detailed information on the City's long-term debt is included in Note 9 of this report.

ECONOMIC FACTORS

The City's unemployment rate increased from 3.6% in June 2019 to 8.1% in June 2020 due to the economic impact of COVID-19. This reflects the first year over year increase in the unemployment rate since 2010. The City's unemployment rate typically trends above the State rate, which was 8.4% in June 2020. For June 2020, the City's rate is slightly lower recognizing no large employers announced major layoffs related to the pandemic. For the current and previous two years, the City's unemployment rate has trended below the National rate, which was 11.2% for the same period. 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 an 8.5% increase in taxable assessed value over FY 2019. The ten principal property taxpayers, as a whole, realized a slight decrease of 1.1% in taxable assessed value when compared to FY 2019 due to the economic impact of COVID-19. Total assessed value grew \$299 million or 4.7% when compared to FY 2019. The City remains the retail hub for the region and has seen continued growth in the medical services sector. 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 Chief Financial Officer, City of Lynchburg, 900 Church Street, Lynchburg, VA, 24504, or via telephone at 434-455-3968. This report, the FY 2020 Operating and Capital Budgets, and FY 2020-2024 Capital Improvement Program are on the City's web site at www.lyncburgva.gov.

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BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2020

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Lynchburg City Schools	Other	
Assets						
Cash and cash equivalents	\$ 68,795,031	\$ 25,199,133	\$ 93,994,164	\$ 3,124,220	\$ 1,351,412	\$ 98,469,796
Investments	31,146,092	14,686,530	45,832,622	-	-	45,832,622
Receivables, net of allowance	19,737,569	5,520,088	25,257,657	443,443	1,237,560	26,938,660
Internal balances	3,678,121	(3,678,121)	-	-	-	-
Due from other governments	4,958,182	19,208,511	24,166,693	3,779,350	693,474	28,639,517
Due from primary government	-	-	-	8,000,000	-	8,000,000
Due from component units	4,729,106	-	4,729,106	-	-	4,729,106
Inventory	30,249	530,845	561,094	203,215	293,416	1,057,725
Prepays and other assets	551,987	-	551,987	194,099	198,594	944,680
Restricted assets:						
Cash and cash equivalents	28,668,512	3,402,743	32,071,255	-	-	32,071,255
Due from other governments	-	2,532,354	2,532,354	-	-	2,532,354
Capital assets:						
Nondepreciable	40,961,052	54,956,069	95,917,121	-	1,669,530	97,586,651
Depreciable, net	364,862,482	365,173,771	730,036,253	6,734,298	32,464,555	769,235,106
Total assets	<u>568,118,383</u>	<u>487,531,923</u>	<u>1,055,650,306</u>	<u>22,478,625</u>	<u>37,908,541</u>	<u>1,116,037,472</u>
Deferred Outflows of Resources						
Deferred charge on refunding	2,647,398	1,426,896	4,074,294	-	-	4,074,294
Deferred outflows related to pensions	16,677,361	2,330,342	19,007,703	17,597,366	-	36,605,069
Deferred outflows related to other postemployment benefits	7,673,311	875,587	8,548,898	4,579,387	64,588	13,192,873
Total deferred outflows of resources	<u>26,998,070</u>	<u>4,632,825</u>	<u>31,630,895</u>	<u>22,176,753</u>	<u>64,588</u>	<u>53,872,236</u>
Liabilities						
Accounts payable and other liabilities	7,356,433	5,354,536	12,710,969	570,075	527,466	13,808,510
Accrued payroll and related liabilities	6,399,120	472,741	6,871,861	6,842,768	-	13,714,629
Accrued interest payable	1,478,233	810,362	2,288,595	-	-	2,288,595
Due to other governments	684,550	-	684,550	-	1,271,060	1,955,610
Due to primary government	-	-	-	4,183,184	545,922	4,729,106
Due to component units	8,000,000	-	8,000,000	-	-	8,000,000
Unearned revenue/prepaid rent	1,219,526	-	1,219,526	236,935	-	1,456,461
Deposits payable from restricted assets	224,728	1,190,499	1,415,227	-	-	1,415,227
Noncurrent liabilities:						
Net pension liability	93,318,471	13,039,485	106,357,956	82,501,054	-	188,859,010
Net other postemployment benefit liabilities	53,079,091	6,551,772	59,630,863	24,418,376	648,234	84,697,473
Other noncurrent liabilities due within one year	12,900,533	9,632,159	22,532,692	844,555	-	23,377,247
Other noncurrent liabilities due in more than one year	195,459,879	185,113,817	380,573,696	282,075	96,935	380,952,706
Total liabilities	<u>380,120,564</u>	<u>222,165,371</u>	<u>602,285,935</u>	<u>119,879,022</u>	<u>3,089,617</u>	<u>725,254,574</u>
Deferred Inflows of Resources						
Property taxes	10,442,637	-	10,442,637	-	-	10,442,637
Grants	6,700,844	-	6,700,844	-	-	6,700,844
Deferred inflows related to pension	4,895,737	684,086	5,579,823	14,267,335	-	19,847,158
Deferred inflows related to other postemployment benefits	45,115,763	6,030,756	51,146,519	3,154,116	750	54,301,385
Total deferred inflows of resources	<u>67,154,981</u>	<u>6,714,842</u>	<u>73,869,823</u>	<u>17,421,451</u>	<u>750</u>	<u>91,292,024</u>
Net Position						
Net investment in capital assets	235,958,968	250,754,162	486,713,130	6,734,298	34,134,085	527,581,513
Restricted for:						
Capital projects	677,617	-	677,617	-	-	677,617
Grants	2,554,920	-	2,554,920	-	-	2,554,920
Passenger facility charges	-	53,350	53,350	-	-	53,350
Unrestricted	(91,350,597)	12,477,023	(78,873,574)	(99,379,393)	748,677	(177,504,290)
Total net position	<u>\$ 147,840,908</u>	<u>\$ 263,284,535</u>	<u>\$ 411,125,443</u>	<u>\$ (92,645,095)</u>	<u>\$ 34,882,762</u>	<u>\$ 353,363,110</u>

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

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total Reporting Unit
					Governmental Activities	Business-Type Activities	Total	Lynchburg City Schools	Other	
Primary government:										
Governmental activities:										
General government	\$ 14,379,320	\$ 586,554	\$ 381,724	\$ 22,500	\$ (13,388,542)	\$ -	\$ (13,388,542)	\$ -	\$ -	\$ (13,388,542)
Judicial	6,499,282	581,557	3,904,948	-	(2,012,777)	-	(2,012,777)	-	-	(2,012,777)
Public safety	49,480,578	6,249,834	7,078,394	-	(36,152,350)	-	(36,152,350)	-	-	(36,152,350)
Public works	29,026,793	1,826,242	12,279,032	3,304,897	(11,616,622)	-	(11,616,622)	-	-	(11,616,622)
Health and human services	30,842,359	2,785,781	22,042,446	-	(6,014,132)	-	(6,014,132)	-	-	(6,014,132)
Cultural and recreational	10,353,308	770,955	233,050	890,491	(8,458,812)	-	(8,458,812)	-	-	(8,458,812)
Community development	6,420,082	1,355,950	1,047,314	-	(4,016,818)	-	(4,016,818)	-	-	(4,016,818)
Education	45,019,250	-	-	-	(45,019,250)	-	(45,019,250)	-	-	(45,019,250)
Interest payments and other fiscal charges	6,157,813	-	-	-	(6,157,813)	-	(6,157,813)	-	-	(6,157,813)
Issuance costs	744,889	-	-	-	(744,889)	-	(744,889)	-	-	(744,889)
Total governmental activities	198,923,674	14,156,873	46,966,908	4,217,888	(133,582,005)	-	(133,582,005)	-	-	(133,582,005)
Business-type activities:										
Stormwater	3,335,424	3,265,521	275,000	556,350	-	761,447	761,447	-	-	761,447
Airport	5,134,437	2,533,763	844,787	3,318,193	-	1,562,306	1,562,306	-	-	1,562,306
Water	15,046,373	15,564,799	-	3,274	-	521,700	521,700	-	-	521,700
Sewer	21,004,040	23,231,507	-	8,986,028	-	11,213,495	11,213,495	-	-	11,213,495
Total business-type activities	44,520,274	44,595,590	1,119,787	12,863,845	-	14,058,948	14,058,948	-	-	14,058,948
Total primary government	\$ 243,443,948	\$ 58,752,463	\$ 48,086,695	\$ 17,081,733	(133,582,005)	14,058,948	(119,523,057)	-	-	(119,523,057)
Component units:										
Lynchburg City Schools	\$ 111,427,629	\$ 2,959,618	\$ 68,445,950	\$ -	-	-	-	(40,022,061)	-	(40,022,061)
Greater Lynchburg Transit Company	10,154,247	675,047	6,268,843	201,406	-	-	-	-	(3,008,951)	(3,008,951)
Business Development Centre	230,896	308,858	-	-	-	-	-	-	77,962	77,962
Total component units	\$ 121,812,772	\$ 3,943,523	\$ 74,714,793	\$ 201,406	-	-	-	(40,022,061)	(2,930,989)	(42,953,050)
General revenues:										
Property taxes					85,485,322	-	85,485,322	-	-	85,485,322
Local sales and use taxes					16,478,533	-	16,478,533	-	-	16,478,533
Meals taxes					13,540,536	-	13,540,536	-	-	13,540,536
Consumer utility taxes					4,527,250	-	4,527,250	-	-	4,527,250
Business license taxes					9,685,320	-	9,685,320	-	-	9,685,320
Communications sales and use taxes					2,812,099	-	2,812,099	-	-	2,812,099
Other taxes					6,672,235	-	6,672,235	-	-	6,672,235
Unrestricted intergovernmental					6,330,695	-	6,330,695	-	-	6,330,695
Interest					1,375,991	916,795	2,292,786	-	-	2,292,786
IRS interest subsidy- Build America Bonds					137,736	139,551	277,287	-	-	277,287
Miscellaneous					1,028,422	500,294	1,528,716	1,614,994	23,110	3,166,820
Gain on sale of assets					208,605	78,542	287,147	-	-	287,147
City appropriation					-	-	-	37,411,557	-	37,411,557
Total general revenues					148,282,744	1,635,182	149,917,926	39,026,551	23,110	188,967,587
Changes in net position					14,700,739	15,694,130	30,394,869	(995,510)	(2,907,879)	26,491,480
Net position - beginning					133,140,169	247,590,405	380,730,574	(91,649,585)	37,790,641	326,871,630
Net position - ending					\$ 147,840,908	\$ 263,284,535	\$ 411,125,443	\$ (92,645,095)	\$ 34,882,762	\$ 353,363,110

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

Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	City Capital Projects	School Capital Projects	Other Governmental	Total Governmental
Assets					
Cash and cash equivalents	\$ 48,588,584	\$ 5,977,548	\$ 2,130,198	\$ 8,787,123	\$ 65,483,453
Investments	20,196,192	9,441,587	1,508,313	-	31,146,092
Receivables, net of allowance:					
Taxes excluding penalties	13,190,067	-	-	-	13,190,067
Accounts	5,029,036	-	-	-	5,029,036
Other	1,290,696	100,840	-	113,902	1,505,438
Due from other funds	617,227	-	-	270,794	888,021
Due from other governments	2,313,459	965,015	-	1,679,708	4,958,182
Due from component units	4,604,106	-	-	125,000	4,729,106
Other assets	-	-	-	213	213
Restricted assets:					
Cash and cash equivalents	368,491	27,716,074	-	583,947	28,668,512
Total assets	<u>\$ 96,197,858</u>	<u>\$ 44,201,064</u>	<u>\$ 3,638,511</u>	<u>\$ 11,560,687</u>	<u>\$ 155,598,120</u>
Liabilities					
Accounts payable and other liabilities	\$ 3,099,736	\$ 2,067,607	\$ 360,119	\$ 1,300,312	\$ 6,827,774
Accrued payroll and related liabilities	6,503,348	4,608	-	175,169	6,683,125
Due to other funds	493,729	1,507	-	471,671	966,907
Due to other governments	637,159	-	-	47,391	684,550
Due to component units	8,000,000	-	-	-	8,000,000
Unearned revenue/prepaid rent	1,219,526	-	-	-	1,219,526
Deposits payable from restricted assets	224,728	-	-	-	224,728
Total liabilities	<u>20,178,226</u>	<u>2,073,722</u>	<u>360,119</u>	<u>1,994,543</u>	<u>24,606,610</u>
Deferred Inflows of Resources					
Unavailable revenue	14,440,681	-	-	6,885,840	21,326,521
Total deferred inflows of resources	<u>14,440,681</u>	<u>-</u>	<u>-</u>	<u>6,885,840</u>	<u>21,326,521</u>
Fund Balances					
Restricted	-	677,617	-	2,554,920	3,232,537
Committed	16,944,527	41,449,725	3,278,392	125,384	61,798,028
Assigned	10,054,580	-	-	-	10,054,580
Unassigned	34,579,844	-	-	-	34,579,844
Total fund balances	<u>61,578,951</u>	<u>42,127,342</u>	<u>3,278,392</u>	<u>2,680,304</u>	<u>109,664,989</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 96,197,858</u>	<u>\$ 44,201,064</u>	<u>\$ 3,638,511</u>	<u>\$ 11,560,687</u>	<u>\$ 155,598,120</u>

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2020**

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

Ending fund balance - governmental funds		\$	109,664,989
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			391,815,814
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			4,183,040
Deferred outflow of resources used to reflect deferred losses on debt refunding bonds are not reported in the governmental funds.			2,528,329
Internal service fund activity that has been allocated to the user departments.			3,752,636
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.			12,420,634
Financial statement elements related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows related to:			
Pensions	\$	16,492,986	
Other postemployment benefits		7,615,606	
Deferred inflows related to:			
Pensions		(4,841,612)	
Other postemployment benefits		(44,728,987)	
Net pension liability		(92,286,799)	
Net other postemployment liability		<u>(52,651,268)</u>	
			(170,400,074)
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		(194,534,944)	
Accrued interest payable		(1,455,873)	
Other long-term payable		(3,062,887)	
Compensated absences		(4,734,652)	
Workers' compensation		<u>(2,336,104)</u>	
			<u>(206,124,460)</u>
Net position of governmental activities		\$	<u><u>147,840,908</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General	City Capital Projects	School Capital Projects	Other Governmental	Total Governmental
Revenues					
Taxes	\$ 139,065,653	\$ -	\$ -	\$ -	\$ 139,065,653
Regulatory licenses, permits and privilege fees	1,162,650	-	-	-	1,162,650
Intergovernmental	38,090,501	7,405,016	-	11,860,656	57,356,173
Fines and forfeitures	323,366	-	-	-	323,366
Revenue from use of money and property	1,908,132	11,361	46,693	37,781	2,003,967
Charges for services	11,168,427	-	-	3,766,449	14,934,876
Miscellaneous	1,052,246	55,372	10,560	181,954	1,300,132
Total revenues	<u>192,770,975</u>	<u>7,471,749</u>	<u>57,253</u>	<u>15,846,840</u>	<u>216,146,817</u>
Expenditures					
Current operating expenditures:					
General government	17,521,050	-	-	36,417	17,557,467
Judicial	5,176,741	-	-	1,128,718	6,305,459
Public safety	47,642,493	-	-	4,768,117	52,410,610
Public works	16,707,843	3,957,238	-	432,983	21,098,064
Health and human services	22,938,513	-	-	8,573,152	31,511,665
Cultural and recreational	8,906,758	168,002	-	4,419	9,079,179
Community development	4,905,846	251,478	-	1,255,861	6,413,185
Education	37,411,557	-	11,710	-	37,423,267
Capital outlay:					
Capital general government	12,102	16,185,698	3,912,432	-	20,110,232
Debt service:					
Principal retirements	17,254,960	-	-	30,555	17,285,515
Interest payments and other fiscal charges	6,514,725	-	-	2,771	6,517,496
Issuance costs	374,779	365,645	4,465	-	744,889
Total expenditures	<u>185,367,367</u>	<u>20,928,061</u>	<u>3,928,607</u>	<u>16,232,993</u>	<u>226,457,028</u>
Excess (deficiency) of revenues over expenditures	<u>7,403,608</u>	<u>(13,456,312)</u>	<u>(3,871,354)</u>	<u>(386,153)</u>	<u>(10,310,211)</u>
Other financing sources (uses)					
Issuance of bonds	6,138,453	31,642,195	3,150,717	-	40,931,365
Premium on debt issuance	593,822	3,051,655	45,671	-	3,691,148
Payments to escrow agent	(13,850,000)	-	-	-	(13,850,000)
Transfers in	274,908	5,084,908	1,661,914	323,686	7,345,416
Transfers out	(7,444,129)	(29,607)	-	(345,301)	(7,819,037)
Total other financing sources (uses)	<u>(14,286,946)</u>	<u>39,749,151</u>	<u>4,858,302</u>	<u>(21,615)</u>	<u>30,298,892</u>
Net changes in fund balances	<u>(6,883,338)</u>	<u>26,292,839</u>	<u>986,948</u>	<u>(407,768)</u>	<u>19,988,681</u>
Fund balances - beginning	<u>68,462,289</u>	<u>15,834,503</u>	<u>2,291,444</u>	<u>3,088,072</u>	<u>89,676,308</u>
Fund balances - ending	<u>\$ 61,578,951</u>	<u>\$ 42,127,342</u>	<u>\$ 3,278,392</u>	<u>\$ 2,680,304</u>	<u>\$ 109,664,989</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2020**

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

Net change in fund balances - total governmental funds		\$	19,988,681
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			21,721,700
Depreciation expense			(21,208,107)
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.			
			10,181
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
			240,119
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.			
Employer pension contributions	\$	9,432,090	
Pension expenses		(10,337,648)	
			(905,558)
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned net of employee contributions is reported as other postemployment benefit expense.			
Employer other postemployment benefit contribution	\$	263,398	
Other postemployment benefit expense		6,238,027	
			6,501,425
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.			
			(12,962,253)
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.			
			756,841
To eliminate transfers to the internal service fund			
			473,621
The net loss of certain activities of the internal service fund is reported with governmental activities.			
			84,089
Change in net position of governmental activities.	\$		<u>14,700,739</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 138,418,252	\$ 133,759,713	\$ 139,065,653	\$ 5,305,940
Regulatory licenses, permits and privilege fees	1,083,200	1,089,430	1,162,650	73,220
Intergovernmental	37,935,109	38,552,371	38,090,501	(461,870)
Fines and forfeitures	372,500	254,944	323,366	68,422
Revenue from use of money and property	1,074,854	1,329,197	1,867,899	538,702
Charges for services	12,089,586	11,544,454	11,168,427	(376,027)
Miscellaneous	697,487	703,375	1,018,388	315,013
Total revenues	191,670,988	187,233,484	192,696,884	5,463,400
Expenditures				
Current operating expenditures:				
General government	24,983,114	18,364,983	16,561,301	1,803,682
Judicial	5,076,774	5,329,325	5,176,741	152,584
Public safety	46,120,332	49,042,482	47,642,493	1,399,989
Public works	15,968,481	16,962,977	16,707,843	255,134
Health and human services	22,337,362	23,234,390	22,938,513	295,877
Cultural and recreational	9,249,896	9,547,739	8,906,758	640,981
Community development	5,138,420	5,399,665	4,905,846	493,819
Education	42,890,498	41,518,676	37,411,557	4,107,119
Debt service:				
Principal retirements	10,897,502	17,254,961	17,254,960	1
Interest payments and other fiscal charges	6,760,971	6,760,971	6,514,725	246,246
Issuance costs	-	436,261	374,779	61,482
Total expenditures	189,423,350	193,852,430	184,395,516	9,456,914
Excess (deficiency) of revenues over expenditures	2,247,638	(6,618,946)	8,301,368	14,920,314
Other financing sources (uses)				
Issuance of bonds	-	6,138,454	6,138,453	(1)
Premium on debt issuance	-	593,822	593,822	-
Payments to escrow agent	-	(13,850,000)	(13,850,000)	-
Transfers in	-	281,093	274,908	(6,185)
Transfers out	(6,134,662)	(8,103,129)	(8,073,682)	29,447
Total other financing sources (uses)	(6,134,662)	(14,939,760)	(14,916,499)	23,261
Net changes in fund balances	(3,887,024)	(21,558,706)	(6,615,131)	14,943,575
Fund balances - beginning	66,198,708	66,198,708	66,198,708	-
Fund balances - ending	\$ 62,311,684	\$ 44,640,002	\$ 59,583,577	\$ 14,943,575

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

Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Assets						
Current assets:						
Cash and cash equivalents	\$ 8,097,284	\$ 8,646,587	\$ 1,999,866	\$ 6,455,396	\$ 25,199,133	\$ 3,311,578
Investments	6,442,744	7,996,295	247,491	-	14,686,530	-
Receivables, net of allowance:	1,796,367	3,147,195	449,818	126,708	5,520,088	13,028
Due from other funds	140,363	207,002	17,546	19,276	384,187	13,768
Due from other governments	-	-	-	946,722	946,722	-
Inventory	513,356	-	-	17,489	530,845	30,249
Prepays and other assets	-	-	-	-	-	551,774
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	237,120	-	-	237,120	-
Total current assets	16,990,114	20,234,199	2,714,721	7,565,591	47,504,625	3,920,397
Noncurrent assets:						
Due from other governments	-	17,669,692	592,097	-	18,261,789	-
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	2,295,234	-	-	2,295,234	-
Cash and cash equivalents	2,649,515	130,385	561,153	61,690	3,402,743	-
Capital assets:						
Nondepreciable	4,771,823	46,032,518	686,189	3,465,539	54,956,069	-
Depreciable, net	71,376,391	253,947,881	7,127,113	32,722,386	365,173,771	14,007,720
Total noncurrent assets	78,797,729	320,075,710	8,966,552	36,249,615	444,089,606	14,007,720
Total assets	95,787,843	340,309,909	11,681,273	43,815,206	491,594,231	17,928,117
Deferred Outflows of Resources						
Deferred charge on refunding	581,375	822,802	-	22,719	1,426,896	119,069
Deferred outflows related to pensions	1,281,119	714,689	123,549	210,985	2,330,342	184,375
Deferred outflows related to other postemployment benefits	446,338	297,091	48,704	83,454	875,587	57,705
Total deferred outflows of resources	2,308,832	1,834,582	172,253	317,158	4,632,825	361,149
Liabilities						
Current liabilities:						
Accounts payable and other liabilities	990,538	3,942,145	147,893	273,960	5,354,536	528,659
Accrued payroll and related liabilities	324,676	182,325	27,312	57,271	591,584	40,258
Accrued interest payable	477,589	311,910	9,508	11,355	810,362	22,360
Due to other funds	73,605	161,871	61,755	12,441	309,672	9,397
Current portion of general obligation bonds	1,823,720	1,381,018	15,000	66,703	3,286,441	218,152
Current portion of direct borrowings	35,525	41,405	-	-	76,930	133,400
Current portion of public utility revenue bonds	-	6,055,995	93,950	-	6,149,945	-
Total current liabilities	3,725,653	12,076,669	355,418	421,730	16,579,470	952,226
Noncurrent liabilities:						
Deposits payable from restricted assets	1,182,159	-	-	8,340	1,190,499	-
Self insurance claims	232,124	28,399	2,021	5	262,549	-
Compensated absences	351,845	187,457	22,721	46,948	608,971	41,819
Pension plan obligation	7,168,526	3,999,059	691,327	1,180,573	13,039,485	1,031,672
Other postemployment benefits obligations	3,327,848	2,232,807	365,221	625,896	6,551,772	427,823
Notes payable	43,889	21,841	15,453	-	81,183	-
General obligation bonds	44,428,211	29,458,789	748,819	962,428	75,598,247	1,907,991
Direct borrowings	359,600	419,120	-	-	778,720	1,066,200
Public utility revenue bonds	-	106,186,992	1,597,155	-	107,784,147	-
Total noncurrent liabilities	57,094,202	142,534,464	3,442,717	2,824,190	205,895,573	4,475,505
Total liabilities	60,819,855	154,611,133	3,798,135	3,245,920	222,475,043	5,427,731
Deferred Inflows of Resources						
Deferred inflows related to pensions	376,080	209,801	36,269	61,936	684,086	54,125
Deferred inflows related to other postemployment benefits	3,041,941	2,072,589	337,564	578,662	6,030,756	386,776
Total deferred inflows of resources	3,418,021	2,282,390	373,833	640,598	6,714,842	440,901
Net Position						
Net investment in capital assets	31,506,001	177,570,472	6,496,175	35,181,514	250,754,162	11,352,819
Restricted for:						
Passenger facility charges	-	-	-	53,350	53,350	-
Unrestricted	2,352,798	7,680,496	1,185,383	5,010,982	16,229,659	1,067,815
Total net position	\$ 33,858,799	\$ 185,250,968	\$ 7,681,558	\$ 40,245,846	267,037,171	\$ 12,420,634
Reconciliation with business-type activities in the Statement of Net Position:						
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					(3,752,636)	
Total net position of business-type activities					\$ 263,284,535	

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds					
	Water	Sewer	Stormwater	Airport	Total	Internal Service
Operating revenues						
Charges for services and other operating revenues	\$ 15,564,799	\$ 23,231,507	\$ 3,265,521	\$ 2,533,763	\$ 44,595,590	\$ 5,600,166
Intergovernmental	-	-	275,000	844,787	1,119,787	-
Total operating revenues	<u>15,564,799</u>	<u>23,231,507</u>	<u>3,540,521</u>	<u>3,378,550</u>	<u>45,715,377</u>	<u>5,600,166</u>
Operating expenses						
Personal services and benefits	5,960,956	3,365,150	680,361	1,199,829	11,206,296	743,750
Operation and maintenance	1,269,534	3,649,979	418,487	1,281,301	6,619,301	1,758,800
Supplies and materials	1,210,432	1,738,027	186,793	53,306	3,188,558	37,962
Administration	1,610,286	2,802,473	1,767,225	282,978	6,462,962	888
Other charges	93,493	69,826	11,939	28,466	203,724	15,526
Depreciation	3,225,638	8,131,718	295,876	2,247,024	13,900,256	2,922,360
Total operating expenses	<u>13,370,339</u>	<u>19,757,173</u>	<u>3,360,681</u>	<u>5,092,904</u>	<u>41,581,097</u>	<u>5,479,286</u>
Operating income (loss)	<u>2,194,460</u>	<u>3,474,334</u>	<u>179,840</u>	<u>(1,714,354)</u>	<u>4,134,280</u>	<u>120,880</u>
Nonoperating revenues (expenses)						
Interest income	435,285	350,086	39,235	92,189	916,795	25,827
Miscellaneous	220,157	270,958	3,203	5,976	500,294	9,758
Gain (loss) on disposition of assets	9,621	(175,771)	-	421	(165,729)	201,235
Interest on long-term debt	(1,663,343)	(1,119,367)	(37,254)	(33,252)	(2,853,216)	(115,301)
IRS interest subsidy- Build America Bonds	117,999	21,552	-	-	139,551	-
Total nonoperating revenues (expenses)	<u>(880,281)</u>	<u>(652,542)</u>	<u>5,184</u>	<u>65,334</u>	<u>(1,462,305)</u>	<u>121,519</u>
Income (loss) before contributions and transfers	<u>1,314,179</u>	<u>2,821,792</u>	<u>185,024</u>	<u>(1,649,020)</u>	<u>2,671,975</u>	<u>242,399</u>
Capital contributions	3,274	8,986,028	556,350	2,992,979	12,538,631	-
Passenger facility charges	-	-	-	325,214	325,214	-
Transfers in	-	-	-	-	-	473,621
Change in net position	<u>1,317,453</u>	<u>11,807,820</u>	<u>741,374</u>	<u>1,669,173</u>	<u>15,535,820</u>	<u>716,020</u>
Total net position - beginning	<u>32,541,346</u>	<u>173,443,148</u>	<u>6,940,184</u>	<u>38,576,673</u>	<u>251,501,351</u>	<u>11,704,614</u>
Total net position - ending	<u>\$ 33,858,799</u>	<u>\$ 185,250,968</u>	<u>\$ 7,681,558</u>	<u>\$ 40,245,846</u>	<u>\$ 267,037,171</u>	<u>\$ 12,420,634</u>
Reconciliation with business-type activities in the Statement of Activities:						
Change in net position - enterprise funds reported in this statement					\$ 15,535,820	
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					158,310	
Change in net position of business-type activities:					<u>\$ 15,694,130</u>	

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Operating activities						
Cash received from operations	\$ 15,623,257	\$ 23,389,312	\$ 3,544,871	\$ 2,578,196	\$ 45,135,636	\$ 5,600,166
Cash paid to employees	(5,900,216)	(3,831,107)	(551,624)	(1,167,657)	(11,450,604)	(859,259)
Cash paid to suppliers	(4,105,119)	(8,169,055)	(2,356,823)	(1,678,787)	(16,309,784)	(1,366,757)
Net cash provided by (used in) operating activities	<u>5,617,922</u>	<u>11,389,150</u>	<u>636,424</u>	<u>(268,248)</u>	<u>17,375,248</u>	<u>3,374,150</u>
Noncapital financing activities						
Transfers in	-	-	-	-	-	473,621
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,621</u>
Capital and related financing activities						
Proceeds from issuance of long-term debt:						
General obligation bonds	4,957,197	8,034,171	764,447	-	13,755,815	-
Bond anticipation notes	1,672,216	2,198,524	65,453	-	3,936,193	-
Payment of long-term debt:						
General obligation debt	(13,257,819)	(3,509,934)	-	(63,266)	(16,831,019)	(344,817)
Bond anticipation notes	(2,773,640)	(6,645,700)	(54,672)	-	(9,474,012)	-
Revenue bonds	-	(5,816,174)	(67,142)	-	(5,883,316)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	10,908,416	460,968	-	11,369,384	-
Payment of interest on long-term debt	(2,047,303)	(1,120,845)	(28,374)	(39,939)	(3,236,461)	(128,804)
Capital contributions received	3,274	8,350,347	556,350	2,992,979	11,902,950	-
Passenger facility charges collected	-	-	-	354,015	354,015	-
Proceeds from sale of capital assets	9,621	68,500	-	421	78,542	201,235
Additions to capital assets	(4,800,406)	(28,493,935)	(2,548,663)	(1,935,435)	(37,778,439)	(2,716,910)
Proceeds from (payments to) other governments	-	1,027,533	(1,481)	5,976	1,032,028	-
Payments from other organizations	220,157	237,208	3,203	-	460,568	23,481
Net cash provided by (used in) capital and related financing activities	<u>(16,016,703)</u>	<u>(14,761,889)</u>	<u>(849,911)</u>	<u>1,314,751</u>	<u>(30,313,752)</u>	<u>(2,965,815)</u>
Investing activities						
Net sales (purchase) of investments	3,289,750	(2,427,152)	4,270	-	866,868	-
Interest income received	553,284	371,638	39,235	92,189	1,056,346	25,827
Net cash provided by (used in) investing activities	<u>3,843,034</u>	<u>(2,055,514)</u>	<u>43,505</u>	<u>92,189</u>	<u>1,923,214</u>	<u>25,827</u>
Net increase (decrease) in cash and cash equivalents	<u>(6,555,747)</u>	<u>(5,428,253)</u>	<u>(169,982)</u>	<u>1,138,692</u>	<u>(11,015,290)</u>	<u>907,783</u>
Cash and cash equivalents						
Beginning	17,302,546	14,205,225	2,731,001	5,378,394	39,617,166	2,403,795
Ending	<u>\$ 10,746,799</u>	<u>\$ 8,776,972</u>	<u>\$ 2,561,019</u>	<u>\$ 6,517,086</u>	<u>\$ 28,601,876</u>	<u>\$ 3,311,578</u>
Reconciliation to Statement of Net Position						
Current Assets	\$ 8,097,284	\$ 8,646,587	\$ 1,999,866	\$ 6,455,396	\$ 25,199,133	\$ 3,311,578
Restricted Assets	2,649,515	130,385	561,153	61,690	3,402,743	-
	<u>\$ 10,746,799</u>	<u>\$ 8,776,972</u>	<u>\$ 2,561,019</u>	<u>\$ 6,517,086</u>	<u>\$ 28,601,876</u>	<u>\$ 3,311,578</u>

(Continued)

(Continued)

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 2,194,460	\$ 3,474,334	\$ 179,840	\$ (1,714,354)	\$ 4,134,280	\$ 120,880
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	3,225,638	8,131,718	295,876	2,247,024	13,900,256	2,922,360
Other postemployment benefit expense net of employer contributions	(352,220)	(320,796)	46,476	9,632	(616,908)	(154,511)
Pension expense net of employer contributions	464,620	(36,369)	36,966	43,703	508,920	50,800
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(21,368)	157,805	4,350	(800,354)	(659,567)	-
(Increase) decrease in due from other funds	(47,148)	(129,105)	(8,003)	(2,844)	(187,100)	135
(Increase) decrease in inventory	(72,426)	-	-	(17,489)	(89,915)	7,409
Increase (decrease) in accounts payable	151,052	91,250	27,621	(15,397)	254,526	439,010
Increase (decrease) in accrued expenses	132,368	(10,761)	11,283	3,906	136,796	8,158
Increase (decrease) in due to other funds	(136,880)	31,074	42,015	(22,225)	(86,016)	(20,091)
Increase in deposits payable	79,826	-	-	150	79,976	-
Net cash provided by (used in) operating activities	\$ 5,617,922	\$ 11,389,150	\$ 636,424	\$ (268,248)	\$ 17,375,248	\$ 3,374,150
Supplemental cash flow information						
Non-cash transactions						
Capital asset additions financed by retainage payable	\$ 114,598	\$ 1,690,067	\$ 85,446	\$ 72,088	\$ 1,962,199	\$ -
Capital asset additions financed by accounts payable	\$ 503,868	\$ 1,808,444	\$ 21,363	\$ 113,578	\$ 2,447,253	\$ -
Amortization of debt related items	\$ 125,749	\$ 30,479	\$ 628	\$ 5,922	\$ 162,778	\$ 10,991
Undrawn public utility revenue bond proceeds	\$ -	\$ 17,669,692	\$ 592,097	\$ -	\$ 18,261,789	\$ -

Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2020

	<u>Special Welfare</u>
Assets	
Cash and cash equivalents	<u>\$ 221,805</u>
 Total assets	<u><u>\$ 221,805</u></u>
Liabilities	
Accounts payable	\$ 911
Amounts held for others	<u>220,894</u>
 Total liabilities	<u><u>\$ 221,805</u></u>

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

Lynchburg City Schools: The Lynchburg City Schools (the “Schools”) operates one pre-school, eleven elementary schools, three middle schools, and two high schools in the City. The Schools are fiscally dependent on the City and are prohibited from issuing bonded debt without approval of City Council. The City is legally obligated to provide financial support to the Schools by State Law of the Commonwealth of Virginia. Annually the State Superintendent provides the City with the amount of the Required Local Effort (RLE).

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

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

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

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

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

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blue Ridge Regional Jail Authority: (Continued)

The City sold its existing jail facilities to the Authority during FY1997. A new central jail facility was constructed in Lynchburg and opened in FY2000. It is owned and operated by the Authority. Each Member Jurisdiction pays a per diem charge for each day that one of its prisoners is at any Regional Jail Facility. In accordance with the Service Agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based on an agreed upon number of prisoner days, and is subject to an adjustment at the end of each fiscal year. During FY2020, the City paid \$5,345,521 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 \$567,000 for an operating contribution in FY2020.

Central Virginia Planning District Commission: The City serves as the Local Workforce Development Area grant recipient on behalf of the Central Virginia Planning District Commission/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 FY2020, the Central Virginia Planning District Commission received \$1,244,469 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"). Appomattox County joined soon thereafter. The City of Bedford withdrew in 2013. Each member jurisdiction pays a per-ton disposal charge based on the actual cost of operation (cost of service), which includes both an operating component and a debt service component. 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 FY2020, the City paid \$704,380 to the Authority.

Central Virginia Radio Communications Board: During 2012, the Old Central Virginia Regional Radio Communications Board was dissolved and replaced by the Region 2000 Radio Communications Board (the "Board"); name has since reverted back to *Central Virginia Radio Communications 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 FY2020, the City paid \$684,853 to the Board. The City's scheduled capital cost payment for FY21 is \$684,741.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

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

Lynchburg Redevelopment and Housing Authority: Under the *Code of Virginia* (“Code”), the Commonwealth of Virginia (“Commonwealth”) created in each city and county a redevelopment and housing authority which is a separate political subdivision of the Commonwealth. In April 1956, City Council activated the Lynchburg Redevelopment and Housing Authority (the “LRHA”) which owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the LRHA are appointed by City Council; however, City Council is not financially accountable for LRHA. During FY2020, the City appropriated \$193,888 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 FY2020, 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

Governmental Fund Types: 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 Partnerships Program, 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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. Basis 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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 does 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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)	\$ (6,615,131)
Add: Net change in fund balance for Technology Fund	<u>(268,207)</u>
Net change in fund balance (GAAP basis)	<u>\$ (6,883,338)</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	\$ 2,101,087
General Fund, ambulance receivables	\$ 3,780,720
Enterprise Funds	\$ 299,232

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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, donated works of art and similar items are reported at acquisition value rather than 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 assets, donated works of art and similar items are reported at acquisition value rather than fair market value on the date donated. 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.

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Deferred Outflows / Inflows of Resources**

In addition to assets, the statements that present net position report a separate section for *deferred outflows of resources*. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statements that present financial position report a separate section for *deferred inflows of resources*. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City and Schools have the following items that qualify for reporting as deferred inflows or outflows:

- 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.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors as well as changes in actuarial assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportion and differences between employer contributions and proportionate share of employer contributions in the Virginia Retirement System's teacher cost sharing pool or OPEB cost sharing pool plans. This difference is deferred and recognized in expense over the average remaining service life of the employees who are subject to the plan, and may be reported as a deferred outflow or inflow as appropriate.
- *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.

- **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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Arbitrage Rebate Liability**

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

- **Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the City's and Schools' Retirement Plan and OPEB, 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 (ordinance or resolution) 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 (ordinance or resolution) it employed to previously commit those amounts.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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

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, 2020

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Credit Risk:

As required by state statute or by the City, the Policy requires that commercial paper have a short-term debt rating of P-1 or higher by Moody's 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, 23% of the portfolio was invested in "Aaa" rated obligations; 3% was invested in "Aa1" Municipal Bonds; 2% was invested in "Aa2", 1% Federal Agency was invested in "Aa+", 63% was invested in an "AAAm" rated LGIP fund; 8% of Commercial Paper and Federal Agency was invested in "P-1". The "Aaa" rated portion of the total portfolio included 1% of obligations guaranteed by the U. S. Government; 21% of Federal Agencies; and 1% of Municipal Bonds (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 23% 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>
Federal National Mortgage Association	9%
Federal Home Loan Bank	7%
Federal Home Loan Mortgage Corporation	6%
Commercial Paper	6%
Municipal Bonds	6%

Interest Rate Risk:

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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	\$ 76,730,955	-
Commercial Paper	7,679,940	183
U.S. Treasury Notes	1,007,975	138
Federal Farm Credit Bank	3,343,526	320
Federal Home Loan Bank	8,009,701	146
Federal National Mortgage Association	10,442,138	156
Federal Home Loan Mortgage Corporation	7,729,688	186
Municipal Bonds	7,619,654	439
Total investments	<u>\$ 122,563,577</u>	
Portfolio weighted average maturity		83

* 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	\$ 16,050	\$ -
Deposits	49,540,219	3,124,220
Funds held in trust by others	-	832,836
Investments	122,563,577	-
	<u>\$ 172,119,846</u>	<u>\$ 3,957,056</u>
Statement of net position:		
Cash and cash equivalents	\$ 93,994,164	\$ 3,124,220
Investments	45,832,622	-
Restricted cash and cash equivalents	32,071,255	-
Fiduciary fund cash and cash equivalents	221,805	832,836
	<u>\$ 172,119,846</u>	<u>\$ 3,957,056</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 2. Cash and Investments (Continued)

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	\$ 1,007,975	\$ -	\$ -	\$ 1,007,975
U.S. Debt Securities	-	29,525,053	-	29,525,053
Municipal Bonds	-	7,619,654	-	7,619,654
Commercial Paper	-	7,679,940	-	7,679,940
	<u>\$ 1,007,975</u>	<u>\$ 44,824,647</u>	<u>\$ -</u>	<u>\$ 45,832,622</u>

Government bonds, corporate bonds, and collateralized mortgage obligations classified in Level 2 of the fair value hierarchy are valued on the basis of evaluated prices provided by independent pricing services when such prices are believed to reflect the fair value of such securities. Such prices may be determined by taking into account a security's price, yield, maturity, call feature, rating, or institutional-size trading in similar groups of securities and developments related to specific securities.

Note 3. Property Taxes

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

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 4. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2020 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 617,227	\$ 493,729
Non-major Special Revenue Funds:		
City Capital Projects	-	1,507
City Federal/State Aid	263,378	403,212
Children's Services Act	-	767
Lynchburg Regional Juvenile Detention Center	7,416	30,404
Community Development Block Grant	-	17,490
HOME Investment Partnerships Program	-	19,798
Major Proprietary Funds:		
Sewer	207,002	161,871
Water	140,363	73,605
Stormwater	17,546	61,755
Airport	19,276	12,441
Internal Service	13,768	9,397
	<u>\$ 1,285,976</u>	<u>\$ 1,285,976</u>

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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

Interfund transfers were as follows:

	To	From
Major Fund:		
General	\$ 274,908	\$ 7,444,129
Non-major Special Revenue Funds:		
City Federal/State Aid	323,686	-
Children's Services Act	-	245,301
Lynchburg Regional Juvenile Detention Center	-	100,000
Major Fund – Capital Projects		
City Capital Projects	5,084,908	29,607
School Capital Projects	1,661,914	-
Major Proprietary Funds:		
Sewer	-	-
Water	-	-
Stormwater	-	-
Airport	-	-
Internal Service	473,621	-
Total Fund Transfers:	<u>\$ 7,819,037</u>	<u>\$ 7,819,037</u>

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

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

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

	Due From	Due To
Primary Government:		
Major Fund:		
General Fund	\$ 4,604,106	\$ 8,000,000
Non-major Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
	<u>\$ 4,729,106</u>	<u>\$ 8,000,000</u>
Component Units:		
Lynchburg City Schools	\$ 8,000,000	\$ 4,183,184
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	-	420,922
	<u>\$ 8,000,000</u>	<u>\$ 4,729,106</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 6. Due From Other Governments

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

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 4,958,182	\$ 946,722	\$ 3,779,350	\$ 693,474
Virginia Revolving Loan	-	18,261,789	-	-
Members of Regional Sewage Treatment Plant	-	2,532,354	-	-
	<u>\$ 4,958,182</u>	<u>\$ 21,740,865</u>	<u>\$ 3,779,350</u>	<u>\$ 693,474</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	\$ 237,120
Amount receivable 2 to 5 years	784,961
Amount receivable beyond 5 years	<u>1,510,273</u>
	<u>\$ 2,532,354</u>

Note 7. Receivables

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

	Taxes	Accounts	Other	Total
Major funds:				
General	\$ 13,190,067	\$ 5,029,036	\$ 1,290,696	\$ 19,509,799
City Capital Projects	-	-	100,840	100,840
Water	-	1,796,367	-	1,796,367
Sewer	-	3,147,195	-	3,147,195
Stormwater	-	449,818	-	449,818
Airport	-	126,708	-	126,708
Internal Service	-	-	13,028	13,028
Non-major Governmental Funds	-	-	113,902	113,902
	<u>\$ 13,190,067</u>	<u>\$ 10,549,124</u>	<u>\$ 1,518,466</u>	<u>\$ 25,257,657</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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	\$ 23,381,771	\$ 38,573	\$ -	\$ 23,420,344
Construction in progress	15,331,598	20,107,212	(17,898,102)	17,540,708
Total capital assets, not being depreciated	38,713,369	20,145,785	(17,898,102)	40,961,052
<u>Capital assets, being depreciated:</u>				
Land improvements	62,751,855	373,448	(52,834)	63,072,469
Accumulated depreciation	(20,612,148)	(2,686,760)	52,834	(23,246,074)
Net land improvements	42,139,707	(2,313,312)	-	39,826,395
Buildings and improvements	308,045,389	6,450,190	(248,805)	314,246,774
Accumulated depreciation	(151,946,994)	(9,015,547)	248,805	(160,713,736)
Net buildings and improvements	156,098,395	(2,565,357)	-	153,533,038
Infrastructure	316,399,007	10,988,686	-	327,387,693
Accumulated depreciation	(165,842,223)	(8,295,483)	-	(174,137,706)
Net infrastructure	150,556,784	2,693,203	-	153,249,987
Machinery and equipment	54,670,251	4,669,485	(2,650,400)	56,689,336
Accumulated depreciation	(36,921,656)	(4,132,677)	2,618,059	(38,436,274)
Net machinery and equipment	17,748,595	536,808	(32,341)	18,253,062
Total capital assets being depreciated	741,866,502	22,481,809	(2,952,039)	761,396,272
Less: accumulated depreciation	(375,323,021)	(24,130,467)	2,919,698	(396,533,790)
Total capital assets, being depreciated	366,543,481	(1,648,658)	(32,341)	364,862,482
Capital assets, net	\$ 405,256,850	\$ 18,497,127	\$ (17,930,443)	\$ 405,823,534

There are no assets included above financed by capital leases as of June 30, 2020.

During FY2018, the Region 2000 Radio Communications Board completed the upgrade and replacement to the regional radio system. The City recorded \$4,375,552 as their share of the asset.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 731,014
Education	7,595,986
Judicial	587,541
Health and human services	274,092
Public safety	2,092,899
Public works	10,504,233
Community development	199,902
Cultural and recreational	1,746,886
	<hr/>
Total governmental activities	23,732,553
	<hr/>
Business-type activities:	
Water	156,064
Sewer	229,955
Stormwater	8,325
Airport	3,570
	<hr/>
Total business-type activities	397,914
	<hr/>
Total depreciation	\$ 24,130,467

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 \$397,914 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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:

<u>Business-type Activities</u>	<u>Beginning Balances</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balances</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 5,079,684	\$ 47,203	\$ -	\$ 5,126,887
Construction in progress	31,117,862	37,114,226	(18,402,906)	49,829,182
 Total capital assets, not being depreciated	 36,197,546	 37,161,429	 (18,402,906)	 54,956,069
<u>Capital assets, being depreciated:</u>				
Land improvements	13,285,642	891,697	-	14,177,339
Accumulated depreciation	(12,337,222)	(114,606)	-	(12,451,828)
Net land improvements	948,420	777,091	-	1,725,511
 Buildings and improvements	 65,096,895	 4,694,279	 -	 69,791,174
Accumulated depreciation	(34,956,391)	(1,919,806)	-	(36,876,197)
Net buildings and improvements	30,140,504	2,774,473	-	32,914,977
 Infrastructure	 480,550,284	 11,675,270	 -	 492,225,554
Accumulated depreciation	(168,321,576)	(10,574,531)	-	(178,896,107)
Net infrastructure	312,228,708	1,100,739	-	313,329,447
 Machinery and equipment	 24,637,091	 2,391,039	 (390,671)	 26,637,459
Accumulated depreciation	(13,033,801)	(1,144,409)	146,400	(14,031,810)
Net machinery and equipment	11,603,290	1,246,630	(244,271)	12,605,649
 Capitalized interest	 7,345,201	 -	 -	 7,345,201
Accumulated depreciation	(2,600,110)	(146,904)	-	(2,747,014)
Net capitalized interest	4,745,091	(146,904)	-	4,598,187
 Total capital assets being depreciated	 590,915,113	 19,652,285	 (390,671)	 610,176,727
Less: accumulated depreciation	(231,249,100)	(13,900,256)	146,400	(245,002,956)
 Total capital assets, being depreciated	 359,666,013	 5,752,029	 (244,271)	 365,173,771
 Capital assets, net	 \$ 395,863,559	 \$ 42,913,458	 \$ (18,647,177)	 \$ 420,129,840

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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	\$ 17,120,890	\$ 974,736	\$ (609,688)	\$ 17,485,938
Accumulated depreciation	(10,411,800)	(1,302,952)	599,153	(11,115,599)
Net equipment	<u>6,709,090</u>	<u>(328,216)</u>	<u>(10,535)</u>	<u>6,370,339</u>
Equipment – cafeteria	1,341,256	117,053	-	1,458,309
Accumulated depreciation	(1,020,004)	(74,346)	-	(1,094,350)
Net equipment – cafeteria	<u>321,252</u>	<u>42,707</u>	<u>-</u>	<u>363,959</u>
Total capital assets being depreciated	18,462,146	1,091,789	(609,688)	18,944,247
Less: accumulated depreciation	<u>(11,431,804)</u>	<u>(1,377,298)</u>	<u>509,153</u>	<u>(12,209,949)</u>
Capital assets, net	<u>\$ 7,030,342</u>	<u>\$ (285,509)</u>	<u>\$ (10,535)</u>	<u>\$ 6,734,298</u>

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

Land, buildings, and improvements	\$ 33,081,362
Construction in progress	26,550
Machinery and equipment	<u>27,756,003</u>
	60,863,915
Less accumulated depreciation	<u>26,729,830</u>
	<u>\$ 34,134,085</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 9. Long-Term Liabilities

Primary Government:

General Obligation Debt:

As of June 30, 2020	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Public Improvements	School Facilities	Proprietary Funds	Total
Bond Anticipation Note								
Public Improvement- Line of Credit for Two Years	Variable-LIBOR	6/30/2020	2023	\$ 42,000,000	\$ 67,656	\$ 483,261	\$ 81,183	\$ 632,100
General Obligation Bonds								
VA Resources Authority	0.00	3/24/1994	2027	3,976,369	-	-	778,394	778,394
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	393,820	-	393,820
VPSA General Obligation	2.35-4.85	11/7/2002	2023	6,513,732	-	1,095,753	-	1,095,753
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	2,140,165	-	2,140,165
Public Improvement								
Series C Refunding	2.00-4.00	8/13/2009	2023	12,800,000	405,500	207,125	637,375	1,250,000
VPSA General Obligation	0.00	11/13/2009	2027	10,255,000	-	5,110,000	-	5,110,000
Public Improvement								
Refunding	2.00-5.00	10/20/2010	2034	29,655,000	5,857,376	4,453,295	7,284,330	17,595,001
Public Improvement	2.00-5.00	7/10/2014	2044	101,730,000	15,860,000	58,665,000	14,785,000	89,310,000
Public Improvement								
Refunding	5.00	7/10/2014	2026	13,460,000	5,648,070	2,227,545	974,385	8,850,000
Public Improvement	2.00-5.00	5/19/2016	2046	26,945,000	12,239,285	-	11,610,715	23,850,000
Public Improvement								
Refunding	2.00-5.00	5/19/2016	2038	20,350,000	5,607,732	-	11,992,268	17,600,000
Public Improvement								
Refunding	3.00-5.00	9/26/2017	2040	29,100,000	5,095,489	10,126,066	13,878,445	29,100,000
Public Improvement	2.00-5.00	1/30/2020	2050	49,425,000	32,550,000	3,930,000	12,945,000	49,425,000
General Obligation- Direct Borrowings								
Public Improvement								
Refunding	3.80	12/19/2012	2024	4,129,625	1,321,033	-	-	1,321,033
Public Improvement	2.75	10/23/2013	2029	10,000,000	4,236,387	562,013	1,199,600	5,998,000
Public Improvement								
Refunding (Bond R-2)	2.34	3/12/2015	2030	3,768,000	1,171,750	697,600	855,650	2,725,000
					<u>\$ 90,060,278</u>	<u>\$ 90,091,643</u>	<u>\$ 77,022,345</u>	<u>\$ 257,174,266</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 \$74,575,000 at June 30, 2020.

As of June 30, the City's Primary Government had outstanding general obligation bonds of \$257,174,266, including direct borrowings from commercial banks totaling \$10,044,033. For all general obligation debt, the full faith and credit of the City are irrevocably pledged to the punctual payment of the principal of and interest on the Bonds as the same become due. In each year while any Bonds are outstanding and unpaid, the Council shall be authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

General Obligation Debt: (Continued)

Direct Borrowing- Event of Default Provisions- Series 2013 Bonds (Issued 10/23/2013):

The events of default (“Events of Default”) with respect to this Bond shall be (i) the failure to pay principal of or interest on this Bond when due, (ii) the failure to perform or observe the covenants set forth in Sections 4 and 5 of the Authorizing Resolution, (iii) any representation or warranty made by the City Manager on behalf of the City in the Certificate of the City Manager as to Representations, Warranties and Covenants of the City of Lynchburg, Virginia, dated October 23, 2013, proving to have been incorrect when made or confirmed, (iv) a default by the City in the payment of the principal of or interest on any other general obligation indebtedness of the City, and (v) the downgrade of the City’s general obligation bond rating below BBB by Fitch Ratings or Baa2 by Moody’s Investors Service or BBB by Standard & Poor’s Ratings Services. Upon the occurrence and continuance of an Event of Default this Bond shall bear interest at the rate of four percent (4%) per annum and the Purchaser shall have the right to declare the principal amount of this Bond to be immediately due and payable and may exercise its rights of remedies available to it under the Authorizing Resolution, at law or in equity.

Legal Debt Limit:

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 issuance of any bonds or other interest-bearing obligations. As shown in Supplementary Statistical Table 22, as of June 30, the City’s debt limit was \$581.3 million. The City’s aggregate general obligation indebtedness was \$257.2 million and the City’s legal debt margin (amount available for issuance of additional debt) was \$324.1 million.

Debt Management Policy:

The City’s Debt Management Policy, which was most recently revised on December 10, 2019, limits 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). As shown in the Supplementary Statistical Table 21, outstanding tax-supported debt was 2.99% of net assessed valuation of taxable property. The 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. The principal payout ratio for the year ended June 30 was 62.09%. There are no overlapping tax jurisdictions.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Revenue Debt:

As of June 30, 2020	Interest Rates %	Date Issued	Final Maturity	Final Issue	Sewer Fund	Stormwater Fund	Total
Virginia Resources Authority							
Public Utility Revenue Bonds	0.00	3/28/1995	2027	\$ 6,541,207	\$ 1,097,936	\$ -	\$ 1,097,936
Public Utility Revenue Bonds	0.00	8/10/1995	2029	10,000,000	2,202,381	-	2,202,381
Public Utility Revenue Bonds	0.00	6/27/1996	2029	8,000,000	1,704,859	-	1,704,859
Public Utility Revenue Bonds	0.00	7/17/1997	2030	7,591,540	2,088,797	-	2,088,797
Public Utility Revenue Bonds	0.00	8/21/1998	2031	6,203,000	1,936,368	-	1,936,368
Public Utility Revenue Bonds	0.00	2/11/2000	2021	5,300,000	278,947	-	278,947
Public Utility Revenue Bonds	0.00	2/15/2001	2032	735,000	258,355	-	258,355
Public Utility Revenue Bonds	3.50	6/8/2001	2021	2,835,000	203,026	-	203,026
Public Utility Revenue Bonds	0.00	11/6/2001	2034	1,413,613	584,014	-	584,014
Public Utility Revenue Bonds	0.00	9/15/2003	2036	2,350,165	1,173,813	-	1,173,813
Public Utility Revenue Bonds	0.00	5/20/2004	2038	6,000,000	3,300,000	-	3,300,000
Public Utility Revenue Bonds	0.00	5/17/2005	2038	6,700,000	3,796,667	-	3,796,667
Public Utility Revenue Bonds	0.00	6/28/2006	2039	9,600,000	5,920,000	-	5,920,000
Public Utility Revenue Bonds	0.00	6/20/2007	2039	7,000,000	4,433,333	-	4,433,333
Public Utility Revenue Bonds	0.00	6/5/2008	2041	12,350,000	8,439,167	-	8,439,167
Public Utility Revenue Bonds	0.00	6/25/2009	2041	19,000,000	13,300,000	-	13,300,000
Public Utility Revenue Bonds	0.00	6/17/2010	2042	13,100,000	9,606,667	-	9,606,667
Public Utility Revenue Bonds	0.00	6/15/2011	2033	93,431,494	6,070,324	-	6,070,324
Public Utility Revenue Bonds	0.00	6/15/2011	2045	10,100,000	8,248,333	-	8,248,333
Public Utility Revenue Bonds	0.00	6/6/2012	2044	7,000,000	5,600,000	-	5,600,000
Public Utility Revenue Bonds	0.00	1/5/2017	2038	1,798,578	-	1,691,105	1,691,105
Public Utility Revenue Bonds	0.00	9/18/2018	2041	32,000,000	32,000,000	-	32,000,000
					<u>\$ 112,242,987</u>	<u>\$ 1,691,105</u>	<u>\$ 113,934,092</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.

All of the indenture agreements require the City to pledge its Sewer Fund and Stormwater Fund Revenues as collateral for the revenue bonds and to maintain a debt coverage ratio at least equal to 1.15. As shown in Supplementary Statistical Tables 23 and 24, the Sewer Fund's debt coverage ratio for the year ended June 30 was 1.61 and the Stormwater Fund's debt coverage ratio was 5.93.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Summary of Changes in Long-Term Liabilities for FY 2020:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond anticipation notes	\$ 2,457,012	\$ 4,451,364	\$ 6,357,459	\$ 550,917	\$ -
General obligation bonds	160,507,669	36,480,000	23,459,857	173,527,812	10,329,296
General obligation- Direct borrowings	10,851,400	-	1,663,017	9,188,383	1,241,260
Other long term payable *	3,500,442	-	437,555	3,062,887	437,555
Adjust for deferred amounts:					
Issuance discounts	(426,470)	-	(53,309)	(373,161)	-
Issuance premiums	12,218,672	3,691,149	943,085	14,966,736	-
Total bonds and notes	189,108,725	44,622,513	32,807,664	200,923,574	12,008,111
Workers' compensation**	3,166,455	415,560	927,351	2,654,664	318,560
Compensated absences**	4,695,222	3,300,185	3,213,233	4,782,174	573,862
	<u>\$ 196,970,402</u>	<u>\$ 48,338,258</u>	<u>\$ 36,948,248</u>	<u>\$ 208,360,412</u>	<u>\$ 12,900,533</u>

Business-Type Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond anticipation notes	\$ 5,619,002	\$ 3,936,193	\$ 9,474,012	\$ 81,183	\$ -
General obligation bonds	76,582,218	12,945,000	16,556,897	72,970,321	3,286,441
General obligation- Direct borrowings	1,129,772	-	274,122	855,650	76,930
Public utility revenue bonds	118,825,460	991,948	5,883,316	113,934,092	6,149,945
Adjust for deferred amounts:					
Issuance premiums	5,411,806	810,815	308,254	5,914,367	-
Total bonds and notes	207,568,258	18,683,956	32,496,601	193,755,613	9,513,316
Workers' compensation	292,366	375,701	369,716	298,351	35,802
Compensated absences	624,205	524,026	456,219	692,012	83,041
	<u>\$ 208,484,829</u>	<u>\$ 19,583,683</u>	<u>\$ 33,322,536</u>	<u>\$ 194,745,976</u>	<u>\$ 9,632,159</u>

* An intangible asset was obtained concurrent with the recordation of this long term payable. Neither instrument constituted a source or a use of current financial resources; therefore, they are not reflected in the fund financial statements. The intangible asset is included in capital assets in Exhibit 1.

**For governmental activities, a portion of the workers' compensation and compensated absences 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Debt Service to Maturity:

Year Ending June 30	Governmental Activities					
	General Obligation Bonds		General Obligation- Direct Borrowings		Other Long Term Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 10,329,296	\$ 6,691,421	\$ 1,241,260	\$ 225,946	\$ 437,555	\$ -
2022	10,388,217	6,253,893	1,255,321	194,412	437,555	-
2023	10,179,711	5,809,170	1,268,906	162,556	437,555	-
2024	9,855,992	5,354,390	921,894	132,790	437,555	-
2025	9,750,494	4,908,301	849,848	109,819	437,555	-
2026-2030	42,264,546	18,388,132	3,651,154	216,894	875,112	-
2031-2035	35,760,040	10,713,527	-	-	-	-
2036-2040	29,104,516	5,289,148	-	-	-	-
2041-2044	15,895,000	1,186,550	-	-	-	-
	<u>\$ 173,527,812</u>	<u>\$ 64,594,532</u>	<u>\$ 9,188,383</u>	<u>\$ 1,042,417</u>	<u>\$ 3,062,887</u>	<u>\$ -</u>

Year Ending June 30	Business-Type Activities							
	General Obligation Bonds							
	Water Fund		Sewer Fund		Stormwater Fund		Airport Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,823,720	\$ 1,603,803	\$ 1,381,018	\$ 988,751	\$ 15,000	\$ 22,382	\$ 66,703	\$ 36,776
2022	1,837,260	1,528,653	1,399,637	936,424	15,000	21,569	69,871	33,441
2023	1,834,262	1,445,327	1,392,736	878,851	15,000	20,819	73,567	29,947
2024	1,812,418	1,357,698	1,314,044	819,596	15,000	20,069	77,263	26,269
2025	1,761,411	1,265,228	1,242,621	762,616	15,000	19,319	81,093	22,406
2026-2030	9,349,638	5,037,879	5,922,735	3,058,074	90,000	84,219	259,882	69,529
2031-2035	9,668,485	3,196,763	5,555,503	2,006,486	115,000	61,419	250,971	31,774
2036-2040	9,219,865	1,609,035	4,865,820	1,181,971	125,000	46,266	54,798	1,647
2041-2045	3,955,000	525,891	3,595,000	553,328	150,000	29,925	-	-
2046-2050	1,350,000	76,688	2,035,000	119,725	165,000	10,688	-	-
	<u>\$ 42,612,059</u>	<u>\$ 17,646,965</u>	<u>\$ 28,704,114</u>	<u>\$ 11,305,822</u>	<u>\$ 720,000</u>	<u>\$ 336,675</u>	<u>\$ 934,148</u>	<u>\$ 251,789</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Debt Service to Maturity: (Continued)

Year Ending June 30	Business-Type Activities			
	General Obligation- Direct Borrowings			
	Water Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2021	\$ 35,525	\$ 9,246	\$ 41,405	\$ 10,776
2022	36,540	8,415	42,588	9,807
2023	37,410	7,560	43,602	8,811
2024	38,135	6,684	44,447	7,791
2025	38,860	5,792	45,292	6,751
2026-2030	208,655	14,875	243,191	17,337
2031-2035	-	-	-	-
	<u>\$ 395,125</u>	<u>\$ 52,572</u>	<u>\$ 460,525</u>	<u>\$ 61,273</u>

Year Ending June 30	Business-Type Activities			
	Revenue Bonds			
	Sewer Fund		Stormwater Fund	
	Principal	Interest	Principal	Interest
2021	\$ 6,055,995	\$ 5,345	\$ 93,950	\$ -
2022	6,374,022	-	93,950	-
2023	6,374,022	-	93,950	-
2024	6,374,022	-	93,950	-
2025	6,374,022	-	93,950	-
2026-2030	29,603,650	-	469,752	-
2031-2035	25,068,088	-	469,752	-
2036-2040	21,058,333	-	281,851	-
2041-2045	4,960,833	-	-	-
	<u>\$ 112,242,987</u>	<u>\$ 5,345</u>	<u>\$ 1,691,105</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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

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

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 FY 2021 and FY 2022. The City funded 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 FY 2022 over the life of the refunded bonds. The escrow agent called the series 2009A refunded bonds on August 1, 2019.

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 provided funds to (i) pay when due the interest on the Series 2017 Refunding bonds to August 1, 2019 (the "Crossover Date") and (ii) pay the principal of the Refunded Bonds upon their redemption on the Crossover Date. The Refunded Bonds were not defeased and the debt service on such Refunded Bonds to the Crossover Date remained 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 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 FY 2040 over the remaining life of the refunded bonds, which is the same as the life of the refunding bonds. The escrow agent called the series 2009B refunded bonds on August 1, 2019.

June 19, 2018 General Obligation Public Improvement Bond Anticipation Notes, Series 2018

On June 19, 2018 the City issued a two-year General Obligation Bond Anticipation Note and concurrently entered into a line of credit Financing Agreement with Bank of America, N.A. The Agreement provided for borrowings of up to \$50,000,000 to provide interim financing for qualifying city, school, water, sewer and stormwater capital improvements. Interest on the unpaid principal is equal to 79% of 1-month London Interbank Offered Rate (LIBOR), plus 0.44%; and, computed on the basis of the actual number of days elapsed in a 360-day year. Interest was paid monthly. The outstanding balance of \$15,831,472 was paid on January 30, 2020 with proceeds from the January 30, 2020 General Obligation Public Improvement Bonds, Series 2020. The line of credit was closed on January 30, 2020.

January 30, 2020 General Obligation Public Improvement Bonds, Series 2020

The City issued \$49,425,000 of General Obligation Public Improvement Bonds, Series 2020 dated January 30, 2020 from its competitive bond sale on January 15, 2020. A portion of the proceeds were used to permanently finance \$15,831,472 of interim financing through the line of credit bond anticipation note with Bank of America, N.A. dated June 19, 2018. The remaining proceeds will finance city, school, water, sewer and stormwater projects. City and school projects including issuance costs were financed for twenty-one years. Water, sewer and stormwater projects including issuance costs were financed for twenty-nine years. The final maturity date is August 1, 2049, with interest rates ranging from 2.00% to 5.00% and a total interest cost of 2.27%.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

June 30, 2020 General Obligation Public Improvement Bond Anticipation Note, Series 2020

On June 30, 2020 the City issued a three-year General Obligation Bond Anticipation Note and concurrently entered into a line of credit Financing Agreement with JPMorgan Chase Bank, N.A. The Agreement provided for borrowings of up to \$42,000,000 to provide interim financing for qualifying city, school, water, sewer, stormwater and fleet capital improvements. Interest on the unpaid principal is equal to the sum of (i) 80% times Daily One-Month London Interbank Offered Rate (LIBOR), plus (ii) 0.96%, as calculated by the Lender on each day. Interest shall be computed on the basis of the actual number of days elapsed in a 360-day year and paid monthly. All outstanding amounts are due on June 15, 2023. Outstanding principal as of June 30 is \$632,100. The unused line of credit is \$41,367,900.

October 29, 2020 General Obligation Public Improvement Refunding Bonds, Series 2020B

The City issued \$15,340,000 of General Obligation Public Improvement Refunding Bonds, Series 2020B on October 29, 2020 with an average interest rate of 4.99% from its competitive bond sale on October 15, 2020. The proceeds of the Series 2020B Bonds, along with a \$315,000 equity contribution from the City, will be applied to (i) the refunding and defeasance of \$15,730,000 aggregate principal amount of the City's General Obligation Public Improvement Refunding Bonds, Series 2010, and (ii) the refunding of \$2,725,000 aggregate principal amount of the City's General Obligation Public Improvement Refunding Bonds, Series 2015; which were issued as a direct bank loan purchase. The refunding reduced the total debt service payments over the next 14 years by \$2,793,554 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,664,881.

As part of the above refunding, \$13,265,000 of bonds with an average interest rate of 4.99% were issued, along with a \$90,000 equity contribution from the City, to current refund \$15,730,000 of principal for the Series 2010 Refunding 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 FY2022 and FY2034. The City will fund maturities through FY 2021. As of the bond closing date of October 29, 2020, these refunded bonds are considered defeased and the liability for them has been removed from the financial statements. The current refunding reduced the total debt service payments over the next 14 years by \$2,567,967 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,456,279. This current refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of \$330,425. This difference will be reported in the financial statements as deferred debt charges, and will be amortized as a component of interest expenses through FY2034 over the life of the refunded bonds, which is equal to the life of the new debt issued. The outstanding principal of the Series 2010 Refunding Bonds in-substance defeased will be \$15,730,000 until the redemption date of December 1, 2020.

Also, as part of the above refunding, \$2,075,000 of bonds with an average interest rate of 5.00% were issued, along with a \$225,000 equity contribution from the City, to current refund \$2,725,000 of principal for the Series 2015 Refunding Bonds. The direct bank loan was paid in full as of October 29, 2020 and the liability has been removed from the financial statements. The current refunding reduced the total debt service payments over the next 10 years by \$225,587 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$208,602. This current refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of \$26,471. This difference will be reported in the financial statements as deferred debt charges, and will be amortized as a component of interest expenses through FY2030 over the life of the refunded bonds, which is equal to the life of the new debt issued.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 9. Long-Term Liabilities (Continued)

Component Unit – Lynchburg City Schools:

Summary of Changes in Long-Term Liabilities for FY 2020:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	\$ 987,055	\$ 845,745	\$ 706,170	\$ 1,126,630	\$ 844,555
	<u>\$ 987,055</u>	<u>\$ 845,745</u>	<u>\$ 706,170</u>	<u>\$ 1,126,630</u>	<u>\$ 844,555</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 a minimum of 10% of General Fund revenues with a goal of 15% as the City strives to grow incrementally each year subject to revenues available. In the event the UGFB is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the UGFB to the previous level within three years.
- The City will balance moving towards the 15% targeted fund balance with its annual "Pay as you go" capital improvements.

For FY 2020 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, 2020

	MAJOR FUNDS			NON MAJOR SPECIAL REVENUE FUNDS			
	GENERAL FUND	CITY CAPITAL PROJECTS	SCHOOL CAPITAL PROJECTS	CITY FEDERAL STATE AID	COMMUNITY DEVELOPMENT BLOCK GRANT	LYNCHBURG BUSINESS DEVELOPMENT CENTRE	FORFEITED ASSETS
FUND BALANCES							
Restricted for:							
Fire Department	-	-	-	323,494	-	-	-
Public Safety	-	-	-	100,269	-	-	-
Economic Development	-	-	-	4,503	-	-	-
Grants	-	-	-	95,859	-	-	-
CDBG - Bluffwalk	-	-	-	-	1,450,693	-	-
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	-	101,336
Federal Asset Forfeiture- Police	-	-	-	-	-	-	18,567
State Asset Forfeiture - Police	-	-	-	-	-	-	45,842
Health and Human Services	-	-	-	-	-	-	-
Lynchburg Expressway beautification	-	-	-	-	-	-	-
HOME projects	-	-	-	-	-	-	-
Unspent UCI Cash	-	677,617	-	-	-	-	-
Committed to:							
Technology	2,028,945	-	-	-	-	-	-
Detention Home Workers Compensation	100,000	-	-	-	-	-	-
Health Insurance Reserve	43,897	-	-	-	-	-	-
Schools for Textbooks	1,554,037	-	-	-	-	-	-
Schools for Health Insurance Reserve	2,066,925	-	-	-	-	-	-
Other Postemployment Benefits	3,039,391	-	-	-	-	-	-
Solid Waste Debt Retirement	133,711	-	-	-	-	-	-
Schools Special Education	321,000	-	-	-	-	-	-
GLTC Special Reserve	1,682,460	-	-	-	-	-	-
Self Insurance	466,535	-	-	-	-	-	-
Fuel	100,000	-	-	-	-	-	-
Concord Turnpike Landfill Maintenance	50,000	-	-	-	-	-	-
Long Term On-Time Debt Financing	750,000	-	-	-	-	-	-
Citywide Compensation Study	1,446,319	-	-	-	-	-	-
Community Development	754	-	-	-	-	-	-
Cultural and Recreational	2,051	-	-	-	-	-	-
General Government	59,280	-	-	-	-	-	-
Health and Welfare	13,930	-	-	-	-	-	-
Judicial	2,972	-	-	-	-	-	-
Public Safety	36,079	-	-	-	-	-	-
Public Works	2,346,241	-	-	-	-	-	-
Task Force on Future of PreK-12	700,000	-	-	-	-	-	-
Advance to Lynchburg United Soccer	-	100,000	-	-	-	-	-
Building projects	-	4,975,171	-	-	-	-	-
Transportation projects	-	30,200,567	-	-	-	-	-
Economic Development projects	-	4,163,787	-	-	-	-	-
Parks and Recreation projects	-	1,453,397	-	-	-	-	-
Other Projects	-	556,803	-	-	-	-	-
School Construction and Maintenance	-	-	3,278,392	-	-	-	-
Provision of loan funds for small businesses	-	-	-	-	-	125,384	-
Assigned to:							
Return of School Fund Balance	4,183,184	-	-	-	-	-	-
Law Library	66,469	-	-	-	-	-	-
Museum	50,028	-	-	-	-	-	-
Recreation Programs	207,244	-	-	-	-	-	-
Pier Program	35,812	-	-	-	-	-	-
Health Insurance Reserve	3,061,234	-	-	-	-	-	-
Line of Duty Death Benefit	501,440	-	-	-	-	-	-
Future Landfill Needs	260,998	-	-	-	-	-	-
Parking Operations	198,275	-	-	-	-	-	-
Point of Honor	2,653	-	-	-	-	-	-
Future Police Building	104,927	-	-	-	-	-	-
Fire Restitution	100	-	-	-	-	-	-
Adopt-A-Bed	1,085	-	-	-	-	-	-
Virginia Land Conservancy	2,314	-	-	-	-	-	-
General Government	138,175	-	-	-	-	-	-
Health and Welfare	79,136	-	-	-	-	-	-
Judicial	5,367	-	-	-	-	-	-
Public Safety	112,357	-	-	-	-	-	-
Public Works	805,223	-	-	-	-	-	-
Community Development	24,501	-	-	-	-	-	-
Community Diversion	206,858	-	-	-	-	-	-
Cultural & Recreational	200	-	-	-	-	-	-
Downtown Projects	7,000	-	-	-	-	-	-
Unassigned:	34,579,844	-	-	-	-	-	-
Total Fund Balance	\$ 61,578,951	\$ 42,127,342	\$ 3,278,392	\$ 524,125	\$ 1,450,693	\$ 125,384	\$ 165,745

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2020

NON MAJOR SPECIAL REVENUE FUNDS				
	CHILDREN'S SERVICES ACT	LYNCHBURG EXPRESSWAY APPEARANCE	HOME INVESTMENT PARTNERSHIP PROGRAM	ALL FUNDS
FUND BALANCES				
Restricted for:				
Fire Department	-	-	-	323,494
Public Safety	-	-	-	100,269
Economic Development	-	-	-	4,503
Grants	-	-	-	95,859
CDBG - Bluffwalk	-	-	-	1,450,693
State Asset Forfeiture - Commonwealth Attorney	-	-	-	101,336
Federal Asset Forfeiture- Police	-	-	-	18,567
State Asset Forfeiture - Police	-	-	-	45,842
Health and Human Services	207,913	-	-	207,913
Lynchburg Expressway beautification	-	146,058	-	146,058
HOME projects	-	-	60,386	60,386
Unspent UCI Cash	-	-	-	677,617
Committed to:				
Technology	-	-	-	2,028,945
Detention Home Workers Compensation	-	-	-	100,000
Health Insurance Reserve	-	-	-	43,897
Schools for Textbooks	-	-	-	1,554,037
Schools for Health Insurance Reserve	-	-	-	2,066,925
Other Postemployment Benefits	-	-	-	3,039,391
Solid Waste Debt Retirement	-	-	-	133,711
Schools Special Education	-	-	-	321,000
GLTC Special Reserve	-	-	-	1,682,460
Self Insurance	-	-	-	466,535
Fuel	-	-	-	100,000
Concord Turnpike Landfill Maintenance	-	-	-	50,000
Long Term On-Time Debt Financing	-	-	-	750,000
Citywide Compensation Study	-	-	-	1,446,319
Community Development	-	-	-	754
Cultural and Recreational	-	-	-	2,051
General Government	-	-	-	59,280
Health and Welfare	-	-	-	13,930
Judicial	-	-	-	2,972
Public Safety	-	-	-	36,079
Public Works	-	-	-	2,346,241
Task Force on Future of PreK-12	-	-	-	700,000
Advance to Lynchburg United Soccer	-	-	-	100,000
Building projects	-	-	-	4,975,171
Transportation projects	-	-	-	30,200,567
Economic Development projects	-	-	-	4,163,787
Parks and Recreation projects	-	-	-	1,453,397
Other Projects	-	-	-	556,803
School Construction and Maintenance	-	-	-	3,278,392
Provision of loan funds for small businesses	-	-	-	125,384
Assigned to:				
Return of School Fund Balance	-	-	-	4,183,184
Law Library	-	-	-	66,469
Museum	-	-	-	50,028
Recreation Programs	-	-	-	207,244
Pier Program	-	-	-	35,812
Health Insurance Reserve	-	-	-	3,061,234
Line of Duty Death Benefit	-	-	-	501,440
Future Landfill Needs	-	-	-	260,998
Parking Operations	-	-	-	198,275
Point of Honor	-	-	-	2,653
Future Police Building	-	-	-	104,927
Fire Restitution	-	-	-	100
Adopt-A-Be	-	-	-	1,085
Virginia Land Conservancy	-	-	-	2,314
General Government	-	-	-	138,175
Health and Welfare	-	-	-	79,136
Judicial	-	-	-	5,367
Public Safety	-	-	-	112,357
Public Works	-	-	-	805,223
Community Development	-	-	-	24,501
Community Diversion	-	-	-	206,858
Cultural & Recreational	-	-	-	200
Downtown Projects	-	-	-	7,000
Unassigned:	-	-	-	34,579,844
Total Fund Balance	\$ 207,913	\$ 146,058	\$ 60,386	\$ 109,664,989

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 11. Defined Benefit Pension Plan – City of Lynchburg

Plan Description

All full-time, salaried permanent employees of the City of Lynchburg, Virginia, (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent 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 available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>.
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>.
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>1,050</u>
Inactive members:	
Vested inactive members	206
Non-vested inactive members	279
Inactive members active elsewhere in VRS	<u>319</u>
Total inactive members	<u>804</u>
Active members	<u>1,177</u>
Total covered employees	<u><u>3,031</u></u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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.

The political subdivision's contractually required contribution rate for the year ended June 30, 2020 was 18.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$10,870,219 and \$10,377,528 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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, 2017, 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, 2019.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted rates of withdrawal and disability to better fit experience; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%, and decreased the discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted rates of withdrawal and disability to better fit experience; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 15%, and decreased the discount rate.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00 %		5.13 %
Inflation			2.50 %
*Expected arithmetic nominal return			7.63 %

The above allocation provides for a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2019 on, participating employers are assumed to continue 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2018	\$ 369,664,861	\$ 272,407,413	\$ 97,257,448
Changes for the year:			
Service cost	6,625,713	-	6,625,713
Interest	25,140,219	-	25,140,219
Differences between expected and actual experience	(2,629,680)	-	(2,629,680)
Assumption changes	10,427,997	-	10,427,997
Contributions – employer	-	10,150,416	(10,150,416)
Contributions – employee	-	2,655,886	(2,655,886)
Net investment income	-	17,849,423	(17,849,423)
Benefit payments, including refunds of employee contributions	(21,037,746)	(21,037,746)	-
Administrative expenses	-	(180,734)	180,734
Other changes	-	(11,250)	11,250
Net changes	18,526,503	9,425,995	9,100,508
Balances at June 30, 2019	\$ 388,191,364	\$ 281,833,408	\$ 106,357,956

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability	\$ 153,569,771	\$ 106,357,956	\$ 68,583,826

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

For the year ended June 30, 2020, the political subdivision recognized pension expense of \$12,108,385. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,678	\$ 3,284,610
Change in assumptions	8,080,806	-
Net difference between projected and actual earnings on pension plan investments	-	2,295,213
Employer contributions subsequent to the measurement date	10,870,219	-
Total	\$ 19,007,703	\$ 5,579,823

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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 \$10,870,219 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2021	\$ 1,312,617
2022	(360,967)
2023	1,421,155
2024	184,856
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020, approximately \$1,428,744 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 11. Defined Benefit Pension Plan – School Non-professionals

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of the Lynchburg City Schools, (the “School division”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent 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 available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>.
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>.
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>104</u>
Inactive members:	
Vested inactive members	10
Non-vested inactive members	68
Inactive members active elsewhere in VRS	<u>35</u>
Total inactive members	<u>113</u>
Active members	<u>135</u>
Total covered employees	<u><u>352</u></u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 11. Defined Benefit Pension Plan – School Non-professionals (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.

The school division's contractually required contribution rate for the year ended June 30, 2020 was 4.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 school division were \$185,889 and \$173,807 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2019.

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, 2017, 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, 2018.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 11. Defined Benefit Pension Plan – School Non-professionals (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted rates of withdrawal and disability to better fit experience; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%, and decreased the discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted rates of withdrawal and disability to better fit experience; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 15%, and decreased the discount rate.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00 %		5.13 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.63 %

- * The above allocation provides for a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 11. Defined Benefit Pension Plan – School Non-professionals (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2019 on, participating employers are assumed to continue 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2018	\$ 14,551,411	\$ 14,746,231	\$ (194,820)
Changes for the year:			
Service cost	351,085	-	351,085
Interest	1,012,105	-	1,012,105
Benefit changes	-	-	-
Differences between expected and actual experience	(315,743)	-	(315,743)
Assumption changes	383,937	-	383,937
Contributions – employer	-	173,807	(173,807)
Contributions – employee	-	168,548	(168,548)
Net investment income	-	989,630	(989,630)
Benefit payments, including refunds of employee contributions	(854,329)	(854,329)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(10,099)	10,099
Other changes	-	(620)	620
Net changes	577,055	466,937	110,118
Balances at June 30, 2019	\$ 15,128,466	\$ 15,213,168	\$ (84,702)

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 11. Defined Benefit Pension Plan – School Non-professionals (Continued)

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's net pension liability	\$ 1,601,653	\$ (84,702)	\$ (1,444,397)

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

For the year ended June 30, 2020, the school division recognized pension expense of \$86,365. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 134,800
Change in assumptions	228,497	-
Net difference between projected and actual earnings on pension plan investments	-	198,460
Employer contributions subsequent to the measurement date	185,889	-
Total	\$ 414,386	\$ 333,260

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 11. Defined Benefit Pension Plan – School Non-professionals (Continued)

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

The \$185,889 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2021	\$ 15,691
2022	(126,819)
2023	(3,185)
2024	9,550
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS School division Retirement Plans is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020, approximately \$37,709 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

Note 12. Defined Benefit Pension Plan – Lynchburg City Schools Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia public school divisions, including Lynchburg City Schools, (the "School Division"), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple employer, cost sharing 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 employers 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 funded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – 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.

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CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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

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. Each school division's contractually required contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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. Contributions to the pension plan from the school division were \$8,183,144 and \$8,015,806 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$82,585,756 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 0.649% as compared to 0.686% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$7,795,267. 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.

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CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 12. Defined Benefit Pension Plan – Lynchburg City Schools 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, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,288,315
Change in assumptions	8,177,926	-
Net difference between projected and actual earnings on pension plan investments	-	1,813,387
Changes in proportion and differences between Employer contributions and proportionate share of contributions	821,920	6,832,373
Employer contributions subsequent to the measurement date	<u>8,183,144</u>	<u>-</u>
Total	<u>\$ 17,182,990</u>	<u>\$ 13,934,075</u>

The \$8,183,144 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2021	\$ (1,251,583)
2022	(3,242,573)
2023	(953,559)
2024	227,122
2025	286,364
Thereafter	-

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 12. Defined Benefit Pension Plan – Lynchburg City Schools 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, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 49,683,336
Plan Fiduciary Net Position	<u>36,522,769</u>
Employers' Net Pension Liability (Asset)	<u><u>\$ 13,160,567</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 124,327,441</u>	<u>\$ 82,585,756</u>	<u>\$ 48,073,114</u>

Payables to the Pension Plan

At June 30, 2020, approximately \$1,084,756 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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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CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2020

Note 13. Summary of Pension Benefit Elements

A summary of pension financial statement elements are as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources			
Pension contributions subsequent to measurement date	\$ 9,537,531	\$ 1,332,688	\$ 10,870,219
Changes of assumptions	7,090,100	990,706	8,080,806
Differences between expected and actual experience	49,730	6,948	56,678
Total deferred outflow of resources	<u>\$ 16,677,361</u>	<u>\$ 2,330,342</u>	<u>\$ 19,007,703</u>
Net pension liability	<u>\$ 93,318,471</u>	<u>\$ 13,039,485</u>	<u>\$ 106,357,956</u>
Deferred inflows of resources			
Differences between projected and actual earnings on investments	\$ 2,013,820	\$ 281,393	\$ 2,295,213
Differences between expected and actual experience	2,881,917	402,693	3,284,610
Total deferred inflow of resources	<u>\$ 4,895,737</u>	<u>\$ 684,086</u>	<u>\$ 5,579,823</u>
Pension Expense			
VRS	<u>\$ 10,623,897</u>	<u>\$ 1,484,488</u>	<u>\$ 12,108,385</u>
Total pension expense	<u>\$ 10,623,897</u>	<u>\$ 1,484,488</u>	<u>\$ 12,108,385</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 13. Summary of Pension Benefit Elements (Continued)

Lynchburg City Schools

The Schools participate in two pension plans as described in Notes 11 and 12. Following is a summary of key pension-related financial statement elements lifted from those notes.

	<u>Governmental Activities</u>
Deferred outflows of resources:	
Changes in proportion and related differences – cost sharing plans VRS Teacher cost sharing plan	\$ 821,920
Changes in assumptions	
VRS – nonprofessionals	228,497
VRS Teacher cost sharing plan	8,177,916
Contributions subsequent to measurement date	
VRS – nonprofessionals	185,889
VRS Teacher cost sharing plan	<u>8,183,144</u>
	<u>\$ 17,597,366</u>
Net VRS liability (asset):	
VRS – nonprofessionals	\$ (84,702)
VRS Teacher cost sharing plan	<u>82,585,756</u>
	<u>\$ 82,501,054</u>
Deferred inflows of resources:	
Difference between expected and actual experience	
VRS – nonprofessionals	\$ 134,800
VRS teacher cost sharing plan	5,288,315
Net difference between projected and actual earnings on pension plan investments	
VRS – nonprofessionals	198,460
VRS teacher cost sharing plan	1,813,387
Changes in proportion and related differences – cost sharing plans VRS Teacher cost sharing plan	<u>6,832,373</u>
	<u>\$ 14,267,335</u>
Net VRS expense	
VRS – nonprofessionals	\$ 86,365
VRS Teacher cost sharing plan	<u>7,795,267</u>
	<u>\$ 7,881,632</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 14. Other Post-Employment Benefits – Healthcare

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, January 1, 2020, was as follows:

Actives	1,150
Retired/Dependents	<u>507</u>
Total Participants	<u>1,657</u>

Total OPEB Liability

The City's total OPEB liability of \$47,911,151 was measured as of June 30, 2020, and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions

In the January 1, 2020 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 2.45% discount rate, and an initial annual healthcare cost trend of 6.0% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.25%. Mortality rates were RPH-2014 for Males and Females projected generationally to 2020 with Scale SSA.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 14. Other Post-Employment Benefits – Healthcare (Continued)

City of Lynchburg (Continued)

Changes in OPEB Liability

	2020
Service Cost	\$ 371,336
Interest	2,600,222
Difference between expected and actual experience	(38,403,363)
Changes in assumptions	2,100,461
Benefit payments, including implicit subsidies	(2,898,368)
Net Change in Total OPEB Liability	(36,229,712)
Total OPEB Liability – Beginning of Year	84,140,863
Total OPEB Liability – End of Year	<u>\$ 47,911,151</u>

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the plans, calculated using the discount rate of 2.45%, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	1.45%	2.45%	3.45%
Total OPEB Liability	\$ 54,181,047	\$ 47,911,151	\$ 42,789,254
Net OPEB Liability	<u>\$ 54,181,047</u>	<u>\$ 47,911,151</u>	<u>\$ 42,789,254</u>
Ratio of Plan Net Position to Total OPEB Liability	0.0%	0.0%	0.0%

Sensitivity of the net OPEB liability to changes in the healthcare trend rate

The following presents the net OPEB liability of the plans, calculated using the healthcare trend rate of from 6.00% to an ultimate rate of 4.25%, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease	Current Ultimate Trend Rate	1% Increase
Ultimate Trend Rate	3.25%	4.25%	5.25%
Total OPEB Liability	\$ 42,624,331	\$ 47,911,151	\$ 54,337,128
Net OPEB Liability	<u>\$ 42,624,331</u>	<u>\$ 47,911,151</u>	<u>\$ 54,337,128</u>
Ratio of Plan Net Position to Total OPEB Liability	0.0%	0.0%	0.0%

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 14. Other Post-Employment Benefits – Healthcare (Continued)

City of Lynchburg (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$(4,263,346). At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (47,420,834)
Change in actuarial assumptions	6,123,193	(398,514)
Total	<u>\$ 6,123,193</u>	<u>\$ (47,819,348)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	Net Amount of Outflow/(Inflow)
2021	\$ (7,234,904)
2022	(7,234,904)
2023	(7,234,904)
2024	(7,234,909)
After 2024	(12,756,534)
Total Amount to be Recognized	(41,696,155)

Lynchburg City Schools

Plan Description

The Schools provide full-time active employees eligibility to receive postretirement medical and dental benefits after retiring from active service from the Schools under the VRS Teachers Retirement Plan under the normal or early retirement plan provisions. The employee must have worked for the Schools for 10 continuous years prior to retirement. The earliest retirement eligibility is age 50 with at least 10 years of service.

Benefits Provided

Lynchburg City Schools currently provides medical, dental and vision benefits to its retirees and their eligible dependents that elect to stay in the plan. At retirement, retirees may stay in an Anthem KeyCare Plan with prescription drug benefits. The plan is an Anthem KeyCare 25 plan with a \$750 deductible.

Dental benefits are offered through Anthem and the vision benefits are offered through EyeMed Vision. Since the retiree pays the full rates for both of these plans, we assumed there was no GASB liability for either of these plans.

Retirees can continue coverage under all the benefits until age 65. If the spouse is covered, he or she can continue until the retiree turns 65. If the spouse turns 65 before the retiree, they may remain in the plan with the same benefits or elect to leave the plan and go on Medicare. It is assumed that spouses would remain in the plan since this was the more conservative approach and there have been spouses over age 65 in the plan.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 14. Other Post-Employment Benefits – Healthcare (Continued)

Lynchburg City Schools (Continued)

Early Retirement Incentive Plan

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

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the plan:

Inactive employees or beneficiaries:	
Currently receiving benefits	72
Entitled to but not yet receiving benefits	<u>-</u>
Total inactive employees	72
Active plan members	<u>1,319</u>
	<u><u>1,391</u></u>

Total OPEB Liability

The School's total OPEB liability of \$11,612,855 was measured as of June 30, 2019 and was determined based on an actuarial valuation performed as of July 1, 2018.

Actuarial Assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
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Mortality rates: RP-2000 Combined Mortality Table Projected with Scale AA to 2020, males set back 3 years and females set back 5 years.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016.

Changes in assumptions and other inputs reflect a change in the discount rate based on GASB 75 rules.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 14. Other Post-Employment Benefits – Healthcare (Continued)

Lynchburg City Schools (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ 10,310,379
Changes for the year:	
Service cost	858,868
Interest	424,127
Differences between expected and actual experience	-
Assumption or other input changes	439,283
Benefit payments	(419,802)
Net changes	1,302,476
Balance at June 30, 2019	\$ 11,612,855

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Schools, as well as what the Schools' total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.5%) or one percentage point higher (4.5%) than the current discount rate:

	1.00% Decrease (2.5%)	Current Discount Rate (3.5%)	1.00% Increase (4.5%)
Total OPEB liability	\$ 12,909,607	\$ 11,612,855	\$ 10,472,675

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Schools, as well as what the Schools' total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current healthcare cost trend rates:

	1.00% Decrease (7.00%)	Current Healthcare Cost Trend Rates (8.00%)	1.00% Increase (9.00%)
Total OPEB liability	\$ 10,099,199	\$ 11,612,855	\$ 13,449,206

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 14. Other Post-Employment Benefits – Healthcare (Continued)

Lynchburg City Schools (Continued)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the Schools recognized OPEB expense of \$1,377,513. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,305,861	\$ 1,159,913
Change in assumptions	376,528	525,918
Employer contributions subsequent to the measurement date	<u>155,894</u>	<u>-</u>
Total	<u><u>\$ 2,838,283</u></u>	<u><u>\$ 1,685,831</u></u>

The \$155,894 reported as deferred outflows of resources related to OPEB resulting from the Schools' contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ 94,518
2022	94,518
2023	94,517
2024	587,497
2025	62,755
Thereafter	62,753

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 15. Other Post-Employment Benefits – Group Life Insurance

City of Lynchburg

Summary of Significant Accounting Policies

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the City were \$303,560 and \$290,819 for the years ended June 30, 2020 and June 30, 2019, respectively.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 15. Other Post-Employment Benefits – Group Life Insurance (Continued)

City of Lynchburg (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB

At June 30, 2020, the City reported a liability of \$4,591,169 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the City's proportion was 0.28214% as compared to 0.28865% at June 30, 2018.

For the year ended June 30, 2020, the City recognized GLI OPEB expense of \$75,907. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 305,340	\$ (59,552)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(94,306)
Changes in actuarial assumptions	289,860	(138,444)
Changes in proportion	-	(142,751)
Employer contributions subsequent to the measurement date	303,560	-
Total	<u>\$ 898,760</u>	<u>\$ (435,053)</u>

\$303,560 reported as deferred outflows of resources related to the GLI OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Increase/ (Reduction) to OPEB Expense
2021	\$ (13,946)
2022	(13,943)
2023	26,000
2024	65,913
2025	75,207
Thereafter	20,916

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 15. Other Post-Employment Benefits – Group Life Insurance (Continued)

City of Lynchburg (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation:	
• Locality – General employees	3.50 – 5.35 %
• Locality – Hazardous Duty employees	3.50 – 4.75 %
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return	6.75%, net of investment expenses, 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 return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans.

Net OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

The total GLI OPEB liability is calculated by the VRS actuary, and each plan's fiduciary net position is reported in the VRS financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 15. Other Post-Employment Benefits – Group Life Insurance (Continued)

City of Lynchburg (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS 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 System's 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS - Multi -Asset Public Strategies	6.00	3.52	0.21
PIP- Private Investment Partnership	3.00	6.29	0.19
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected Arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 15. Other Post-Employment Benefits – Group Life Insurance (Continued)

City of Lynchburg (Continued)

Sensitivity of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the City's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Total GLI OPEB Liability	<u>\$ 6,031,525</u>	<u>\$ 4,591,169</u>	<u>\$ 3,423,080</u>

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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 VRS Group Life Insurance OPEB Plan

At June 30, 2020 the City reported a payable of \$204,206 for the outstanding amount of contributions to VRS required for the year ended June 30, 2020.

Lynchburg City Schools

Plan Descriptions

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 15. Other Post-Employment Benefits – Group Life Insurance (Continued)

Lynchburg City Schools (Continued)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the Schools General plan were \$19,925 and \$18,231 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions to the Group Life Insurance Program from the Schools Teachers plan were \$282,867 and \$273,581 for the years ended June 30, 2020 and June 30, 2019, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB

At June 30, 2020, the Schools General plan reported a liability of \$290,220 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Schools General plan proportion was 0.01870% as compared to 0.02014% at June 30, 2018.

For the year ended June 30, 2020, the Schools General plan recognized GLI OPEB expense of \$0. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the Schools General plan reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,093	\$ 3,819
Net difference between projected and actual earnings on GLI OPEB program investments	-	5,728
Changes in actuarial assumptions	18,139	8,592
Changes in proportion	-	28,640
Employer contributions subsequent to the measurement date	19,925	-
Total	\$ 57,157	\$ 46,779

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 15. Other Post-Employment Benefits – Group Life Insurance (Continued)

Lynchburg City Schools (Continued)

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

\$19,925 reported as deferred outflows of resources related to the GLI OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Increase/ (Reduction) to OPEB Expense
2021	\$ (5,293)
2022	(5,293)
2023	(2,765)
2024	840
2025	2,336
Thereafter	628

At June 30, 2020, the Schools Teachers plan reported a liability of \$4,359,978 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Schools Teachers plan proportion was 0.28067% as compared to 0.29503% at June 30, 2018.

For the year ended June 30, 2020, the Schools Teachers plan recognized GLI OPEB expense of \$28,640. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the Schools Teachers plan reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 290,220	\$ 56,326
Net difference between projected and actual earnings on GLI OPEB program investments	-	89,739
Changes in actuarial assumptions	274,945	131,744
Changes in proportion	-	340,817
Employer contributions subsequent to the measurement date	282,867	-
Total	\$ 848,032	\$ 618,626

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 15. Other Post-Employment Benefits – Group Life Insurance (Continued)

Lynchburg City Schools (Continued)

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

\$282,867 reported as deferred outflows of resources related to the GLI OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Increase/ (Reduction) to OPEB Expense
2021	\$ (56,703)
2022	(56,699)
2023	(18,766)
2024	21,047
2025	44,547
Thereafter	13,113

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation:	
• Locality – General employees	3.50 – 5.35 %
• Teachers	3.50 – 5.95 %
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return	6.75%, net of investment expenses, 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 percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 15. Other Post-Employment Benefits – Group Life Insurance (Continued)

Lynchburg City Schools (Continued)

Net OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

The total GLI OPEB liability is calculated by the VRS actuary, and each plan's fiduciary net position is reported in the VRS financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi-Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00%		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected Arithmetic nominal return	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 15. Other Post-Employment Benefits – Group Life Insurance (Continued)

Lynchburg City Schools (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the School's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the School's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Total GLI OPEB Liability – General	<u>\$ 381,643</u>	<u>\$ 290,220</u>	<u>\$ 216,595</u>
Total GLI OPEB Liability – Teachers	<u>\$ 5,728,115</u>	<u>\$ 4,359,978</u>	<u>\$ 3,250,885</u>

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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 VRS Group Life Insurance OPEB Plan

At June 30, 2020 the School's General plan and Teachers plan reported payables of \$4,519 and \$65,864, respectively for the outstanding amount of contributions to VRS required for the year ended June 30, 2020.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 16. Other Post-Employment Benefits – Health Insurance Credit (HIC)

Lynchburg City Schools

Summary of Significant Accounting Policies

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Teacher Employee Health Insurance Credit Program

Plan Description

All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the Teacher HIC is available at
<https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) 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. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 Teacher Employee Health Insurance Credit Program from the Schools were \$644,708 and \$622,711 for the years ended June 30, 2020 and June 30, 2019, respectively.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 16. Other Post-Employment Benefits – Health Insurance Credit (Continued)

Lynchburg City Schools (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB

At June 30, 2020, the School's reported a liability of \$8,155,323 for its proportionate share of the Net HIC OPEB Liability. The Net HIC OPEB Liability was measured as of June 30, 2019 and the total HIC OPEB liability used to calculate the Net HIC OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net HIC OPEB Liability was based on the covered employer's actuarially determined employer contributions to the HIC Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School's proportion was 0.65486% as compared to 0.69209% at June 30, 2018.

For the year ended June 30, 2020, the School's recognized HIC OPEB expense of \$551,742. Since there was a change in proportionate share between measurement dates, a portion of the HIC OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the School's reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 951	\$ 46,613
Net difference between projected and actual earnings on HIC OPEB program investments	-	-
Changes in actuarial assumptions	190,256	57,077
Changes in proportion	-	699,190
Employer contributions subsequent to the measurement date	644,708	-
Total	<u>\$ 835,915</u>	<u>\$ 802,880</u>

\$644,708 reported as deferred outflows of resources related to the HIC OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ending June 30,	Increase/ (Reduction) to OPEB Expense
2021	\$ (52,875)
2022	(52,962)
2023	(77,831)
2024	(69,512)
2025	(94,991)
Thereafter	(263,502)

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 16. Other Post-Employment Benefits – Health Insurance Credit (Continued)

Lynchburg City Schools (Continued)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.50%
Salary increases, including inflation:	
• Locality – General employees	3.50 – 5.35 %
• Locality – Teachers	3.50 – 5.95 %
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return	6.75%, net of investment expenses, 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 percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans.

Net OPEB Liability

The net OPEB liability (NOL) for the HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the HIC Program is as follows (amounts expressed in thousands):

	HIC OPEB Program
Total HIC OPEB Liability	\$ 1,438,114
Plan Fiduciary Net Position	129,016
Employers' Net HIC OPEB Liability (Asset)	<u>\$ 1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.97%

The total HIC OPEB liability is calculated by the VRS actuary, and each plan's fiduciary net position is reported in the VRS financial statements. The net HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 16. Other Post-Employment Benefits – Health Insurance Credit (Continued)

Lynchburg City Schools (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected Arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 16. Other Post-Employment Benefits – Health Insurance Credit (Continued)

Lynchburg City Schools (Continued)

Sensitivity of the Net HIC OPEB Liability to Changes in the Discount Rate

The following presents the School's proportionate share of the net HIC OPEB liability using the discount rate of 6.75%, as well as what the School's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Total HIC OPEB Liability	<u>\$ 9,619,343</u>	<u>\$ 8,155,323</u>	<u>\$ 7,768,152</u>

Health Insurance Credit Program Fiduciary Net Position

Detailed information about the Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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 VRS HIC OPEB Plan

At June 30, 2020 the School's reported a payable of \$60,333 for the outstanding amount of contributions to VRS required for the year ended June 30, 2020.

Note 17. Other Post-Employment Benefits – Line of Duty Act (LODA)

City of Lynchburg

General Information about the Line of Duty Act

Plan Description

The City of Lynchburg is a non-participating employer of the State's Line of Duty Act (LODA), and therefore directly funds the cost of benefits provided under LODA. Public safety employees and volunteers of the City who are disabled or killed in the line of duty and their eligible family members are eligible.

Benefits Provided

The City will continue to pay the LODA Health Benefit Plans premiums for any claimant and/or eligible spouse and family members to the Department of Health Resources and Management (DHRM), Virginia; pays death benefit of \$100,000 (if death occurs as a direct result of performing duty; amount may vary for other causes of death) to eligible family members, funeral benefits (if requested); any administrative fees associated with the LODA claims and retroactive health insurance premium reimbursements, if applicable. Effective July 1, 2017, benefits are not covered upon eligibility for Medicare due to age, income greater than pre-disability income, surviving spouses who remarry. Existing participants with a death or disability eligibility date prior to July 1, 2017 and current/existing spouses who remarry prior to July 1, 2017 are grandfathered.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 17. Other Post-Employment Benefits – Line of Duty Act (LODA) (Continued)

City of Lynchburg (Continued)

General Information about the Line of Duty Act (Continued)

Membership

The number of participants as of the most recent valuation, January 1, 2020, was as follows:

Actives	340
Disabled Participants/Dependents	<u>24</u>
Total Participants	<u>364</u>

Total OPEB Liability

The City's total OPEB liability of \$7,128,543 was measured as of June 30, 2020, and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using a Healthcare Trend: 6.00% initially, grading down to 4.25% ultimate. Mortality rates were RPH2014 for Males and Females base year 2000 projected to 2020 with Scale SSA. The Entry Age method is used for accounting/GASB purposes.

Changes in OPEB Liability

Total OPEB Liability	2020
Service Cost	\$ 173,562
Interest	281,173
Difference between expected and actual experience	(3,213,464)
Changes in assumptions	1,192,943
Benefit payments	<u>(228,753)</u>
Net Change in Total OPEB Liability	(1,794,539)
Total OPEB Liability – Beginning of Year	<u>8,923,082</u>
Total OPEB Liability – End of Year	<u><u>\$ 7,128,543</u></u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 17. Other Post-Employment Benefits – Line of Duty Act (LODA) (Continued)

City of Lynchburg (Continued)

General Information about the Line of Duty Act (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the plans, calculated using the discount rate of 2.45%, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount Rate	1.45%	2.45%	3.45%
Total OPEB Liability	<u>\$ 8,251,531</u>	<u>\$ 7,128,543</u>	<u>\$ 6,235,184</u>
Net OPEB Liability	<u>\$ 8,251,531</u>	<u>\$ 7,128,543</u>	<u>\$ 6,235,184</u>
Ratio of Plan Net Position to Total OPEB Liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

Sensitivity of the net OPEB liability to changes in the healthcare trend rate

The following presents the net OPEB liability of the plans, calculated using the healthcare trend rate of from 6.00% to an ultimate rate of 4.25%, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Ultimate Trend Rate</u>	<u>1% Increase</u>
Ultimate Trend Rate	3.25%	4.25%	5.25%
Total OPEB Liability	<u>\$ 6,165,712</u>	<u>\$ 7,128,543</u>	<u>\$ 8,334,891</u>
Net OPEB Liability	<u>\$ 6,165,712</u>	<u>\$ 7,128,543</u>	<u>\$ 8,334,891</u>
Ratio of Plan Net Position to Total OPEB Liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 17. Other Post-Employment Benefits – Line of Duty Act (LODA) (Continued)

City of Lynchburg (Continued)**General Information about the Line of Duty Act (Continued)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the City recognized OPEB expense of \$343,342. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (2,892,118)
Change in actuarial assumptions	1,526,945	-
Total	<u>\$ 1,526,945</u>	<u>\$ (2,892,118)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	Net Amount of Outflow/(Inflow)
2021	\$ (111,393)
2022	(111,393)
2023	(111,393)
2024	(111,393)
After 2024	(919,601)
Total Amount to be Recognized	(\$1,365,173)

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 18. Summary of Other Postemployment Benefit Elements

A summary of other postemployment benefit (“OPEB”) financial statement elements are as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources - OPEB			
OPEB contributions subsequent to measurement date			
Group life insurance	\$ 266,343	\$ 37,217	\$ 303,560
OPEB Diff between expected and actual experience			
Group life insurance	267,905	37,435	305,340
OPEB Changes of Assumptions			
Group life insurance	254,323	35,537	289,860
Health	5,357,795	765,398	6,123,193
Line of Duty	1,526,945	-	1,526,945
Total deferred outflow of resources - OPEB	<u>\$ 7,673,311</u>	<u>\$ 875,587</u>	<u>\$ 8,548,898</u>
Net OPEB liability			
Group life insurance	\$ 4,028,291	\$ 562,878	\$ 4,591,169
Health - Local plan	41,922,257	5,988,894	47,911,151
Line of Duty	7,128,543	-	7,128,543
Total net OPEB liability	<u>\$ 53,079,091</u>	<u>\$ 6,551,772</u>	<u>\$ 59,630,863</u>
Deferred inflows of resources - OPEB			
Difference between expected and actual experience			
Group life insurance	\$ 52,251	\$ 7,301	\$ 59,552
Health - Local plan	41,493,229	5,927,605	47,420,834
Line of Duty	2,892,118	-	2,892,118
Differences between projected and actual earnings on investments			
Group life insurance	82,744	11,562	94,306
Change of assumption			
Group life insurance	121,471	16,973	138,444
Health - Local plan	348,700	49,814	398,514
Change in proportionate share			
Group life insurance	125,250	17,501	142,751
Total deferred inflow of resources - OPEB	<u>\$ 45,115,763</u>	<u>\$ 6,030,756</u>	<u>\$ 51,146,519</u>
OPEB expense			
Health - Local plan	\$ (3,730,854)	\$ (532,492)	\$ (4,263,346)
VRS GLI	66,601	9,306	75,907
Line of Duty	343,342	-	343,342
Total OPEB expense	<u>\$ (3,320,911)</u>	<u>\$ (523,186)</u>	<u>\$ (3,844,097)</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 18. Summary of Other Postemployment Benefit Elements (Continued)

A summary of other postemployment benefit (“OPEB”) financial statement elements are as follows:

	Component Unit School Board
Deferred outflows of resources:	
Difference between expected and actual experience	
Local OPEB	\$ 2,305,861
GLI – general employees	19,093
GLI – teachers	290,220
HIC – teachers	951
Changes in assumptions	
Local OPEB	376,528
GLI – general employees	18,139
GLI – teachers	274,945
HIC – teachers	190,256
OPEB contributions subsequent to measurement date	
Local OPEB	155,894
GLI – general employees	19,925
GLI – teachers	282,867
HIC – teachers	644,708
	<u>\$ 4,579,387</u>
Net OPEB liability:	
Local OPEB	\$ 11,612,855
GLI – general employees	290,220
GLI – teachers	4,359,978
HIC – teachers	8,155,323
	<u>\$ 24,418,376</u>
Deferred inflows of resources:	
Difference between expected and actual experience	
Local OPEB	\$ 1,159,913
GLI – general employees	3,819
GLI – teachers	56,326
HIC – teachers	46,613
Changes in assumptions	
Local OPEB	525,918
GLI – general employees	8,592
GLI – teachers	131,744
HIC – teachers	57,077
Net difference between projected and actual earnings on	
OPEB plan investments:	
GLI – general employees	5,728
GLI – teachers	89,739

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 18. Summary of Other Postemployment Benefit Elements (Continued)

A summary of other postemployment benefit (“OPEB”) financial statement elements are as follows (Continued):

	Component Unit School Board
Deferred inflows of resources: (Continued)	
Changes in proportion and related differences – cost sharing plans	
GLI – general employees	\$ 28,640
GLI – teachers	340,817
HIC – teachers	699,190
	<u>\$ 3,154,116</u>
Net OPEB expense	
Local OPEB	\$ 1,377,513
GLI – general employees	-
GLI – teachers	28,640
HIC – teachers	551,742
	<u>\$ 1,957,895</u>

Note 19. Leases

Lessee:

Operating leases have original terms from one month to 120 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
2021	\$ 182,498	\$ 406,418
2022	112,839	288,407
2023	94,413	185,140
2024	72,173	111,440
2025	65,670	64,103
2026-2030	323,300	25,000
	<u>\$ 850,893</u>	<u>\$ 1,080,508</u>

For 2020, the City incurred rental expenditures of \$521,206 and the Schools incurred rental expenditures of \$655,719.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 20. Risk Management

The Risk Management Programs of the City are as follows:

Workers' Compensation: The City is self-insured for workers' compensation claims. All settled claims are paid through the General Fund and then charged to the Proprietary funds as appropriate. 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 \$1,297,067.

General Liability and Other: The City is contingently liable with respect to lawsuits and other claims that arise in the normal course of operations. 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 \$428 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 \$693,784. 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 \$688,000. Administrative fees, Affordable Care Act fees, and stop loss premiums for the year ended June 30 totaled \$1,063,383.

Changes in aggregate liabilities were as follows:

			Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Workers' Compensation	2020	\$	3,458,821	\$ 791,261	\$ 1,297,067	\$ 2,953,015
	2019	\$	3,687,192	\$ 612,624	\$ 840,995	\$ 3,458,821
General/Automotive Liability	2020	\$	-	\$ 837,667	\$ 837,667	\$ -
	2019	\$	-	\$ 241,307	\$ 241,307	\$ -
Healthcare	2020	\$	1,580,336	\$ 12,979,932	\$ 13,872,268	\$ 688,000
	2019	\$	826,717	\$ 13,059,515	\$ 12,305,896	\$ 1,580,336

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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 20. Risk Management (Continued)

The Risk Management Programs of the Schools are as follows:

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

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

Healthcare: The Schools' professionally administered self-insurance program provides healthcare coverage for employees and retirees of the Schools on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the Schools. Under the program, the Schools are obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$350,000 per covered individual per contract year. Total claims expense of \$10,658,559 was incurred in the current year, and there were no claims above the per individual limit that would have been covered by the stop loss policy. Administrative fees, affordable care act fees, and stop loss premiums for the current year totaled \$1,047,039. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled \$1,464,221 and have been recorded as a liability by the Schools.

Changes in aggregate liabilities were as follows:

		Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Healthcare	2020	\$ 1,471,621	\$ 10,658,559	\$ 10,665,959	\$ 1,464,221
	2019	\$ 990,741	\$ 9,502,028	\$ 9,021,148	\$ 1,471,621

Note 21. Significant Transactions of the City and Discretely Presented Component Unit – Schools

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

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

Expenses of Schools – Component Unit (Exhibit 2)	\$ 111,427,629
Principal and other debt service expenses included in City	<u>13,213,508</u>
Total expenses/expenditures for School activities	<u><u>\$ 124,641,137</u></u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 22. Commitments and Contingencies

Combined Sewer Overflow (CSO):

In 1994, and with subsequent permit renewals, the Virginia Department of Environmental Quality (VDEQ) issued a sewage discharge per 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 June 30, 2020 the revised program has an estimated remaining cost \$31.3 million.

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.

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, 2020.

Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2020, the arbitrage rebate liability estimate was zero.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 22. Commitments and Contingencies (Continued)

Encumbrance Commitments:

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

MAJOR FUNDS

General Fund	\$ 3,721,234
City Capital Projects Fund	30,190,269
School Capital Projects	1,035,465
Total Major Funds	34,946,968

NONMAJOR FUNDS

City Federal State Aid	103,883
Forfeited Assets	21,699
Lynchburg Regional Juvenile Detention Center	8,399
Total Nonmajor Funds	133,981

TOTAL ENCUMBRANCES	\$ 30,080,949
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Construction Commitments:

Included in the encumbrances above are construction commitments of \$30,190,269 in the City Capital Projects fund and \$1,035,465 in the School Capital Projects fund. The City also had construction commitments of \$3,154,085 in the Water fund; \$10,411,571 in the Sewer fund; \$853,795 in the Stormwater Fund; and \$22,010 in the Airport fund as of June 30, 2020.

Note 23. Tax Abatements

The City provides tax abatements through Economic Development for two grants. The grants are provided to local developers through the Lynchburg Economic Development Authority (LEDA). To qualify for the grant, local developers must complete projects that promote economic development within the City. The projects must generate additional tax revenue; as well as create new jobs, and services that will benefit the City. Performance agreements between the City, the developer, and LEDA are approved by City Council. Local taxes collected from the businesses located in these developments are used to fund the grants. The applicable taxes include real estate, business personal property, business license, sales and use, meals, and lodging tax. Total taxes abated for the two grants during FY2020 were \$630,748.

The maximum total tax abatements, over a fifteen year period, for the two current grants is \$3,000,000 for a conduit loan by the LEDA and \$5,879,794 for reimbursement of the cost to construct a road in a mixed use development.

The City has real estate tax abatement agreements with individuals and businesses who have renovated property within City limits in accordance with the City Code. The abatement is available for an existing residential structure, which is no less than fifty years of age, and which has been improved as to increase the assessed value of the structure by no less than forty percent. For multifamily (five units or more), commercial, or industrial real estate; the abatement is for a substantially rehabilitated or renovated structure which is no less than twenty-five years of age, and which has been so improved as to increase the assessed value of the structure by no less than sixty percent. The tax exemption is effective for a period of ten years for any completed approved rehabilitation/renovation during the preceding fiscal year. Currently, the total active real estate rehabilitation credits are \$112,148,051 on a total of 291 parcels equating to \$1,244,843 in real estate tax.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 24. COVID-19 Impact

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The City’s operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the City received revenue during fiscal year 2020. As such, our financial condition and liquidity may be negatively impacted for the fiscal year 2021.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the City’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Note 25. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In January 2017, the GASB issued **Statement No. 84, *Fiduciary Activities***. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, The GASB issued **Statement No. 87, *Leases***. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In August 2018, the GASB issued **Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61***. This Statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

Note 25. New Accounting Standards (Continued)

Statement No. 90, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61 (Continued)

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued **Statement No. 91, Conduit Debt Obligations**. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92, Omnibus**. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93, Replacement of Interbank Offered Rates**. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements**. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96, Subscription-Based Information Technology Arrangements**. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32**. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

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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, 2020

	Plan Year					
	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service cost	\$ 6,203,323	\$ 6,349,597	\$ 6,346,042	\$ 6,432,589	\$ 6,654,862	\$ 6,625,713
Interest on total pension liability	22,279,728	22,979,376	23,599,711	24,063,948	24,449,704	25,140,219
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(1,322,839)	(3,091,281)	(5,899,588)	120,722	(2,629,680)
Changes in assumptions	-	-	-	2,149,134	-	10,427,997
Benefit payments, including refunds of employee contributions	(18,346,084)	(18,630,099)	(19,658,299)	(20,786,742)	(21,683,819)	(21,037,746)
Net change in total pension liability	10,136,967	9,376,035	7,196,173	5,959,341	9,541,469	18,526,503
Total pension liability - beginning	<u>327,454,876</u>	<u>337,591,843</u>	<u>346,967,878</u>	<u>354,164,051</u>	<u>360,123,392</u>	<u>369,664,861</u>
Total pension liability - ending	<u>337,591,843</u>	<u>346,967,878</u>	<u>354,164,051</u>	<u>360,123,392</u>	<u>369,664,861</u>	<u>388,191,364</u>
Plan Fiduciary Net Position						
Contributions - employer	10,482,447	10,640,498	10,888,855	9,920,997	10,083,118	10,150,416
Contributions - employee	2,545,602	2,623,103	2,647,107	2,766,837	2,676,472	2,655,886
Net investment income	32,917,551	10,830,296	4,079,524	28,939,509	19,156,055	17,849,423
Benefit payments, including refunds of employee contributions	(18,346,084)	(18,630,099)	(19,658,299)	(20,786,742)	(21,683,819)	(21,037,746)
Administrative expenses	(180,075)	(151,038)	(152,831)	(171,345)	(169,088)	(180,734)
Other	1,737	(2,273)	(1,774)	(25,640)	(16,908)	(11,250)
Net change in plan fiduciary net position	27,421,178	5,310,487	(2,197,418)	20,643,616	10,045,830	9,425,995
Plan fiduciary net position - beginning	<u>211,183,720</u>	<u>238,604,898</u>	<u>243,915,385</u>	<u>241,717,967</u>	<u>262,361,583</u>	<u>272,407,413</u>
Plan fiduciary net position - ending	<u>238,604,898</u>	<u>243,915,385</u>	<u>241,717,967</u>	<u>262,361,583</u>	<u>272,407,413</u>	<u>281,833,408</u>
Net pension liability - ending	<u>\$ 98,986,945</u>	<u>\$ 103,052,493</u>	<u>\$ 112,446,084</u>	<u>\$ 97,761,809</u>	<u>\$ 97,257,448</u>	<u>\$ 106,357,956</u>
Plan fiduciary net position as a percentage of total pension liability	<u>71%</u>	<u>70%</u>	<u>68%</u>	<u>73%</u>	<u>74%</u>	<u>73%</u>
Covered payroll	<u>\$ 49,759,064</u>	<u>\$ 50,441,350</u>	<u>\$ 51,326,626</u>	<u>\$ 52,930,961</u>	<u>\$ 54,235,867</u>	<u>\$ 54,656,679</u>
Net pension liability as a percentage of covered payroll	<u>199%</u>	<u>204%</u>	<u>219%</u>	<u>185%</u>	<u>179%</u>	<u>195%</u>

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, only six years of 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, 2020

	2014	2015	Plan Year		2018	2019
			2016	2017		
Total Pension Liability						
Service cost	\$ 408,027	\$ 408,652	\$ 390,047	\$ 388,263	\$ 369,905	\$ 363,374
Interest on total pension liability	935,168	975,621	1,013,096	1,012,802	1,013,987	1,047,533
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(47,318)	(601,120)	(438,840)	(45,578)	(326,795)
Changes in assumptions	-	-	-	(126,476)	-	397,376
Benefit payments, including refunds of employee contribution:	(736,082)	(794,492)	(808,719)	(803,718)	(833,932)	(884,234)
Net change in total pension liability	607,113	542,463	(6,696)	32,031	504,382	597,254
Total pension liability - beginning	<u>13,727,582</u>	<u>14,334,695</u>	<u>14,877,158</u>	<u>14,870,462</u>	<u>14,902,493</u>	<u>15,406,875</u>
Total pension liability - ending	<u>14,334,695</u>	<u>14,877,158</u>	<u>14,870,462</u>	<u>14,902,493</u>	<u>15,406,875</u>	<u>16,004,129</u>
Plan Fiduciary Net Position						
Contributions - employer	382,008	327,719	332,290	228,134	229,132	179,891
Contributions - employee	192,487	183,717	185,375	182,067	183,766	174,448
Net investment income	1,844,193	609,217	236,379	1,651,561	1,096,860	1,024,271
Benefit payments, including refunds of employee contribution:	(736,082)	(794,492)	(808,719)	(803,718)	(833,932)	(884,234)
Administrative expenses	(9,987)	(8,505)	(8,626)	(9,732)	(9,621)	(10,452)
Other	98	(127)	(101)	(1,460)	(969)	(642)
Net change in plan fiduciary net position:	1,672,717	317,529	(63,402)	1,246,852	665,236	483,282
Plan fiduciary net position - beginning	<u>11,769,997</u>	<u>13,442,714</u>	<u>13,760,243</u>	<u>13,696,841</u>	<u>14,943,693</u>	<u>15,608,929</u>
Plan fiduciary net position - ending	<u>13,442,714</u>	<u>13,760,243</u>	<u>13,696,841</u>	<u>14,943,693</u>	<u>15,608,929</u>	<u>16,092,211</u>
Net pension liability - ending	<u>\$ 891,981</u>	<u>\$ 1,116,915</u>	<u>\$ 1,173,621</u>	<u>\$ (41,200)</u>	<u>\$ (202,054)</u>	<u>\$ (88,082)</u>
Plan fiduciary net position as a percentage of total pension liability:	<u>94%</u>	<u>92%</u>	<u>92%</u>	<u>100%</u>	<u>101%</u>	<u>101%</u>
Covered payroll	<u>\$ 3,851,034</u>	<u>\$ 3,727,782</u>	<u>\$ 3,613,671</u>	<u>\$ 3,593,865</u>	<u>\$ 3,654,690</u>	<u>\$ 3,837,637</u>
Net pension liability as a percentage of covered payroll	<u>23%</u>	<u>30%</u>	<u>32%</u>	<u>-1%</u>	<u>-6%</u>	<u>-2%</u>

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, 2020

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2020	\$ 10,870,219	\$ 10,870,219	\$ -	\$ 56,091,908	19.38%
2019	\$ 10,377,528	\$ 10,377,528	\$ -	\$ 54,656,679	18.99%
2018	\$ 10,288,625	\$ 10,288,625	\$ -	\$ 54,235,867	18.97%
2017	\$ 9,920,997	\$ 9,920,997	\$ -	\$ 52,930,961	18.74%
2016	\$ 10,951,053	\$ 10,951,053	\$ -	\$ 51,326,626	21.34%
2015	\$ 10,728,502	\$ 10,728,502	\$ -	\$ 50,441,350	21.27%
Schools - Nonprofessional Employees					
2020	\$ 192,396	\$ 192,396	\$ -	\$ 3,971,969	4.84%
2019	\$ 179,891	\$ 179,891	\$ -	\$ 3,654,690	4.92%
2018	\$ 229,094	\$ 229,094	\$ -	\$ 3,593,865	6.37%
2017	\$ 235,433	\$ 235,433	\$ -	\$ 3,613,671	6.52%
2016	\$ 340,611	\$ 340,611	\$ -	\$ 3,727,782	9.14%
2015	\$ 330,294	\$ 330,294	\$ -	\$ 3,851,034	8.58%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only six 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, 2020**

School Division Fiscal Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.65%	\$ 82,501,054	\$ 56,477,224	146.08%	73.51%
2019	0.69%	\$ 80,732,000	\$ 51,957,981	155.38%	74.81%
2018	0.71%	\$ 87,249,000	\$ 53,894,780	161.89%	72.92%
2017	0.73%	\$ 102,102,000	\$ 53,942,322	189.28%	68.28%
2016	0.71%	\$ 88,962,000	\$ 50,669,701	175.57%	70.68%
2015	0.70%	\$ 84,602,000	\$ 51,468,623	164.38%	70.88%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only six 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, 2020**

School Division Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 8,469,585	\$ 8,469,585	\$ -	\$ 56,477,224	15.00%
2019	\$ 8,313,426	\$ 8,313,426	\$ -	\$ 51,957,981	16.00%
2018	\$ 8,869,387	\$ 8,869,387	\$ -	\$ 53,894,780	16.46%
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 six 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 Supplementary Information

Primary Government

Schedule of Changes in Net OPEB for Healthcare Liability and Related Ratios

For the Year Ended June 30, 2020

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Total OPEB Liability			
Service cost	\$ 350,020	\$ 360,521	\$ 371,336
Interest on OPEB liability	3,559,674	2,771,030	2,600,222
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(24,181,307)	-	(38,403,363)
Changes in assumptions	(697,398)	5,999,406	2,100,461
Benefit payments, including refunds of member contributions	(2,632,827)	(2,333,984)	(2,898,368)
Net change in total OPEB liability	(23,601,838)	6,796,973	(36,229,712)
Total OPEB liability - beginning	<u>100,945,728</u>	<u>77,343,890</u>	<u>84,140,863</u>
Total OPEB liability - ending	<u>\$ 77,343,890</u>	<u>\$ 84,140,863</u>	<u>\$ 47,911,151</u>
Covered employee payroll	<u>\$ 55,870,874</u>	<u>\$ 60,897,864</u>	<u>\$ 63,032,343</u>
Net OPEB liability as a percentage of covered employee payroll	<u>138.4%</u>	<u>138.2%</u>	<u>76.0%</u>

Schedule is intended to show information for 10 years. Since 2018 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

Lynchburg City Schools

Schedule of Changes in Net OPEB for Healthcare Liability and Related Ratios

For the Year Ended June 30, 2020

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Total OPEB Liability			
Service cost	\$ 629,101	\$ 523,630	\$ 858,868
Interest on OPEB liability	271,525	253,909	424,127
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(2,319,827)	3,458,793	-
Changes in assumptions	(638,060)	(310,331)	439,283
Benefit payments, including refunds of member contributions	(175,271)	(368,838)	(419,802)
Net change in total OPEB liability	(2,232,532)	3,557,163	1,302,476
Total OPEB liability - beginning	8,985,748	6,753,216	10,310,379
Total OPEB liability - ending	6,753,216	10,310,379	11,612,855
Covered employee payroll	\$ 61,142,865	\$ 61,045,540	\$ 61,045,540
Net OPEB liability as a percentage of covered employee payroll	11.0%	16.9%	19.0%

Schedule is intended to show information for 10 years. Since 2018 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

Primary Government

Schedule of Changes in Net OPEB for Line of Duty Act (LODA)

For the Year Ended June 30, 2020

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Total OPEB Liability			
Service cost	\$ 163,599	\$ 168,507	\$ 173,562
Interest on OPEB liability	287,149	294,269	281,173
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	(3,213,464)
Changes in assumptions	-	634,614	1,192,943
Benefit payments, including refunds of member contributions	(250,836)	(267,213)	(228,753)
Net change in total OPEB liability	199,912	830,177	(1,794,539)
Total OPEB liability - beginning	<u>7,892,993</u>	<u>8,092,905</u>	<u>8,923,082</u>
Total OPEB liability - ending	<u>\$ 8,092,905</u>	<u>\$ 8,923,082</u>	<u>\$ 7,128,543</u>
Covered employee payroll	<u>\$ 18,941,025</u>	<u>\$ 21,770,826</u>	<u>\$ 20,775,959</u>
Net OPEB liability as a percentage of covered employee payroll	<u>42.7%</u>	<u>41.0%</u>	<u>34.3%</u>

Schedule is intended to show information for 10 years. Since 2018 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 OPEB Contributions Group Life Insurance
For the Year Ended June 30, 2020

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government						
2020	\$ 303,560	\$ 303,560	\$ -	\$ 56,091,908	0.54%	0.00%
2019	\$ 290,819	\$ 290,819	\$ -	\$ 54,656,679	0.53%	0.00%
2018	\$ 279,734	\$ 279,734	\$ -	\$ 54,235,867	0.52%	0.00%

Schedule is intended to show information for 10 years. Since 2018 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 OPEB Contributions Group Life Insurance - Schools General Employees****For the Year Ended June 30, 2020**

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Schools General Employees					
2020	\$ 20,871	\$ 20,871	\$ -	\$ 3,666,419	0.57%
2019	\$ 19,912	\$ 19,912	\$ -	\$ 3,983,065	0.50%
2018	\$ 20,062	\$ 20,062	\$ -	\$ 3,617,185	0.55%

Schedule is intended to show information for 10 years. Since 2018 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 OPEB Contributions Group Life Insurance - School Teachers****For the Year Ended June 30, 2020**

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Schools Teachers					
2020	\$ 296,299	\$ 296,299	\$ -	\$ 54,925,031	0.54%
2019	\$ 288,302	\$ 288,302	\$ -	\$ 55,019,401	0.52%
2018	\$ 293,909	\$ 293,909	\$ -	\$ 52,992,834	0.55%

Schedule is intended to show information for 10 years. Since 2018 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 OPEB Contributions for Health Insurance Credit - School Teachers****For the Year Ended June 30, 2020**

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
School Teachers					
2020	\$ 677,727	\$ 677,727	\$ -	\$ 55,019,401	1.23%
2019	\$ 659,100	\$ 659,100	\$ -	\$ 54,925,031	1.20%
2018	\$ 688,326	\$ 688,326	\$ -	\$ 53,104,064	1.30%

Schedule is intended to show information for 10 years. Since 2018 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 OPEB Liability - Group Life Insurance****City of Lynchburg****For the Year Ended June 30, 2020**

Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Primary Government					
2020	0.28214%	\$ 4,591,169	\$ 56,091,908	8.19%	52.00%
2019	0.28865%	\$ 4,384,000	\$ 54,656,679	8.02%	51.22%
2018	0.29164%	\$ 4,388,000	\$ 54,235,867	8.09%	48.86%

Schedule is intended to show information for 10 years. Since 2018 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 fiscal year.

Required Supplementary Information**Schedule of Employer's Share of Net OPEB Liability Group Life Insurance - Schools General Employees****Lynchburg City Schools****For the Year Ended June 30, 2020**

Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Schools General Employees					
2020	0.01870%	\$ 304,000	\$ 3,983,065	7.63%	52.00%
2019	0.02014%	\$ 306,000	\$ 3,666,419	8.35%	51.22%
2018	0.02039%	\$ 307,000	\$ 3,617,185	8.49%	48.86%

Schedule is intended to show information for 10 years. Since 2018 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 fiscal year.

Required Supplementary Information**Schedule of Employer's Share of Net OPEB Liability Group Life Insurance - School Teachers****Lynchburg City Schools****For the Year Ended June 30, 2020**

Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
School Teachers					
2020	0.29000%	\$ 4,567,000	\$ 56,545,628	8.08%	52.00%
2019	0.29500%	\$ 4,481,000	\$ 55,019,401	8.14%	51.22%
2018	0.30644%	\$ 4,612,000	\$ 52,992,834	8.70%	48.86%

Schedule is intended to show information for 10 years. Since 2018 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 fiscal year.

Required Supplementary Information**Schedule of Employer's Share of Net OPEB Liability Health Insurance Credit - School Teachers****Lynchburg City Schools****For the Year Ended June 30, 2020**

Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
School Teachers					
2020	0.65486%	\$ 8,573,000	\$ 56,477,224	15.18%	8.97%
2019	0.69210%	\$ 8,787,000	\$ 54,925,031	16.00%	8.08%
2018	0.71414%	\$ 9,060,000	\$ 53,104,064	17.06%	7.04%

Schedule is intended to show information for 10 years. Since 2018 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 fiscal year.

CITY OF LYNCHBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System ("System") benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

(Continued)

CITY OF LYNCHBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Teacher cost-sharing pool

- Update mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each year age and service through 9 years of service
- Update disability rates to better fit experience
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

OTHER SUPPLEMENTAL INFORMATION

CITY OF LYNCHBURG, VIRGINIA

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

Nonmajor Governmental Funds:

Nonmajor governmental funds consist of special revenue funds.

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

Funds in this category include:

- City Federal/State Aid Fund – Accounts for various federal and state grants for such purposes as building projects, certain social service and community development programs, and public safety.
- Community Development Block Grant Fund – Accounts for revenues from the Department of Housing and Urban Development which are used for various development projects.
- Lynchburg Business Development Centre Fund – Accounts for revenues received to support a local business incubator and for monies received from the Economic Development Administration for a revolving loan fund and certain other economic development assistance.
- Lynchburg Regional Juvenile Detention Center Fund – Accounts for revenues received and expenditures made to support the operations of the City's Juvenile Detention Home.
- Forfeited Assets Fund – Accounts for revenues received from the sale of confiscated assets which are related to illegal drug sales and are used for law enforcement expenditures.
- Lynchburg Expressway Appearance Fund – Accounts for the revenues and expenditures associated with beautification of the Lynchburg Expressway Area.
- Children's Services Act Fund – Accounts for revenues received and expenditures made to support the Children's Services Act for At-Risk Youth and Families adopted by the Virginia General Assembly.
- Home Investment Partnerships Program 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, 2020

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Children's Services Act
Assets					
Cash and cash equivalents	\$ 6,703,207	\$ 1,450,693	\$ 171	\$ 169,280	\$ 122,343
Receivables, net of allowance:					
Other	6,798	1,800	-	-	9,170
Due from other funds	263,378	-	-	-	-
Due from other governments	270,501	84,907	-	-	1,196,783
Due from component unit	-	-	125,000	-	-
Other assets	-	-	213	-	-
Restricted assets:					
Cash and cash equivalents	583,947	-	-	-	-
Total assets	<u>\$ 7,827,831</u>	<u>\$ 1,537,400</u>	<u>\$ 125,384</u>	<u>\$ 169,280</u>	<u>\$ 1,328,296</u>
Liabilities					
Accounts payable and other liabilities	\$ 79,543	\$ 62,680	\$ -	\$ 3,535	\$ 1,117,109
Accrued payroll and related liabilities	72,716	4,737	-	-	2,507
Due to other funds	403,212	17,490	-	-	767
Due to other governments	47,391	-	-	-	-
Total liabilities	<u>602,862</u>	<u>84,907</u>	<u>-</u>	<u>3,535</u>	<u>1,120,383</u>
Deferred Inflows of Resources					
Unavailable revenue	6,700,844	1,800	-	-	-
Total deferred inflows of resources	<u>6,700,844</u>	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted	524,125	1,450,693	-	165,745	207,913
Committed	-	-	125,384	-	-
Total fund balances	<u>524,125</u>	<u>1,450,693</u>	<u>125,384</u>	<u>165,745</u>	<u>207,913</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,827,831</u>	<u>\$ 1,537,400</u>	<u>\$ 125,384</u>	<u>\$ 169,280</u>	<u>\$ 1,328,296</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2020

	Lynchburg Expressway Appearance	HOME Investment Partnerships Program	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
Assets				
Cash and cash equivalents	\$ 233,120	\$ 60,386	\$ 47,923	\$ 8,787,123
Receivables, net of allowance:				
Other	96,134	-	-	113,902
Due from other funds	-	-	7,416	270,794
Due from other governments	-	41,475	86,042	1,679,708
Due from component unit	-	-	-	125,000
Other assets	-	-	-	213
Restricted assets:				
Cash and cash equivalents	-	-	-	583,947
Total assets	<u>\$ 329,254</u>	<u>\$ 101,861</u>	<u>\$ 141,381</u>	<u>\$ 11,560,687</u>
Liabilities				
Accounts payable and other liabilities	\$ -	\$ 20,800	\$ 16,645	\$ 1,300,312
Accrued payroll and related liabilities	-	877	94,332	175,169
Due to other funds	-	19,798	30,404	471,671
Due to other governments	-	-	-	47,391
Total liabilities	<u>-</u>	<u>41,475</u>	<u>141,381</u>	<u>1,994,543</u>
Deferred Inflows of Resources				
Unavailable revenue	183,196	-	-	6,885,840
Total deferred inflows of resources	<u>183,196</u>	<u>-</u>	<u>-</u>	<u>6,885,840</u>
Fund Balances				
Restricted	146,058	60,386	-	2,554,920
Committed	-	-	-	125,384
Total fund balances	<u>146,058</u>	<u>60,386</u>	<u>-</u>	<u>2,680,304</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 329,254</u>	<u>\$ 101,861</u>	<u>\$ 141,381</u>	<u>\$ 11,560,687</u>

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2020

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Children's Services Act
Revenues					
Intergovernmental	\$ 3,948,165	\$ 792,676	\$ -	\$ 40,751	\$ 4,920,106
Revenue from use of money and property	2,363	-	32,378	3,040	-
Charges for services	646,150	-	-	-	2,040,780
Miscellaneous	98,766	-	-	-	45,676
Total revenues	<u>4,695,444</u>	<u>792,676</u>	<u>32,378</u>	<u>43,791</u>	<u>7,006,562</u>
Expenditures					
Current operating expenditures:					
General government	31,116	-	-	-	-
Judicial	1,104,446	-	-	24,272	-
Public safety	1,696,035	-	-	60,073	-
Public works	396,016	-	-	-	-
Health and human services	1,426,070	-	-	-	7,147,082
Cultural and recreational	4,419	-	-	-	-
Community development	247,083	792,676	32,378	-	-
Debt service:					
Principal retirements	-	-	-	-	-
Interest payments and other fiscal charges	-	-	-	-	-
Total expenditures	<u>4,905,185</u>	<u>792,676</u>	<u>32,378</u>	<u>84,345</u>	<u>7,147,082</u>
Excess (deficiency) of revenues over expenditures	<u>(209,741)</u>	<u>-</u>	<u>-</u>	<u>(40,554)</u>	<u>(140,520)</u>
Other financing sources					
Transfers in	323,686	-	-	-	-
Transfers out	-	-	-	-	(245,301)
Total other financing sources	<u>323,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,301)</u>
Net changes in fund balances	113,945	-	-	(40,554)	(385,821)
Fund balances - beginning	<u>410,180</u>	<u>1,450,693</u>	<u>125,384</u>	<u>206,299</u>	<u>593,734</u>
Fund balances - ending	<u>\$ 524,125</u>	<u>\$ 1,450,693</u>	<u>\$ 125,384</u>	<u>\$ 165,745</u>	<u>\$ 207,913</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

	Lynchburg Expressway Appearance	HOME Investment Partnerships Program	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
Revenues				
Intergovernmental	\$ -	\$ 183,724	\$ 1,975,234	\$ 11,860,656
Revenue from use of money and property	-	-	-	37,781
Charges for services	-	29,295	1,050,224	3,766,449
Miscellaneous	7,298	27,364	2,850	181,954
Total revenues	<u>7,298</u>	<u>240,383</u>	<u>3,028,308</u>	<u>15,846,840</u>
Expenditures				
Current operating expenditures:				
General government	-	-	5,301	36,417
Judicial	-	-	-	1,128,718
Public safety	-	-	3,012,009	4,768,117
Public works	36,967	-	-	432,983
Health and human services	-	-	-	8,573,152
Cultural and recreational	-	-	-	4,419
Community development	-	183,724	-	1,255,861
Debt service:				
Principal retirements	-	-	30,555	30,555
Interest payments and other fiscal charges	-	-	2,771	2,771
Total expenditures	<u>36,967</u>	<u>183,724</u>	<u>3,050,636</u>	<u>16,232,993</u>
Excess (deficiency) of revenues over expenditures	<u>(29,669)</u>	<u>56,659</u>	<u>(22,328)</u>	<u>(386,153)</u>
Other financing sources				
Transfers in	-	-	-	323,686
Transfers out	-	-	(100,000)	(345,301)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(21,615)</u>
Net changes in fund balance	<u>(29,669)</u>	<u>56,659</u>	<u>(122,328)</u>	<u>(407,768)</u>
Fund balances - beginning	<u>175,727</u>	<u>3,727</u>	<u>122,328</u>	<u>3,088,072</u>
Fund balances - ending	<u>\$ 146,058</u>	<u>\$ 60,386</u>	<u>\$ -</u>	<u>\$ 2,680,304</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City/Federal/State Aid Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 3,139,333	\$ 12,357,738	\$ 3,948,165	\$ (8,409,573)
Revenue from use of money and property	-	-	2,363	2,363
Charges for services	654,049	676,872	646,150	(30,722)
Miscellaneous	59,248	112,690	98,766	(13,924)
Total revenues	3,852,630	13,147,300	4,695,444	(8,451,856)
Expenditures				
Current operating expenditures:				
General government	-	1,152,666	31,116	1,121,550
Judicial	1,107,941	1,362,301	1,104,446	257,855
Public safety	971,129	3,332,051	1,696,035	1,636,016
Public works	-	1,256,711	396,016	860,695
Health and human services	1,690,100	1,736,276	1,426,070	310,206
Cultural and recreational	-	270,801	4,419	266,382
Community development	192,891	2,623,262	247,083	2,376,179
Education	-	2,007,444	-	2,007,444
Total expenditures	3,962,061	13,741,512	4,905,185	8,836,327
Deficiency of revenues over expenditures	(109,431)	(594,212)	(209,741)	384,471
Other financing sources				
Transfers in	109,431	346,948	323,686	(23,262)
Total other financing sources	109,431	346,948	323,686	(23,262)
Net changes in fund balance	-	(247,264)	113,945	361,209
Fund balance - beginning	410,180	410,180	410,180	-
Fund balance - ending	\$ 410,180	\$ 162,916	\$ 524,125	\$ 361,209

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 733,913	\$ 2,122,332	\$ 792,676	\$ (1,329,656)
Miscellaneous	2,100	-	-	-
Total revenues	<u>736,013</u>	<u>2,122,332</u>	<u>792,676</u>	<u>(1,329,656)</u>
Expenditures				
Current operating expenditures:				
Community development	736,013	1,855,660	792,676	1,062,984
Total expenditures	<u>736,013</u>	<u>1,855,660</u>	<u>792,676</u>	<u>1,062,984</u>
Net changes in fund balance	-	266,672	-	(266,672)
Fund balance - beginning	<u>1,450,693</u>	<u>1,450,693</u>	<u>1,450,693</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,450,693</u>	<u>\$ 1,717,365</u>	<u>\$ 1,450,693</u>	<u>\$ (266,672)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Forfeited Assets Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ -	\$ -	\$ 40,751	\$ 40,751
Revenue from use of money and property	-	-	3,040	3,040
Total revenues	-	-	43,791	43,791
Expenditures				
Current operating expenditures:				
Judicial	-	105,575	24,272	81,303
Public safety	-	99,518	60,073	39,445
Total expenditures	-	205,093	84,345	120,748
Net changes in fund balance	-	(205,093)	(40,554)	164,539
Fund balance - beginning	206,299	206,299	206,299	-
Fund balance - ending	<u>\$ 206,299</u>	<u>\$ 1,206</u>	<u>\$ 165,745</u>	<u>\$ 164,539</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Children's Services Act Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 3,910,234	\$ 4,745,495	\$ 4,920,106	\$ 174,611
Charges for services	2,040,188	2,040,188	2,040,780	592
Miscellaneous	48,600	48,600	45,676	(2,924)
Total revenues	<u>5,999,022</u>	<u>6,834,283</u>	<u>7,006,562</u>	<u>172,279</u>
Expenditures				
Current operating expenditures:				
Health and human services	5,999,022	7,161,022	7,147,082	13,940
Total expenditures	<u>5,999,022</u>	<u>7,161,022</u>	<u>7,147,082</u>	<u>13,940</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(326,739)</u>	<u>(140,520)</u>	<u>186,219</u>
Other financing sources (uses)				
Transfers out	-	(245,301)	(245,301)	-
Total other financing sources (uses)	<u>-</u>	<u>(245,301)</u>	<u>(245,301)</u>	<u>-</u>
Net changes in fund balance	<u>-</u>	<u>(572,040)</u>	<u>(385,821)</u>	<u>186,219</u>
Fund balance - beginning	<u>593,734</u>	<u>593,734</u>	<u>593,734</u>	<u>-</u>
Fund balance - ending	<u>\$ 593,734</u>	<u>\$ 21,694</u>	<u>\$ 207,913</u>	<u>\$ 186,219</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Lynchburg Expressway Appearance Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Miscellaneous	\$ -	\$ -	\$ 7,298	\$ 7,298
Total revenues	<u>-</u>	<u>-</u>	<u>7,298</u>	<u>7,298</u>
Expenditures				
Current operating expenditures:				
Public works	75,000	75,000	36,967	38,033
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>36,967</u>	<u>38,033</u>
Net changes in fund balance	(75,000)	(75,000)	(29,669)	45,331
Fund balance - beginning	<u>175,727</u>	<u>175,727</u>	<u>175,727</u>	<u>-</u>
Fund balance - ending	<u>\$ 100,727</u>	<u>\$ 100,727</u>	<u>\$ 146,058</u>	<u>\$ 45,331</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Investment Partnerships Program Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 438,772	\$ 958,104	\$ 183,724	\$ (774,380)
Charges for Services	-	-	29,295	29,295
Miscellaneous	-	-	27,364	27,364
Total revenues	<u>438,772</u>	<u>958,104</u>	<u>240,383</u>	<u>(717,721)</u>
Expenditures				
Current operating expenditures:				
Community development	<u>438,772</u>	<u>986,186</u>	<u>183,724</u>	<u>802,462</u>
Total expenditures	<u>438,772</u>	<u>986,186</u>	<u>183,724</u>	<u>802,462</u>
Net changes in fund balance	-	(28,082)	56,659	84,741
Fund balance - beginning	<u>3,727</u>	<u>3,727</u>	<u>3,727</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ 3,727</u>	<u>\$ (24,355)</u>	<u>\$ 60,386</u>	<u>\$ 84,741</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,816,136	\$ 1,982,814	\$ 1,975,234	\$ (7,580)
Charges for services	1,067,476	1,179,941	1,050,224	(129,717)
Miscellaneous	-	-	2,850	2,850
Total revenues	<u>2,883,612</u>	<u>3,162,755</u>	<u>3,028,308</u>	<u>(134,447)</u>
Expenditures				
Current operating expenditures:				
General government	4,914	5,301	5,301	-
Public safety	2,845,372	3,157,367	3,012,009	145,358
Debt service:				
Principal retirements	30,555	30,555	30,555	-
Interest payments and other fiscal charges	2,771	2,771	2,771	-
Total expenditures	<u>2,883,612</u>	<u>3,195,994</u>	<u>3,050,636</u>	<u>145,358</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(33,239)</u>	<u>(22,328)</u>	<u>10,911</u>
Other financing sources (uses)				
Transfers out	-	(100,000)	(100,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net changes in fund balance	<u>-</u>	<u>(133,239)</u>	<u>(122,328)</u>	<u>10,911</u>
Fund balance - beginning	<u>122,328</u>	<u>122,328</u>	<u>122,328</u>	<u>-</u>
Fund balance (deficit)- ending	<u>\$ 122,328</u>	<u>\$ (10,911)</u>	<u>\$ -</u>	<u>\$ 10,911</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 14,163,305	\$ 32,181,774	\$ 7,405,016	\$ (24,776,758)
Revenue from use of money and property	-	29,014	11,361	(17,653)
Miscellaneous	-	1,546,178	55,372	(1,490,806)
Total revenues	<u>14,163,305</u>	<u>33,756,966</u>	<u>7,471,749</u>	<u>(26,285,217)</u>
Expenditures				
Current operating expenditures:				
Public works	4,995,000	10,838,207	3,957,238	6,880,969
Cultural and recreational	430,000	661,446	168,002	493,444
Community development	250,000	1,769,862	251,478	1,518,384
Capital outlay:				
Capital general government	55,139,082	71,897,537	16,185,698	55,711,839
Debt service:				
Issuance costs	-	365,645	365,645	-
Total expenditures	<u>60,814,082</u>	<u>85,532,697</u>	<u>20,928,061</u>	<u>64,604,636</u>
Deficiency of revenues over expenditures	<u>(46,650,777)</u>	<u>(51,775,731)</u>	<u>(13,456,312)</u>	<u>38,319,419</u>
Other financing sources (uses)				
Issuance of bonds	41,665,869	58,178,125	31,642,195	(26,535,930)
Premium on debt issuance	-	3,051,655	3,051,655	-
Transfers in	4,984,908	5,084,908	5,084,908	-
Transfers out	-	(29,607)	(29,607)	-
Total other financing sources (uses)	<u>46,650,777</u>	<u>66,285,081</u>	<u>39,749,151</u>	<u>(26,535,930)</u>
Net changes in fund balance	-	14,509,350	26,292,839	11,783,489
Fund balance - beginning	<u>15,834,503</u>	<u>15,834,503</u>	<u>15,834,503</u>	<u>-</u>
Fund balance - ending	<u>\$ 15,834,503</u>	<u>\$ 30,343,853</u>	<u>\$ 42,127,342</u>	<u>\$ 11,783,489</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Capital Projects
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 46,693	\$ 46,693
Miscellaneous	-	-	10,560	10,560
Total revenues	<u>-</u>	<u>-</u>	<u>57,253</u>	<u>57,253</u>
Expenditures				
Current operating expenditures:				
Education	436,000	31,636	11,710	19,926
Capital outlay:				
Capital general government	2,250,000	9,635,446	3,912,432	5,723,014
Debt service				
Issuance costs	-	4,465	4,465	-
Total expenditures	<u>2,686,000</u>	<u>9,671,547</u>	<u>3,928,607</u>	<u>5,742,940</u>
Deficiency of revenues over expenditures	<u>(2,686,000)</u>	<u>(9,671,547)</u>	<u>(3,871,354)</u>	<u>5,800,193</u>
Other financing sources				
Issuance of bonds	2,686,000	6,845,398	3,150,717	(3,694,681)
Premium on debt proceeds	-	45,672	45,671	(1)
Transfers in	-	1,661,914	1,661,914	-
Total other financing sources	<u>2,686,000</u>	<u>8,552,984</u>	<u>4,858,302</u>	<u>(3,694,682)</u>
Net changes in fund balance	-	(1,118,563)	986,948	2,105,511
Fund balance - beginning	<u>2,291,444</u>	<u>2,291,444</u>	<u>2,291,444</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,291,444</u>	<u>\$ 1,172,881</u>	<u>\$ 3,278,392</u>	<u>\$ 2,105,511</u>

Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
<u>Special Welfare</u>				
Assets				
Cash and cash equivalents	\$ 191,733	\$ 175,722	\$ 145,650	\$ 221,805
Total Assets	<u>\$ 191,733</u>	<u>\$ 175,722</u>	<u>\$ 145,650</u>	<u>\$ 221,805</u>
Liabilities				
Accounts payable	\$ 5,651	\$ 21,466	\$ 26,206	\$ 911
Amounts held for others	<u>186,082</u>	<u>245,592</u>	<u>210,780</u>	<u>220,894</u>
Total Liabilities	<u>\$ 191,733</u>	<u>\$ 267,058</u>	<u>\$ 236,986</u>	<u>\$ 221,805</u>

Discretely Presented Component Unit - Lynchburg City Schools
Combining Balance Sheet
June 30, 2020

	School Operating	School Federal Aid	School Cafeteria	Total Governmental
Assets				
Cash and cash equivalents	\$ 1,766,228	\$ -	\$ 1,357,992	\$ 3,124,220
Receivables, net of allowance	152,850	-	290,593	443,443
Due from other funds	532,090	-	1,112	533,202
Due from other governments	2,454,952	1,324,398	-	3,779,350
Due from primary government- local funding	8,000,000	-	-	8,000,000
Prepaid expenses	194,099	-	-	194,099
Inventory	-	-	203,215	203,215
Total assets	\$ 13,100,219	\$ 1,324,398	\$ 1,852,912	\$ 16,277,529
Liabilities				
Accounts payable and other liabilities	\$ 554,804	\$ 7,037	\$ 8,234	\$ 570,075
Accrued payroll and related liabilities	6,102,472	553,021	187,275	6,842,768
Due to other funds	1,112	527,405	4,685	533,202
Unearned revenue	-	236,935	-	236,935
Due to primary government- return of local funding	4,107,119	-	-	4,107,119
Due to primary government- other	76,065	-	-	76,065
Total liabilities	10,841,572	1,324,398	200,194	12,366,164
Deferred Inflows of Resources				
Unavailable revenue	636,380	-	-	636,380
Total deferred inflows of resources	636,380	-	-	636,380
Fund balances				
Nonspendable:				
Prepaid expenses	194,099	-	-	194,099
Inventory	-	-	203,215	203,215
Restricted for:				
Education	-	-	1,449,503	1,449,503
Committed for:				
Education	1,428,168	-	-	1,428,168
Total fund balances	1,622,267	-	1,652,718	3,274,985
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,100,219	\$ 1,324,398	\$ 1,852,912	
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.				6,734,298
Receivables on the Statement of Net Position that do not provide current financial resources are reported as unavailable revenue in the funds.				636,380
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Deferred outflows related to:				
Pensions			17,597,366	
Other postemployment benefits			4,579,387	
Deferred inflows related to:				
Pensions			(14,267,335)	
Other postemployment benefits			(3,154,116)	
Net pension liability			(82,501,054)	
Other postemployment benefits			(24,418,376)	(102,164,128)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(1,126,630)
Net position of governmental activities				<u>\$ (92,645,095)</u>

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2020

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
Revenues				
Intergovernmental:				
State and Federal	\$ 53,404,537	\$ 10,466,727	\$ 4,800,137	\$ 68,671,401
City of Lynchburg	37,411,557	-	-	37,411,557
Charges for services	2,706,961	-	252,657	2,959,618
Miscellaneous	1,432,973	65,462	116,559	1,614,994
Total revenues	<u>94,956,028</u>	<u>10,532,189</u>	<u>5,169,353</u>	<u>110,657,570</u>
Expenditures				
Education:				
Instruction	68,039,938	9,460,027	-	77,499,965
Administration, attendance and health	5,953,847	117,007	-	6,070,854
Pupil transportation services	5,322,011	1,221	-	5,323,232
Operations and maintenance	10,554,930	130,010	-	10,684,940
Food service and other	8,986	157,437	5,075,914	5,242,337
Facilities	18,434	-	-	18,434
Technology	3,748,479	46,620	-	3,795,099
Capital outlay	1,070,693	619,867	81,498	1,772,058
Total expenditures	<u>94,717,318</u>	<u>10,532,189</u>	<u>5,157,412</u>	<u>110,406,919</u>
Net changes in fund balances	238,710	-	11,941	250,651
Fund balances - beginning	<u>1,383,557</u>	<u>-</u>	<u>1,640,777</u>	
Fund balances - ending	<u>\$ 1,622,267</u>	<u>\$ -</u>	<u>\$ 1,652,718</u>	

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,091,789) exceeded depreciation expense (\$1,377,298).	(285,509)
Loss on disposition of capital assets is not reflected in the fund statements.	(10,535)
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	8,369,033
Pension expense	(8,063,947)
Governmental funds report other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of these benefits earned net of employee contributions is reported as other postemployment benefit expense.	
Employer other postemployment contributions	1,103,394
Other postemployment expense	(1,993,571)
Compensated absences are not due and payable at June 30, and therefore are not reported in the fund statements.	(139,575)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(225,451)
Change in net position of governmental activities.	<u>\$ (995,510)</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, 2020

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental:				
State and Federal	\$ 53,046,381	\$ 53,046,381	\$ 53,404,537	\$ 358,156
City of Lynchburg	42,028,498	43,018,676	41,518,676	(1,500,000)
Charges for services	2,768,908	2,768,908	2,706,961	(61,947)
Miscellaneous	909,174	1,783,999	1,432,973	(351,026)
Total revenues	<u>98,752,961</u>	<u>100,617,964</u>	<u>99,063,147</u>	<u>(1,554,817)</u>
Expenditures				
Education:				
Instruction	69,940,325	70,144,605	68,039,938	2,104,667
Administration, attendance and health	6,603,174	6,697,331	5,953,847	743,484
Pupil transportation services	6,465,164	6,418,636	5,322,011	1,096,625
Operations and maintenance	10,898,159	11,155,592	10,554,930	600,662
Food service and other	21,555	21,555	8,986	12,569
Facilities	17,875	17,769	18,434	(665)
Technology	3,534,520	4,098,989	3,748,479	350,510
Capital outlay	1,272,189	2,063,487	1,070,693	992,794
Total expenditures	<u>98,752,961</u>	<u>100,617,964</u>	<u>94,717,318</u>	<u>5,900,646</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	4,345,829	<u>\$ 4,345,829</u>
Less return of funds to the City			(4,107,119)	
			<u>\$ 238,710</u>	

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Fiduciary Net Position
For the Year Ended June 30, 2020

	<u>Total Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 832,836
Receivables, net of allowance	52,000
Prepaid expenses	<u>8,877</u>
Total Assets	<u><u>\$ 893,713</u></u>
Liabilities	
Amounts held for others	<u>\$ 893,713</u>
Total Liabilities	<u><u>\$ 893,713</u></u>

Discretely Presented Component Unit - Lynchburg City Schools
Statement of Fiduciary Net Position
June 30, 2020

	<u>Governor's School</u>	<u>STEM</u>	<u>Step with Links</u>	<u>GLCT- Step with Links</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 450,732	\$ 103,118	\$ 54,532	\$ 224,454	\$ 832,836
Receivables, net of allowance	52,000	-	-	-	52,000
Prepaid expenses	8,877	-	-	-	8,877
Total assets	<u>\$ 511,609</u>	<u>\$ 103,118</u>	<u>\$ 54,532</u>	<u>\$ 224,454</u>	<u>\$ 893,713</u>
Liabilities					
Amounts held for others	\$ 511,609	\$ 103,118	\$ 54,532	\$ 224,454	\$ 893,713
Total liabilities	<u>\$ 511,609</u>	<u>\$ 103,118</u>	<u>\$ 54,532</u>	<u>\$ 224,454</u>	<u>\$ 893,713</u>

Combining Statement of Net Position
Other Component Units
June 30, 2020

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 767,023	\$ 584,389	\$ 1,351,412
Receivables, net of allowance	1,204,014	33,546	1,237,560
Due from other governments	-	693,474	693,474
Inventory	-	293,416	293,416
Prepays and other assets	439	198,155	198,594
Capital assets:			
Nondepreciable	-	1,669,530	1,669,530
Depreciable, net	437	32,464,118	32,464,555
Total assets	<u>1,971,913</u>	<u>35,936,628</u>	<u>37,908,541</u>
Deferred Outflows of Resources			
Deferred outflows related to other postemployment benefits	-	64,588	64,588
Total deferred inflows of resources	<u>-</u>	<u>64,588</u>	<u>64,588</u>
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	76,752	450,714	527,466
Due to other governments	1,271,060	-	1,271,060
Due to primary government	125,000	420,922	545,922
Total current liabilities	<u>1,472,812</u>	<u>871,636</u>	<u>2,344,448</u>
Noncurrent liabilities:			
Net other postemployment benefit liability	-	648,234	648,234
Compensated absences	-	96,935	96,935
Total noncurrent liabilities	<u>-</u>	<u>745,169</u>	<u>745,169</u>
Total liabilities	<u>1,472,812</u>	<u>1,616,805</u>	<u>3,089,617</u>
Deferred Inflows of Resources			
Deferred inflows related to other postemployment benefits	-	750	750
Total deferred inflows of resources	<u>-</u>	<u>750</u>	<u>750</u>
Net position			
Net investment in capital assets	437	34,133,648	34,134,085
Unrestricted	498,664	250,013	748,677
Total net position	<u>\$ 499,101</u>	<u>\$ 34,383,661</u>	<u>\$ 34,882,762</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Other Component Units
For the Year Ended June 30, 2020

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating revenues			
Charges for services and other operating revenues	\$ 308,858	\$ 675,047	\$ 983,905
Total operating revenues	<u>308,858</u>	<u>675,047</u>	<u>983,905</u>
Operating expenses			
Operations	215,141	6,043,109	6,258,250
Administration	792	1,919,940	1,920,732
Maintenance and repairs	14,963	2,191,198	2,206,161
Total operating expenses	<u>230,896</u>	<u>10,154,247</u>	<u>10,385,143</u>
Operating income (loss)	<u>77,962</u>	<u>(9,479,200)</u>	<u>(9,401,238)</u>
Nonoperating revenue			
Subsidy of operations- City of Lynchburg	-	1,307,863	1,307,863
Subsidy of operations- Counties	-	76,275	76,275
Subsidy of operations- Liberty University	-	249,690	249,690
Subsidy of operations- State aid for public transportation	-	2,277,390	2,277,390
Subsidy of operations- Federal operating grant	-	2,357,625	2,357,625
Donations and grants	-	-	-
Miscellaneous revenue	-	23,110	23,110
Loss on disposition of capital assets	-	-	-
Total nonoperating revenue	<u>-</u>	<u>6,291,953</u>	<u>6,291,953</u>
Capital contributions	-	201,406	201,406
Change in net position	<u>77,962</u>	<u>(2,985,841)</u>	<u>(2,907,879)</u>
Total net position - beginning	<u>421,139</u>	<u>37,369,502</u>	<u>37,790,641</u>
Total net position - ending	<u>\$ 499,101</u>	<u>\$ 34,383,661</u>	<u>\$ 34,882,762</u>

**Combining Statement of Cash Flows
Other Component Units
For the Year Ended June 30, 2020**

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating activities			
Cash received from operations	\$ 578,548	\$ 675,669	\$ 1,254,217
Cash paid to employees	(108,446)	(3,006,529)	(3,114,975)
Cash paid to suppliers for goods and services	(112,315)	(4,015,889)	(4,128,204)
New loans disbursed	(220,000)	-	(220,000)
Net cash provided by (used in) operating activities	137,787	(6,346,749)	(6,208,962)
Noncapital financing activities			
Subsidies	-	5,984,869	5,984,869
Net cash provided by noncapital financing activities	-	5,984,869	5,984,869
Capital and related financing activities			
Capital contributions received	-	159,938	159,938
Purchases of capital assets	-	(135,245)	(135,245)
Net cash provided by capital and related financing activities	-	24,693	24,693
Net increase (decrease) in cash and cash equivalents	137,787	(337,187)	(199,400)
Cash and cash equivalents			
Beginning of year	629,236	921,576	1,550,812
End of year	\$ 767,023	\$ 584,389	\$ 1,351,412
Reconciliation of operating income (loss) to net cash used in operating activities			
Operating income (loss)	\$ 77,962	\$ (9,479,200)	\$ (9,401,238)
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:			
Depreciation	438	3,166,125	3,166,563
Decrease in receivables	49,690	622	50,312
Increase in prepaids and other assets	(313)	(164,390)	(164,703)
Decrease in inventory	-	21,316	21,316
Increase in accounts payable and other current liabilities	10,010	10,854	20,864
Increase in compensated absences and other postemployment benefits	-	97,924	97,924
Net cash provided by (used in) operating activities	\$ 137,787	\$ (6,346,749)	\$ (6,208,962)
Supplemental cash flow information			
Non-cash transactions:			
Capital assets additions financed by accounts payable	\$ -	\$ 95,302	\$ 95,302

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SUPPLEMENTAL SCHEDULES

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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
<u>Primary Government</u>					
Department of Agriculture					
Passed through Commonwealth of Virginia:					
Department of Social Services:					
Supplemental Nutrition Assistance Program	10.561	171VA407S2514		\$ 1,655,858	
Supplemental Nutrition Assistance Program - Community Market	10.561	171VA407S2514		11,273	\$ 1,667,131
National School Lunch Program	10.555	16161VA347N2535		42,833	42,833
National School Breakfast Program	10.553	16161VA347N2535		32,313	32,313
Department of Parks & Recreation:					
Food Insecurity Nutritional Incentive (FINI) Double-Dollars Grant	10.331	2015-70018-2330		11,619	11,619
Total Department of Agriculture					\$ 1,753,896
Department of Health and Human Services					
Passed through Commonwealth of Virginia:					
Department of Social Services:					
Family Preservation and Support	93.556	1801VAFPS		\$ 43,582	\$ 43,582
TANF Block Grant	93.558	1901VATANF		938,874	938,874
Refugee and Entrant Assistance State - Administered Programs	93.566	1801VARSOC		1,624	1,624
Low Income Energy Assistance	93.568	18B1VALIEA		163,517	163,517
Child Care Assistance	93.575	1801VACCDF		(110)	(110)
Child Care Development Fund	93.596	1801VACCDF		151,968	151,968
Chafee Education and Training Vouchers Program (ETV)	93.599	1801VACETV		2,894	2,894
Adoption and Legal Guardian Incentive Payments	93.603	1801VAAIPP		2,324	2,324
Child Welfare Services	93.645	1801VACWSS		1,610	1,610
Foster Care - Title IV-E	93.658	1901VAFOST		1,500,840	1,500,840
Adoption Assistance	93.659	1901VAADPT		2,847,641	2,847,641
Social Services Block Grant	93.667	1801VASOSR		860,275	860,275
Independent Living	93.674	1801VACILP		16,240	16,240
Children's Insurance Program	93.767	1905VA0301		24,878	24,878
Medicaid Assistance	93.778	1805VA5MAP		1,665,636	1,665,636
Total Department of Health and Human Services					\$ 8,221,793

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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
Primary Government (Continued)					
Department of Housing and Urban Development					
Direct Payments:					
Community Development Block Grant Program, Entitlement Grants					
Community Development Block Grant FY16	14.218	B-15-MC-51-0014			
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-15-MC-51-0014	\$ 3,288	\$ 3,288	
Community Development Block Grant FY17	14.218	B-16-MC-51-0014			
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-16-MC-51-0014	7,191	7,191	
Lynchburg Community Action Group	14.218	B-16-MC-51-0014			
Community Development Block Grant FY18	14.218	B-17-MC-51-0014			
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-17-MC-51-0014	107,917	107,917	
Boys and Girls Club	14.218	B-17-MC-51-0014			
Community Development Block Grant FY19	14.218	B-18-MC-51-0014		373,463	
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-18-MC-51-0014	69,731	69,731	
Lynchburg Community Action Group	14.218	B-18-MC-51-0014	6,935	6,935	
Community Development Block Grant FY20	14.218	B-19-MC-51-0014		218,390	
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-19-MC-51-0014	5,761	5,761	\$ 792,676
Home Investment Partnership Program					
Home Investment Partnership Program FY17	14.239	M-16-MC-51-0211		173	
Passed through to:					
Lynchburg Community Action Group	14.239	M-16-MC-51-0211	35,726	35,726	
Home Investment Partnership Program FY18	14.239	M-17-MC-51-0211		9,973	
Passed through to:					
Habitat for Humanity	14.239	M-17-MC-51-0211			
Lynchburg Community Action Group	14.239	M-17-MC-51-0211	39,333	39,333	
Home Investment Partnership Program FY19	14.239	M-18-MC-51-0211		23,039	
Passed through to:					
Habitat for Humanity	14.239	M-18-MC-51-0211	70,000	70,000	
Home Investment Partnership Program FY20	14.239	M-19-MC-51-0211			
Passed through to:					
Habitat for Humanity	14.239	M-19-MC-51-0211	5,480	5,480	183,724
Total Department of Housing and Urban Development					\$ 976,400

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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
<u>Primary Government (Continued)</u>					
Department of Justice					
Direct Payments:					
Office of Violence Against Women - Improving Criminal Responses Program	16.590	2016-WE-AX-0020		\$ 73,507	\$ 73,507
Bulletproof Vest Partnership 2019	16.607	2019-BUBX-1608-2768		31,398	
Bulletproof Vest Partnership 2020	16.607	2020-BUBX-1608-2768		1,364	32,762
Edward Byrne Memorial Justice Assistance Grant Program - Equipment 2020	16.738	2019-DJ-BX-0351		34,259	
JAG FY20 DCJS - Funding for Equipment from DCJS leftover Funds	16.738			49,210	83,469
Federal Asset Forfeiture	16.922			4,888	4,888
Passed through Commonwealth of Virginia:					
Department of Criminal Justice Services:					
Victim-Witness Services	16.575	20-X9267VW18		278,648	278,648
Violence Against Women Formula Grant	16.588	19-J6141VA18		29,741	
Violence Against Women Formula Grant	16.588	20-K141VA19		32,228	61,969
Coronavirus Emergency Supplemental Funding	16.034			64,164	64,164
Total Department of Justice					\$ 599,407
Department of Labor					
Passed through Commonwealth of Virginia:					
Virginia Community College System (VCCS):					
WIA Adult Program	17.258	AA-32183-18-55-A-51	\$ 150,067	\$ 150,067	
WIA Adult Program	17.258	AA-33260-19-55-A-51	199,192	199,192	\$ 349,259
WIA Youth Activities	17.259	AA-32183-18-55-A-51	163,935	163,935	
WIA Youth Activities	17.259	AA-33260-19-55-A-51	379,254	379,254	543,189
WIA Dislocated Workers	17.278	AA-32183-18-55-A-51	253,225	253,225	
WIA Dislocated Workers – CARES	17.278	AA-33260-19-55-A-51	38,390	38,390	
WIA Dislocated Workers	17.278	AA-33260-19-55-A-51	98,796	98,796	
WIA Dislocated Workers	17.278	AA-33183-18-55-A-51	3,803	3,803	394,214
Total Department of Labor					\$ 1,286,662

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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
Primary Government (Continued)					
Department of Homeland Security					
Direct Payments:					
Transportation Security Administration:					
Airport LEO Cooperative Agreement	97.090	HSTS02-16-H-SLR753		\$ 87,740	\$ 87,740
Total Department of Homeland Security					\$ 87,740
Department of Transportation					
Passed through Commonwealth of Virginia:					
Virginia Department of Transportation					
Highway Planning and Construction					
Adaptive Signal Control - Rivermont Avenue	20.205	65001-118-274		\$ 344,719	
Transportation Alternative Program (TAP)					
Linkhome Road Trail Extension	20.205	17045-EN17-118-282		903,205	\$ 1,247,924
Passed through Commonwealth of Virginia:					
VA Department of Motor Vehicles:					
DMV Selective Enforcement - Alcohol FY19	20.607	AL-2019-59318-9318		11,560	
DMV Selective Enforcement - Alcohol FY20	20.607	AL-2020-50031-20031		34,229	45,789
DMV Selective Enforcement - Speed FY19	20.600	SC-2019-59376-9376		3,335	
DMV Selective Enforcement - Speed FY20	20.600	SC-2020-50046-20046		16,978	20,313
Total Department of Transportation					\$ 1,314,026
Department of the Treasury					
Passed through Commonwealth of Virginia:					
Coronavirus Relief Fund – CARES Act	21.019			\$ 467,997	\$ 467,997
Total Department of Treasury					\$ 467,997
Environmental Protection Agency					
Passed through Commonwealth of Virginia:					
Virginia Resources Authority:					
Revolving Loan	66.458	972		\$ 10,908,416	\$ 10,908,416
Total Environmental Protection Agency					\$ 10,908,416

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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
<u>Primary Government (Continued)</u>					
Federal Aviation Administration					
Direct Payments:					
Department of Aviation:					
Airport Improvement Program	20.106	3-51-0029-040-2018		\$ 282,004	
Airport Improvement Program	20.106	3-51-0029-041-2018		656,441	
Airport Improvement Program	20.106	3-51-0029-042-2019		285,226	
Airport Improvement Program – CARES	20.106	3-51-0029-045-2020		700,441	\$ 1,924,112
Total Federal Aviation Administration					\$ 1,924,112
Federal Emergency Management Agency					
Direct Payments:					
Department of Homeland Security:					
Assistance to Firefighters	97.044	EMW-2017-FO-02812		\$ 144,555	\$ 144,555
Passed through Commonwealth of Virginia:					
Virginia Department of Emergency Management:					
Emergency Management Performance Grants	97.042	7196		23,423	23,423
State Homeland Security Program Grant - Police	97.067	8,073		24,517	
State Homeland Security Program Grant - Fire	97.067	7966		87,019	
State Homeland Security Program Grant - Fire	97.067	8271		56,286	167,822
Total Federal Emergency Management Agency					\$ 335,800
<u>Component Unit - Lynchburg Schools</u>					
Department of Agriculture					
Passed through Commonwealth of Virginia:					
Department of Education:					
National School Lunch Program	10.555			\$ 2,119,527	
National School Lunch Program – CARES	10.555			137,802	\$ 2,257,329
National School Breakfast Program	10.553			854,356	
National School Breakfast Program – CARES	10.553			55,250	909,606
Summer Food Service Program	10.559			124,699	
Summer Food Service Program – CARES	10.559			1,186,428	1,311,127
Child Adult Care Food Program	10.558			131,823	
Child Adult Care Food Program – CARES	10.558			7,683	139,506
Total Department of Agriculture					\$ 4,617,568

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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
Component Unit - Lynchburg Schools (Continued)					
Department of Education					
Passed through Commonwealth of Virginia:					
Passed through Commonwealth of Virginia:					
Title I - Part A - Improving Basic Programs	84.010	S010A170046		\$ 489,921	
Title I - Part A - Improving Basic Programs	84.010	S010A180046		512,098	
Title I - Part A - Improving Basic Programs	84.010	S010A190046		3,127,996	
Title I - Part A - School Improvement	84.010	S010A180046		486,702	\$ 4,616,717
Title I - Part D - Neglected or Delinquent	84.013	S010A180046		24,051	
Title I - Part D - Neglected or Delinquent	84.013	S010A190046		3,930	
Title I - Neglected and Delinquent Children	84.013	S013A180046		1,296	29,277
Elementary and Secondary Education Act (ESEA):					
Title IV-B - 21st Century	84.287	S287C170047		51,496	
Title IV-B - 21st Century	84.287	S287C180047		283,166	
Title IV-B - 21st Century	84.287	S287C190047		785,466	1,120,128
IDEA - Part B Section 611 - Special Education	84.027	H027A170107		7,664	
IDEA - Part B Section 611 - Special Education	84.027	H027A180107		385,595	
IDEA - Part B Section 611 - Special Education	84.027	H027A190107		1,114,775	1,508,034
IDEA - Part B Section 619 - Special Education Preschool	84.173	H173A170112		7,063	
IDEA - Part B Section 619 - Special Education Preschool	84.173	H173A180112		47,200	
IDEA - Part B Section 619 - Special Education Preschool	84.173	H173A190112		628	54,891
Title III Part A - Language Acquisition State Grant	84.365	S265A170046		1,591	
Title III Part A - Language Acquisition State Grant	84.365	S265A180046		6,797	
Title III Part A - Language Acquisition State Grant	84.365	S265A190046		10,913	19,301
Title II - Part A - Supporting Effective Instruction State Grants	84.367	S367A170044		24,808	
Title II - Part A - Supporting Effective Instruction State Grants	84.367	S367A180044		125,221	
Title II - Part A - Supporting Effective Instruction State Grants	84.367	S367A190044		259,614	409,643
Title IV - Student Support	84.424	S424A170048		33,430	
Title IV - Student Support	84.424	S424A180048		85,277	
Title IV - Student Support	84.424	S424A190048		88,824	207,531
Vocational Education:					
Basic Grants to States	84.048	V048A170046		1,286	
Basic Grants to States	84.048	V048A190046		240,886	242,172
McKenney - Vento Homeless Education Assistance Improvements Act of 2001:					
Title X-C - No Child Left Behind Act	84.000	S196A180048		5,454	
Title X-C - No Child Left Behind Act	84.000	S196A190048		8,783	14,237
Total Department of Education					8,221,931
TOTAL			\$ 1,638,024	\$ 40,715,748	\$ 40,715,748

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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			
<u>Primary Government</u>					
Department of Agriculture					
Passed through Commonwealth of Virginia:					
Department of Social Services:					
Juvenile Detention Home (Commodities)	10.555	16161VA347N2535		\$ 3,144	
<u>Component Unit - Lynchburg Schools</u>					
Department of Agriculture					
Passed through Commonwealth of Virginia:					
Department of Education:					
National School Lunch Program (Commodities)	10.555	16161VA347N2535		358,169	\$ 361,313
TOTAL				\$ 361,313	\$ 361,313

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2020

Note 1. Significant Accounting Policy

Basis of Accounting:

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

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

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

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

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

Note 3. Non-monetary Assistance

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

Note 4. Indirect Costs

The City has elected to use the de minimis 10% cost rate for certain grants.

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2020

Note 5. Subgrantees

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

Subrecipient	Community Development Block Grant	HOME Investment Partnerships Program	Workforce Investment Act Cluster
Habitat for Humanity	\$ -	\$ 75,480	\$ -
Lynchburg Community Action Group	6,935	75,059	-
Lynchburg Redevelopment & Housing Authority	193,888	-	-
Region 2000 Local Government Council	-	-	1,286,662
Rush Homes	-	-	-
	<u>\$ 200,823</u>	<u>\$ 150,539</u>	<u>\$ 1,286,662</u>

Note 6. Program Income

The City did not receive any program income during FY2020 for the Community Development Block grant.

Note 7. Virginia Revolving Loan Fund (CFDA 66.458)

As of June 30, 2020, the City had an outstanding balance through the Virginia Revolving Loan Fund in the amount of \$32,000,000 which includes federal funded loans. Expenditures associated with federally funded loans in FY 2020 totaled \$10,908,416.

SCHEDULE 2

CITY OF LYNCHBURG, VIRGINIA

Schedule of Passenger Facility Charges
As of June 30, 2020

Passenger Facility Charges:

Federal Agency/Program Name/Application Number	PFC Balance July 1, 2019	Adjustments	PFC Collected	Interest Earnings	Expenditures	PFC Balance June 30, 2020
FEDERAL AVIATION ADMINISTRATION						
Passenger facility charges (12-06-C-00-LYH)	\$ 462	\$ -	\$ 3,860	\$ -	\$ 4,322	\$ -
Passenger facility charges (17-07-C-00-LYH)	3,159	-	350,154	37	300,000	53,350
	<u>\$ 3,621</u>	<u>\$ -</u>	<u>\$ 354,014</u>	<u>\$ 37</u>	<u>\$ 304,322</u>	<u>\$ 53,350</u>

SCHEDULE 3

Schedule of Expenditures of Passenger Facility Charges
As of June 30, 2020

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	\$ 4,323
Local share reimbursement – “Local” expense	-
Local share reimbursement – “State Entitlements” expense	-
Total PFC expenditures	<u>\$ 4,323</u>
<u>Application 7 (17-07-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ -
Local share reimbursement – “Local” expense	-
Local share reimbursement – “State Entitlements” expense	-
Construct Air Traffic Control Tower (ATCT)	300,000
Total PFC expenditures	<u>\$ 300,000</u>

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

STATISTICAL SECTION

STATISTICAL SECTION

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

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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. 157-162

FINANCIAL TRENDS

Tables 1-11 contain trend information to help the reader understand how the City's financial performance and well-being have changed over the time. 163-175

REVENUE CAPACITY

Tables 12-19 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 176-183

DEBT CAPACITY

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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. 189-190

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. 191-194

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, 2020

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 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
United States Census 2017 (1).....	80,380
United States Census 2018 (1).....	81,339
United States Census 2019 (1).....	80,783

(1) Source: Weldon Cooper Center for Public Service,
www.coopercenter.org

FORM OF GOVERNMENT

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

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

SEGREGATION OF TAXABLE SUBJECTS FOR LOCAL TAXATION ONLY

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

ASSESSMENTS

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

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

CITY OF LYNCHBURG, VIRGINIA

MISCELLANEOUS STATISTICAL DATA

June 30, 2020

(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: 2013-2020
- \$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: 2005-2020
- \$3.30 per \$100 assessed value: 1990-2004

Machinery and Tools:

- \$3.00 per \$100 assessed value: 1990-2020

Local Sales Tax:

- 1% + 4.3% VA tax: 2014-2020
- 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
\$10,001 - \$50,000	\$30.00 Non Refundable
\$50,001 - \$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, 2020
(Continued)

TAX RATES
(Continued)

Motor Vehicle License:

- \$29.50 for vehicles weighing 4,000 pounds or less: 2005-2020
- \$34.50 for vehicles weighing greater than 4,000 pounds: 2005-2020
- \$25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2020
- \$0.15 on pack of twenty cigarettes: 1990-2003

Lodging Tax:

- A tax of 6.5% of the charge made for each room rented per night. In FY 2018, Lynchburg changed the lodging tax from 5.5% to 6.5% 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 - \$350
 - Emergency transport fee - \$500
- Advanced Life Support
 - Non-emergency transport fee - \$600
 - Emergency transport fee - \$425
 - Emergency transport fee if three or more different medications combined with at least one Advanced Life Support procedure are administered- \$850
- A fee of \$12/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, 2020
(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, revised in 2016, and revised in 2019 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 a minimum of 10% of General Fund revenues with a goal of 15% as the City strives to grow incrementally each year subject to revenues available. 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 previous level within three years.
- The City will balance moving towards the 15% targeted fund balance with its annual “Pay as you go” capital improvement requirements.

Enterprise Funds:

- **Water Fund:** Minimum ending fund balance shall not be less than 25% of total fund 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 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.
- **Stormwater Fund:** Minimum ending fund balance shall not be less than 15% of total fund 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, 2020
(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, revised in 2016, and revised in 2019, 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, revised in 2016, and reaffirmed in 2019.

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, Stormwater and Sewer, Airport, 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, 2020

(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, reaffirmed in 2016, and reaffirmed in 2019, establishing specific requirements or limitations imposed upon the investment of Bond Proceeds, Debt Service Funds and Debt Service Reserve Funds. It is the policy of the City of Lynchburg that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this policy. It is the intent of the City to be in complete compliance with all applicable federal, state and local laws, and other regulations and statutes governing the investment of public funds. Within those parameters, the goal of this policy is to achieve the highest rate of return that is reasonable. The City will establish an Investment Committee consisting of the City Manager, Deputy City Manager, and Director of Financial Services. This Committee will provide broad policy oversight over investments. This policy will be reviewed on an annual basis. Any changes must be approved by the Investment Committee and be reaffirmed by City Council.

CITY OF LYNCHBURG, VIRGINIA

TABLE 1

NET POSITION BY COMPONENT,
LAST TEN FISCAL YEARS

(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 164,804,823	\$ 166,830,517	\$ 175,165,215	\$ 183,957,611	\$ 192,860,159	\$ 210,809,815	\$ 215,193,933	\$ 233,197,296	\$ 236,283,981	\$ 235,958,968
Restricted	23,708,274	18,760,659	16,805,325	15,935,153	9,483,640	4,879,215	2,743,988	2,929,713	3,540,436	3,232,537
Unrestricted	61,798,935	71,824,701	73,963,009	69,801,835	(20,298,752)	(26,991,866)	(29,668,951)	(119,179,431)	(106,684,248)	(91,350,597)
Total governmental activities net position	<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>	<u>\$ 116,947,578</u>	<u>\$ 133,140,169</u>	<u>\$ 147,840,908</u>
Business-type activities										
Net investment in capital assets	\$ 180,332,606	\$ 182,791,158	\$ 189,456,676	\$ 196,909,298	\$ 205,192,151	\$ 209,526,622	\$ 218,449,553	\$ 224,892,828	\$ 235,078,795	\$ 250,754,162
Restricted	10,312	119,534	25,193	8,433	7,231	3,478	108,833	46,465	3,621	53,350
Unrestricted	18,709,510	19,388,092	19,764,741	20,968,416	10,828,849	16,266,676	16,867,521	7,589,878	12,507,989	12,477,023
Total business-type activities net position	<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>	<u>\$ 232,529,171</u>	<u>\$ 247,590,405</u>	<u>\$ 263,284,535</u>
Primary government										
Net investment in capital assets	\$ 345,137,429	\$ 349,621,675	\$ 364,621,891	\$ 380,866,909	\$ 398,052,310	\$ 420,336,437	\$ 433,643,486	\$ 458,090,124	\$ 471,362,776	\$ 486,713,130
Restricted	23,718,586	18,880,193	16,830,518	15,943,586	9,490,871	4,882,693	2,852,821	2,976,178	3,544,057	3,285,887
Unrestricted	80,508,445	91,212,793	93,727,750	90,770,251	(9,469,903)	(10,725,190)	(12,801,430)	(111,589,553)	(94,176,259)	(78,873,574)
Total primary government net position	<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>	<u>\$ 349,476,749</u>	<u>\$ 380,730,574</u>	<u>\$ 411,125,443</u>

Note 1: GASB Statement No. 68 was adopted in Fiscal Year 2015.

Note 2: GASB Statement No. 75 was adopted in Fiscal Year 2018.

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities:										
General Government	\$ 13,623,646	\$ 14,209,838	\$ 15,116,426	\$ 13,291,661	\$ 13,675,189	\$ 14,564,945	\$ 15,669,122	\$ 15,034,844	\$ 13,734,751	\$ 14,379,320
Judicial	6,329,475	6,546,970	6,406,888	6,518,627	6,245,737	6,294,658	6,719,652	6,596,638	6,673,671	6,499,282
Public Safety	44,365,150	44,743,484	47,390,090	48,816,945	48,732,161	48,490,912	50,797,418	49,506,763	49,901,450	49,480,578
Public Works	25,504,881	25,535,985	26,539,357	29,261,348	24,846,090	26,656,472	28,964,652	28,254,520	29,588,360	29,026,793
Health and Human Services	24,577,656	24,620,381	25,274,269	25,805,934	27,317,037	28,802,640	29,306,224	28,447,078	28,193,609	30,842,359
Culture and Recreation	10,247,781	8,413,428	8,503,945	9,001,804	9,771,210	10,090,164	11,126,401	10,551,172	10,792,828	10,353,308
Community Development	5,490,368	7,757,830	5,076,676	6,730,055	6,742,294	7,764,713	6,216,395	6,423,270	6,618,561	6,420,082
Education	35,171,968	36,667,051	40,568,308	42,640,199	42,608,354	52,163,773	50,225,729	46,418,469	45,787,500	45,019,250
Interest Payments and Fiscal Charges	5,625,344	5,481,482	5,005,302	4,721,429	6,317,148	7,012,279	7,354,890	6,876,234	7,000,819	6,157,813
Issuance Costs	170,210	28,450	29,815	204,180	875,409	268,267	-	346,067	-	744,889
Total governmental activities expenses	171,106,479	174,004,899	179,911,076	186,992,182	187,130,629	202,108,823	206,380,483	198,455,055	198,291,549	198,923,674
Business-type activities:										
Stormwater (1)	-	-	2,038,265	2,542,077	1,988,044	2,250,406	2,303,672	2,796,349	3,114,545	3,335,424
Airport	4,374,509	4,394,934	4,151,032	4,370,888	4,572,562	4,590,497	4,793,694	4,734,183	5,019,188	5,134,437
Water	12,231,617	11,881,318	12,822,767	12,867,800	13,192,403	14,392,767	13,767,772	14,801,886	14,845,315	15,046,373
Sewer	15,889,515	16,705,588	16,195,043	17,350,599	18,408,180	19,032,652	19,382,060	19,689,327	20,301,884	21,004,040
Total business-type activities expenses	32,495,641	32,981,840	35,207,107	37,131,364	38,161,189	40,266,322	40,247,198	42,021,745	43,280,932	44,520,274
Total primary government expenses	\$ 203,602,120	\$ 206,986,739	\$ 215,118,183	\$ 224,123,546	\$ 225,291,818	\$ 242,375,145	\$ 246,627,681	\$ 240,476,800	\$ 241,572,481	\$ 243,443,948

(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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenues (see Table 3)										
Governmental Activities:										
Charges for services:										
General government	\$ 424,127	\$ 523,344	\$ 530,988	\$ 460,961	\$ 505,564	\$ 521,930	\$ 529,426	\$ 533,921	\$ 675,679	\$ 586,554
Judicial	686,417	781,941	917,900	816,341	785,268	807,987	628,411	558,501	445,007	581,557
Public safety	5,343,055	5,875,575	6,090,401	6,629,609	6,419,638	6,566,743	5,881,973	6,432,759	6,526,492	6,249,834
Public works	786,813	813,474	1,711,835	1,806,816	1,304,063	1,310,028	1,540,998	1,291,023	1,334,424	1,826,242
Health and human services	2,364,654	2,462,151	2,631,082	2,503,303	2,452,554	2,817,336	2,837,112	3,174,813	2,967,498	2,785,781
Cultural and Recreational	2,092,744	647,929	660,626	684,094	776,379	860,612	955,311	905,158	927,578	770,955
Community development	340,847	622,156	936,595	2,422,730	1,172,941	1,352,602	1,120,860	1,249,908	1,913,803	1,355,950
Operating Grants and Contributions	29,639,955	30,194,337	39,851,381	40,032,827	42,055,609	43,418,231	44,712,908	44,119,995	44,733,375	46,966,908
Capital Grants and Contributions	11,833,437	11,546,586	4,320,470	2,407,771	1,516,624	12,039,460	6,501,142	18,953,042	8,265,018	4,217,888
Total governmental activities program services	53,512,049	53,467,493	57,651,278	57,764,452	56,988,640	69,694,929	64,708,141	77,219,120	67,788,874	65,341,669
Business-type activities:										
Charges for services:										
Stormwater	-	-	3,355,267	3,124,545	3,268,776	3,209,504	3,208,044	3,212,572	3,227,746	3,265,521
Airport	2,093,668	2,011,159	2,124,073	2,235,749	2,254,531	2,446,873	2,522,138	2,470,025	2,775,975	2,533,763
Water	12,462,594	12,314,865	12,985,275	13,478,920	14,703,923	14,811,555	15,177,716	15,362,052	15,127,793	15,564,799
Sewer	18,023,990	18,520,421	18,913,651	19,763,592	20,216,758	21,264,506	22,640,530	22,635,664	23,723,563	23,231,507
Operating Grants and Contributions	202,704	158,129	951,522	810,040	417,601	409,592	394,959	395,048	397,320	1,119,787
Capital Grants and Contributions	10,563,426	2,007,777	2,827,806	5,697,350	6,601,428	7,416,609	5,326,856	5,871,418	11,794,517	12,863,845
Total business-type activities program revenues	43,346,382	35,012,351	41,157,594	45,110,196	47,463,017	49,558,639	49,270,243	49,946,779	57,046,914	58,579,222
Total primary government program revenues	\$ 96,858,431	\$ 88,479,844	\$ 98,808,872	\$ 102,874,648	\$ 104,451,657	\$ 119,253,568	\$ 113,978,384	\$ 127,165,899	\$ 124,835,788	\$ 123,920,891
Net (Expense) Revenue										
Governmental Activities	\$ (117,594,430)	\$ (120,537,406)	\$ (122,259,798)	\$ (129,227,730)	\$ (130,141,989)	\$ (132,413,894)	\$ (141,672,342)	\$ (121,235,935)	\$ (130,502,675)	\$ (133,582,005)
Business-type Activities	10,850,741	2,030,511	5,950,487	7,978,832	9,301,828	9,292,317	9,023,045	7,925,034	13,765,982	14,058,948
Total Primary Government Net Expenses	\$ (106,743,689)	\$ (118,506,895)	\$ (116,309,311)	\$ (121,248,898)	\$ (120,840,161)	\$ (123,121,577)	\$ (132,649,297)	\$ (113,310,901)	\$ (116,736,693)	\$ (119,523,057)

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 69,849,510	\$ 70,054,855	\$ 74,446,360	\$ 74,994,389	\$ 75,714,767	\$ 77,654,736	\$ 78,396,772	\$ 79,798,396	\$ 81,396,201	\$ 85,485,322
Local sales and use taxes	13,290,563	13,440,973	13,589,747	13,842,292	15,006,326	14,995,131	15,351,347	15,282,741	15,913,730	16,478,533
Meals taxes	10,975,580	11,658,371	11,916,522	12,549,321	13,756,602	14,188,513	14,881,552	14,097,828	14,958,842	13,540,536
Consumer utility taxes	4,692,477	4,475,316	4,628,647	4,738,343	4,575,492	4,660,389	4,569,906	4,768,971	4,673,911	4,527,250
Business license taxes	7,263,543	7,885,841	8,057,554	8,580,699	8,219,996	8,826,486	9,377,091	8,736,403	9,503,954	9,685,320
Communications sales and use taxes	3,534,449	3,462,621	3,471,805	3,412,734	3,382,915	3,282,767	3,202,076	3,101,975	2,877,715	2,812,099
Other taxes	6,377,684	7,299,554	5,823,989	6,638,042	6,785,275	6,862,577	7,137,128	7,397,005	7,745,217	6,672,235
Unrestricted intergovernmental	5,418,525	5,940,422	6,052,604	6,240,433	6,223,664	6,291,034	6,292,632	6,330,816	6,415,005	6,330,695
Interest	601,999	438,375	201,735	295,656	312,688	477,313	504,776	889,609	1,642,727	1,375,991
IRS interest subsidy - Build America bonds	146,839	293,680	293,680	270,332	272,388	272,975	273,563	273,856	274,884	137,736
Miscellaneous	1,498,803	1,162,435	1,606,926	1,480,036	2,141,167	1,374,166	1,164,928	1,060,093	733,225	1,028,422
Transfers	(259,950)	(417,961)	(336,330)	(218,809)	(60,658)	-	-	(135,751)	154,228	-
Gain (Loss) on sale of assets	95,976	73,749	1,024,231	165,312	324,443	179,924	92,377	588,918	405,627	208,605
Total governmental activities	123,485,998	125,768,231	130,777,470	132,988,780	136,655,065	139,066,011	141,244,148	142,190,860	146,695,266	148,282,744
Business-type activities:										
Interest	206,665	210,782	108,977	132,701	96,910	136,484	231,789	546,939	1,064,934	916,795
IRS interest subsidy - Build America Bonds	148,776	297,551	297,550	273,896	275,978	276,573	277,168	277,466	278,508	139,551
Miscellaneous	79,613	148,571	45,232	22,332	22,966	56,305	90,785	93,369	90,949	500,294
Transfers	259,950	-	336,330	218,809	60,658	-	-	135,751	(154,228)	-
Gain (loss) on sale of assets	-	417,961	209,250	12,967	9,825	6,866	6,344	47,162	15,089	78,542
Total business-type activities	695,004	1,074,865	997,339	660,705	466,337	476,228	606,086	1,100,687	1,295,252	1,635,182
Total primary government	\$ 124,181,002	\$ 126,843,096	\$ 131,774,809	\$ 133,649,485	\$ 137,121,402	\$ 139,542,239	\$ 141,850,234	\$ 143,291,547	\$ 147,990,518	\$ 149,917,926
Changes in Net Position										
Governmental activities	\$ 5,891,568	\$ 5,230,825	\$ 8,517,672	\$ 3,761,050	\$ 6,513,076	\$ 6,652,117	\$ (428,194)	\$ 20,954,925	\$ 16,192,591	\$ 14,700,739
Business-type activities	11,545,745	3,105,376	6,947,826	8,639,537	9,768,165	9,768,545	9,629,131	9,025,721	15,061,234	15,694,130
Total primary government	\$ 17,437,313	\$ 8,336,201	\$ 15,465,498	\$ 12,400,587	\$ 16,281,241	\$ 16,420,662	\$ 9,200,937	\$ 29,980,646	\$ 31,253,825	\$ 30,394,869

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function/Program										
Governmental Activities:										
General government	\$ 733,374	\$ 842,476	\$ 842,595	\$ 772,920	\$ 822,568	\$ 6,315,850	\$ 852,147	\$ 14,731,586	\$ 1,296,467	\$ 990,778
Judicial	4,405,123	4,685,775	4,369,390	4,705,330	4,556,364	4,613,026	4,528,778	4,494,336	4,366,657	4,486,505
Public safety	11,507,560	10,901,882	12,249,088	12,655,192	12,043,156	12,167,299	12,562,382	12,682,717	13,101,997	13,328,228
Public works	12,761,729	13,637,579	16,225,091	13,736,037	13,462,198	18,900,766	19,394,584	17,786,121	20,888,553	17,410,171
Health and human services	19,710,295	19,756,196	20,786,993	21,009,420	22,626,330	23,708,853	24,089,638	24,012,556	23,752,553	24,828,227
Cultural and recreational	2,335,925	842,913	932,261	1,335,292	1,010,645	1,153,738	1,201,444	1,177,805	1,193,224	1,894,496
Community development	2,027,021	2,445,719	2,216,576	3,550,261	2,467,379	2,755,042	1,943,831	2,213,229	2,864,423	2,403,264
Education	31,022	354,953	29,284	-	-	80,355	135,337	120,770	325,000	-
Subtotal governmental activities	53,512,049	53,467,493	57,651,278	57,764,452	56,988,640	69,694,929	64,708,141	77,219,120	67,788,874	65,341,669
Business-type activities:										
Stormwater (1)	-	-	4,005,267	3,774,545	3,543,776	3,484,504	3,572,102	4,042,606	3,502,746	4,096,871
Airport	4,331,554	3,452,187	5,046,920	5,214,040	5,786,312	5,163,799	5,786,943	4,913,857	5,312,847	6,696,743
Water	12,462,594	12,338,865	13,067,064	13,492,023	14,708,923	15,174,472	15,387,716	15,362,052	15,397,448	15,568,073
Sewer	26,552,234	19,221,299	19,038,343	22,629,588	23,424,006	25,735,864	24,523,482	25,628,264	32,833,873	32,217,535
Subtotal business-type activities	43,346,382	35,012,351	41,157,594	45,110,196	47,463,017	49,558,639	49,270,243	49,946,779	57,046,914	58,579,222
Total primary government	\$ 96,858,431	\$ 88,479,844	\$ 98,808,872	\$ 102,874,648	\$ 104,451,657	\$ 119,253,568	\$ 113,978,384	\$ 127,165,899	\$ 124,835,788	\$ 123,920,891

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

**FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,401,700	\$ 14,093,629	\$ -
Committed	13,707,762	13,992,915	14,610,825	15,237,982	14,803,075	12,139,666	13,970,703	12,739,188	15,920,227	16,944,527
Assigned	4,077,230	5,574,299	3,128,072	5,029,549	6,118,051	5,232,752	3,838,602	8,071,697	9,083,748	10,054,580
Unassigned	29,215,575	28,835,650	31,675,248	33,878,501	32,089,924	25,589,098	27,147,729	29,197,526	29,364,685	34,579,844
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>	<u>\$ 64,410,111</u>	<u>\$ 68,462,289</u>	<u>\$ 61,578,951</u>
All Other Governmental Funds										
Nonspendable	\$ 500,000	\$ 500,000	\$ 450,000	\$ 400,000	\$ 350,000	\$ 300,000	\$ 250,000	\$ 200,000	\$ -	\$ -
Restricted	23,708,274	18,760,659	16,805,325	15,935,152	9,483,641	4,879,215	2,743,988	2,929,713	3,540,436	3,232,537
Committed	18,396,943	21,518,899	17,761,570	13,852,139	68,602,388	52,840,854	33,170,926	21,141,975	17,551,255	44,853,501
Assigned	121,599	126,818	100,000	100,012	100,012	100,012	100,012	100,012	122,328	-
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>	<u>\$ 24,371,700</u>	<u>\$ 21,214,019</u>	<u>\$ 48,086,038</u>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$115,044,676	\$116,760,078	\$122,436,720	\$125,237,029	\$127,770,651	\$130,022,195	\$132,895,836	\$134,835,168	\$137,222,286	\$139,065,653
Regulatory licenses, permits and privilege fees	683,712	916,546	991,098	1,068,270	1,000,222	1,108,694	1,071,926	1,101,285	1,106,893	1,162,650
Intergovernmental	46,663,521	47,320,286	50,245,714	48,326,225	49,874,673	55,070,162	55,784,306	55,565,967	57,603,524	57,356,173
Fines and forfeitures	598,424	721,839	726,438	634,485	637,417	570,242	505,829	406,905	363,010	323,366
Revenue from use of money and property	1,962,064	749,017	506,030	702,100	820,000	1,051,355	1,243,844	1,496,011	2,296,990	2,003,967
Charges for services	11,977,908	11,467,834	13,687,367	15,916,305	14,365,457	14,484,302	13,397,141	14,716,870	15,500,824	14,934,876
Miscellaneous	1,863,720	1,828,931	2,863,553	2,516,916	2,807,317	3,033,445	3,317,877	1,808,108	3,636,735	1,300,132
Total revenues	178,794,025	179,764,531	191,456,920	194,401,330	197,275,737	205,340,395	208,216,759	209,930,314	217,730,262	216,146,817
Expenditures										
General government	15,157,924	15,499,218	16,130,210	14,289,462	16,152,572	16,255,049	16,987,863	17,359,357	16,547,404	17,235,539
Judicial	5,553,219	5,790,132	5,767,935	5,758,228	5,717,080	5,654,176	6,042,746	6,201,171	6,326,561	6,295,896
Public Safety	42,216,297	42,427,687	46,421,193	46,660,711	48,818,343	48,233,548	49,659,468	50,284,130	51,881,221	51,550,558
Public Works	17,746,056	17,681,810	19,474,530	22,150,384	18,097,502	19,790,108	20,593,526	20,211,943	21,227,308	20,678,139
Health and human services	23,992,172	24,172,488	25,059,481	25,328,758	27,443,758	28,554,889	28,892,687	28,900,411	28,731,703	31,511,665
Cultural and recreational	9,114,228	7,383,687	7,672,890	7,611,982	8,821,557	8,928,603	9,623,473	8,910,592	9,428,732	9,079,179
Community development	5,507,839	7,734,642	5,072,557	6,519,328	6,681,436	7,623,841	5,995,399	6,385,505	6,578,169	6,413,185
Education	30,343,130	31,830,468	35,590,981	36,856,139	37,562,551	42,897,772	43,216,739	39,017,813	38,318,576	37,423,267
Capital Outlay										
Capital general government (1)	12,891,432	10,688,906	14,864,174	22,238,043	53,408,143	56,618,269	29,017,350	19,728,578	21,053,810	21,721,700
Debt Services										
Principal Retirement	10,872,412	10,119,044	10,103,234	9,689,223	10,296,872	10,134,827	10,972,265	10,678,219	11,719,848	17,285,515
Interest payments and other fiscal charges	5,671,296	5,399,200	4,985,875	4,683,175	7,435,810	7,306,428	7,324,880	7,407,067	7,390,213	6,517,496
Issuance costs	170,210	28,450	29,815	204,180	875,409	268,267	-	346,067	-	744,889
Total expenditures	179,236,215	178,755,732	191,172,875	201,989,613	241,311,033	252,265,777	228,326,396	215,430,853	219,203,545	226,457,028
Excess (deficiency) of revenues over expenditures	(442,190)	1,008,799	284,045	(7,588,283)	(44,035,296)	(46,925,382)	(20,109,637)	(5,500,539)	(1,473,283)	(10,310,211)
Other financing sources (uses)										
Proceeds from debt issues	-	-	-	-	83,225,000	15,680,000	-	182,562	2,274,450	40,931,365
Premium on debt proceeds	-	-	-	-	7,792,446	1,505,630	-	-	-	3,691,148
Issuance of refunding bonds	18,591,517	-	4,129,625	8,000,638	23,292,975	7,243,402	-	15,221,555	-	-
Premium on refunding debt issuance	-	-	-	-	-	909,464	-	1,700,762	-	-
Payments to escrow agent	(18,397,260)	-	(4,129,625)	-	(23,114,836)	(8,065,760)	-	(2,160,352)	-	(13,850,000)
Capital contributions	-	-	(4,725,916)	-	-	-	-	-	-	-
Transfers in	10,739,030	11,057,987	9,560,807	9,978,763	11,606,390	15,442,682	6,456,092	4,746,481	7,642,818	7,345,416
Transfers out	(10,947,585)	(12,203,385)	(9,897,137)	(10,230,878)	(11,702,990)	(16,205,463)	(6,206,092)	(6,630,618)	(7,549,488)	(7,819,037)
Total other financing sources (uses)	(14,298)	(1,145,398)	(5,062,246)	7,748,523	91,098,985	16,509,955	250,000	13,060,390	2,367,780	30,298,892
Net change in fund balances	\$ (456,488)	\$ (136,599)	\$ (4,778,201)	\$ 160,240	\$ 47,063,689	\$ (30,415,427)	\$ (19,859,637)	\$ 7,559,851	\$ 894,497	\$ 19,988,681
Debt Service as a percentage of noncapital expenditures (2)	9.95%	9.23%	8.56%	8.00%	9.44%	8.91%	9.18%	9.24%	9.64%	11.63%

(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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Taxes	\$ 115,009,873	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029	\$ 127,770,651	\$ 130,022,195	\$ 132,895,836	\$ 134,835,168	\$ 137,222,286	\$ 139,065,653
Regulatory licenses, permits, and privilege fees	683,712	916,546	991,098	1,068,270	1,000,222	1,108,694	1,071,926	1,101,285	1,106,893	1,162,650
Intergovernmental	33,199,440	35,030,474	33,669,141	34,333,156	34,604,123	36,644,986	37,432,488	36,917,105	37,433,967	38,090,501
Fines & forfeitures	598,424	721,839	726,438	634,485	637,417	570,242	505,829	406,905	363,010	323,366
Revenues from use of money & property	840,217	690,069	437,531	640,544	697,756	916,257	1,125,893	1,434,901	2,213,643	1,908,132
Charges for services	7,907,113	7,676,012	9,949,886	10,555,494	10,750,591	10,356,244	9,938,717	10,743,235	10,970,514	11,168,427
Miscellaneous	945,324	871,056	1,097,217	1,150,545	1,154,870	1,234,853	1,050,756	1,380,263	781,049	1,052,246
Total revenues	159,184,103	162,666,074	169,308,031	173,619,523	176,615,630	180,853,471	184,021,445	186,818,862	190,091,362	192,770,975
Expenditures:										
Current operating expenditures:										
General government	15,453,014	15,908,597	16,408,318	14,507,532	16,298,894	16,490,338	17,106,909	17,389,996	16,893,676	17,521,050
Judicial	4,426,215	4,421,907	4,650,024	4,655,974	4,696,403	4,788,676	4,832,773	5,032,655	5,088,929	5,176,741
Public safety	38,405,071	38,845,495	42,026,411	42,455,002	44,421,121	44,391,282	45,274,306	46,414,215	47,769,024	47,642,493
Public works	15,139,289	14,436,170	15,547,537	16,403,344	14,600,543	16,009,423	16,364,853	15,920,299	17,926,578	16,707,843
Health and human services	18,713,485	18,268,410	18,905,329	19,184,011	19,825,954	21,018,515	21,401,062	21,441,064	21,133,854	22,938,513
Cultural & recreational	7,397,754	7,383,687	7,560,762	7,479,777	8,558,412	8,394,652	9,034,143	8,825,071	9,320,532	8,906,758
Community development	3,883,971	3,930,173	3,504,251	4,283,676	4,819,261	4,590,547	3,804,380	4,817,967	5,041,335	4,905,846
Education	30,310,602	31,696,712	35,308,205	35,709,226	36,389,604	42,691,567	42,943,004	38,894,037	38,257,161	37,411,557
Capital outlay:										
Capital general government	-	-	-	-	-	-	-	649,712	37,309	12,102
Debt service:										
Principal retirements	10,354,910	9,706,899	9,693,099	9,359,924	9,959,146	9,837,962	10,683,800	10,416,914	10,649,783	17,254,960
Interest payments and other fiscal charges	5,380,142	5,225,436	4,829,728	4,544,745	7,276,813	7,281,382	7,294,605	7,380,164	7,321,643	6,514,725
Issuance costs	162,757	28,450	29,815	204,180	443,933	171,746	-	346,067	-	374,779
Total expenditures	149,627,210	149,851,936	158,463,479	158,787,391	167,290,084	175,666,090	178,739,835	177,528,161	179,439,824	185,367,367
Excess (deficiency) of revenues over expenditures	9,556,893	12,814,138	10,844,552	14,832,132	9,325,546	5,187,381	5,281,610	9,290,701	10,651,538	7,403,608
Other financing sources (uses):										
Issuance of bonds	-	-	-	57,468	412,470	83,298	-	103,342	-	6,138,453
Premium on debt proceeds	-	-	-	-	-	-	-	1,700,762	-	593,822
Issuance of refunding bonds	16,605,512	-	4,129,625	-	22,823,100	8,152,866	-	15,221,555	-	-
Refunded bond principal payments	-	-	-	-	-	-	-	-	-	-
Payments to escrow agent	(16,418,708)	-	(4,129,625)	-	(22,647,772)	(8,065,760)	-	(2,160,352)	-	(13,850,000)
Transfers in	546,826	283,272	18,524	4,761	325,036	366,572	1,585,000	252,397	643,814	274,908
Transfers out	(10,170,259)	(11,695,113)	(9,851,795)	(10,162,474)	(11,373,362)	(15,773,891)	(4,871,092)	(4,955,328)	(7,243,174)	(7,444,129)
Total other financing sources (uses)	(9,436,629)	(11,411,841)	(9,833,271)	(10,100,245)	(10,460,528)	(15,236,915)	(3,286,092)	10,162,376	(6,599,360)	(14,286,946)
Net changes in fund balances	120,264	1,402,297	1,011,281	4,731,887	(1,134,982)	(10,049,534)	1,995,518	19,453,077	4,052,178	(6,883,338)
Fund balance - beginning, as restated (1)	46,880,303	47,000,567	48,402,864	49,414,145	54,146,032	53,011,050	42,961,516	44,957,034	64,410,111	68,462,289
Fund balance - ending	\$ 47,000,567	\$ 48,402,864	\$ 49,414,145	\$ 54,146,032	\$ 53,011,050	\$ 42,961,516	\$ 44,957,034	\$ 64,410,111	\$ 68,462,289	\$ 61,578,951

(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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Intergovernmental	\$ 71,983,645	\$ 74,046,427	\$ 78,946,545	\$ 80,213,734	\$ 84,423,859	\$ 89,797,227	\$ 93,028,379	\$ 90,439,558	\$ 91,790,234	\$ 90,816,094
Revenue from use of money & property	527	136	106	-	-	-	-	-	-	-
Charges for services	1,504,368	1,556,187	1,468,451	1,471,332	1,169,484	1,491,359	1,820,727	1,640,533	1,723,917	2,706,961
Miscellaneous	804,264	1,197,197	590,372	520,942	726,730	1,365,368	412,650	632,056	803,639	1,432,973
Total revenues	74,292,804	76,799,947	81,005,474	82,206,008	86,320,073	92,653,954	95,261,756	92,712,147	94,317,790	94,956,028
Expenditures:										
Education:										
Instruction	54,022,173	54,189,572	57,096,206	57,686,592	61,909,077	65,839,840	68,909,218	67,276,868	66,430,018	68,039,938
Administration, attendance, and health	3,820,833	3,767,196	4,193,846	5,581,280	4,865,032	5,426,428	5,717,931	6,376,477	5,675,250	5,953,847
Pupil transportation services	3,786,131	4,418,735	4,661,286	4,690,144	4,828,845	4,762,678	5,016,591	5,335,508	5,668,771	5,322,011
Operations and maintenance	9,347,596	9,287,310	9,643,581	9,497,568	10,665,930	10,485,381	10,157,853	10,296,919	10,899,422	10,554,930
Food service and other	-	-	5,633	16,087	24,670	21,358	12,153	16,691	15,344	8,986
Facilities	48,403	40,563	87,879	20,365	10,163	14,825	20,758	26,138	20,959	18,434
Technology	2,037,654	2,362,774	2,049,937	3,244,460	3,525,049	3,230,426	3,034,004	3,060,199	3,104,473	3,748,479
Capital outlay	709,526	1,999,266	3,253,181	862,639	742,418	2,813,555	1,147,768	1,445,076	1,759,244	1,070,693
Debt service:										
Principal retirements	642,489	480,697	264,931	109,353	-	-	-	-	-	-
Interest payments	44,389	22,256	8,261	970	-	-	-	-	-	-
Total expenditures	74,459,194	76,568,369	81,264,741	81,709,458	86,571,184	92,594,491	94,016,276	93,833,876	93,573,481	94,717,318
Excess (deficiency) of revenues over expenditures	(166,390)	231,578	(259,267)	496,550	(251,111)	59,463	1,245,480	(1,121,729)	744,309	238,710
Other financing sources (uses):										
Transfers in (out)	(23,726)	-	(26,655)	-	-	-	-	-	-	-
Total other financing sources (uses)	(23,726)	-	(26,655)	-	-	-	-	-	-	-
Net change in fund balances	(190,116)	231,578	(285,922)	496,550	(251,111)	59,463	1,245,480	(1,121,729)	744,309	238,710
Fund balance - beginning	455,055	264,939	496,517	210,595	707,145	456,034	515,497	1,760,977	639,248	1,383,557
Fund balance - ending	\$ 264,939	\$ 496,517	\$ 210,595	\$ 707,145	\$ 456,034	\$ 515,497	\$ 1,760,977	\$ 639,248	\$ 1,383,557	\$ 1,622,267

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating revenues:										
Charges for services and other operating revenues	\$ 12,462,594	\$ 12,314,865	\$ 12,985,275	\$ 13,478,920	\$ 14,703,923	\$ 14,811,555	\$ 15,177,716	\$ 15,362,052	\$ 15,127,793	\$ 15,564,799
Total operating revenues	12,462,594	12,314,865	12,985,275	13,478,920	14,703,923	14,811,555	15,177,716	15,362,052	15,127,793	15,564,799
Operating expenses:										
Personal services and benefits	4,253,120	3,835,816	4,385,357	4,345,690	4,350,457	5,061,596	5,173,210	4,779,528	5,076,126	5,960,956
Operation and maintenance	1,234,608	1,158,818	1,460,251	1,453,789	1,550,252	1,788,171	945,920	1,750,445	1,301,725	1,269,534
Supplies and materials	1,471,159	1,296,768	1,220,000	1,218,645	1,210,601	1,229,613	1,378,106	1,435,848	1,362,100	1,210,432
Administration	1,174,601	1,182,821	1,220,437	1,308,718	1,462,335	1,335,499	1,196,167	1,431,196	1,550,316	1,610,286
Other charges	67,481	60,133	65,424	60,118	77,950	87,808	90,180	86,149	89,138	93,493
Depreciation	2,519,349	2,701,356	2,711,581	2,757,951	2,852,246	2,916,684	3,048,763	3,116,981	3,231,814	3,225,638
Total operating expenses	10,720,318	10,235,712	11,063,050	11,144,911	11,503,841	12,419,371	11,832,346	12,600,147	12,611,219	13,370,339
Operating income	1,742,276	2,079,153	1,922,225	2,334,009	3,200,082	2,392,184	3,345,370	2,761,905	2,516,574	2,194,460
Nonoperating revenues (expenses):										
Interest income	30,674	40,275	2,729	21,508	21,514	41,904	75,939	229,606	501,029	435,285
Governmental grants	-	-	72,289	13,103	-	-	-	-	-	-
Miscellaneous	19,585	10,847	16,535	2,122	2,781	1,028	1,131	1,001	33,101	220,157
Gain (loss) on disposition of assets	(293)	-	-	7,314	9,219	6,128	5,172	18,282	5,798	9,621
Interest on long-term debt	(1,520,334)	(1,643,503)	(1,751,114)	(1,708,765)	(1,678,042)	(1,971,229)	(1,911,073)	(2,204,019)	(2,208,099)	(1,663,343)
IRS interest subsidy - Build America Bonds	125,799	251,598	251,598	231,596	233,357	233,860	234,363	234,615	235,496	117,999
Total nonoperating revenues (expenses)	(1,344,569)	(1,340,783)	(1,407,963)	(1,433,122)	(1,411,171)	(1,688,309)	(1,594,468)	(1,720,515)	(1,432,675)	(880,281)
Income before contributions and transfers	397,707	738,370	514,262	900,887	1,788,911	703,875	1,750,902	1,041,390	1,083,899	1,314,179
Capital contributions	-	24,000	9,500	-	5,000	362,917	210,000	-	269,655	3,274
Transfers in	-	-	-	-	-	-	-	67,298	93,215	-
Change in net position	397,707	762,370	523,762	900,887	1,793,911	1,066,792	1,960,902	1,108,688	1,446,769	1,317,453
Total net position - beginning, as restated (1) (2) (3)	34,815,703	35,273,830	36,036,200	36,559,962	31,448,108	33,242,019	34,308,811	29,985,889	31,094,577	32,541,346
Ending net position:										
Net investment in capital assets	28,353,428	28,177,375	27,787,795	28,010,070	28,620,307	27,610,452	29,430,618	29,134,568	30,347,378	31,506,001
Unrestricted	6,859,982	7,858,825	8,772,167	9,450,779	4,621,712	6,698,359	6,839,095	1,960,009	2,193,968	2,352,798
Total net position - ending	<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>	<u>\$ 31,094,577</u>	<u>\$ 32,541,346</u>	<u>\$ 33,858,799</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.

(3) Total net position - beginning, was restated as of June 30, 2017. See Note 25, City of Lynchburg's Comprehensive Annual Financial Report for FY 2018 for an explanation.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating revenues:										
Charges for services and other operating revenues	\$ 18,023,990	\$ 18,520,421	\$ 18,913,651	\$ 19,763,592	\$ 20,216,758	\$ 21,264,506	\$ 22,640,530	\$ 22,635,664	\$ 23,723,563	\$ 23,231,507
Total operating revenues	18,023,990	18,520,421	18,913,651	19,763,592	20,216,758	21,264,506	22,640,530	22,635,664	23,723,563	23,231,507
Operating expenses:										
Personal services and benefits	2,821,960	2,963,550	2,731,139	2,871,425	2,944,024	3,390,178	3,424,756	3,274,735	3,355,976	3,365,150
Operation and maintenance	2,756,734	3,054,420	2,493,078	2,742,797	2,697,307	2,906,172	3,071,702	3,533,634	3,636,697	3,649,979
Supplies and materials	1,142,833	1,119,265	1,040,125	1,158,838	1,336,709	1,489,227	1,562,481	1,386,495	1,661,637	1,738,027
Administration	2,599,513	2,337,126	2,273,339	2,282,628	2,573,784	2,341,346	2,316,721	2,467,815	2,580,626	2,802,473
Other charges	39,915	70,699	33,447	44,651	66,946	51,118	106,560	74,387	66,021	69,826
Depreciation	5,035,336	5,819,288	6,147,918	7,049,861	7,584,388	7,635,836	7,888,946	7,898,587	8,037,676	8,131,718
Total operating expenses	14,396,291	15,364,348	14,719,046	16,150,200	17,203,158	17,813,877	18,371,166	18,635,653	19,338,633	19,757,173
Operating income	3,627,699	3,156,073	4,194,605	3,613,392	3,013,600	3,450,629	4,269,364	4,000,011	4,384,930	3,474,334
Nonoperating revenues (expenses):										
Interest income	173,319	167,849	102,589	108,729	73,142	85,086	124,705	241,852	409,567	350,086
Governmental grants	93,000	-	93,667	10,759	-	-	219	-	-	-
Miscellaneous	15,936	125,336	11,999	11,170	10,400	11,821	19,605	47,687	47,717	270,958
Gain (loss) on disposition of assets	-	-	(160,294)	5,653	606	738	1,172	16,393	2,259	(175,771)
Interest on long-term debt	(1,477,230)	(1,359,726)	(1,234,971)	(1,148,525)	(1,086,336)	(1,129,426)	(985,817)	(1,068,072)	(1,077,985)	(1,119,367)
IRS interest subsidy - Build America Bonds	22,977	45,953	45,952	42,300	42,621	42,713	42,805	42,851	43,012	21,552
Total nonoperating revenues (expenses)	(1,171,998)	(1,020,588)	(1,141,058)	(969,914)	(959,567)	(989,068)	(797,311)	(719,289)	(575,430)	(652,542)
Income before contributions and transfers	2,455,701	2,135,485	3,053,547	2,643,478	2,054,033	2,461,561	3,472,053	3,280,722	3,809,500	2,821,792
Capital contributions	8,435,244	700,878	31,025	2,855,237	3,207,248	4,471,358	1,882,733	2,992,600	9,110,310	8,986,028
Transfers in	-	-	-	126,734	126,734	126,734	-	50,729	64,082	-
Transfers out	-	(3,401)	-	-	-	-	-	-	-	-
Change in net position	10,890,945	2,832,962	3,084,572	5,625,449	5,388,015	7,059,653	5,354,786	6,324,051	12,983,892	11,807,820
Total net position - beginning, as restated (1) (2) (3)	122,045,711	132,997,076	135,830,038	138,914,610	140,651,555	146,039,570	153,099,223	154,135,205	160,459,256	173,443,148
Ending net position:										
Net investment in capital assets	118,483,855	122,482,265	128,264,125	133,496,405	138,595,419	144,934,435	148,010,757	154,280,143	164,363,686	177,570,472
Unrestricted	14,452,801	13,347,773	10,650,485	11,043,654	7,444,151	8,164,788	10,443,252	6,179,113	9,079,462	7,680,496
Total net position - ending	\$ 132,936,656	\$ 135,830,038	\$ 138,914,610	\$ 144,540,059	\$ 146,039,570	\$ 153,099,223	\$ 158,454,009	\$ 160,459,256	\$ 173,443,148	\$ 185,250,968

(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) Total net position - beginning, was restated as of June 30, 2017. See Note 25, City of Lynchburg's Comprehensive Annual Financial Report for FY 2018 for an explanation.

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

	2013	2014	2015	2016	2017	2018	2019	2020
Operating revenues:								
Charges for services and other operating revenues	\$ 3,355,267	\$ 3,124,545	\$ 3,268,776	\$ 3,209,504	\$ 3,208,044	\$3,212,572	\$3,227,746	\$3,265,521
Intergovernmental	650,000	650,000	275,000	275,000	275,000	275,000	275,000	275,000
Total operating revenues	4,005,267	3,774,545	3,543,776	3,484,504	3,483,044	3,487,572	3,502,746	3,540,521
Operating expenses:								
Personal services and benefits	281,160	414,356	362,502	446,320	651,860	531,569	673,639	680,361
Operation and maintenance	651,189	719,470	306,678	285,560	327,657	451,961	511,138	418,487
Supplies and materials	50,358	113,528	104,029	136,741	131,321	127,008	168,543	186,793
Administration	1,109,817	1,340,126	1,227,229	1,353,809	1,160,256	1,576,573	1,528,109	1,767,225
Other charges	4,804	8,233	11,916	5,289	16,864	23,538	16,045	11,939
Depreciation	-	4,465	33,662	67,558	76,239	142,092	275,261	295,876
Total operating expenses	2,097,328	2,600,178	2,046,016	2,295,277	2,364,197	2,852,741	3,172,735	3,360,681
Operating income	1,907,939	1,174,367	1,497,760	1,189,227	1,118,847	634,831	330,011	179,840
Nonoperating revenue:								
Interest Income	-	-	-	1,213	9,477	31,120	60,794	39,235
Miscellaneous	1	-	61	23,452	2	491	-	3,203
Interest on long-term debt	-	-	-	-	-	(4,672)	(106)	(37,254)
Total nonoperating revenue	1	-	61	24,665	9,479	26,939	60,688	5,184
Income before contributions and transfers	1,907,940	1,174,367	1,497,821	1,213,892	1,128,326	661,770	390,699	185,024
Capital contributions	-	-	-	-	89,058	555,034	-	556,350
Transfers in	-	-	-	-	-	8,593	9,543	-
Transfers out	-	(126,734)	(162,676)	(126,734)	-	(4,215)	(337,500)	-
Change in net position	1,907,940	1,047,633	1,335,145	1,087,158	1,217,384	1,221,182	62,742	741,374
Total net position - beginning, as restated (1) (2)	-	1,907,940	2,428,919	3,764,064	4,851,222	5,656,260	6,877,442	6,940,184
Ending net position:								
Net investment in capital assets	99,062	771,687	2,002,495	2,484,986	3,950,070	4,336,742	4,894,032	6,496,175
Unrestricted	1,808,878	2,183,886	1,761,569	2,366,236	2,118,536	2,540,700	2,046,152	1,185,383
Total net position - ending	\$ 1,907,940	\$ 2,955,573	\$ 3,764,064	\$ 4,851,222	\$ 6,068,606	\$ 6,877,442	\$ 6,940,184	\$ 7,681,558

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.

(2) Total net position - beginning, was restated as of June 30, 2017. See Note 25, City of Lynchburg's Comprehensive Annual Financial Report for FY 2018 for an explanation.

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating revenues:										
Charges for services and other operating revenues	\$ 2,093,668	\$ 2,011,159	\$ 2,124,073	\$ 2,235,749	\$ 2,254,531	\$ 2,446,873	\$ 2,522,138	\$ 2,470,025	\$ 2,775,975	\$ 2,533,763
Intergovernmental	168,209	158,129	135,566	136,178	142,601	134,592	119,740	120,048	122,320	844,787
Total operating revenues	2,261,877	2,169,288	2,259,639	2,371,927	2,397,132	2,581,465	2,641,878	2,590,073	2,898,295	3,378,550
Operating expenses: (2)										
Personal services and benefits	962,868	917,266	942,087	970,660	1,006,709	1,018,464	1,058,236	1,097,115	1,151,858	1,199,829
Operation and maintenance	993,088	979,812	1,008,265	1,160,643	1,166,823	1,011,546	1,134,897	965,901	1,064,812	1,281,301
Supplies and materials	118,586	122,848	113,371	133,670	12,803	137,041	141,930	114,948	145,406	53,306
Administration	233,300	263,522	243,385	233,277	239,614	235,287	258,123	272,997	300,143	282,978
Other charges	15,794	21,416	18,000	16,800	24,384	20,637	27,399	29,752	31,762	28,466
Depreciation	1,969,925	2,035,816	1,782,786	1,820,883	2,115,435	2,141,357	2,145,813	2,240,282	2,284,681	2,247,024
Total operating expenses	4,293,561	4,340,680	4,107,894	4,335,933	4,565,768	4,564,332	4,766,398	4,720,995	4,978,662	5,092,904
Operating loss	(2,031,684)	(2,171,392)	(1,848,255)	(1,964,006)	(2,168,636)	(1,982,867)	(2,124,520)	(2,130,922)	(2,080,367)	(1,714,354)
Nonoperating revenues (expenses):										
Interest income	2,672	2,658	3,659	2,464	2,254	8,281	21,668	44,361	93,544	92,189
Governmental grants	34,495	-	-	-	-	-	-	-	-	-
Passenger facility charges (3)	350,002	321,031	-	-	-	-	-	-	-	-
Miscellaneous	44,092	12,388	16,697	9,040	9,724	20,004	70,047	44,190	10,131	5,976
Gain (Loss) on disposition of assets	(17,651)	-	137,762	-	-	-	-	12,487	7,032	421
Interest on long-term debt	(64,581)	(54,416)	(45,020)	(39,411)	(8,061)	(27,422)	(24,752)	(11,781)	(38,239)	(33,252)
Total nonoperating revenues (expenses)	349,029	281,661	113,098	(27,907)	3,917	863	66,963	89,257	72,468	65,334
Loss before contributions and transfers	(1,682,655)	(1,889,731)	(1,735,157)	(1,991,913)	(2,164,719)	(1,982,004)	(2,057,557)	(2,041,665)	(2,007,899)	(1,649,020)
Capital contributions	1,685,180	961,868	2,452,072	2,512,162	3,065,217	2,264,831	2,824,123	1,985,329	2,054,429	2,992,979
Passenger facility charges (3)	-	-	335,209	329,951	323,963	317,503	320,942	338,455	360,123	325,214
Transfers in	259,950	421,362	336,330	218,809	96,600	-	-	13,346	16,432	-
Change in net position	262,475	(506,501)	1,388,454	1,069,009	1,321,061	600,330	1,087,508	295,465	423,085	1,669,173
Total net position - beginning, as restated (1)(2)(4)	34,721,312	35,003,927	34,497,426	35,885,880	35,756,707	37,077,768	37,678,098	37,858,123	38,153,588	38,576,673
Ending net position:										
Net investment in capital assets	33,495,323	32,131,518	33,305,694	34,631,136	35,973,930	34,496,749	37,058,108	37,141,375	35,473,699	35,181,514
Restricted	10,312	119,534	25,193	8,433	7,231	3,478	108,833	46,465	3,621	53,350
Unrestricted	1,478,152	2,246,374	2,554,993	2,315,320	1,096,607	3,177,871	1,598,665	965,748	3,099,353	5,010,982
Total net position - ending	\$ 34,983,787	\$ 34,497,426	\$ 35,885,880	\$ 36,954,889	\$ 37,077,768	\$ 37,678,098	\$ 38,765,606	\$ 38,153,588	\$ 38,576,673	\$ 40,245,846

(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.

(4) Total net position - beginning, was restated as of June 30, 2017. See Note 25, City of Lynchburg's Comprehensive Annual Financial Report for FY 2018 for an explanation.

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real Estate	\$ 50,443,704	\$ 50,575,233	\$ 54,258,297	\$ 54,360,607	\$ 54,894,485	\$ 55,825,934	\$ 56,473,104	\$ 56,927,450	\$ 57,541,054	\$ 60,268,655
PSC Taxes	2,231,177	2,188,113	2,333,580	2,313,627	2,267,069	2,371,493	2,419,023	2,522,219	2,596,128	2,608,746
Personal Property Tax	15,452,280	16,138,693	16,757,814	17,578,172	17,578,905	18,390,620	18,747,247	19,635,406	20,347,254	21,556,547
Penalties & Interest	954,397	1,032,498	1,142,986	1,241,614	1,299,858	1,198,049	1,385,475	1,275,152	1,218,007	1,154,905
Sales & Use Tax	13,290,563	13,440,973	13,589,747	13,842,292	15,006,326	14,995,131	15,351,346	15,282,741	15,913,730	16,478,533
Utility Tax	4,692,477	4,475,316	4,628,647	4,738,343	4,575,492	4,660,389	4,569,906	4,768,971	4,673,597	4,527,034
Business License Tax	7,342,658	7,539,926	7,810,315	8,391,989	8,535,544	8,464,009	9,258,208	9,095,288	9,398,263	9,553,844
Franchise License Tax	8,554	4,527	500	-	-	10,100	500	-	-	-
Communication Sales & Use Tax	3,534,449	3,462,621	3,471,805	3,412,734	3,382,915	3,282,767	3,202,076	3,101,975	2,877,715	2,812,099
Motor Vehicle Licenses	1,621,362	1,629,845	1,643,420	1,672,627	1,701,647	1,722,007	1,764,571	1,765,907	1,800,426	1,863,819
Bank Stock Taxes	901,240	817,990	722,734	769,284	831,103	836,320	834,986	829,988	953,307	519,806
Taxes on Recordation and Wills	381,719	461,835	549,056	486,321	592,113	504,432	614,673	629,846	694,483	699,608
Tobacco Taxes	936,648	974,864	1,025,289	975,078	936,024	900,484	903,846	870,084	846,122	840,871
Admission and Amusement Taxes	610,625	644,842	660,558	662,453	667,212	678,870	762,657	847,388	820,805	624,430
Hotel and Motel Room Taxes	1,738,042	1,787,719	1,967,393	2,125,145	2,066,200	2,100,391	2,226,551	2,583,241	2,648,042	2,100,355
Restaurant Food Taxes	10,904,781	11,585,083	11,874,579	12,666,743	13,435,756	14,081,199	14,381,667	14,699,512	14,893,353	13,456,401
Total General Government Tax Revenues	\$ 115,044,676	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029	\$ 127,770,649	\$ 130,022,195	\$ 132,895,836	\$ 134,835,168	\$ 137,222,286	\$ 139,065,653

Source: Chief Financial Officer, City of Lynchburg, Virginia.

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

Fiscal Year	Residential Property (3)	Commercial Property	Industrial Property	Total Taxable Assessed Value (2)	Direct Tax Rate
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
2018	3,460,374,300	1,404,744,500	362,786,100	5,227,904,900	1.11
2019	3,503,663,800	1,440,950,200	362,489,500	5,307,103,500	1.11
2020	3,709,717,400	1,535,445,000	367,252,100	5,612,414,500	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		
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	658,107,572 (4)	26,479,912	684,587,484	3.80	158,933,643 (4)	3.00	6,209,849,233	7.91
2018	3,460,374,300	1,767,530,600	193,804,645	5,421,709,545	1.11	676,603,014 (4)	31,249,795	707,852,809	3.80	169,680,373 (4)	3.00	6,299,242,727	7.91
2019	3,503,663,800	1,803,439,700	205,907,581	5,513,011,081	1.11	718,416,481 (4)	26,991,933	745,408,414	3.80	175,657,733 (4)	3.00	6,434,077,228	7.91
2020	3,709,717,400	1,902,697,100	200,755,250	5,813,169,750	1.11	606,792,709 (5)	33,531,033	640,323,742	3.80	153,334,451 (5)	3.00	6,606,827,943	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) 2020 Personal Property Tax Levy in FY 2020. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2021 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.

PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2020				2011			
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2020 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
AEP - American Electric Power	Utility	\$ 103,468,552	1	1.57 %	\$ 1,154,442	1.27 %	\$ 70,462,662	1	1.22 %
Frito Lay, Inc.	Food Manufacturer	58,926,649	2	0.89	1,285,951	1.41	44,497,521	6	0.77
Framatome (fmr Areva NP, Inc.)	Nuclear Power Design & Fuel	51,338,951	3	0.78	1,103,713	1.21	61,630,367	3	1.07
River Ridge, Ltd.	Shopping Mall	44,246,613	4	0.67	492,599	0.54	54,815,400	4	0.95
Columbia Gas of Virginia, Inc.	Utility	36,635,575	5	0.55	406,696	0.45	-	-	-
Wal-Mart Real Estate Business Trust	Retail	35,096,171	6	0.53	447,192	0.49	35151800.00	8	0.61
Verizon Va, Inc.	Utility	34,143,812	7	0.52	381,932	0.42	62,451,032	2	1.08
REA Lynchburg LLC	Apartments	33,253,595	8	0.50	371,858	0.41	-	-	-
J Crew Inc.	Clothing	26,601,847	9	0.40	503,908	0.55	-	-	-
Gardens on Timberlake LLC (fmr Carriage Sq)	Apartment complex	23,527,500	10	0.36	261,155	0.29	-	-	-
C.B. Fleet Co.	Pharmaceuticals	23,213,324	11	0.35	460,594	0.51	-	-	-
Genworth Financial, Inc.	Life Insurance	22,104,989	12	0.33	459,294	0.50	40,030,206	7	0.69
CCRC, Inc.	Nursing Home/Assisted Living	21,270,251	13	0.32	243,136	0.27	18,802,100	10	0.33
LU Candles Station Holdings LLC	Shopping Center	21,145,000	14	0.32	234,710	0.26	21,085,400	9	0.36
Vistas LP	Apartments	20,309,000	15	0.31	225,430	0.25	-	-	-
Azdel Inc	Thermoplastic manufacturer	19,802,029	16	0.30	426,227	0.47	-	-	-
700 Main Street LLC (Pacific Life Insurance)	Office building	18,008,370	17	0.27	260,301	0.29	-	-	-
MMAC FCA (fmr Central Virginia Prof)	Medical Office	17,500,000	18	0.26	194,250	0.21	-	-	-
Virginian Hotel	Hotel/conference center	16,682,636	19	0.25	203,567	0.22	-	-	-
IREIT Lynchburg Lakeside LLC	Shopping Center	16,367,300	20	0.25	181,677	0.20	-	-	-
CL Overlook LP	Apartments	14,865,600	21	0.23	165,008	0.18	-	-	-
Lynchburg Hotel Group	Hotels	14,630,311	22	0.22	182,042	0.20	-	-	-
Eleven 25 of Virginia	Apartments	14,488,400	23	0.22	148,249	0.16	-	-	-
Lynchburg (Wards Crossing) LLC	Retail	14,150,000	24	0.21	157,065	0.17	-	-	-
L3 Harris Corp.	Radio communications	13,489,052	25	0.20	150,050	0.16	-	-	-
LSC Communications (fmr RR Donnelley)	Periodical Publication Printing	-	26	0.00	-	0.00	50,014,221	5	0.86
Total		<u>\$ 715,265,527</u>		<u>10.83 %</u>	<u>\$ 10,101,046</u>	<u>11.08 %</u>	<u>\$ 458,940,709</u>		<u>7.94 %</u>
Total Assessed Valuation:		<u>\$ 6,606,827,943</u>					<u>\$ 5,785,248,517</u>		
Tax Levy:									
Real Estate		\$ 62,266,060							
Railroads and Pipelines		267,686							
Public Service Corporations		2,342,654							
Personal Property		<u>26,273,162</u>							
Total Tax Levy:		<u>\$ 91,149,562</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)
2011	\$ 75,304,880	\$ 266,634	\$ 75,571,514	\$ 72,759,636	96.62%	\$ 2,795,281	\$ 75,554,917	99.98%
2012	76,467,417	293,875	76,761,292	73,256,961	95.80%	3,483,812	76,740,773	99.97%
2013	80,037,980	319,769	80,357,749	77,536,743	96.87%	2,794,551	80,331,294	99.97%
2014	80,297,119	360,598	80,657,717	78,239,826	97.44%	2,387,880	80,627,706	99.96%
2015	81,223,917	374,863	81,598,780	78,731,871	96.93%	2,730,100	81,461,971	99.83%
2016	82,721,284	181,435	82,902,719	80,478,895	97.29%	2,277,875	82,756,770	99.82%
2017	83,923,034	622,047	84,545,081	81,750,492	97.41%	2,592,088	84,342,580	99.76%
2018	85,534,487	680,378	86,214,865	83,113,348	97.17%	2,808,039	85,921,387	99.66%
2019	87,349,894	954,955	88,304,849	84,635,267	96.89%	2,978,750	87,614,017	99.22%
2020	90,985,488	(410,842)	90,574,646	88,831,389	97.63%	-	88,831,389	98.08%

Source: Chief Financial Officer, 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Real Estate										
Locally Assessed	\$ 1.05	\$ 1.05	\$ 1.11	\$ 1.11	\$ 1.11	\$ 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	1.11	1.11	1.11	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	7.91	7.91	7.91	7.91	7.91	7.91	7.91	7.91

Note: There is no overlapping government taxation.

Source:

City of Lynchburg Adopted Budget Fiscal Year 2020
Commissioner of the Revenue for City of Lynchburg, Virginia www.lynchburgva.gov

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

Fiscal Year	Population (1)	Taxable Retail Sales (2)	Taxable Retail Sales Per Capita (2)
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	80,380	1,373,101,289	17,083
2018	81,339	1,388,422,136	17,070
2019	80,783	1,426,885,543	17,663
2020	80,783	*	*

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

Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given. 2011 through 2019 are all based on calendar year sales published on February 18, 2020.

(2) Weldon Cooper Center for Public Service, University of Virginia <https://ceps.coopercenter.org/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**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<u>Water</u>										
Volume Rate/hcf*	\$ 2.22	\$ 2.29	\$ 2.38	\$ 2.38	\$ 2.43	\$ 2.43	\$ 2.55	\$ 2.68	\$ 2.68	\$ 2.68
Hydrant charge or 8" or smaller fire line	19.79	19.79	19.79	19.79	19.79	19.79	20.58	20.58	20.58	20.58
10" fire line	35.53	35.53	35.53	35.53	35.53	35.53	36.95	36.95	36.95	36.95
12" fire line	56.38	56.38	56.38	56.38	56.38	56.38	58.64	58.64	58.64	58.64
<u>Sewer</u>										
Volume Rate/hcf*	\$ 5.54	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.83	\$ 6.02	\$ 6.02	\$ 6.02	\$ 6.02

* hundred cubic feet

Monthly Service Charge Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<u>Meter Size</u>										
5/8"	\$ 3.69	\$ 3.69	\$ 3.69	\$ 5.69	\$ 7.69	\$ 7.69	\$ 7.69	\$ 7.69	\$ 7.69	\$ 7.69
3/4"	3.69	3.69	3.69	6.69	9.69	9.69	9.69	9.69	9.69	9.69
1"	3.69	3.69	3.69	8.69	13.69	13.69	13.69	13.69	13.69	13.69
1-1/2"	3.69	3.69	3.69	13.69	23.69	23.69	23.69	23.69	23.69	23.69
2"	3.69	3.69	3.69	19.69	35.69	35.69	35.69	35.69	35.69	35.69
3"	3.69	3.69	3.69	33.69	63.69	63.69	63.69	63.69	63.69	63.69
4"	3.69	3.69	3.69	63.69	123.69	123.69	123.69	123.69	123.69	123.69
6"	3.69	3.69	3.69	123.69	243.69	243.69	243.69	243.69	243.69	243.69
8"	3.69	3.69	3.69	183.69	363.69	363.69	363.69	363.69	363.69	363.69
10"	3.69	3.69	3.69	303.69	603.69	603.69	603.69	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 - Net Outstanding Debt Ratios			
	General Obligation Bonds	Direct Borrowings ⁽¹⁾	General Obligation Notes	Note Payable and Other	Capital Leases	Net Deferred Amounts ⁽²⁾	General Obligation Bonds	Direct Borrowings ⁽¹⁾	General Obligation Notes	Public Utility Revenue Bonds	Net Deferred Amounts ⁽²⁾	Total Primary Government (Principal Only)	Total Primary Government - Net (Includes Net Deferred Amounts)	Percentage of Personal Income ⁽³⁾	Total Primary Government - Net Bonded Debt Per Capita ⁽³⁾
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	13.16%	4,932
2017	180,737	-	-	1,220	-	12,143	71,917	-	-	99,530	4,483	353,404	370,030	11.94%	4,604
2018	169,882	12,496	183	4,978	-	12,610	79,953	1,400	618	93,217	5,709	362,727	381,046	11.60%	4,685
2019	160,508	10,851	2,457	3,500	-	11,792	76,582	1,130	5,619	118,825	5,412	379,472	396,676	12.16%	4,910
2020	173,528	9,188	551	3,063	-	14,594	72,970	856	81	113,934	5,914	374,171	394,679	12.10%	4,886

Source: Chief Financial Officer, 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) Direct Borrowings were split out from General Obligation Bonds starting with FY 2018 to meet GASB 88 disclosure requirements.

(2) Net Deferred Amounts include Premiums and Discounts.

(3) See Table 25 for population and per capita personal income information. For FY 2020 and FY 2019, the FY 2018 amount for per capita personal income of \$40,374 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)
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	80,380	6,209,849 (5)	252,654	16,626	269,280	4.34%	3,350	71,917	4,483	192,880	3.11%
2018	81,339	6,299,243 (5)	264,532	18,319	282,851	4.49%	3,477	81,971	5,709	195,171	3.10%
2019	80,783	6,434,077 (5)	257,147	17,204	274,351	4.26%	3,396	83,331	5,412	185,608	2.88%
2020	80,783	6,606,828 (6)	257,174	20,508	277,682	4.20%	3,437	73,907	5,914	197,861	2.99%

Source: Chief Financial Officer, City of Lynchburg, Virginia.

(1) See Table 14 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 2021 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 2020

Real Property Assessed Value	\$ 5,612,415
Public Service Corporations Real Property Assessed Value	200,755
Total Real Property Assessed Value (1)	<u>5,813,170</u>
Debt limit (10% of assessed value)	581,317
Debt applicable to limit:	
Less: General Obligation Debt	(257,174)
Legal Debt Margin	<u><u>\$ 324,143</u></u>

Description	Fiscal Years									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 514,821	\$ 513,186	\$ 517,062	\$ 516,248	\$ 520,266	\$ 532,834	\$ 536,633	\$ 542,171	\$ 551,301	\$ 581,317
Total net debt applicable to limit	<u>197,812</u>	<u>184,094</u>	<u>179,267</u>	<u>177,761</u>	<u>256,930</u>	<u>268,243</u>	<u>252,654</u>	<u>264,532</u>	<u>257,147</u>	<u>257,174</u>
Legal debt margin	<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>	<u>\$ 277,639</u>	<u>\$ 294,154</u>	<u>\$ 324,143</u>
Total net debt applicable to the limit as a percentage of the debt limit	38.42%	35.87%	34.67%	34.43%	49.38%	50.34%	47.08%	48.79%	46.64%	44.24%

Source: Chief Financial Officer, City of Lynchburg, Virginia.

(1) See Table 14 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 SEWER
LAST TEN FISCAL YEARS**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sewer Fund Operating Income	\$ 3,627,699	\$ 3,156,073	\$ 4,194,605	\$ 3,613,392	\$ 3,013,600	\$ 3,450,629	\$ 4,269,364	\$ 4,000,011	\$ 4,384,930	\$ 3,474,334
Plus:										
Depreciation & amortization	5,035,336	5,819,288	6,147,918	7,049,861	7,584,388	7,635,836	7,888,946	7,898,587	8,037,676	8,131,718
Interest income received	173,319	167,849	102,589	108,729	73,142	85,086	124,705	241,852	409,567	350,086
Capital contributions from members										
Regional Sewerage Treatment Plant	474,581	451,645	480,922	614,353	1,015,339	525,856	616,250	549,989	504,507	1,027,533
Governmental grants & miscellaneous income	108,936	125,336	105,666	21,929	10,400	11,821	19,824	47,687	47,717	270,958
Intergovernmental transfer (3)	-	688,036	-	126,734	126,734	126,734	-	-	-	-
Capitalized cost (2)	229,662	258,186	220,691	159,026	151,044	131,088	163,662	135,257	103,546	114,211
Net Revenue per Indenture (1)	<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>	<u>\$ 12,873,383</u>	<u>\$ 13,487,943</u>	<u>\$ 13,368,840</u>
Debt Service										
General obligation bonds										
Principal (5) (6)	\$ 2,259,476	\$ 2,061,150	\$ 2,053,469	\$ 1,860,166	\$ 1,962,544	\$ 1,990,110	\$ 2,059,474	\$ 1,863,830	\$ 1,607,228	\$ 1,384,934
Interest	1,139,108	1,053,216	961,054	908,213	1,058,566	1,046,664	891,725	987,085	1,052,708	1,100,070
Total	3,398,584	3,114,366	3,014,523	2,768,379	3,021,110	3,036,774	2,951,199	2,850,915	2,659,936	2,485,004
Revenue bonds										
Principal (4)	3,757,168	4,627,820	5,096,949	5,597,966	6,034,143	6,238,057	6,274,745	6,312,571	6,351,572	5,816,174
Interest	338,122	306,510	273,917	240,312	210,084	174,501	137,815	99,989	60,988	20,775
Total	4,095,290	4,934,330	5,370,866	5,838,278	6,244,227	6,412,558	6,412,560	6,412,560	6,412,560	5,836,949
Total Debt Service Principal and Interest	<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>	<u>\$ 9,263,475</u>	<u>\$ 9,072,496</u>	<u>\$ 8,321,953</u>
Debt Coverage	<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>	<u>1.39</u>	<u>1.49</u>	<u>1.61</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) Capitalizable cost includes internal labor charges applicable to time spent on capital project activities.

(3) 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.

(4) 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.

(5) For FY2020, the payment of \$2,125,000 for the defeased August 13, 2009 Series B Bonds were excluded from Debt Service.

(6) For FY2020, Bond Anticipation Note of \$6,645,700 was paid with the issuance of January 30, 2020 General Obligation Bonds and therefore was excluded from Debt Service.

**PLEDGED REVENUE COVERAGE STORMWATER
LAST TWO FISCAL YEARS**

	2019	2020
Stormwater Fund Operating Income	\$ 330,011	\$ 179,840
Plus:		
Depreciation & amortization	275,261	295,876
Interest income received	60,794	39,235
Governmental grants & miscellaneous income	-	3,203
Intergovernmental transfer (1)	(337,500)	-
Capitalized cost (2)	33,883	48,319
Net Revenue per Indenture	<u>\$ 362,449</u>	<u>\$ 566,473</u>
Debt Service		
General obligation bonds		
Principal	\$ -	\$ -
Interest	106	28,374
Total	106	28,374
Revenue bonds		
Principal	40,331	67,142
Interest	-	-
Total	40,331	67,142
Total Debt Service Principal and Interest	<u>\$ 40,437</u>	<u>\$ 95,516</u>
Debt Coverage	<u>8.96</u>	<u>5.93</u>

(1) For FY2019, the Stormwater Fund transferred \$337,500 to the General Fund to help mitigate cost impacts related to the August 2, 2018 Flood Event.

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

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

Fiscal Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment (5)	Unemployment Rate (6)
2011	76,448	\$ 2,606,647	\$ 34,097	30.3	8,646	6.6
2012	77,203	2,716,619	35,188	30.3	8,688	6.1
2013	77,376	2,703,904	34,945	30.3	8,576	5.7
2014	77,874	2,822,387	36,243	30.3	8,583	5.3
2015	78,675	2,919,393	37,107	30.3	8,577	4.5
2016	79,531	2,981,458	37,488	30.3	8,566	4.1
2017	80,380	3,099,453	38,560	30.3	8,500	3.7
2018	81,339	3,283,981	40,374	30.3	8,438	3.0
2019	80,783	*	*	30.3	8,286	2.8
2020	80,783	*	*	30.3	8,238	8.1

Source: Chief Financial Officer, City of Lynchburg, Virginia.

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

Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given. 2011 through 2019 based on a July 1st estimate published on January 28, 2019.

(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 MAINC1 - Personal Income Summary:

<https://apps.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=7#reqid=70&step=1&isuri=1&acrdn=7>
MSA Map corroborates 2018 number - <https://apps.bea.gov/regional/bearfacts/action.cfm>

The information was last updated November 14, 2019.

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. 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. <https://p1pe.doe.virginia.gov/apex/f?p=180:1:7684774037451:::>

(6) Virginia Employment Commission & U.S. Department of Labor, Bureau of Labor Statistics, as of September 30, 2020
2011-2020 Unemployment Rate have been adjusted to reflect the most current data available.

* Information unavailable

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

Employer	2020	2011
	Employees (3)	Employees (4)
Liberty University (2)(5)	8000 +	3,422
Centra Health, Inc.	5000-5999	5,300
Lynchburg City Schools	1500-1999	1,606
City of Lynchburg	1000-1499	1,193
Framatome (9)	1000-1499	1,928
Genworth Financial Inc.	1000-1499	1,600
J. Crew Outfitters	1000-1499	1,350
Central Virginia Community College	500-999	
Horizon Behavioral Health (1)	500-999	763
KDC (7)	500-999	
Kroger, Inc.	500-999	
Southern Air, Inc.	500-999	
Wal-Mart Stores, Inc.	500-999	672
C.B. Fleet Company, Inc.	250-499	
Cocentrix	250-499	
Delta Star, Inc.	250-499	
Flowserve Corp.	250-499	
Frito-Lay, Inc.	250-499	
L3Harris	250-499	
Pacific Life	250-499	
Randolph College	250-499	
University of Lynchburg (6)	250-499	630
US Pipe	250-499	
Westminster-Canterbury	250-499	
Aerofin Corporation	100-249	
Bausch & Lomb	100-249	
BB&T	100-249	
Belvac Production Machinery	100-249	
BWXT (10)	100-249	
Flowers Baking Company	100-249	
Hanwha Azdel	100-249	
International Paper (8)	100-249	
Lowe's	100-249	
News & Advance	100-249	
Ortho Virginia	100-249	
Parker-Hannifin	100-249	
Tessy Plastics	100-249	
Thomas Road Baptist Church	100-249	
Virginia Department of Transportation	100-249	
Wells Fargo Bank	100-249	
WSET	100-249	
Employed Civilian Labor Force (June 2020) Lynchburg City - Virginia		
Employment Commission		32,116
Employed Civilian Labor Force (June 2011) Lynchburg City - Virginia		
Employment Commission		32,488

Source: FY2020 numbers are derived from Office of Economic Development, City of Lynchburg, VA, or employer contact, as of June 30, 2020.

Source: FY2011 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 FY2011 Comprehensive Annual Financial Report.

(5) Combined numbers for TRBC and Liberty University for 2011

(6) Formerly Lynchburg College

(7) Formerly Tri-Tech Laboratories

(8) Formerly Weyerhaeuser

(9) Formerly Areva

(10) Formerly Babcock & Wilcox

**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
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 ⁽¹⁾
Primary government:										
Council Manager Offices	8.0	8.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0	6.0
Parking Division	4.5	4.5	5.0	5.0	5.7	5.7	5.7	5.7	5.7	5.7
City Assessor	10.3	10.0	10.0	9.6	9.6	9.0	9.0	9.0	9.0	9.0
City Attorney	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	7.9	7.9
Commissioner of Revenue (State)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Commissioner of Revenue (City)	6.4	4.4	4.4	4.4	4.4	4.4	4.6	4.6	4.6	4.6
Communications and Public Engagement	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Local Government Channel	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Citizens First Customer Service Center	3.5	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Financial Services	42.3	42.0	42.0	41.7	41.7	41.7	40.7	39.0	39.0	38.5
Financial Services-Human Services ⁽²⁾	9.8	8.8	7.8	6.0	5.7	5.7	-	-	-	-
Human Resources	10.0	10.0	10.0	10.0	9.6	9.6	9.6	9.5	9.6	8.7
Information Technology	31.0	31.0	30.0	30.0	30.0	32.0	32.0	32.0	33.8	33.8
Internal Audit ⁽³⁾	2.0	2.0	-	-	-	-	-	-	-	-
Registrar and Electoral Board (State)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5
Registrar and Electoral Board (City)	1.3	1.3	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5
State Treasurer (State)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
State Treasurer (City)	-	-	-	-	-	-	-	0.7	0.7	0.8
Risk Management Fund	3.1	3.0	3.0	3.0	2.9	2.9	2.9	3.1	3.1	3.1
Circuit Court Clerk (State)	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Circuit Court Clerk (City)	-	-	-	-	-	-	-	1.0	1.0	1.0
Circuit Court Judges	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Commonwealth Attorney (State)	15.5	15.9	14.9	14.9	15.2	14.0	14.0	14.0	14.0	14.0
Commonwealth Attorney (City)	1.0	0.8	2.8	2.8	1.7	2.2	5.7	4.8	3.8	4.8
Sheriff (State)	22.0	23.0	23.0	22.0	22.0	22.0	21.0	19.0	18.0	17.0
Sheriff (City)	6.9	7.4	7.4	8.6	8.0	8.4	8.4	8.3	8.4	10.7
Regional Juvenile Detention Center Fund	47.3	47.3	46.1	45.1	45.1	45.1	41.1	44.1	44.1	45.1
Police Department	202.7	202.7	197.9	199.8	199.8	200.8	204.3	204.0	207.1	207.1
Emergency Services	35.0	32.0	35.0	35.6	35.6	36.6	36.6	36.6	36.6	36.6
Fire Department	187.0	187.0	185.0	187.5	187.5	189.5	189.5	189.5	189.5	189.5
Public Works Administration	11.0	11.0	10.0	10.0	10.7	10.7	10.0	10.0	10.0	10.0
Buildings and Grounds Maintenance	73.7	76.2	71.8	72.3	72.3	74.2	74.3	74.3	74.3	72.3
Engineering Division	31.2	32.7	30.8	30.7	31.2	32.2	32.2	32.7	32.7	33.7
Street, Traffic, and Refuse Maintenance	50.4	52.4	52.2	47.5	48.5	46.3	47.0	46.2	46.2	46.9
Health and Human Services	168.5	169.9	164.4	170.1	167.9	170.5	176.3	173.3	175.3	175.3
Cultural and Recreational	99.1	96.7	91.2	97.4	94.6	97.0	95.0	94.0	85.2	91.8
Community Development	24.8	23.8	22.1	22.0	22.0	23.0	23.0	23.8	23.8	24.3
Economic Development, Tourism, and Visitor Center ⁽⁴⁾	-	-	-	-	-	12.3	12.3	9.8	19.8	18.7
Economic Development ⁽⁴⁾	3.0	3.0	3.0	3.0	3.0	-	-	-	-	-
Tourism and Visitor Center ⁽⁴⁾	-	-	-	3.9	11.8	-	-	-	-	-
Fleet Services Fund	11.5	11.0	11.5	10.5	11.0	10.6	11.1	11.4	11.4	11.4
Business-type activities:										
Airport Fund	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7	18.3	18.3
Water Fund	67.4	68.4	66.1	69.1	69.0	70.4	72.4	73.4	75.4	77.4
Sewer Fund	50.0	55.0	50.4	52.5	52.5	53.5	55.5	55.5	56.5	56.5
Stormwater Fund ⁽⁵⁾	-	-	5.8	5.8	7.1	7.1	9.1	9.0	10.1	10.1
Source: Adopted Budget Documents, City of Lynchburg, Virginia	1,294.8	1,299.3	1,269.0	1,285.9	1,291.2	1,302.5	1,309.4	1,304.4	1,316.4	1,325.6

(1) FY2020 actual will be available with the FY2022 adopted budget.

(2) Financial Services-Human Services joined with Health and Human Services in FY2017.

(3) Internal Audit was closed in FY2013.

(4) Tourism and Visitor Center were formed in FY2014 and joined with Economics Development in FY2016.

(5) The Stormwater Fund began in FY2013.

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

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Physical Arrests (6)	7,039	6,879	6,835	5,927	5,435	5,047	4,608	4,614	5,084	5,014
Traffic Violations	11,437	12,506	12,483	10,366	10,344	8,581	5,667	5,887	6,064	5,746
Parking Violations (7)	3,943	6,338	4,481	4,854	6,812	5,718	6,642	5,916	5,807	4,954
Fire (2)										
Number of Fire calls answered (per month)	574	511	315	268	241	277	296	284	175	220
Number of inspections conducted (3) (4) (5)	767	469	254	291	192	441	332	465	587	519
Number of EMS calls	14,731	14,393	20,612	20,113	19,426	19,169	19,296	15,509	11,776	12,190
Sanitation and Refuse										
Refuse collected (tons/day)	69.74	70.14	72.96	65.58	55.70	63.17	65.37	65.50	69.53	61.27
Recyclables collected (tons/day)	7.31	6.85	6.46	5.26	4.10	7.09	6.04	5.27	4.27	5.59
Airport										
Total number of passengers	169,174	152,064	157,450	157,074	153,729	154,218	159,523	157,452	172,449	147,139
Sewage										
Number of service connections (1)	18,706	18,785	18,916	19,057	19,060	19,083	19,149	19,186	19,363	19,493
Average daily treatment in million gallons	11.09	10.57	10.35	12.20	11.33	12.97	11.19	11.53	14.80	12.71
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 (1)	22,361	22,422	22,517	22,628	22,640	22,716	22,786	22,807	22,982	23,119
Average daily consumption of plant in million gallons	11	10	10	10	10	11	11	10	10	10
Maximum daily capacity of plant in million gallons	26	26	26	26	26	26	26	26	26	26

Source: City Departments, City of Lynchburg, Virginia

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

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

(3) 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.

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

(5) In FY2017, fewer field employees were available to conduct off-duty inspections due to staffing issues.

(6) Physical arrests are considered incidents in which individuals are physically detained and brought into the police station.

(7) Parking violations include violations from Parking Management and the Police Department.

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units (7)	57	57	57	57	60	83	91	81	116	114
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	16	16	22	22	20	20	19	21	19	18
Highways and Streets										
Street (miles)	378.26	378.61	378.61	379.36	378.10	378.95	378.95	381.32	381.32	383.53
Streetlights	9,982	9,982	10,167	10,287	10,347	10,347	10,378	10,504	10,521	10,535
Traffic signals	119	119	120	120	121	120	116	113	113	113
Culture and Recreation										
Community centers	7	7	6	7	7	7	6	6	6	7
Senior centers	1	1	1	1	1	1	1	1	1	1
Parks (10)	21	21	21	21	21	21	21	21	21	21
Parks acreage (1)	948	948	948	948	948	948	948	948	948	953
Swimming pools	2	2	2	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	3,111	3,156	3,177	3,204	3,210	3,230	3,253	3,289	3,303	3,347
Storage capacity (thousands of gallons)	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Sewer										
Average daily sewage treatment (MGD)	11.09	10.57	10.35	12.20	11.33	12.97	11.19	11.53	14.80	12.71
Maximum daily sewage treatment (MGD)	29.54	31.68	31.03	39.07	30.47	38.82	32.95	47.04	55.40	33.80
Transit - route service buses (4)	38	39	39	39	39	39	39	39	39	39
Transit - paratransit service buses (5)	11	10	14	14	14	17	13	13	13	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 (8)	519	519	519	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) Patrol units are defined as vehicles used by the Police department and Animal Control in their daily operations.
- (8) FY2019 reported the number of licensed beds; this amount has been updated to report the actual number of patient beds.

TABLE 30

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

Student Enrollment, Employees and Schools by Fiscal Year										
Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Elementary School Membership	3,968	3,987	3,975	4,020	3,921	3,982	3,985	3,839	3,723	3,683
Secondary School Membership	4,359	4,317	4,133	4,171	4,216	4,191	4,270	4,213	4,258	4,250
Total Membership	8,327	8,304	8,108	8,191	8,137	8,173	8,255	8,052	7,981	7,933
Instructional and Administrators (1)	977	851	836	850	967	1,019	994	948	1,003	1,018
Support (1)	466	478	505	458	426	434	479	404	373	389
Total Employees	1,443	1,329	1,341	1,308	1,393	1,453	1,473	1,352	1,376	1,407
Elementary Schools (2)	11	11	11	11	11	11	11	11	11	11
Secondary Schools (3)	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. For 2010 - 2018, the classification of instruction assistants were not consistent. Beginning with 2019, all instructional assistants are included in the Instructional and Administrators category.

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

(3) Does not include the Empowerment Academy, an alternative education environment that provides high school students in the need of credit recovery, SOL support, and/or specialized academic assistance with an intimate, individualized instructional setting that will ensure that they achieve their academic and post-graduate goals.

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

Grade	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
K	696	740	735	732	567	667	670	636	630	664
1	726	705	720	738	719	701	653	664	625	614
2	670	676	662	692	696	677	695	630	626	595
3	620	643	643	619	658	675	675	624	594	610
4	629	615	601	642	638	637	662	653	623	585
5	627	608	614	597	643	625	630	632	625	615
6	605	621	609	604	615	619	630	591	626	604
7	593	586	608	607	608	597	616	609	595	627
8	622	593	567	613	585	597	613	595	601	564
9	642	669	629	599	639	610	641	646	660	636
10	666	580	623	609	596	619	595	623	632	643
11	672	625	534	606	612	591	605	549	587	600
12	559	643	563	533	561	558	570	600	557	576
Total	8,327	8,304	8,108	8,191	8,137	8,173	8,255	8,052	7,981	7,933

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COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *the Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 1, 2020.

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) as a basis for designing 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, during our audit 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 item 2020-001 in the accompanying schedule of findings and questioned costs, that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 1, 2020

**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, 2020.

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, 2020.

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
December 1, 2020

CITY OF LYNCHBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

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
Stormwater Utility Program

State Agency Requirements

Education
Social Services
Urban Highway Maintenance

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 RESPONSES
Year Ended June 30, 2020

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2020-001: Stormwater Utility Program

Condition:

The Commonwealth of Virginia requires localities to report programs funded by these fees and the expected nutrient and sediment reductions of each program by October 1st of each year. We noted in our testing this report was filed late by the City.

Recommendation:

Steps should be taken to ensure it is filed in a timely manner each year.

Management's Response:

Management concurs with the recommendation.

C. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM

None.