

**CITY OF
LYNCHBURG, VIRGINIA**

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

**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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November 30, 2018

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, 2018, 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 March 2018. 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 80,380, Lynchburg is an important commercial center for the four-county region known as Region 2000. It serves a regional population of just over 261,000 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

The Lynchburg business community continues to lead the regional economy with significant capital investment and job creation. Commercial building permits in 2018 totaled more than \$148.5 million in real property improvement and 352 jobs have been created through programs tracked by the Office of Economic Development. Local, State, and federal programs provided \$3.4 million through the Office of Economic Development to recruit or expand businesses in the City of Lynchburg. Framatome announced that they would move their headquarters to Lynchburg and Tessy Plastics announced a \$9.2 million expansion. Enterprise Zone grants leveraged more than \$16.2 million in private commercial and industrial investment.

The 2017 Commonwealth Games, held in FY 2018, and known as Virginia's Olympics, brought more than \$2.6 million in economic impact to the City of Lynchburg. In 2019, the City and Liberty University will host the State Games of America, projected to attract approximately 15,000 athletes from across the nation to compete.

Since 2002, private investment has more than doubled real estate values in Downtown Lynchburg. Downtown hosts over 430 businesses and has added more than 900 residential units. The City has seen substantial growth in tax revenues in the last five years; over \$12.7 million in tax revenue was generated from 2012-2017 by business license, meals, lodging, amusement and utility taxes.

The City of Lynchburg was selected to receive two Excellence in Economic Development Bronze Awards for promotional projects: Lynchburg Innovation Week and “This is Lynchburg: Welcome Home” video by the International Economic Development Council (IEDC). IEDC’s prestigious awards program recognizes the world’s best economic development marketing materials, programs and partnerships, honoring organizations and individuals for their efforts in creating change in urban, suburban, and rural communities. Lynchburg competed in the population category ranging from 25,000 to 200,000.

In the summer of 2017, the City of Lynchburg embarked on an update to the Downtown/Riverfront Master Plan to address the future growth and development of downtown. This plan builds upon the previous Downtown Plans developed in 2000 (Lynchburg Downtown and Riverfront Master Plan) and in 2006 (Riverfront Implementation Plan). The 2040 Downtown Master Plan is scheduled to go to City Council for approval in FY 2019.

In the education sector, Liberty University began construction 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. This follows the over \$40 million expansion to Williams Stadium which brought seating capacity to 25,000 as Liberty anticipates the inclusion in the Football Bowl Subdivision. Also, the 17-story Freedom Tower opened in the spring of 2018, which serves as home to the University’s School of Divinity.

In the health sector, Centra Health, in January 2018, invested \$8 million to open a new community clinic on 5th Street to increase residents’ access to healthcare. The City assisted the project with infrastructure improvements including buried power lines and new sidewalks.

The City continues to maintain its role as an employment and commercial center for a four-county metropolitan statistical area with a population of approximately 261,000. Real property assessments have experienced slight growth and personal property assessments have experienced continued growth due to low unemployment rates and more registered vehicles in the City. Consumption driven revenues, including meals, lodging and amusement taxes, reflect growth compared to FY 2017. 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 slightly. Consumption tax revenues are projected to be consistent with current year, with some slight increases.

As part of a long-term financial plan, five-year revenue projections are developed with a focus on ensuring that forecasts are based on the latest economic conditions as well as a changing environment such as the sharing economy and changes in personal spending. The City’s Fund Balance Policy is used to ensure the City has sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenues without the need to borrow. The balance in excess of policy requirements is used as a source of one-time funds for items such as pay-as-you-go projects within the Capital Improvement Program.

In FY 2017, five focus areas were identified as priorities critical to the City’s future: Economic Development, Infrastructure, Poverty Reduction, Workforce Development, and Customer Service. These focus areas address City Council’s four priorities and staff’s desire to provide excellence in customer service. During FY 2018 staff developed a work plan to strategically address these focuses.

Major Initiatives and Accomplishments

Education

Lynchburg City Schools continues to see more schools receive full accreditation from the State. In FY 2018, LCS has twelve fully accredited schools, up from seven the previous year. LCS has seen double digit gains in reading and math at various grade levels for several schools.

Infrastructure

Infrastructure improvements in FY 2018 included the completion of the first phase of the Downtown Utility Line and Streetscape Improvements, extensive work on the Timberlake Road and Logan's Lane intersection, the widening of Wards Ferry Road and the replacement of the Main Street Bridge over the Expressway. New projects underway included the third phase of the Fifth Street Utility Line and Streetscape Improvements. The design for the second phase of the Downtown Utility Line and Streetscape Improvements is also underway.

Technology

The City once again was recognized nationally as a leader in using information technology to assist in service delivery. In its 16th annual Digital Cities Survey, e.Republic's Center for Digital Government and Digital Communities Program ranked Lynchburg first among city governments in the 75,000 – 124,999 population category. Lynchburg has been ranked in the top ten for fourteen consecutive years, being ranked first for communities of its size in three of those years.

Transportation

Greater Lynchburg Transit Company (GLTC) provides critical public bus service for Lynchburg citizens. A Transit Development Plan is in progress to determine the effectiveness and efficiency of GLTC's current routes. GLTC services also provide paratransit and a free bus loop service for Downtown.

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. Airline service includes up to 6 daily departures with a projected yearly passenger count of 167,000. Commercial service is provided by American Airlines with approximately 80% passenger loads resulting in continuing increases in airport revenues. Through its Air Service Development Partnership with the Lynchburg Regional Business Alliance and area businesses, the City is actively seeking new airline service to a northern hub airport as well as investigating possibilities for adding service with ultra-low cost carriers to popular tourist destinations.

Public Safety

The City was named one of the top 100 safest cities in the country to retire by SecurityChoice.com. A total of 495 U.S. cities were evaluated on several safety and retirement-focused metrics including Federal Bureau of Investigation City Crime Data, percentage of residents that are of retirement age, healthcare costs, and elder abuse protection laws.

Also, the Lynchburg Fire Department is the recipient of the gold Level Heart Saver Award from the American Heart Association for achieving 75% (or higher) on all Mission Lifeline quality measures to improve the quality of care for serious heart attack patients.

Parks and Recreation

Parks and Recreation was honored with five awards from the Virginia Recreation and Park Society (VRPS) in October 2017, more than any other parks and recreation department of any size in the state. The awards are: Best New Program for Hill City Hoops; Best New Facility for the Lynchburg City Stadium; Best New Renovation/Addition for Riverside Park; Best New Environment Sustainability for the "Please Do Hug the Trees" campaign; and Best Promotional Effort – Specialty for the "Green Machine" campaign. The VRPS' annual awards are a prestigious statewide program that honors individuals, agencies, and organizations throughout Virginia who have demonstrated excellence in any of several areas during the previous year.

Also, the Parks and Recreation “Please Do Hug the Trees” campaign was recognized with a 2018 Governor’s Environmental Excellence Award for Virginia Outdoors Plan Implementation - Honorable Mention.

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 make Lynchburg “A Great Place to Live, Work and Play!”

Certificates of Achievement for Excellence

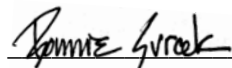
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lynchburg for its CAFR for the fiscal year ended June 30, 2017. This is the City’s twenty-first consecutive year receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2017 Adopted Budget. This is the City’s thirteenth 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,



Bonnie Svrcek
City Manager



Donna S. Witt
Chief Financial Officer

CITY OF LYNCHBURG, VIRGINIA
COUNCIL-MANAGER FORM OF GOVERNMENT

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2018

CITY COUNCIL

Joan F. Foster, Mayor

Treney Tweedy, Vice-Mayor
Jeff S. Helgeson
Edgar J. P. Perrow, Jr.

Mary Jane Dolan
J. Randolph “Randy” Nelson
Sterling Wilder

CITY OFFICIALS

Bonnie Svrcek
Reid Wodicka
Walter Erwin, III
Donna Witt

City Manager
Deputy City Manager
City Attorney
Director of Financial Services

SCHOOL BOARD

Dr. Michael J. Nilles, Chair

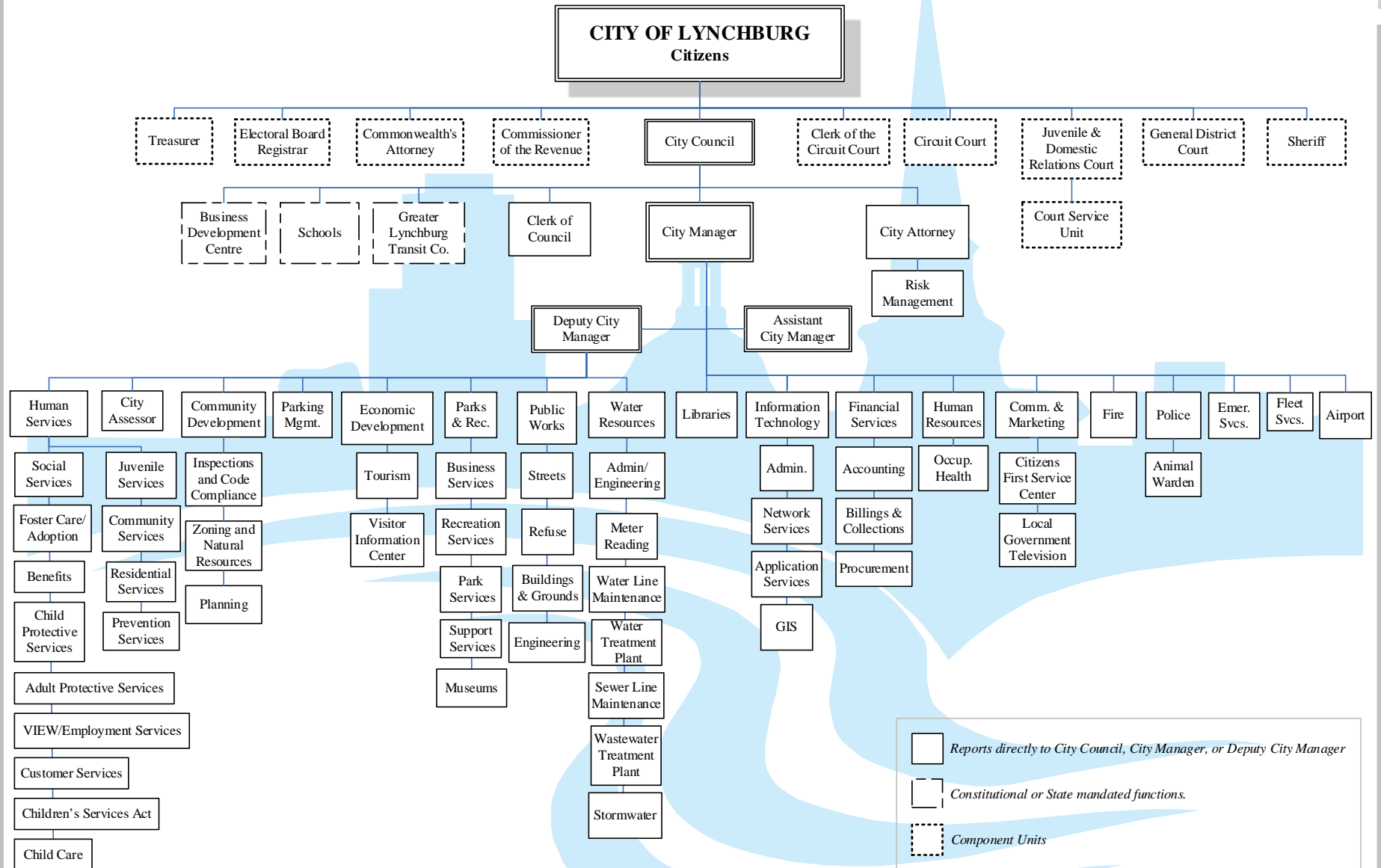
Dr. James E. Coleman, Vice Chair
Ms. Sharon Y. Carter
Dr. Robert O. Brennan
Ms. Charleta F. Mason

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

SCHOOL BOARD OFFICIALS

Dr. Crystal M. Edwards
Dr. John C. McClain
Mr. Ben W. Copeland
Mr. Anthony E. Beckles, Sr.

Superintendent of Schools
Assistant Superintendent
Assistant Superintendent
Chief Financial Officer





Government Finance Officers Association

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

Presented to

**City of Lynchburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

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, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Note 25 to the financial statements, in 2018, the City adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual statements and schedules, the non-major funds budgetary comparison statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements. In addition, the accompanying schedules of passenger facility charges and expenditures of passenger facility charges are presented for purposes of additional analysis as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2018

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, 2018. 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, 2018 by \$349.5 million (net position). Unrestricted net position of (\$111.6) million represented (\$119.2) million for governmental activities, which included the general fund, and \$7.6 million for business-type activities, which included the enterprise funds (water, sewer, stormwater, and airport).
- In 2018, the City adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The overall effect of this new standard is to reflect the City's long-term other postretirement benefit ("OPEB") obligations directly in the financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has now been recorded, was only disclosed. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the City record a net OPEB liability directly on the statement of net position. Beginning net position has been restated as discussed in Note 25, and this has had a significant impact on the City's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.
- The general fund's unassigned fund balance of \$29.2 million was 15.6% of total general fund revenues, which were \$186.8 million. This was \$10.5 million more than the City Council adopted unassigned fund balance policy requirement of 10%, or \$18.7 million.
- In comparison with the prior fiscal year, the City's total net position decreased 17.5%, or (\$74.2) million, from FY 2017. Net position of governmental activities decreased 37.9%, or (\$71.4) million, from FY 2017; and, net position of business-type activities decreased 1.2%, or (\$2.8) million. The Schools' total net position decreased 20.9% or (\$16.6) million, from FY 2017.
- The City's total revenues of \$270.4 million increased 5.7%, or \$14.7 million, and total expenses of \$240.4 million decreased 2.5%, or \$6.1 million, from FY 2017. General revenues of \$143.3 million were \$30 million more than the expenses net of program revenues of \$113.3 million.
- For the current fiscal year, the City's total liabilities and deferred inflows of resources of \$642.1 million increased 19.9% or \$106.7 million from FY 2017.
- The City increased its overall debt by \$9.4 million. Governmental activities increased by \$5.6 million and business-type activities decreased by \$3.8 million. This includes the issuance of new debt totaling \$29.9 million, of which \$15.4 million was for governmental activities and \$14.5 million was for business-type activities. Debt retirements, through a combination of planned retirements and an advanced refunding, totaled \$24.4 million; of which \$12.9 million was for governmental activities and \$11.5 million was for business-type activities. In addition, \$0.8 million in existing general obligation debt was reallocated from governmental activities to business-type activities. The City also recorded net \$3.9 million in governmental activities to recognize the City's share of debt related to the Regional Radio System. 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 Schools' and the City's financial statements are included in one Comprehensive Annual Financial Report. The Greater Lynchburg Transit Company and the Business Development Centre, Inc. issue separate reports.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

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

Summary of Statement of Net Position
As of June 30, 2018/2017
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2018	2017	2018	2017	2018	2017	2018-2017	2018	2017
Current and other assets	\$ 127.6	\$ 121.7	\$ 56.5	\$ 48.2	\$ 184.1	\$ 169.9	8%	\$ 15.4	\$ 13.6
Capital assets	404.6	387.3	385.6	379.9	790.2	767.2	3%	6.7	6.5
Total assets	532.2	509.0	442.1	428.1	974.3	937.1	4%	22.1	20.1
Total deferred outflows of resources	14.1	18.2	3.2	3.8	17.3	22.0	-21%	14.0	17.8
Long-term liabilities	373.9	308.7	203.1	190.9	577.0	499.6	15%	104.9	104.7
Other liabilities	17.8	18.2	5.8	5.3	23.6	23.5	0%	12.2	9.1
Total liabilities	391.7	326.9	208.9	196.2	600.6	523.1	15%	117.1	113.8
Total deferred inflows of resources	37.7	12.0	3.8	0.3	41.5	12.3	237%	15.1	3.6
Net Position									
Net investment in capital assets	233.2	215.2	224.9	218.4	458.1	433.6	6%	6.7	6.4
Restricted for Capital projects	0.9	1.0	-	-	0.9	1.0	-10%	-	-
Restricted for Grants and other	2.0	1.8	-	-	2.0	1.8	11%	-	-
Restricted for Passenger facility charges	-	-	0.1	0.1	0.1	0.1	100%	-	-
Unrestricted	(119.2)	(29.7)	7.6	16.9	(111.6)	(12.8)	772%	(102.8)	(85.9)
Total net position	\$ 116.9	\$ 188.3	\$ 232.6	\$ 235.4	\$ 349.5	\$ 423.7	-18%	\$ (96.1)	\$ (79.5)

The City's total net position of \$349.5 million decreased 17.5%, or (\$74.2) million, from FY 2017. The decrease in net position is directly related to the City's adopting of GASB Statement No. 75 as discussed above.

Net investment in capital assets of \$458.1 million was 131.0% of total net position and increased 5.6%, or \$24.5 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 (\$111.6) million, which is comprised of (106.8%), or (\$119.2) million, for governmental activities, and 6.8%, or \$7.6 million, for business-type activities. Unrestricted net position available for providing services to the citizens decreased 771.8%, or (\$98.8) million from FY 2017. Restricted net position of \$3.0 million is comprised primarily of \$0.9 million of grant funds restricted for transportation projects and \$2.0 million of grant funds restricted mainly for public safety, health and human services, and community development. The decrease in unrestricted net position is directly related to the City's adoption of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

The Schools' component unit total net position of (\$96.1) million decreased 20.8%, or (\$16.6) million from FY 2017. Unrestricted net position of (\$102.8) million decreased 19.6%, or (\$16.9) million from FY 2017.

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, 2018/2017 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2018	2017	2018	2017	2018	2017	2018-2017	2018	2017
Revenues:									
Program Revenues:									
Charges for services	\$ 14.1	\$ 13.5	\$ 43.7	\$ 43.5	\$ 57.8	\$ 57.0	1%	\$ 2.1	\$ 2.4
Operating grants/contributions	44.1	44.7	0.4	0.4	44.5	45.1	-1%	66.8	66.0
Capital grants/contributions	19.0	6.5	5.9	5.3	24.9	11.8	111%	-	-
General Revenues:									
Property taxes	79.8	78.4	-	-	79.8	78.4	2%	-	-
Other taxes	53.3	54.5	-	-	53.3	54.5	-2%	-	-
Unrestricted intergovernmental	6.3	6.3	-	-	6.3	6.3	0%	-	-
Interest	0.9	0.5	0.5	0.2	1.4	0.7	100%	-	-
IRS Subsidy Build America Bonds	0.3	0.3	0.3	0.3	0.6	0.6	0%	-	-
Miscellaneous	1.1	1.1	0.1	0.1	1.2	1.2	0%	0.7	0.5
Gain on sale of assets	0.6	0.1	0.1	-	0.7	0.1	600%	-	-
Transfers	(0.1)	-	0.1	-	-	-	100%	-	-
City appropriation	-	-	-	-	-	-	-	38.8	42.8
Total Revenues	219.4	205.9	51.1	49.8	270.5	255.7	6%	108.4	111.7
Expenses:									
General government	15.0	15.7	-	-	15.0	15.7	-4%	-	-
Judicial	6.6	6.7	-	-	6.6	6.7	-1%	-	-
Public safety	49.5	50.8	-	-	49.5	50.8	-3%	-	-
Public works	28.3	28.9	-	-	28.3	28.9	-2%	-	-
Health and human services	28.5	29.3	-	-	28.5	29.3	-3%	-	-
Cultural and recreational	10.5	11.1	-	-	10.5	11.1	-5%	-	-
Community development	6.4	6.2	-	-	6.4	6.2	3%	-	-
Education	46.4	50.2	-	-	46.4	50.2	-8%	102.9	112.5
Interest & other fiscal charges	6.9	7.4	-	-	6.9	7.4	-7%	-	-
Issuance costs	0.3	-	-	-	0.3	-	100%	-	-
Stormwater	-	-	2.8	2.3	2.8	2.3	22%	-	-
Airport	-	-	4.7	4.8	4.7	4.8	-2%	-	-
Water	-	-	14.8	13.7	14.8	13.7	8%	-	-
Sewer	-	-	19.7	19.4	19.7	19.4	2%	-	-
Total Expenses	198.4	206.3	42.0	40.2	240.4	246.5	-2%	102.9	112.5
Increase in net position	21.0	(0.4)	9.1	9.6	30.1	9.2	227%	5.5	(0.8)
Net position beginning - restated	95.9	188.7	223.5	225.8	319.4	414.5	-23%	(101.6)	(78.7)
Net position ending	\$116.9	\$188.3	\$232.6	\$235.4	\$349.5	\$423.7	-18%	\$(96.1)	\$(79.5)

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 \$116.9 million decreased 37.9%, or (\$71.4) million from FY 2017.

Revenue highlights:

Revenues from governmental activities of \$219.4 million increased 6.6%, or \$13.5 million from FY 2017.

Program revenues, specifically charges for services of \$14.1 million had an overall increase of \$0.6 million. The change is primarily attributed to increases in ambulance service fees; detention home charges; group home charges; Children's Services Act charges; and community development charges for stormwater.

Operating grants and contributions decreased \$0.6 million. The decrease of \$0.6 million is mainly attributed to a combination of increases and decreases in recurring grants as well as the reduction in prior year grants. Increases in grants of \$0.7 million are comprised of the following: \$0.1 million increase in Fire and EMS grants; \$0.1 million increase in the Department of Juvenile Justice Community Placement Program grant; and \$0.5 million increase in Community Development Block grant (CDBG) funds. Decreases in grants of \$1.3 million are comprised of the following: \$0.6 million decrease in public safety grants for the Body Worn Camera and Public Safety Answering Point grants; \$0.4 million decrease in health and human services grants; and \$0.3 million decrease in the HOME Investment Trust funds.

Capital grants and contributions increased \$12.5 million. The increase is mainly attributed to \$13.7 million in contributions for assets donated to the City. The donated assets were comprised of \$0.5 million for a skate park and \$13.2 million for Greenview drive contributed by the Virginia Department of Transportation (VDOT). Other increases and decreases consisted of the following: \$0.2 million increase in reimbursements from the VDOT revenue sharing program; \$0.1 million increase in other reimbursements from VDOT; \$1.6 million decrease in contributions from Liberty University for the Liberty Mountain Drive Phase 2 project; \$0.1 million decrease in Federal Highway Safety Improvement Program funds for Memorial Avenue; and \$0.1 million decrease in Virginia Department of Conservation and Recreation Grant for Creekside Trail.

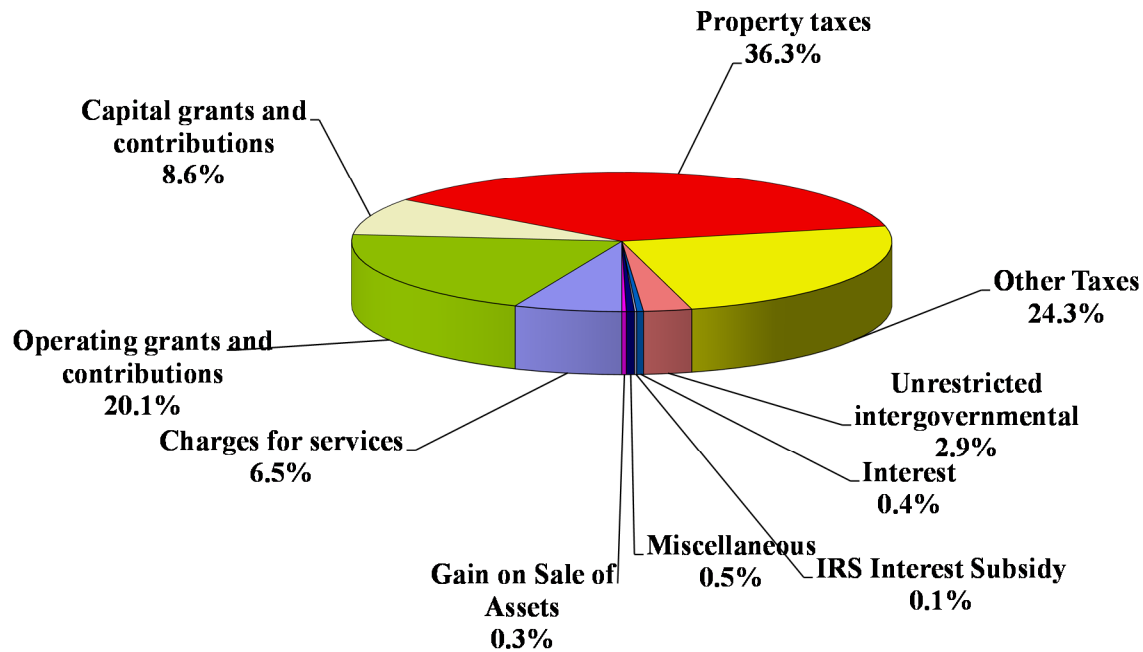
General revenues, specifically property taxes of \$79.8 million, increased \$1.4 million. Property taxes are comprised mainly of real property and personal property taxes. Real property taxes increased \$0.5 million. The City's general reassessment of real property occurs biennially and is effective on July 1 of the fiscal year. The City's biennial reassessment was effective July 1, 2017 and resulted in a nominal increase in assessed value of taxable real property. Personal Property taxes increased \$0.9 million and Public Service Corporation taxes increased \$0.1 million. Interest and penalty on delinquent taxes decreased \$0.1 million.

Other taxes revenue of \$53.3 million decreased \$1.2 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 mainly attributed to meals and business license taxes.

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

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

Revenue by Source-Governmental Activities



Expense highlights:

Governmental activities expenses of \$198.4 million decreased 3.8%, or \$7.9 million from FY 2017.

General government expenses decreased \$0.7 million. The decrease is primarily due to decreases in pension expense of \$0.2 million and OPEB expense of \$0.4 million.

Judicial expenses decreased by \$0.1 million primarily due to the following: \$0.1 million decrease in pension expense; \$0.2 million decrease in OPEB expense; and \$0.2 million increase in salaries for temporary positions.

Public safety expenses decreased \$1.3 million primarily due to a combination of increases and decreases. Increases included: \$0.8 million for salaries; \$0.2 million for contractual services; \$0.3 million for safety equipment; \$0.2 million for line of duty act payments; \$0.2 million for general insurance; and \$0.4 million for depreciation. Decreases included: \$0.5 million in payments to the Blue Ridge Regional Jail; \$0.5 million in expenses for the body worn camera; \$1.4 million for OPEB; and \$0.8 million for pension expense.

Public works expenses decreased \$0.6 million primarily due to a combination of increases and decreases. Increases included \$0.3 million for depreciation; \$0.1 million for the payment to the regional solid waste authority; and \$1.0 million in maintenance projects. Decreases included \$0.2 million for chemicals; \$0.6 million for highway maintenance; \$0.7 million for landfill closure and post closure costs; \$0.5 million for OPEB and \$0.2 million for pension expense.

Health and human services expenses decreased \$0.8 million. The decrease is primarily due to decreases in pension expense of \$0.3 million and OPEB expense of \$0.6 million.

Cultural and recreational expenses decreased \$0.6 million primarily due to the following: \$0.2 million decrease in contributions to the Academy Center of the Arts; \$0.1 million decrease in pension expense; and \$0.3 million decrease OPEB expense.

Community development expenses increased \$0.2 million primarily due to the following: \$0.5 million increase in expenditures for the CDBG grant; \$0.2 million increase in contributions to the Academy Center of the Arts; \$0.3 million decrease in expenditures for the HOME Investment Trust Grant; \$0.1 million decrease in OPEB expenses and \$0.1 million decrease in pension expense.

Education expenses decreased \$3.8 million due to the following: \$0.4 million increase in depreciation; \$4.0 million decrease in the local contribution to the schools; and \$0.2 million decrease in maintenance expenses.

Interest and other fiscal charges decreased \$0.5 million due to the bond refunding for the Series 2009A bonds.

Issuance costs increased \$0.3 million due to the issuance of new debt.

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 2018/2017
(in millions)***

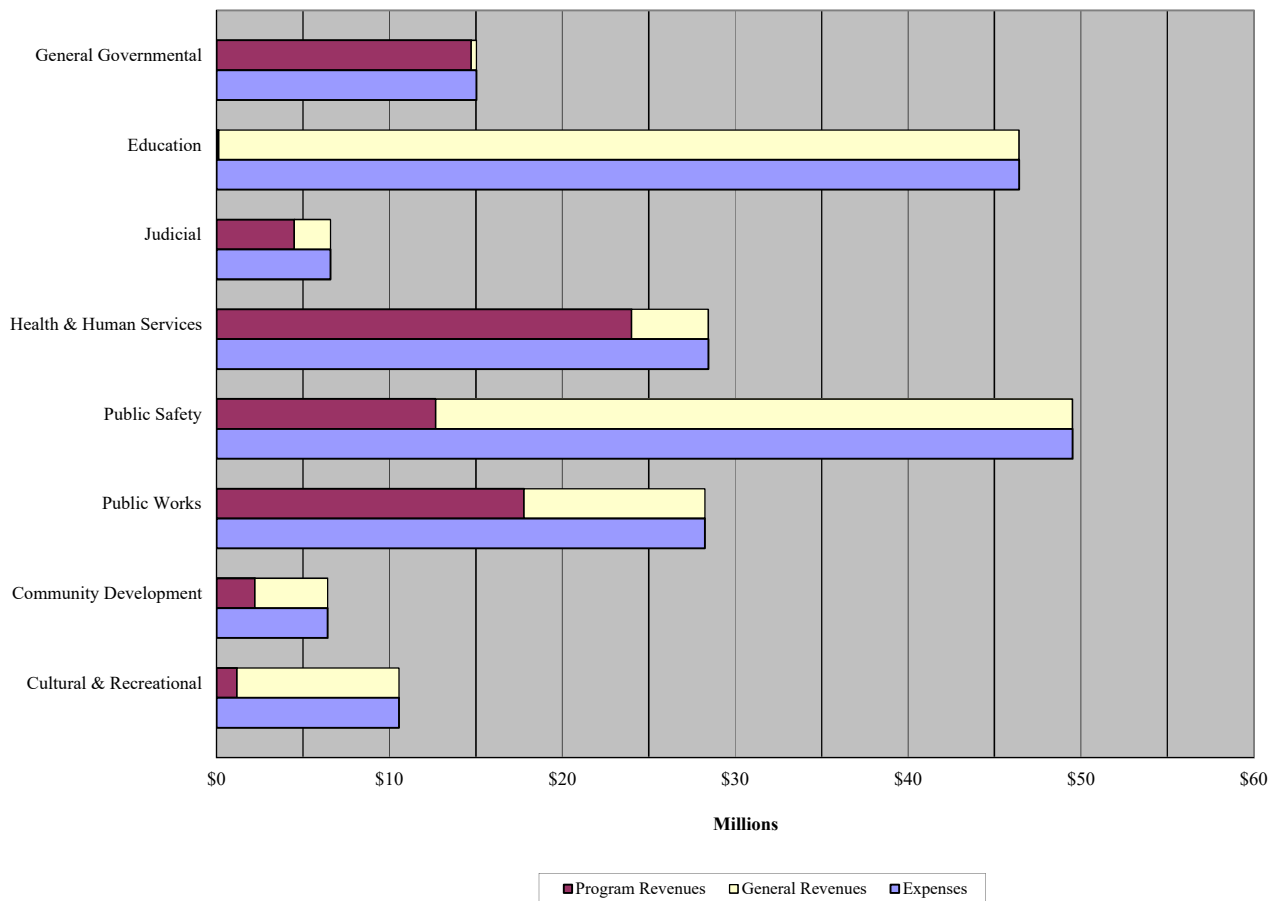
Governmental Activity	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2018	2017	2018-2017	2018	2017	2018-2017
General government	\$ 15.0	\$ 15.7	-4%	\$ 0.3	\$ 14.8	-98%
Judicial	6.6	6.7	-1%	2.1	2.2	-5%
Public safety	49.5	50.8	-3%	36.8	38.2	-4%
Public works	28.3	28.9	-2%	10.5	9.5	11%
Health and human services	28.5	29.3	-3%	4.4	5.2	-15%
Cultural and recreational	10.5	11.1	-5%	9.4	9.9	-5%
Community development	6.4	6.2	3%	4.2	4.3	-2%
Education	46.4	50.2	-8%	46.3	50.1	-8%
Interest payments & other fiscal charges	6.9	7.4	-7%	6.9	7.4	-7%
Issuance Costs	0.3	-	100%	0.3	-	100%
Total Governmental Activities	<u>\$ 198.4</u>	<u>\$ 206.3</u>	<u>-3.8%</u>	<u>\$ 121.2</u>	<u>\$ 141.6</u>	<u>-14%</u>

The four largest funded programs were public safety at 24.9%, or \$49.5 million; local support for education at 23.4%, or \$46.4 million; health and human services at 14.4%, or \$28.5 million; and public works at 14.3%, or \$28.3 million. Education and public safety continued to be high priorities for the City.

The governmental activities total cost of services decreased 3.8% from the prior year with a 14.0% decrease in the net cost of services. The Statement of Net Position shows that the \$198.4 million in governmental activities program expenses were financed by \$14.1million from those receiving services, \$44.1 million from operating grants and contributions, \$19.0 million from capital grants and contributions, and \$121.2 million from general revenues. Overall, general revenues of \$142.3 million were \$21.1 million more than the \$121.2 million of expenses net of program revenues.

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

Program Expenses and Program Revenues – Governmental Activities



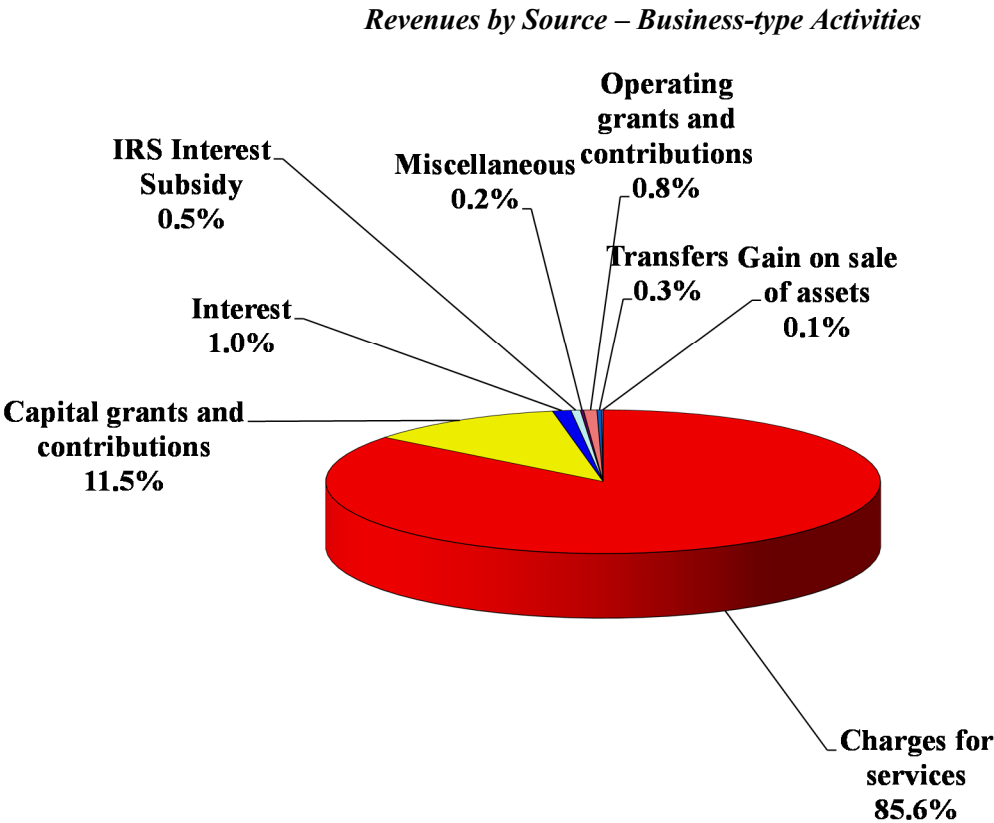
Business-type Activities

The business-type activities are comprised of enterprise funds for water, sewer, stormwater, and airport operations. Total net position of \$232.6 million decreased 1.2%, or \$2.8 million from FY 2017.

Revenue highlights:

Business-type activities revenues of \$51.1 million increased \$1.3 million from the prior year. This was primarily due to a combination of increases and decreases. Increases include: \$0.2 million in charges for services in the Water fund primarily due to a 5.1% rate increase; \$0.5 million in capital grants in the Stormwater fund; \$1.1 million in capital grants in the Sewer fund; and \$0.3 million in interest income. Decreases include \$0.8 million in capital grants in the Airport fund and \$0.2 million in capital grants in the Water fund.

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



Expense highlights:

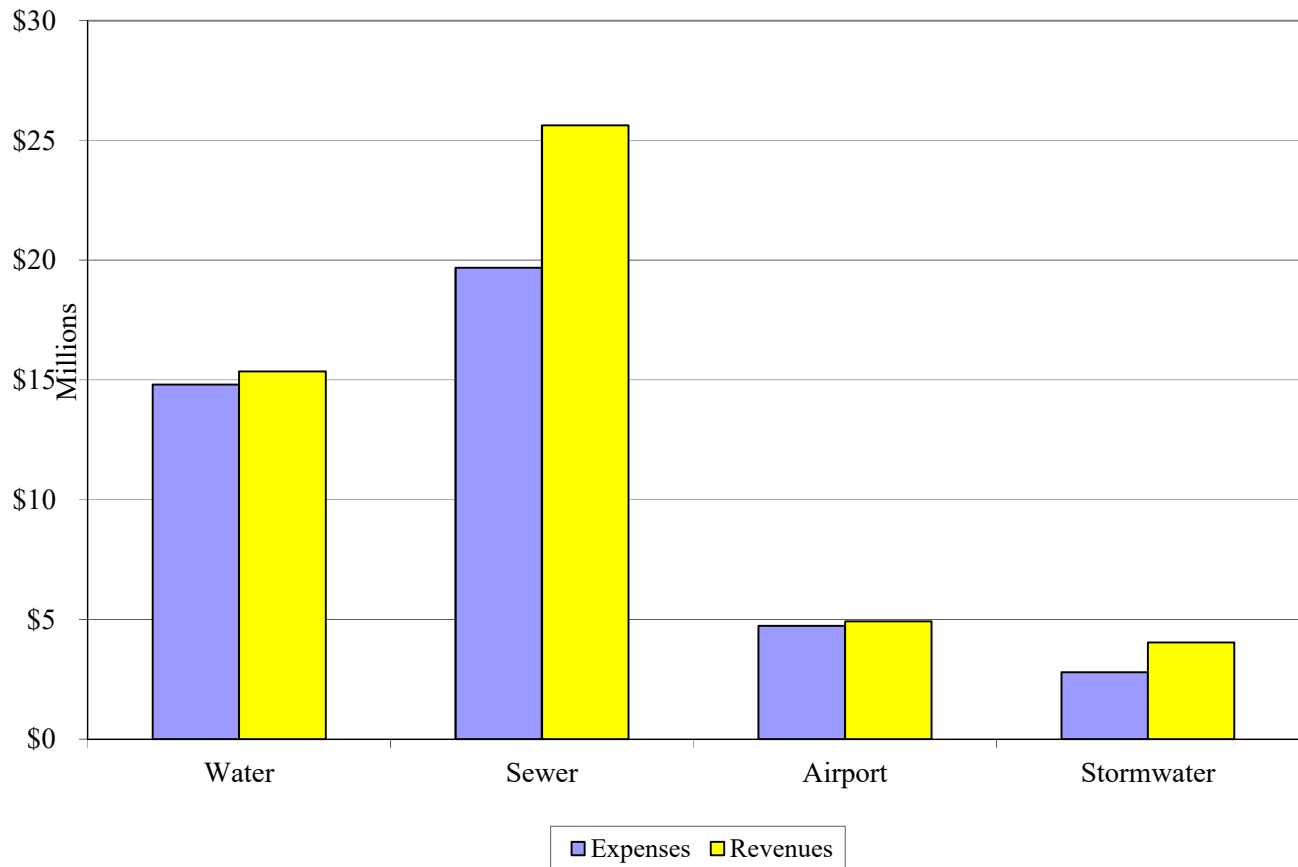
Business-type activities expenses of \$42.0 million increased \$1.8 million from the prior year.

Overall, business-type activities revenues of \$51.1 million were \$9.1 million more than expenses of \$42.0 million.

The proprietary funds provide the same type of information reported in the government-wide financial statements for business-type activities, but in more detail. Please refer to the MD&A 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 (\$96.1) million decreased 20.8% or (\$16.6) million, from FY 2017. Unrestricted net position of (\$102.8) million decreased 19.7% or (\$16.9) million from FY 2017.

Revenue highlights:

Total revenues of \$108.8 million decreased 2.7%, or \$3.0 million in comparison with the prior year fund financial statements. For FY 2018, \$67.2 million or 61.8%, of total revenues were received from the Commonwealth of Virginia and the Federal Government as compared to \$66.1 million received in FY 2017. State sales tax receipts were \$10.5 million for FY 2017. The City government contributed \$38.8 million or 35.7%, to education. Federal revenues of \$12.3 million included \$3.9 million from Title I funds to provide educational services to economically disadvantaged students. School Nutrition revenues of \$4.4 million included \$3.7 million from the Federal government for the operation of the breakfast and lunch programs. Other revenue sources of \$2.8 million or 2.5% of total revenues included the following: school meals sales; tuition paid by participating school divisions to the Central Virginia Governor's School for Science and Technology; and other miscellaneous sources.

Expenditure highlights:

Total expenditures of \$109.8 million decreased by 0.4% or \$0.5 million from the prior year fund financial statements. For FY2018, \$77.7 million or 70.8% of total expenditures related directly to providing instruction to an enrollment 8,052 students and \$15.0 million or 13.7% 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 for the schools and attendance and health services for students were \$6.5 million or 5.9%. Technology costs were \$3.1 million or 2.8% of total expenditures. Capital outlay costs were \$2.2 million or 2.0% of total expenditures.

FUND FINANCIAL ANALYSIS

Governmental Funds

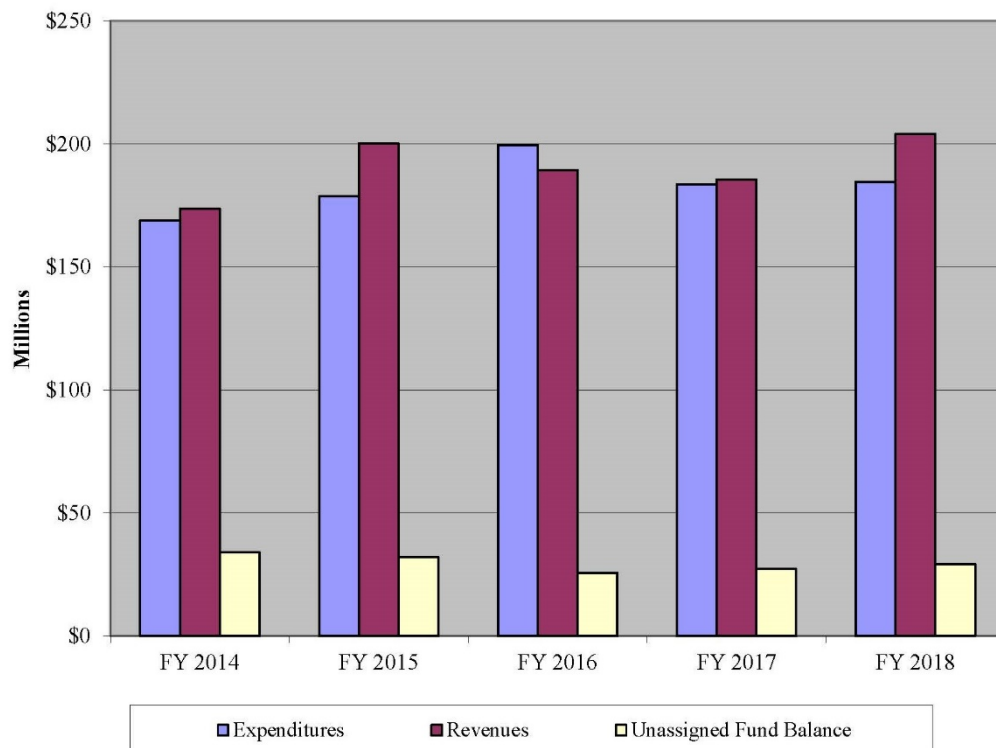
Governmental funds include the general fund, special revenue funds, and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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 2018, the City's governmental funds reported combined fund balances of \$88.8 million, an increase of \$7.6 million from FY 2017. Of that amount, \$0.2 million was nonspendable; \$17.3 million was restricted; \$33.9 million was committed; \$8.2 million was assigned; and \$29.2 million was unassigned. The general fund's increase in fund balance was \$19.4 million. The City capital projects fund's decrease in fund balance was \$9.1 million. The decrease is attributed to the use of bond proceeds and local funds for capital projects. The school capital projects fund's decrease in fund balance was \$3.0 million and was attributed primarily to the use of funds for the Heritage High School project. Special revenue funds increase in fund balance was \$0.3 million and was due primarily to grant funds received in advance.
- 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 16.5% of total general fund expenditures, while total fund balance represents 36.3% 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 2018 summarized comparison of amended budget versus actual information. In accordance with the implementation of GASB 54, the technology fund is utilized for internal reporting purposes only. For financial statement reporting, the technology fund is collapsed into the general fund. The five year summary includes the technology fund while the budget comparison does not. See further information in Note 1 to the Financial Statements.

Five-Year General Fund Financial Summary



General Fund Budgetary Highlights
For Fiscal Year Ended June 30, 2018
(in millions)

<u>Description</u>	<u>General Fund Budgetary Highlights</u>			
	Original Budget	Amended Budget	Actual	Amended versus Actual
<u>Revenues & Other Financing Sources</u>				
Taxes	\$ 133.1	\$ 133.1	\$ 134.8	\$ 1.7
Intergovernmental	36.4	36.5	36.9	0.4
Other	14.7	32.0	32.3	0.3
Total	184.2	201.6	204.0	2.4
<u>Expenditures & Other Financing Uses</u>				
Expenditures	184.3	188.0	178.3	9.7
Transfers	4.3	5.6	5.6	-
Total	188.6	193.6	183.9	9.7
<u>Change in Fund Balance</u>	<u>\$ (4.4)</u>	<u>\$ 8.0</u>	<u>\$ 20.1</u>	<u>\$ 12.1</u>

Actual expenditures and other financing uses of \$183.9 million was less than revenues and other financing sources of \$204.0 million by \$20.1 million, which resulted in a positive change in fund balance that was more than the amended budget projected increase of \$8.0 million. The FY 2018 adopted budget included the use of \$4.4 million of the FY 2017 General Fund's unassigned fund balance primarily to resource a planned \$3.3 million transfer out for general government capital projects; \$0.6 million transfer to the technology fund for equipment purchases; \$0.3 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 2016), which states that funds in excess of the targeted fund balance of ten percent (10%) of general fund revenues may be considered to supplement "pay-as-you-go" capital outlay expenditures. In summary, actual revenues were above the amended budget by \$2.4 million and actual expenditures were below the amended budget by \$9.7 million, resulting in a \$12.1 million increase in fund balance for FY 2018.

Actual revenues were greater than estimated and within 1.2%, or \$2.4 million, of the amended budget. Personal property, public service corporations, business license, bank stock, permits and fees, meals and amusement taxes were above the amended budget for FY 2018. Intergovernmental revenue was on pace with the amended budget.

Actual expenditures and transfers were \$9.7 million less than the FY 2018 amended budget and mostly attributable to the following unexpended appropriations:

- \$2.5 million for general government
- \$1.0 million for public safety
- \$0.8 million for public works
- \$0.8 million for health and human services
- \$0.2 million for cultural and recreational
- \$0.7 million for community development
- \$3.2 million for education
- \$0.4 million for debt service

Consistent with Council adopted Financial Policies; City Council appropriated \$1.2 million for a General Fund Reserve for Contingencies. City Council authorized 20.3%, or \$0.2 million in expenditures from this contingency. The remaining 79.7%, or \$1.0 million, reverted to unassigned fund balance.

From the original budget of \$188.6 million, City Council approved budget amendments to increase the budget 2.7%, or \$5.0 million, resulting in an amended budget of \$193.6 million. The budget amendments were primarily for the following purposes:

- \$0.3 million net increase for third quarter budget amendment requests. Each fiscal year, management reviews current year expenditures and revenue collection patterns and presents to City Council a third quarter budget amendment. The FY 2018 amendment was primarily for snow removal, Adopt-a-Bed projects, and a special election.
- \$0.4 million increase to the budget for unexpended items requested to be re-appropriated in the current year to continue programs.
- \$2.7 million increase for the issuance of refunding bonds.
- \$1.3 million increase in transfers to other funds

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 \$21.6 million decreased 29.6%, or \$9.1 million, from FY 2017.

Revenues and transfers of \$11.7 million decreased 14.0%, or \$1.9 million. The decrease is attributable to the following:

- \$1.6 million decrease in contributions from Liberty University
- \$0.6 million decrease in transfers from the general fund
- \$0.3 million increase in state and federal funding

Expenditures and capital outlay of \$20.8 million decreased 19.4%, or \$5.0 million primarily due to the following:

- \$2.6 million decrease for City Football Stadium Restoration
- \$1.5 million decrease for Liberty University Intramural Field Road, Phase II
- \$1.5 million decrease for the Roundabout at Memorial
- \$1.2 million decrease for the Baseball Stadium Field Improvements
- \$1.1 million decrease for the Community Market Plaza Deck Renovation
- \$1.0 million decrease for the Liberty University Intramural Field Road, Phase I
- \$1.0 million decrease for the Streetscape Improvements Downtown
- \$1.0 million decrease for the City Stadium Parking Lot Renovations
- \$3.2 million increase for the Main Street Bridge over the Expressway
- \$1.5 million increase for Timberlake Road at Logan's Lane, Phase II & III
- \$1.0 million increase for Wards Ferry Road Widening

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 \$0.6 million decreased \$3.0 million, from FY 2017.

Revenues, issuance of bonds, and transfers of \$1.2 million increased \$0.3 million. The increase is attributable to the following:

- \$0.2 million increase in transfers from the General fund primarily for Dunbar Middle School and E.C. Glass High School
- \$0.1 million increase in proceeds from a line of credit for Linkhorne Middle School roof replacement and the School administrative building HVAC upgrade

Expenditures and capital outlay of \$4.2 million decreased \$5.9 million primarily due to the following:

- \$ 4.8 million decrease in expenditures for Heritage High School
- \$ 0.2 million decrease in expenditures for Perrymont Elementary School Chiller Replacement
- \$ 0.2 million decrease in expenditures for Dearington Elementary School Ceiling / Light Replacement
- \$ 0.2 million decrease in expenditures for an ARC Flash Study & Labeling
- \$ 0.6 million increase in expenditures for Linkhorne Middle School Roof Replacement
- \$ 0.2 million increase in expenditures for Playground Equipment at T.C. Miller, Laurel & Sheffield schools
- \$ 1.2 million decrease in transfers to the General fund from the Heritage High School project

Proprietary Funds

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

Water Fund

The water fund's total net position of \$31.1 million decreased 14.1%, or \$5.1 million, from FY 2017. Net investment in capital assets of \$29.1 million decreased 1.0%, or \$0.3 million. Net investment in capital assets was 93.6% of total net position. Unrestricted net position available to fund future expenses decreased by 70.6% or \$4.8 million. This was primarily due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Unrestricted net position was 6.4%, or \$2.0 million, of total net position. Operating revenues totaled \$15.4 million, and increased 1.3%, or \$0.2 million primarily due to a 5.1% rate increase to City customers offset by decreased sales to one contract customer. Operating expenses totaled \$12.6 million and increased 6.8% mostly attributable to the increase in operation and maintenance expenses. Investment earnings increased \$0.15 million. For FY 2018, the fund balance ratio was 74.0% as compared to the City Council's financial policy target range of 25% to 40%. The debt coverage ratio was 1.43 as compared to the City Council's financial policy minimum target of 1.20.

Sewer Fund

The sewer fund's total net position of \$160.5 million increased 1.3%, or \$2.0 million, from FY 2017. Net investment in capital assets of \$154.3 million increased 4.3%, or \$6.3 million, primarily due to a reduction of outstanding long-term debt that was used to finance capital projects. Net investment in capital assets was 96.1% of total net position. Unrestricted net position available to fund future expenses decreased by 40.4%, or \$4.2 million. This was primarily due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Unrestricted net position was 3.9%, or \$6.2 million of total net position. Operating revenues totaled \$22.6 million and remained unchanged from FY2017. Operating expenses totaled \$18.6 million and increased 1.1% or \$0.2 million. Investment earnings increased \$0.12 million. For FY 2018, the fund balance ratio was 49.0% as compared to the City Council's financial policy target range of 25% to 40%. The debt coverage ratio was 1.39 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 the Table 24 in the Statistical Section of this report for details.

Stormwater Fund

The stormwater fund's total net position of \$6.9 million increased 13.1%, or \$0.8 million, from FY 2017. Net investment in capital assets of \$4.3 million increased 7.5%, or \$0.3 million primarily due to completion of capital projects and increased activity of capital projects that are on-going. Net investment in capital assets was 62.3% of total net position. Unrestricted net position available to fund future expenses increased by 19.0%, or \$0.4 million. This was primarily due to an increase in cash and cash equivalents. Unrestricted net position was 36.2%, or \$2.5 million, of total net position. Operating revenues totaled \$3.5 million and were unchanged from the prior year. Operating expenses totaled \$2.9 million and increased 20.8%, or \$0.5 million mostly attributable to increased operation and maintenance expenses. Investment earnings increased \$0.02 million. For FY 2018 the fund balance ratio was 33.0% as compared to City Council's financial policy target range of 15% to 20%.

Airport Fund

The airport fund's total net position of \$38.2 million decreased 1.5%, or \$0.6 million, from FY 2017. Net investment in capital assets, of \$37.1 million did not change from the prior year. Net investment in capital assets was 97.1% of total net position. Net position, unrestricted, decreased 37.5%, or \$0.6 million due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Net position, unrestricted, was 2.6%, or \$1.0 million, of net position. Operating revenues were unchanged at \$2.6 million. Operating expenses totaled \$4.7 million, a decrease of 2.1% or \$0.1 million from FY 2017. Capital contributions totaled \$2.0 million, a decrease of 28.6%, or \$0.8 million, and reflects a decrease of federal contributions for airport capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of depreciation, were \$790.2 million as reflected in the following schedule. The City of Lynchburg owns the land, buildings, and facilities used by Lynchburg City Schools. The Schools had \$6.7 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

Capital Assets
As of June 30, 2018/2017
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2018	2017	2018	2017	2018	2017	2018-2017	2018	2017
Capital assets, not being depreciated:									
Land	\$ 22.8	\$ 20.3	\$ 5.2	\$ 5.1	\$ 28.0	\$ 25.4	10%	\$ -	\$ -
Construction in progress	14.8	10.1	20.1	24.7	34.9	34.8	0%	-	-
Capital assets, being depreciated:									
Land improvements	62.1	57.4	13.2	13.2	75.3	70.6	7%	-	-
Buildings and improvements	307.5	303.7	65.1	62.8	372.6	366.5	2%	-	-
Infrastructure	301.1	278.8	475.3	454.8	776.4	733.6	6%	-	-
Machinery and equipment	52.7	52.3	24.2	23.7	76.9	76.0	1%	16.9	15.6
Less: Accumulated depreciation	(356.4)	(335.3)	(217.5)	(204.4)	(573.9)	(539.7)	6%	(10.2)	(9.2)
Total Capital Assets	<u>\$ 404.6</u>	<u>\$ 387.3</u>	<u>\$ 385.6</u>	<u>\$ 379.9</u>	<u>\$ 790.2</u>	<u>\$ 767.2</u>	<u>3%</u>	<u>\$ 6.7</u>	<u>\$ 6.4</u>

During FY 2018, the City's net increase in capital assets was 3.0% or \$23.0 million. Major capital assets completed and placed in service included the following:

- Greenview Drive Widening, Phase II, was completed with \$14 million in VDOT's contributions and local pay-as-you-go funds.
- Burton Creek Interceptor project was completed with \$6.3 million in Sewer enterprise fund revenue and general obligation bonds.
- Downtown Central Business Area Improvements to the Water Distribution System were completed for \$3.1 million in Water enterprise fund revenue and general obligations bonds.
- Streetscape Improvements Downtown, Phase I was completed at a cost of \$3.5 million with general obligation bonds, state revenue sharing, and local pay-as-you-go funds.
- Additional Heritage High School Renovations were completed at a cost of \$2.5 million with general obligation bonds.
- Community Market Plaza Deck Renovation was completed at a cost of \$2.2 million with general obligation bonds and local pay-as-you-go funds.
- Stormwater Program Master Plan was completed with \$1.9 million with Stormwater enterprise fund revenue.
- Mid-Field Corporate Hanger was completed at a cost of \$1.7 million with state revenue and general obligation bonds.
- Combined Sewer Overflow ("CSO") 61 was completed with a loan from the Virginia Water Facilities Revolving Loan Fund.
- LED Airfield lights were completed at a cost of \$1.0 million with federal and state revenue.
- Tinbridge Hill Utility Replacement to the Water Distribution System was completed for \$1.0 million with general obligation bonds.

Construction-in-progress at the end of FY 2018 includes Wards Ferry Road widening and Timberlake Road at Logan's Lane, Main Street Bridge replacement, various transportation projects, Blackwater Creek Stream restoration (Stormwater), Sewer System evaluation and rehabilitation, and additional CSO abatement projects. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term Debt

Total outstanding debt was \$362.7 million with \$175.2 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$187.5 million. Liabilities of \$8.5 million for compensated absences and workers compensation were excluded.

***Long-term Debt Obligations
As of June 30, 2018/2017
(in millions)***

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2018	2017	2018	2017	2018	2017	2018-2017
General Obligation Bonds	\$ 182.4	\$ 180.7	\$ 81.4	\$ 71.9	\$ 263.8	\$ 252.6	4%
Revenue Bonds	-	-	93.2	99.5	93.2	99.5	-6%
General Obligation Notes	0.2	-	0.6	-	0.8	-	100%
Note Payable	1.0	1.2	-	-	1.0	1.2	-17%
Other long-term payables	3.9	-	-	-	3.9	-	100%
Total	<u>\$ 187.5</u>	<u>\$ 181.9</u>	<u>\$ 175.2</u>	<u>\$ 171.4</u>	<u>\$ 362.7</u>	<u>\$ 353.3</u>	<u>3%</u>

Total new debt of \$29.9 million was issued, of which \$15.4 million was for governmental activities; and \$14.5 million was for business-type activities and includes:

- \$29.1 million of general obligation public improvement advanced and crossover refunding bonds, of which \$15.2 million was for governmental activities and \$13.9 million was for business-type activities.
- \$0.8 million of bond anticipation notes; of which \$0.2 million was for governmental activities and \$0.6 million were for business-type activities.

Existing general obligation debt of \$0.8 million was reallocated from governmental activities to business-type activities and was used to fund an airport project.

The City retired \$24.4 million of outstanding principal. The governmental activities principal retirements were \$12.9 million and the business-type activities principal retirements were \$11.5 million and include:

- \$21.3 million in planned principal retirements, of which \$11.0 million was for governmental activities and \$10.4 million was for business-type activities.
- \$3.1 million of refunded principal payments, of which \$2.0 million was for governmental activities and \$1.1 million was for business-type activities.

The city recorded \$3.9 million in long term debt in order to recognize the City's share of the Regional Radio system.

The City's general obligation bonds continued to maintain an Aa2 rating from Moody's Investors Service, an AA+ rating from Fitch Ratings, and an AA+ from Standard & Poor's Global Ratings. These credit ratings were obtained in August 2017 for the City's issuance of \$29.1 million General Obligation Public Improvement Refunding Bonds, Series 2017 on September 26, 2017. All three agencies noted the City's strong management and financial policies and practices when reaffirming the ratings. Other contributing factors included the City's stable and diverse tax base and stable economy.

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

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 is paid monthly. Final maturity of the Note is June 15, 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, 2018, the City's assessed value of real property was \$5.4 billion. The City's debt is less than the current debt limitation of \$542.2 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, 2018, debt to assessed value was 3.15%. 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, 2018, the 10-year principal payout ratio was 65.48%.

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

ECONOMIC FACTORS

The City's unemployment rate decreased from 4.8% in June 2017 to 3.9% in June 2018. This reflects a decrease year over year in the unemployment rate since 2010. This decrease of 0.9%, from 2017 to 2018, reflects the continued growth in the economy, however this increase is slight. The City's unemployment rate typically trends above the State rate, which was 3.2% in June 2018. For the first time in five years, the City's unemployment rate has trended below the National rate, which was 4.0% for the same period. This change is due to the stabilization of the student population in the City. The Lynchburg economy typically lags the nation in both recession and recovery.

Although still an important sector, manufacturing no longer dominates the Lynchburg economy as it did in the past. American Electric Power (AEP), the region's electric utility provider, remains the City's largest property taxpayer with an 8.1% increase in taxable assessed value over FY 2017. The ten principal property taxpayers, as a whole, realized a dramatic increase of 17.2% in taxable assessed value when compared to FY 2017. Total assessed value grew \$86.8 million or 14.2% when compared to FY 2017. The City remains the retail hub for the region and has seen continued growth in the medical services and higher education sectors. Other important sectors of the Lynchburg economy include wireless technology, engineering, finance, retail, restaurants, and tourism.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, City of Lynchburg, 900 Church Street, Lynchburg, VA, 24504, or via telephone at 434-455-3968. This report, the FY 2018 Operating and Capital Budgets, and FY 2018-2022 Capital Improvement Program are on the City's website at www.lyncburgva.gov.

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BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2018

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Lynchburg City Schools	Other	
Assets						
Cash and cash equivalents	\$ 48,834,483	\$ 25,601,726	\$ 74,436,209	\$ 9,807,954	\$ 1,655,898	\$ 85,900,061
Investments	18,296,833	9,645,452	27,942,285	-	-	27,942,285
Receivables, net of allowance	19,717,447	5,159,288	24,876,735	402,389	1,242,498	26,521,622
Internal balances	4,146,397	(4,146,397)	-	-	-	-
Due from other governments	6,753,252	291,245	7,044,497	4,738,240	653,270	12,436,007
Due from component units	3,996,835	-	3,996,835	-	-	3,996,835
Inventory	40,770	469,746	510,516	95,086	309,457	915,059
Prepays and other assets	2,026,019	-	2,026,019	310,373	10,321	2,346,713
Restricted assets:						
Cash and cash equivalents	23,815,855	16,193,922	40,009,777	-	-	40,009,777
Due from other governments	-	3,338,393	3,338,393	-	-	3,338,393
Capital assets, net of accumulated depreciation	404,628,028	385,550,216	790,178,244	6,754,998	40,007,791	836,941,033
Total assets	532,255,919	442,103,591	974,359,510	22,109,040	43,879,235	1,040,347,785
Deferred Outflows of Resources						
Deferred charge on refunding	3,386,869	1,736,312	5,123,181	-	-	5,123,181
Deferred outflows related to pensions (Notes 11-13)	10,486,161	1,394,828	11,880,989	12,713,951	-	24,594,940
Deferred outflows related to other postemployment benefits (Notes 14-18)	263,133	35,001	298,134	1,317,099	-	1,615,233
Total deferred outflows of resources	14,136,163	3,166,141	17,302,304	14,031,050	-	31,333,354
Liabilities						
Accounts payable and other liabilities	7,332,562	3,247,601	10,580,163	801,737	918,936	12,300,836
Accrued payroll and related liabilities	5,462,226	396,023	5,858,249	7,258,321	-	13,116,570
Accrued interest payable	1,529,762	1,074,180	2,603,942	-	-	2,603,942
Due to other governments	1,340,081	2,993	1,343,074	-	1,331,060	2,674,134
Due to primary government	-	-	-	3,547,093	449,742	3,996,835
Unearned revenue/prepaid rent	1,996,989	-	1,996,989	620,179	-	2,617,168
Deposits payable from restricted assets	162,106	1,042,852	1,204,958	-	-	1,204,958
Noncurrent liabilities:						
Net pension liability (Notes 11-13)	86,284,573	11,477,236	97,761,809	83,987,216	-	181,749,025
Net other postemployment benefit liabilities (Notes 14-18)	79,873,689	9,951,106	89,824,795	19,980,849	411,267	110,216,911
Other noncurrent liabilities due within one year	12,553,813	10,132,163	22,685,976	639,734	-	23,325,710
Other noncurrent liabilities due in more than one year	195,237,588	171,594,758	366,832,346	252,179	102,828	367,187,353
Total liabilities	391,773,389	208,918,912	600,692,301	117,087,308	3,213,833	720,993,442
Deferred Inflows of Resources						
Property taxes	9,775,934	-	9,775,934	-	-	9,775,934
Deferred inflows related to pension (Notes 11-13)	8,711,461	1,158,764	9,870,225	11,816,292	-	21,686,517
Deferred inflows related to other postemployment benefits (Notes 14-18)	19,183,720	2,662,885	21,846,605	3,299,814	1,502	25,147,921
Total deferred inflows of resources	37,671,115	3,821,649	41,492,764	15,116,106	1,502	56,610,372
Net Position						
Net investment in capital assets	233,197,296	224,892,828	458,090,124	6,754,998	40,007,791	504,852,913
Restricted for:						
Capital projects	926,079	-	926,079	-	-	926,079
Grants	2,003,634	-	2,003,634	-	-	2,003,634
Passenger facility charges	-	46,465	46,465	-	-	46,465
Unrestricted	(119,179,431)	7,589,878	(111,589,553)	(102,818,322)	656,109	(213,751,766)
Total net position	\$ 116,947,578	\$ 232,529,171	\$ 349,476,749	\$ (96,063,324)	\$ 40,663,900	\$ 294,077,325

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

Statement of Activities
For the Year Ended June 30, 2018

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	\$ 15,034,844	\$ 533,921	\$ 328,307	\$ 13,869,358	\$ (303,258)	\$ -	\$ (303,258)	\$ -	\$ -	\$ (303,258)
Judicial	6,596,638	558,501	3,935,835	-	(2,102,302)	-	(2,102,302)	-	-	(2,102,302)
Public safety	49,506,763	6,432,759	6,249,958	-	(36,824,046)	-	(36,824,046)	-	-	(36,824,046)
Public works	28,254,520	1,291,023	11,532,184	4,962,914	(10,468,399)	-	(10,468,399)	-	-	(10,468,399)
Health and human services	28,447,078	3,174,813	20,837,743	-	(4,434,522)	-	(4,434,522)	-	-	(4,434,522)
Cultural and recreational	10,551,172	905,158	272,647	-	(9,373,367)	-	(9,373,367)	-	-	(9,373,367)
Community development	6,423,270	1,249,908	963,321	-	(4,210,041)	-	(4,210,041)	-	-	(4,210,041)
Education	46,418,469	-	-	120,770	(46,297,699)	-	(46,297,699)	-	-	(46,297,699)
Interest payments and other fiscal charges	6,876,234	-	-	-	(6,876,234)	-	(6,876,234)	-	-	(6,876,234)
Issuance costs	346,067	-	-	-	(346,067)	-	(346,067)	-	-	(346,067)
Total governmental activities	198,455,055	14,146,083	44,119,995	18,953,042	(121,235,935)	-	(121,235,935)	-	-	(121,235,935)
Business-type activities:										
Stormwater	2,796,349	3,212,572	275,000	555,034	-	1,246,257	1,246,257	-	-	1,246,257
Airport	4,734,183	2,470,025	120,048	2,323,784	-	179,674	179,674	-	-	179,674
Water	14,801,886	15,362,052	-	-	-	560,166	560,166	-	-	560,166
Sewer	19,689,327	22,635,664	-	2,992,600	-	5,938,937	5,938,937	-	-	5,938,937
Total business-type activities	42,021,745	43,680,313	395,048	5,871,418	-	7,925,034	7,925,034	-	-	7,925,034
Total primary government	\$ 240,476,800	\$ 57,826,396	\$ 44,515,043	\$ 24,824,460	(121,235,935)	7,925,034	(113,310,901)	-	-	(113,310,901)
Component units:										
Lynchburg City Schools	\$ 102,861,598	\$ 2,059,547	\$ 66,777,829	\$ -	-	-	-	(34,024,222)	-	(34,024,222)
Greater Lynchburg Transit Company	11,610,680	904,236	7,140,993	1,660,244	-	-	-	-	(1,905,207)	(1,905,207)
Business Development Centre	202,392	214,686	5,000	-	-	-	-	-	17,294	17,294
Total component units	\$ 114,674,670	\$ 3,178,469	\$ 73,923,822	\$ 1,660,244	-	-	-	(34,024,222)	(1,887,913)	(35,912,135)
General revenues:										
Property taxes					79,798,396	-	79,798,396	-	-	79,798,396
Local sales and use taxes					15,282,741	-	15,282,741	-	-	15,282,741
Meals taxes					14,097,828	-	14,097,828	-	-	14,097,828
Consumer utility taxes					4,768,971	-	4,768,971	-	-	4,768,971
Business license taxes					8,736,403	-	8,736,403	-	-	8,736,403
Communications sales and use taxes					3,101,975	-	3,101,975	-	-	3,101,975
Other taxes					7,397,005	-	7,397,005	-	-	7,397,005
Unrestricted intergovernmental					6,330,816	-	6,330,816	-	-	6,330,816
Interest					889,609	546,939	1,436,548	-	-	1,436,548
IRS interest subsidy- Build America Bonds					273,856	277,466	551,322	-	-	551,322
Miscellaneous					1,060,093	93,369	1,153,462	744,485	10,844	1,908,791
Gain on sale of assets					588,918	47,162	636,080	-	-	636,080
City appropriation					-	-	-	38,824,342	-	38,824,342
Transfers					(135,751)	135,751	-	-	-	-
Total general revenues and transfers					142,190,860	1,100,687	143,291,547	39,568,827	10,844	182,871,218
Changes in net position										
					20,954,925	9,025,721	29,980,646	5,544,605	(1,877,069)	33,648,182
Net position - beginning, as restated (Note 25)										
					95,992,653	223,503,450	319,496,103	(101,607,929)	42,540,969	260,429,143
Net position - ending										
					\$ 116,947,578	\$ 232,529,171	\$ 349,476,749	\$ (96,063,324)	\$ 40,663,900	\$ 294,077,325

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

Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	City Capital Projects	School Capital Projects	Other Governmental	Total Governmental
Assets					
Cash and cash equivalents	\$ 38,294,179	\$ 4,964,033	\$ 1,273,344	\$ 1,939,957	\$ 46,471,513
Investments	9,648,107	8,648,726	-	-	18,296,833
Receivables, net of allowance:					
Taxes excluding penalties	13,047,518	-	-	-	13,047,518
Accounts	4,643,668	-	-	-	4,643,668
Other	1,088,960	200,000	-	120,357	1,409,317
Due from other funds	743,358	-	-	263,378	1,006,736
Due from other governments	3,238,018	2,186,535	-	1,328,699	6,753,252
Due from component units	3,871,835	-	-	125,000	3,996,835
Other assets	-	-	-	213	213
Restricted assets:					
Cash and cash equivalents	14,644,303	8,798,780	-	347,879	23,790,962
Total assets	<u>\$ 89,219,946</u>	<u>\$ 24,798,074</u>	<u>\$ 1,273,344</u>	<u>\$ 4,125,483</u>	<u>\$ 119,416,847</u>
Liabilities					
Accounts payable and other liabilities	\$ 2,645,462	\$ 3,210,028	\$ 716,538	\$ 619,077	\$ 7,191,105
Accrued payroll and related liabilities	5,683,770	2,182	-	157,917	5,843,869
Due to other funds	412,865	-	-	497,727	910,592
Due to other governments	739,585	-	-	38,830	778,415
Unearned revenue/prepaid rent	1,643,709	-	-	353,280	1,996,989
Deposits payable from restricted assets	162,106	-	-	-	162,106
Total liabilities	<u>11,287,497</u>	<u>3,212,210</u>	<u>716,538</u>	<u>1,666,831</u>	<u>16,883,076</u>
Deferred Inflows of Resources					
Unavailable revenue	13,522,338	-	-	229,622	13,751,960
Total deferred inflows of resources	<u>13,522,338</u>	<u>-</u>	<u>-</u>	<u>229,622</u>	<u>13,751,960</u>
Fund Balances					
Nonspendable	-	200,000	-	-	200,000
Restricted	14,401,700	926,079	-	2,003,634	17,331,413
Committed	12,739,188	20,459,785	556,806	125,384	33,881,163
Assigned	8,071,697	-	-	100,012	8,171,709
Unassigned	29,197,526	-	-	-	29,197,526
Total fund balances	<u>64,410,111</u>	<u>21,585,864</u>	<u>556,806</u>	<u>2,229,030</u>	<u>88,781,811</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 89,219,946</u>	<u>\$ 24,798,074</u>	<u>\$ 1,273,344</u>	<u>\$ 4,125,483</u>	<u>\$ 119,416,847</u>

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018**

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

Ending fund balance - governmental funds		\$ 88,781,811
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		390,949,292
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		3,976,026
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		1,040,000
Deferred outflow of resources used to reflect deferred losses on debt refunding bonds are not reported in the governmental funds.		3,235,130
Certain receivables are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		22,657
Internal service fund activity that has been allocated to the user departments.		4,055,692
Internal service fund is used by management to charge the costs of vehicle maintenance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.		11,338,929
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to:		
Pensions	10,386,361	
Other postemployment benefits	260,629	
Deferred inflows related to:		
Pensions	(8,628,551)	
Other postemployment benefits	(19,008,738)	
Net pension liability	(85,463,374)	
Net other postemployment liability	(79,218,079)	
		(181,671,752)
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	(191,106,714)	
Accrued interest payable	(1,502,420)	
Notes payable	(1,040,000)	
Other-long term payable	(3,937,997)	
Compensated absences	(4,188,010)	
Workers' compensation	(3,005,066)	
		(204,780,207)
Net position of governmental activities		\$ 116,947,578

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, 2018

	General	City Capital Projects	School Capital Projects	Other Governmental	Total Governmental
Revenues					
Taxes	\$ 134,835,168	\$ -	\$ -	\$ -	\$ 134,835,168
Regulatory licenses, permits and privilege fees	1,101,285	-	-	-	1,101,285
Intergovernmental	36,917,105	8,291,914	120,770	10,236,178	55,565,967
Fines and forfeitures	406,905	-	-	-	406,905
Revenue from use of money and property	1,434,901	14,232	15,261	31,617	1,496,011
Charges for services	10,743,235	-	-	3,973,635	14,716,870
Miscellaneous	1,380,263	11,555	9,599	406,691	1,808,108
Total revenues	<u>186,818,862</u>	<u>8,317,701</u>	<u>145,630</u>	<u>14,648,121</u>	<u>209,930,314</u>
Expenditures					
Current operating expenditures:					
General government	17,389,996	-	-	4,121	17,394,117
Judicial	5,032,655	-	-	1,168,516	6,201,171
Public safety	46,414,215	-	-	4,368,136	50,782,351
Public works	15,920,299	8,354,198	-	47,569	24,322,066
Health and human services	21,441,064	-	-	7,459,347	28,900,411
Cultural and recreational	8,825,071	85,521	-	-	8,910,592
Community development	4,817,967	351,600	-	1,215,938	6,385,505
Education	38,894,037	-	119,876	-	39,013,913
Capital outlay:					
Capital general government	649,712	10,349,349	4,090,313	-	15,089,374
Debt service:					
Principal retirements	10,416,914	-	-	261,305	10,678,219
Interest payments and other fiscal charges	7,380,164	-	-	26,903	7,407,067
Issuance costs	346,067	-	-	-	346,067
Total expenditures	<u>177,528,161</u>	<u>19,140,668</u>	<u>4,210,189</u>	<u>14,551,835</u>	<u>215,430,853</u>
Excess (deficiency) of revenues over expenditures	<u>9,290,701</u>	<u>(10,822,967)</u>	<u>(4,064,559)</u>	<u>96,286</u>	<u>(5,500,539)</u>
Other financing sources (uses)					
Issuance of bonds	103,342	-	79,220	-	182,562
Issuance of refunding bonds	15,221,555	-	-	-	15,221,555
Premium on refunding debt issuance	1,700,762	-	-	-	1,700,762
Payments to escrow agent	(2,160,352)	-	-	-	(2,160,352)
Transfers in	252,397	3,363,498	955,000	175,586	4,746,481
Transfers out	(4,955,328)	(1,672,893)	-	(2,397)	(6,630,618)
Total other financing sources (uses)	<u>10,162,376</u>	<u>1,690,605</u>	<u>1,034,220</u>	<u>173,189</u>	<u>13,060,390</u>
Net changes in fund balances	<u>19,453,077</u>	<u>(9,132,362)</u>	<u>(3,030,339)</u>	<u>269,475</u>	<u>7,559,851</u>
Fund balances - beginning	<u>44,957,034</u>	<u>30,718,226</u>	<u>3,587,145</u>	<u>1,959,555</u>	<u>81,221,960</u>
Fund balances - ending	<u>\$ 64,410,111</u>	<u>\$ 21,585,864</u>	<u>\$ 556,806</u>	<u>\$ 2,229,030</u>	<u>\$ 88,781,811</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds		\$ 7,559,851
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		19,728,578
Depreciation expense		(20,865,007)
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.		
		13,285,724
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		(1,482,541)
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	8,994,316	
Pension expenses	<u>(6,173,316)</u>	
		2,821,000
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 pension contributions	260,629	
Pension expenses	<u>1,743,689</u>	
		2,004,318
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.		
		(2,281,834)
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.		
		(374,842)
To eliminate transfers to the internal service fund		
		325,493
The net loss of certain activities of the internal service fund is reported with governmental activities.		
		<u>234,185</u>
Change in net position of governmental activities.		<u><u>\$ 20,954,925</u></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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 133,065,462	\$ 133,065,462	\$ 134,835,168	\$ 1,769,706
Regulatory licenses, permits and privilege fees	937,000	937,000	1,101,285	164,285
Intergovernmental	36,396,807	36,550,555	36,917,105	366,550
Fines and forfeitures	567,500	567,500	406,905	(160,595)
Revenue from use of money and property	634,080	634,080	1,404,801	770,721
Charges for services	11,666,657	11,666,657	10,743,235	(923,422)
Miscellaneous	975,873	979,673	1,348,568	368,895
Total revenues	<u>184,243,379</u>	<u>184,400,927</u>	<u>186,757,067</u>	<u>2,356,140</u>
Expenditures				
Current operating expenditures:				
General government	21,769,473	19,088,136	16,610,961	2,477,175
Judicial	4,915,127	5,063,814	5,032,655	31,159
Public safety	45,687,392	47,456,325	46,414,215	1,042,110
Public works	15,780,058	16,737,143	15,920,299	816,844
Health and human services	21,919,198	22,268,737	21,441,064	827,673
Cultural and recreational	8,749,940	9,026,040	8,825,071	200,969
Community development	5,395,115	5,533,107	4,817,967	715,140
Education	42,098,498	42,098,498	38,894,037	3,204,461
Debt service:				
Principal retirements	10,793,849	10,793,849	10,416,914	376,935
Interest payments and other fiscal charges	7,231,313	7,408,629	7,380,164	28,465
Issuance costs	-	399,784	346,067	53,717
Total expenditures	<u>184,339,963</u>	<u>185,874,062</u>	<u>176,099,414</u>	<u>9,774,648</u>
Excess (deficiency) of revenues over expenditures	<u>(96,584)</u>	<u>(1,473,135)</u>	<u>10,657,653</u>	<u>12,130,788</u>
Other financing sources (uses)				
Issuance of bonds	-	108,900	103,342	(5,558)
Issuance of refunding bonds	-	15,221,555	15,221,555	-
Premium on refunding debt issuance	-	1,700,762	1,700,762	-
Payments to escrow agent	-	(2,160,352)	(2,160,352)	-
Transfers in	-	252,397	252,397	-
Transfers out	(4,338,452)	(5,625,170)	(5,620,587)	4,583
Total other financing sources (uses)	<u>(4,338,452)</u>	<u>9,498,092</u>	<u>9,497,117</u>	<u>(975)</u>
Net changes in fund balances	<u>(4,435,036)</u>	<u>8,024,957</u>	<u>20,154,770</u>	<u>12,129,813</u>
Fund balances - beginning	<u>42,005,444</u>	<u>42,005,444</u>	<u>42,005,444</u>	<u>-</u>
Fund balances - ending	<u>\$ 37,570,408</u>	<u>\$ 50,030,401</u>	<u>\$ 62,160,214</u>	<u>\$ 12,129,813</u>

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

Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Assets						
Current assets:						
Cash and cash equivalents	\$ 8,418,023	\$ 10,682,580	\$ 3,206,414	\$ 3,294,709	\$ 25,601,726	\$ 2,362,970
Investments	6,423,343	3,222,109	-	-	9,645,452	-
Receivables, net of allowance:	1,617,835	2,975,376	469,804	96,273	5,159,288	32,621
Due from other funds	67,298	50,729	8,593	13,346	139,966	9,521
Due from other governments	-	-	-	230,128	230,128	-
Inventory	469,746	-	-	-	469,746	40,770
Prepays and other assets	-	-	-	-	-	985,806
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	414,188	-	-	414,188	-
Total current assets	16,996,245	17,344,982	3,684,811	3,634,456	41,660,494	3,431,688
Noncurrent assets:						
Due from other governments	-	-	61,117	-	61,117	-
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	2,924,205	-	-	2,924,205	-
Cash and cash equivalents	13,932,332	2,207,505	-	54,085	16,193,922	24,893
Capital assets, net of accumulated depreciation:	72,803,337	269,343,555	5,086,927	38,316,397	385,550,216	13,678,736
Total noncurrent assets	86,735,669	274,475,265	5,148,044	38,370,482	404,729,460	13,703,629
Total assets	103,731,914	291,820,247	8,832,855	42,004,938	446,389,954	17,135,317
Deferred Outflows of Resources						
Deferred charge on refunding	724,501	980,657	-	31,154	1,736,312	151,739
Deferred outflows related to pensions (Note 11 & 13)	728,305	456,230	77,226	133,067	1,394,828	99,800
Deferred outflows related to other postemployment benefits (Notes 14, 15 & 18)	18,276	11,448	1,938	3,339	35,001	2,504
Total deferred outflows of resources	1,471,082	1,448,335	79,164	167,560	3,166,141	254,043
Liabilities						
Current liabilities:						
Accounts payable and other liabilities	980,225	1,816,979	36,671	413,726	3,247,601	141,457
Accrued payroll and related liabilities	260,702	157,661	24,661	52,491	495,515	32,851
Accrued interest payable	757,282	302,871	-	14,027	1,074,180	27,342
Due to other funds	112,716	82,307	13,753	21,895	230,671	14,960
Due to other governments	-	-	2,993	-	2,993	-
Current portion of general obligation bonds	1,939,221	1,607,228	-	94,318	3,640,767	339,354
Current portion of public utility revenue bonds	-	6,351,572	40,332	-	6,391,904	-
Total current liabilities	4,050,146	10,318,618	118,410	596,457	15,083,631	555,964
Noncurrent liabilities:						
Deposits payable from restricted assets	1,035,232	-	-	7,620	1,042,852	-
Self insurance claims	197,579	33,089	-	8,995	239,663	-
Compensated absences	260,703	163,424	18,999	46,825	489,951	34,554
Pension plan obligation (Notes 11 & 13)	5,992,799	3,754,053	635,452	1,094,932	11,477,236	821,199
Other postemployment benefits obligations (Notes 14, 15 & 18)	5,218,993	3,571,630	337,898	822,585	9,951,106	655,610
Notes payable	21,803	591,828	4,672	-	618,303	-
General obligation bonds	55,329,346	26,980,178	-	1,111,858	83,421,382	3,725,212
Public utility revenue bonds	-	86,059,161	766,298	-	86,825,459	-
Total noncurrent liabilities	68,056,455	121,153,363	1,763,319	3,092,815	194,065,952	5,236,575
Total liabilities	72,106,601	131,471,981	1,881,729	3,689,272	209,149,583	5,792,539
Deferred Inflows of Resources						
Deferred inflows related to pensions (Notes 11 & 13)	605,045	379,017	64,156	110,546	1,158,764	82,910
Deferred inflows related to other postemployment benefits (Notes 14, 15 & 18)	1,396,773	958,328	88,692	219,092	2,662,885	174,982
Total deferred inflows of resources	2,001,818	1,337,345	152,848	329,638	3,821,649	257,892
Net Position						
Net investment in capital assets	29,134,568	154,280,143	4,336,742	37,141,375	224,892,828	10,776,608
Restricted for:						
Passenger facility charges	-	-	-	46,465	46,465	-
Unrestricted	1,960,009	6,179,113	2,540,700	965,748	11,645,570	562,321
Total net position	\$ 31,094,577	\$ 160,459,256	\$ 6,877,442	\$ 38,153,588	236,584,863	\$ 11,338,929
Reconciliation with business-type activities in the Statement of Net Position:						
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					(4,055,692)	
Total net position of business-type activities					\$ 232,529,171	

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds					
	Water	Sewer	Stormwater	Airport	Total	Internal Service
Operating revenues						
Charges for services and other operating revenues	\$ 15,362,052	\$ 22,635,664	\$ 3,212,572	\$ 2,470,025	\$ 43,680,313	\$ 5,450,859
Intergovernmental	-	-	275,000	120,048	395,048	-
Total operating revenues	<u>15,362,052</u>	<u>22,635,664</u>	<u>3,487,572</u>	<u>2,590,073</u>	<u>44,075,361</u>	<u>5,450,859</u>
Operating expenses						
Personal services and benefits	4,779,528	3,274,735	531,569	1,097,115	9,682,947	698,990
Operation and maintenance	1,750,445	3,533,634	451,961	965,901	6,701,941	1,815,728
Supplies and materials	1,435,848	1,386,495	127,008	114,948	3,064,299	27,151
Administration	1,431,196	2,467,815	1,576,573	272,997	5,748,581	4,658
Other charges	86,149	74,387	23,538	29,752	213,826	18,643
Depreciation	3,116,981	7,898,587	142,092	2,240,282	13,397,942	2,748,957
Total operating expenses	<u>12,600,147</u>	<u>18,635,653</u>	<u>2,852,741</u>	<u>4,720,995</u>	<u>38,809,536</u>	<u>5,314,127</u>
Operating income (loss)	<u>2,761,905</u>	<u>4,000,011</u>	<u>634,831</u>	<u>(2,130,922)</u>	<u>5,265,825</u>	<u>136,732</u>
Nonoperating revenues (expenses)						
Interest income	229,606	241,852	31,120	44,361	546,939	31,703
Miscellaneous	1,001	47,687	491	44,190	93,369	9,197
Gain on disposition of assets	18,282	16,393	-	12,487	47,162	263,905
Interest on long-term debt	(2,204,019)	(1,068,072)	(4,672)	(11,781)	(3,288,544)	(131,017)
IRS interest subsidy- Build America Bonds	234,615	42,851	-	-	277,466	-
Total nonoperating revenues (expenses)	<u>(1,720,515)</u>	<u>(719,289)</u>	<u>26,939</u>	<u>89,257</u>	<u>(2,323,608)</u>	<u>173,788</u>
Income (loss) before contributions and transfers	<u>1,041,390</u>	<u>3,280,722</u>	<u>661,770</u>	<u>(2,041,665)</u>	<u>2,942,217</u>	<u>310,520</u>
Capital contributions	-	2,992,600	555,034	1,985,329	5,532,963	-
Passenger facility charges	-	-	-	338,455	338,455	-
Transfers in	67,298	50,729	8,593	13,346	139,966	325,493
Transfers out	-	-	(4,215)	-	(4,215)	-
Change in net position	<u>1,108,688</u>	<u>6,324,051</u>	<u>1,221,182</u>	<u>295,465</u>	<u>8,949,386</u>	<u>636,013</u>
Total net position - beginning, as restated (Note 25)	<u>29,985,889</u>	<u>154,135,205</u>	<u>5,656,260</u>	<u>37,858,123</u>	<u>227,635,477</u>	<u>10,702,916</u>
Total net position - ending	<u>\$ 31,094,577</u>	<u>\$ 160,459,256</u>	<u>\$ 6,877,442</u>	<u>\$ 38,153,588</u>	<u>\$ 236,584,863</u>	<u>\$ 11,338,929</u>
Reconciliation with business-type activities in the Statement of Activities:						
Change in net position - enterprise funds reported in this statement					8,949,386	
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					<u>76,335</u>	
Change in net position of business-type activities:					<u>\$ 9,025,721</u>	

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Operating activities						
Cash received from operations	\$ 15,447,131	\$ 22,630,648	\$ 3,451,501	\$ 2,575,285	\$ 44,104,565	\$ 5,450,859
Cash paid to employees	(5,148,707)	(3,472,569)	(553,639)	(1,107,198)	(10,282,113)	(786,586)
Cash paid to suppliers	(4,652,764)	(7,381,823)	(2,168,700)	(1,382,849)	(15,586,136)	(1,856,463)
Net cash provided by operating activities	5,645,660	11,776,256	729,162	85,238	18,236,316	2,807,810
Noncapital financing activities						
Transfers in	67,298	50,729	8,593	13,346	139,966	325,493
Transfers out	-	-	(4,215)	-	(4,215)	-
Net cash provided by noncapital financing activities	67,298	50,729	4,378	13,346	135,751	325,493
Capital and related financing activities						
Proceeds from issuance of long-term debt:						
General obligation bonds	-	-	-	825,000	825,000	597,893
Bond anticipation notes	21,803	591,828	4,672	-	618,303	-
Proceeds from bond refunding	12,957,182	2,512,192	-	-	15,469,374	-
Escrow payments to refunding trust	(902,665)	(258,047)	-	-	(1,160,712)	-
Payment of long-term debt:						
General obligation bonds	(2,158,554)	(1,863,830)	-	(94,937)	(4,117,321)	(317,470)
Revenue bonds	-	(6,312,571)	-	-	(6,312,571)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	-	436,890	-	436,890	-
Payment of interest on long-term debt	(2,306,862)	(1,128,226)	(4,672)	(20,753)	(3,460,513)	(132,765)
Capital contributions received	-	2,907,614	555,034	2,076,663	5,539,311	-
Passenger facility charges collected	-	-	-	338,455	338,455	-
Proceeds from sale of capital assets	18,282	16,393	-	12,487	47,162	263,905
Additions to capital assets	(3,110,984)	(11,590,815)	(1,384,107)	(2,823,121)	(18,909,027)	(4,047,401)
Proceeds from (payments to) other governments	-	549,989	(1,229)	44,190	592,950	12,857
Payments from other organizations	21,697	80,688	491	-	102,876	-
Net cash provided by (used in) capital and related financing activities	4,539,899	(14,494,785)	(392,921)	357,984	(9,989,823)	(3,622,981)
Investing activities						
Net sales (purchase) of investments	(4,453,482)	(1,223,733)	-	-	(5,677,215)	499,687
Interest income received	464,221	284,703	31,120	44,361	824,405	31,703
Net cash provided by (used in) investing activities	(3,989,261)	(939,030)	31,120	44,361	(4,852,810)	531,390
Net increase (decrease) in cash and cash equivalents	6,263,596	(3,606,830)	371,739	500,929	3,529,434	41,712
Cash and cash equivalents						
Beginning	16,086,759	16,496,915	2,834,675	2,847,865	38,266,214	2,346,151
Ending	<u>\$ 22,350,355</u>	<u>\$ 12,890,085</u>	<u>\$ 3,206,414</u>	<u>\$ 3,348,794</u>	<u>\$ 41,795,648</u>	<u>\$ 2,387,863</u>
Reconciliation to Statement of Net Position						
Current Assets	\$ 8,418,023	\$ 10,682,580	\$ 3,206,414	\$ 3,294,709	\$ 25,601,726	\$ 2,362,970
Restricted Assets	13,932,332	2,207,505	-	54,085	16,193,922	24,893
	<u>\$ 22,350,355</u>	<u>\$ 12,890,085</u>	<u>\$ 3,206,414</u>	<u>\$ 3,348,794</u>	<u>\$ 41,795,648</u>	<u>\$ 2,387,863</u>

(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, 2018

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 2,761,905	\$ 4,000,011	\$ 634,831	\$ (2,130,922)	\$ 5,265,825	\$ 136,732
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	3,116,981	7,898,587	142,092	2,240,282	13,397,942	2,748,957
Other postemployment benefit expense net of employer contributions	(161,385)	(109,995)	(10,767)	(25,629)	(307,776)	(20,361)
Pension expense net of employer contributions	(188,607)	(144,148)	(11,149)	(6,573)	(350,477)	(66,798)
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	31,879	(5,016)	(36,071)	(11,488)	(20,696)	-
Increase in due from other funds	(67,298)	(50,729)	(8,593)	(13,346)	(139,966)	(9,521)
(Increase) decrease in inventory	(46,036)	-	-	-	(46,036)	1,534
Decrease in unearned revenue	-	-	-	(3,300)	(3,300)	-
Increase in accounts payable	96,910	80,508	10,380	719	188,517	8,183
Increase (decrease) in accrued expenses	(18,658)	54,612	(180)	20,886	56,660	748
Increase in due to other funds	66,769	52,426	8,619	14,579	142,393	8,336
Increase in deposits payable	53,200	-	-	30	53,230	-
Net cash provided by operating activities	<u>\$ 5,645,660</u>	<u>\$ 11,776,256</u>	<u>\$ 729,162</u>	<u>\$ 85,238</u>	<u>\$ 18,236,316</u>	<u>\$ 2,807,810</u>
Supplemental cash flow information						
Non-cash transactions						
Capitalized interest	\$ 43,867	\$ 103,416	\$ -	\$ 19,945	\$ 167,228	\$ -
Capital asset additions financed by retainage payable	\$ 73,098	\$ 370,765	\$ -	\$ -	\$ 443,863	\$ -
Capital asset additions financed by accounts payable	\$ 595,672	\$ 1,103,043	\$ 17,474	\$ -	\$ 1,716,189	\$ -
Amortization of debt related items	\$ (90,058)	\$ (72,989)	\$ -	\$ -	\$ (163,047)	\$ 8,177

Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2018

	<u>Special Welfare</u>
Assets	
Cash and cash equivalents	<u>\$ 169,656</u>
Total assets	<u><u>\$ 169,656</u></u>
Liabilities	
Accounts payable	\$ 4,314
Amounts held for others	<u>165,342</u>
Total liabilities	<u><u>\$ 169,656</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, 2018

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, 2018

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 FY2018, the City paid \$5,055,837 to the Authority.

Horizon Behavioral Health (formerly Central Virginia Community Services Board): The City, in conjunction with the counties of Amherst, Appomattox, Bedford, and Campbell participate in Horizon Behavioral Health, the governing Board of which is composed of two members from each of the participating localities. The City appropriated \$457,323 for an operating contribution in FY2018.

Regional Commission 2000: The City serves as the Local Workforce Development Area grant recipient on behalf of the Regional Commission 2000/Central Virginia Local Workforce Development Area VII. According to the requirements, grant funds are used to provide employment and training activities for adults and dislocated workers and to provide services for eligible youth. During FY2018, the Regional Commission 2000 received \$1,388,490 in grant funds.

Region 2000 Services Authority: During 2008, the City, in conjunction with the Counties of Campbell and Nelson and the City of Bedford, created the Region 2000 Services Authority (the "Authority"). The Authority commenced operations on July 1, 2008. The Authority operates two landfills. Each member jurisdiction pays a per-ton disposal charge for all waste transferred to the Authority. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-ton charge is based upon an assumed number of tons and is subject to adjustment at the end of each year. The governing Board is composed of one member from each of the participating localities. In accordance with the member use agreement, the City provided the Authority \$300,000 in initial start up costs. During FY2018, the City paid \$804,030 to the Authority.

Region 2000 Radio Communications Board: During 2012, the Central Virginia Regional Radio Communications Board was dissolved and replaced by the Region 2000 Radio Communications Board (the "Board"). Since the current regional radio system was in need of significant upgrade and replacement before July 1, 2014, the Board was formed in order to manage the project operations and maintenance, including the issuance of debt to finance the upgrades and replacements in an efficient and cost effective manner. The Board consists of representatives from Amherst County, Bedford County, the Town of Bedford, the City of Lynchburg, collectively the "Member Jurisdictions", and Virginia's Region 2000 Local Government Council ("Council"). The Member Jurisdictions and the Council entered into a Cooperative Agreement which requires each Member Jurisdiction to contribute their pro rata share for annual capital costs, operational costs, and any annual deficit. The City's pro rata share is 33.1% effective through July 1, 2013. In accordance with the Cooperative Agreement, the City transferred the title to all 1996 assets to the Council. The Council issued debt of \$13,100,000 in May 2012 to finance the upgrade and replacement of the existing radio system. Each Member Jurisdiction contributes toward the debt service payments made by the Council through their pro rata share of capital costs. The City's pro rata share of capital costs is 30.1%. Should the Council fail to make debt service payments, the Member Jurisdictions have a moral non-binding obligation to pay the debt service. During FY2018, the City paid \$720,393 to the Board. The City's scheduled capital cost payment for FY19 is \$720,173.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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 FY2018, the City appropriated \$244,411 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 FY2018, the City paid \$200,000 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, 2018

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 Trust, and Lynchburg Regional Juvenile Detention Center.

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

The City reports the following major proprietary funds:

Enterprise Funds: Enterprise Funds account for (a) the financing of services to the general public where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

These funds consist of the Water, Sewer, Stormwater, and Airport Funds.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2018

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

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

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

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

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

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

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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 and the Lynchburg Expressway Appearance Fund do not adopt a legal annual budget. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Typically, in early March the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1 and ending June 30 of the following year. The operating budget includes proposed expenditures and the means of financing them.
- Council studies the proposed budget at work sessions throughout the months of March and April and holds a public hearing to receive citizens' comments.
- The Council makes final budget decisions and adopts the budget through passage of an appropriations resolution during the month of May. By July 1 the City Manager prepares and distributes the adopted budget.
- The City prepares a five-year Capital Improvement Program (CIP) for the City Capital Projects, School Capital Projects, Water, Sewer, Stormwater, and Airport. The CIP specifies capital improvement or construction projects, which are tentatively identified for funding during the next five years, with the first year of the plan serving as the capital budget. Project budgets are utilized in the capital projects funds. Appropriations for the capital projects funds are continued until completion of applicable projects, even when projects extend for more than one fiscal year, or until repealed.
- Budgets for the General, Water, Sewer, Stormwater, Airport, Capital Projects, and all Special Revenue Funds are prepared in accordance with the City Charter on the modified accrual basis of accounting. Encumbrances are treated as committed and/or assigned fund balance and reappropriated in the next fiscal year. Revenues, expenditures, and transfers related to internal service type functions are included for budget purposes. The budget for the Lynchburg City Schools (School Operating Fund) is prepared on the modified accrual basis of accounting.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total budget amounts and/or appropriations of any fund require an amendment to the budget. The Code of Virginia requires that City Council approve any amendment. If the total of the proposed amendment exceeds one percent of the total budgeted revenue, the proposed amendment must be advertised and a public hearing must be held before City Council can act. After the public hearing, City Council can act on the proposed amendment. The Superintendent of the Schools is authorized to transfer budget amounts within departments; however, any revisions that alter total budget amounts of any department must be approved by the School Board.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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)	\$ 20,154,770
Add: Net change in fund balance for Technology Fund	<u>(701,693)</u>
Net change in fund balance (GAAP basis)	<u>\$ 19,453,077</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	\$ 2,134,523
General Fund, ambulance receivables	\$ 3,722,205
Enterprise Funds	\$ 240,095

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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. The City follows the policy of capitalizing, during the period of construction, the net interest costs on funds borrowed to finance the construction of enterprise funds' capital assets. During FY2018, the enterprise funds incurred interest costs of \$3,455,772 of which \$167,228 was capitalized.

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2018

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2018

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, 25% of the portfolio was invested in "Aaa" rated obligations; 2% was invested in "Aa1" Municipal Obligations; 1% was invested in "Aa2", 70% was invested in an "AAAm" rated LGIP fund; 2% of Commercial Paper was invested in "P-1". The "Aaa" rated portion of the total portfolio included 7% of obligations guaranteed by the U. S. Government; 16% of Federal Agencies; and 2% of Municipal Obligations (percentages are based on the total portfolio). On August 5, 2011, Standard & Poor's downgraded the long-term sovereign credit rating of the United States of America from "AAA" to "AA+" and affirmed the "A-1+" short-term rating. This downgrade relates to 25% of the City's portfolio previously noted as "Aaa" by Moody's Investors Service. All credit ratings presented in this paragraph are Moody's or Standard & Poor's as necessary.

Concentration of Credit Risk:

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

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

<u>Investment Type</u>	<u>% of Portfolio</u>
Municipal Bonds	5%
U.S. Treasury Notes	7%
Federal Home Loan Bank	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, 2018

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	\$ 61,383,533	-
Commercial Paper	1,970,174	224
U.S. Treasury Notes	6,424,098	169
Federal Farm Credit Bank	3,998,382	322
Federal Home Loan Bank	5,332,144	282
Federal National Mortgage Association	3,021,887	306
Federal Home Mortgage Corporation	2,733,263	301
Municipal Bonds	4,462,337	390
Total investments	<u>\$ 89,325,818</u>	
Portfolio weighted average maturity		80

* Weighted average maturity in days.

Custodial Credit Risk:

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

Restricted cash and temporary cash investments of the General, Special Revenue, City Capital Projects, and Enterprise Funds include certain deposits, grant advances, unspent bond proceeds restricted for capital projects, future debt payments on cross-over refundings, and amounts related to the Passenger Facility Charge program.

The above items are reflected in the statements as follows:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	\$ 17,300	\$ -
Deposits	53,214,809	9,807,954
Funds held in trust by others	-	685,125
Investments	89,325,818	-
	<u>\$ 142,557,927</u>	<u>\$ 10,493,079</u>
Statement of net position:		
Cash and cash equivalents	\$ 74,436,209	\$ 9,807,954
Investments	27,942,285	-
Restricted cash and cash equivalents	40,009,777	-
Fiduciary fund cash and cash equivalents	169,656	685,125
	<u>\$ 142,557,927</u>	<u>\$ 10,493,079</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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	\$ 6,424,098	\$ -	\$ -	\$ 6,424,098
U.S. Debt Securities	-	15,085,676	-	15,085,676
Municipal Bonds	-	4,462,337	-	4,462,337
Commercial Paper	-	1,970,174	-	1,970,174
	<u>\$ 6,424,098</u>	<u>\$ 21,518,187</u>	<u>\$ -</u>	<u>\$ 27,942,285</u>

Note 3. Property Taxes

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

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 4. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2018 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 743,358	\$ 412,865
Non-major Special Revenue Funds:		
City Federal/State Aid	263,378	477,147
Children's Services Act	-	570
Community Development Block Grant	-	285
HOME Investment Trust	-	39
Lynchburg Regional Juvenile Detention Center	-	19,686
Major Proprietary Funds:		
Sewer	50,729	82,307
Water	67,298	112,716
Stormwater	8,593	13,753
Airport	13,346	21,895
Internal Service	9,521	14,960
	<u>\$ 1,156,223</u>	<u>\$ 1,156,223</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, 2018

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

Interfund transfers were as follows:

	<u>To</u>	<u>From</u>
Major Fund:		
General	\$ 252,397	\$ 4,955,328
Non-major Special Revenue Funds:		
City Federal/State Aid	175,586	2,397
Major Fund – Capital Projects		
City Capital Projects	3,363,498	1,672,893
School Capital Projects	955,000	-
Major Proprietary Funds:		
Sewer	50,729	-
Water	67,298	-
Stormwater	8,593	4,215
Airport	13,346	-
Internal Service	<u>325,493</u>	<u>-</u>
Total Fund Transfers:	5,211,940	6,634,833
Entity-wide only transfer:		
Governmental activities:	<u>1,422,893</u>	<u>-</u>
	<u>\$ 6,634,833</u>	<u>\$ 6,634,833</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.

During FY2018 the City transferred bond proceeds that were received in a prior fiscal year to the Airport and Fleet funds. This transaction created a one-sided transfer out in the City Capital Projects Fund of \$1,422,893. The entity-wide only transfer represents the debt that was also transferred.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

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

	Due From Component Units	Due To Primary Government
Primary Government:		
Major Fund:		
General Fund	\$ 3,871,835	\$ -
Non-major Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
	<u>\$ 3,996,835</u>	<u>\$ -</u>
Component Units:		
Lynchburg City Schools	\$ -	\$ 3,547,093
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	-	324,742
	<u>\$ -</u>	<u>\$ 3,996,835</u>

Note 6. Due From Other Governments

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

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 6,753,252	\$ 230,128	\$ 4,738,240	\$ 653,270
Virginia Revolving Loan	-	61,117	-	-
Members of Regional Sewage Treatment Plant	-	3,338,393	-	-
	<u>\$ 6,753,252</u>	<u>\$ 3,629,638</u>	<u>\$ 4,738,240</u>	<u>\$ 653,270</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	\$ 414,188
Amount receivable 2 to 5 years	1,040,971
Amount receivable beyond 5 years	1,883,234
	<u>\$ 3,338,393</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2018

Note 7. Receivables

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

	<u>Taxes</u>	<u>Accounts</u>	<u>Other</u>	<u>Total</u>
Major funds:				
General	\$ 13,047,518	\$ 4,643,668	\$ 1,088,960	\$ 18,780,146
City Capital Projects	-	-	200,000	200,000
Water	-	1,617,835	-	1,617,835
Sewer	-	2,975,376	-	2,975,376
Stormwater	-	469,804	-	469,804
Airport	-	96,273	-	96,273
Internal Service	-	-	32,621	32,621
Non-major Governmental Funds	-	-	120,357	120,357
	<u>\$ 13,047,518</u>	<u>\$ 9,802,956</u>	<u>\$ 1,441,938</u>	<u>\$ 24,292,412</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 8. Capital Assets

Primary Government:

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

Governmental Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
<u>Capital assets, not being depreciated:</u>				
Land	\$ 20,330,650	\$ 2,522,396	\$ (50,860)	\$ 22,802,186
Construction in progress	10,148,495	19,083,380	(14,503,600)	14,728,275
Total capital assets, not being depreciated	30,479,145	21,605,776	(14,554,460)	37,530,461
<u>Capital assets, being depreciated:</u>				
Land improvements	57,446,053	4,622,074	-	62,068,127
Accumulated depreciation	(15,408,639)	(2,839,559)	-	(18,248,198)
Net land improvements	42,037,414	1,782,515	-	43,819,929
Buildings and improvements	303,652,332	4,175,782	(265,904)	307,562,210
Accumulated depreciation	(134,470,429)	(11,046,209)	244,032	(145,272,606)
Net buildings and improvements	169,181,903	(6,870,427)	(21,872)	162,289,604
Infrastructure	278,803,011	23,058,410	(788,707)	301,072,714
Accumulated depreciation	(150,907,702)	(7,706,607)	744,832	(157,869,477)
Net infrastructure	127,895,309	15,351,803	(43,875)	143,203,237
Machinery and equipment	52,324,499	4,781,850	(4,340,192)	52,766,157
Accumulated depreciation	(34,577,727)	(4,224,429)	3,820,796	(34,981,360)
Net machinery and equipment	17,746,772	557,421	(519,396)	17,784,797
Total capital assets being depreciated	692,225,895	36,638,116	(5,394,803)	723,469,208
Less: accumulated depreciation	(335,364,497)	(25,816,804)	4,809,660	(356,371,641)
Total capital assets, being depreciated	356,861,398	10,821,312	(585,143)	367,097,567
Capital assets, net	\$ 387,340,543	\$ 32,427,088	\$ (15,139,603)	\$ 404,628,028

There are no assets included above financed by capital leases as of June 30, 2018.

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, 2018

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 730,220
Education	7,400,710
Judicial	699,180
Health and human services	322,260
Public safety	2,232,040
Public works	9,837,539
Community development	195,076
Cultural and recreational	1,797,777
	<hr/>
Total governmental activities	23,214,802
	<hr/>
Business-type activities:	
Water	142,180
Sewer	246,557
Stormwater	1,812
Airport	8,612
	<hr/>
Total business-type activities	399,161
	<hr/>
Total depreciation	\$ 23,613,963

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 \$399,161 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, 2018

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	\$ 5,108,326	\$ 47,805	\$ -	\$ 5,156,131
Construction in progress	17,514,322	18,185,855	(22,910,486)	12,789,691
Total capital assets, not being depreciated	22,622,648	18,233,660	(22,910,486)	17,945,822
<u>Capital assets, being depreciated:</u>				
Land improvements	13,149,667	53,625	-	13,203,292
Accumulated depreciation	(12,094,739)	(121,187)	-	(12,215,926)
Net land improvements	1,054,928	(67,562)	-	987,366
Buildings and improvements	62,775,535	2,285,480	-	65,061,015
Accumulated depreciation	(31,103,834)	(1,936,842)	-	(33,040,676)
Net buildings and improvements	31,671,701	348,638	-	32,020,339
Infrastructure	454,818,166	20,529,870	-	475,348,036
Accumulated depreciation	(147,689,500)	(10,088,334)	-	(157,777,834)
Net infrastructure	307,128,666	10,441,536	-	317,570,202
Machinery and equipment	23,647,145	747,936	(231,639)	24,163,442
Accumulated depreciation	(11,152,569)	(1,108,020)	231,639	(12,028,950)
Net machinery and equipment	12,494,576	(360,084)	-	12,134,492
Capitalized interest	7,177,974	167,227	-	7,345,201
Accumulated depreciation	(2,309,647)	(143,559)	-	(2,453,206)
Net capitalized interest	4,868,327	23,668	-	4,891,995
Total capital assets being depreciated	561,568,487	23,784,138	(231,639)	585,120,986
Less: accumulated depreciation	(204,350,289)	(13,397,942)	231,639	(217,516,592)
Total capital assets, being depreciated	357,218,198	10,386,196	-	367,604,394
Capital assets, net	\$ 379,840,846	\$ 28,619,856	\$ (22,910,486)	\$ 385,550,216

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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	\$ 14,394,053	\$ 1,629,748	\$ (397,068)	\$ 15,626,733
Accumulated depreciation	(8,260,000)	(1,311,211)	368,256	(9,202,955)
Net equipment	<u>6,134,053</u>	<u>318,537</u>	<u>(28,812)</u>	<u>6,423,778</u>
Equipment – cafeteria	1,197,397	89,781	-	1,287,178
Accumulated depreciation	(885,340)	(70,618)	-	(955,958)
Net equipment – cafeteria	<u>312,057</u>	<u>19,163</u>	<u>-</u>	<u>331,220</u>
Total capital assets being depreciated	15,591,450	1,719,529	(397,068)	16,913,911
Less: accumulated depreciation	<u>(9,145,340)</u>	<u>(1,381,829)</u>	<u>368,256</u>	<u>(10,158,913)</u>
Capital assets, net	<u>\$ 6,446,110</u>	<u>\$ 337,700</u>	<u>\$ (28,812)</u>	<u>\$ 6,754,998</u>

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

Land, buildings, and improvements	\$ 33,081,362
Construction in progress	42,552
Machinery and equipment	<u>27,223,643</u>
	60,347,557
Less accumulated depreciation	<u>20,339,766</u>
	<u>\$ 40,007,791</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 9. Long-Term Liabilities

Primary Government:

General Obligation Debt:

As of June 30, 2018	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	6/19/2018	2020	50,000,000	\$ 73,751	\$ 108,810	\$ 618,304	\$ 800,865
Serial Bonds								
VA Resources Authority	0.00	3/24/1994	2027	3,976,369	-	-	1,037,859	1,037,859
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	777,805	-	777,805
VPSA General Obligation	2.35-4.85	11/7/2002	2023	6,513,732	-	1,795,410	-	1,795,410
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	2,804,492	-	2,804,492
Public Improvement Series A Tax Exempt	1.00-5.00	8/13/2009	2022	17,230,000	830,000	1,180,000	1,000,000	3,010,000
Public Improvement Series B Taxable Build America Bonds (BABs)	5.05-6.61	8/13/2009	2040	27,420,000	4,399,395	9,450,605	13,570,000	27,420,000
Public Improvement Series C Refunding	2.00-4.00	8/13/2009	2023	12,800,000	915,043	484,673	1,525,284	2,925,000
VPSA General Obligation	0.00	11/13/2009	2027	10,255,000	-	6,750,000	-	6,750,000
Public Improvement Refunding	2.00-5.00	10/20/2010	2034	29,655,000	7,135,711	5,425,198	8,874,091	21,435,000
Public Improvement Refunding	3.80	12/19/2012	2023	4,129,625	2,106,461	-	-	2,106,461
Public Improvement	2.75	10/23/2013	2028	10,000,000	5,178,592	687,008	1,466,400	7,332,000
Public Improvement	2.00-5.00	7/10/2014	2044	101,730,000	17,740,000	62,165,000	16,035,000	95,940,000
Public Improvement Refunding	5.00	7/10/2014	2026	13,460,000	7,189,323	2,835,401	1,240,276	11,265,000
Public Improvement Refunding (Bond R-1)	1.60	3/12/2015	2020	9,657,000	577,920	344,064	422,016	1,344,000
Public Improvement Refunding (Bond R-2)	2.34	3/12/2015	2030	3,768,000	1,338,590	796,928	977,482	3,113,000
Public Improvement	2.00-5.00	5/19/2016	2046	26,945,000	13,272,874	-	12,167,126	25,440,000
Public Improvement Refunding	2.00-5.00	5/19/2016	2038	20,350,000	7,176,860	-	12,958,140	20,135,000
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
					<u>\$ 73,030,009</u>	<u>\$ 105,731,460</u>	<u>\$ 85,770,423</u>	<u>\$ 264,531,892</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 \$44,455,000 at June 30, 2018.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

General Obligation Debt: (Continued)

The Constitution of Virginia, Article VII, Section 10(a) sets forth the City's legal debt limit at ten percent (10%) of its real estate assessed valuation for the City's issuance of any bonds or other interest-bearing obligations. As of June 30, the City's aggregate general obligation indebtedness was \$264,531,892 and less than the state limit. In December 2006, City Council amended the Debt Management Policy, which limited tax-supported debt to four and a half percent (4.50%) of its net assessed valuation of taxable property (general obligation bonds issued for self-supporting enterprise funds are not included in this calculation). City Council reaffirmed the Debt Policy on November 23, 2010 with one revision to debt service payments for revenue supported debt from twenty to thirty years. City Council revised the Debt Policy on February 26, 2013 in the section entitled Tax-Supported Debt, Item 6. Previously, the Policy stated that the 10-Year Principal Payout Ratio shall not be less than 60%. With this revision, the Policy now states that the 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program. City Council revised the Debt Policy on March 22, 2016 with revisions to revenue supported debt in order to comply with the new Consent Order regarding the Combined Sewer Overflow (CSO) program. The policy was reaffirmed on March 27, 2018 with no changes. The principal payout ratio for the year ended June 30 was 65.48%. As shown in the Supplementary Statistical Table 22, outstanding tax-supported debt was 3.15% of net assessed valuation of taxable property. There are no overlapping tax jurisdictions.

Revenue Debt:

As of June 30, 2018	Interest Rates %	Date Issued	Final Maturity	Original Issue	Sewer Fund	Stormwater Fund	Total
Virginia Resources Authority							
Public Utility Revenue Bonds	0.00	3/28/1995	2027	\$ 6,571,207	\$ 1,463,915	\$ -	\$ 1,463,915
Public Utility Revenue Bonds	0.00	8/10/1995	2029	10,000,000	2,789,683	-	2,789,683
Public Utility Revenue Bonds	0.00	6/27/1996	2029	8,000,000	2,159,488	-	2,159,488
Public Utility Revenue Bonds	0.00	7/17/1997	2030	7,591,540	2,552,973	-	2,552,973
Public Utility Revenue Bonds	3.00	7/17/1997	2020	14,108,460	1,426,370	-	1,426,370
Public Utility Revenue Bonds	0.00	8/21/1998	2031	6,203,000	2,323,642	-	2,323,642
Public Utility Revenue Bonds	3.00	5/27/1999	2020	2,476,763	249,921	-	249,921
Public Utility Revenue Bonds	0.00	2/11/2000	2021	5,300,000	836,842	-	836,842
Public Utility Revenue Bonds	0.00	2/15/2001	2032	735,000	305,329	-	305,329
Public Utility Revenue Bonds	3.50	6/8/2001	2021	2,835,000	588,542	-	588,542
Public Utility Revenue Bonds	0.00	11/6/2001	2034	1,413,613	677,456	-	677,456
Public Utility Revenue Bonds	0.00	9/15/2003	2036	2,350,165	1,330,321	-	1,330,321
Public Utility Revenue Bonds	0.00	5/20/2004	2038	6,000,000	3,700,000	-	3,700,000
Public Utility Revenue Bonds	0.00	5/17/2005	2038	6,700,000	4,243,333	-	4,243,333
Public Utility Revenue Bonds	0.00	6/28/2006	2039	9,600,000	6,560,000	-	6,560,000
Public Utility Revenue Bonds	0.00	6/20/2007	2039	7,000,000	4,900,000	-	4,900,000
Public Utility Revenue Bonds	0.00	6/5/2008	2041	12,350,000	9,262,500	-	9,262,500
Public Utility Revenue Bonds	0.00	6/25/2009	2041	19,000,000	14,566,667	-	14,566,667
Public Utility Revenue Bonds	0.00	6/17/2010	2042	13,100,000	10,480,000	-	10,480,000
Public Utility Revenue Bonds	0.00	6/15/2011	2033	9,350,928	7,005,417	-	7,005,417
Public Utility Revenue Bonds	0.00	6/15/2011	2045	10,100,000	8,921,667	-	8,921,667
Public Utility Revenue Bonds	0.00	6/6/2012	2044	7,000,000	6,066,667	-	6,066,667
Public Utility Revenue Bonds	0.00	1/5/2017	2038	806,630	-	806,630	806,630
					<u>\$ 92,410,733</u>	<u>\$ 806,630</u>	<u>\$ 93,217,363</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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Revenue Debt: (Continued)

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

The indenture agreement requires the City to pledge its Sewer Fund and Stormwater Fund Revenues as collateral for the revenue bonds and to maintain debt coverage ratio at least equal to 1.15. As shown in the Supplementary Statistical Table 24, the Sewer Fund’s debt coverage ratio for the year ended June 30 was 1.39. There was no calculation of Stormwater Fund’s debt coverage since the first debt service payment will not incur until FY 2019.

The following is a summary of change in long-term liabilities for FY 2018:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond anticipation notes	\$ -	\$ 182,562	\$ -	182,562	\$ -
General obligation bonds	180,737,280	15,221,555	13,580,565	182,378,270	11,019,202
Note payable*	1,220,000	-	180,000	1,040,000	180,000
Other long term payable **	-	4,375,552	437,555	3,937,997	437,555
Adjust for deferred amounts:					
Issuance discounts	(533,088)	-	(53,309)	(479,779)	-
Issuance premiums	12,676,441	1,700,762	1,286,978	13,090,225	-
Total bonds and notes	194,100,633	21,480,431	15,431,789	200,149,275	11,636,757
Workers’ compensation***	2,696,111	1,593,801	875,065	3,414,847	409,782
Compensated absences***	4,129,626	3,156,710	3,059,057	4,227,279	507,274
	<u>\$200,926,370</u>	<u>\$ 26,230,942</u>	<u>\$ 19,365,911</u>	<u>\$207,791,401</u>	<u>\$ 12,553,813</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

The following is a summary of change in long-term liabilities for FY 2018: (Continued)

Business-Type Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond anticipation notes	\$ -	\$ 618,303	\$ -	\$ 618,303	\$ -
General obligation bonds	71,916,758	14,633,320	5,197,321	81,352,757	3,640,767
Public utility revenue bonds	99,529,934	-	6,312,571	93,217,363	6,391,904
Adjust for deferred amounts:					
Issuance premiums	4,483,341	1,661,054	435,003	5,709,392	-
Total bonds and notes	175,930,033	16,912,677	11,944,895	180,897,815	10,032,671
Workers' compensation	256,986	99,717	84,359	272,344	32,681
Compensated absences	551,727	479,219	474,184	556,762	66,811
	<u>\$176,738,746</u>	<u>\$ 17,491,613</u>	<u>\$ 12,503,438</u>	<u>\$181,726,921</u>	<u>\$ 10,132,163</u>

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

** 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, 2018

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Debt Service to Maturity:

Year Ending June 30	Governmental Activities					
	General Obligation		Note Payable		Other Long Term Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 11,019,202	\$ 7,437,876	\$ 180,000	\$ 20,215	\$ 437,555	\$ -
2020	11,272,873	7,013,322	180,000	17,326	437,555	-
2021	11,570,557	6,578,012	180,000	13,852	437,555	-
2022	11,643,537	6,112,215	180,000	9,955	437,555	-
2023	12,448,617	5,610,385	320,000	3,920	437,555	-
2024-2028	51,352,600	20,508,904	-	-	1,750,222	-
2029-2033	32,250,987	11,856,244	-	-	-	-
2034-2038	22,711,984	6,209,738	-	-	-	-
2039-2043	15,457,913	2,229,111	-	-	-	-
2044	2,650,000	106,000	-	-	-	-
	<u>\$ 182,378,270</u>	<u>\$ 73,661,807</u>	<u>\$ 1,040,000</u>	<u>\$ 65,268</u>	<u>\$ 3,937,997</u>	<u>\$ -</u>

Year Ending June 30	Business-Type Activities					
	General Obligation					
	Water Fund		Airport Fund		Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,939,221	\$ 2,337,209	\$ 94,318	\$ 45,250	\$ 1,607,228	\$ 991,577
2020	1,812,819	2,259,208	63,265	39,939	1,384,935	940,838
2021	1,774,245	2,186,566	66,702	36,776	1,287,423	895,385
2022	1,783,800	2,115,369	69,871	33,441	1,302,225	849,626
2023	2,221,672	2,024,576	73,567	29,947	1,406,338	795,277
2024-2028	11,292,712	8,444,745	329,143	94,372	6,149,158	3,138,350
2029-2033	12,023,689	5,780,099	234,913	47,556	5,305,411	2,038,689
2034-2038	12,825,065	3,103,689	159,952	9,697	4,662,999	1,118,390
2039-2043	6,626,000	740,127	-	-	2,581,086	407,363
2044-2046	1,240,000	66,150	-	-	1,035,000	59,050
	<u>\$ 53,539,223</u>	<u>\$ 29,057,738</u>	<u>\$ 1,091,731</u>	<u>\$ 336,978</u>	<u>\$ 26,721,803</u>	<u>\$ 11,234,545</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Debt Service to Maturity: (Continued)

Year Ending June 30	Business-Type Activities			
	Revenue Bonds			
	Sewer Fund		Stormwater Fund	
	Principal	Interest	Principal	Interest
2019	\$ 6,351,572	\$ 60,988	\$ 40,332	\$ -
2020	5,816,175	20,775	40,332	-
2021	5,255,995	5,345	40,332	-
2022	4,774,022	-	40,332	-
2023	4,774,022	-	40,331	-
2024-2028	23,243,648	-	201,657	-
2029-2033	18,762,958	-	201,657	-
2034-2038	14,774,841	-	201,657	-
2039-2043	7,919,167	-	-	-
2044-2045	738,333	-	-	-
	<u>\$ 92,410,733</u>	<u>\$ 87,108</u>	<u>\$ 806,630</u>	<u>\$ -</u>

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

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

As part of the above refunding, \$3,165,000 of bonds with an average interest rate of 3.00% were issued to advance refund \$3,090,000 of principal for the 2009A Bonds. There was no call premium for these refunded bonds. The City deposited the net proceeds from the refunding bonds in an irrevocable trust with an escrow agent that purchased U. S. Government securities. The trust will provide funds for future debt service on the refunded bonds for maturities from FY 2021 and FY 2022. The City will fund maturities through FY 2020. As of the bond closing date of September 26, 2017, these refunded bonds are considered defeased and the liability for them has been removed from the financial statements. The advance refunding reduced the total debt service payments over the next 4 years by \$148,506 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$149,451. This advance refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of \$231,064. This difference will be reported in the financial statements as deferred debt charges, and will be amortized as a component of interest expenses through FY 2022 over the life of the refunded bonds. The outstanding principal of the Series 2009A Bonds in-substance defeased will be \$3,090,000 until the redemption date of August 1, 2019.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

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

Also as part of the above refunding, \$25,935,000 of bonds with an average interest rate of 3.63% were issued to advance refund, pursuant to a crossover refunding, \$27,420,000 of principal for the 2009B Bonds. There was no call premium for these refunded bonds. The City deposited the net proceeds from the refunding bonds in an irrevocable trust with an escrow agent that purchased U. S. Government securities. The trust will provide funds to (i) pay when due the interest on the Series 2017 Refunding bonds to August 1, 2019 (the "Crossover Date") and (ii) to pay the principal of the Refunded Bonds upon their redemption on the Crossover Date. The Refunded Bonds have not been defeased and the debt service on such Refunded Bonds to the Crossover Date shall remain a general obligation of the City. The crossover refunding will reduce the total debt service payments over the next 22 years by \$4,421,198 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,272,779. This advance refunding resulted in the total difference between the reacquisition price and the net carrying value of the old debt of \$1,177,355. This difference will be reported in the financial statements as deferred debt charges, and will be amortized as a component of interest expense through FY 2040 over the remaining life of the refunded bonds, which is the same as the life of the refunding bonds.

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 is paid monthly. All outstanding amounts are due on June 15, 2020. Outstanding principal as of June 30 is \$800,865.

Component Unit – Lynchburg City Schools:

The following is a summary of changes in other long-term liabilities for FY 2018:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	\$ 870,164	\$ 900,882	\$ 879,133	\$ 891,913	\$ 639,734
	<u>\$ 870,164</u>	<u>\$ 900,882</u>	<u>\$ 879,133</u>	<u>\$ 891,913</u>	<u>\$ 639,734</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 10. Fund Equity Balances

Fund Balance Policy:

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

For FY 2018 the City was in compliance with the Fund Balance Policy.

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2018

	MAJOR FUNDS			NON MAJOR SPECIAL REVENUE FUNDS			
	GENERAL FUND	CITY CAPITAL PROJECTS	SCHOOL CAPITAL PROJECTS	CITY FEDERAL STATE AID	COMMUNITY DEVELOPMENT BLOCK GRANT	LYNCHBURG BUSINESS DEVELOPMENT CENTRE	FORFEITED ASSETS
FUND BALANCES							
Nonspendable							
Advance to Lynchburg United Soccer	\$ -	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Transportation projects	-	926,079	-	-	-	-	-
Fire Department	-	-	-	204,832	-	-	-
Public Safety	-	-	-	39,575	-	-	-
Economic Development	-	-	-	14,617	-	-	-
Grants	-	-	-	59,316	-	-	-
CDBG - Bluffwalk	-	-	-	-	859,020	-	-
Juvenile Detention Center	-	-	-	-	-	-	-
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	-	102,143
Federal Asset Forfeiture - Police	-	-	-	-	-	-	33,412
State Asset Forfeiture - Police	-	-	-	-	-	-	75,288
Health and Human Services	-	-	-	-	-	-	-
Lynchburg Expressway beautification	-	-	-	-	-	-	-
HOME projects	-	-	-	-	-	-	-
Crossover Bond Refunding Proceeds	14,401,700	-	-	-	-	-	-
Committed to:							
Technology	2,302,980	-	-	-	-	-	-
Detention Home Workers Compensation	100,000	-	-	-	-	-	-
Schools for Textbooks	901,869	-	-	-	-	-	-
Schools for Health Insurance Reserve	766,925	-	-	-	-	-	-
Other Postemployment Benefits	2,676,475	-	-	-	-	-	-
Solid Waste Debt Retirement	165,612	-	-	-	-	-	-
Schools Special Education	321,000	-	-	-	-	-	-
GLTC Special Reserve	1,860,289	-	-	-	-	-	-
Self Insurance	1,340,083	-	-	-	-	-	-
Capital Maintenance Reserve	375,900	-	-	-	-	-	-
Fuel	100,000	-	-	-	-	-	-
Drug Court Program	25,000	-	-	-	-	-	-
Concord Turnpike Landfill Maintenance	50,000	-	-	-	-	-	-
Long Term On-Time Debt Financing	375,000	-	-	-	-	-	-
Citywide Compensation Study	450,000	-	-	-	-	-	-
Community Development	194	-	-	-	-	-	-
Cultural and Recreational	5,284	-	-	-	-	-	-
General Government	106,849	-	-	-	-	-	-
Health and Welfare	3,892	-	-	-	-	-	-
Judicial	2,796	-	-	-	-	-	-
Public Safety	4,718	-	-	-	-	-	-
Public Works	804,322	-	-	-	-	-	-
Sale of downtown GEFA building	-	116,388	-	-	-	-	-
Building projects	-	4,651,155	-	-	-	-	-
Transportation projects	-	13,384,123	-	-	-	-	-
Economic Development projects	-	858,289	-	-	-	-	-
Parks and Recreation projects	-	1,366,778	-	-	-	-	-
Waste Management projects	-	83,052	-	-	-	-	-
School Construction and Maintenance	-	-	556,806	-	-	-	-
Provision of loan funds for small businesses	-	-	-	-	-	125,384	-
Assigned to:							
Return of School Fund Balance	3,547,093	-	-	-	-	-	-
Law Library	46,705	-	-	-	-	-	-
Museum	50,028	-	-	-	-	-	-
Recreation Programs	52,441	-	-	-	-	-	-
Pier Program	134,218	-	-	-	-	-	-
Health Insurance Reserve	1,415,218	-	-	-	-	-	-
Fire Equipment	8,397	-	-	-	-	-	-
Line of Duty Death Benefit	501,440	-	-	-	-	-	-
Future Landfill Needs	260,998	-	-	-	-	-	-
Parking Operations	122,229	-	-	-	-	-	-
Point of Honor	2,653	-	-	-	-	-	-
Police Range Operations	1,001	-	-	-	-	-	-
Future Police Building	72,906	-	-	-	-	-	-
Fire Restitution	99	-	-	-	-	-	-
Adopt-A-Bed	2,127	-	-	-	-	-	-
Virginia Land Conservancy	2,314	-	-	-	-	-	-
General Government	148,295	-	-	-	-	-	-
Health and Welfare	64,759	-	-	-	-	-	-
Public Safety	91,797	-	-	-	-	-	-
Public Works	1,015,715	-	-	-	-	-	-
Community Development	9,850	-	-	-	-	-	-
Community Diversion	195,430	-	-	-	-	-	-
Cultural & Recreational	13,984	-	-	-	-	-	-
Fire Training Center	5,000	-	-	-	-	-	-
Downtown Projects	307,000	-	-	-	-	-	-
Major Maintenance and Equipment replacement	-	-	-	-	-	-	-
Unassigned:	29,197,526	-	-	-	-	-	-
Total Fund Balance	\$ 64,410,111	\$ 21,585,864	\$ 556,806	\$ 318,340	\$ 859,020	\$ 125,384	\$ 210,843

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2018

	NON MAJOR SPECIAL REVENUE FUNDS				
	CHILDREN'S SERVICES ACT	LYNCHBURG EXPRESSWAY APPEARANCE	HOME INVESTMENT TRUST	LYNCHBURG REGIONAL JUVENILE DETENTION CENTER	ALL FUNDS
FUND BALANCES					
Nonspendable					
Advance to Lynchburg United Soccer	\$ -	\$ -	\$ -	\$ -	\$ 200,000
Restricted for:					
Transportation projects	-	-	-	-	926,079
Fire Department	-	-	-	-	204,832
Public Safety	-	-	-	-	39,575
Economic Development	-	-	-	-	14,617
Grants	-	-	-	-	59,316
CDBG - Bluffwalk	-	-	-	-	859,020
Juvenile Detention Center	-	-	-	40,593	40,593
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	102,143
Federal Asset Forfeiture- Police	-	-	-	-	33,412
State Asset Forfeiture - Police	-	-	-	-	75,288
Health and Human Services	335,312	-	-	-	335,312
Lynchburg Expressway beautification	-	200,159	-	-	200,159
HOME projects	-	-	39,367	-	39,367
Crossover Bond Refunding Proceeds	-	-	-	-	14,401,700
Committed to:					
Technology	-	-	-	-	2,302,980
Detention Home Workers Compensation	-	-	-	-	100,000
Schools for Textbooks	-	-	-	-	901,869
Schools for Health Insurance Reserve	-	-	-	-	766,925
Other Postemployment Benefits	-	-	-	-	2,676,475
Solid Waste Debt Retirement	-	-	-	-	165,612
Schools Special Education	-	-	-	-	321,000
GLTC Special Reserve	-	-	-	-	1,860,289
Self Insurance	-	-	-	-	1,340,083
Capital Maintenance Reserve	-	-	-	-	375,900
Fuel	-	-	-	-	100,000
Drug Court Program	-	-	-	-	25,000
Concord Turnpike Landfill Maintenance	-	-	-	-	50,000
Long Term On-Time Debt Financing	-	-	-	-	375,000
Citywide Compensation Study	-	-	-	-	450,000
Community Development	-	-	-	-	194
Cultural and Recreational	-	-	-	-	5,284
General Government	-	-	-	-	106,849
Health and Welfare	-	-	-	-	3,892
Judicial	-	-	-	-	2,796
Public Safety	-	-	-	-	4,718
Public Works	-	-	-	-	804,322
Sale of downtown GEFA building	-	-	-	-	116,388
Building projects	-	-	-	-	4,651,155
Transportation projects	-	-	-	-	13,384,123
Economic Development projects	-	-	-	-	858,289
Parks and Recreation projects	-	-	-	-	1,366,778
Waste Management projects	-	-	-	-	83,052
School Construction and Maintenance	-	-	-	-	556,806
Provision of loan funds for small businesses	-	-	-	-	125,384
Assigned to:					
Return of School Fund Balance	-	-	-	-	3,547,093
Law Library	-	-	-	-	46,705
Museum	-	-	-	-	50,028
Recreation Programs	-	-	-	-	52,441
Pier Program	-	-	-	-	134,218
Health Insurance Reserve	-	-	-	-	1,415,218
Fire Equipment	-	-	-	-	8,397
Line of Duty Death Benefit	-	-	-	-	501,440
Future Landfill Needs	-	-	-	-	260,998
Parking Operations	-	-	-	-	122,229
Point of Honor	-	-	-	-	2,653
Police Range Operations	-	-	-	-	1,001
Future Police Building	-	-	-	-	72,906
Fire Restitution	-	-	-	-	99
Adopt-A-Bed	-	-	-	-	2,127
Virginia Land Conservancy	-	-	-	-	2,314
General Government	-	-	-	-	148,295
Health and Welfare	-	-	-	-	64,759
Public Safety	-	-	-	-	91,797
Public Works	-	-	-	-	1,015,715
Community Development	-	-	-	-	9,850
Community Diversion	-	-	-	-	195,430
Cultural & Recreational	-	-	-	-	13,984
Fire Training Center	-	-	-	-	5,000
Downtown Projects	-	-	-	-	307,000
Major Maintenance and Equipment replacement	-	-	-	100,012	100,012
Unassigned:					29,197,526
Total Fund Balance	\$ 335,312	\$ 200,159	\$ 39,367	\$ 140,605	\$ 88,781,811

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 11. Defined Benefit Pension Plan – City of Lynchburg

Plan Description

The City contributes to the Virginia Retirement System (“VRS”), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (“the System”). All full-time, salaried permanent employees of the City of Lynchburg, Virginia, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

Plan Description (Continued)

Plan 1 (Continued)

- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

Plan Description (Continued)

Plan 1 (Continued)

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

Plan 2 – Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

Plan Description (Continued)

Plan 2 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service** –
 - **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Vesting –**
 - **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component** – See definition under Plan 1.
 - **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
 - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility –**
 - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement**
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.
- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service –**
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2016 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>987</u>
Inactive members:	
Vested inactive members	191
Non-vested inactive members	246
Inactive members active elsewhere in VRS	<u>306</u>
Total inactive members	743
Active members	<u>1,172</u>
Total covered employees	<u><u>2,902</u></u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 18.69% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$10,288,625 and \$9,920,907 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

Actuarial Assumptions (Continued)

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-2000 Mortality Table Projected to 2020 with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

*The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	\$ 354,164,051	\$ 241,717,967	\$ 112,446,084
Changes for the year:			
Service cost	6,432,589	-	6,432,589
Interest	24,063,948	-	24,063,948
Changes of assumptions	2,149,134		2,149,134
Differences between expected and actual experience	(5,899,588)	-	(5,899,588)
Contributions – employer	-	9,920,997	(9,920,997)
Contributions – employee	-	2,766,837	(2,766,837)
Net investment income	-	28,939,509	(28,939,509)
Benefit payments, including refunds of employee contributions	(20,786,742)	(20,786,742)	-
Administrative expenses	-	(171,345)	171,345
Other changes	-	(25,640)	25,640
Net changes	5,959,341	20,643,616	(14,684,275)
Balances at June 30, 2017	\$ 360,123,392	\$ 262,361,583	\$ 97,761,809

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Political subdivision's net pension liability	<u>\$ 141,399,436</u>	<u>\$ 97,761,809</u>	<u>\$ 61,249,985</u>

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$6,804,817. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,293,584
Change in assumptions	1,592,364	-
Net difference between projected and actual earnings on pension plan investments	-	3,576,641
Employer contributions subsequent to the measurement date	<u>10,288,625</u>	<u>-</u>
Total	<u>\$ 11,880,989</u>	<u>\$ 9,870,225</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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 \$10,288,625 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, 2019. 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,	Increase (Reduction) to Pension Expense
2019	(4,491,965)
2020	(528,268)
2021	(795,705)
2022	(2,461,923)
2023	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018, approximately \$1,333,690 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 11. Defined Benefit Pension Plan – School Nonprofessionals

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. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in for the City.

Employees Covered by Benefit Terms

As of the June 30, 2016 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>103</u>
Inactive members:	
Vested inactive members	8
Non-vested inactive members	55
Inactive members active elsewhere in VRS	<u>36</u>
Total inactive members	99
Active members	<u>147</u>
Total covered employees	<u><u>349</u></u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2018 was 6.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Contributions to the pension plan from the school division were \$220,634 and \$219,709 for the years ended June 30, 2018 and June 30, 2017, respectively.

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, 2016	\$ 14,034,238	\$ 12,910,836	\$ 1,123,402
Changes for the year:			
Service cost	373,924	-	373,924
Interest	975,399	-	975,399
Differences between expected and actual experience	(422,634)	-	(422,634)
Assumption Changes	(121,805)	-	(121,805)
Contributions – employer	-	219,709	(219,709)
Contributions – employee	-	175,343	(175,343)
Net investment income	-	1,590,569	(1,590,569)
Benefit payments, including refunds of employee contributions	(774,037)	(774,037)	-
Administrative expenses	-	(9,373)	9,373
Other changes	-	(8,284)	8,284
Net changes	30,848	1,193,928	(1,163,080)
Balances at June 30, 2017	\$ 14,065,086	\$ 14,104,764	\$ (39,678)

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 11. Defined Benefit Pension Plan – School Nonprofessionals (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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's net pension liability	<u>\$ 1,535,554</u>	<u>\$ (39,678)</u>	<u>\$ (1,372,711)</u>

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

For the year ended June 30, 2018, the school division recognized pension expense (income) of \$(262,046). At June 30, 2018, 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	\$ -	\$ 466,161
Change in assumptions	-	77,990
Net difference between projected and actual earnings on pension plan investments	-	204,541
Employer contributions subsequent to the measurement date	<u>220,634</u>	<u>-</u>
Total	<u>\$ 220,634</u>	<u>\$ 748,692</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

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

The \$220,634 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, 2019. 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,	Increase (Reduction) to Pension Expense
2019	(525,325)
2020	(89,009)
2021	1,812
2022	(136,170)
2023	-
Thereafter	-

Payables to the Pension Plan

At June 30, 2018 approximately \$32,500 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. 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 \$8,541,841 and \$7,907,963 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$84,026,894 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.709% as compared to 0.729% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$6,777,124. 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 12. Defined Benefit Pension Plan – Lynchburg City Schools Teacher Cost Sharing Plan (Continued)**General Information about the Teacher Cost Sharing Plan (Continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

At June 30, 2018, 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	\$ -	\$ 5,948,883
Change in assumptions	1,225,988	-
Net difference between projected and actual earnings on pension plan investments	-	3,052,932
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,725,488	2,065,785
Employer contributions subsequent to the measurement date	8,541,841	-
Total	<u>\$ 12,493,317</u>	<u>\$ 11,067,600</u>

The \$8,541,841 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, 2019. 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
2019	\$ (2,722,599)
2020	179,131
2021	(936,104)
2022	(3,065,452)
2023	(571,100)
Thereafter	-

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 45,417,520
Plan Fiduciary Net Position	33,119,545
Employers' Net Pension Liability (Asset)	<u>\$ 12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 125,480,316</u>	<u>\$ 84,026,894</u>	<u>\$ 49,736,787</u>

Payables to the Pension Plan

At June 30, 2018, approximately \$763,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018

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	\$ 9,080,740	\$ 1,207,885	\$ 10,288,625
Changes of assumptions	1,405,421	186,943	1,592,364
Total deferred outflow of resources	<u>\$ 10,486,161</u>	<u>\$ 1,394,828</u>	<u>\$ 11,880,989</u>
Net pension liability	<u>\$ 86,284,573</u>	<u>\$ 11,477,236</u>	<u>\$ 97,761,809</u>
Deferred inflows of resources			
Differences between projected and actual earnings on investments	\$ 3,156,744	\$ 419,897	\$ 3,576,641
Differences between expected and actual experience	5,554,717	738,867	6,293,584
Total deferred inflow of resources	<u>\$ 8,711,461</u>	<u>\$ 1,158,764</u>	<u>\$ 9,870,225</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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	\$ 2,725,488
Changes in assumptions	
VRS – nonprofessionals	-
VRS Teacher cost sharing plan	1,225,988
Contributions subsequent to measurement date	
VRS – nonprofessionals	220,634
VRS Teacher cost sharing plan	<u>8,541,841</u>
	<u>\$ 12,713,951</u>
Net VRS liability (asset):	
VRS – nonprofessionals	\$ (39,678)
VRS Teacher cost sharing plan	<u>84,026,894</u>
	<u>\$ 83,987,216</u>
Deferred inflows of resources:	
Difference between expected and actual experience	
VRS – nonprofessionals	\$ 466,161
VRS teacher cost sharing plan	5,948,883
Changes in assumptions	
VRS – nonprofessionals	77,990
VRS teacher cost sharing plan	-
Net difference between projected and actual earnings on pension plan investments	
VRS – nonprofessionals	204,541
VRS teacher cost sharing plan	3,052,932
Changes in proportion and related differences – cost sharing plans VRS Teacher cost sharing plan	<u>2,065,785</u>
	<u>\$ 11,816,292</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2018, was as follows:

Actives	1,164
Retirees	424
Spouses	<u>103</u>
Total Participants	<u><u>1,691</u></u>

Total OPEB Liability

The City's total OPEB liability of \$77,343,890 was measured as of June 30, 2018, and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions

In the January 1, 2018 actuarial valuation, the Entry Age actuarial cost method was used to develop the AAL and the Normal Cost. Under this method, the postretirement health costs are assumed to be earned ratably from date of hire to the participant's full retirement eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 3.62% discount rate, and an initial annual healthcare cost trend of 5.25% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.75%. Mortality rates were RP2000 for Males and Females base year 2000 projected to 2027 with scale BB.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

City of Lynchburg (Continued)

Changes in OPEB Liability

	2018
Service Cost	\$ 350,020
Interest	3,559,674
Changes in benefit terms	-
Difference between expected and actual experience	(24,181,307)
Changes in assumptions	(697,398)
Benefit payments, including implicit subsidies	(2,632,827)
Net Change in Total OPEB Liability	(23,601,838)
Total OPEB Liability – Beginning of Year	100,945,728
Total OPEB Liability – End of Year	<u>\$ 77,343,890</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 3.62%, 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	2.62%	3.62%	4.62%
Total OPEB Liability	\$ 91,124,680	\$ 77,343,890	\$ 66,506,463
Plan Net Position	-	-	-
Net OPEB Liability	<u>\$ 91,124,680</u>	<u>\$ 77,343,890</u>	<u>\$ 66,506,463</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 6.25% 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	3.75%	4.75%	5.75%
Total OPEB Liability	\$ 66,568,667	\$ 77,343,890	\$ 90,848,667
Plan Net Position	-	-	-
Net OPEB Liability	<u>\$ 66,568,667</u>	<u>\$ 77,343,890</u>	<u>\$ 90,848,667</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, 2018

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, 2018, the City recognized OPEB expense of \$355,594. At June 30, 2018, 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	\$ -	\$ (20,726,835)
Change in actuarial assumptions	-	(597,770)
Net differences between projected and actual earnings		
On plan investments	-	-
Total	<u>\$ -</u>	<u>\$ (21,324,605)</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)
2019	\$ (3,554,100)
2020	(3,554,100)
2021	(3,554,100)
2022	(3,554,100)
2023	(3,554,100)
After 2023	(3,554,105)

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. We 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, 2018

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 July 1, 2017, actuarial valuation, the following employees were covered by the benefit terms of the plan:

Inactive employees or beneficiaries:	
Currently receiving benefits	68
Entitled to but not yet receiving benefits	<u>-</u>
Total inactive employees	68
Active plan members	<u>1,185</u>
	<u><u>1,253</u></u>

Total OPEB Liability

The School's total OPEB liability of \$6,753,216 was measured as of June 30, 2017 and was determined based on an actuarial valuation performed as of July 1, 2017.

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:

Discount rate	3.58%
Retirees' share of benefit-related costs	Same as Health Care Trend
Actuarial cost method	Entry Age Normal

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 June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2017.

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, 2018

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

Lynchburg City Schools (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2016	\$ 8,985,748
Changes for the year:	
Service cost	629,101
Interest	271,525
Benefit changes	-
Employer contributions	(175,271)
Differences between expected and actual experience	(2,319,827)
Assumption or other input changes	(638,060)
Benefit payments	-
Net changes	(2,232,532)
Balance at June 30, 2017	\$ 6,753,216

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 (1.00%) or one percentage point higher (1.00%) than the current discount rate:

	<u>1.00% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1.00% Increase (4.58%)</u>
Total OPEB liability	\$ 7,474,415	\$ 6,753,216	\$ 6,114,947

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 (1.00%) or one percentage point higher (1.00%) than the current healthcare cost trend rates:

	<u>1.00% Decrease (8.00%)</u>	<u>Current Healthcare Cost Trend Rates (9.00%)</u>	<u>1.00% Increase (10.00%)</u>
Total OPEB liability	\$ 5,961,530	\$ 6,753,216	\$ 7,698,996

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2018, the Schools recognized OPEB expense of \$407,645. At June 30, 2018, 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	\$ -	\$ 1,933,189
Change in assumptions	-	531,717
Employer contributions subsequent to the measurement date	<u>368,838</u>	<u>-</u>
Total	<u><u>\$ 368,838</u></u>	<u><u>\$ 2,464,906</u></u>

The \$368,838 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, 2019. 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
2019	\$ (492,981)
2020	(492,981)
2021	(492,981)
2022	(492,981)
2023	(492,982)
Thereafter	-

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2015. 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 \$298,134 and \$279,734 for the years ended June 30, 2018 and June 30, 2017, respectively.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2018, the City reported a liability of \$4,388,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the City's proportion was 0.29164% as compared to 0.29391% at June 30, 2016.

For the year ended June 30, 2018, the City recognized GLI OPEB expense of \$43,000. 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, 2018, 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	\$ -	\$ (97,000)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(165,000)
Changes in actuarial assumptions	-	(226,000)
Changes in proportion	-	(34,000)
Employer contributions subsequent to the measurement date	298,134	-
Total	<u>\$ 298,134</u>	<u>\$ (522,000)</u>

\$298,134 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, 2019. 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
2019	\$ (107,000)
2020	(107,000)
2021	(107,000)
2022	(107,000)
2023	(65,000)
Thereafter	(29,000)

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2016, 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, 2017.

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	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return	7.00%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of 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, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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, 2018

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected Arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. 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, 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, 2018

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Total GLI OPEB Liability	<u>\$ 5,676,353</u>	<u>\$ 4,388,000</u>	<u>\$ 3,344,889</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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 the City reported a payable of \$298,134 for the outstanding amount of contributions to VRS required for the year ended June 30, 2018.

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, 2018

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, 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, 2015. 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 \$19,036 and \$18,556 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program from the Schools Teachers plan were \$278,902 and \$278,919 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Schools General plan reported a liability of \$291,325 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Schools General plan proportion was 0.02039% as compared to 0.02125% at June 30, 2016.

For the year ended June 30, 2018, the Schools General plan recognized GLI OPEB expense of \$949. 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, 2018, 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	\$ -	\$ 5,694
Net difference between projected and actual earnings on GLI OPEB program investments	-	11,387
Changes in actuarial assumptions	-	15,183
Changes in proportion	-	12,336
Employer contributions subsequent to the measurement date	19,036	-
Total	\$ 19,036	\$ 44,600

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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)

\$19,036 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, 2019. 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
2019	\$ (8,540)
2020	(8,540)
2021	(8,540)
2022	(8,540)
2023	(5,694)
Thereafter	(4,746)

At June 30, 2018, the Schools Teachers plan reported a liability of \$4,376,511 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Schools Teachers plan proportion was 0.30644% as compared to 0.31008% at June 30, 2016.

For the year ended June 30, 2018, the Schools Teachers plan recognized GLI OPEB expense of \$39,855. 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, 2018, 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	\$ -	\$ 95,843
Net difference between projected and actual earnings on GLI OPEB program investments	-	165,116
Changes in actuarial assumptions	-	225,848
Changes in proportion	-	51,242
Employer contributions subsequent to the measurement date	278,902	-
Total	\$ 278,902	\$ 538,049

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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)

\$278,902 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, 2019. 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
2019	\$ (110,077)
2020	(110,077)
2021	(110,077)
2022	(110,077)
2023	(68,324)
Thereafter	(29,417)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return	7.00%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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	40.00%	4.54%	1.82%
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00%		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected Arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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 7.00%. 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, 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total GLI OPEB Liability – General	<u>\$ 376,729</u>	<u>\$ 291,325</u>	<u>\$ 222,052</u>
Total GLI OPEB Liability – Teachers	<u>\$ 5,660,427</u>	<u>\$ 4,376,511</u>	<u>\$ 3,335,524</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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 the School's General plan and Teachers plan reported payables of \$4,093 and \$65,687, respectively for the outstanding amount of contributions to VRS required for the year ended June 30, 2018.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2018 was 1.23% 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, 2015. 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 \$650,323 and \$625,288 for the years ended June 30, 2018 and June 30, 2017, respectively.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2018, the School's reported a liability of \$8,559,797 for its proportionate share of the Net HIC OPEB Liability. The Net HIC OPEB Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School's proportion was 0.71414% as compared to 0.72852% at June 30, 2016.

For the year ended June 30, 2018, the School's recognized HIC OPEB expense of \$673,635. 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, 2018, 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	\$ -	\$ 15,117
Net difference between projected and actual earnings on HIC OPEB program investments	-	-
Changes in actuarial assumptions	-	87,865
Changes in proportion	-	149,277
Employer contributions subsequent to the measurement date	650,323	-
Total	<u>\$ 650,323</u>	<u>\$ 252,259</u>

\$650,323 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, 2019. 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
2019	\$ (39,681)
2020	(39,681)
2021	(39,681)
2022	(39,681)
2023	(35,902)
Thereafter	(57,633)

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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, 2016, 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, 2017.

Inflation	2.50%
Salary increases, including inflation:	
• Locality – General employees	3.50 – 5.35 %
• Locality – Teachers	3.50 – 4.75 %
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return	7.00%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of 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 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, 2017, NOL amounts for the HIC Program is as follows (amounts expressed in thousands):

	HIC OPEB Program
Total HIC OPEB Liability	\$ 1,364,702
Plan Fiduciary Net Position	96,091
Employers' Net HIC OPEB Liability (Asset)	<u>\$ 1,268,611</u>
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	7.04%

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, 2018

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	40.00%	4.54%	1.82%
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected Arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. 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, 2018

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total HIC OPEB Liability	\$ 9,553,716	\$ 8,559,797	\$ 7,715,155

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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 the School's reported a payable of \$61,628 for the outstanding amount of contributions to VRS required for the year ended June 30, 2018.

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, 2018

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, 2018, was as follows:

Actives	330
Disabled retirees	12
Spouses of retirees	<u>8</u>
Total Participants	<u><u>350</u></u>

Total OPEB Liability

The City's total OPEB liability of \$8,092,905 was measured as of June 30, 2018, and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using a Healthcare Trend: 5.25% initially, grading down to 4.75% ultimate. Mortality rates were RP2000 for Males and Females base year 2000 projected to 2027 with scale BB. There have been no changes in assumptions during fiscal year 2018. The Entry Age method is used for accounting/GASB purposes.

Changes in OPEB Liability

Total OPEB Liability	2018
Service Cost	\$ 163,599
Interest	287,149
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments	<u>(250,836)</u>
Net Change in Total OPEB Liability	199,912
Total OPEB Liability – Beginning of Year	<u>7,892,993</u>
Total OPEB Liability – End of Year	<u><u>\$ 8,092,905</u></u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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 3.62%, 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	2.62%	3.62%	4.62%
Total OPEB Liability	\$ 9,572,461	\$ 8,092,905	\$ 6,961,702
Plan Net Position	-	-	-
Net OPEB Liability	<u>\$ 9,572,461</u>	<u>\$ 8,092,905</u>	<u>\$ 6,961,702</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 5.25% to an ultimate rate of 4.75%, 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	3.75%	4.75%	5.75%
Total OPEB Liability	\$ 6,906,862	\$ 8,092,905	\$ 9,622,283
Plan Net Position	-	-	-
Net OPEB Liability	<u>\$ 6,906,862</u>	<u>\$ 8,092,905</u>	<u>\$ 9,622,283</u>
Ratio of Plan Net Position to Total OPEB Liability	0.0%	0.0%	0.0%

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$450,748. At June 30, 2018, the City reported no deferred outflows of resources and deferred inflows of resources related to OPEB due to:

1. There are no invested assets.
2. There were no assumption changes.
3. The beginning of year and end of year Total OPEB Liability is based on the same valuation, therefore no experience gains or losses occurred.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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 contributions subsequent to measurement date			
Group life insurance	\$ 263,133	\$ 35,001	\$ 298,134
Health – Local Plan	-	-	-
Line of Duty	-	-	-
Total deferred outflow of resources	<u>\$ 263,133</u>	<u>\$ 35,001</u>	<u>\$ 298,134</u>
Net OPEB liability			
Group life insurance	\$ 3,872,849	\$ 515,151	\$ 4,388,000
Health – Local Plan	67,907,935	9,435,955	77,343,890
Line of Duty	8,092,905	-	8,092,905
Total net OPEB liability	<u>\$ 79,873,689</u>	<u>\$ 9,951,106</u>	<u>\$ 89,824,795</u>
Deferred inflows of resources			
Difference between expected and actual experience			
Group life insurance	\$ 85,612	\$ 11,388	\$ 97,000
Health – Local Plan	18,198,161	2,528,674	20,726,835
Line of Duty	-	-	-
Difference between projected and actual earnings on investments			
Group life insurance	145,629	19,371	165,000
Health – Local Plan	-	-	-
Line of Duty	-	-	-
Change of assumption			
Group life insurance	199,467	26,533	226,000
Health – Local Plan	524,842	72,928	597,770
Line of Duty	-	-	-
Change in proportionate share			
Group life insurance	30,009	3,991	34,000
Health – Local Plan	-	-	-
Line of Duty	-	-	-
Total deferred inflow of resources	<u>\$ 19,183,720</u>	<u>\$ 2,662,885</u>	<u>\$ 21,846,605</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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:	
OPEB contributions subsequent to measurement date	
Local OPEB	\$ 368,838
GLI – general employees	19,036
GLI – teachers	278,902
HIC – teachers	650,323
	<u>\$ 1,317,099</u>
Net OPEB liability:	
Local OPEB	\$ 6,753,216
GLI – general employees	291,325
GLI – teachers	4,376,511
HIC – teachers	8,559,797
	<u>\$ 19,980,849</u>
Deferred inflows of resources:	
Difference between expected and actual experience	
Local OPEB	\$ 1,933,189
GLI – general employees	5,694
GLI – teachers	95,843
HIC – teachers	-
Changes in assumptions	
Local OPEB	531,717
GLI – general employees	15,183
GLI – teachers	225,848
HIC – teachers	87,865
Net difference between projected and actual earnings on	
OPEB plan investments:	
GLI – general employees	11,387
GLI – teachers	165,116
HIC – teachers	15,117
Changes in proportion and related	
differences – cost sharing plans	
GLI – general employees	12,336
GLI – teachers	51,242
HIC – teachers	149,277
	<u>\$ 3,299,814</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 19. Leases

Lessee:

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

Year Ending June 30	Operating Leases	
	Primary Government	Component Unit – Schools
2019	\$ 182,219	\$ 313,244
2020	137,173	160,387
2021	119,271	140,815
2022	97,804	71,190
2023	77,273	50,000
2024-2028	307,804	125,000
	<u>\$ 921,544</u>	<u>\$ 860,636</u>

For 2018, the City incurred rental expenditures of \$525,404 in the General Fund and the Schools incurred rental expenditures of \$668,498.

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. 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 \$959,424.

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 \$399 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 \$598,937. 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 \$826,717. Administrative fees, Affordable Care Act fees, and stop loss premiums for the year ended June 30 totaled \$838,704.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 20. Risk Management (Continued)

Changes in aggregate liabilities were as follows:

			Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Workers' Compensation	2018	\$	2,953,097	\$ 1,693,519	\$ 959,424	\$ 3,687,192
	2017	\$	2,819,492	\$ 1,561,896	\$ 1,428,291	\$ 2,953,097
General/Automotive Liability	2018	\$	-	\$ 456,007	\$ 456,007	\$ -
	2017	\$	-	\$ 390,967	\$ 390,967	\$ -
Healthcare	2018	\$	877,495	\$ 11,549,193	\$ 11,599,971	\$ 826,717
	2017	\$	1,489,101	\$ 11,956,917	\$ 12,568,523	\$ 877,495

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

The Risk Management Programs of the Schools are as follows:

Workers' Compensation: The Schools 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 \$11,768,535 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 \$938,028. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled \$990,741 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	2018	\$	1,043,392	\$ 11,768,535	\$ 11,821,186	\$ 990,741
	2017	\$	776,180	\$ 10,377,317	\$ 10,110,105	\$ 1,043,392

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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)	\$ 102,861,598
Principal and other debt service expenses included in City	<u>8,482,413</u>
Total expenses/expenditures for School activities	<u><u>\$ 111,344,011</u></u>

Note 22. Commitments and Contingencies

Combined Sewer Overflow:

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

On July 31, 2015 VDEQ issued a revised Consent Special Order which significantly changed the CSO Long-Term Control Plan. The revised plan includes an alternate list of projects designed to integrate the CSO program with overarching water quality standards that encompass both CSO and stormwater management impacts. As of June 30, 2018 the revised program has an estimated remaining cost \$58.1 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 Order 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 22. Commitments and Contingencies (Continued)

Grant Programs:

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to being appropriate expenditures under terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, related to such audits would not be material to the financial position of the City at June 30, 2018.

Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2018, the arbitrage rebate liability estimate was zero.

Encumbrance Commitments:

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

MAJOR FUNDS

General Fund	\$ 2,342,112
City Capital Projects Fund	15,944,419
School Capital Projects	<u>880,025</u>
Total Major Funds	<u>19,166,556</u>

NONMAJOR FUNDS

City Federal State Aid	41,105
Lynchburg Regional Juvenile Detention Center	<u>8,429</u>
Total Nonmajor Funds	<u>49,534</u>

TOTAL ENCUMBRANCES	<u>\$ 19,216,090</u>
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Construction Commitments:

Included in the encumbrances above are construction commitments of \$15,944,419 in the City Capital Projects fund and \$800,025 in the School Capital Projects fund. The City also had construction commitments of \$2,824,748 in the Water fund; \$3,255,949 in the Sewer fund; \$548,483 in the Stormwater Fund; and \$115,866 in the Airport fund as of June 30, 2018.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 23. Bluffwalk

Loan Agreement:

In 2004, the City entered into a contract with the U.S. Department of Housing and Urban Development (HUD) whereas the City is the borrower and HUD is the guarantor of a Section 108 loan (Note 9). With the funds borrowed from HUD, the City entered into a loan agreement with Bluffwalk Center L.P. (Bluffwalk). The City loaned Bluffwalk \$3,200,000 with payments required twice a year. Bluffwalk failed to make all of the required payments to the City. The City fulfilled its obligation to HUD by making the required payments, obtaining the remaining funds from the Community Development Block Grant (CDBG). During FY2014, Bluffwalk repaid the City, with interest, all missed principal and interest payments. The City, in accordance with guidance from HUD, will retain these funds for future principal and interest payments. Bluffwalk entered into another agreement with the City, whereby Bluffwalk agreed to pay \$100,000 in two semi-annual payments of \$50,000 each toward the HUD loan. The City will use the retained funds along with the \$100,000 to make the semi-annual payments to HUD. Subsequent to year end Bluffwalk paid \$50,000 towards the required principal and interest payment.

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

During FY2018 the City used \$103,086 of the retained funds along with \$100,000 received from Bluffwalk to pay the annual principal and interest payments. Subsequent to year end Bluffwalk paid \$50,000 towards the required principal and interest payment.

Note 24. 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 FY2018 were \$105,217.

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 \$85,984,751 on a total of 240 parcels equating to \$954,431 in real estate tax.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 25. Adoption of New Standard and Prior Period Restatement

In the current year the City and the Schools adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statements No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of postemployment benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the plans are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to net position, as applicable, resulting from the adoption of GASB Statement No. 75:

	Entity-Wide Restatement		
	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Lynchburg City Schools
Net Position			
July 1, 2017 as previously reported	\$ 188,268,970	\$ 235,425,907	\$ (79,455,118)
Restatement due to :			
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB No. 75	(92,276,317)	(11,922,457)	(22,152,811)
Net Position			
July 1, 2017, as restated	<u>\$ 95,992,653</u>	<u>\$ 223,503,450</u>	<u>\$ (101,607,929)</u>

	Proprietary Fund Restatement				
	Water	Sewer	Stormwater	Airport	Internal Service
Net Position					
July 1, 2017 as previously reported	\$ 36,269,713	\$ 158,454,009	\$ 6,068,606	\$ 38,765,606	\$ 11,477,001
Restatement due to :					
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB No. 75	(6,283,824)	(4,318,804)	(412,346)	(907,483)	(774,085)
Net Position					
July 1, 2017, as restated	<u>\$ 29,985,889</u>	<u>\$ 154,135,205</u>	<u>\$ 5,656,260</u>	<u>\$ 37,858,123</u>	<u>\$ 10,702,916</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 26. New Accounting Standards

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

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively.

The GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. 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. 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 periods beginning after December 15, 2018. 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.

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, 2018

	Plan Year			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 6,203,323	\$ 6,349,597	\$ 6,346,042	\$ 6,432,589
Interest on total pension liability	22,279,728	22,979,376	23,599,711	24,063,948
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	-	(1,322,839)	(3,091,281)	(5,899,588)
Changes in assumptions	-	-	-	2,149,134
Benefit payments, including refunds of employee contributions	(18,346,084)	(18,630,099)	(19,658,299)	(20,786,742)
Net change in total pension liability	10,136,967	9,376,035	7,196,173	5,959,341
Total pension liability - beginning	327,454,876	337,591,843	346,967,878	354,164,051
Total pension liability - ending	337,591,843	346,967,878	354,164,051	360,123,392
Plan Fiduciary Net Position				
Contributions - employer	10,482,447	10,640,498	10,888,855	9,920,997
Contributions - employee	2,545,602	2,623,103	2,647,107	2,766,837
Net investment income	32,917,551	10,830,296	4,079,524	28,939,509
Benefit payments, including refunds of employee contributions	(18,346,084)	(18,630,099)	(19,658,299)	(20,786,742)
Administrative expenses	(180,075)	(151,038)	(152,831)	(171,345)
Other	1,737	(2,273)	(1,774)	(25,640)
Net change in plan fiduciary net position	27,421,178	5,310,487	(2,197,418)	20,643,616
Plan fiduciary net position - beginning	211,183,720	238,604,898	243,915,385	241,717,967
Plan fiduciary net position - ending	238,604,898	243,915,385	241,717,967	262,361,583
Net pension liability - ending	\$ 98,986,945	\$ 103,052,493	\$ 112,446,084	\$ 97,761,809
Plan fiduciary net position as a percentage of total pension liability	71%	70%	68%	73%
Covered employee payroll	\$ 47,572,054	\$ 50,441,350	\$ 51,326,626	\$ 52,930,961
Net pension liability as a percentage of covered employee payroll	208%	204%	219%	185%

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

Required Supplementary Information
Schools - Non Professional Employees
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2018

	Plan Year			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 408,027	\$ 408,652	\$ 390,047	\$ 388,263
Interest on total pension liability	935,168	975,621	1,013,096	1,012,802
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	-	(47,318)	(601,120)	(438,840)
Changes in assumptions	-	-	-	(126,476)
Benefit payments, including refunds of employee contributions	(736,082)	(794,492)	(808,719)	(803,718)
Net change in total pension liability	607,113	542,463	(6,696)	32,031
Total pension liability - beginning	<u>13,727,582</u>	<u>14,334,695</u>	<u>14,877,158</u>	<u>14,870,462</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>
Plan Fiduciary Net Position				
Contributions - employer	382,008	327,719	332,290	228,134
Contributions - employee	192,487	183,717	185,375	182,067
Net investment income	1,844,193	609,217	236,379	1,651,561
Benefit payments, including refunds of employee contributions	(736,082)	(794,492)	(808,719)	(803,718)
Administrative expenses	(9,987)	(8,505)	(8,626)	(9,732)
Other	98	(127)	(101)	(1,460)
Net change in plan fiduciary net position	1,672,717	317,529	(63,402)	1,246,852
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>
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>
Net pension liability - ending	<u>\$ 891,981</u>	<u>\$ 1,116,915</u>	<u>\$ 1,173,621</u>	<u>\$ (41,200)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>94%</u>	<u>92%</u>	<u>92%</u>	<u>100%</u>
Covered employee payroll	<u>\$ 3,851,034</u>	<u>\$ 3,613,671</u>	<u>\$ 3,593,865</u>	<u>\$ 3,593,865</u>
Net pension liability as a percentage of covered employee payroll	<u>23%</u>	<u>31%</u>	<u>33%</u>	<u>-1%</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, 2018

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
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					
2018	\$ 229,094	\$ 229,094	\$ -	\$ 3,683,060	6.22%
2017	\$ 235,433	\$ 235,433	\$ -	\$ 3,593,865	6.55%
2016	\$ 340,611	\$ 340,611	\$ -	\$ 3,613,671	9.43%
2015	\$ 330,294	\$ 330,294	\$ -	\$ 3,727,782	8.86%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only four 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, 2018

School Division	Fiscal Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	2018	0.71%	\$ 87,249,000	\$ 53,594,800	162.79%	72.92%
	2017	0.73%	\$ 102,102,000	\$ 53,942,322	189.28%	68.28%
	2016	0.71%	\$ 88,962,000	\$ 50,699,701	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 four 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, 2018

School Division Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
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 four 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, 2018**

	Fiscal Year 2018
Total OPEB Liability	
Service cost	\$ 350,020
Interest on OPEB liability	3,559,674
Changes in benefit terms	-
Difference between expected and actual experience	(24,181,307)
Changes in assumptions	(697,398)
Benefit payments, including refunds of member contributions	(2,632,827)
Net change in total OPEB liability	(23,601,838)
Total OPEB liability - beginning	<u>100,945,728</u>
Total OPEB liability - ending	<u><u>\$ 77,343,890</u></u>
Covered employee payroll	<u><u>\$ 55,870,874</u></u>
Net OPEB liability as a percentage of covered employee payroll	<u><u>138.4%</u></u>

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year 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, 2018**

	Fiscal Year 2018
Total OPEB Liability	
Service cost	\$ 629,101
Interest on OPEB liability	271,525
Changes in benefit terms	-
Difference between expected and actual experience	(2,319,827)
Changes in assumptions	(638,060)
Benefit payments, including refunds of member contributions	(175,271)
Net change in total OPEB liability	(2,232,532)
Total OPEB liability - beginning	<u>8,985,748</u>
Total OPEB liability - ending	<u><u>\$ 6,753,216</u></u>
Covered employee payroll	<u><u>\$ 61,142,865</u></u>
Net OPEB liability as a percentage of covered employee payroll	<u><u>11.0%</u></u>

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year 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, 2018

	Fiscal Year 2018
Total OPEB Liability	
Service cost	\$ 163,599
Interest on OPEB liability	287,149
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of member contributions	<u>(250,836)</u>
Net change in total OPEB liability	199,912
Total OPEB liability - beginning	<u>7,892,993</u>
Total OPEB liability - ending	<u><u>\$ 8,092,905</u></u>
 Covered employee payroll	 <u><u>\$ 18,941,025</u></u>
 Net OPEB liability as a percentage of covered employee payroll	 <u><u>42.7%</u></u>

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year 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, 2018

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
Primary Government					
2018	\$ 298,134	\$ 298,134	\$ -	\$ 54,235,867	0.55%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year 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, 2018**

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
Primary Government					
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 one year 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****For the Year Ended June 30, 2018**

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
Primary Government					
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 one year 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 - Teachers****For the Year Ended June 30, 2018**

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
Primary Government					
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 one year 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
City of Lynchburg Group Life Insurance
For the Year Ended June 30, 2018

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
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 one year 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, 2018**

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
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 one year 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, 2018**

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
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 one year 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, 2018**

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
2018	0.71000%	\$ 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 one year 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, 2018

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. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates
- Applicable to: Pension, GLI OPEB, and LODA OPEB

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

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%
- Applicable to: Pension and GLI OPEB

(Continued)

CITY OF LYNCHBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Teacher cost-sharing pool

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- 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 Trust Fund – Accounts for revenues received from the Department of Housing and Urban Development for support of affordable housing needs in the City.

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Children's Services Act
Assets					
Cash and cash equivalents	\$ -	\$ 840,847	\$ 171	\$ 212,361	\$ 48,767
Receivables, net of allowance:					
Other	11,299	1,800	-	-	5,792
Due from other funds	263,378	-	-	-	-
Due from other governments	362,914	77,211	-	-	779,568
Due from component unit	-	-	125,000	-	-
Other assets	-	-	213	-	-
Restricted assets:					
Cash and cash equivalents	347,879	-	-	-	-
Total assets	<u>\$ 985,470</u>	<u>\$ 919,858</u>	<u>\$ 125,384</u>	<u>\$ 212,361</u>	<u>\$ 834,127</u>
Liabilities					
Accounts payable and other liabilities	\$ 43,636	\$ 54,578	\$ -	\$ 1,518	\$ 496,089
Accrued payroll and related liabilities	68,223	4,175	-	-	2,156
Due to other funds	477,147	285	-	-	570
Due to other governments	38,830	-	-	-	-
Unearned revenue/prepaid rent	-	-	-	-	-
Total liabilities	<u>627,836</u>	<u>59,038</u>	<u>-</u>	<u>1,518</u>	<u>498,815</u>
Deferred Inflows of Resources					
Unavailable revenue	39,294	1,800	-	-	-
Total deferred inflows of resources	<u>39,294</u>	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted	318,340	859,020	-	210,843	335,312
Committed	-	-	125,384	-	-
Assigned	-	-	-	-	-
Total fund balances	<u>318,340</u>	<u>859,020</u>	<u>125,384</u>	<u>210,843</u>	<u>335,312</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 985,470</u>	<u>\$ 919,858</u>	<u>\$ 125,384</u>	<u>\$ 212,361</u>	<u>\$ 834,127</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	Lynchburg Expressway Appearance	HOME Investment Trust	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
Assets				
Cash and cash equivalents	\$ 290,876	\$ 39,367	\$ 507,568	\$ 1,939,957
Receivables, net of allowance:				
Other	101,466	-	-	120,357
Due from other funds	-	-	-	263,378
Due from other governments	-	1,197	107,809	1,328,699
Due from component unit	-	-	-	125,000
Other assets	-	-	-	213
Restricted assets:				
Cash and cash equivalents	-	-	-	347,879
Total assets	<u>\$ 392,342</u>	<u>\$ 40,564</u>	<u>\$ 615,377</u>	<u>\$ 4,125,483</u>
Liabilities				
Accounts payable and other liabilities	\$ 3,655	\$ 382	\$ 19,219	\$ 619,077
Accrued payroll and related liabilities	-	776	82,587	157,917
Due to other funds	-	39	19,686	497,727
Due to other governments	-	-	-	38,830
Unearned revenue/prepaid rent	-	-	353,280	353,280
Total liabilities	<u>3,655</u>	<u>1,197</u>	<u>474,772</u>	<u>1,666,831</u>
Deferred Inflows of Resources				
Unavailable revenue	188,528	-	-	229,622
Total deferred inflows of resources	<u>188,528</u>	<u>-</u>	<u>-</u>	<u>229,622</u>
Fund Balances				
Restricted	200,159	39,367	40,593	2,003,634
Committed	-	-	-	125,384
Assigned	-	-	100,012	100,012
Total fund balances	<u>200,159</u>	<u>39,367</u>	<u>140,605</u>	<u>2,229,030</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 392,342</u>	<u>\$ 40,564</u>	<u>\$ 615,377</u>	<u>\$ 4,125,483</u>

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2018

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Children's Services Act
Revenues					
Intergovernmental	\$ 3,441,118	\$ 762,855	\$ -	\$ 57,407	\$ 3,961,874
Revenue from use of money and property	-	-	28,853	2,764	-
Charges for services	650,747	2,000	-	-	2,177,005
Miscellaneous	292,189	-	-	-	48,149
Total revenues	<u>4,384,054</u>	<u>764,855</u>	<u>28,853</u>	<u>60,171</u>	<u>6,187,028</u>
Expenditures					
Current operating expenditures:					
General government	-	-	-	-	-
Judicial	1,115,651	-	-	52,865	-
Public safety	1,506,585	-	-	38,077	-
Public works	15,200	-	-	-	-
Health and human services	1,602,594	-	-	-	5,856,753
Community development	128,622	868,830	28,853	-	-
Debt service:					
Principal retirements	180,000	-	-	-	-
Interest payments and other fiscal charges	22,249	-	-	-	-
Total expenditures	<u>4,570,901</u>	<u>868,830</u>	<u>28,853</u>	<u>90,942</u>	<u>5,856,753</u>
Excess (deficiency) of revenues over expenditures	<u>(186,847)</u>	<u>(103,975)</u>	<u>-</u>	<u>(30,771)</u>	<u>330,275</u>
Other financing sources (uses)					
Transfers in	175,586	-	-	-	-
Transfers out	(2,397)	-	-	-	-
Total other financing sources (uses)	<u>173,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(13,658)</u>	<u>(103,975)</u>	<u>-</u>	<u>(30,771)</u>	<u>330,275</u>
Fund balances - beginning	<u>331,998</u>	<u>962,995</u>	<u>125,384</u>	<u>241,614</u>	<u>5,037</u>
Fund balances - ending	<u>\$ 318,340</u>	<u>\$ 859,020</u>	<u>\$ 125,384</u>	<u>\$ 210,843</u>	<u>\$ 335,312</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

	Lynchburg Expressway Appearance	HOME Investment Trust	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
Revenues				
Intergovernmental	\$ -	\$ 167,113	\$ 1,845,811	\$ 10,236,178
Revenue from use of money and property	-	-	-	31,617
Charges for services	-	35,640	1,108,243	3,973,635
Miscellaneous	66,260	-	93	406,691
Total revenues	<u>66,260</u>	<u>202,753</u>	<u>2,954,147</u>	<u>14,648,121</u>
Expenditures				
Current operating expenditures:				
General government	-	-	4,121	4,121
Judicial	-	-	-	1,168,516
Public safety	-	-	2,823,474	4,368,136
Public works	32,369	-	-	47,569
Health and human services	-	-	-	7,459,347
Community development	-	189,633	-	1,215,938
Debt service:				
Principal retirements	-	-	81,305	261,305
Interest payments and other fiscal charges	-	-	4,654	26,903
Total expenditures	<u>32,369</u>	<u>189,633</u>	<u>2,913,554</u>	<u>14,551,835</u>
Excess (deficiency) of revenues over expenditures	<u>33,891</u>	<u>13,120</u>	<u>40,593</u>	<u>96,286</u>
Other financing sources (uses)				
Transfers in	-	-	-	175,586
Transfers out	-	-	-	(2,397)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,189</u>
Net changes in fund balance	<u>33,891</u>	<u>13,120</u>	<u>40,593</u>	<u>269,475</u>
Fund balances - beginning	<u>166,268</u>	<u>26,247</u>	<u>100,012</u>	<u>1,959,555</u>
Fund balances - ending	<u>\$ 200,159</u>	<u>\$ 39,367</u>	<u>\$ 140,605</u>	<u>\$ 2,229,030</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City/Federal/State Aid Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 3,250,706	\$ 4,166,706	\$ 3,441,118	\$ (725,588)
Charges for services	60,054	67,495	650,747	583,252
Miscellaneous	29,694	115,803	292,189	176,386
Total revenues	<u>3,340,454</u>	<u>4,350,004</u>	<u>4,384,054</u>	<u>34,050</u>
Expenditures				
Current operating expenditures:				
Judicial	1,149,326	1,505,339	1,115,651	389,688
Public safety	524,816	1,343,064	1,506,585	(163,521)
Public works	-	18,718	15,200	3,518
Health and human services	1,722,821	1,690,071	1,602,594	87,477
Community development	37,000	213,443	128,622	84,821
Debt service:				
Principal retirements	-	-	180,000	(180,000)
Interest payments and other fiscal charges	-	-	22,249	(22,249)
Total expenditures	<u>3,433,963</u>	<u>4,770,635</u>	<u>4,570,901</u>	<u>199,734</u>
Deficiency of revenues over expenditures	<u>(93,509)</u>	<u>(420,631)</u>	<u>(186,847)</u>	<u>233,784</u>
Other financing sources (uses)				
Transfers in	93,509	175,586	175,586	-
Transfers out	-	(2,397)	(2,397)	-
Total other financing sources (uses)	<u>93,509</u>	<u>173,189</u>	<u>173,189</u>	<u>-</u>
Net changes in fund balance	-	(247,442)	(13,658)	233,784
Fund balance - beginning	<u>331,998</u>	<u>331,998</u>	<u>331,998</u>	<u>-</u>
Fund balance - ending	<u>\$ 331,998</u>	<u>\$ 84,556</u>	<u>\$ 318,340</u>	<u>\$ 233,784</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 662,772	\$ 1,640,607	\$ 762,855	\$ (877,752)
Charges for services	-	-	2,000	2,000
Total revenues	<u>662,772</u>	<u>1,640,607</u>	<u>764,855</u>	<u>(875,752)</u>
Expenditures				
Current operating expenditures:				
Community development	<u>776,564</u>	<u>2,497,856</u>	<u>868,830</u>	<u>1,629,026</u>
Total expenditures	<u>776,564</u>	<u>2,497,856</u>	<u>868,830</u>	<u>1,629,026</u>
Net changes in fund balance	(113,792)	(857,249)	(103,975)	753,274
Fund balance - beginning	<u>962,995</u>	<u>962,995</u>	<u>962,995</u>	<u>-</u>
Fund balance - ending	<u>\$ 849,203</u>	<u>\$ 105,746</u>	<u>\$ 859,020</u>	<u>\$ 753,274</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Forfeited Assets Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 57,407	\$ 57,407
Revenue from use of money and property	-	-	2,764	2,764
Total revenues	-	-	60,171	60,171
Expenditures				
Current operating expenditures:				
Judicial	-	132,656	52,865	79,791
Public safety	-	126,740	38,077	88,663
Total expenditures	-	259,396	90,942	168,454
Net changes in fund balance	-	(259,396)	(30,771)	228,625
Fund balance - beginning	241,614	241,614	241,614	-
Fund balance (deficits) - ending	<u>\$ 241,614</u>	<u>\$ (17,782)</u>	<u>\$ 210,843</u>	<u>\$ 228,625</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Children's Services Act Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 3,774,017	\$ 3,774,017	\$ 3,961,874	\$ 187,857
Charges for services	2,177,005	2,177,005	2,177,005	-
Miscellaneous	48,000	48,000	48,149	149
Total revenues	<u>5,999,022</u>	<u>5,999,022</u>	<u>6,187,028</u>	<u>188,006</u>
Expenditures				
Current operating expenditures:				
Health and human services	5,999,022	5,999,022	5,856,753	142,269
Total expenditures	<u>5,999,022</u>	<u>5,999,022</u>	<u>5,856,753</u>	<u>142,269</u>
Net changes in fund balance	-	-	330,275	330,275
Fund balance - beginning	<u>5,037</u>	<u>5,037</u>	<u>5,037</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,037</u>	<u>\$ 5,037</u>	<u>\$ 335,312</u>	<u>\$ 330,275</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Investment Trust Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 317,893	\$ 566,335	\$ 167,113	\$ (399,222)
Charges for Services	-	-	35,640	35,640
Total revenues	<u>317,893</u>	<u>566,335</u>	<u>202,753</u>	<u>(363,582)</u>
Expenditures				
Current operating expenditures:				
Community development	317,893	469,018	189,633	279,385
Total expenditures	<u>317,893</u>	<u>469,018</u>	<u>189,633</u>	<u>279,385</u>
Net changes in fund balance	-	97,317	13,120	(84,197)
Fund balance - beginning	<u>26,247</u>	<u>26,247</u>	<u>26,247</u>	<u>-</u>
Fund balance - ending	<u>\$ 26,247</u>	<u>\$ 123,564</u>	<u>\$ 39,367</u>	<u>\$ (84,197)</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,767,536	\$ 1,881,853	\$ 1,845,811	\$ (36,042)
Charges for services	919,704	1,034,880	1,108,243	73,363
Miscellaneous	-	-	93	93
Total revenues	<u>2,687,240</u>	<u>2,916,733</u>	<u>2,954,147</u>	<u>37,414</u>
Expenditures				
Current operating expenditures:				
General government	6,910	4,121	4,121	-
Public safety	2,594,371	2,823,474	2,823,474	-
Debt service:				
Principal retirements	81,305	81,305	81,305	-
Interest payments and other fiscal charges	4,654	4,654	4,654	-
Total expenditures	<u>2,687,240</u>	<u>2,913,554</u>	<u>2,913,554</u>	<u>-</u>
Net changes in fund balance	-	3,179	40,593	37,414
Fund balance - beginning	<u>100,012</u>	<u>100,012</u>	<u>100,012</u>	<u>-</u>
Fund balance - ending	<u>\$ 100,012</u>	<u>\$ 103,191</u>	<u>\$ 140,605</u>	<u>\$ 37,414</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 6,779,000	\$ 24,945,521	\$ 8,291,914	\$ (16,653,607)
Revenue from use of money and property	-	28,062	14,232	(13,830)
Miscellaneous	2,250,000	3,708,039	11,555	(3,696,484)
Total revenues	<u>9,029,000</u>	<u>28,681,622</u>	<u>8,317,701</u>	<u>(20,363,921)</u>
Expenditures				
Current operating expenditures:				
Public works	5,205,680	14,362,653	8,354,198	6,008,455
Cultural and recreational	205,000	332,550	85,521	247,029
Community development	346,478	1,901,127	351,600	1,549,527
Capital outlay:				
Capital general government	16,501,179	31,642,097	10,349,349	21,292,748
Total expenditures	<u>22,258,337</u>	<u>48,238,427</u>	<u>19,140,668</u>	<u>29,097,759</u>
Deficiency of revenues over expenditures	<u>(13,229,337)</u>	<u>(19,556,805)</u>	<u>(10,822,967)</u>	<u>8,733,838</u>
Other financing sources (uses)				
Issuance of bonds	9,887,679	6,907,541	-	(6,907,541)
Transfers in	3,341,658	3,370,030	3,363,498	(6,532)
Transfers out	-	(1,672,893)	(1,672,893)	-
Total other financing sources (uses)	<u>13,229,337</u>	<u>8,604,678</u>	<u>1,690,605</u>	<u>(6,914,073)</u>
Net changes in fund balance	-	(10,952,127)	(9,132,362)	1,819,765
Fund balance - beginning	<u>30,718,226</u>	<u>30,718,226</u>	<u>30,718,226</u>	<u>-</u>
Fund balance - ending	<u>\$ 30,718,226</u>	<u>\$ 19,766,099</u>	<u>\$ 21,585,864</u>	<u>\$ 1,819,765</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Capital Projects
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ -	\$ 120,770	\$ 120,770	\$ -
Revenue from use of money and property	-	-	15,261	15,261
Miscellaneous	-	-	9,599	9,599
Total revenues	<u>-</u>	<u>120,770</u>	<u>145,630</u>	<u>24,860</u>
Expenditures				
Current operating expenditures:				
Education	-	209,721	119,876	89,845
Capital outlay:				
Capital general government	2,080,000	5,562,823	4,090,313	1,472,510
Total expenditures	<u>2,080,000</u>	<u>5,772,544</u>	<u>4,210,189</u>	<u>1,562,355</u>
Deficiency of revenues over expenditures	<u>(2,080,000)</u>	<u>(5,651,774)</u>	<u>(4,064,559)</u>	<u>1,587,215</u>
Other financing sources (uses)				
Issuance of bonds	2,080,000	2,080,000	79,220	(2,000,780)
Transfers in	-	955,000	955,000	-
Total other financing sources (uses)	<u>2,080,000</u>	<u>3,035,000</u>	<u>1,034,220</u>	<u>(2,000,780)</u>
Net changes in fund balance	<u>-</u>	<u>(2,616,774)</u>	<u>(3,030,339)</u>	<u>(413,565)</u>
Fund balance - beginning	<u>3,587,145</u>	<u>3,587,145</u>	<u>3,587,145</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,587,145</u>	<u>\$ 970,371</u>	<u>\$ 556,806</u>	<u>\$ (413,565)</u>

Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
<u>Special Welfare</u>				
Assets				
Cash and cash equivalents	\$ 164,261	\$ 108,729	\$ 103,334	\$ 169,656
Total Assets	<u>\$ 164,261</u>	<u>\$ 108,729</u>	<u>\$ 103,334</u>	<u>\$ 169,656</u>
Liabilities				
Accounts payable	\$ 456	\$ 45,098	\$ 41,240	\$ 4,314
Amounts held for others	<u>163,805</u>	<u>194,314</u>	<u>192,777</u>	<u>165,342</u>
Total Liabilities	<u>\$ 164,261</u>	<u>\$ 239,412</u>	<u>\$ 234,017</u>	<u>\$ 169,656</u>

Discretely Presented Component Unit - Lynchburg City Schools
Combining Balance Sheet
June 30, 2018

	School Operating	School Federal Aid	School Cafeteria	Total Governmental
Assets				
Cash and cash equivalents	\$ 8,225,589	\$ -	\$ 1,582,365	\$ 9,807,954
Receivables, net of allowance	271,904	-	130,485	402,389
Due from other funds	613,753	-	-	613,753
Due from other governments	2,504,238	2,234,002	-	4,738,240
Prepaid expenses	309,823	550	-	310,373
Inventory	-	-	95,086	95,086
Total assets	\$ 11,925,307	\$ 2,234,552	\$ 1,807,936	\$ 15,967,795
Liabilities				
Accounts payable and other liabilities	\$ 498,205	\$ 295,284	\$ 8,248	\$ 801,737
Accrued payroll and related liabilities	6,377,343	742,688	138,290	7,258,321
Due to other funds	-	576,401	37,352	613,753
Unearned revenue	-	620,179	-	620,179
Due to primary government- return of local funding	3,320,799	-	-	3,320,799
Due to primary government- other	226,294	-	-	226,294
Total liabilities	10,422,641	2,234,552	183,890	12,841,083
Deferred Inflows of Resources				
Unavailable revenue	863,418	-	-	863,418
Total deferred inflows of resources	863,418	-	-	863,418
Fund balances				
Nonspendable:				
Prepaid expenses	309,823	550	-	310,373
Inventory	-	-	95,086	95,086
Restricted for:				
Education	-	-	1,528,960	1,528,960
Committed for:				
Education	329,425	(550)	-	328,875
Total fund balances	639,248	-	1,624,046	2,263,294
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,925,307	\$ 2,234,552	\$ 1,807,936	
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.				6,754,998
Receivables on the Statement of Net Position that do not provide current financial resources are reported as unavailable revenue in the funds.				863,418
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Deferred outflows related to:				
Pensions			12,713,951	
Other postemployment benefits			1,317,099	
Deferred inflows related to:				
Pensions			(11,816,292)	
Other postemployment benefits			(3,299,814)	
Net pension liability			(83,987,216)	
Other postemployment benefits			(19,980,849)	(105,053,121)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(891,913)
Net position of governmental activities				\$ (96,063,324)

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
Revenues				
Intergovernmental:				
State and Federal	\$ 51,615,216	\$ 11,269,047	\$ 4,300,446	\$ 67,184,709
City of Lynchburg	38,824,342	-	-	38,824,342
Charges for services	1,640,533	-	419,014	2,059,547
Miscellaneous	632,056	6,824	105,605	744,485
Total revenues	<u>92,712,147</u>	<u>11,275,871</u>	<u>4,825,065</u>	<u>108,813,083</u>
Expenditures				
Education:				
Instruction	67,276,868	10,447,913	-	77,724,781
Administration, attendance and health	6,376,477	90,179	-	6,466,656
Pupil transportation services	5,335,508	-	-	5,335,508
Operations and maintenance	10,296,919	38,306	-	10,335,225
Food service and other	16,691	111,215	4,495,688	4,623,594
Facilities	26,138	-	-	26,138
Technology	3,060,199	25,935	-	3,086,134
Capital outlay	1,445,076	562,323	243,060	2,250,459
Total expenditures	<u>93,833,876</u>	<u>11,275,871</u>	<u>4,738,748</u>	<u>109,848,495</u>
Net changes in fund balances	(1,121,729)	-	86,317	(1,035,412)
Fund balances - beginning	<u>1,760,977</u>	<u>-</u>	<u>1,537,729</u>	
Fund balances - ending	<u>\$ 639,248</u>	<u>\$ -</u>	<u>\$ 1,624,046</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 (\$1,719,529) exceeded depreciation expense (\$1,381,829).	337,700
Loss on disposition of capital assets is not reflected in the fund statements.	(28,812)
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	8,762,475
Pension expense	(7,221,722)
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	1,317,099
Other postemployment expense	3,841,906
Compensated absences are not due and payable at June 30, and therefore are not reported in the fund statements.	(21,749)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(406,880)
Change in net position of governmental activities.	<u><u>\$ 5,544,605</u></u>

Discretely Presented Component Unit - Lynchburg City Schools
School Operating Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
Revenues				
Intergovernmental:				
State and Federal	\$ 51,222,419	\$ 51,232,168	\$ 51,615,216	\$ 383,048
City of Lynchburg	42,028,498	42,028,498	42,145,141	116,643
Charges for services	1,694,000	1,339,000	1,640,533	301,533
Miscellaneous	379,750	2,150,984	632,056	(1,518,928)
Total revenues	<u>95,324,667</u>	<u>96,750,650</u>	<u>96,032,946</u>	<u>(717,704)</u>
Expenditures				
Education:				
Instruction	70,071,905	69,308,324	67,276,868	2,031,456
Administration, attendance and health	6,374,217	6,576,425	6,376,477	199,948
Pupil transportation services	5,015,547	5,477,165	5,335,508	141,657
Operations and maintenance	10,481,520	10,466,299	10,296,919	169,380
Food service and other	17,000	22,055	16,691	5,364
Facilities	70,581	66,181	26,138	40,043
Technology	3,293,897	3,205,390	3,060,199	145,191
Capital outlay	-	1,628,811	1,445,076	183,735
Total expenditures	<u>95,324,667</u>	<u>96,750,650</u>	<u>93,833,876</u>	<u>2,916,774</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	2,199,070	<u>\$ 2,199,070</u>
Less return of funds to the City			(3,320,799)	
			<u>\$ (1,121,729)</u>	

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Fiduciary Net Position
For the Year Ended June 30, 2018

	<u>Total Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 685,125
Prepaid expenses	<u>6,105</u>
Total Assets	<u>\$ 691,230</u>
Liabilities	
Amounts held for others	<u>\$ 690,230</u>
Total Liabilities	<u>\$ 690,230</u>

Discretely Presented Component Unit - Lynchburg City Schools
Statements of Fiduciary Net Position
June 30, 2018

	<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	\$ 373,978	\$ 31,016	\$ 63,372	\$ 216,759	\$ 685,125
Prepaid expenses	<u>5,530</u>	<u>570</u>	<u>5</u>	<u>-</u>	<u>6,105</u>
Total assets	<u>\$ 379,508</u>	<u>\$ 31,586</u>	<u>\$ 63,377</u>	<u>\$ 216,759</u>	<u>\$ 691,230</u>
Liabilities					
Amounts held for others	<u>\$ 378,508</u>	<u>\$ 31,586</u>	<u>\$ 63,377</u>	<u>\$ 216,759</u>	<u>\$ 690,230</u>
Total liabilities	<u>378,508</u>	<u>31,586</u>	<u>63,377</u>	<u>216,759</u>	<u>690,230</u>

Combining Statement of Net Position
Other Component Units
June 30, 2018

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 989,238	\$ 666,660	\$ 1,655,898
Receivables, net of allowance	1,046,038	196,460	1,242,498
Due from other governments	-	653,270	653,270
Inventory	-	309,457	309,457
Prepays and other assets	97	10,224	10,321
Capital assets:			
Non-depreciable	-	1,685,532	1,685,532
Depreciable	1,312	38,320,947	38,322,259
Total assets	<u>2,036,685</u>	<u>41,842,550</u>	<u>43,879,235</u>
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	184,456	734,480	918,936
Due to other governments	1,331,060	-	1,331,060
Due to primary government	125,000	324,742	449,742
Total current liabilities	<u>1,640,516</u>	<u>1,059,222</u>	<u>2,699,738</u>
Noncurrent liabilities:			
Net other postemployment benefit liability	-	411,267	411,267
Compensated absences	-	102,828	102,828
Total noncurrent liabilities	<u>-</u>	<u>514,095</u>	<u>514,095</u>
Total liabilities	<u>1,640,516</u>	<u>1,573,317</u>	<u>3,213,833</u>
Deferred Inflows of Resources			
Deferred inflows related to other postemployment benefits	-	1,502	1,502
Total deferred inflows of resources	<u>-</u>	<u>1,502</u>	<u>1,502</u>
Net position			
Net investment in capital assets	1,312	40,006,479	40,007,791
Unrestricted	394,857	261,252	656,109
Total net position	<u>\$ 396,169</u>	<u>\$ 40,267,731</u>	<u>\$ 40,663,900</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Other Component Units
For the Year Ended June 30, 2018

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating revenues			
Charges for services and other operating revenues	\$ 214,686	\$ 904,236	\$ 1,118,922
Total operating revenues	<u>214,686</u>	<u>904,236</u>	<u>1,118,922</u>
Operating expenses			
Operations	190,101	6,695,891	6,885,992
Administration	1,538	2,261,387	2,262,925
Maintenance and repairs	10,753	2,624,419	2,635,172
Total operating expenses	<u>202,392</u>	<u>11,581,697</u>	<u>11,784,089</u>
Operating income (loss)	<u>12,294</u>	<u>(10,677,461)</u>	<u>(10,665,167)</u>
Nonoperating revenue			
Subsidy of operations- City of Lynchburg	-	1,451,063	1,451,063
Subsidy of operations- Counties	-	73,313	73,313
Subsidy of operations- Liberty University	-	1,660,504	1,660,504
Subsidy of operations- State aid for public transportation	-	1,682,106	1,682,106
Subsidy of operations- Federal operating grant	-	2,274,007	2,274,007
Donations and grants	5,000	-	5,000
Miscellaneous revenue	-	10,844	10,844
Loss on disposition of capital assets	-	(28,983)	(28,983)
Total nonoperating revenue	<u>5,000</u>	<u>7,122,854</u>	<u>7,127,854</u>
Capital contributions	-	1,660,244	1,660,244
Change in net position	<u>17,294</u>	<u>(1,894,363)</u>	<u>(1,877,069)</u>
Total net position - beginning	<u>378,875</u>	<u>42,162,094</u>	<u>42,540,969</u>
Total net position - ending	<u>\$ 396,169</u>	<u>\$ 40,267,731</u>	<u>\$ 40,663,900</u>

Combining Statement of Cash Flows
Other Component Units
For the Year Ended June 30, 2018

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating activities			
Cash received from operations	\$ 534,540	\$ 1,185,036	\$ 1,719,576
Cash paid to employees	(105,786)	(3,572,022)	(3,677,808)
Cash paid to suppliers for goods and services	(99,097)	(4,553,056)	(4,652,153)
Net cash provided by (used in) operating activities	329,657	(6,940,042)	(6,610,385)
Noncapital financing activities			
Subsidies	-	6,904,669	6,904,669
Operating grants and contributions	5,000	-	5,000
Net cash provided by noncapital financing activities	5,000	6,904,669	6,909,669
Capital and related financing activities			
Capital contributions received	-	2,848,261	2,848,261
Purchases of capital assets	-	(2,608,459)	(2,608,459)
Proceeds from sale of capital assets	-	79,128	79,128
Net cash provided by capital and related financing activities	-	318,930	318,930
Net increase in cash and cash equivalents	334,657	283,557	618,214
Cash and cash equivalents			
Beginning of year	654,581	383,103	1,037,684
End of year	\$ 989,238	\$ 666,660	\$ 1,655,898
Reconciliation of operating income (loss) to net cash used in operating activities			
Operating income (loss)	\$ 12,294	\$ (10,677,461)	\$ (10,665,167)
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:			
Depreciation	1,243	3,245,964	3,247,207
Decrease in receivables	320,354	276,375	596,729
Decrease in prepaids and other assets	-	8,169	8,169
Decrease in other state operating grant funds	-	4,425	4,425
Increase in inventory	-	(75,894)	(75,894)
Increase (decrease) in accounts payable and other current liabilities	(4,234)	54,645	50,411
Increase in compensated absences and other postemployment benefits	-	223,735	223,735
Net cash provided by (used in) operating activities	\$ 329,657	\$ (6,940,042)	\$ (6,610,385)
Supplemental cash flow information			
Non-cash transactions:			
Capital assets additions financed by accounts payable	\$ -	\$ 364,002	\$ 364,002

SUPPLEMENTAL SCHEDULES

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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		\$ 1,446,422	\$ -
Supplemental Nutrition Assistance Program - Community Market	10.561	171VA407S2514		12,742	1,459,164
National School Lunch Program – Child Nutrition Cluster	10.555	16161VA347N2535		38,698	38,698
National School Breakfast Program – Child Nutrition Cluster	10.553	16161VA347N2535		29,193	29,193
Department of Parks & Recreation:					
Food Insecurity Nutritional Incentive (FINI) Double-Dollars Grant	10.331	2015-70018-2330	10,535	-	10,535
Total Department of Agriculture					\$ 1,537,590
Department of Health and Human Services					
Passed through Commonwealth of Virginia:					
Department of Social Services:					
Family Preservation and Support	93.556	1701VAFPS		\$ 59,874	\$ 59,874
TANF Block Grant	93.558	1701VATANF		1,019,228	1,019,228
Refugee and Entrant Assistance State - Administered Programs	93.566	1701VARSOC		1,435	1,435
Low Income Energy Assistance	93.568	17B1VALIEA		130,042	130,042
Child Care Assistance	93.575	1701VACCDF		(1,118)	(1,118)
Child Care Development Fund	93.596	1701VACCDF		159,205	159,205
Chafee Education and Training Vouchers Program (ETV)	93.599	1701VACETV		12,539	12,539
Adoption and Legal Guardian Incentive Payments	93.603	1701VAAIPP		6,490	6,490
Child Welfare Services	93.645	1701VACWSS		2,955	2,955
Foster Care - Title IV-E	93.658	1701VAFOST		1,551,831	1,551,831
Adoption Assistance	93.659	1701VAADPT		2,344,194	2,344,194
Social Services Block Grant	93.667	1701VASOSR		1,026,522	1,026,522
Independent Living	93.674	1701VACILP		20,237	20,237
Children's Insurance Program	93.767	1705VA0301		51,621	51,621
Medicaid Assistance	93.778	1705VA5MAP		1,478,884	1,478,884
Total Department of Health and Human Services					\$ 7,863,939

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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 FY16	14.218	B-15-MC-51-0014	-	-	
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-15-MC-51-0014	26,414	-	
Community Development Block Grant FY17	14.218	B-16-MC-51-0014	-	276,085	
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-16-MC-51-0014	200,150	-	
Lynchburg Community Action Group	14.218	B-16-MC-51-0014	2,395	-	
Community Development Block Grant FY18	14.218	B-17-MC-51-0014	-	235,357	
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-17-MC-51-0014	17,847	-	
Boys and Girls Club	14.218	B-17-MC-51-0014	6,608	-	764,856
Home Investment Partnership Program					
Home Investment Partnership Program FY15	14.239	M-14-MC-51-0211	-	-	
Passed through to:					
Lynchburg Community Action Group	14.239	M-14-MC-51-0211	26,098	-	
Lynchburg Redevelopment and Housing Authority	14.239	M-14-MC-51-0211	37,155	-	
Home Investment Partnership Program FY16	14.239	M-15-MC-51-0211	-	1,286	
Passed through to:					
Habitat for Humanity	14.239	M-15-MC-51-0211	22,120	-	
Rush Homes	14.239	M-15-MC-51-0211	24,244	-	
Home Investment Partnership Program FY17	14.239	M-16-MC-51-0211	-	17,382	
Passed through to:					
Lynchburg Community Action Group	14.239	M-16-MC-51-0211	30,149	-	
Home Investment Partnership Program FY18	14.239	M-17-MC-51-0211	-	-	
Passed through to:					
Habitat for Humanity	14.239	M-17-MC-51-0211	31,200	-	189,634
Total Department of Housing and Urban Development				\$	954,490

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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 Justice					
Direct Payments:					
Office of Violence Against Women - Improving Criminal Responses Program	16.590	2016-WE-AX-0020		\$ 143,365	\$ 143,365
Bulletproof Vest Partnership	16.607	2017-BUBX-1608-2768		16,292	
Bulletproof Vest Partnership	16.607	2018-BUBX-1608-2768		27,975	44,267
Edward Byrne Memorial Justice Assistance Grant Program - Body Cameras	16.738	2015-DE-BX-K064		20,402	20,402
Passed through Commonwealth of Virginia:					
Department of Criminal Justice Services:					
Victim-Witness Services	16.575	18-V9267VW16		259,862	259,862
Violence Against Women Formula Grant	16.588	17-H6141VA16		13,559	
Violence Against Women Formula Grant	16.588	18-I6141VA17		37,235	50,794
Total Department of Justice					\$ 518,690
Department of Labor					
Passed through Commonwealth of Virginia:					
Virginia Community College System (VCCS):					
WIA Adult Program – WIA Cluster	17.258	AA-26810-17-55-A51	276,671	\$ 276,671	
WIA Adult Program – WIA Cluster	17.258	AA-28347-16-55-A51	185,277	185,277	461,948
WIA Youth Activities – WIA Cluster	17.259	AA-26810-17-55-A51	262,577	262,577	
WIA Youth Activities – WIA Cluster	17.259	AA-28347-16-55-A51	293,155	293,155	555,732
WIA Dislocated Workers (after 7/1/10) – WIA Cluster	17.278	AA-26810-17-55-A51	70,597	70,597	
WIA Dislocated Workers (after 7/1/10) – WIA Cluster	17.278	AA-28347-16-55-A51	300,213	300,213	370,810
Total Department of Labor					\$ 1,388,490
Department of Homeland Security					
Transportation Security Administration:					
Airport LEO Cooperative Agreement	97.090	HSTS02-16-H-SLR753		\$ 87,260	\$ 87,260
Total Department of Homeland Security					\$ 87,260

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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 Transportation					
Passed through Commonwealth of Virginia:					
Virginia Department of Transportation					
Highway Planning and Construction					
Safe Route to School - Bass / Linkhome	20.205	SRTS-118-246		\$ 180,921	
Safe Route to School - Stoneridge Street - Dearington	20.205	EN16-118-001		83,227	
Adaptive Signal Control - Rivermont Avenue	20.205	65001-118-274		39,235	303,383
Passed through Commonwealth of Virginia:					
VA Department of Motor Vehicles:					
DMV Selective Enforcement - Alcohol FY17	20.600	AL-2017-57098-6747		7,803	
DMV Selective Enforcement - Speed FY17	20.600	SC-2017-57245-6894		10,316	
DMV Selective Enforcement - Speed FY18	20.600	SC-2018-58130-8130		16,994	35,113
DMV Selective Enforcement - Alcohol FY18	20.607	AL-2018-58240-8240		30,698	30,698
Total Department of Transportation				\$	369,194
Federal Aviation Administration					
Direct Payments:					
Department of Aviation:					
Airport Improvement Program	20.106	3-51-0029-039-2017		\$ 586,895	\$ 586,895
Total Federal Aviation Administration				\$	586,895

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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 Emergency Management Agency					
Passed through Commonwealth of Virginia:					
Virginia Department of Emergency Management:					
Emergency Management Performance Grants	20.703			\$ 42,150	\$ 42,150
Emergency Management Performance Grants	97.042	7,196		17,246	17,246
State Homeland Security Program Grant - Fire	97.067	7613		2,500	
State Homeland Security Program Grant - Fire	97.067	7240		41,486	
State Homeland Security Program Grant - Fire	97.067	7221		27,700	71,686
Total Federal Emergency Management Agency				\$	131,082
<u>Component Unit - Lynchburg Schools</u>					
Department of Agriculture					
Passed through Commonwealth of Virginia:					
Department of Education:					
National School Lunch Program – Child Nutrition Cluster	10.555			\$ 2,767,915	\$ 2,767,915
Homeland Security – Child Nutrition Cluster	10.553			1,149,972	1,149,972
Total Department of Agriculture				\$	3,917,887
Department of Education					
Passed through Commonwealth of Virginia:					
Title I - Part A - Improving Basic Programs	84.010	S010A150046		\$ 40,924	
Title I - Part A - Improving Basic Programs	84.010	S010A160046		699,363	
Title I - Part A - Improving Basic Programs	84.010	S010A170046		2,914,305	
Title I - Part D - Neglected or Delinquent	84.010	S010A160046		61,030	
Title I - Part D - Neglected or Delinquent	84.010	S010A170046		33,872	3,749,494
Title I - Neglected and Delinquent Children	84.013	S013A150046		1,103	
Title I - Neglected and Delinquent Children	84.013	S013A160046		1,000	
Title I - Neglected and Delinquent Children	84.013	S013A170046		454	2,557

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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>Component Unit - Lynchburg Schools (Continued)</u>					
Department of Education (Continued)					
Passed through Commonwealth of Virginia:					
Elementary and Secondary Education Act (ESEA):					
Title IV-B - 21st Century	84.287	S287C150047		19,639	
Title IV-B - 21st Century	84.287	S287C160047		213,827	
Title IV-B - 21st Century	84.287	S287C170047		1,250,798	1,484,264
IDEA - Part B Section 611 - Special Education	84.027	H027A160107		212,817	
IDEA - Part B Section 611 - Special Education	84.027	H027A170107		2,005,639	2,218,456
IDEA - Part B Section 619 - Special Education Preschool	84.173	H173A150112		524	
IDEA - Part B Section 619 - Special Education Preschool	84.173	H173A160112		44,580	
IDEA - Part B Section 619 - Special Education Preschool	84.173	H173A170112		315	45,419
Title III Part A - Language Acquisition State Grant	84.365	S365A160046		17,119	
Title III Part A - Language Acquisition State Grant	84.365	S265A170046		11,180	28,299
Title II - Part A - Improving Teacher Quality	84.367	S367A150044		72,130	
Title II - Part A - Improving Teacher Quality	84.367	S367A160044		57,768	
Title II - Part A - Improving Teacher Quality	84.367	S367A170044		375,005	504,903
Vocational Education:					
Basic Grants to States	84.048	V048A160046		150	
Basic Grants to States	84.048	V048A170046		247,740	247,890
McKenney - Vento Homeless Education Assistance Improvements Act of 2001:					
Title X-C - No Child Left Behind Act	84.000	S196A160048		7,050	
Title X-C - No Child Left Behind Act	84.000	S196A170048		6,824	13,874
Total Department of Education				\$	8,295,156
TOTAL			\$ 1,823,405	\$ 25,215,758	\$ 27,039,163

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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) – Child Nutrition Cluster	10.555	16161VA347N2535		\$ 1,962	
<u>Component Unit - Lynchburg Schools</u>					
Department of Agriculture					
Passed through Commonwealth of Virginia:					
Department of Education:					
National School Lunch Program (Commodities) – Child Nutrition Cluster	10.555	16161VA347N2535		320,760	322,722
TOTAL				\$ 322,722	\$ 322,722

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2018

Note 1. Significant Accounting Policy

Basis of Accounting

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

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

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

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

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

Note 3. Non-monetary Assistance

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

Note 4. Indirect Costs

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

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2018

Note 5. Subgrantees

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

Subrecipient	Community Development Block Grant	Home Investment Trust	Workforce Investment Act Cluster
Boys & Girls Club	\$ 6,608	\$ -	\$ -
Bluffwalk Section 108 Loan	-	-	-
City Administration	-	-	-
Habitat for Humanity	-	53,320	-
Lynchburg Community Action Group	2,395	56,247	-
Lynchburg Redevelopment & Housing Authority	244,411	37,155	-
Region 2000 Local Government Council	-	-	1,388,490
Rush Homes	-	24,244	-
	<u>\$ 253,414</u>	<u>\$ 170,966</u>	<u>\$ 1,388,490</u>

Note 6. Program Income

Program income received in FY 2018 totals \$2,000 which was received through the sale of properties. In accordance with terms of the Community Development Block Grant Program, program income totaling \$2,000 was used in FY 2018 to reduce the amount of federal funds in conjunction with the program's objective.

Note 7. Virginia Revolving Loan Fund (CFDA 66.458)

At June 30, 2018, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of \$99,529,934 which includes \$33,947,963 of federal funded loans. Expenditures associated with the federally funded loans totaled \$-0- in FY 2018.

SCHEDULE 2

CITY OF LYNCHBURG, VIRGINIA

Schedule of Passenger Facility Charges
As of June 30, 2018

Passenger Facility Charges

Federal Agency/Program Name/Application Number	PFC Balance July 1, 2017	Adjustments	PFC Collected	Interest Earnings	Expenditures	PFC Balance June 30, 2018
FEDERAL AVIATION ADMINISTRATION						
Passenger facility charges (12-06-C-00-LYH)	\$ 8,553	\$ -	\$ -	\$ -	\$ 3,955	\$ 4,598
Passenger facility charges (17-07-C-00-LYH)	100,280	-	338,455	3,132	400,000	41,867
	<u>\$ 108,833</u>	<u>\$ -</u>	<u>\$ 338,455</u>	<u>\$ 3,132</u>	<u>\$ 403,955</u>	<u>\$ 46,465</u>

SCHEDULE 3

Schedule of Expenditures of Passenger Facility Charges
As of June 30, 2018

Expenditures of Passenger Facility Charges

Project	PFC Expenditures
<u>Application 6 (12-06-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ 3,955
Local share reimbursement – “Local” expense	-
Local share reimbursement – “State Entitlements” expense	-
Total PFC expenditures	<u>\$ 3,955</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	-
Acquire Snow Removal Equipment	400,000
Total PFC expenditures	<u>\$ 400,000</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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MISCELLANEOUS STATISTICAL DATA

This section provides additional information about the City, form of government, taxable subjects for local taxation, City's Fund Balance, Debt Management, Budget, and Investment policies. 158-163

FINANCIAL TRENDS

Tables 1-12 contain trend information to help the reader understand how the City's financial performance and well-being have changed over the time. 164-177

REVENUE CAPACITY

Tables 13-20 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 178-185

DEBT CAPACITY

Tables 21-24 present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 186-189

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. 190-191

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. 192-195

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, 2018

DATE OF INCORPORATION

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

AREA OF CITY

The area of the City consists of 50.107 square miles.

POPULATION

United States Census 2000 (1)	65,269
United States Census 2012 (1)	77,203
United States Census 2013 (1)	77,376
United States Census 2014 (1)	77,874
United States Census 2015 (1)	78,675
United States Census 2016 (1)	79,531
United States Census 2017 (1)	80,380

(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, 2018

(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: 2013-2018
- \$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: 2005-2018
- \$3.30 per \$100 assessed value: 1990-2004

Machinery and Tools:

- \$3.00 per \$100 assessed value: 1990-2018

Local Sales Tax:

- 1% + 4.3% VA tax: 2014-2018
- 1% + 4.0% VA tax: 2005-2013
- 1% + 3.5% VA tax: 1998-2004

Utility Consumers' Tax:

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

Business, Professional, and Occupational License:

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

Gross Receipts/Purchases	Business License Fee
\$0 - \$10,000	Not Subject to a License
\$10,000 - \$50,000	\$30.00 Non Refundable
\$50,000 - \$100,000	\$50.00
\$100,001 - \$150,000	\$160.00

- If gross receipts/purchases are greater than \$150,000 the following schedule is utilized:
 - Retail merchants – \$0.20 per \$100 of gross receipts
 - Contractors – \$0.16 per \$100 of gross receipts
 - Business/personal service – \$0.36 per \$100 of gross receipts
 - Professional service – \$0.58 per \$100 of gross receipts
 - Wholesale merchants – \$20.00 plus \$0.28 per \$100 of gross purchases
- Effective January 1, 2017 the City of Lynchburg will no longer issue a Business License for any business with gross receipts / purchases of \$10,000 or less.

(Continued)

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2018
(Continued)

TAX RATES
(Continued)

Motor Vehicle License:

- \$29.50 for vehicles weighing 4,000 pounds or less: 2005-2018
- \$34.50 for vehicles weighing greater than 4,000 pounds: 2005-2018
- \$25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2018
- \$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 - \$325
 - Emergency transport fee - \$425
- Advanced Life Support
 - Non-emergency transport fee - \$425
 - Emergency transport fee - \$500
 - Emergency transport fee if three or more different medications combined with at least one Advanced Life Support procedure are administered- \$700
- A fee of \$9/mile is charged for each mile that the patient is transported
- A fee of \$100 is charged when the patient is evaluated and treated by emergency medical services personnel when no transport occurs.

TAXES DUE

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

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

DELINQUENT TAXES

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

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2018
(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 reaffirmed in 2018, which established major policy goal of maintaining the Unassigned General Fund Balance at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The Fund Balance Policy for the General Fund states:

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

Enterprise Funds:

- **Water Fund:** Minimum ending fund balance shall not be less than 25% of total 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, 2018
(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 reaffirmed in 2018, 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 2018.

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, 2018
(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 2018, establishing specific requirements or limitations imposed upon the investment of Bond Proceeds, Debt Service Funds and Debt Service Reserve Funds. It is the policy of the City of Lynchburg that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this policy. It is the intent of the City to be in complete compliance with all applicable federal, state and local laws, and other regulations and statutes governing the investment of public funds. Within those parameters, the goal of this policy is to achieve the highest rate of return that is reasonable. The City will establish an Investment Committee consisting of the City Manager, Deputy City Manager, and Director of Financial Services. This Committee will provide broad policy oversight over investments. This policy will be reviewed on an annual basis. Any changes must be approved by the Investment Committee and be reaffirmed by City Council.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 155,791,105	\$ 161,777,277	\$ 164,804,823	\$ 166,830,517	\$ 175,165,215	\$ 183,957,611	\$ 192,860,159	\$ 210,809,815	\$ 215,193,933	\$ 233,197,296
Restricted	20,149,056	18,733,893	23,708,274	18,760,659	16,805,325	15,935,153	9,483,640	4,879,215	2,743,988	2,929,713
Unrestricted	64,928,380	65,970,506	61,798,935	71,824,701	73,963,009	69,801,835	(20,298,752)	(26,991,866)	(29,668,951)	(119,179,431)
Total governmental activities net position	<u>\$ 240,868,541</u>	<u>\$ 246,481,676</u>	<u>\$ 250,312,032</u>	<u>\$ 257,415,877</u>	<u>\$ 265,933,549</u>	<u>\$ 269,694,599</u>	<u>\$ 182,045,047</u>	<u>\$ 188,697,164</u>	<u>\$ 188,268,970</u>	<u>\$ 116,947,578</u>
Business-type activities										
Net investment in capital assets	\$ 152,089,577	\$ 167,081,709	\$ 180,332,606	\$ 182,791,158	\$ 189,456,676	\$ 196,909,298	\$ 205,192,151	\$ 209,526,622	\$ 218,449,553	\$ 224,892,830
Restricted	8,786	5,213	10,312	119,534	25,193	8,433	7,231	3,478	108,833	46,465
Unrestricted	18,461,675	20,419,761	18,709,510	19,388,092	19,764,741	20,968,416	10,828,849	16,266,676	16,867,521	7,589,876
Total business-type activities net position	<u>\$ 170,560,038</u>	<u>\$ 187,506,683</u>	<u>\$ 199,052,428</u>	<u>\$ 202,298,784</u>	<u>\$ 209,246,610</u>	<u>\$ 217,886,147</u>	<u>\$ 216,028,231</u>	<u>\$ 225,796,776</u>	<u>\$ 235,425,907</u>	<u>\$ 232,529,171</u>
Primary government										
Net investment in capital assets	\$ 307,880,682	\$ 328,858,986	\$ 345,137,429	\$ 349,621,675	\$ 364,621,891	\$ 380,866,909	\$ 398,052,310	\$ 420,336,437	\$ 433,643,486	\$ 458,090,124
Restricted	20,157,842	18,739,106	23,718,586	18,880,193	16,830,518	15,943,586	9,490,871	4,882,693	2,852,821	2,976,178
Unrestricted	83,390,055	86,390,267	80,508,445	91,212,793	93,727,750	90,770,251	(9,469,903)	(10,725,190)	(12,801,430)	(111,589,553)
Total primary government net position	<u>\$ 411,428,579</u>	<u>\$ 433,988,359</u>	<u>\$ 449,364,460</u>	<u>\$ 459,714,661</u>	<u>\$ 475,180,159</u>	<u>\$ 487,580,746</u>	<u>\$ 398,073,278</u>	<u>\$ 414,493,940</u>	<u>\$ 423,694,877</u>	<u>\$ 349,476,749</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General Government	\$ 14,572,569	\$ 14,710,937	\$ 13,623,646	\$ 14,209,838	\$ 15,116,426	\$ 13,291,661	\$ 13,675,189	\$ 14,564,945	\$ 15,669,122	\$ 15,034,844
Judicial	5,707,528	5,633,105	6,329,475	6,546,970	6,406,888	6,518,627	6,245,737	6,294,658	6,719,652	6,596,638
Public Safety	43,233,506	42,794,498	44,365,150	44,743,484	47,390,090	48,816,945	48,732,161	48,490,912	50,797,418	49,506,763
Public Works	28,957,020	26,790,420	25,504,881	25,535,985	26,539,357	29,261,348	24,846,090	26,656,472	28,964,652	28,254,520
Health and Human Services	26,097,589	24,935,622	24,577,656	24,620,381	25,274,269	25,805,934	27,317,037	28,802,640	29,306,224	28,447,078
Culture and Recreation	10,364,636	9,852,641	10,247,781	8,413,428	8,503,945	9,001,804	9,771,210	10,090,164	11,126,401	10,551,172
Community Development	4,974,659	5,024,903	5,490,368	7,757,830	5,076,676	6,730,055	6,742,294	7,764,713	6,216,395	6,423,270
Education	35,807,016	33,876,792	35,171,968	36,667,051	40,568,308	42,640,199	42,608,354	52,163,773	50,225,729	46,418,469
Interest Payments and Fiscal Charges	5,605,088	6,286,182	5,625,344	5,481,482	5,005,302	4,721,429	6,317,148	7,012,279	7,354,890	6,876,234
Issuance Costs	-	483,236	170,210	28,450	29,815	204,180	875,409	268,267	-	346,067
Total governmental activities expenses	175,319,611	170,388,336	171,106,479	174,004,899	179,911,076	186,992,182	187,130,629	202,108,823	206,380,483	198,455,055
Business-type activities:										
Solid Waste Management	206,551	-	-	-	-	-	-	-	-	-
Stormwater (1)	-	-	-	-	2,038,265	2,542,077	1,988,044	2,250,406	2,303,672	2,796,349
Airport	4,062,502	4,308,441	4,374,509	4,394,934	4,151,032	4,370,888	4,572,562	4,590,497	4,793,694	4,734,183
Water	11,274,496	12,600,109	12,231,617	11,881,318	12,822,767	12,867,800	13,192,403	14,392,767	13,767,772	14,801,886
Sewer	14,976,951	15,069,642	15,889,515	16,705,588	16,195,043	17,350,599	18,408,180	19,032,652	19,382,060	19,689,327
Total business-type activities expenses	30,520,500	31,978,192	32,495,641	32,981,840	35,207,107	37,131,364	38,161,189	40,266,322	40,247,198	42,021,745
Total primary government expenses	\$ 205,840,111	\$ 202,366,528	\$ 203,602,120	\$ 206,986,739	\$ 215,118,183	\$ 224,123,546	\$ 225,291,818	\$ 242,375,145	\$ 246,627,681	\$ 240,476,800

(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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues (see Table 3)										
Governmental Activities:										
Charges for services:										
General government	\$ 548,729	\$ 437,468	\$ 424,127	\$ 523,344	\$ 530,988	\$ 460,961	\$ 505,564	\$ 521,930	\$ 529,426	\$ 533,921
Judicial	737,613	846,930	686,417	781,941	917,900	816,341	785,268	807,987	628,411	558,501
Public safety	4,104,152	4,452,849	5,343,055	5,875,575	6,090,401	6,629,609	6,419,638	6,566,743	5,881,973	6,432,759
Public works	993,935	989,613	786,813	813,474	1,711,835	1,806,816	1,304,063	1,310,028	1,540,998	1,291,023
Health and human services	2,385,901	2,037,083	2,364,654	2,462,151	2,631,082	2,503,303	2,452,554	2,817,336	2,837,112	3,174,813
Cultural and Recreational	2,126,732	2,069,822	2,092,744	647,929	660,626	684,094	776,379	860,612	955,311	905,158
Community development	600,480	544,603	340,847	622,156	936,595	2,422,730	1,172,941	1,352,602	1,120,860	1,249,908
Operating Grants and Contributions	32,423,390	29,398,177	29,639,955	30,194,337	39,851,381	40,032,827	42,055,609	43,418,231	44,712,908	44,119,995
Capital Grants and Contributions	12,940,905	13,954,135	11,833,437	11,546,586	4,320,470	2,407,771	1,516,624	12,039,460	6,501,142	18,953,042
Total governmental activities program services	56,861,837	54,730,680	53,512,049	53,467,493	57,651,278	57,764,452	56,988,640	69,694,929	64,708,141	77,219,120
Business-type activities:										
Charges for services:										
Solid Waste Management	-	-	-	-	-	-	-	-	-	-
Stormwater	-	-	-	-	3,355,267	3,124,545	3,268,776	3,209,504	3,208,044	3,212,572
Airport	1,967,871	2,152,132	2,093,668	2,011,159	2,124,073	2,235,749	2,254,531	2,446,873	2,522,138	2,470,025
Water	11,705,595	12,029,026	12,462,594	12,314,865	12,985,275	13,478,920	14,703,923	14,811,555	15,177,716	15,362,052
Sewer	17,716,586	18,536,169	18,023,990	18,520,421	18,913,651	19,763,592	20,216,758	21,264,506	22,640,530	22,635,664
Operating Grants and Contributions	178,948	203,659	202,704	158,129	951,522	810,040	417,601	409,592	394,959	395,048
Capital Grants and Contributions	4,826,469	15,197,159	10,563,426	2,007,777	2,827,806	5,697,350	6,601,428	7,416,609	5,326,856	5,871,418
Total business-type activities program revenues	36,395,469	48,118,145	43,346,382	35,012,351	41,157,594	45,110,196	47,463,017	49,558,639	49,270,243	49,946,779
Total primary government program revenues	\$ 93,257,306	\$ 102,848,825	\$ 96,858,431	\$ 88,479,844	\$ 98,808,872	\$ 102,874,648	\$ 104,451,657	\$ 119,253,568	\$ 113,978,384	\$ 127,165,899
Net (Expense) Revenue										
Governmental Activities	\$ (118,457,774)	\$ (115,657,656)	\$ (117,594,430)	\$ (120,537,406)	\$ (122,259,798)	\$ (129,227,730)	\$ (130,141,989)	\$ (132,413,894)	\$ (141,672,342)	\$ (121,235,935)
Business-type Activities	5,874,969	16,139,953	10,850,741	2,030,511	5,950,487	7,978,832	9,301,828	9,292,317	9,023,045	7,925,034
Total Primary Government Net Expenses	\$ (112,582,805)	\$ (99,517,703)	\$ (106,743,689)	\$ (118,506,895)	\$ (116,309,311)	\$ (121,248,898)	\$ (120,840,161)	\$ (123,121,577)	\$ (132,649,297)	\$ (113,310,901)

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 65,185,656	\$ 67,786,672	\$ 69,849,510	\$ 70,054,855	\$ 74,446,360	\$ 74,994,389	\$ 75,714,767	\$ 77,654,736	\$ 78,396,772	\$ 79,798,396
Local sales and use taxes	13,056,829	12,675,632	13,290,563	13,440,973	13,589,747	13,842,292	15,006,326	14,995,131	15,351,347	15,282,741
Meals taxes	10,477,061	10,477,700	10,975,580	11,658,371	11,916,522	12,549,321	13,756,602	14,188,513	14,881,552	14,097,828
Consumer utility taxes	4,739,261	4,700,202	4,692,477	4,475,316	4,628,647	4,738,343	4,575,492	4,660,389	4,569,906	4,768,971
Business license taxes	7,913,270	7,818,381	7,263,543	7,885,841	8,057,554	8,580,699	8,219,996	8,826,486	9,377,091	8,736,403
Communications sales and use taxes	3,537,283	3,552,028	3,534,449	3,462,621	3,471,805	3,412,734	3,382,915	3,282,767	3,202,076	3,101,975
Other taxes	5,719,878	6,070,900	6,377,684	7,299,554	5,823,989	6,638,042	6,785,275	6,862,577	7,137,128	7,397,005
Unrestricted intergovernmental	5,601,254	5,576,232	5,418,525	5,940,422	6,052,604	6,240,433	6,223,664	6,291,034	6,292,632	6,330,816
Interest	1,716,449	794,471	601,999	438,375	201,735	295,656	312,688	477,313	504,776	889,609
IRS interest subsidy - Build America bonds	-	283,891	146,839	293,680	293,680	270,332	272,388	272,975	273,563	273,856
Miscellaneous	3,827,687	1,683,037	1,498,803	1,162,435	1,606,926	1,480,036	2,141,167	1,374,166	1,164,928	1,060,093
Transfers	16,198,418	(261,260)	(259,950)	(417,961)	(336,330)	(218,809)	(60,658)	-	-	(135,751)
Gain (Loss) on sale of assets	-	112,905	95,976	73,749	1,024,231	165,312	324,443	179,924	92,377	588,918
Total governmental activities	137,973,046	121,270,791	123,485,998	125,768,231	130,777,470	132,988,780	136,655,065	139,066,011	141,244,148	142,190,860
Business-type activities:										
Interest	825,779	207,953	206,665	210,782	108,977	132,701	96,910	136,484	231,789	546,939
IRS interest subsidy - Build America Bonds	-	287,632	148,776	297,551	297,550	273,896	275,978	276,573	277,168	277,466
Miscellaneous	297,033	49,847	79,613	148,571	45,232	22,332	22,966	56,305	90,785	93,369
Transfers	(16,198,418)	261,260	259,950	-	336,330	218,809	60,658	-	-	135,751
Gain (loss) on sale of assets	83,700	-	-	417,961	209,250	12,967	9,825	6,866	6,344	47,162
Total business-type activities	(14,991,906)	806,692	695,004	1,074,865	997,339	660,705	466,337	476,228	606,086	1,100,687
Total primary government	\$ 122,981,140	\$ 122,077,483	\$ 124,181,002	\$ 126,843,096	\$ 131,774,809	\$ 133,649,485	\$ 137,121,402	\$ 139,542,239	\$ 141,850,234	\$ 143,291,547
Changes in Net Position										
Governmental activities	\$ 19,515,272	\$ 5,613,135	\$ 5,891,568	\$ 5,230,825	\$ 8,517,672	\$ 3,761,050	\$ 6,513,076	\$ 6,652,117	\$ (428,194)	\$ 20,954,925
Business-type activities	(9,116,937)	16,946,645	11,545,745	3,105,376	6,947,826	8,639,537	9,768,165	9,768,545	9,629,131	9,025,721
Total primary government	\$ 10,398,335	\$ 22,559,780	\$ 17,437,313	\$ 8,336,201	\$ 15,465,498	\$ 12,400,587	\$ 16,281,241	\$ 16,420,662	\$ 9,200,937	\$ 29,980,646

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Program										
Governmental Activities:										
General government	\$ 900,082	\$ 784,656	\$ 733,374	\$ 842,476	\$ 842,595	\$ 772,920	\$ 822,568	\$ 6,315,850	\$ 852,147	\$ 14,731,586
Judicial	4,319,914	4,434,426	4,405,123	4,685,775	4,369,390	4,705,330	4,556,364	4,613,026	4,528,778	4,494,336
Public safety	11,638,433	10,221,136	11,507,560	10,901,882	12,249,088	12,655,192	12,043,156	12,167,299	12,562,382	12,682,717
Public works	13,461,837	14,184,338	12,761,729	13,637,579	16,225,091	13,736,037	13,462,198	18,900,766	19,394,584	17,786,121
Health and human services	20,093,434	19,645,184	19,710,295	19,756,196	20,786,993	21,009,420	22,626,330	23,708,853	24,089,638	24,012,556
Cultural and recreational	2,332,948	2,266,212	2,335,925	842,913	932,261	1,335,292	1,010,645	1,153,738	1,201,444	1,177,805
Community development	3,322,867	2,217,737	2,027,021	2,445,719	2,216,576	3,550,261	2,467,379	2,755,042	1,943,831	2,213,229
Education	792,322	976,991	31,022	354,953	29,284	-	-	80,355	135,337	120,770
Subtotal governmental activities	56,861,837	54,730,680	53,512,049	53,467,493	57,651,278	57,764,452	56,988,640	69,694,929	64,708,141	77,219,120
Business-type activities:										
Solid Waste Management (1)	-	-	-	-	-	-	-	-	-	-
Stormwater (2)	-	-	-	-	4,005,267	3,774,545	3,543,776	3,484,504	3,572,102	4,042,606
Airport	2,889,032	4,917,589	4,331,554	3,452,187	5,046,920	5,214,040	5,786,312	5,163,799	5,786,943	4,913,857
Water	11,705,595	12,029,026	12,462,594	12,338,865	13,067,064	13,492,023	14,708,923	15,174,472	15,387,716	15,362,052
Sewer	21,800,842	31,171,530	26,552,234	19,221,299	19,038,343	22,629,588	23,424,006	25,735,864	24,523,482	25,628,264
Subtotal business-type activities	36,395,469	48,118,145	43,346,382	35,012,351	41,157,594	45,110,196	47,463,017	49,558,639	49,270,243	49,946,779
Total primary government	\$ 93,257,306	\$ 102,848,825	\$ 96,858,431	\$ 88,479,844	\$ 98,808,872	\$ 102,874,648	\$ 104,451,657	\$ 119,253,568	\$ 113,978,384	\$ 127,165,899

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

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

TABLE 4

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

(modified accrual basis of accounting)

	Pre-GASB 54							
	2009	2010						
General Fund								
Reserved	\$ 719,850	\$ 1,457,305						
Unreserved	36,459,043	44,287,091						
Total General Fund	\$ 37,178,893	\$ 45,744,396						
All Other Governmental Funds								
Reserved	\$ 31,264,091	\$ 9,752,227						
Unreserved, reported in:								
Special revenue funds	4,263,967	4,265,193						
Capital projects funds	11,646,868	31,943,779						
Total All Other Governmental Funds	\$ 47,174,926	\$ 45,961,199						
	Post-GASB 54							
	2011	2012	2013	2014	2015	2016	2017	2018
General Fund								
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,401,700
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
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
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
Total General Fund	\$ 47,000,567	\$ 48,402,864	\$ 49,414,145	\$ 54,146,032	\$ 53,011,050	\$ 42,961,516	\$ 44,957,034	\$ 64,410,111
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
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
Assigned	121,599	126,818	100,000	100,012	100,012	100,012	100,012	100,012
Unassigned	(539,488)	(257,944)	(257,945)	-	(50,067)	-	-	-
Total All Other Governmental Funds	\$ 42,187,328	\$ 40,648,432	\$ 34,858,950	\$ 30,287,303	\$ 78,485,974	\$ 58,120,081	\$ 36,264,926	\$ 24,371,700

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$110,330,014	\$112,551,637	\$ 115,044,676	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029	\$ 127,770,651	\$ 130,022,195	\$ 132,895,836	\$ 134,835,168
Regulatory licenses, permits and privilege fees	650,514	664,028	683,712	916,546	991,098	1,068,270	1,000,222	1,108,694	1,071,926	1,101,285
Intergovernmental	50,772,908	48,877,101	46,663,521	47,320,286	50,245,714	48,326,225	49,874,673	55,070,162	55,784,306	55,565,967
Fines and forfeitures	612,595	667,756	598,424	721,839	726,438	634,485	637,417	570,242	505,829	406,905
Revenue from use of money and property	3,113,910	2,177,785	1,962,064	749,017	506,030	702,100	820,000	1,051,355	1,243,844	1,496,011
Charges for services	11,782,655	11,846,063	11,977,908	11,467,834	13,687,367	15,916,305	14,365,457	14,484,302	13,397,141	14,716,870
Miscellaneous	2,317,772	2,281,001	1,863,720	1,828,931	2,863,553	2,516,916	2,807,317	3,033,445	3,317,877	1,808,108
Total revenues	179,580,368	179,065,371	178,794,025	179,764,531	191,456,920	194,401,330	197,275,737	205,340,395	208,216,759	209,930,314
Expenditures										
General government	16,046,197	16,125,721	15,157,924	15,499,218	16,130,210	14,289,462	16,152,572	16,255,049	16,987,863	17,359,357
Judicial	5,478,171	5,347,422	5,553,219	5,790,132	5,767,935	5,758,228	5,717,080	5,654,176	6,042,746	6,201,171
Public Safety	41,723,778	40,379,295	42,216,297	42,427,687	46,421,193	46,660,711	48,818,343	48,233,548	49,659,468	50,284,130
Public Works	22,154,990	18,834,896	17,746,056	17,681,810	19,474,530	22,150,384	18,097,502	19,790,108	20,593,526	20,211,943
Health and human services	25,693,662	24,400,078	23,992,172	24,172,488	25,059,481	25,328,758	27,443,758	28,554,889	28,892,687	28,900,411
Cultural and recreational	9,496,115	8,915,422	9,114,228	7,383,687	7,672,890	7,611,982	8,821,557	8,928,603	9,623,473	8,910,592
Community development	4,990,958	5,200,664	5,507,839	7,734,642	5,072,557	6,519,328	6,681,436	7,623,841	5,995,399	6,385,505
Education	32,191,853	29,472,854	30,343,130	31,830,468	35,590,981	36,856,139	37,562,551	42,897,772	43,216,739	39,017,813
Capital Outlay										
Capital general government (1)	33,101,444	37,055,272	12,891,432	10,688,906	14,864,174	22,238,043	53,408,143	56,618,269	29,017,350	19,728,578
Debt Services										
Principal Retirement	8,582,070	17,214,799	10,872,412	10,119,044	10,103,234	9,689,223	10,296,872	10,134,827	10,972,265	10,678,219
Interest payments and other fiscal charges	5,455,250	5,619,800	5,671,296	5,399,200	4,985,875	4,683,175	7,435,810	7,306,428	7,324,880	7,407,067
Issuance costs	-	483,236	170,210	28,450	29,815	204,180	875,409	268,267	-	346,067
Total expenditures	204,914,488	209,049,459	179,236,215	178,755,732	191,172,875	201,989,613	241,311,033	252,265,777	228,326,396	215,430,853
Excess (deficiency) of revenues over expenditures	(25,334,120)	(29,984,088)	(442,190)	1,008,799	284,045	(7,588,283)	(44,035,296)	(46,925,382)	(20,109,637)	(5,500,539)
Other financing sources (uses)										
Proceeds from debt issues	6,156,611	36,180,000	-	-	-	-	83,225,000	15,680,000	-	182,562
Premium on debt proceeds	-	993,827	-	-	-	-	7,792,446	1,505,630	-	-
Discount on debt proceeds	-	(959,560)	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	6,103,649	18,591,517	-	4,129,625	8,000,638	23,292,975	7,243,402	-	15,221,555
Refunded bond principal payments	-	-	-	-	-	-	-	-	-	-
Premium on refunding debt issuance	-	-	-	-	-	-	-	909,464	-	1,700,762
Payments to escrow agent	-	(6,046,285)	(18,397,260)	-	(4,129,625)	-	(23,114,836)	(8,065,760)	-	(2,160,352)
Capital contributions	-	-	-	-	(4,725,916)	-	-	-	-	-
Transfers in	25,197,199	5,962,962	10,739,030	11,057,987	9,560,807	9,978,763	11,606,390	15,442,682	6,456,092	4,746,481
Transfers out	(8,844,121)	(4,898,729)	(10,947,585)	(12,203,385)	(9,897,137)	(10,230,878)	(11,702,990)	(16,205,463)	(6,206,092)	(6,630,618)
Total other financing sources (uses)	22,509,689	37,335,864	(14,298)	(1,145,398)	(5,062,246)	7,748,523	91,098,985	16,509,955	250,000	13,060,390
Net change in fund balances	\$ (2,824,431)	\$ 7,351,776	\$ (456,488)	\$ (136,599)	\$ (4,778,201)	\$ 160,240	\$ 47,063,689	\$ (30,415,427)	\$ (19,859,637)	\$ 7,559,851
Debt Service as a percentage of noncapital expenditures (2)	8.17%	13.28%	9.95%	9.23%	8.56%	8.00%	9.44%	8.91%	9.18%	9.24%

(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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Taxes	\$ 110,297,053	\$ 112,519,658	\$ 115,009,873	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029	\$ 127,770,651	\$ 130,022,195	\$ 132,895,836	\$ 134,835,168
Regulatory licenses, permits, and privilege fees	650,514	664,028	683,712	916,546	991,098	1,068,270	1,000,222	1,108,694	1,071,926	1,101,285
Intergovernmental	33,646,195	33,239,946	33,199,440	35,030,474	33,669,141	34,333,156	34,604,123	36,644,986	37,432,488	36,917,105
Fines & forfeitures	612,595	667,756	598,424	721,839	726,438	634,485	637,417	570,242	505,829	406,905
Revenues from use of money & property	1,403,024	995,450	840,217	690,069	437,531	640,544	697,756	916,257	1,125,893	1,434,901
Charges for services	7,593,070	7,905,479	7,907,113	7,676,012	9,949,886	10,555,494	10,750,591	10,356,244	9,938,717	10,743,235
Miscellaneous	1,168,236	1,132,221	945,324	871,056	1,097,217	1,150,545	1,154,870	1,234,853	1,050,756	1,380,263
Total revenues	155,370,687	157,124,538	159,184,103	162,666,074	169,308,031	173,619,523	176,615,630	180,853,471	184,021,445	186,818,862
Expenditures:										
Current operating expenditures:										
General government	15,808,721	15,896,808	15,453,014	15,908,597	16,408,318	14,507,532	16,298,894	16,490,338	17,106,909	17,389,996
Judicial	4,457,959	4,342,042	4,426,215	4,421,907	4,650,024	4,655,974	4,696,403	4,788,676	4,832,773	5,032,655
Public safety	36,981,993	36,756,234	38,405,071	38,845,495	42,026,411	42,455,002	44,421,121	44,391,282	45,274,306	46,414,215
Public works	17,209,120	14,432,901	15,139,289	14,436,170	15,547,537	16,403,344	14,600,543	16,009,423	16,364,853	15,920,299
Health and human services	19,126,038	18,532,152	18,713,485	18,268,410	18,905,329	19,184,011	19,825,954	21,018,515	21,401,062	21,441,064
Cultural & recreational	7,794,603	7,311,064	7,397,754	7,383,687	7,560,762	7,479,777	8,558,412	8,394,652	9,034,143	8,825,071
Community development	3,730,495	3,604,356	3,883,971	3,930,173	3,504,251	4,283,676	4,819,261	4,590,547	3,804,380	4,817,967
Education	32,150,370	29,443,654	30,310,602	31,696,712	35,308,205	35,709,226	36,389,604	42,691,567	42,943,004	38,894,037
Capital outlay:										
Capital general government	-	-	-	-	-	-	-	-	-	649,712
Debt service:										
Principal retirements	8,152,512	16,708,675	10,354,910	9,706,899	9,693,099	9,359,924	9,959,146	9,837,962	10,683,800	10,416,914
Interest payments and other fiscal charges	5,121,995	5,307,936	5,380,142	5,225,436	4,829,728	4,544,745	7,276,813	7,281,382	7,294,605	7,380,164
Issuance costs	-	186,536	162,757	28,450	29,815	204,180	443,933	171,746	-	346,067
Total expenditures	150,533,806	152,522,358	149,627,210	149,851,936	158,463,479	158,787,391	167,290,084	175,666,090	178,739,835	177,528,161
Excess (deficiency) of revenues over expenditures	4,836,881	4,602,180	9,556,893	12,814,138	10,844,552	14,832,132	9,325,546	5,187,381	5,281,610	9,290,701
Other financing sources (uses):										
Issuance of bonds	-	7,082,817	-	-	-	57,468	412,470	83,298	-	103,342
Premium on debt proceeds	-	540,631	-	-	-	-	-	-	-	1,700,762
Issuance of refunding bonds	-	5,929,460	16,605,512	-	4,129,625	-	22,823,100	8,152,866	-	15,221,555
Refunded bond principal payments	-	-	-	-	-	-	-	-	-	-
Payments to escrow agent	-	(5,872,800)	(16,418,708)	-	(4,129,625)	-	(22,647,772)	(8,065,760)	-	(2,160,352)
Transfers in	6,450,066	464,020	546,826	283,272	18,524	4,761	325,036	366,572	1,585,000	252,397
Transfers out	(8,673,819)	(4,180,805)	(10,170,259)	(11,695,113)	(9,851,795)	(10,162,474)	(11,373,362)	(15,773,891)	(4,871,092)	(4,955,328)
Total other financing sources (uses)	(2,223,753)	3,963,323	(9,436,629)	(11,411,841)	(9,833,271)	(10,100,245)	(10,460,528)	(15,236,915)	(3,286,092)	10,162,376
Net changes in fund balances	2,613,128	8,565,503	120,264	1,402,297	1,011,281	4,731,887	(1,134,982)	(10,049,534)	1,995,518	19,453,077
Fund balance - beginning, as restated (1)	34,565,765	37,178,893	46,880,303	47,000,567	48,402,864	49,414,145	54,146,032	53,011,050	42,961,516	44,957,034
Fund balance - ending	\$ 37,178,893	\$ 45,744,396	\$ 47,000,567	\$ 48,402,864	\$ 49,414,145	\$ 54,146,032	\$ 53,011,050	\$ 42,961,516	\$ 44,957,034	\$ 64,410,111

(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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Intergovernmental	\$ 86,283,375	\$ 82,233,197	\$ 71,983,645	\$ 74,046,427	\$ 78,946,545	\$ 80,213,734	\$ 84,423,859	\$ 89,797,227	\$ 93,028,379	\$ 90,439,558
Revenue from use of money & property	6,748	1,314	527	136	106	-	-	-	-	-
Charges for services	1,367,940	1,228,196	1,504,368	1,556,187	1,468,451	1,471,332	1,169,484	1,491,359	1,820,727	1,640,533
Miscellaneous	111,542	230,075	804,264	1,197,197	590,372	520,942	726,730	1,365,368	412,650	632,056
Total revenues	87,769,605	83,692,782	74,292,804	76,799,947	81,005,474	82,206,008	86,320,073	92,653,954	95,261,756	92,712,147
Expenditures:										
Education:										
Instruction	66,182,342	61,342,226	54,022,173	54,189,572	57,096,206	57,686,592	61,909,077	65,839,840	68,909,218	67,276,868
Administration, attendance, and health	4,962,843	4,069,394	3,820,833	3,767,196	4,193,846	5,581,280	4,865,032	5,426,428	5,717,931	6,376,477
Pupil transportation services	4,122,671	3,508,602	3,786,131	4,418,735	4,661,286	4,690,144	4,828,845	4,762,678	5,016,591	5,335,508
Operations and maintenance	10,336,820	9,885,883	9,347,596	9,287,310	9,643,581	9,497,568	10,665,930	10,485,381	10,157,853	10,296,919
Food service and other	528	-	-	-	5,633	16,087	24,670	21,358	12,153	16,691
Facilities	55,414	64,784	48,403	40,563	87,879	20,365	10,163	14,825	20,758	26,138
Technology	-	2,048,301	2,037,654	2,362,774	2,049,937	3,244,460	3,525,049	3,230,426	3,034,004	3,060,199
Capital outlay	1,942,808	1,683,684	709,526	1,999,266	3,253,181	862,639	742,418	2,813,555	1,147,768	1,445,076
Debt service:										
Principal retirements	947,970	920,908	642,489	480,697	264,931	109,353	-	-	-	-
Interest payments	89,419	72,838	44,389	22,256	8,261	970	-	-	-	-
Total expenditures	88,640,815	83,596,620	74,459,194	76,568,369	81,264,741	81,709,458	86,571,184	92,594,491	94,016,276	93,833,876
Excess (deficiency) of revenues over expenditures	(871,210)	96,162	(166,390)	231,578	(259,267)	496,550	(251,111)	59,463	1,245,480	(1,121,729)
Other financing sources (uses):										
Capital lease proceeds	1,000,000	-	-	-	-	-	-	-	-	-
Transfers in (out)	-	(433,046)	(23,726)	-	(26,655)	-	-	-	-	-
Total other financing sources (uses)	1,000,000	(433,046)	(23,726)	-	(26,655)	-	-	-	-	-
Net change in fund balances	128,790	(336,884)	(190,116)	231,578	(285,922)	496,550	(251,111)	59,463	1,245,480	(1,121,729)
Fund balance - beginning, as restated	663,149	791,939	455,055	264,939	496,517	210,595	707,145	456,034	515,497	1,760,977
Fund balance - ending	\$ 791,939	\$ 455,055	\$ 264,939	\$ 496,517	\$ 210,595	\$ 707,145	\$ 456,034	\$ 515,497	\$ 1,760,977	\$ 639,248

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

	<u>Fiscal Year</u> <u>2009</u>
Operating revenues:	
Charges for services and other operating revenues	\$ -
Total operating revenues	-
Operating expenses:	
Personal services and benefits	-
Operation and maintenance	-
Supplies and materials	-
Administration	-
Landfill closure and postclosure care	-
Other charges	-
Depreciation	-
Total operating expenses	-
Operating income (loss)	-
Nonoperating revenues (expenses):	
Interest income	363,207
Governmental grants	-
Miscellaneous	889
Gain (loss) on disposition of assets	83,700
Interest on long-term debt	(118,078)
Total nonoperating revenues (expenses)	329,718
Income before contributions and transfers	329,718
Transfers in	-
Transfers out	(16,494,268)
Change in net assets	(16,164,550)
Total net assets - beginning	-
Ending net assets:	
Invested in capital assets, net of related debt	-
Restricted	-
Unrestricted	-
Total net assets - ending	\$ -

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating revenues:										
Charges for services and other operating revenues	\$ 11,705,595	\$ 12,029,026	\$ 12,462,594	\$ 12,314,865	\$ 12,985,275	\$ 13,478,920	\$ 14,703,923	\$ 14,811,555	\$ 15,177,716	\$ 15,362,052
Total operating revenues	11,705,595	12,029,026	12,462,594	12,314,865	12,985,275	13,478,920	14,703,923	14,811,555	15,177,716	15,362,052
Operating expenses:										
Personal services and benefits	3,886,560	4,010,326	4,253,120	3,835,816	4,385,357	4,345,690	4,350,457	5,061,596	5,173,210	4,779,528
Operation and maintenance	1,296,658	1,839,617	1,234,608	1,158,818	1,460,251	1,453,789	1,550,252	1,788,171	945,920	1,750,445
Supplies and materials	1,451,738	1,353,184	1,471,159	1,296,768	1,220,000	1,218,645	1,210,601	1,229,613	1,378,106	1,435,848
Administration	1,227,113	1,084,407	1,174,601	1,182,821	1,220,437	1,308,718	1,462,335	1,335,499	1,196,167	1,431,196
Other charges	61,621	52,684	67,481	60,133	65,424	60,118	77,950	87,808	90,180	86,149
Depreciation	2,090,517	2,468,788	2,519,349	2,701,356	2,711,581	2,757,951	2,852,246	2,916,684	3,048,763	3,116,981
Total operating expenses	10,014,207	10,809,006	10,720,318	10,235,712	11,063,050	11,144,911	11,503,841	12,419,371	11,832,346	12,600,147
Operating income	1,691,388	1,220,020	1,742,276	2,079,153	1,922,225	2,334,009	3,200,082	2,392,184	3,345,370	2,761,905
Nonoperating revenues (expenses):										
Interest income	82,842	22,207	30,674	40,275	2,729	21,508	21,514	41,904	75,939	229,606
Governmental grants	-	-	-	-	72,289	13,103	-	-	-	-
Miscellaneous	25,223	29,613	19,585	10,847	16,535	2,122	2,781	1,028	1,131	1,001
Gain (loss) on disposition of assets	-	-	(293)	-	-	7,314	9,219	6,128	5,172	18,282
Interest on long-term debt	(1,267,391)	(1,796,575)	(1,520,334)	(1,643,503)	(1,751,114)	(1,708,765)	(1,678,042)	(1,971,229)	(1,911,073)	(2,204,019)
IRS interest subsidy - Build America Bonds	-	243,211	125,799	251,598	251,598	231,596	233,357	233,860	234,363	234,615
Total nonoperating revenues (expenses)	(1,159,326)	(1,501,544)	(1,344,569)	(1,340,783)	(1,407,963)	(1,433,122)	(1,411,171)	(1,688,309)	(1,594,468)	(1,720,515)
Income before contributions and transfers	532,062	(281,524)	397,707	738,370	514,262	900,887	1,788,911	703,875	1,750,902	1,041,390
Capital contributions	-	-	-	24,000	9,500	-	5,000	362,917	210,000	-
Transfers in	-	-	-	-	-	-	-	-	-	67,298
Change in net position	532,062	(281,524)	397,707	762,370	523,762	900,887	1,793,911	1,066,792	1,960,902	1,108,688
Total net position - beginning, as restated (1) (2) (3)	34,565,165	35,097,227	34,815,703	35,273,830	36,036,200	36,559,962	31,448,108	33,242,019	34,308,811	29,985,889
Ending net position:										
Net investment in capital assets	29,577,116	29,406,782	28,353,428	28,177,375	27,787,795	28,010,070	28,620,307	27,610,452	29,430,618	29,134,568
Unrestricted	5,520,111	5,408,921	6,859,982	7,858,825	8,772,167	9,450,779	4,621,712	6,698,359	6,839,095	1,960,009
Total net position - ending	<u>\$ 35,097,227</u>	<u>\$ 34,815,703</u>	<u>\$ 35,213,410</u>	<u>\$ 36,036,200</u>	<u>\$ 36,559,962</u>	<u>\$ 37,460,849</u>	<u>\$ 33,242,019</u>	<u>\$ 34,308,811</u>	<u>\$ 36,269,713</u>	<u>\$ 31,094,577</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating revenues:										
Charges for services and other operating revenues	\$ 17,716,586	\$ 18,536,169	\$ 18,023,990	\$ 18,520,421	\$ 18,913,651	\$ 19,763,592	\$ 20,216,758	\$ 21,264,506	\$ 22,640,530	\$ 22,635,664
Total operating revenues	17,716,586	18,536,169	18,023,990	18,520,421	18,913,651	19,763,592	20,216,758	21,264,506	22,640,530	22,635,664
Operating expenses:										
Personal services and benefits	2,580,269	2,690,817	2,821,960	2,963,550	2,731,139	2,871,425	2,944,024	3,390,178	3,424,756	3,274,735
Operation and maintenance	2,922,473	2,648,489	2,756,734	3,054,420	2,493,078	2,742,797	2,697,307	2,906,172	3,071,702	3,533,634
Supplies and materials	988,444	1,120,551	1,142,833	1,119,265	1,040,125	1,158,838	1,336,709	1,489,227	1,562,481	1,386,495
Administration	2,370,470	2,222,341	2,599,513	2,337,126	2,273,339	2,282,628	2,573,784	2,341,346	2,316,721	2,467,815
Other charges	35,903	45,466	39,915	70,699	33,447	44,651	66,946	51,118	106,560	74,387
Depreciation	4,430,958	4,857,843	5,035,336	5,819,288	6,147,918	7,049,861	7,584,388	7,635,836	7,888,946	7,898,587
Total operating expenses	13,328,517	13,585,507	14,396,291	15,364,348	14,719,046	16,150,200	17,203,158	17,813,877	18,371,166	18,635,653
Operating income	4,388,069	4,950,662	3,627,699	3,156,073	4,194,605	3,613,392	3,013,600	3,450,629	4,269,364	4,000,011
Nonoperating revenues (expenses):										
Interest income	363,942	182,548	173,319	167,849	102,589	108,729	73,142	85,086	124,705	241,852
Governmental grants	38,500	93,000	93,000	-	93,667	10,759	-	-	219	-
Miscellaneous	257,943	15,985	15,936	125,336	11,999	11,170	10,400	11,821	19,605	47,687
Gain (loss) on disposition of assets	-	-	-	-	(160,294)	5,653	606	738	1,172	16,393
Interest on long-term debt	(1,632,263)	(1,496,908)	(1,477,230)	(1,359,726)	(1,234,971)	(1,148,525)	(1,086,336)	(1,129,426)	(985,817)	(1,068,072)
IRS interest subsidy - Build America Bonds	-	44,421	22,977	45,953	45,952	42,300	42,621	42,713	42,805	42,851
Total nonoperating revenues (expenses)	(971,878)	(1,160,954)	(1,171,998)	(1,020,588)	(1,141,058)	(969,914)	(959,567)	(989,068)	(797,311)	(719,289)
Income before contributions and transfers	3,416,191	3,789,708	2,455,701	2,135,485	3,053,547	2,643,478	2,054,033	2,461,561	3,472,053	3,280,722
Capital contributions	4,045,756	12,542,361	8,435,244	700,878	31,025	2,855,237	3,207,248	4,471,358	1,882,733	2,992,600
Transfers in						126,734	126,734	126,734		50,729
Transfers out	-	-	-	(3,401)	-	-	-	-	-	-
Change in net position	7,461,947	16,332,069	10,890,945	2,832,962	3,084,572	5,625,449	5,388,015	7,059,653	5,354,786	6,324,051
Total net position - beginning, as restated (1) (2) (3)	98,251,695	105,713,642	122,045,711	132,997,076	135,830,038	138,914,610	140,651,555	146,039,570	153,099,223	154,135,205
Ending net position:										
Net investment in capital assets	89,162,429	103,867,512	118,483,855	122,482,265	128,264,125	133,496,405	138,595,419	144,934,435	148,010,757	154,280,143
Unrestricted	16,551,213	18,178,199	14,452,801	13,347,773	10,650,485	11,043,654	7,444,151	8,164,788	10,443,252	6,179,113
Total net position - ending	\$ 105,713,642	\$ 122,045,711	\$ 132,936,656	\$ 135,830,038	\$ 138,914,610	\$ 144,540,059	\$ 146,039,570	\$ 153,099,223	\$ 158,454,009	\$ 160,459,256

(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 SIX FISCAL YEARS

	2013	2014	2015	2016	2017	2018
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
Intergovernmental	650,000	650,000	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
Operating expenses:						
Personal services and benefits	281,160	414,356	362,502	446,320	651,860	531,569
Operation and maintenance	651,189	719,470	306,678	285,560	327,657	451,961
Supplies and materials	50,358	113,528	104,029	136,741	131,321	127,008
Administration	1,109,817	1,340,126	1,227,229	1,353,809	1,160,256	1,576,573
Other charges	4,804	8,233	11,916	5,289	16,864	23,538
Depreciation	-	4,465	33,662	67,558	76,239	142,092
Total operating expenses	2,097,328	2,600,178	2,046,016	2,295,277	2,364,197	2,852,741
Operating income	1,907,939	1,174,367	1,497,760	1,189,227	1,118,847	634,831
Nonoperating revenue:						
Interest Income	-	-	-	1,213	9,477	31,120
Miscellaneous	1	-	61	23,452	2	491
Interest on long-term debt	-	-	-	-	-	(4,672)
Total nonoperating revenue	1	-	61	24,665	9,479	26,939
Income before contributions and transfers	1,907,940	1,174,367	1,497,821	1,213,892	1,128,326	661,770
Capital contributions	-	-	-	-	89,058	555,034
Transfers in	-	-	-	-	-	8,593
Transfers out	-	(126,734)	(162,676)	(126,734)	-	(4,215)
Change in net position	1,907,940	1,047,633	1,335,145	1,087,158	1,217,384	1,221,182
Total net position - beginning, as restated (1) (2)	-	1,907,940	2,428,919	3,764,064	4,851,222	5,656,260
Ending net position:						
Net investment in capital assets	99,062	771,687	2,002,495	2,484,986	3,950,070	4,336,742
Unrestricted	1,808,878	2,183,886	1,761,569	2,366,236	2,118,536	2,540,700
Total net position - ending	<u>\$ 1,907,940</u>	<u>\$ 2,955,573</u>	<u>\$ 3,764,064</u>	<u>\$ 4,851,222</u>	<u>\$ 6,068,606</u>	<u>\$ 6,877,442</u>

The Stormwater Fund was created in FY 2013.

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating revenues:										
Charges for services and other operating revenues	\$ 1,967,871	\$ 2,152,132	\$ 2,093,668	\$ 2,011,159	\$ 2,124,073	\$ 2,235,749	\$ 2,254,531	\$ 2,446,873	\$ 2,522,138	\$ 2,470,025
Intergovernmental	178,948	179,276	168,209	158,129	135,566	136,178	142,601	134,592	119,740	120,048
Total operating revenues	2,146,819	2,331,408	2,261,877	2,169,288	2,259,639	2,371,927	2,397,132	2,581,465	2,641,878	2,590,073
Operating expenses: (2)										
Personal services and benefits	912,723	940,547	962,868	917,266	942,087	970,660	1,006,709	1,018,464	1,058,236	1,097,115
Operation and maintenance	825,665	962,156	993,088	979,812	1,008,265	1,160,643	1,166,823	1,011,546	1,134,897	965,901
Supplies and materials	99,852	107,755	118,586	122,848	113,371	133,670	12,803	137,041	141,930	114,948
Administration	203,813	242,702	233,300	263,522	243,385	233,277	239,614	235,287	258,123	272,997
Other charges	17,935	20,088	15,794	21,416	18,000	16,800	24,384	20,637	27,399	29,752
Depreciation	1,911,836	1,964,051	1,969,925	2,035,816	1,782,786	1,820,883	2,115,435	2,141,357	2,145,813	2,240,282
Total operating expenses	3,971,824	4,237,299	4,293,561	4,340,680	4,107,894	4,335,933	4,565,768	4,564,332	4,766,398	4,720,995
Operating loss	(1,825,005)	(1,905,891)	(2,031,684)	(2,171,392)	(1,848,255)	(1,964,006)	(2,168,636)	(1,982,867)	(2,124,520)	(2,130,922)
Nonoperating revenues (expenses):										
Interest income	15,788	3,198	2,672	2,658	3,659	2,464	2,254	8,281	21,668	44,361
Governmental grants	-	24,383	34,495	-	-	-	-	-	-	-
Passenger facility charges (3)	319,360	377,504	350,002	321,031	-	-	-	-	-	-
Miscellaneous	11,508	4,249	44,092	12,388	16,697	9,040	9,724	20,004	70,047	44,190
Gain (Loss) on disposition of assets	-	-	(17,651)	-	137,762	-	-	-	-	12,487
Interest on long-term debt	(86,964)	(73,265)	(64,581)	(54,416)	(45,020)	(39,411)	(8,061)	(27,422)	(24,752)	(11,781)
Total nonoperating revenues (expenses)	259,692	336,069	349,029	281,661	113,098	(27,907)	3,917	863	66,963	89,257
Loss before contributions and transfers	(1,565,313)	(1,569,822)	(1,682,655)	(1,889,731)	(1,735,157)	(1,991,913)	(2,164,719)	(1,982,004)	(2,057,557)	(2,041,665)
Capital contributions	422,853	2,184,294	1,685,180	961,868	2,452,072	2,512,162	3,065,217	2,264,831	2,824,123	1,985,329
Passenger facility charges (3)	-	-	-	-	335,209	329,951	323,963	317,503	320,942	338,455
Transfers in	295,850	261,260	259,950	421,362	336,330	218,809	96,600	-	-	13,346
Change in net position	(846,610)	875,732	262,475	(506,501)	1,388,454	1,069,009	1,321,061	600,330	1,087,508	295,465
Total net position - beginning, as restated (1)(2)(4)	34,692,190	33,845,580	34,721,312	35,003,927	34,497,426	35,885,880	35,756,707	37,077,768	37,678,098	37,858,123
Ending net position:										
Net investment in capital assets	33,350,032	33,807,415	33,495,323	32,131,518	33,305,694	34,631,136	35,973,930	34,496,749	37,058,108	37,141,377
Restricted	8,786	5,213	10,312	119,534	25,193	8,433	7,231	3,478	108,833	46,465
Unrestricted	486,762	908,684	1,478,152	2,246,374	2,554,993	2,315,320	1,096,607	3,177,871	1,598,665	965,746
Total net position - ending	\$ 33,845,580	\$ 34,721,312	\$ 34,983,787	\$ 34,497,426	\$ 35,885,880	\$ 36,954,889	\$ 37,077,768	\$ 37,678,098	\$ 38,765,606	\$ 38,153,588

(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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Real Estate	\$ 47,350,940	\$ 49,771,556	\$ 50,443,704	\$ 50,575,233	\$ 54,258,297	\$ 54,360,607	\$ 54,894,485	\$ 55,825,934	\$ 56,473,104	\$ 56,927,450
PSC Taxes	2,092,537	2,156,835	2,231,177	2,188,113	2,333,580	2,313,627	2,267,069	2,371,493	2,419,023	2,522,219
Personal Property Tax	14,888,406	14,735,238	15,452,280	16,138,693	16,757,814	17,578,172	17,578,905	18,390,620	18,747,247	19,635,406
Penalties & Interest	896,215	862,989	954,397	1,032,498	1,142,986	1,241,614	1,299,858	1,198,049	1,385,475	1,275,152
Sales & Use Tax	13,056,829	12,686,171	13,290,563	13,440,973	13,589,747	13,842,292	15,006,326	14,995,131	15,351,346	15,282,741
Utility Tax	4,739,261	4,700,202	4,692,477	4,475,316	4,628,647	4,738,343	4,575,492	4,660,389	4,569,906	4,768,971
Business License Tax	7,678,586	7,648,170	7,342,658	7,539,926	7,810,315	8,391,989	8,535,544	8,464,009	9,258,208	9,095,288
Franchise License Tax	500	4,527	8,554	4,527	500	-	-	10,100	500	-
Communication Sales & Use Tax	3,537,283	3,552,028	3,534,449	3,462,621	3,471,805	3,412,734	3,382,915	3,282,767	3,202,076	3,101,975
Motor Vehicle Licenses	1,572,792	1,601,123	1,621,362	1,629,845	1,643,420	1,672,627	1,701,647	1,722,007	1,764,571	1,765,907
Bank Stock Taxes	500,385	685,879	901,240	817,990	722,734	769,284	831,103	836,320	834,986	829,988
Taxes on Recordation and Wills	401,833	525,417	381,719	461,835	549,056	486,321	592,113	504,432	614,673	629,846
Tobacco Taxes	1,044,465	953,513	936,648	974,864	1,025,289	975,078	936,024	900,484	903,846	870,084
Admission and Amusement Taxes	400,835	576,139	610,625	644,842	660,558	662,453	667,212	678,870	762,657	847,388
Hotel and Motel Room Taxes	1,742,232	1,667,064	1,738,042	1,787,719	1,967,393	2,125,145	2,066,200	2,100,391	2,226,551	2,583,241
Restaurant Food Taxes	10,426,915	10,424,786	10,904,781	11,585,083	11,874,579	12,666,743	13,435,756	14,081,199	14,381,667	14,699,512
Total General Government Tax Revenues	\$ 110,330,014	\$ 112,551,637	\$ 115,044,676	\$ 116,760,078	\$ 122,436,720	\$ 125,237,029	\$ 127,770,649	\$ 130,022,195	\$ 132,895,836	\$ 134,835,168

Source: Director of Financial Services, 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
2009	\$ 3,115,326,600	\$ 1,176,377,700	\$ 330,533,200	\$ 4,622,237,500	\$ 1.05
2010	3,316,347,900	1,241,511,300	333,785,800	4,891,645,000	1.05
2011	3,346,989,900	1,273,290,400	343,349,000	4,963,629,300	1.05
2012	3,331,295,800	1,273,327,200	344,876,100	4,949,499,100	1.05
2013	3,349,936,800	1,280,432,600	355,677,600	4,986,047,000	1.11
2014	3,323,554,300	1,302,945,700	355,954,900	4,982,454,900	1.11
2015	3,358,581,200	1,312,217,000	356,639,200	5,027,437,400	1.11
2016	3,383,069,800	1,396,087,500	364,092,500	5,143,249,800	1.11
2017	3,417,070,700	1,395,683,100	364,597,600	5,177,351,400	1.11
2018	3,460,374,300	1,404,744,500	362,786,100	5,227,904,900	1.11

Source: Real Estate Assessor, City of Lynchburg, Virginia

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

(2) Excludes tax-exempt property.

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

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

Fiscal Year	Real Property (1)					Personal Property (3)				Machinery and Tools		Total Assessed 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		
2009	3,115,326,600	1,506,910,900	173,670,897	4,795,908,397	1.05	505,110,365 (4)	23,990,045	529,100,410	3.80	138,538,171 (4)	3.00	5,463,546,978	7.85
2010	3,316,347,900	1,575,297,100	177,590,861	5,069,235,861	1.05	530,818,005 (4)	26,216,286	557,034,291	3.80	138,218,372 (4)	3.00	5,764,488,524	7.85
2011	3,346,989,900	1,616,639,400	184,591,013	5,148,220,313	1.05	547,011,982 (4)	26,206,858	573,218,840	3.80	142,664,977 (4)	3.00	5,864,104,130	7.85
2012	3,331,295,800	1,618,203,300	182,357,853	5,131,856,953	1.05	573,684,320 (4)	24,189,993	597,874,313	3.80	159,096,582 (4)	3.00	5,888,827,848	7.85
2013	3,349,936,800	1,636,110,200	184,575,507	5,170,622,507	1.11	586,098,054 (4)	23,632,441	609,730,495	3.80	150,157,140 (4)	3.00	5,930,510,142	7.91
2014	3,323,554,300	1,658,900,600	180,026,914	5,162,481,814	1.11	603,981,655 (4)	25,839,427	629,821,082	3.80	152,877,609 (4)	3.00	5,945,180,505	7.91
2015	3,358,581,200	1,668,856,200	175,223,235	5,202,660,635	1.11	622,453,513 (4)	25,979,883	648,433,396	3.80	155,103,327 (4)	3.00	6,006,197,358	7.91
2016	3,383,069,800	1,760,180,000	185,088,590	5,328,338,390	1.11	625,528,817 (4)	28,004,949	653,533,766	3.80	159,879,989 (4)	3.00	6,141,752,145	7.91
2017	3,417,070,700	1,760,280,700	188,976,706	5,366,328,106	1.11	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	566,204,805 (5)	31,249,795	597,454,600	3.80	169,661,867 (5)	3.00	6,188,826,012	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) 2018 Personal Property Tax Levy in FY 2018. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2019 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	2018				2009			
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2018 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
AEP - American Electric Power	Utility	\$ 90,180,379	1	1.46 %	\$ 1,010,433	1.18 %	\$ 58,174,545	2	1.08 %
Frito Lay, Inc.	Food Manufacturer	56,160,723	2	0.91	1,202,974	1.41	41,278,265	6	0.77
Areva NP Inc.	Nuclear Power Design & Fuel	52,743,133	3	0.85	1,100,065	1.29	58,057,605	3	1.08
River Ridge, Ltd.	Shopping Mall	46,604,400	4	0.75	517,309	0.60	50,000,000	5	0.93
Wal-Mart Real Estate Business Trust	Retail	40,699,243	5	0.66	514,739	0.60	-	-	-
LSC Communications (fmr RR Donnelley)	Periodical Publication Printing	39,381,606	6	0.64	892,093	1.04	51,386,077	4	0.95
Verizon Va, Inc.	Utility	37,575,283	7	0.61	420,858	0.49	60,669,986	1	1.13
Columbia Gas of Virginia, Inc.	Utility	35,543,298	8	0.57	394,589	0.46	-	-	-
J Crew Inc.	Clothing	25,030,251	9	0.40	444,187	0.52	-	-	-
Carriage Square LTD	Apartment complex	22,790,500	10	0.37	236,962	0.28	-	-	-
C.B. Fleet Co.	Pharmaceuticals	21,680,147	11	0.35	414,598	0.48	-	-	-
Genworth Financial, Inc.	Life Insurance	20,964,510	12	0.34	415,957	0.49	36,847,017	7	0.68
CCRC, Inc.	Nursing Home/Assisted Living	20,302,100	13	0.33	214,269	0.25	18,466,900	10	0.34
LU Candler Station Holdings LLC	Shopping Center	19,011,400	14	0.31	211,027	0.25	-	-	-
Central Virginia Professional	Medical Office	16,725,700	15	0.27	185,655	0.22	-	-	-
IREIT Lynchburg Lakeside LLC	Shopping Center	16,490,000	16	0.27	183,039	0.21	-	-	-
700 Main Street LLC	Office building	14,154,400	17	0.23	179,711	0.21	-	-	-
Bostic Development at Lynchburg, LLC	Real Estate	-	-	-	-	-	20,233,400	9	0.38
JDN Realty Corp, Inc.	Real Estate	-	-	-	-	-	20,950,100	8	0.39
Total		\$ 576,037,073		9.31 %	\$ 8,538,465	9.98 %	\$ 416,063,895		7.73 %
Total Assessed Valuation:		\$ 6,188,826,012					\$ 5,382,586,170		
Tax Levy:									
Real Estate		\$ 58,045,860							
Railroads and Pipelines		283,613							
Public Service Corporations		2,228,678							
Personal Property		24,992,481							
Total Tax Levy:		\$ 85,550,632							

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)
2009	\$ 70,416,682	\$ (237,520)	\$ 70,179,162	\$ 68,912,258	97.86%	\$ 1,241,637	\$ 70,153,895	99.96%
2010	73,945,100	365,936	\$ 74,311,036	71,488,683	96.68%	2,791,447	74,280,130	99.96%
2011	75,304,880	266,682	\$ 75,571,562	72,759,636	96.62%	2,767,502	75,527,138	99.94%
2012	76,467,417	294,147	\$ 76,761,564	73,256,961	95.80%	3,451,501	76,708,462	99.93%
2013	80,037,980	321,046	\$ 80,359,026	77,536,743	96.87%	2,661,817	80,198,560	99.80%
2014	80,297,119	364,211	\$ 80,661,330	78,239,826	97.44%	2,248,291	80,488,117	99.79%
2015	81,223,917	380,266	\$ 81,604,183	78,731,871	96.93%	2,654,004	81,385,875	99.73%
2016	82,721,284	200,318	\$ 82,921,602	80,478,895	97.29%	2,095,261	82,574,156	99.58%
2017	83,923,034	662,671	\$ 84,585,705	81,750,492	97.41%	2,046,591	83,797,083	99.07%
2018	85,534,487	(464,980)	\$ 85,069,507	83,113,348	97.17%	-	83,113,348	97.70%

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

(1) Total tax levy is calculated based on the sum of the initial Real Estate Tax and Personal Property Tax levies.

(2) Adjustments include supplemental billings and exonerations attributable to the year the tax was levied. The current year only includes exonerations.

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

(4) These columns represent collections in subsequent years for the tax levied in the noted fiscal year.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Real Estate										
Locally Assessed	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 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	1.05	1.05	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	7.85	7.85	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 2018
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)
2009	75,204	\$ 1,170,583,027	\$ 15,565
2010	75,826	1,159,339,401	15,289
2011	76,448	1,148,536,650	15,024
2012	77,203	1,217,552,914	15,771
2013	77,376	1,240,113,906	16,027
2014	77,874	1,279,815,746	16,434
2015	78,675	1,353,815,269	17,208
2016	79,531	1,345,647,515	16,920
2017	80,380	1,373,101,289	17,083
2018	80,380	*	*

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

Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given. 2010 through 2017 are all based on a July 1st estimate published on January 29, 2018.

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

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

* Information unavailable

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

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<u>Water</u>										
Volume Rate/hcf*	\$ 2.05	\$ 2.13	\$ 2.22	\$ 2.29	\$ 2.38	\$ 2.38	\$ 2.43	\$ 2.43	\$ 2.55	\$ 2.68
Hydrant charge or 8" or smaller fire line	17.99	17.99	19.79	19.79	19.79	19.79	19.79	19.79	20.58	20.58
10" fire line	32.30	32.30	35.53	35.53	35.53	35.53	35.53	35.53	36.95	36.95
12" fire line	51.25	51.25	56.38	56.38	56.38	56.38	56.38	56.38	58.64	58.64
<u>Sewer</u>										
Volume Rate/hcf*	\$ 5.38	\$ 5.54	\$ 5.54	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.83	\$ 6.02	\$ 6.02

* hundred cubic feet

Monthly Service Charge Table

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<u>Meter Size</u>										
5/8"	\$ 3.69	\$ 3.69	\$ 3.69	\$ 3.69	\$ 3.69	\$ 5.69	\$ 7.69	\$ 7.69	\$ 7.69	\$ 7.69
3/4"	3.69	3.69	3.69	3.69	3.69	6.69	9.69	9.69	9.69	9.69
1"	3.69	3.69	3.69	3.69	3.69	8.69	13.69	13.69	13.69	13.69
1-1/2"	3.69	3.69	3.69	3.69	3.69	13.69	23.69	23.69	23.69	23.69
2"	3.69	3.69	3.69	3.69	3.69	19.69	35.69	35.69	35.69	35.69
3"	3.69	3.69	3.69	3.69	3.69	33.69	63.69	63.69	63.69	63.69
4"	3.69	3.69	3.69	3.69	3.69	63.69	123.69	123.69	123.69	123.69
6"	3.69	3.69	3.69	3.69	3.69	123.69	243.69	243.69	243.69	243.69
8"	3.69	3.69	3.69	3.69	3.69	183.69	363.69	363.69	363.69	363.69
10"	3.69	3.69	3.69	3.69	3.69	303.69	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)

	Governmental Activities						Business-type Activities					Total Primary Government - Net Outstanding Debt Ratios			
	General		General	Note Payable		Net	General	General	Public Utility	Net	Total Primary	Total Primary	Percentage of	Total Primary	
Fiscal Year	Obligation	Literary	Obligation	and	Capital	Deferred	Obligation	Obligation	Revenue	Deferred	Government	Government - Net	Personal	Government - Net	
	Bonds	Bonds	Notes	Other	Leases	Amounts ⁽¹⁾	Bonds	Notes	Bonds	Amounts ⁽¹⁾	(Principal Only)	(Includes Net Deferred Amounts)	Income ⁽²⁾	Bonded Debt Per Capita ⁽²⁾	
2009	\$ 112,011	\$ 30	\$ 7,500	\$ 2,660	\$ 5,804	\$ 2,186	\$ 56,831	\$ 4,000	\$ 100,328	\$ 637	\$ 289,164	\$ 291,987	12.00%	3,883	
2010	139,180	11	-	2,480	5,274	2,168	71,749	-	109,907	1,162	328,601	331,931	13.33%	4,378	
2011	129,807	-	-	2,300	4,723	3,251	68,005	-	125,601	2,150	330,436	335,837	12.88%	4,393	
2012	120,078	-	-	2,120	4,285	3,007	63,936	80	127,973	2,000	318,472	323,479	11.91%	4,190	
2013	114,209	-	-	1,940	-	2,763	59,864	5,194	122,876	1,849	304,083	308,695	11.42%	3,990	
2014	114,519	-	-	1,760	-	2,424	56,083	7,159	117,270	1,711	296,791	300,926	10.66%	3,864	
2015	186,515	-	-	1,580	-	11,087	70,415	-	111,236	2,871	369,746	383,704	13.14%	4,877	
2016	191,848	-	-	1,400	-	12,877	76,395	-	104,998	4,722	374,641	392,240	13.16%	4,932	
2017	180,737	-	-	1,220	-	12,143	71,917	-	99,530	4,483	353,404	370,030	12.28%	4,604	
2018	182,378	-	183	4,978	-	12,610	81,353	618	93,217	5,709	362,727	381,046	12.65%	4,741	

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

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

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

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

(1) Net Deferred Amounts include Premiums and Discounts.

(2) See Table 25 for population and per capita personal income information. For FY 2018 and FY 2017, the FY 2016 amount for per capita personal income of \$37,488 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)
2009	75,204	\$ 5,463,547	\$ 186,176	\$ 2,823	\$ 188,999	3.46%	\$ 2,513	\$ 60,831	\$ 637	\$ 127,531	2.33%
2010	75,826	5,764,489	216,214	3,330	219,544	3.81%	2,895	71,749	1,162	146,633	2.54%
2011	76,448	5,864,104	202,535	5,401	207,936	3.55%	2,720	68,005	2,150	137,781	2.35%
2012	77,203	5,888,828 (5)	188,379	5,007	193,386	3.28%	2,505	64,016	2,000	127,370	2.16%
2013	77,376	5,930,510 (5)	179,267	4,612	183,879	3.10%	2,376	65,058	1,849	116,972	1.97%
2014	77,874	5,945,181 (5)	177,761	4,135	181,896	3.06%	2,336	63,242	1,711	116,943	1.97%
2015	78,675	6,006,197 (5)	256,930	13,958	270,888	4.51%	3,443	70,415	2,871	197,602	3.29%
2016	79,531	6,141,752 (5)	268,243	17,599	285,842	4.65%	3,594	76,395	4,722	204,725	3.33%
2017	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	80,380	6,188,826 (6)	264,532	18,319	282,851	4.57%	3,519	81,971	5,709	195,171	3.15%

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

(1) See Table 15 for Assessed Valuations and Table 25 for population information.

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

(3) Net Deferred Amounts include Premiums and Discounts.

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

For the purpose of this policy, tax-supported obligations are defined as those that are expected to be repaid from General Fund tax revenue of the City of Lynchburg.

These include general obligation bonds (except self-supporting bonds) and capital leases. General obligation bonds issued for self-supporting enterprise funds are not included in the calculations of tax-supported bonds.

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

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

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

These figures will be updated in FY 2019 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 2018

Real Property Assessed Value	\$ 5,227,905
Public Service Corporations Real Property Assessed Value	193,805
Total Real Property Assessed Value (1)	<u>5,421,710</u>
Debt limit (10% of assessed value)	542,171
Debt applicable to limit:	
Less: General Obligation Debt	(264,532)
Legal Debt Margin	<u><u>\$ 277,639</u></u>

Description	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 479,591	\$ 506,924	\$ 514,821	\$ 513,186	\$ 517,062	\$ 516,248	\$ 520,266	\$ 532,834	\$ 536,633	\$ 542,171
Total net debt applicable to limit	<u>180,372</u>	<u>210,940</u>	<u>197,812</u>	<u>184,094</u>	<u>179,267</u>	<u>177,761</u>	<u>256,930</u>	<u>268,243</u>	<u>252,654</u>	<u>264,532</u>
Legal debt margin	<u>\$ 299,219</u>	<u>\$ 295,984</u>	<u>\$ 317,009</u>	<u>\$ 329,092</u>	<u>\$ 337,795</u>	<u>\$ 338,487</u>	<u>\$ 263,336</u>	<u>\$ 264,591</u>	<u>\$ 283,979</u>	<u>\$ 277,639</u>
Total net debt applicable to the limit as a percentage of the debt limit	37.61%	41.61%	38.42%	35.87%	34.67%	34.43%	49.38%	50.34%	47.08%	48.79%

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

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

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

**PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sewer Fund Operating Income	\$ 4,388,069	\$ 4,950,662	\$ 3,627,699	\$ 3,156,073	\$ 4,194,605	\$ 3,613,392	\$ 3,013,600	\$ 3,450,629	\$ 4,269,364	\$ 4,000,011
Plus:										
Depreciation & amortization	4,430,958	4,857,843	5,035,336	5,819,288	6,147,918	7,049,861	7,584,388	7,635,836	7,888,946	7,898,587
Interest income received	363,942	226,969	173,319	167,849	102,589	108,729	73,142	85,086	124,705	241,852
Capital contributions from members										
Regional Sewerage Treatment Plant	394,761	431,486	474,581	451,645	480,922	614,353	1,015,339	525,856	616,250	549,989
Governmental grants & miscellaneous income	296,443	108,985	108,936	125,336	105,666	21,929	10,400	11,821	19,824	47,687
Intergovernmental transfer (4)	-	-	-	688,036	-	126,734	126,734	126,734	-	-
Capitalized cost (3)	-	-	229,662	258,186	220,691	159,026	151,044	131,088	163,662	135,257
Net Revenue per Indenture (1)	<u>\$ 9,874,173</u>	<u>\$10,575,945</u>	<u>\$ 9,649,533</u>	<u>\$10,666,413</u>	<u>\$ 11,252,391</u>	<u>\$ 11,694,024</u>	<u>\$ 11,974,647</u>	<u>\$ 11,967,050</u>	<u>\$ 13,082,751</u>	<u>\$ 12,873,383</u>
Debt Service										
General obligation bonds										
Principal (2)	\$ 1,810,056	\$ 2,103,851	\$ 2,259,476	\$ 2,061,150	\$ 2,053,469	\$ 1,860,166	\$ 1,962,544	\$ 1,990,110	\$ 2,059,474	\$ 1,863,830
Interest	1,233,745	1,128,126	1,139,108	1,053,216	961,054	908,213	1,058,566	1,046,664	891,725	987,085
Total	3,043,801	3,231,977	3,398,584	3,114,366	3,014,523	2,768,379	3,021,110	3,036,774	2,951,199	2,850,915
Revenue bonds										
Principal (5)	3,097,845	3,520,797	3,757,168	4,627,820	5,096,949	5,597,966	6,034,143	6,238,057	6,274,745	6,312,571
Interest	398,518	368,782	338,122	306,510	273,917	240,312	210,084	174,501	137,815	99,989
Total	3,496,363	3,889,579	4,095,290	4,934,330	5,370,866	5,838,278	6,244,227	6,412,558	6,412,560	6,412,560
Total Debt Service Principal and Interest	<u>\$ 6,540,164</u>	<u>\$ 7,121,556</u>	<u>\$ 7,493,874</u>	<u>\$ 8,048,696</u>	<u>\$ 8,385,389</u>	<u>\$ 8,606,657</u>	<u>\$ 9,265,337</u>	<u>\$ 9,449,332</u>	<u>\$ 9,363,759</u>	<u>\$ 9,263,475</u>
Debt Coverage	<u>1.51</u>	<u>1.49</u>	<u>1.29</u>	<u>1.33</u>	<u>1.34</u>	<u>1.36</u>	<u>1.29</u>	<u>1.27</u>	<u>1.40</u>	<u>1.39</u>

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

(2) For FY2008 General obligation bond principal payments exclude \$6,500,000 from an August 2, 2007 current refunding bond issue that permanently financed the May 9, 2006 General obligation bond anticipation notes (BANS).

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

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

(5) For FY2014 the deletions in Note 9 for Public utility revenue bonds are comprised of debt service payments of \$5,597,966 and a write down of \$7,779 for revenue bond debt.

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

Fiscal Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment (5)	Unemployment Rate (6)
2009	75,204	2,432,473	32,345	35.1	8,634	8.0
2010	75,826	2,489,292	32,829	30.3	8,597	8.0
2011	76,448	2,606,647	34,097	30.3	8,646	7.7
2012	77,203	2,716,619	35,188	30.3	8,688	7.3
2013	77,376	2,703,904	34,945	30.3	8,576	6.9
2014	77,874	2,822,387	36,243	30.3	8,583	6.0
2015	78,675	2,919,393	37,107	30.3	8,577	5.4
2016	79,531	2,981,458	37,488	30.3	8,566	4.9
2017	80,380	*	*	30.3	8,500	4.8
2018	80,380	*	*	30.3	8,438	3.9

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

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

Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given. 2010 through 2017 are all based on a July 1st estimate published on January 29, 2018.

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

(3) U.S. Department of Commerce, Economic and Statistic Administration, Bureau of Economic Analysis

Report CA1-3 - Personal Income Summary - www.bea.gov/regional/docs/income

The information was last updated November 16, 2017.

The Table has been revised to reflect these changes.

(4) United States Census - 2010

(5) Virginia Department of Education reported by Lynchburg City Schools. Enrollment as of September 30 for each year presented.

These figures were previously reported based on preliminary information provided by Lynchburg City Schools and have been updated with the information available from the Virginia Department of Education. The figures given are as of September 30 of the prior year. http://www.doe.virginia.gov/statistics_reports/enrollment/fall_membership/report_data.shtml

(6) Virginia Employment Commission & U.S. Department of Labor, Bureau of Labor Statistics, as of June 2018

2018 Unemployment Rate has been adjusted to reflect the most current data available.

* Information unavailable

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2018	2009
Employer	Employees (3)	Employees (4)
Liberty University (2)(5)	8000 +	3,321
Centra Health, Inc.	7000-7999	5,700
Lynchburg City Schools	1500-1999	1,410
Framatome (10)	1000-1499	2,046
City of Lynchburg	1000-1499	1,521
Genworth Financial Inc.	1000-1499	1,600
Harris Corporation	500-999	
Horizon Behavioral Health (1)	500-999	
J. Crew Outfitters	500-999	1,000
KDC (8)	500-999	
Kroger, Inc.	500-999	562
Southern Air, Inc.	500-999	
Wal-Mart Stores, Inc.	500-999	545
C.B. Fleet Company, Inc.	250-499	
Delta Star, Inc.	250-499	
Flowers Baking Company	250-499	
Frito-Lay, Inc.	250-499	
Central Virginia Community College	250-499	
LSC Communications (6)	250-499	
University of Lynchburg (7)	250-499	598
Norcraft	250-499	
Parker-Hannifin	250-499	
U.S. Post Office	250-499	
Westminster-Canterbury	250-499	
Aerofin Corporation	100-249	
Babcock & Wilcox Company	100-249	
Bausch & Lomb	100-249	
BB&T	100-249	
Belvac Production Machinery	100-249	
Flowserve Corp.	100-249	
US Pipe	100-249	
Hanwha Azdel	100-249	
International Paper (9)	100-249	
Lowe's	100-249	
News & Advance	100-249	
Pacific Life	100-249	
Randolph College	100-249	
Tessy Plastics	100-249	
Thomas Road Baptist Church	100-249	
Virginia Department of Transportation	100-249	
Wells Fargo Bank	100-249	
Wiley Wilson	100-249	
WSET	100-249	
Ortho Virginia	100-249	
Employed Civilian Labor Force (June 2018) Lynchburg City - Virginia		
Employment Commission		34,751
Employed Civilian Labor Force (June 2009) Lynchburg City - Virginia		
Employment Commission		35,773

Source: FY2018 numbers are derived from Office of Economic Development, City of Lynchburg, VA, or employer contact, as of June 30, 2018.

Source: FY2009 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 FY2009 Comprehensive Annual Financial Report.
- (5) Combined numbers for TRBC and Liberty University for 2009
- (6) Formerly RR Donnelly, and Meredith Burda
- (7) Formerly Lynchburg College
- (8) Formerly Tri-Tech Laboratories
- (9) Formerly Weyerhaeuser
- (10) Formerly Areva

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

Functions/Programs	Full-Time Equivalent Employees as of June 30									
	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Adopted 2018 ⁽¹⁾
Primary government:										
Council Manager Offices	9	8	8	8.0	6.0	6.0	6.0	6.0	7.0	7.0
Parking Division ⁽⁴⁾	-	3	4	4.5	5.0	5.0	5.7	5.7	5.7	5.7
City Assessor	12	12	10	10.0	10.0	9.6	9.6	9.0	9.0	9.0
City Attorney	7	7	7	6.9	6.9	6.9	6.9	6.9	6.9	7.9
Commissioner of Revenue	15	13	12	10.4	10.4	10.4	10.4	10.4	10.6	11.6
Communications & Marketing	4	4	4	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Local Government Channel	2	2	2	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Citizens First	4	4	3	3.5	3.5	3.0	3.0	3.0	3.0	3.0
Financial Services	46	44	42	42.0	42.0	41.7	41.7	41.7	40.7	40.0
Financial Services-Human Services	12	10	10	8.8	7.8	6.0	5.7	5.7	-	-
Human Resources	11	11	10	10.0	10.0	10.0	9.6	9.6	9.7	10.6
Information Technology	29	30	31	31.0	30.0	30.0	30.0	32.0	32.0	32.0
Internal Audit ⁽⁷⁾	2	2	2	2.0	-	-	-	-	-	-
Registrar and Electoral Board	3	2	2	2.3	2.3	2.5	2.5	2.5	2.5	2.5
State Treasurer (State)	2	2	2	2.0	2.0	2.0	2.0	2.0	2.0	2.8
Risk Management Fund	3	3	3	3.0	3.0	3.0	2.9	2.9	2.9	3.1
Circuit Court Clerk (State)	13	13	13	13.0	13.0	13.0	13.0	13.0	13.0	14.0
Circuit Court Judges	2	2	2	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Commonwealth Attorney	16	17	17	16.7	17.7	17.7	16.9	16.2	19.7	18.2
Sheriff	31	31	29	30.4	30.4	30.6	30.0	30.4	29.4	27.4
Regional Juvenile Detention Center Fund	50	50	47	47.3	46.1	45.1	45.1	45.1	41.1	44.1
Police Department	204	204	203	202.7	197.9	199.8	199.8	200.8	204.3	204.0
Emergency Services	31	36	35	32.0	35.0	35.6	35.6	36.6	36.6	36.6
Fire Department	186	186	187	187.0	185.0	187.5	187.5	189.5	189.5	189.5
Public Works Administration	11	11	11	11.0	10.0	10.0	10.7	10.7	10.0	10.0
Buildings & Grounds Maintenance	83	78	74	76.3	71.8	72.3	72.3	74.2	74.3	74.3
Engineering Division ⁽²⁾	-	38	31	32.8	30.8	30.7	31.2	32.2	32.2	32.2
Street, Traffic & Refuse Maintenance ⁽³⁾	57	53	50	52.4	52.2	47.5	48.5	46.3	47.0	46.2
Health & Human Services	184	175	169	169.9	164.4	170.1	167.9	170.5	176.3	173.3
Cultural and Recreational	99	99	99	96.7	91.3	97.4	94.6	97.1	95.0	100.6
Community Planning & Economic Development ⁽²⁾	84	33	32	26.8	25.1	25.1	25.0	26.0	26.0	26.8
Tourism and Visitor Center ⁽⁶⁾	-	-	-	-	-	3.9	11.8	9.3	9.3	9.3
Fleet Services Fund	12	13	11	11.0	11.5	10.5	11.0	10.6	11.1	11.4
Business-type activities:										
Airport Fund	20	18	18	17.7	17.7	17.7	17.7	17.7	17.7	17.7
Water Fund	65	68	67	68.4	66.2	69.1	68.9	70.4	72.4	73.4
Sewer Fund	46	50	50	55.0	50.5	52.5	52.5	53.5	55.5	55.5
Stormwater Fund ⁽⁵⁾	-	-	-	-	5.8	5.8	7.1	7.1	9.1	9.1
Source: Budget Office, City of Lynchburg, Virginia	1,355	1,332	1,297	1,299.5	1,269.3	1,286.0	1,291.1	1,302.6	1,309.5	1,316.8

(1) FY2018 actual will be available with the FY 2019 adopted budget.

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

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

(4) The Parking Division was formed in FY2010.

(5) The Stormwater Fund began in FY2013.

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

(7) Internal Audit was closed in FY2013.

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Physical Arrests	6,662	6,605	7,039	6,879	6,835	5,927	5,435	5,047	4,608	4,614
Traffic Violations	14,489	12,672	11,437	12,506	12,483	10,366	10,344	8,581	5,667	5,887
Parking Violations	6,370	4,599	3,943	6,338	4,481	4,854	6,812	5,718	6,642	5,916
Fire (3)										
Number of Fire calls answered (per month)	506	518	574	511	315	268	241	277	296	284
Number of inspections conducted (1) (4) (5) (6)	641	567	767	469	254	291	192	441	332	465
Number of EMS calls	15,279	15,124	14,731	14,393	20,612	20,113	19,426	19,169	19,296	15,509
Sanitation and Refuse										
Refuse collected (tons/day)	69.03	69.35	69.74	70.14	72.96	65.58	55.70	63.17	65.37	65.50
Recyclables collected (tons/day)	7.45	7.23	7.31	6.85	6.46	5.26	4.10	7.09	6.04	5.27
Airport										
Total number of passengers	142,569	178,387	169,174	152,064	157,450	157,074	153,729	154,218	159,523	157,452
Sewage										
Number of service connections (2)	18,549	18,606	18,706	18,785	18,916	19,057	19,060	19,083	19,149	19,186
Average daily treatment in million gallons	10.68	12.99	11.09	10.57	10.35	12.20	11.33	12.97	11.19	11.53
Maximum daily average capacity of treatment plant in million gallons	22	22	22	22	22	22	22	22	22	22
Maximum daily capacity of treatment plant in million gallons	44	44	44	44	44	44	44	44	44	44
Water										
Number of service connections (2)	22,290	22,265	22,361	22,422	22,517	22,628	22,640	22,716	22,786	22,807
Average daily consumption of plant in million gallons	11	12	11	10	10	10	10	11	11	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) Fire had additional personnel conducting inspections beginning in Fiscal Year 2009.

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

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

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

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

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

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	57	57	57	57	57	57	60	83	91	81
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	16	16	16	16	22	22	20	20	19	21
Highways and Streets										
Street (miles)	377.37	378.26	378.26	378.61	378.61	379.36	378.10	378.95	378.95	381.32
Streetlights	9,990	9,966	9,982	9,982	10,167	10,287	10,347	10,347	10,378	10,504
Traffic signals	119	119	119	119	120	120	121	120	116	113
Culture and Recreation										
Community centers	7	7	7	7	6	7	7	7	6	6
Senior centers	1	1	1	1	1	1	1	1	1	1
Parks (10)	20	20	21	21	21	21	21	21	21	21
Parks acreage (1) (7)	917	917	948	948	948	948	948	948	948	948
Swimming pools	1	1	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	2,892	3,080	3,111	3,156	3,177	3,204	3,210	3,230	3,253	3,289
Storage capacity (thousands of gallons)	31,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Sewer										
Average daily sewage treatment (MGD)	10.68	12.99	11.09	10.57	10.35	12.20	11.33	12.97	11.19	11.53
Maximum daily sewage treatment (MGD)	28.65	33.69	29.54	31.68	31.03	39.07	30.47	38.82	32.95	47.04
Transit - route service buses (4)	37	38	38	39	39	39	39	39	39	39
Transit - paratransit service buses (5)	11	11	11	10	14	14	14	17	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	575	513	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) The numbers stated for FY2002-2010 differ from previously reported and reflect the actual data based on the information provided by the Parks & Recreation Department.

TABLE 30

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

Student Enrollment, Employees and Schools by Fiscal Year										
Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary School Membership	3,936	3,934	3,968	3,987	3,975	4,020	3,921	3,982	3,985	4,161
Secondary School Membership	4,583	4,438	4,359	4,317	4,133	4,171	4,216	4,191	4,270	4,126
Total Membership	8,519	8,372	8,327	8,304	8,108	8,191	8,137	8,173	8,255	8,287
Teachers and Administrators (1)	780	759	977	851	836	850	967	1,019	994	948
Other Employees	482	449	466	478	505	458	426	434	479	404
Total Employees	1,262	1,208	1,443	1,329	1,341	1,308	1,393	1,453	1,473	1,352
Elementary Schools (2)	11	11	11	11	11	11	11	11	11	11
Secondary Schools	5	5	5	5	5	5	5	5	5	5
Total Buildings	16	16	16	16	16	16	16	16	16	16

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

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

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

Grade	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
K	732	718	696	740	735	732	567	667	670	636
1	673	702	726	705	720	738	719	701	653	664
2	648	648	670	676	662	692	696	677	695	630
3	653	632	620	643	643	619	658	675	675	624
4	608	639	629	615	601	642	638	637	662	653
5	622	595	627	608	614	597	643	625	630	632
6	635	598	605	621	609	604	615	619	630	591
7	604	619	593	586	608	607	608	597	616	609
8	614	581	622	593	567	613	585	597	613	595
9	797	706	642	669	629	599	639	610	641	646
10	732	719	666	580	623	609	596	619	595	623
11	702	619	672	625	534	606	612	591	605	549
12	499	596	559	643	563	533	561	558	570	600
Total	8,519	8,372	8,327	8,304	8,108	8,191	8,137	8,173	8,255	8,052

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

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COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *the Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.**

Compliance and Other Matters

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

City of Lynchburg, Virginia's Response to Finding

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lynchburg, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, the terms and conditions to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Lynchburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2018

**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, 2018.

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, 2018.

Report on Internal Control over Compliance

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

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

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

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

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2018

CITY OF LYNCHBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2018

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Comprehensive Services Act

Uniform Disposition of Unclaimed Property Act

Sheriff Internal Controls

State Agency Requirements

Education

Social Services

Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

FEDERAL AVIATION ADMINISTRATION COMPLIANCE MATTERS

Passenger Facility Charge Audit Guide for Public Agencies

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

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of Program</u>	<u>CFDA #</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
Medical Assistance Program	93.778
Social Services Block Grant	93.667
Adoption Assistance	93.659
Temporary Assistance for Needy Families (TANF)	93.558
Community Development Block Grants/Entitlement Grants	14.218

8. The **threshold for** distinguishing Type A and B programs was **\$779,202**.
9. The City of Lynchburg was determined to be a **low-risk auditee**.
10. Passenger Facility Charge Program:
 - a. **No significant deficiencies** relating to the audit of the Passenger Facility Charge Program were reported in the Independent Auditor's Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with the *Passenger Facility Charge Program Audit Guide*.
 - b. The auditor's report on compliance for the Passenger Facility Program expresses an **unmodified opinion**.
 - c. The audit disclosed **no audit findings relating to the Passenger Facility Charge Program**.

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001: Segregation of Duties in School Payroll (Material Weakness)

Condition:

Effective May 1, 2018 the Schools implemented a new payroll software package. During initial implementation of this software, certain duties were not fully segregated, especially in relation to access throughout the payroll system. One individual was provided access to various aspects of the payroll function, including, but not limited to, the ability to modify pay rates and to approve payroll.

Effects:

The lack of segregation of these duties has increased the exposure of the Schools to various risks including:

- The inability to ensure payroll is processed timely if the individual with this access is unable to perform their duties.
- An increased risk of errors in grant and financial reporting or fraud that may go undetected due to the involvement of only one person in these aspects of the payroll process.

Recommendation:

We suggest the Schools implement the following control considerations:

- Cross train another individual within the payroll function to ensure business continuity should duties need to be reallocated.
- Access within the payroll software should be provided to individuals whose assigned functions necessitate such access.
- System access assignments should be compared to other assignments to ensure that duties are segregated appropriately.
- Grant accountants should be provided with the ability to review the classifications of employee payroll to various grants for appropriateness.

Management's Response:

LCS is in agreement that there were issues with access and segregation of duties in the new Payroll system. This was detected prior to the audit and the Finance Department was concerned and contacted both the software vendor and our auditor to discuss those concerns. There were some challenges in correcting this issue due to the vast differences in the Payroll/HR in our new software compared to our previous system. Pre-audit, LCS reached out to our auditors, to discuss these challenges/concerns. In response to their suggestions, we had to adjust our payroll processes/assignments for areas where the new system could not adjust to meet our control needs. As a result of process changes, we now believe we have proper segregation of duties. In addition to these changes, LCS IT department created a view access role that has been given to select Finance staff. This role allows for review of salary and benefits expenditures for grant and financial reporting to ensure its accuracy.

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.

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

None.

E. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM

None.