

**CITY OF  
LYNCHBURG, VIRGINIA**

Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2019



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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*FISCAL YEAR ENDED JUNE 30, 2019*

**CITY OF LYNCHBURG,  
VIRGINIA**

Prepared by:  
Financial Services



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## **INTRODUCTORY SECTION**





## THE CITY OF LYNCHBURG, VIRGINIA

OFFICE OF THE  
CITY MANAGER

900 Church Street, Lynchburg, Virginia 24504  
[www.lynchburgva.gov](http://www.lynchburgva.gov)  
TEL: (434) 455-3990  
FAX: (434) 847-1536

November 20, 2019

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, 2019, 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 81,339, Lynchburg is an important commercial center for the four-county region known as Central Virginia. It serves a regional population of just over 262,000 and benefits from an economy that remains diversified among the manufacturing, health services, technology, retail, trade, and higher education sectors. The City is home to five colleges and universities with a sixth in Amherst County.

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

## **Local Economic Condition and Outlook**

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

The Lynchburg business community continues to lead the regional economy with significant capital investment and job creation. Commercial construction permits in 2019 totaled more than \$141.4 million in real property improvement. There are 2,747 businesses currently licensed in the City and 48% have been in business 10 years or more. Enterprise Zone grants leveraged more than \$3.2 million in private commercial and industrial investment by making improvements to their buildings and storefronts.

In December 2018, a \$30 million renovation was completed and the Academy Center of the Arts reopened their 800-seat Historic Academy of Music Theatre after 60 years. The Academy Center of the Arts is located in the James River Arts & Cultural District which is funded by the City's Amusement Tax generated in the District. In FY 2019, \$64,000 in grants catalyzed 21 projects with an estimated economic impact of more than \$4.7 million.

In August 2019, the City and Liberty University hosted the State Games of America. The Olympic-style event is held every two years and features up to four days of competition among medal winners from other State Games events throughout the country. This was the first time Virginia hosted this national sports festival and Lynchburg hosted approximately 12,000 athletes from across the nation.

In 2019, after reviewing 325 metro areas for low unemployment rates, positive net migration, low housing costs, and low rates of property crime, Reviews.org published a list of Best Places for Millennials to Move and the City was selected number one. *Forbes* also recognized Lynchburg in the Top 100 Best Small Places for Business and Careers, including a Top 50 ranking for the low Cost of Doing Business.

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 vision is for Downtown Lynchburg to be the economic, social and cultural hub of Central Virginia. City Council approved the plan 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. Liberty University's School of Business building, spanning 78,000 square feet and reaching three stories is projected to open in August, 2019. The new \$33 million building includes 12 Bloomberg stock-trading terminals and state-of-the-art telecommunication technology.

The City continues to maintain its role as an employment and commercial center for Central Virginia. Real property assessments have experienced slight growth and personal property assessments have experienced continued growth due to low unemployment rates and more registered vehicles in the City. Consumption driven revenues, including sales, meals, and lodging taxes, reflect growth compared to FY 2018. 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 compared to the FY 2019 Adopted Budget. 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 changes in personal spending. The City's Fund Balance Policy is used to ensure the City has sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenues without the need to borrow. The balance in excess of policy requirements is used as a source of one-time funds for items such as pay-as-you-go projects within the Capital Improvement Program.

During 2018 and 2019, several conversations with City Council and department heads have led to the identification of areas of needed focus, the development of ideas for how we move forward and robust consideration of how we determine our progress. *The Lynchburg Plan* is the outcome of months of conversations and thought about what our organization needs to do to set the path forward for long-term success. *The Lynchburg Plan* is broken down into 3 priority areas: the City's growing and redeveloping economy; exceptional neighborhoods and strong families; and a resilient, agile, and innovative organization. Within these priorities, eight goals have been set with operational initiatives and metrics to gauge progress. City Council continues to work through *The Lynchburg Plan* to ensure it correctly represents their vision for the City.

## **Major Initiatives and Accomplishments**

### *Education*

Paul Munro Elementary School has been recognized by the U. S. Secretary of Education as a National Blue Ribbon School for 2019. Paul Munro is one of 362 schools in the nation, and one of nine in Virginia, to be recognized with this distinction. According to the National Blue Ribbon Schools Program website, this recognition is based on a school's overall academic performance or progress in closing achievement gaps among student subgroups.

In FY 2019, Lynchburg City Schools (LCS) was consistent with FY 2018 having twelve fully accredited schools and four accredited with conditions. LCS continues to make progress in achievement gaps for Math and English.

### *Infrastructure*

Infrastructure improvements in FY 2019 included the completion of the replacement of the Main Street Bridge over the Expressway, completion of extensive work on the Timberlake Road and Logan's Lane intersection including a new roundabout, and the third phase of the Fifth Street Utility Line and Streetscape Improvements. New projects underway include the design for the second phase of the Downtown Utility Line and Streetscape Improvements, demolition in preparation for the new Public Safety Building, design of the replacement of Link Road Bridge and the Riverside Park Overlook restoration 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 17th annual Digital Cities Survey, e.Republic's Center for Digital Government and Digital Communities Program ranked Lynchburg second in the nation among city governments in the 75,000 – 124,999 population category. Lynchburg has been ranked in the top ten for fifteen 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 7 daily departures with a projected yearly passenger count of 185,000. 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 Lynchburg Police Department (LPD) was awarded the Virginia Municipal League Quality of Life Award for its Community Engagement and the Community Action Team (CAT). CAT was created to develop and nurture working relationships with the local government agencies, businesses and citizens of Lynchburg after recognizing a rise in distrust in minority communities across the country.

## **Prospects for the Future**

As the City moves forward in an ever changing environment, City staff continues to work diligently with community partners and the Economic Development Authority (EDA) to ensure Lynchburg continues to be a dynamic, vibrant City where there are economic opportunities for all. Marketing efforts continue to target prospects for appropriate commercial development to ensure the City remains the shopping and dining destination of the region. Tourism continues to play an important role with City staff working to keep Lynchburg "A Great Place to Live, Work and Play!"

## **Certificates of Achievement for Excellence**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lynchburg for its CAFR for the fiscal year ended June 30, 2018. This is the City's twenty-second consecutive year receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2018 Adopted Budget. This is the City's fourteenth 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, 2019**

**CITY COUNCIL**

Treney Tweedy, Mayor

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

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

**CITY OFFICIALS**

Bonnie Svrcek  
Reid Wodicka  
Walter Erwin, III  
Donna Witt

City Manager  
Deputy City Manager  
City Attorney  
Chief Financial Officer

**SCHOOL BOARD**

Mrs. Susan Morrison, Chair

Dr. James E. Coleman, Vice Chair  
Ms. Sharon Y. Carter  
Dr. Robert O. Brennan  
Dr. Atul Gupta

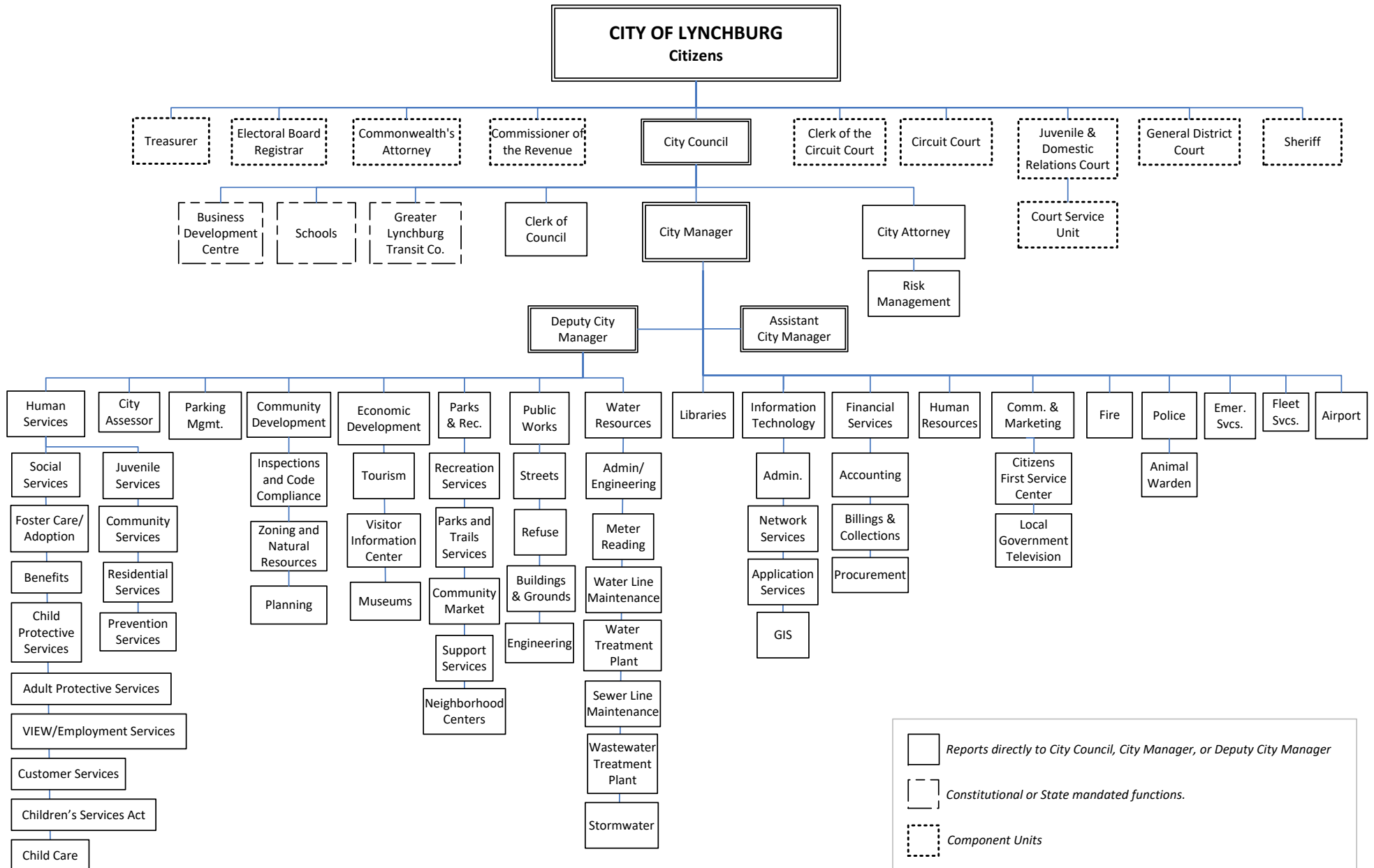
Dr. Michael Nilles  
Mr. Gary E. Harvey  
Dr. Kimberly A. Sinha  
Mrs. Belle Evans

**SCHOOL BOARD OFFICIALS**

Dr. Crystal M. Edwards  
Mr. Ben W. Copeland  
Mrs. Kimberly Lukanich

Superintendent of Schools  
Deputy Superintendent  
Chief Financial Officer







Government Finance Officers Association

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

Presented to

**City of Lynchburg  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.**

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

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

***Other Matters (Continued)***

***Other Information (Continued)***

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 20, 2019

## **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, 2019. 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, 2019 by \$380.7 million (net position). Unrestricted net position of (\$94.2) million represented (\$106.7) million for governmental activities, which included the general fund, and \$12.5 million for business-type activities, which included the enterprise funds (water, sewer, stormwater, and airport).
- The general fund's unassigned fund balance of \$29.4 million was 15.5% of total general fund revenues, which were \$190.1 million. This was \$10.4 million more than the City Council adopted unassigned fund balance policy requirement of 10%, or \$19.0 million.
- In comparison with the prior fiscal year, the City's total net position increased 8.9%, or \$31.2 million, from FY 2018. Net position of governmental activities increased 13.9%, or \$16.2 million, from FY 2018; and, net position of business-type activities increased 6.5%, or \$15.0 million. The Schools' total net position increased 4.6% or \$4.4 million, from FY 2018.
- The City's total revenues of \$272.8 million increased 0.9%, or \$2.3 million, and total expenses of \$241.6 million increased 0.5%, or \$1.2 million, from FY 2018. General revenues of \$148.0 million were \$31.2 million more than the expenses net of program revenues of \$116.8 million.
- For the current fiscal year, the City's total liabilities and deferred inflows of resources of \$659.0 million increased 2.6% or \$16.9 million from FY 2018.
- The City increased its overall debt by \$16.8 million. Governmental activities decreased by \$10.2 million and business-type activities increased by \$27.0 million. This includes the issuance of new debt totaling \$39.3 million, of which \$2.3 million was for governmental activities and \$37.0 million was for business-type activities. Debt retirements, through a combination of planned retirements and refunding of a note payable, totaled \$22.5 million, of which \$12.5 million was for governmental activities and \$10.0 million was for business-type activities. The City's general obligation bonds continued to maintain an Aa2 rating from Moody's Investors Service; an AA+ rating from Fitch Ratings; and, an AA+ from Standard & Poor's Global Ratings Services.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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



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

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

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

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

## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

### **Proprietary Funds**

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

### **Fiduciary Funds**

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

### **Notes to the Financial Statements**

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

### **Other Information**

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Statement of Net Position

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

***Summary of Statement of Net Position  
As of June 30, 2019/2018  
(in millions)***

	Governmental Activities		Business-Type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2019	2018	2019	2018	2019	2018	2019-2018	2019	2018
Current and other assets	\$ 127.6	\$ 127.6	\$ 88.8	\$ 56.5	\$ 216.4	\$ 184.1	18%	\$ 17.5	\$ 15.4
Capital assets	405.2	404.6	395.9	385.6	801.1	790.2	1%	7.0	6.7
Total assets	532.8	532.2	484.7	442.1	1,017.5	974.3	4%	24.5	22.1
Total deferred outflows of resources	18.6	14.1	3.6	3.2	22.2	17.3	28%	15.6	14.0
Long-term liabilities	369.3	373.9	230.8	203.1	600.1	577.0	4%	101.8	104.9
Other liabilities	17.7	17.8	7.0	5.8	24.7	23.6	5%	13.6	12.2
Total liabilities	387.0	391.7	237.8	208.9	624.8	600.6	4%	115.4	117.1
Total deferred inflows of resources	31.3	37.7	2.9	3.8	34.2	41.5	-18%	16.4	15.1
Net Position									
Net investment in capital assets	236.3	233.2	235.1	224.9	471.4	458.1	3%	7.0	6.7
Restricted for Capital projects	0.7	0.9	-	-	0.7	0.9	-22%	-	-
Restricted for Grants and other	2.8	2.0	-	-	2.8	2.0	40%	-	-
Restricted for Passenger facility charges	-	-	-	0.1	-	0.1	100%	-	-
Unrestricted	(106.7)	(119.2)	12.5	7.6	(94.2)	(111.6)	-16%	(98.7)	(102.8)
Total net position	\$ 133.1	\$ 116.9	\$ 247.6	\$ 232.6	\$ 380.7	\$ 349.5	9%	\$ (91.7)	\$ (96.1)

The City's total net position of \$380.7 million increased 8.9%, or \$31.2 million, from FY 2018.

Net investment in capital assets of \$471.4 million was 124.0% of total net position and increased 2.9%, or \$13.3 million. Net position invested in capital assets was not available for future expenses because the assets are facilities, equipment, and infrastructure, etc. utilized to provide services. Please refer to Notes 8 and 9 of this report and the MD&A's capital assets and long-term debt sections.

The City has unrestricted net position of (\$94.2) million, which is comprised of (113.3%), or (\$106.7) million, for governmental activities, and 13.3%, or \$12.5 million, for business-type activities. Unrestricted net position available for providing services to the citizens increased 15.6%, or \$17.4 million from FY 2018. Restricted net position of \$3.5 million is comprised primarily of \$0.7 million of grant funds restricted for transportation projects and \$2.8 million of grant funds restricted mainly for public safety, health and human services, and community development.

The Schools' component unit total net position of (\$91.7) million increased 4.6%, or \$4.4 million from FY 2018. Unrestricted net position of (\$98.7) million increased 4.0%, or \$4.1 million from FY 2018.

## 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, 2019/2018 (in millions)*

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2019	2018	2019	2018	2019	2018	2019-2018	2019	2018
Revenues:									
Program Revenues:									
Charges for services	\$ 14.8	\$ 14.1	\$ 44.8	\$ 43.7	\$ 59.6	\$ 57.8	3%	\$ 2.1	\$ 2.1
Operating grants/contributions	44.7	44.1	0.4	0.4	45.1	44.5	1%	69.2	66.8
Capital grants/contributions	8.3	19.0	11.8	5.9	20.1	24.9	-19%	-	-
General Revenues:									
Property taxes	81.4	79.8	-	-	81.4	79.8	2%	-	-
Other taxes	55.7	53.3	-	-	55.7	53.3	5%	-	-
Unrestricted intergovernmental	6.4	6.3	-	-	6.4	6.3	2%	-	-
Interest	1.6	0.9	1.1	0.5	2.7	1.4	93%	-	-
IRS Subsidy Build America Bonds	0.3	0.3	0.3	0.3	0.6	0.6	0%	-	-
Miscellaneous	0.7	1.1	0.1	0.1	0.8	1.2	-33%	0.9	0.7
Gain on sale of assets	0.4	0.6	-	0.1	0.4	0.7	-43%	-	-
City appropriation	-	-	-	-	-	-	-	38.3	38.8
Total Revenues	214.3	219.5	58.5	51.0	272.8	270.5	1%	110.5	108.4
Expenses:									
General government	13.7	15.0	-	-	13.7	15.0	-9%	-	-
Judicial	6.7	6.6	-	-	6.7	6.6	2%	-	-
Public safety	49.9	49.5	-	-	49.9	49.5	1%	-	-
Public works	29.6	28.3	-	-	29.6	28.3	5%	-	-
Health and human services	28.2	28.5	-	-	28.2	28.5	-1%	-	-
Cultural and recreational	10.8	10.5	-	-	10.8	10.5	3%	-	-
Community development	6.6	6.4	-	-	6.6	6.4	3%	-	-
Education	45.8	46.4	-	-	45.8	46.4	-1%	106.1	102.9
Interest & other fiscal charges	7.0	6.9	-	-	7.0	6.9	1%	-	-
Issuance costs	-	0.3	-	-	-	0.3	100%	-	-
Stormwater	-	-	3.1	2.8	3.1	2.8	11%	-	-
Airport	-	-	5.0	4.7	5.0	4.7	6%	-	-
Water	-	-	14.9	14.8	14.9	14.8	1%	-	-
Sewer	-	-	20.3	19.7	20.3	19.7	3%	-	-
Total Expenses	198.3	198.4	43.3	42.0	241.6	240.4	0%	106.1	102.9
Increase in net position before transfers	16.0	21.1	15.2	9.0	31.2	30.1	4%	4.4	5.5
Transfers	0.2	(0.1)	(0.2)	0.1	-	-	-	-	-
Increase in net position	16.2	21.0	15.0	9.1	31.2	30.1	4%	4.4	5.5
Net position beginning	116.9	95.9	232.6	223.5	349.5	319.4	9%	(96.1)	(101.6)
Net position ending	\$133.1	\$116.9	\$247.6	\$232.6	\$380.7	\$349.5	9%	\$(91.7)	\$(96.1)

### **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 \$133.1 million increased 13.9%, or \$16.2 million from FY 2018.

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

Revenues from governmental activities of \$214.3 million decreased 2.4%, or (\$5.2) million from FY 2018.

Program revenues, specifically charges for services of \$14.8 million had an overall increase of \$0.7 million. The increase is primarily attributed to increases in ambulance service fees and program income from the Community Development Block grant.

Operating grants and contributions increased \$0.6 million. The increase of \$0.6 million is mainly attributed to increases in Public safety grants and Street and highway maintenance funds.

Capital grants and contributions decreased \$10.7 million. The decrease is mainly attributed to the following: \$13.6 million decrease in contributions for assets donated to the City; \$1.6 million increase in contributions from Liberty University for the Liberty University Intramural Field Road, Phase III project; \$1.0 million increase in reimbursements from the Virginia Department of Transportation (VDOT) revenue sharing program; \$0.1 million increase in other reimbursements from VDOT; \$0.1 million decrease in Safe Route to Schools grant funds; and \$0.2 million increase in capital contributions from the Schools.

General revenues, specifically property taxes of \$81.4 million, increased \$1.6 million. Property taxes are comprised mainly of real property and personal property taxes. The City's general reassessment of real property occurs biennially and is effective on July 1 of the fiscal year. Real estate taxes increased \$0.6 million and personal property taxes increased \$1.0 million.

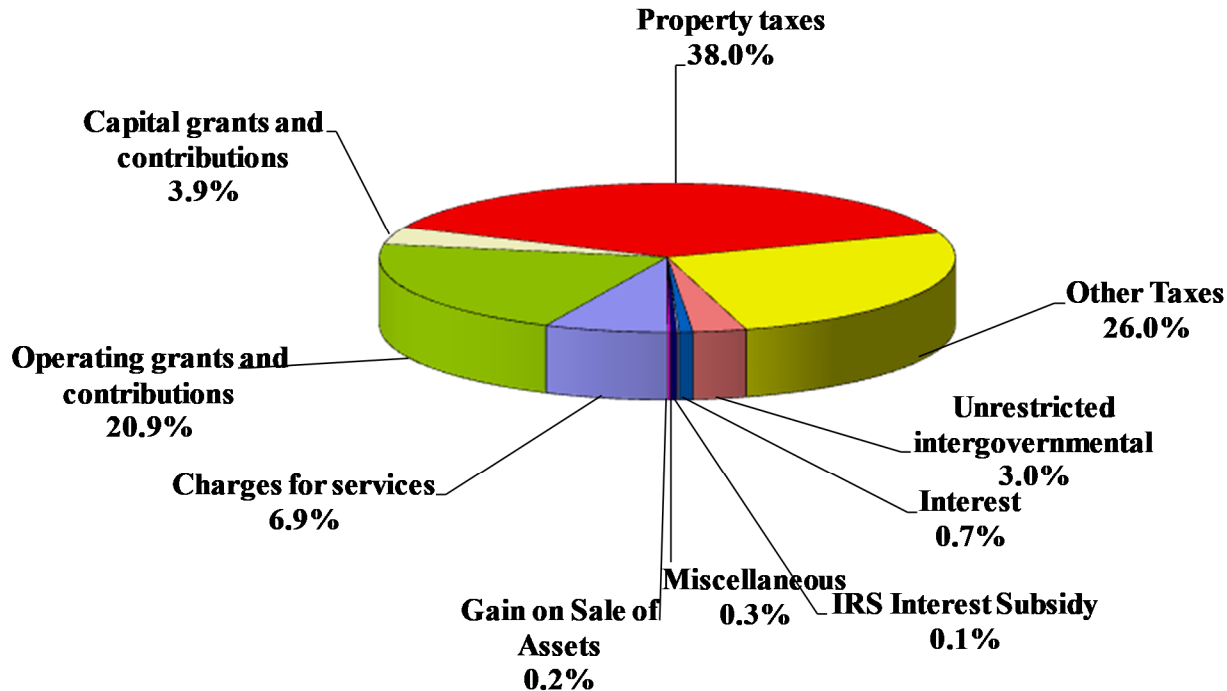
Other taxes revenue of \$55.7 million increased \$2.4 million. Other taxes are comprised mainly of revenue from local sales, meals, lodging, consumer utilities, business licenses, motor vehicle licenses, and communications sales and use taxes. The increase is mainly attributed to local sales, meals, lodging, bank stock, and business license taxes.

Interest revenue of \$1.6 million increased \$0.7 million primarily due to higher interest rates during FY 2019.

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

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

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



***Expense highlights:***

Governmental activities expenses of \$198.3 million decreased 0.1%, or (\$0.1) million from FY 2018.

General government expenses decreased \$1.3 million. The decrease is primarily due to decreases in Workers compensation payments and pension expenses as well as an overall reduction in other expenses.

Public safety expenses increased \$0.4 million primarily due to a combination of increases and decreases. Increases included: \$0.1 million for payments to the Lynchburg Regional Juvenile Detention Home; \$0.3 million in payments to the Blue Ridge Regional Jail; \$0.5 million in professional liability insurance; and \$0.2 million for other postemployment benefits. Decreases included: \$0.3 million for depreciation, and \$0.6 million for pension expense.

Public works expenses increased \$1.3 million primarily due to the following increases: \$0.3 million for chemicals; \$0.2 million in temporary personnel services; \$0.2 million in contractual services; \$0.4 million in maintenance and repair projects; and \$0.3 million for depreciation. Pension expense decreased by \$0.1 million.

Education expenses decreased \$0.6 million due to a decrease in the local contribution to the schools.

Issuance costs decreased \$0.3 million. The City did not incur issuance costs in FY 2019.

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 2019/2018  
(in millions)***

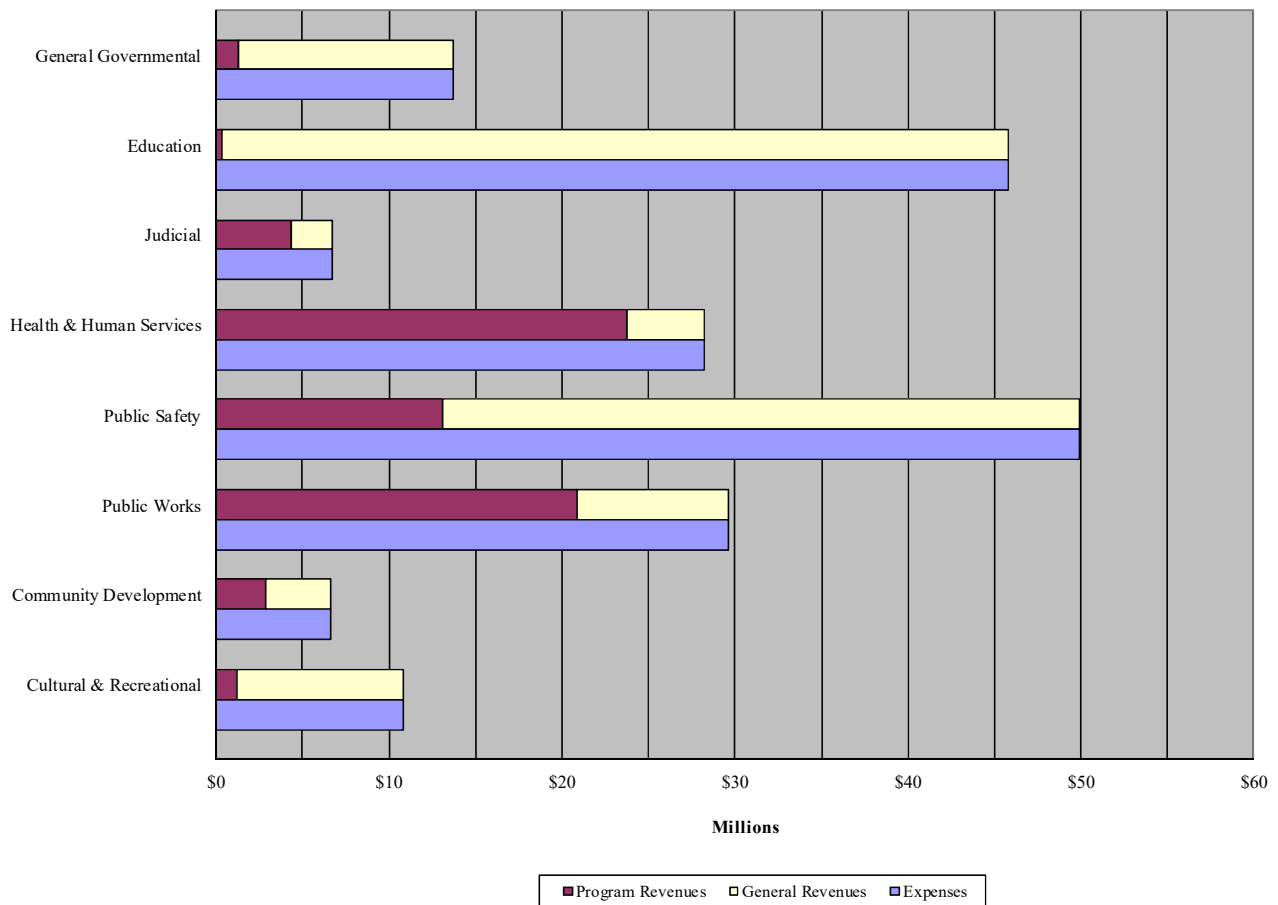
Governmental Activity	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2019	2018	2019-2018	2019	2018	2019-2018
General government	\$ 13.7	\$ 15.0	-9%	\$ 12.4	\$ 0.3	4033%
Judicial	6.7	6.6	2%	2.3	2.1	10%
Public safety	49.9	49.5	1%	36.8	36.8	0%
Public works	29.6	28.3	5%	8.7	10.5	-17%
Health and human services	28.2	28.5	-1%	4.4	4.4	0%
Cultural and recreational	10.8	10.5	3%	9.6	9.4	2%
Community development	6.6	6.4	3%	3.8	4.2	-10%
Education	45.8	46.4	-1%	45.5	46.3	-2%
Interest payments & other fiscal charges	7.0	6.9	1%	7.0	6.9	1%
Issuance Costs	-	0.3	100%	-	0.3	100%
Total Governmental Activities	<u>\$ 198.3</u>	<u>\$ 198.4</u>	<u>-0.1%</u>	<u>\$ 130.5</u>	<u>\$ 121.2</u>	<u>8%</u>

The four largest funded programs were public safety at 25.2%, or \$49.9 million; local support for education at 23.1%, or \$45.8 million; health and human services at 14.2%, or \$28.2 million; and public works at 14.9%, or \$29.6 million. Education and public safety continued to be high priorities for the City.

The governmental activities total cost of services decreased 0.1% from the prior year with an 8.0% increase in the net cost of services. The Statement of Net Position shows that the \$198.3 million in governmental activities program expenses were financed by \$14.8 million from those receiving services, \$44.7 million from operating grants and contributions, \$8.3 million from capital grants and contributions, and \$130.5 million from general revenues. Overall, general revenues of \$146.5 million were \$16.0 million more than the \$130.5 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**

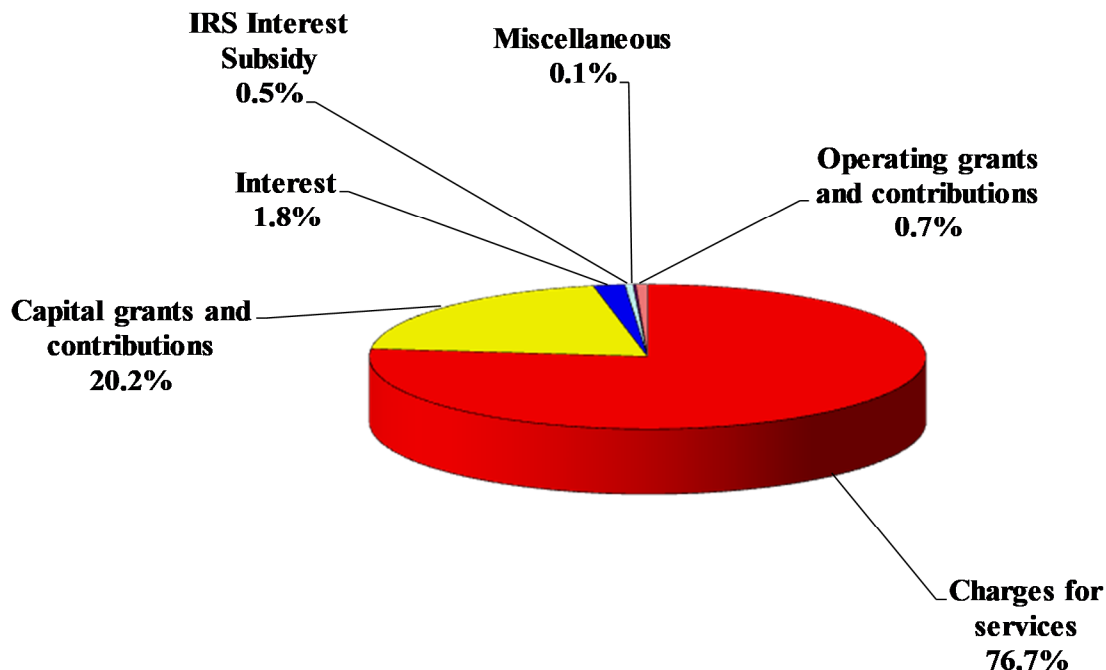
The business-type activities are comprised of enterprise funds for water, sewer, stormwater, and airport operations. Total net position of \$247.6 million increased 6.4%, or \$15.0 million from FY 2018.

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

Business-type activities revenues of \$58.5 million increased \$7.5 million from the prior year. This was primarily due to a combination of increases and decreases. Increases included: \$0.3 million in charges for services in the airport fund; \$1.0 million in septic hauler charges in the sewer fund; \$0.1 million in capital grants for the airport fund; \$0.3 million in the water fund for contributions from Liberty University for the Liberty University Intramural Field Road, Phase III project; \$0.5 million increase in interest income; and \$6.1 million in Combined Sewer Overflow state grant funds in the sewer fund. Decreases include \$0.2 million in charges for services for the water fund, and \$0.5 million in capital grants in the stormwater fund.

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

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



***Expense highlights:***

Business-type activities expenses of \$43.3 million increased \$1.3 million from the prior year.

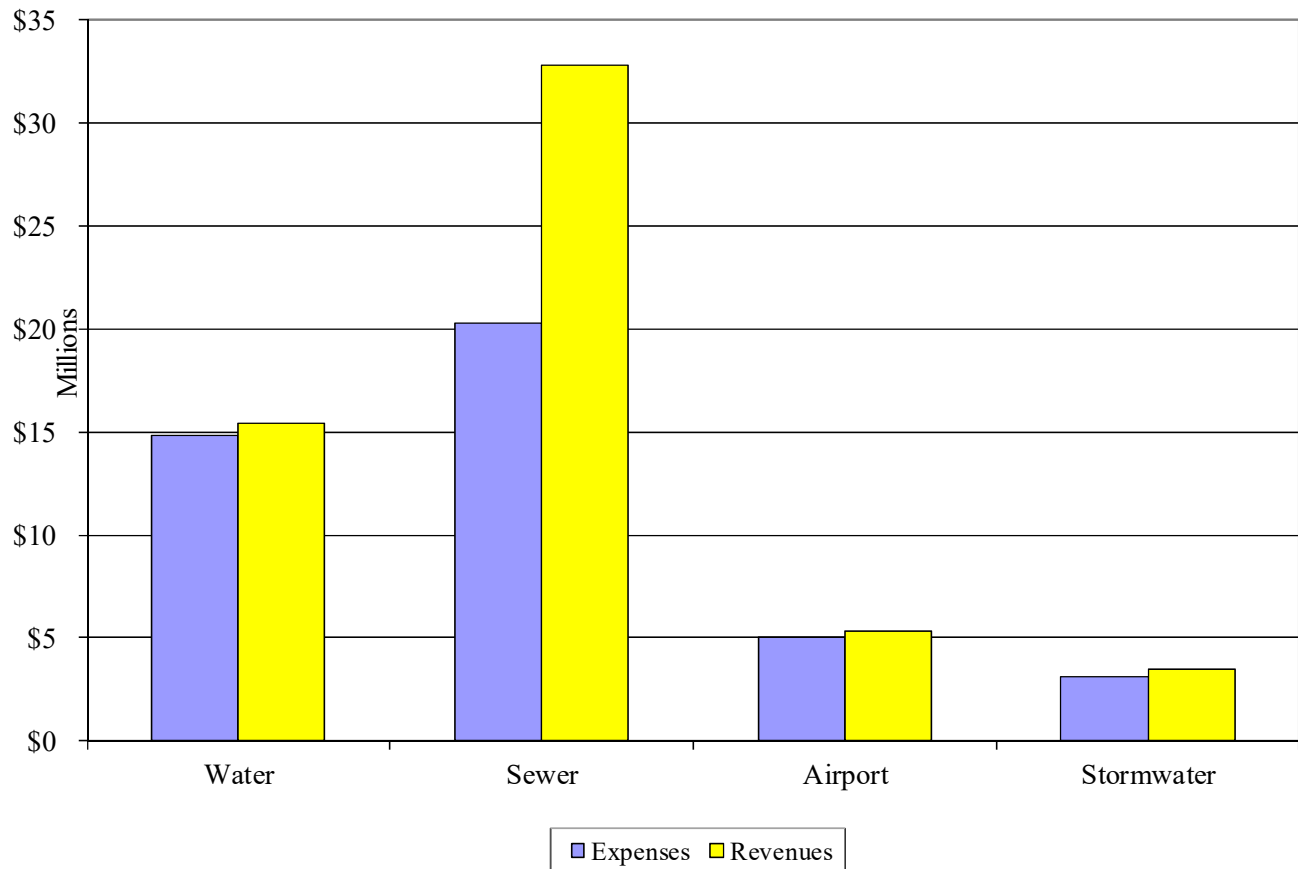
Overall, business-type activities revenues of \$58.5 million were \$15.2 million more than expenses of \$43.3 million.

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 (\$91.7) million increased 4.6% or \$4.4 million, from FY 2018. Unrestricted net position of (\$98.7) million increased 4.0% or \$4.1 million from FY 2018.

***Revenue highlights:***

Total revenues of \$110.5 million increased 1.6%, or \$1.7 million in comparison with the prior year fund financial statements. For FY 2019, \$69.2 million or 62.6%, of total revenues were received from the Commonwealth of Virginia and the Federal Government as compared to \$67.2 million received in FY 2018. State sales tax receipts were \$11.0 million for FY 2019. The City government contributed \$38.3 million or 34.6%, to education. Federal revenues of \$14.4 million included \$4.4 million from Title I funds to provide educational services to economically disadvantaged students. School Nutrition revenues of \$4.9 million included \$4.2 million from the Federal government for the operation of the breakfast and lunch programs. Other revenue sources of \$3.0 million or 2.7% 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 \$109.7 million decreased slightly by \$0.1 million from the prior year fund financial statements. For FY 2019, \$77.1 million or 70.2% of total expenditures related directly to providing instruction to an enrollment of 7,981 students and \$16.0 million or 14.6% supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were \$5.6 million or 5.2% of total expenditures while administration costs for the schools and attendance and health services for students were \$5.8 million or 5.3%. Technology costs were \$3.2 million or 2.9% of total expenditures. Capital outlay costs were \$2.0 million or 1.8% of total expenditures.

## FUND FINANCIAL ANALYSIS

### Governmental Funds

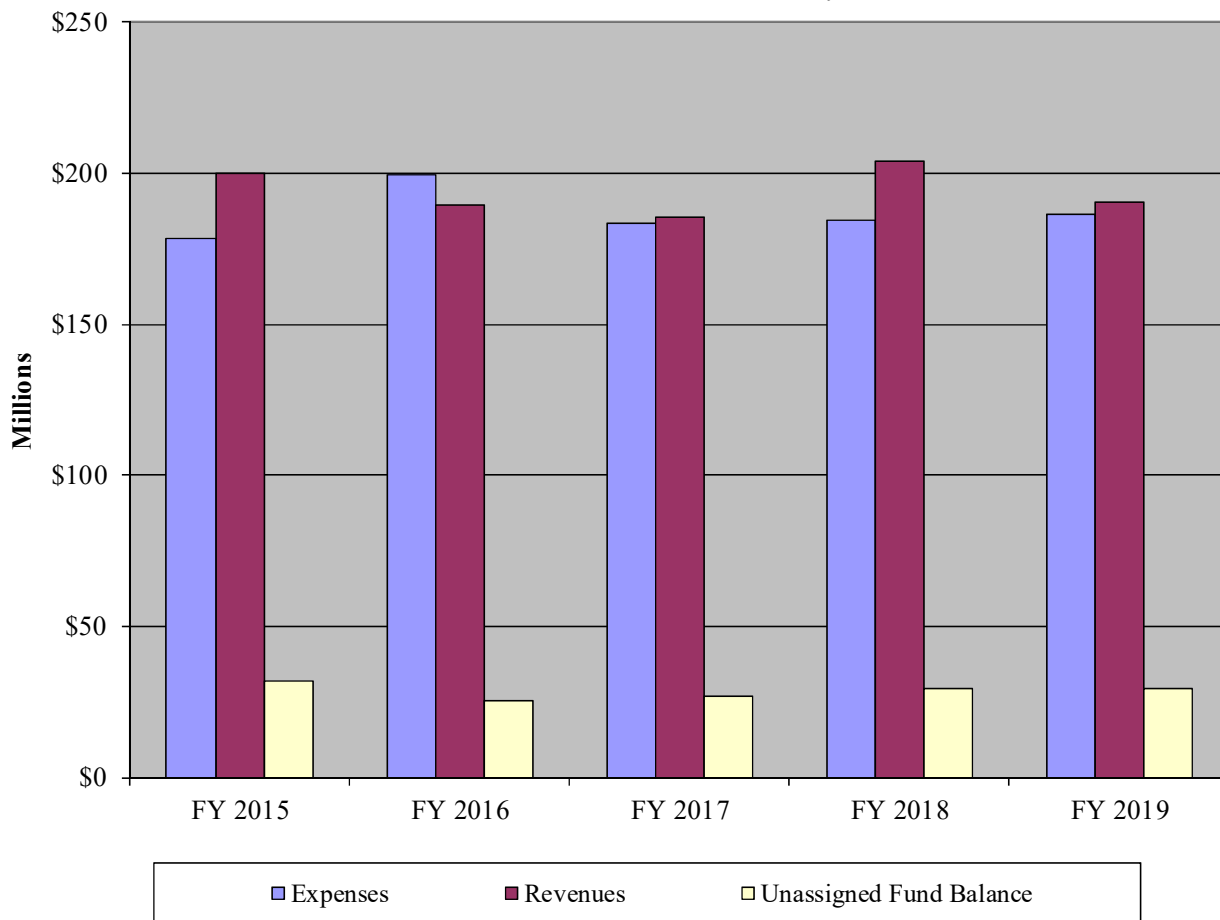
Governmental funds include the general fund, special revenue funds, and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.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

- For FY 2019, the City's governmental funds reported combined fund balances of \$89.6 million, an increase of \$0.8 million from FY 2018. Of that amount, \$17.6 million was restricted; \$33.4 million was committed; \$9.2 million was assigned; and \$29.4 million was unassigned. The general fund's increase in fund balance was \$4.0 million. The City capital projects fund's decrease in fund balance was \$5.8 million. The decrease is attributed to the use of bond proceeds and local funds for capital projects. The school capital projects fund's increase in fund balance was \$1.7 million and was due to the increase in transfers for projects which were not under construction during FY 2018. Special revenue funds increase in fund balance was \$0.9 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 16.4% of total general fund expenditures, while total fund balance represents 38.2% of that same amount.

### General Fund

The general fund is the chief operating fund of the City. The following graph and table present a five-year summary of financial information for expenditures, revenues, and unassigned fund balance as well as a FY 2019 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, 2019**  
*(in millions)*

**General Fund Budgetary Highlights**

<u>Description</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Amended versus Actual</u>
<u>Revenues &amp; Other Financing Sources</u>				
Taxes	\$ 134.0	\$ 133.7	\$ 137.2	\$ 3.5
Intergovernmental	37.0	37.7	37.4	(0.3)
Other	<u>14.8</u>	<u>15.5</u>	<u>16.1</u>	<u>0.6</u>
Total	<u>185.8</u>	<u>186.9</u>	<u>190.7</u>	<u>3.8</u>
<u>Expenditures &amp; Other Financing Uses</u>				
Expenditures	187.4	192.4	178.8	13.6
Transfers	<u>6.1</u>	<u>7.9</u>	<u>7.9</u>	<u>-</u>
Total	<u>193.5</u>	<u>200.3</u>	<u>186.7</u>	<u>13.6</u>
<u>Change in Fund Balance</u>	<u>\$ (7.7)</u>	<u>\$ (13.4)</u>	<u>\$ 4.0</u>	<u>\$ 17.4</u>

Actual expenditures and other financing uses of \$186.7 million was less than revenues and other financing sources of \$190.7 million by \$4.0 million, which resulted in a positive change in fund balance that was more than the amended budget projected decrease of \$13.4 million. The FY 2019 adopted budget included the use of \$7.7 million of the FY 2018 General Fund's unassigned fund balance primarily to resource a planned \$4.8 million transfer out for general government capital projects; \$0.6 million transfer to the technology fund for equipment purchases; \$0.6 million transfer to the Schools capital projects fund; \$0.05 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 \$3.8 million and actual expenditures were below the amended budget by \$13.6 million, resulting in a \$17.4 million increase in fund balance for FY 2019.

Actual revenues were greater than estimated and within 2.0%, or \$3.8 million, of the amended budget. Personal property, public service corporations, business license, bank stock, permits and fees, meals, lodging and amusement taxes were above the amended budget for FY 2019. Intergovernmental revenue was on pace with the amended budget.

Actual expenditures and transfers were \$13.6 million less than the FY 2019 amended budget and mostly attributable to the following unexpended appropriations:

- \$4.8 million for general government
- \$0.6 million for public works
- \$1.8 million for health and human services
- \$0.5 million for community development
- \$4.8 million for education
- \$1.0 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 75.0%, or \$0.9 million in expenditures from this contingency. The remaining 25.0%, or \$0.3 million, reverted to unassigned fund balance.

From the original budget of \$193.5 million, City Council approved budget amendments to increase the budget 3.5%, or \$6.8 million, resulting in an amended budget of \$200.3 million. The budget amendments were primarily for the following purposes:

- \$2.7 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 2019 amendment was primarily for damages related to the flood event in August 2018, as well as school textbook and capital expenses.
- \$1.1 million increase to the budget for unexpended items requested to be re-appropriated in the current year to continue programs.
- \$1.8 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 \$15.8 million decreased 26.8%, or \$5.8 million from FY 2018.

Revenues, issuance of bonds, and transfers of \$16.6 million increased 41.9%, or \$4.9 million. The increase is attributable to the following:

- \$1.6 million increase in contributions from Liberty University
- \$1.4 million increase in transfers from the general fund
- \$1.0 million increase in state and federal funding
- \$0.9 million increase in line of credit proceeds

Expenditures, capital outlay, and transfers of \$22.3 million increased 7.2%, or \$1.5 million primarily due to the following:

- \$3.5 million increase for Liberty University Intramural Field Road, Phase III
- \$1.5 million increase for Fifth Street Streetscape, Phase III
- \$1.4 million decrease for Timberlake Rd @ Logans Lane, Phase II & III
- \$1.4 million decrease in transfers
- \$0.9 million decrease for Streetscape Improvements Downtown, Phase I
- \$0.5 million decrease for Community Market Plaza Deck Renovation
- \$0.5 million increase for Route 501/221 One Way Pairs
- \$0.4 million increase for Lakeside Drive Bridge over Blackwater Creek
- \$0.4 million increase for Main Street Renewal
- \$0.4 million decrease for Route 29 South (Ramp M) Bridge Repair
- \$0.4 million decrease for Main Street Bridge Over Expressway
- \$0.3 million increase for Police Department Headquarters

#### **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 \$2.3 million increased \$1.7 million, from FY 2018.

Revenues, issuance of bonds, and transfers of \$3.8 million increased \$2.6 million. The increase is attributable to the following:

- \$1.0 million increase in transfers from the General fund primarily for facility maintenance and roof replacement program
- \$1.3 million increase in proceeds from a line of credit for Linkhorne Middle School roof replacement; Dearington Elementary School roof replacement and elementary school gym additions

Expenditures and capital outlay of \$2.0 million decreased \$2.2 million primarily due to the following:

- \$2.4 million decrease in expenditures for Heritage High School
- \$0.1 million decrease in expenditures for Dunbar Middle School window replacements
- \$0.1 million decrease in expenditures for Bass Elementary School roof replacements
- \$0.2 million decrease in expenditures for E.C. Glass track
- \$0.1 million decrease in expenditures for playground equipment at T.C. Miller, Laurel & Sheffield schools
- \$0.2 million decrease in expenditures for paving projects
- \$0.1 million decrease in expenditures for Paul Munro Elementary School duct cleaning
- \$0.2 million increase in expenditures for Dearington Elementary School roof replacement
- \$0.3 million increase in expenditures for E.C. Glass roof replacement
- \$0.1 million increase in expenditures for Linkhorne Middle School track replacement
- \$0.2 million increase in expenditures for elementary school gym additions
- \$0.1 million increase in expenditures for Sandusky Middle School track

### **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 \$32.5 million increased 4.5%, or \$1.4 million, from FY 2018. Net investment in capital assets of \$30.3 million increased 4.1%, or \$1.2 million. Net investment in capital assets was 93.2% of total net position. Unrestricted net position available to fund future expenses increased by 10.0% or \$0.2 million. This was primarily due to a capital contribution by an institutional customer. Unrestricted net position was 6.8%, or \$2.2 million, of total net position. Operating revenues totaled \$15.1 million, and decreased 1.9%, or \$0.3 million primarily due to decreased sales to one contract customer. Operating expenses totaled \$12.6 million without increase compared to FY 2018. Investment earnings increased \$0.3 million. For FY 2019, the fund balance ratio was 73% as compared to the City Council's financial policy target range of 25% to 40%. The debt coverage ratio was 1.61 as compared to the City Council's financial policy minimum target of 1.20.

### **Sewer Fund**

The sewer fund's total net position of \$173.4 million increased 8.0%, or \$12.9 million, from FY 2018. Net investment in capital assets of \$164.3 million increased 6.5%, or \$10.0 million, primarily due to completion of capital projects and increased activity of other projects that are on-going. Net investment in capital assets was 94.8% of total net position. Unrestricted net position available to fund future expenses increased by 46.8%, or \$2.9 million. This was primarily due to deferred start-ups of capital projects that have designated pay-go funding. Unrestricted net position was 5.2%, or \$9.1 million of total net position. Operating revenues totaled \$23.7 million and increased 4.9% or \$1.1 million from FY 2018 mostly attributable to septic hauler charges. Operating expenses totaled \$19.3 million and increased 3.8% or \$0.7 million. This was largely due to increased cost of materials, supplies and personnel services. Investment earnings increased \$0.2 million. For FY 2019, the fund balance ratio was 44.0% as compared to the City Council's financial policy target range of 25% to 40%. The debt coverage ratio was 1.49 as compared to City Council's financial policy minimum target of 1.20 and was in compliance with the Consent Special Order for Combined Sewer Overflows (CSO) Long Term Control Plan requirements. Please refer to Table 23 in the Statistical Section of this report for details.

### **Stormwater Fund**

The stormwater fund's total net position of \$6.9 million remained unchanged from FY 2018. Net investment in capital assets of \$4.9 million increased 14.0%, or \$0.6 million primarily due to completion of capital projects and increased activity of capital projects that are on-going. Net investment in capital assets was 71.0% of total net position. Unrestricted net position available to fund future expenses decreased by 20.0%, or \$0.5 million. This was primarily due to an increase of pay-go funds used to fund capital projects and higher expenses for postemployment benefits other than pensions. Unrestricted net position was 29.0%, or \$2.0 million, of total net position. Operating revenues totaled \$3.5 million and were unchanged from the prior year. Operating expenses totaled \$3.2 million and increased 10.3%, or \$0.3 million mostly attributable to increased supplies, materials and depreciation expenses. Investment earnings increased \$0.03 million. For FY 2019 the fund balance ratio was 34.0% as compared to City Council's financial policy target range of 15% to 20%. The debt coverage ratio was 8.94 as compared to City financial policy minimum target of 1.20. Please refer to Table 24 in the Statistical Section of this report for details.

### **Airport Fund**

The airport fund's total net position of \$38.6 million increased 1.1%, or \$0.4 million, from FY 2018. Net investment in capital assets, of \$35.4 million decreased \$1.7 million, or 4.6% from the prior year. Net investment in capital assets was 91.7% of total net position. Net position, unrestricted, increased 210.0%, or \$2.1 million from FY 2018. Net position, unrestricted, was 8.0%, or \$3.1 million, of net position. Operating revenues were \$2.9 million, an increase of \$0.3 million or 11.5%. Operating expenses totaled \$5.0 million, an increase of 6.4% or \$0.3 million from FY 2018. Capital contributions totaled \$2.1 million, an increase of 5.0%, or \$0.1 million, and reflects an increase of state and federal contributions for airport capital projects.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's capital assets, net of depreciation, were \$801.1 million as reflected in the following schedule. The City of Lynchburg owns the land, buildings, and facilities used by Lynchburg City Schools. The Schools had \$7.0 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

#### ***Capital Assets As of June 30, 2019/2018 (in millions)***

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2019	2018	2019	2018	2019	2018	2019-2018	2019	2018
Capital assets, not being depreciated:									
Land	\$ 23.4	\$ 22.8	\$ 5.1	\$ 5.2	\$ 28.5	\$ 28.0	2%	\$ -	\$ -
Construction in progress	15.3	14.8	38.4	20.1	53.7	34.9	54%	-	-
Capital assets, being depreciated:									
Land improvements	62.7	62.1	13.3	13.2	76.0	75.3	1%	-	-
Buildings and improvements	308.0	307.5	65.1	65.1	373.1	372.6	0%	-	-
Infrastructure	316.4	301.1	480.6	475.3	797.0	776.4	3%	-	-
Machinery and equipment	54.7	52.7	24.6	24.2	79.3	76.9	3%	18.4	16.9
Less: Accumulated depreciation	(375.3)	(356.4)	(231.2)	(217.5)	(606.5)	(573.9)	6%	(11.4)	(10.2)
Total Capital Assets	<u>\$ 405.2</u>	<u>\$ 404.6</u>	<u>\$ 395.9</u>	<u>\$ 385.6</u>	<u>\$ 801.1</u>	<u>\$ 790.2</u>	<u>1%</u>	<u>\$ 7.0</u>	<u>\$ 6.7</u>

During FY 2019 the City's net increase in capital assets was 1.4% or \$10.9 million. Major capital assets completed and placed in service included the following:

- Main St Bridge over Expressway was completed with \$3.3 million general obligation bonds, and \$4.2 million in VDOT contributions.
- Timberlake Road at Logans Lane, Phase II & III was completed with \$1.4 million general obligation bonds, and \$1.6 million in VDOT contributions.
- Timberlake Road at Logans Lane, Phase I was completed with \$2.6 million general obligation bonds, and \$2.6 million in VDOT contributions.
- Combined Sewer Overflow ("CSO") 125 was completed with a CSO state grant.
- Blue Ridge Farms, Phase III was completed for \$1.4 million with general obligation bonds, and line of credit proceeds.

Construction-in-progress at the end of FY 2019 includes Liberty University Intramural Field Road, Phase III; Fifth Street, Phase III; Route 501/221 One Way Pair; along with various other transportation and building projects; Rock Castle Creek Stream Restoration (Stormwater); various sewer system evaluation and rehabilitation projects; various waterline distribution projects; and CSO Wastewater Treatment Plant Upgrade Project. Additional information on the City's capital assets can be found in Note 8 of this report.

### **Long-term Debt**

Total outstanding debt was \$379.5 million with \$202.2 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$177.3 million. Liabilities of \$8.8 million for compensated absences and workers compensation were excluded.

***Long-term Debt Obligations  
As of June 30, 2019/2018  
(in millions)***

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2019	2018	2019	2018	2019	2018	2019-2018
General obligation bonds	\$ 160.5	\$ 169.9	\$ 76.6	\$ 80.0	\$ 237.1	\$ 249.9	-5%
General obligation-Direct borrowing	10.8	12.5	1.2	1.4	12.0	13.9	-14%
Revenue bonds	-	-	118.8	93.2	118.8	93.2	27%
Bond anticipation notes	2.5	0.2	5.6	0.6	8.1	0.8	913%
Note payable	-	1.0	-	-	-	1.0	-100%
Other long-term payables	3.5	3.9	-	-	3.5	3.9	-10%
Total	<u>\$ 177.3</u>	<u>\$ 187.5</u>	<u>\$ 202.2</u>	<u>\$ 175.2</u>	<u>\$ 379.5</u>	<u>\$ 362.7</u>	<u>5%</u>

Total new debt of \$39.3 million was issued, of which \$2.3 million was for governmental activities, and \$37.0 million was for business-type activities and includes:

- \$32.0 million of revenue bonds issued from the Virginia Revolving Loan Program for sewer capital projects, all of which was for business-type activities
- \$7.3 million of bond anticipation notes, of which \$2.3 million was for governmental activities and \$5.0 million were for business-type activities

The City retired \$22.5 million of outstanding principal. The governmental activities principal retirements were \$12.5 million and the business-type activities principal retirements were \$10.0 million and include:

- \$21.5 million in planned principal retirements, of which \$11.5 million was for governmental activities and \$10.0 million was for business-type activities
- \$1.0 million in notes payable was paid off after the Bluffwalk loan with HUD was refunded, all of which was related to governmental activities

The City's general obligation bonds continued to maintain an Aa2 rating from Moody's Investors Service, an AA+ rating from Fitch Ratings, and an AA+ from Standard & Poor's Global Ratings. These credit ratings were obtained in 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. The City plans to go to the bond market in FY 2020 to permanently finance its bond anticipation notes. Bond ratings will be updated at that time.

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. The Series 2009A and 2009B bonds that were refunded with this bond issue will be called on August 1, 2019.

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 79.0% 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. Outstanding principal as of June 30 is \$8.1 million. The unused line of credit is \$41.9 million.

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, 2019, the City's assessed value of real property was \$5.5 billion. The City's debt is less than the current debt limitation of \$551.3 million.

The City's debt management policy states that tax-supported debt should not exceed 4.5% of net assessed valuation of taxable property in the City of Lynchburg. For the purposes of calculating this ratio, assessed value includes real property and personal property. As of June 30, 2019, debt to assessed value was 2.94%. 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, 2019, the 10-year principal payout ratio was 66.72%.

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 3.9% in June 2018 to 3.6% in June 2019. This reflects a decrease year over year in the unemployment rate since 2010. This decrease of 0.3%, from 2018 to 2019, 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 2.8% in June 2019. For the last two years the City's unemployment rate has trended below the National rate, which was 3.7% 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 a 5.7% increase in taxable assessed value over FY 2018. The ten principal property taxpayers, as a whole, realized a slight increase of 1.2% in taxable assessed value when compared to FY 2018. Total assessed value grew \$119 million or 1.9% when compared to FY 2018. 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 Chief Financial Officer, City of Lynchburg, 900 Church Street, Lynchburg, VA, 24504, or via telephone at 434-455-3968. This report, the FY 2019 Operating and Capital Budgets, and FY 2019-2023 Capital Improvement Program are on the City's web site at [www.lynchburgva.gov](http://www.lynchburgva.gov).

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## **BASIC FINANCIAL STATEMENTS**



Statement of Net Position  
June 30, 2019

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Lynchburg City Schools	Other	
<b>Assets</b>						
Cash and cash equivalents	\$ 53,665,151	\$ 24,855,330	\$ 78,520,481	\$ 11,940,092	\$ 1,550,812	\$ 92,011,385
Investments	21,593,673	15,553,398	37,147,071	-	-	37,147,071
Receivables, net of allowance	19,453,980	5,585,955	25,039,935	199,992	1,287,872	26,527,799
Internal balances	4,109,547	(4,109,547)	-	-	-	-
Due from other governments	5,607,169	28,855,564	34,462,733	4,918,537	61,689	39,442,959
Due from component units	5,346,893	-	5,346,893	-	-	5,346,893
Inventory	37,658	440,930	478,588	102,919	314,732	896,239
Prepays and other assets	800,347	-	800,347	357,598	33,891	1,191,836
Restricted assets:						
Cash and cash equivalents	16,990,348	14,761,836	31,752,184	-	-	31,752,184
Due from other governments	-	2,924,206	2,924,206	-	-	2,924,206
Capital assets:						
Nondepreciable	38,713,369	36,197,546	74,910,915	-	1,685,532	76,596,447
Depreciable, net	366,543,481	359,666,013	726,209,494	7,030,342	35,434,843	768,674,679
<b>Total assets</b>	<u>532,861,616</u>	<u>484,731,231</u>	<u>1,017,592,847</u>	<u>24,549,480</u>	<u>40,369,371</u>	<u>1,082,511,698</u>
<b>Deferred Outflows of Resources</b>						
Deferred charge on refunding	3,001,439	1,572,371	4,573,810	-	-	4,573,810
Deferred outflows related to pensions (Notes 11-13)	10,133,104	1,368,718	11,501,822	11,173,932	-	22,675,754
Deferred outflows related to other postemployment benefits (Notes 14-18)	5,503,681	687,441	6,191,122	4,387,740	66,454	10,645,316
<b>Total deferred outflows of resources</b>	<u>18,638,224</u>	<u>3,628,530</u>	<u>22,266,754</u>	<u>15,561,672</u>	<u>66,454</u>	<u>37,894,880</u>
<b>Liabilities</b>						
Accounts payable and other liabilities	7,064,199	4,467,641	11,531,840	1,195,936	454,079	13,181,855
Accrued payroll and related liabilities	6,624,359	409,737	7,034,096	6,908,183	-	13,942,279
Accrued interest payable	1,430,415	1,030,828	2,461,243	-	-	2,461,243
Due to other governments	757,211	1,481	758,692	-	1,271,060	2,029,752
Due to primary government	-	-	-	5,084,204	262,689	5,346,893
Unearned revenue/prepaid rent	1,637,698	-	1,637,698	-	-	1,637,698
Deposits payable from restricted assets	223,182	1,110,523	1,333,705	444,650	-	1,778,355
Noncurrent liabilities:						
Net pension liability (Notes 11-13)	85,683,813	11,573,635	97,257,448	77,646,974	-	174,904,422
Net other postemployment benefit liabilities (Notes 14-18)	86,661,064	10,786,881	97,447,945	23,154,825	552,260	121,155,030
Other noncurrent liabilities due within one year	12,653,831	9,227,516	21,881,347	693,900	-	22,575,247
Other noncurrent liabilities due in more than one year	184,316,571	199,257,313	383,573,884	293,155	103,970	383,971,009
<b>Total liabilities</b>	<u>387,052,343</u>	<u>237,865,555</u>	<u>624,917,898</u>	<u>115,421,827</u>	<u>2,644,058</u>	<u>742,983,783</u>
<b>Deferred Inflows of Resources</b>						
Property taxes	10,257,452	-	10,257,452	-	-	10,257,452
Deferred inflows related to pension (Notes 11-13)	5,029,780	679,392	5,709,172	13,003,067	-	18,712,239
Deferred inflows related to other postemployment benefits (Notes 14-18)	16,020,096	2,224,409	18,244,505	3,335,843	1,126	21,581,474
<b>Total deferred inflows of resources</b>	<u>31,307,328</u>	<u>2,903,801</u>	<u>34,211,129</u>	<u>16,338,910</u>	<u>1,126</u>	<u>50,551,165</u>
<b>Net Position</b>						
Net investment in capital assets	236,283,981	235,078,795	471,362,776	7,030,342	37,120,375	515,513,493
Restricted for:						
Capital projects	700,076	-	700,076	-	-	700,076
Grants	2,840,360	-	2,840,360	-	-	2,840,360
Passenger facility charges	-	3,621	3,621	-	-	3,621
Unrestricted	(106,684,248)	12,507,989	(94,176,259)	(98,679,927)	670,266	(192,185,920)
<b>Total net position</b>	<u>\$ 133,140,169</u>	<u>\$ 247,590,405</u>	<u>\$ 380,730,574</u>	<u>\$ (91,649,585)</u>	<u>\$ 37,790,641</u>	<u>\$ 326,871,630</u>

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

Statement of Activities  
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total Reporting Unit
					Governmental Activities	Business-type Activities	Total	Lynchburg City Schools	Other	
<b>Primary government:</b>										
Governmental activities:										
General government	\$ 13,734,751	\$ 675,679	\$ 331,961	\$ 288,827	\$ (12,438,284)	\$ -	\$ (12,438,284)	\$ -	\$ -	\$ (12,438,284)
Judicial	6,673,671	445,007	3,921,650	-	(2,307,014)	-	(2,307,014)	-	-	(2,307,014)
Public safety	49,901,450	6,526,492	6,575,505	-	(36,799,453)	-	(36,799,453)	-	-	(36,799,453)
Public works	29,588,360	1,334,424	11,924,079	7,630,050	(8,699,807)	-	(8,699,807)	-	-	(8,699,807)
Health and human services	28,193,609	2,967,498	20,785,055	-	(4,441,056)	-	(4,441,056)	-	-	(4,441,056)
Cultural and recreational	10,792,828	927,578	244,505	21,141	(9,599,604)	-	(9,599,604)	-	-	(9,599,604)
Community development	6,618,561	1,913,803	950,620	-	(3,754,138)	-	(3,754,138)	-	-	(3,754,138)
Education	45,787,500	-	-	325,000	(45,462,500)	-	(45,462,500)	-	-	(45,462,500)
Interest payments and other fiscal charges	7,000,819	-	-	-	(7,000,819)	-	(7,000,819)	-	-	(7,000,819)
<b>Total governmental activities</b>	<b>198,291,549</b>	<b>14,790,481</b>	<b>44,733,375</b>	<b>8,265,018</b>	<b>(130,502,675)</b>	<b>-</b>	<b>(130,502,675)</b>	<b>-</b>	<b>-</b>	<b>(130,502,675)</b>
Business-type activities:										
Stormwater	3,114,545	3,227,746	275,000	-	-	388,201	388,201	-	-	388,201
Airport	5,019,188	2,775,975	122,320	2,414,552	-	293,659	293,659	-	-	293,659
Water	14,845,315	15,127,793	-	269,655	-	552,133	552,133	-	-	552,133
Sewer	20,301,884	23,723,563	-	9,110,310	-	12,531,989	12,531,989	-	-	12,531,989
<b>Total business-type activities</b>	<b>43,280,932</b>	<b>44,855,077</b>	<b>397,320</b>	<b>11,794,517</b>	<b>-</b>	<b>13,765,982</b>	<b>13,765,982</b>	<b>-</b>	<b>-</b>	<b>13,765,982</b>
<b>Total primary government</b>	<b>\$ 241,572,481</b>	<b>\$ 59,645,558</b>	<b>\$ 45,130,695</b>	<b>\$ 20,059,535</b>	<b>(130,502,675)</b>	<b>13,765,982</b>	<b>(116,736,693)</b>	<b>-</b>	<b>-</b>	<b>(116,736,693)</b>
<b>Component units:</b>										
Lynchburg City Schools	\$ 106,075,275	\$ 2,090,922	\$ 69,207,231	\$ -	-	-	-	(34,777,122)	-	(34,777,122)
Greater Lynchburg Transit Company	11,411,374	875,655	7,059,748	560,670	-	-	-	-	(2,915,301)	(2,915,301)
Business Development Centre	228,330	250,300	3,000	-	-	-	-	-	24,970	24,970
<b>Total component units</b>	<b>\$ 117,714,979</b>	<b>\$ 3,216,877</b>	<b>\$ 76,269,979</b>	<b>\$ 560,670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34,777,122)</b>	<b>(2,890,331)</b>	<b>(37,667,453)</b>
General revenues:										
Property taxes					81,396,201	-	81,396,201	-	-	81,396,201
Local sales and use taxes					15,913,730	-	15,913,730	-	-	15,913,730
Meals taxes					14,958,842	-	14,958,842	-	-	14,958,842
Consumer utility taxes					4,673,911	-	4,673,911	-	-	4,673,911
Business license taxes					9,503,954	-	9,503,954	-	-	9,503,954
Communications sales and use taxes					2,877,715	-	2,877,715	-	-	2,877,715
Other taxes					7,745,217	-	7,745,217	-	-	7,745,217
Unrestricted intergovernmental					6,415,005	-	6,415,005	-	-	6,415,005
Interest					1,642,727	1,064,934	2,707,661	-	-	2,707,661
IRS interest subsidy- Build America Bonds					274,884	278,508	553,392	-	-	553,392
Miscellaneous					733,225	90,949	824,174	933,700	17,072	1,774,946
Gain on sale of assets					405,627	15,089	420,716	-	-	420,716
City appropriation					-	-	-	38,257,161	-	38,257,161
Transfers					154,228	(154,228)	-	-	-	-
Total general revenues and transfers					146,695,266	1,295,252	147,990,518	39,190,861	17,072	187,198,451
<b>Changes in net position</b>					16,192,591	15,061,234	31,253,825	4,413,739	(2,873,259)	32,794,305
<b>Net position - beginning</b>					116,947,578	232,529,171	349,476,749	(96,063,324)	40,663,900	294,077,325
<b>Net position - ending</b>					<b>\$ 133,140,169</b>	<b>\$ 247,590,405</b>	<b>\$ 380,730,574</b>	<b>\$ (91,649,585)</b>	<b>\$ 37,790,641</b>	<b>\$ 326,871,630</b>

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

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<b>General Fund</b>	<b>City Capital Projects</b>	<b>School Capital Projects</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 37,299,197	\$ 8,559,736	\$ 2,734,619	\$ 2,667,804	\$ 51,261,356
Investments	15,408,704	6,184,969	-	-	21,593,673
Receivables, net of allowance:					
Taxes excluding penalties	13,387,381	-	-	-	13,387,381
Accounts	5,033,920	-	-	-	5,033,920
Other	748,918	150,000	-	107,010	1,005,928
Due from other funds	780,570	-	-	263,378	1,043,948
Due from other governments	2,672,602	1,488,638	-	1,445,929	5,607,169
Due from component units	5,221,893	-	-	125,000	5,346,893
Other assets	-	-	-	213	213
Restricted assets:					
Cash and cash equivalents	14,357,013	2,200,451	-	432,884	16,990,348
<b>Total assets</b>	<u>\$ 94,910,198</u>	<u>\$ 18,583,794</u>	<u>\$ 2,734,619</u>	<u>\$ 5,042,218</u>	<u>\$ 121,270,829</u>
<b>Liabilities</b>					
Accounts payable and other liabilities	\$ 2,970,324	\$ 2,746,420	\$ 443,175	\$ 814,631	\$ 6,974,550
Accrued payroll and related liabilities	6,800,812	2,755	-	168,746	6,972,313
Due to other funds	263,378	116	-	566,268	829,762
Due to other governments	743,218	-	-	13,425	756,643
Unearned revenue/prepaid rent	1,431,618	-	-	206,080	1,637,698
Deposits payable from restricted assets	223,182	-	-	-	223,182
<b>Total liabilities</b>	<u>12,432,532</u>	<u>2,749,291</u>	<u>443,175</u>	<u>1,769,150</u>	<u>17,394,148</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	14,015,377	-	-	184,996	14,200,373
<b>Total deferred inflows of resources</b>	<u>14,015,377</u>	<u>-</u>	<u>-</u>	<u>184,996</u>	<u>14,200,373</u>
<b>Fund Balances</b>					
Restricted	14,093,629	700,076	-	2,840,360	17,634,065
Committed	15,920,227	15,134,427	2,291,444	125,384	33,471,482
Assigned	9,083,748	-	-	122,328	9,206,076
Unassigned	29,364,685	-	-	-	29,364,685
<b>Total fund balances</b>	<u>68,462,289</u>	<u>15,834,503</u>	<u>2,291,444</u>	<u>3,088,072</u>	<u>89,676,308</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 94,910,198</u>	<u>\$ 18,583,794</u>	<u>\$ 2,734,619</u>	<u>\$ 5,042,218</u>	<u>\$ 121,270,829</u>

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2019**

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

Ending fund balance - governmental funds		\$ 89,676,308	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		391,292,040	
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		3,942,921	
Deferred outflow of resources used to reflect deferred losses on debt refunding bonds are not reported in the governmental funds.		2,866,035	
Internal service fund activity that has been allocated to the user departments.		3,910,946	
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.		11,704,614	
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows related to:			
Pensions	10,026,137		
Other postemployment benefits	5,452,705		
Deferred inflows related to:			
Pensions	(4,976,685)		
Other postemployment benefits	(15,855,754)		
Net pension liability	(84,779,319)		
Net other postemployment liability	(85,863,025)		
			(175,995,941)
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	(181,910,397)		
Accrued interest payable	(1,405,543)		
Other long term payable	(3,500,442)		
Compensated absences	(4,653,324)		
Workers' compensation	(2,786,480)		
Arbitrage liability	(568)		
			(194,256,754)
Net position of governmental activities		\$ 133,140,169	

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, 2019**

	General	City Capital Projects	School Capital Projects	Other Governmental	Total Governmental
<b>Revenues</b>					
Taxes	\$ 137,222,286	\$ -	\$ -	\$ -	\$ 137,222,286
Regulatory licenses, permits and privilege fees	1,106,893	-	-	-	1,106,893
Intergovernmental	37,433,967	9,322,347	325,000	10,522,210	57,603,524
Fines and forfeitures	363,010	-	-	-	363,010
Revenue from use of money and property	2,213,643	17,017	31,810	34,520	2,296,990
Charges for services	10,970,514	-	-	4,530,310	15,500,824
Miscellaneous	781,049	1,599,439	9,600	1,246,647	3,636,735
<b>Total revenues</b>	<u>190,091,362</u>	<u>10,938,803</u>	<u>366,410</u>	<u>16,333,687</u>	<u>217,730,262</u>
<b>Expenditures</b>					
Current operating expenditures:					
General government	16,893,676	-	-	4,652	16,898,328
Judicial	5,088,929	-	-	1,237,632	6,326,561
Public safety	47,769,024	-	-	4,392,321	52,161,345
Public works	17,926,578	7,935,573	-	73,571	25,935,722
Health and human services	21,133,854	-	-	7,597,849	28,731,703
Cultural and recreational	9,320,532	108,200	-	-	9,428,732
Community development	5,041,335	286,813	-	1,250,021	6,578,169
Education	38,257,161	-	5,000	-	38,262,161
Capital outlay:					
Capital general government	37,309	13,706,477	2,026,977	-	15,770,763
Debt service:					
Principal retirements	10,649,783	-	-	1,070,065	11,719,848
Interest payments and other fiscal charges	7,321,643	-	-	68,570	7,390,213
<b>Total expenditures</b>	<u>179,439,824</u>	<u>22,037,063</u>	<u>2,031,977</u>	<u>15,694,681</u>	<u>219,203,545</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>10,651,538</u>	<u>(11,098,260)</u>	<u>(1,665,567)</u>	<u>639,006</u>	<u>(1,473,283)</u>
<b>Other financing sources (uses)</b>					
Issuance of bonds	-	849,275	1,425,175	-	2,274,450
Transfers in	643,814	4,803,938	1,975,030	220,036	7,642,818
Transfers out	(7,243,174)	(306,314)	-	-	(7,549,488)
<b>Total other financing sources (uses)</b>	<u>(6,599,360)</u>	<u>5,346,899</u>	<u>3,400,205</u>	<u>220,036</u>	<u>2,367,780</u>
<b>Net changes in fund balances</b>	<u>4,052,178</u>	<u>(5,751,361)</u>	<u>1,734,638</u>	<u>859,042</u>	<u>894,497</u>
<b>Fund balances - beginning</b>	<u>64,410,111</u>	<u>21,585,864</u>	<u>556,806</u>	<u>2,229,030</u>	<u>88,781,811</u>
<b>Fund balances - ending</b>	<u>\$ 68,462,289</u>	<u>\$ 15,834,503</u>	<u>\$ 2,291,444</u>	<u>\$ 3,088,072</u>	<u>\$ 89,676,308</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2019**

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

Net change in fund balances - total governmental funds	\$	894,497
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the detail of the two components.		
Capital outlay		21,053,810
Depreciation expense		(20,830,422)
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.		
		119,360
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		(55,762)
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions	9,046,091	
Pension expenses	<u>(5,070,394)</u>	
		3,975,697
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	253,506	
Pension expenses	<u>1,446,608</u>	
		1,700,114
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.		
		8,827,222
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.		
		287,136
To eliminate transfers to the internal service fund.		
		60,898
The net loss of certain activities of the internal service fund is reported with governmental activities.		
		<u>160,041</u>
Change in net position of governmental activities.	\$	<u><u>16,192,591</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, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 134,014,053	\$ 133,731,483	\$ 137,222,286	\$ 3,490,803
Regulatory licenses, permits and privilege fees	1,034,700	1,034,700	1,106,893	72,193
Intergovernmental	37,012,832	37,681,005	37,433,967	(247,038)
Fines and forfeitures	367,500	367,500	363,010	(4,490)
Revenue from use of money and property	687,080	687,080	2,166,140	1,479,060
Charges for services	11,782,746	11,832,174	10,970,514	(861,660)
Miscellaneous	898,173	900,779	765,940	(134,839)
<b>Total revenues</b>	<u>185,797,084</u>	<u>186,234,721</u>	<u>190,028,750</u>	<u>3,794,029</u>
<b>Expenditures</b>				
Current operating expenditures:				
General government	23,793,645	21,082,216	16,248,825	4,833,391
Judicial	4,902,905	5,179,172	5,088,929	90,243
Public safety	45,634,920	47,774,306	47,769,024	5,282
Public works	15,715,212	18,551,829	17,926,578	625,251
Health and human services	22,201,643	22,891,956	21,133,854	1,758,102
Cultural and recreational	8,854,902	9,323,757	9,320,532	3,225
Community development	5,368,990	5,522,915	5,041,335	481,580
Education	42,028,498	43,115,071	38,257,161	4,857,910
Capital outlay:				
Capital general government	-	24,850	24,850	-
Debt service:				
Principal retirements	11,528,977	11,524,784	10,649,783	875,001
Interest payments and other fiscal charges	7,395,094	7,399,287	7,321,643	77,644
<b>Total expenditures</b>	<u>187,424,786</u>	<u>192,390,143</u>	<u>178,782,514</u>	<u>13,607,629</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,627,702)</u>	<u>(6,155,422)</u>	<u>11,246,236</u>	<u>17,401,658</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	693,814	693,814	-
Transfers out	(6,125,251)	(7,901,556)	(7,901,556)	-
<b>Total other financing sources (uses)</b>	<u>(6,125,251)</u>	<u>(7,207,742)</u>	<u>(7,207,742)</u>	<u>-</u>
<b>Net changes in fund balances</b>	<u>(7,752,953)</u>	<u>(13,363,164)</u>	<u>4,038,494</u>	<u>17,401,658</u>
<b>Fund balances - beginning</b>	<u>62,160,214</u>	<u>62,160,214</u>	<u>62,160,214</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 54,407,261</u>	<u>\$ 48,797,050</u>	<u>\$ 66,198,708</u>	<u>\$ 17,401,658</u>

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

**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 4,703,385	\$ 12,054,361	\$ 2,731,001	\$ 5,366,583	\$ 24,855,330	\$ 2,403,795
Investments	9,732,494	5,569,143	251,761	-	15,553,398	-
Receivables, net of allowance:	1,774,999	3,271,250	454,168	85,538	5,585,955	26,751
Due from other funds	93,215	77,897	9,543	16,432	197,087	13,903
Due from other governments	-	-	-	216,339	216,339	-
Inventory	440,930	-	-	-	440,930	37,658
Prepays and other assets	-	-	-	-	-	800,134
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	391,852	-	-	391,852	-
Total current assets	16,745,023	21,364,503	3,446,473	5,684,892	47,240,891	3,282,241
Noncurrent assets:						
Due from other governments	-	28,578,108	61,117	-	28,639,225	-
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	2,532,354	-	-	2,532,354	-
Cash and cash equivalents	12,599,161	2,150,864	-	11,811	14,761,836	-
Capital assets:						
Nondepreciable	5,172,259	26,430,151	793,414	3,801,722	36,197,546	-
Depreciable, net	69,315,656	252,792,308	4,810,472	32,747,577	359,666,013	13,964,810
Total noncurrent assets	87,087,076	312,483,785	5,665,003	36,561,110	441,796,974	13,964,810
<b>Total assets</b>	<b>103,832,099</b>	<b>333,848,288</b>	<b>9,111,476</b>	<b>42,246,002</b>	<b>489,037,865</b>	<b>17,247,051</b>
<b>Deferred Outflows of Resources</b>						
Deferred charge on refunding	648,524	897,713	-	26,134	1,572,371	135,404
Deferred outflows related to pensions (Note 11 & 13)	729,216	443,971	71,312	124,219	1,368,718	106,967
Deferred outflows related to other postemployment benefits (Notes 14, 15 & 18)	350,832	240,607	33,984	62,018	687,441	50,976
<b>Total deferred outflows of resources</b>	<b>1,728,572</b>	<b>1,582,291</b>	<b>105,296</b>	<b>212,371</b>	<b>3,628,530</b>	<b>293,347</b>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and other liabilities	753,955	3,210,901	163,643	339,142	4,467,641	89,649
Accrued payroll and related liabilities	283,864	162,355	22,637	50,870	519,726	37,049
Accrued interest payable	735,800	282,908	-	12,120	1,030,828	24,872
Due to other funds	210,485	130,797	19,740	34,666	395,688	29,488
Due to other governments	-	-	1,481	-	1,481	-
Current portion of general obligation bonds	1,686,234	1,237,398	-	63,266	2,986,898	211,417
Current portion of direct borrowings	126,585	147,537	-	-	274,122	133,400
Current portion of public utility revenue bonds	-	5,816,175	40,332	-	5,856,507	-
Total current liabilities	3,796,923	10,988,071	247,833	500,064	15,532,891	525,875
Noncurrent liabilities:						
Deposits payable from restricted assets	1,102,333	-	-	8,190	1,110,523	-
Self insurance claims	180,674	76,603	-	5	257,282	-
Compensated absences	311,739	169,984	18,134	49,443	549,300	36,870
Pension plan obligation (Notes 11 & 13)	6,166,122	3,754,137	602,996	1,050,380	11,573,635	904,494
Other postemployment benefits obligations (Notes 14, 15 & 18)	5,494,680	3,787,279	532,026	972,896	10,786,881	798,039
Notes payable	1,145,313	4,469,017	4,672	-	5,619,002	-
General obligation bonds	52,932,632	25,036,026	-	1,038,468	79,007,126	2,153,469
Direct borrowings	395,125	460,525	-	-	855,650	1,199,600
Public utility revenue bonds	-	112,242,986	725,967	-	112,968,953	-
Total noncurrent liabilities	67,728,618	149,996,557	1,883,795	3,119,382	222,728,352	5,092,472
<b>Total liabilities</b>	<b>71,525,541</b>	<b>160,984,628</b>	<b>2,131,628</b>	<b>3,619,446</b>	<b>238,261,243</b>	<b>5,618,347</b>
<b>Deferred Inflows of Resources</b>						
Deferred inflows related to pensions (Notes 11 & 13)	361,961	220,374	35,397	61,660	679,392	53,095
Deferred inflows related to other postemployment benefits (Notes 14, 15 & 18)	1,131,823	782,429	109,563	200,594	2,224,409	164,342
<b>Total deferred inflows of resources</b>	<b>1,493,784</b>	<b>1,002,803</b>	<b>144,960</b>	<b>262,254</b>	<b>2,903,801</b>	<b>217,437</b>
<b>Net Position</b>						
Net investment in capital assets	30,347,378	164,363,686	4,894,032	35,473,699	235,078,795	11,202,462
Restricted for:						
Passenger facility charges	-	-	-	3,621	3,621	-
Unrestricted	2,193,968	9,079,462	2,046,152	3,099,353	16,418,935	502,152
<b>Total net position</b>	<b>\$ 32,541,346</b>	<b>\$ 173,443,148</b>	<b>\$ 6,940,184</b>	<b>\$ 38,576,673</b>	<b>\$ 251,501,351</b>	<b>\$ 11,704,614</b>
<b>Reconciliation with business-type activities in the Statement of Net Position:</b>						
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					(3,910,946)	
<b>Total net position of business-type activities</b>					<b>\$ 247,590,405</b>	

**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Enterprise Funds</b>					
	<b>Water</b>	<b>Sewer</b>	<b>Stormwater</b>	<b>Airport</b>	<b>Total</b>	<b>Internal Service</b>
<b>Operating revenues</b>						
Charges for services and other operating revenues	\$ 15,127,793	\$ 23,723,563	\$ 3,227,746	\$ 2,775,975	\$ 44,855,077	\$ 5,945,290
Intergovernmental	-	-	275,000	122,320	397,320	-
<b>Total operating revenues</b>	<u>15,127,793</u>	<u>23,723,563</u>	<u>3,502,746</u>	<u>2,898,295</u>	<u>45,252,397</u>	<u>5,945,290</u>
<b>Operating expenses</b>						
Personal services and benefits	5,076,126	3,355,976	673,639	1,151,858	10,257,599	950,997
Operation and maintenance	1,301,725	3,636,697	511,138	1,064,812	6,514,372	2,035,245
Supplies and materials	1,362,100	1,661,637	168,543	145,406	3,337,686	41,551
Administration	1,550,316	2,580,626	1,528,109	300,143	5,959,194	2,353
Other charges	89,138	66,021	16,045	31,762	202,966	23,412
Depreciation	3,231,814	8,037,676	275,261	2,284,681	13,829,432	2,827,518
<b>Total operating expenses</b>	<u>12,611,219</u>	<u>19,338,633</u>	<u>3,172,735</u>	<u>4,978,662</u>	<u>40,101,249</u>	<u>5,881,076</u>
<b>Operating income (loss)</b>	<u>2,516,574</u>	<u>4,384,930</u>	<u>330,011</u>	<u>(2,080,367)</u>	<u>5,151,148</u>	<u>64,214</u>
<b>Nonoperating revenues (expenses)</b>						
Interest income	501,029	409,567	60,794	93,544	1,064,934	39,903
Miscellaneous	33,101	47,717	-	10,131	90,949	19,114
Gain on disposition of assets	5,798	2,259	-	7,032	15,089	310,295
Interest on long-term debt	(2,208,099)	(1,077,985)	(106)	(38,239)	(3,324,429)	(128,739)
IRS interest subsidy- Build America Bonds	235,496	43,012	-	-	278,508	-
<b>Total nonoperating revenues (expenses)</b>	<u>(1,432,675)</u>	<u>(575,430)</u>	<u>60,688</u>	<u>72,468</u>	<u>(1,874,949)</u>	<u>240,573</u>
<b>Income (loss) before contributions and transfers</b>	<u>1,083,899</u>	<u>3,809,500</u>	<u>390,699</u>	<u>(2,007,899)</u>	<u>3,276,199</u>	<u>304,787</u>
Capital contributions	269,655	9,110,310	-	2,054,429	11,434,394	-
Passenger facility charges	-	-	-	360,123	360,123	-
Transfers in	93,215	64,082	9,543	16,432	183,272	60,898
Transfers out	-	-	(337,500)	-	(337,500)	-
<b>Change in net position</b>	<u>1,446,769</u>	<u>12,983,892</u>	<u>62,742</u>	<u>423,085</u>	<u>14,916,488</u>	<u>365,685</u>
<b>Total net position - beginning</b>	<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>
<b>Total net position - ending</b>	<u>\$ 32,541,346</u>	<u>\$ 173,443,148</u>	<u>\$ 6,940,184</u>	<u>\$ 38,576,673</u>	<u>\$ 251,501,351</u>	<u>\$ 11,704,614</u>
<b>Reconciliation with business-type activities in the Statement of Activities:</b>						
Change in net position - enterprise funds reported in this statement					14,916,488	
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					<u>144,746</u>	
<b>Change in net position of business-type activities:</b>					<u>\$ 15,061,234</u>	

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2019

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
<b>Operating activities</b>						
Cash received from operations	\$ 15,037,730	\$ 23,386,540	\$ 3,518,382	\$ 2,909,030	\$ 44,851,682	\$ 5,945,290
Cash paid to employees	(5,339,472)	(3,615,595)	(543,839)	(1,161,622)	(10,660,528)	(804,707)
Cash paid to suppliers	(4,364,898)	(7,935,768)	(2,229,569)	(1,466,685)	(15,996,920)	(2,151,257)
<b>Net cash provided by operating activities</b>	<b>5,333,360</b>	<b>11,835,177</b>	<b>744,974</b>	<b>280,723</b>	<b>18,194,234</b>	<b>2,989,326</b>
<b>Noncapital financing activities</b>						
Transfers in	93,215	64,082	9,543	16,432	183,272	60,898
Transfers out	-	-	(337,500)	-	(337,500)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>93,215</b>	<b>64,082</b>	<b>(327,957)</b>	<b>16,432</b>	<b>(154,228)</b>	<b>60,898</b>
<b>Capital and related financing activities</b>						
Proceeds from issuance of long-term debt:						
Notes payable	1,123,510	3,877,189	-	-	5,000,699	-
Payment of long-term debt:						
General obligation debt	(1,939,221)	(1,607,228)	-	(94,318)	(3,640,767)	(339,354)
Revenue bonds	-	(6,351,572)	(40,331)	-	(6,391,903)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	3,421,892	-	-	3,421,892	-
Payment of interest on long-term debt	(2,342,374)	(1,113,696)	(106)	(45,250)	(3,501,426)	(142,200)
Capital contributions received	269,655	9,019,990	-	2,068,218	11,357,863	-
Passenger facility charges collected	-	-	-	360,123	360,123	-
Proceeds from sale of capital assets	5,798	2,259	-	7,032	15,089	310,295
Additions to capital assets	(5,052,227)	(16,531,871)	(659,514)	(667,035)	(22,910,647)	(2,927,920)
Proceeds from (payments to) other governments	-	504,507	(1,512)	-	502,995	-
Payments from other organizations	33,101	88,866	-	10,131	132,098	24,984
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(7,901,758)</b>	<b>(8,689,664)</b>	<b>(701,463)</b>	<b>1,638,901</b>	<b>(15,653,984)</b>	<b>(3,074,195)</b>
<b>Investing activities</b>						
Net purchase of investments	(3,309,151)	(2,347,034)	(251,761)	-	(5,907,946)	-
Interest income received	736,525	452,579	60,794	93,544	1,343,442	39,903
<b>Net cash provided by (used in) investing activities</b>	<b>(2,572,626)</b>	<b>(1,894,455)</b>	<b>(190,967)</b>	<b>93,544</b>	<b>(4,564,504)</b>	<b>39,903</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5,047,809)</b>	<b>1,315,140</b>	<b>(475,413)</b>	<b>2,029,600</b>	<b>(2,178,482)</b>	<b>15,932</b>
<b>Cash and cash equivalents</b>						
Beginning	22,350,355	12,890,085	3,206,414	3,348,794	41,795,648	2,387,863
Ending	\$ 17,302,546	\$ 14,205,225	\$ 2,731,001	\$ 5,378,394	\$ 39,617,166	\$ 2,403,795
<b>Reconciliation to Statement of Net Position</b>						
Current Assets	\$ 4,703,385	\$ 12,054,361	\$ 2,731,001	\$ 5,366,583	\$ 24,855,330	\$ 2,403,795
Restricted Assets	12,599,161	2,150,864	-	11,811	14,761,836	-
	<u>\$ 17,302,546</u>	<u>\$ 14,205,225</u>	<u>\$ 2,731,001</u>	<u>\$ 5,378,394</u>	<u>\$ 39,617,166</u>	<u>\$ 2,403,795</u>

(Continued)

(Continued)

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

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2019

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>						
Operating income (loss)	\$ 2,516,574	\$ 4,384,930	\$ 330,011	\$ (2,080,367)	\$ 5,151,148	\$ 64,214
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	3,231,814	8,037,676	275,261	2,284,681	13,829,432	2,827,518
Other postemployment benefit expense net of employer contributions	(321,819)	(189,409)	182,953	73,134	(255,141)	83,317
Pension expense net of employer contributions	(70,672)	(146,300)	(55,301)	(84,590)	(356,863)	46,313
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(157,164)	(337,023)	15,636	10,735	(467,816)	-
Increase in due from other funds	(25,917)	(27,168)	(950)	(3,086)	(57,121)	(4,382)
Decrease in inventory	28,816	-	-	-	28,816	3,112
Increase (decrease) in accounts payable	(90,435)	9,213	(5,734)	74,868	(12,088)	(51,808)
Increase (decrease) in accrued expenses	57,293	54,768	(2,889)	(7,993)	101,179	6,514
Increase in due to other funds	97,769	48,490	5,987	12,771	165,017	14,528
Increase in deposits payable	67,101	-	-	570	67,671	-
<b>Net cash provided by operating activities</b>	<b>\$ 5,333,360</b>	<b>\$ 11,835,177</b>	<b>\$ 744,974</b>	<b>\$ 280,723</b>	<b>\$ 18,194,234</b>	<b>\$ 2,989,326</b>
<b>Supplemental cash flow information</b>						
<b>Non-cash transactions</b>						
Capital asset additions financed by retainage payable	\$ 64,446	\$ 425,715	\$ 2,292	\$ (106,052)	\$ 386,401	\$ -
Capital asset additions financed by accounts payable	\$ 468,489	\$ 2,062,037	\$ 147,888	\$ 43,400	\$ 2,721,814	\$ -
Amortization of debt related items	\$ 112,793	\$ 15,748	\$ -	\$ 5,105	\$ 133,646	\$ 10,991
Capital contributions financed by due from other governments	\$ -	\$ -	\$ -	\$ 13,789	\$ -	\$ -

**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Fund**  
**June 30, 2019**

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	<u>Special Welfare</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 191,733</u>
<b>Total assets</b>	<u><u>\$ 191,733</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 5,651
Amounts held for others	<u>186,082</u>
<b>Total liabilities</b>	<u><u>\$ 191,733</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, 2019

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

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

The City sold its existing jail facilities to the Authority during FY1997. A new central jail facility was constructed in Lynchburg and opened in FY2000. It is owned and operated by the Authority. Each Member Jurisdiction pays a per diem charge for each day that one of its prisoners is at any Regional Jail Facility. In accordance with the Service Agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based on an agreed upon number of prisoner days, and is subject to an adjustment at the end of each fiscal year. During FY2019, the City paid \$5,325,906 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 \$555,900 for an operating contribution in FY2019.

**Central Virginia Planning District Commission:** The City serves as the Local Workforce Development Area grant recipient on behalf of the Central Virginia Planning District Commission/Central Virginia Local Workforce Development Area VII. According to the requirements, grant funds are used to provide employment and training activities for adults and dislocated workers and to provide services for eligible youth. During FY2019, the Central Virginia Planning District Commission received \$1,340,667 in grant funds.

**Region 2000 Services Authority:** During 2008, the City, in conjunction with the Counties of Campbell and Nelson and the City of Bedford, created the Region 2000 Services Authority (the "Authority"). Appomattox County joined soon thereafter. The City of Bedford withdrew in 2013. Each member jurisdiction pays a per-ton disposal charge based on the actual cost of operation (cost of service), which includes both an operating component and a debt service component. The governing Board is composed of one member from each of the participating localities. In accordance with the member use agreement, the City provided the Authority \$300,000 in initial start up costs. During FY2019, the City paid \$768,651 to the Authority.

**Central Virginia Radio Communications Board:** During 2012, the Old Central Virginia Regional Radio Communications Board was dissolved and replaced by the Region 2000 Radio Communications Board (the "Board"); name has since reverted back to *Central Virginia Radio Communications Board*. Since the current regional radio system was in need of significant upgrade and replacement before July 1, 2014, the Board was formed in order to manage the project operations and maintenance, including the issuance of debt to finance the upgrades and replacements in an efficient and cost effective manner. The Board consists of representatives from Amherst County, Bedford County, the Town of Bedford, the City of Lynchburg, collectively the "Member Jurisdictions", and Virginia's Region 2000 Local Government Council ("Council"). The Member Jurisdictions and the Council entered into a Cooperative Agreement which requires each Member Jurisdiction to contribute their pro rata share for annual capital costs, operational costs, and any annual deficit. The City's pro rata share is 33.1% effective through July 1, 2013. In accordance with the Cooperative Agreement, the City transferred the title to all 1996 assets to the Council. The Council issued debt of \$13,100,000 in May 2012 to finance the upgrade and replacement of the existing radio system. Each Member Jurisdiction contributes toward the debt service payments made by the Council through their pro rata share of capital costs. The City's pro rata share of capital costs is 30.1%. Should the Council fail to make debt service payments, the Member Jurisdictions have a moral non-binding obligation to pay the debt service. During FY2019, the City paid \$720,173 to the Board. The City's scheduled capital cost payment for FY20 is \$684,854.

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

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

Lynchburg Redevelopment and Housing Authority: Under the *Code of Virginia* (“Code”), the Commonwealth of Virginia (“Commonwealth”) created in each city and county a redevelopment and housing authority which is a separate political subdivision of the Commonwealth. In April 1956, City Council activated the Lynchburg Redevelopment and Housing Authority (the “LRHA”) which owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the LRHA are appointed by City Council; however, City Council is not financially accountable for LRHA. During FY2019, the City appropriated \$177,538 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 FY2019, the City paid \$250,000 to the Economic Development Authority.

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

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

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

Government-wide Statements: The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements include the financial activities of the overall government. The effect of interfund activity, other than services provided and used, has been eliminated from these statements to minimize the double counting of internal activities. Excess revenues or expenses of the Internal Service Fund are allocated to the appropriate governmental functional activity. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

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

Governmental Fund Types: Governmental funds account for expendable financial resources, other than proprietary fund types. Governmental fund types use the flow of current financial resources measurement focus.

The City reports the following major governmental funds:

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

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

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

The City reports the following non-major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

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

Sewer Fund: The Sewer Fund operates a regional wastewater treatment plant and a combined sewer system. The Sewer Fund also performs cleaning, monitoring, and repairs to the wastewater collection system for the City and provides conveyance and treatment services for three surrounding counties.

Stormwater Fund: The Stormwater Fund performs the operations and maintenance of the storm sewer collection system and manages the City's Small Municipal Separate Storm Sewer System [MS4] General Permit requirements that incorporates water quality compliance goals established by Total Maximum Daily Loads [TMDLs] which include the Chesapeake Bay and the James River Basin TMDLs.

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

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

Additionally, the City reports the following fund types:

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

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

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

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

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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#### **C. Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basic of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

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

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

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

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

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

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

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

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

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

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

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

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

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

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

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ 4,038,494
Add: Net change in fund balance for Technology Fund	<u>13,684</u>
Net change in fund balance (GAAP basis)	<u>\$ 4,052,178</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	\$ 2,049,076
General Fund, ambulance receivables	\$ 4,075,907
Enterprise Funds	\$ 259,832

(Continued)



## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

- **Inventory**

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

- **Capital Assets**

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

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

**Proprietary funds:** Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis. Capital assets are stated at cost or estimated original cost based on independent consultant studies, net of accumulated depreciation. Donated assets, donated works of art and similar items are reported at acquisition value rather than fair market value on the date donated. Capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized.

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

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

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

- **Deferred Outflows / Inflows of Resources**

In addition to assets, the 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, 2019

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

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

- **Arbitrage Rebate Liability**

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

- **Pensions 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, 2019

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

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

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

- Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Fund Balance may be assigned either through the encumbrance process as a result of normal purchasing activity (which includes the issuance of a purchase order), or by the City Manager or her designee, the Director of Finance, in accordance with the Council adopted fund balance policy.
- Unassigned fund balance is the positive fund balance within the General fund which has not been classified as Restricted, Committed, or Assigned and negative fund balances in other governmental funds.

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

#### **F. Estimates**

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

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

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#### **Deposits:**

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

#### **Investments:**

##### **Investment Policy:**

In accordance with the *Code* and other applicable law, including regulations, the City's Investment Policy (Policy) permits investments in Treasury Securities, agency securities, prime quality commercial paper, certificates of deposit maturing within one year and issued by domestic banks, banker's acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements, open-end investments, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP). Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the carrying value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share in accordance with GASB No. 79). The Investment Policy specifies that no investment may have a maturity greater than one year from the date of purchase, unless matched to a specific cash flow.

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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#### **Investments:** (Continued)

##### **Credit Risk:**

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

As of June 30, 29% of the portfolio was invested in "Aaa" rated obligations; 3% was invested in "Aa1" Municipal Bonds; 1% was invested in "Aa2", 1% was invested in "Aa+", 65% was invested in an "AAAm" rated LGIP fund; 1% of Commercial Paper was invested in "P-1". The "Aaa" rated portion of the total portfolio included 13% of obligations guaranteed by the U. S. Government; 15% of Federal Agencies; and 1% of Municipal Bonds (percentages are based on the total portfolio). On August 5, 2011, Standard & Poor's downgraded the long-term sovereign credit rating of the United States of America from "AAA" to "AA+" and affirmed the "A-1+" short-term rating. This downgrade relates to 29% 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	13%
Federal Home Loan Bank	11%

##### **Interest Rate Risk:**

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

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

## ***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	\$ 62,085,234	-
Commercial Paper	984,799	243
U.S. Treasury Notes	14,233,082	292
Federal Farm Credit Bank	507,717	655
Federal Home Loan Bank	11,244,373	288
Federal National Mortgage Association	3,309,052	143
Federal Home Mortgage Corporation	2,005,603	315
Municipal Bonds	4,862,445	381
Total investments	<u>\$ 99,232,305</u>	
Portfolio weighted average maturity		102

\* 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	\$ 15,875	\$ -
Deposits	48,363,289	11,940,092
Funds held in trust by others	-	864,077
Investments	99,232,305	-
	<u>\$ 147,611,469</u>	<u>\$ 12,804,169</u>
Statement of net position:		
Cash and cash equivalents	\$ 78,520,481	\$ 11,940,092
Investments	37,147,071	-
Restricted cash and cash equivalents	31,752,184	-
Fiduciary fund cash and cash equivalents	191,733	864,077
	<u>\$ 147,611,469</u>	<u>\$ 12,804,169</u>

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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#### Investments: (Continued)

#### Custodial Credit Risk: (Continued)

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

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

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

	Level 1	Level 2	Level 3	Total
U.S. Treasury Securities	\$ 14,233,082	\$ -	\$ -	\$ 14,233,082
U.S. Debt Securities	-	17,066,745	-	17,066,745
Municipal Bonds	-	4,862,445	-	4,862,445
Commercial Paper	-	984,799	-	984,799
	<u>\$ 14,233,082</u>	<u>\$ 22,913,989</u>	<u>\$ -</u>	<u>\$ 37,147,071</u>

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

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

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

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

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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Interfund balances at June 30, 2019 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 780,570	\$ 263,378
Non-major Special Revenue Funds:		
City Capital Projects	-	116
City Federal/State Aid	263,378	499,476
Children's Services Act	-	684
Community Development Block Grant	-	24,977
HOME Investment Trust	-	17,615
Lynchburg Regional Juvenile Detention Center	-	23,516
Major Proprietary Funds:		
Sewer	77,897	130,797
Water	93,215	210,485
Stormwater	9,543	19,740
Airport	16,432	34,666
Internal Service	13,903	29,488
	<u>\$ 1,254,938</u>	<u>\$ 1,254,938</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.

(Continued)



# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

Interfund transfers were as follows:

	To	From
Major Fund:		
General	\$ 643,814	\$ 7,243,174
Non-major Special Revenue Funds:		
City Federal/State Aid	220,036	-
Major Fund – Capital Projects		
City Capital Projects	4,803,938	306,314
School Capital Projects	1,975,030	-
Major Proprietary Funds:		
Sewer	64,082	-
Water	93,215	-
Stormwater	9,543	337,500
Airport	16,432	-
Internal Service	60,898	-
Total Fund Transfers:	<u>\$ 7,886,988</u>	<u>\$ 7,886,988</u>

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

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

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

	Due From Component Units	Due To Primary Government
Primary Government:		
Major Fund:		
General Fund	\$ 5,221,893	\$ -
Non-major Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
	<u>\$ 5,346,893</u>	<u>\$ -</u>
Component Units:		
Lynchburg City Schools	\$ -	\$ 5,084,204
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	-	137,689
	<u>\$ -</u>	<u>\$ 5,346,893</u>

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 5,607,169	\$ 216,339	\$ 4,918,537	\$ 61,689
Virginia Revolving Loan	-	28,639,225	-	-
Members of Regional Sewage Treatment Plant	-	2,924,206	-	-
	<u>\$ 5,607,169</u>	<u>\$ 31,779,770</u>	<u>\$ 4,918,357</u>	<u>\$ 61,689</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	\$ 391,852
Amount receivable 2 to 5 years	835,103
Amount receivable beyond 5 years	<u>1,697,251</u>
	<u>\$ 2,924,206</u>

## ***Note 7. Receivables***

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

	Taxes	Accounts	Other	Total
Major funds:				
General	\$ 13,387,381	\$ 5,033,920	\$ 748,918	\$ 19,170,219
City Capital Projects	-	-	150,000	150,000
Water	-	1,774,999	-	1,774,999
Sewer	-	3,271,250	-	3,271,250
Stormwater	-	454,168	-	454,168
Airport	-	85,538	-	85,538
Internal Service	-	-	26,751	26,751
Non-major Governmental Funds	-	-	107,010	107,010
	<u>\$ 13,387,381</u>	<u>\$ 10,619,875</u>	<u>\$ 1,032,679</u>	<u>\$ 25,039,935</u>

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

## **Note 8. Capital Assets**

### Primary Government:

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

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balances</u>
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 22,802,186	\$ 682,085	\$ (102,500)	\$ 23,381,771
Construction in progress	14,728,275	20,249,952	(19,646,629)	15,331,598
Total capital assets, not being depreciated	37,530,461	20,932,037	(19,749,129)	38,713,369
<b><u>Capital assets, being depreciated:</u></b>				
Land improvements	62,068,127	996,578	(312,850)	62,751,855
Accumulated depreciation	(18,248,198)	(2,655,254)	291,304	(20,612,148)
Net land improvements	43,819,929	(1,658,676)	(21,546)	42,139,707
Buildings and improvements	307,562,210	2,816,348	(2,333,169)	308,045,389
Accumulated depreciation	(145,272,606)	(8,971,765)	2,297,377	(151,946,994)
Net buildings and improvements	162,289,604	(6,155,417)	(35,792)	156,098,395
Infrastructure	301,072,714	15,399,709	(73,416)	316,399,007
Accumulated depreciation	(157,869,477)	(8,046,162)	73,416	(165,842,223)
Net infrastructure	143,203,237	7,353,547	-	150,556,784
Machinery and equipment	52,766,157	4,077,838	(2,173,744)	54,670,251
Accumulated depreciation	(34,981,360)	(3,984,759)	2,044,463	(36,921,656)
Net machinery and equipment	17,784,797	93,079	(129,281)	17,748,595
Total capital assets being depreciated	723,469,208	23,290,473	(4,983,179)	741,776,502
Less: accumulated depreciation	(356,371,641)	(23,657,940)	4,706,560	(375,323,021)
Total capital assets, being depreciated	367,097,567	(367,467)	(276,619)	366,453,481
Capital assets, net	\$ 404,628,028	\$ 20,564,570	\$ (19,935,748)	\$ 405,256,850

There are no assets included above financed by capital leases as of June 30, 2019.

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, 2019

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

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#### Primary Government: (Continued)

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 733,965
Education	7,468,870
Judicial	662,492
Health and human services	271,881
Public safety	1,960,324
Public works	10,267,147
Community development	196,186
Cultural and recreational	1,737,773
	<hr/>
Total governmental activities	23,298,638
	<hr/>
Business-type activities:	
Water	161,495
Sewer	189,880
Stormwater	1,812
Airport	6,115
	<hr/>
Total business-type activities	359,302
	<hr/>
Total depreciation	\$ 23,657,940

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 \$359,302 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, 2019

## ***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>
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 5,156,131	\$ 5,903	\$ (82,350)	\$ 5,079,684
Construction in progress	12,789,691	23,668,660	(5,340,489)	31,117,862
 Total capital assets, not being depreciated	 17,945,822	 23,674,563	 (5,422,839)	 36,197,546
<b><u>Capital assets, being depreciated:</u></b>				
Land improvements	13,203,292	-	82,350	13,285,642
Accumulated depreciation	(12,215,926)	(121,296)	-	(12,337,222)
Net land improvements	987,366	(121,296)	82,350	948,420
 Buildings and improvements	 65,061,015	 35,880	 -	 65,096,895
Accumulated depreciation	(33,040,676)	(1,915,715)	-	(34,956,391)
Net buildings and improvements	32,020,339	(1,879,835)	-	30,140,504
 Infrastructure	 475,348,036	 5,202,248	 -	 480,550,284
Accumulated depreciation	(157,777,834)	(10,543,742)	-	(168,321,576)
Net infrastructure	317,570,202	(5,341,494)	-	312,228,708
 Machinery and equipment	 24,163,442	 570,573	 (96,924)	 24,637,091
Accumulated depreciation	(12,028,950)	(1,101,775)	96,924	(13,033,801)
Net machinery and equipment	12,134,492	(531,202)	-	11,603,290
 Capitalized interest	 7,345,201	 -	 -	 7,345,201
Accumulated depreciation	(2,453,206)	(146,904)	-	(2,600,110)
Net capitalized interest	4,891,995	(146,904)	-	4,745,091
 Total capital assets being depreciated	 585,120,986	 5,808,701	 (14,574)	 590,915,113
Less: accumulated depreciation	(217,516,592)	(13,829,432)	96,924	(231,249,100)
 Total capital assets, being depreciated	 367,604,394	 (8,020,731)	 82,350	 359,666,013
 Capital assets, net	 \$ 385,550,216	 \$ 15,653,832	 \$ (5,340,489)	 \$ 395,863,559

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

## ***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	\$ 15,626,733	\$ 1,500,692	\$ (6,535)	\$ 17,120,890
Accumulated depreciation	(9,202,955)	(1,213,310)	4,465	(10,411,800)
Net equipment	6,423,778	287,382	(2,070)	6,709,090
Equipment – cafeteria	1,287,178	54,078	-	1,341,256
Accumulated depreciation	(955,958)	(64,046)	-	(1,020,004)
Net equipment – cafeteria	331,220	(9,968)	-	321,252
Total capital assets being depreciated	16,913,911	1,554,770	(6,535)	18,462,146
Less: accumulated depreciation	(10,158,913)	(1,277,356)	4,465	(11,431,804)
Capital assets, net	<u>\$ 6,754,998</u>	<u>\$ 277,414</u>	<u>\$ (2,070)</u>	<u>\$ 7,030,342</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	27,657,595
	<u>60,781,509</u>
Less accumulated depreciation	<u>23,661,134</u>
	<u>\$ 37,120,375</u>

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

Primary Government:

General Obligation Debt:

<u>As of June 30, 2019</u>	<u>Interest Rates (%)</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Original Issue</u>	<u>Public Improvements</u>	<u>School Facilities</u>	<u>Proprietary Funds</u>	<u>Total</u>
<b>Bond Anticipation Note</b>								
Public Improvement- Line of Credit for Two Years	Variable-LIBOR	6/19/2018	2020	\$ 50,000,000	\$ 923,027	\$ 1,533,985	\$ 5,619,002	\$ 8,076,014
<b>General Obligation Bonds</b>								
VA Resources Authority	0.00	3/24/1994	2027	3,976,369	-	-	908,127	908,127
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	587,708	-	587,708
VPSA General Obligation	2.35-4.85	11/7/2002	2023	6,513,732	-	1,448,877	-	1,448,877
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	2,475,174	-	2,475,174
Public Improvement								
Series A Tax Exempt	1.00-5.00	8/13/2009	2022	17,230,000	415,000	590,000	510,000	1,515,000
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	553,101	282,519	\$69,380	1,705,000
VPSA General Obligation	0.00	11/13/2009	2027	10,255,000	-	5,930,000	-	5,930,000
Public Improvement								
Refunding	2.00-5.00	10/20/2010	2034	29,655,000	6,489,886	4,934,185	8,070,930	19,495,001
Public Improvement	2.00-5.00	7/10/2014	2044	101,730,000	16,800,000	60,665,000	15,410,000	92,875,000
Public Improvement								
Refunding	5.00	7/10/2014	2026	13,460,000	6,436,246	2,538,395	1,110,359	10,085,000
Public Improvement	2.00-5.00	5/19/2016	2046	26,945,000	12,767,463	-	11,897,537	24,665,000
Public Improvement								
Refunding	2.00-5.00	5/19/2016	2038	20,350,000	6,395,550	-	12,484,450	18,880,000
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
<b>General Obligation- Direct Borrowings</b>								
Public Improvement								
Refunding	3.80	12/19/2012	2023	4,129,625	1,718,172	-	-	1,718,172
Public Improvement	2.75	10/23/2013	2028	10,000,000	4,707,490	624,510	1,333,000	6,665,000
Public Improvement								
Refunding (Bond R-1)	1.60	3/12/2015	2020	9,657,000	292,400	174,080	213,520	680,000
Public Improvement								
Refunding (Bond R-2)	2.34	3/12/2015	2030	3,768,000	1,254,740	747,008	916,252	2,918,000
					<u>\$ 68,247,959</u>	<u>\$ 102,108,112</u>	<u>\$ 86,791,002</u>	<u>\$ 257,147,073</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 \$44,110,000 at June 30, 2019.

As of June 30, the City's Primary Government had outstanding general obligation bonds of \$257,147,073, including direct borrowings from commercial banks totaling \$11,981,172. For all general obligation debt, the full faith and credit of the City are irrevocably pledged to the punctual payment of the principal of and interest on the Bonds as the same become due. In each year while any Bonds are outstanding and unpaid, the Council shall be authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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Primary Government: (Continued)

General Obligation Debt: (Continued)

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

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

Legal Debt Limit:

The Constitution of Virginia, Article VII, Section 10(a) sets forth the City’s legal debt limit at ten percent (10%) of its real estate assessed valuation for the issuance of any bonds or other interest-bearing obligations. As shown in Supplementary Statistical Table 22, as of June 30, the City’s debt limit was \$551.3 million. The City’s aggregate general obligation indebtedness was \$257.1 million and the City’s legal debt margin (amount available for issuance of additional debt) was \$294.2 million.

Debt Management Policy:

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 66.72%. As shown in the Supplementary Statistical Table 21, outstanding tax-supported debt was 2.94% of net assessed valuation of taxable property. There are no overlapping tax jurisdictions.

(Continued)



# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

#### **Revenue Debt:**

As of June 30, 2019	Interest Rates %	Date Issued	Final Maturity	Original Issue	Sewer Fund	Stormwater Fund	Total
<b>Virginia Resources Authority</b>							
Public Utility Revenue Bonds	0.00	3/28/1995	2027	\$ 6,571,207	\$ 1,280,925	\$ -	\$ 1,280,925
Public Utility Revenue Bonds	0.00	8/10/1995	2029	10,000,000	2,496,032	-	2,496,032
Public Utility Revenue Bonds	0.00	6/27/1996	2029	8,000,000	1,932,173	-	1,932,173
Public Utility Revenue Bonds	0.00	7/17/1997	2030	7,591,540	2,320,885	-	2,320,885
Public Utility Revenue Bonds	3.00	7/17/1997	2020	14,108,460	482,553	-	482,553
Public Utility Revenue Bonds	0.00	8/21/1998	2031	6,203,000	2,130,005	-	2,130,005
Public Utility Revenue Bonds	3.00	5/27/1999	2020	2,476,763	84,551	-	84,551
Public Utility Revenue Bonds	0.00	2/11/2000	2021	5,300,000	557,895	-	557,895
Public Utility Revenue Bonds	0.00	2/15/2001	2032	735,000	281,842	-	281,842
Public Utility Revenue Bonds	3.50	6/8/2001	2021	2,835,000	399,128	-	399,128
Public Utility Revenue Bonds	0.00	11/6/2001	2034	1,413,613	630,735	-	630,735
Public Utility Revenue Bonds	0.00	9/15/2003	2036	2,500,000	1,252,067	-	1,252,067
Public Utility Revenue Bonds	0.00	5/20/2004	2038	6,000,000	3,500,000	-	3,500,000
Public Utility Revenue Bonds	0.00	5/17/2005	2038	6,700,000	4,020,000	-	4,020,000
Public Utility Revenue Bonds	0.00	6/28/2006	2039	9,600,000	6,240,000	-	6,240,000
Public Utility Revenue Bonds	0.00	6/20/2007	2039	7,000,000	4,666,667	-	4,666,667
Public Utility Revenue Bonds	0.00	6/5/2008	2041	12,350,000	8,850,833	-	8,850,833
Public Utility Revenue Bonds	0.00	6/25/2009	2041	19,000,000	13,933,333	-	13,933,333
Public Utility Revenue Bonds	0.00	6/17/2010	2042	13,100,000	10,043,333	-	10,043,333
Public Utility Revenue Bonds	0.00	6/15/2011	2033	9,350,928	6,537,871	-	6,537,871
Public Utility Revenue Bonds	0.00	6/15/2011	2045	10,100,000	8,585,000	-	8,585,000
Public Utility Revenue Bonds	0.00	6/6/2012	2044	7,000,000	5,833,333	-	5,833,333
Public Utility Revenue Bonds	0.00	1/5/2017	2038	806,630	-	766,299	766,299
Public Utility Revenue Bonds	0.00	9/18/2018	2041	32,000,000	32,000,000	-	32,000,000
					<u>\$ 118,059,161</u>	<u>\$ 766,299</u>	<u>\$ 118,825,460</u>

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

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

All of the indenture agreements require the City to pledge its Sewer Fund and Stormwater Fund Revenues as collateral for the revenue bonds and to maintain a debt coverage ratio at least equal to 1.15. As shown in Supplementary Statistical Tables 23 and 24, the Sewer Fund's debt coverage ratio for the year ended June 30 was 1.49 and the Stormwater Fund's debt coverage ratio was 8.94.

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

### Primary Government: (Continued)

#### Summary of Changes in Long-Term Liabilities for FY 2019:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond anticipation notes	\$ 182,562	\$ 2,274,450	\$ -	\$ 2,457,012	\$ -
General obligation bonds	169,882,307	-	9,374,638	160,507,669	9,609,856
General obligation- Direct borrowings	12,495,963	-	1,644,563	10,851,400	1,663,017
Note payable	1,040,000	-	1,040,000	-	-
Other long term payable *	3,937,997	-	437,555	3,500,442	437,555
Adjust for deferred amounts:					
Issuance discounts	(479,779)	-	(53,309)	(426,470)	-
Issuance premiums	13,090,225	-	871,553	12,218,672	-
Total bonds and notes	200,149,275	2,274,450	13,315,000	189,108,725	11,710,428
Workers' compensation**	3,414,847	424,197	672,589	3,166,455	379,975
Compensated absences**	4,227,279	3,281,374	2,813,431	4,695,222	563,428
	<u>\$207,791,401</u>	<u>\$ 5,980,021</u>	<u>\$ 16,801,020</u>	<u>\$196,970,402</u>	<u>\$ 12,653,831</u>

Business-Type Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond anticipation notes	\$ 618,303	\$ 5,000,699	\$ -	\$ 5,619,002	\$ -
General obligation bonds	79,953,259	-	3,371,041	76,582,218	2,986,898
General obligation- Direct borrowings	1,399,498	-	269,726	1,129,772	274,122
Public utility revenue bonds	93,217,363	32,000,000	6,391,903	118,825,460	5,856,507
Adjust for deferred amounts:					
Issuance premiums	5,709,392	-	297,586	5,411,806	-
Total bonds and notes	180,897,815	37,000,699	10,330,256	207,568,258	9,117,527
Workers' compensation	272,344	188,428	168,406	292,366	35,084
Compensated absences	556,762	513,487	446,044	624,205	74,905
	<u>\$181,726,921</u>	<u>\$ 37,702,614</u>	<u>\$ 10,944,706</u>	<u>\$208,484,829</u>	<u>\$ 9,227,516</u>

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

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

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

#### **Debt Service to Maturity:**

Year Ending June 30	Governmental Activities					
	General Obligation Bonds		General Obligation- Direct Borrowings		Other Long Term Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 9,609,856	\$ 6,749,421	\$ 1,663,017	\$ 263,902	\$ 437,555	\$ -
2021	10,329,296	6,352,067	1,241,261	225,946	437,555	-
2022	10,388,217	5,917,803	1,255,321	194,412	437,555	-
2023	11,179,711	5,447,830	1,268,905	162,556	437,555	-
2024	10,555,992	4,949,300	921,894	132,790	437,555	-
2025-2029	43,380,984	18,009,520	4,294,516	321,881	1,312,667	-
2030-2034	29,850,524	10,588,819	206,486	4,832	-	-
2035-2039	20,860,353	5,285,304	-	-	-	-
2040-2044	14,352,736	1,617,550	-	-	-	-
	<u>\$ 160,507,669</u>	<u>\$ 64,917,614</u>	<u>\$ 10,851,400</u>	<u>\$ 1,306,319</u>	<u>\$ 3,500,442</u>	<u>\$ -</u>

Year Ending June 30	Business-Type Activities					
	General Obligation Bonds					
	Water Fund		Airport Fund		Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,686,234	\$ 2,247,730	\$ 63,266	\$ 39,939	\$ 1,237,398	\$ 927,460
2021	1,738,720	2,177,320	66,703	36,776	1,246,018	884,608
2022	1,747,260	2,106,954	69,871	33,441	1,259,637	839,819
2023	2,184,262	2,017,016	73,566	29,947	1,362,736	786,466
2024	2,182,418	1,910,812	77,262	26,269	1,279,044	728,686
2025-2029	11,255,766	7,872,483	295,910	80,486	5,734,759	2,867,004
2030-2034	12,056,877	5,247,921	242,683	39,974	5,049,917	1,840,102
2035-2039	12,619,303	2,555,542	108,152	4,895	4,352,193	949,725
2040-2044	5,062,452	496,101	-	-	2,404,811	318,198
2045-2046	545,000	24,600	-	-	580,000	26,250
	<u>\$ 51,078,292</u>	<u>\$ 26,656,479</u>	<u>\$ 997,413</u>	<u>\$ 291,727</u>	<u>\$ 24,506,513</u>	<u>\$ 10,168,318</u>

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

Primary Government: (Continued)

Debt Service to Maturity: (Continued)

Year Ending June 30	<b>Business-Type Activities</b>			
	General Obligation- Direct Borrowings			
	Water Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2020	\$ 126,585	\$ 11,478	\$ 147,537	\$ 13,378
2021	35,525	9,246	41,405	10,776
2022	36,540	8,415	42,588	9,807
2023	37,410	7,560	43,602	8,811
2024	38,135	6,684	44,447	7,791
2025-2029	203,870	19,645	237,614	22,897
2030-2034	43,645	1,021	50,869	1,190
	<u>\$ 521,710</u>	<u>\$ 64,049</u>	<u>\$ 608,062</u>	<u>\$ 74,650</u>

Year Ending June 30	<b>Business-Type Activities</b>			
	Revenue Bonds			
	Sewer Fund		Stormwater Fund	
	Principal	Interest	Principal	Interest
2020	\$ 5,816,175	\$ 20,775	\$ 40,332	\$ -
2021	6,055,995	5,345	40,332	-
2022	6,374,022	-	40,332	-
2023	6,374,022	-	40,332	-
2024	6,374,022	-	40,332	-
2025-2029	30,539,693	-	201,657	-
2030-2034	25,799,479	-	201,657	-
2035-2039	22,113,254	-	161,325	-
2040-2044	8,444,166	-	-	-
2045	168,333	-	-	-
	<u>\$118,059,161</u>	<u>\$ 26,120</u>	<u>\$ 766,299</u>	<u>\$ -</u>

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

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

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

Primary Government: (Continued)

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

As part of the above refunding, \$3,165,000 of bonds with an average interest rate of 3.00% were issued to advance refund \$3,090,000 of principal for the 2009A Bonds. There was no call premium for these refunded bonds. The City deposited the net proceeds from the refunding bonds in an irrevocable trust with an escrow agent that purchased U. S. Government securities. The trust will provide funds for future debt service on the refunded bonds for maturities from FY 2021 and FY 2022. The City 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.

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 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 \$8,076,014. The unused line of credit is \$41,923,986.

Component Unit – Lynchburg City Schools:

#### **Summary of Changes in Long-Term Liabilities for FY 2019:**

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	\$ 891,913	\$ 721,858	\$ 626,716	\$ 987,055	\$ 693,900
	<u>\$ 891,913</u>	<u>\$ 721,858</u>	<u>\$ 626,716</u>	<u>\$ 987,055</u>	<u>\$ 693,900</u>

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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### ***Note 10. Fund Equity Balances***

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#### 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 2019 the City was in compliance with the Fund Balance Policy.

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

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# CITY OF LYNCHBURG, VIRGINIA

## Notes to Financial Statements As of June 30, 2019

	MAJOR FUNDS			NON MAJOR SPECIAL REVENUE FUNDS			
	GENERAL FUND	CITY CAPITAL PROJECTS	SCHOOL CAPITAL PROJECTS	CITY FEDERAL STATE AID	COMMUNITY DEVELOPMENT BLOCK GRANT	LYNCHBURG BUSINESS DEVELOPMENT CENTRE	FORFEITED ASSETS
<b>FUND BALANCES</b>							
<b>Restricted for:</b>							
Transportation projects	\$ -	\$ 700,076	\$ -	\$ -	\$ -	\$ -	\$ -
Fire Department	-	-	-	276,851	-	-	-
Public Safety	-	-	-	90,104	-	-	-
Economic Development	-	-	-	6,412	-	-	-
Grants	-	-	-	36,813	-	-	-
CDBG - Bluffwalk	-	-	-	-	1,450,693	-	-
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	-	105,574
Federal Asset Forfeiture- Police	-	-	-	-	-	-	22,183
State Asset Forfeiture - Police	-	-	-	-	-	-	78,542
Health and Human Services	-	-	-	-	-	-	-
Lynchburg Expressway beautification	-	-	-	-	-	-	-
HOME projects	-	-	-	-	-	-	-
Crossover Bond Refunding Proceeds	14,093,629	-	-	-	-	-	-
<b>Committed to:</b>							
Technology	2,326,432	-	-	-	-	-	-
Detention Home Workers Compensation	100,000	-	-	-	-	-	-
Health Insurance Reserve	17,918	-	-	-	-	-	-
Schools for Textbooks	431,065	-	-	-	-	-	-
Schools for Health Insurance Reserve	2,066,925	-	-	-	-	-	-
Other Postemployment Benefits	2,950,690	-	-	-	-	-	-
Solid Waste Debt Retirement	133,711	-	-	-	-	-	-
Schools Special Education	321,000	-	-	-	-	-	-
GLTC Special Reserve	1,997,977	-	-	-	-	-	-
Self Insurance	697,005	-	-	-	-	-	-
Fuel	100,000	-	-	-	-	-	-
Concord Turnpike Landfill Maintenance	50,000	-	-	-	-	-	-
Long Term On-Time Debt Financing	1,250,000	-	-	-	-	-	-
Citywide Compensation Study	1,446,319	-	-	-	-	-	-
Community Development	72	-	-	-	-	-	-
Cultural and Recreational	19,035	-	-	-	-	-	-
General Government	127,153	-	-	-	-	-	-
Health and Welfare	24,672	-	-	-	-	-	-
Judicial	2,666	-	-	-	-	-	-
Public Safety	10,150	-	-	-	-	-	-
Public Works	1,847,437	-	-	-	-	-	-
Advance to Lynchburg United Soccer	-	150,000	-	-	-	-	-
Building projects	-	3,876,953	-	-	-	-	-
Transportation projects	-	8,878,163	-	-	-	-	-
Economic Development projects	-	412,040	-	-	-	-	-
Parks and Recreation projects	-	1,185,122	-	-	-	-	-
Waste Management projects	-	40,149	-	-	-	-	-
Other Projects	-	592,000	-	-	-	-	-
School Construction and Maintenance	-	-	2,291,444	-	-	-	-
Provision of loan funds for small businesses	-	-	-	-	-	125,384	-
<b>Assigned to:</b>							
Return of School Fund Balance	5,084,204	-	-	-	-	-	-
Law Library	59,645	-	-	-	-	-	-
Museum	50,028	-	-	-	-	-	-
Recreation Programs	220,380	-	-	-	-	-	-
Pier Program	110,879	-	-	-	-	-	-
Health Insurance Reserve	1,500,000	-	-	-	-	-	-
Fire Equipment	4,663	-	-	-	-	-	-
Line of Duty Death Benefit	501,440	-	-	-	-	-	-
Future Landfill Needs	260,998	-	-	-	-	-	-
Parking Operations	93,955	-	-	-	-	-	-
Point of Honor	2,653	-	-	-	-	-	-
Future Police Building	104,927	-	-	-	-	-	-
Fire Restitution	100	-	-	-	-	-	-
Juvenile Detention Center	-	-	-	-	-	-	-
Adopt-A-Bed	2,126	-	-	-	-	-	-
Virginia Land Conservancy	2,314	-	-	-	-	-	-
General Government	182,344	-	-	-	-	-	-
Health and Welfare	30,258	-	-	-	-	-	-
Public Safety	154,514	-	-	-	-	-	-
Public Works	495,681	-	-	-	-	-	-
Community Development	15,642	-	-	-	-	-	-
Community Diversion	172,769	-	-	-	-	-	-
Cultural & Recreational	22,228	-	-	-	-	-	-
Fire Training Center	5,000	-	-	-	-	-	-
Downtown Projects	7,000	-	-	-	-	-	-
Major Maintenance and Equipment replacement	-	-	-	-	-	-	-
<b>Unassigned:</b>	29,364,685	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>\$ 68,462,289</b>	<b>\$ 15,834,503</b>	<b>\$ 2,291,444</b>	<b>\$ 410,180</b>	<b>\$ 1,450,693</b>	<b>\$ 125,384</b>	<b>\$ 206,299</b>

(Continued)



# CITY OF LYNCHBURG, VIRGINIA

## Notes to Financial Statements As of June 30, 2019

	NON MAJOR SPECIAL REVENUE FUNDS				
	CHILDREN'S SERVICES ACT	LYNCHBURG EXPRESSWAY APPEARANCE	HOME INVESTMENT TRUST	LYNCHBURG REGIONAL JUVENILE DETENTION CENTER	ALL FUNDS
<b>FUND BALANCES</b>					
<b>Restricted for:</b>					
Transportation projects	\$ -	\$ -	\$ -	\$ -	700,076
Fire Department	-	-	-	-	276,851
Public Safety	-	-	-	-	90,104
Economic Development	-	-	-	-	6,412
Grants	-	-	-	-	36,813
CDBG - Bluffwalk	-	-	-	-	1,450,693
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	105,574
Federal Asset Forfeiture- Police	-	-	-	-	22,183
State Asset Forfeiture - Police	-	-	-	-	78,542
Health and Human Services	593,734	-	-	-	593,734
Lynchburg Expressway beautification	-	175,727	-	-	175,727
HOME projects	-	-	3,727	-	3,727
Crossover Bond Refunding Proceeds	-	-	-	-	14,093,629
<b>Committed to:</b>					
Technology	-	-	-	-	2,326,432
Detention Home Workers Compensation	-	-	-	-	100,000
Health Insurance Reserve	-	-	-	-	17,918
Schools for Textbooks	-	-	-	-	431,065
Schools for Health Insurance Reserve	-	-	-	-	2,066,925
Other Postemployment Benefits	-	-	-	-	2,950,690
Solid Waste Debt Retirement	-	-	-	-	133,711
Schools Special Education	-	-	-	-	321,000
GLTC Special Reserve	-	-	-	-	1,997,977
Self Insurance	-	-	-	-	697,005
Fuel	-	-	-	-	100,000
Concord Tumpike Landfill Maintenance	-	-	-	-	50,000
Long Term On-Time Debt Financing	-	-	-	-	1,250,000
Citywide Compensation Study	-	-	-	-	1,446,319
Community Development	-	-	-	-	72
Cultural and Recreational	-	-	-	-	19,035
General Government	-	-	-	-	127,153
Health and Welfare	-	-	-	-	24,672
Judicial	-	-	-	-	2,666
Public Safety	-	-	-	-	10,150
Public Works	-	-	-	-	1,847,437
Advance to Lynchburg United Soccer	-	-	-	-	150,000
Building projects	-	-	-	-	3,876,953
Transportation projects	-	-	-	-	8,878,163
Economic Development projects	-	-	-	-	412,040
Parks and Recreation projects	-	-	-	-	1,185,122
Waste Management projects	-	-	-	-	40,149
Other Projects	-	-	-	-	592,000
School Construction and Maintenance	-	-	-	-	2,291,444
Provision of loan funds for small businesses	-	-	-	-	125,384
<b>Assigned to:</b>					
Return of School Fund Balance	-	-	-	-	5,084,204
Law Library	-	-	-	-	59,645
Museum	-	-	-	-	50,028
Recreation Programs	-	-	-	-	220,380
Pier Program	-	-	-	-	110,879
Health Insurance Reserve	-	-	-	-	1,500,000
Fire Equipment	-	-	-	-	4,663
Line of Duty Death Benefit	-	-	-	-	501,440
Future Landfill Needs	-	-	-	-	260,998
Parking Operations	-	-	-	-	93,955
Point of Honor	-	-	-	-	2,653
Future Police Building	-	-	-	-	104,927
Fire Restitution	-	-	-	-	100
Juvenile Detention Center	-	-	-	22,316	22,316
Adopt-A-Be	-	-	-	-	2,126
Virginia Land Conservancy	-	-	-	-	2,314
General Government	-	-	-	-	182,344
Health and Welfare	-	-	-	-	30,258
Public Safety	-	-	-	-	154,514
Public Works	-	-	-	-	495,681
Community Development	-	-	-	-	15,642
Community Diversion	-	-	-	-	172,769
Cultural & Recreational	-	-	-	-	22,228
Fire Training Center	-	-	-	-	5,000
Downtown Projects	-	-	-	-	7,000
Major Maintenance and Equipment replacement	-	-	-	100,012	100,012
<b>Unassigned:</b>	-	-	-	-	29,364,685
<b>Total Fund Balance</b>	<b>\$ 593,734</b>	<b>\$ 175,727</b>	<b>\$ 3,727</b>	<b>\$ 122,328</b>	<b>\$ 89,676,308</b>

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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#### **Plan Description**

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

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

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

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

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>1,026</u>
Inactive members:	
Vested inactive members	196
Non-vested inactive members	259
Inactive members active elsewhere in VRS	<u>308</u>
Total inactive members	763
Active members	<u>1,174</u>
Total covered employees	<u><u>2,963</u></u>

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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#### **Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 18.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$10,377,528 and \$10,288,625 for the years ended June 30, 2019 and June 30, 2018, respectively.

#### **Net Pension Liability**

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

#### **Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	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.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

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

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

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

#### **Long-Term Expected Rate of Return**

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

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
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 for 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 rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

## **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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in the FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2017	\$ 360,123,392	\$ 262,361,583	\$ 97,761,809
Changes for the year:			
Service cost	6,654,862	-	6,654,862
Interest	24,449,704	-	24,449,704
Benefit changes	-	-	-
Differences between expected and actual experience	120,722	-	120,722
Assumption changes	-	-	-
Contributions – employer	-	10,083,118	(10,083,118)
Contributions – employee	-	2,676,472	(2,676,472)
Net investment income	-	19,156,055	(19,156,055)
Benefit payments, including refunds of employee contributions	(21,683,819)	(21,683,819)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(169,088)	169,088
Other changes	-	(16,908)	16,908
Net changes	9,541,469	10,045,830	(504,361)
Balances at June 30, 2018	\$ 369,664,861	\$ 272,407,413	\$ 97,257,448

(Continued)

**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2019

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

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

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Political subdivision's net pension liability	<u>\$ 141,581,523</u>	<u>\$ 97,257,448</u>	<u>\$ 60,139,548</u>

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

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$5,885,774. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 88,700	\$ 3,681,439
Change in assumptions	1,035,594	-
Net difference between projected and actual earnings on pension plan investments	-	2,027,733
Employer contributions subsequent to the measurement date	<u>10,377,528</u>	<u>-</u>
Total	<u>\$ 11,501,822</u>	<u>\$ 5,709,172</u>

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

The \$10,377,528 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2020	\$ (718,166)
2021	(985,603)
2022	(2,659,187)
2023	(221,922)
2024	-
Thereafter	-

#### **Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019, approximately \$1,385,318 was payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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#### **Plan Description**

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

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

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

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

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>102</u>
Inactive members:	
Vested inactive members	9
Non-vested inactive members	58
Inactive members active elsewhere in VRS	<u>38</u>
Total inactive members	105
Active members	<u>138</u>
Total covered employees	<u><u>345</u></u>

(Continued)



## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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#### **Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The school division's contractually required contribution rate for the year ended June 30, 2019 was 4.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$197,068 and \$220,634 for the years ended June 30, 2019 and June 30, 2018, respectively.

#### **Net Pension Liability**

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

#### **Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	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.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

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

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

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

### **Long-Term Expected Rate of Return**

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

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
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 for 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 rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

## **Note 11. Defined Benefit Pension Plan – School Non-professionals (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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in the FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2017	\$ 14,065,086	\$ 14,104,764	\$ (39,678)
Changes for the year:			
Service cost	356,662	-	356,662
Interest	977,686	-	977,686
Benefit changes	-	-	-
Differences between expected and actual experience	(43,946)	-	(43,946)
Assumption changes	-	-	-
Contributions – employer	-	220,929	(220,929)
Contributions – employee	-	177,187	(177,187)
Net investment income	-	1,057,592	(1,057,592)
Benefit payments, including refunds of employee contributions	(804,077)	(804,077)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(9,277)	9,277
Other changes	-	(887)	887
Net changes	486,325	641,467	(155,142)
Balances at June 30, 2018	\$ 14,551,411	\$ 14,746,231	\$ (194,820)

(Continued)

**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2019

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

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

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School division's net pension liability	\$ 1,423,471	\$ (194,820)	\$ (1,565,869)

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

For the year ended June 30, 2019, the school division recognized pension expense of \$382,032. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 338,434	\$ 459,922
Change in assumptions	-	34,216
Net difference between projected and actual earnings on pension plan investments	-	145,957
Employer contributions subsequent to the measurement date	197,068	-
Total	\$ 535,502	\$ 640,095

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

The \$197,068 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2020	\$ (118,533)
2021	(21,424)
2022	(149,039)
2023	(12,665)
2024	-
Thereafter	-

#### **Pension Plan Data**

Information about the VRS School division Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019, approximately \$32,721 was payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

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

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#### **General Information about the Teacher Cost Sharing Plan**

##### **Plan Description**

All full-time, salaried permanent (professional) employees of Virginia 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, 2019

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### **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, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$8,015,806 and \$8,541,841 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$77,841,794 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.686% as compared to 0.709% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$4,890,422. 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, 2019

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

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

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 6,655,873
Change in assumptions	929,489	-
Net difference between projected and actual earnings on pension plan investments	-	1,650,710
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,693,135	4,056,389
Employer contributions subsequent to the measurement date	8,015,806	-
Total	<u>\$ 10,638,430</u>	<u>\$ 12,362,972</u>

The \$8,015,806 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2020	\$ (1,040,372)
2021	(2,129,918)
2022	(4,204,876)
2023	(1,791,484)
2024	(573,698)
Thereafter	-

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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#### **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, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$ 46,679,555
Plan Fiduciary Net Position	<u>34,919,563</u>
Employers' Net Pension Liability (Asset)	<u>\$ 11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%

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

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

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 118,905,144</u>	<u>\$ 77,841,794</u>	<u>\$ 43,852,780</u>

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

At June 30, 2019, approximately \$1,043,174 was payable to the Virginia Retirement System for the legally required contributions related to June 2019 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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)



**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2019

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**Note. 13 Summary of Pension Benefit Elements**

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A summary of pension financial statement elements are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<b>Deferred outflows of resources</b>			
Pension contributions subsequent to measurement date	\$ 9,142,602	\$ 1,234,926	\$ 10,377,528
Changes of assumptions	912,358	123,236	1,035,594
Differences between expected and actual experience	<u>78,144</u>	<u>10,556</u>	<u>88,700</u>
Total deferred outflow of resources	<u>\$ 10,133,104</u>	<u>\$ 1,368,718</u>	<u>\$ 11,501,822</u>
<b>Net pension liability</b>	<u>\$ 85,683,813</u>	<u>\$ 11,573,635</u>	<u>\$ 97,257,448</u>
<b>Deferred inflows of resources</b>			
Differences between projected and actual earnings on investments	\$ 1,786,433	\$ 241,300	\$ 2,027,733
Differences between expected and actual experience	<u>3,243,347</u>	<u>438,092</u>	<u>3,681,439</u>
Total deferred inflow of resources	<u>\$ 5,029,780</u>	<u>\$ 679,392</u>	<u>\$ 5,709,172</u>

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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### ***Note. 13 Summary of Pension Benefit Elements (Continued)***

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#### **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.

	<b><u>Governmental Activities</u></b>
<b>Deferred outflows of resources:</b>	
Changes in proportion and related differences – cost sharing plans VRS Teacher cost sharing plan	\$ 1,693,135
Difference between expected and actual experience VRS – nonprofessionals	338,434
Changes in assumptions VRS Teacher cost sharing plan	929,489
Contributions subsequent to measurement date VRS – nonprofessionals	197,068
VRS Teacher cost sharing plan	<u>8,015,806</u>
	<u><u>\$ 11,173,932</u></u>
<b>Net VRS liability (asset):</b>	
VRS – nonprofessionals	\$ (194,820)
VRS Teacher cost sharing plan	<u>77,841,794</u>
	<u><u>\$ 77,646,974</u></u>
<b>Deferred inflows of resources:</b>	
Difference between expected and actual experience VRS – nonprofessionals	\$ 459,922
VRS teacher cost sharing plan	6,655,873
Changes in assumptions VRS – nonprofessionals	34,216
Net difference between projected and actual earnings on pension plan investments VRS – nonprofessionals	145,957
VRS teacher cost sharing plan	1,650,710
Changes in proportion and related differences – cost sharing plans VRS Teacher cost sharing plan	<u>4,056,389</u>
	<u><u>\$ 13,003,067</u></u>

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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### ***Note 14. Other Post-Employment Benefits – Healthcare***

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#### **City of Lynchburg**

##### **Plan Description**

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

##### **Benefits Provided**

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

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

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

##### **Membership**

The number of participants as of the most recent valuation, 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 \$84,140,863 was measured as of June 30, 2019, 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 3.13% 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, 2019

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

**City of Lynchburg (Continued)**

**Changes in OPEB Liability**

	<b>2019</b>
Service Cost	\$ 360,521
Interest	2,771,030
Changes in assumptions	5,999,406
Benefit payments, including implicit subsidies	<u>(2,333,984)</u>
Net Change in Total OPEB Liability	6,796,973
Total OPEB Liability – Beginning of Year	<u>77,343,890</u>
Total OPEB Liability – End of Year	<u><u>\$ 84,140,863</u></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 3.13%, 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:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Discount Rate	2.13%	3.13%	4.13%
Total OPEB Liability	<u>\$ 99,132,707</u>	<u>\$ 84,140,863</u>	<u>\$ 72,351,044</u>
Net OPEB Liability	<u><u>\$ 99,132,707</u></u>	<u><u>\$ 84,140,863</u></u>	<u><u>\$ 72,351,044</u></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:

	<b>1% Decrease</b>	<b>Current Ultimate Trend Rate</b>	<b>1% Increase</b>
Ultimate Trend Rate	3.75%	4.75%	5.75%
Total OPEB Liability	<u>\$ 72,418,714</u>	<u>\$ 84,140,863</u>	<u>\$ 98,832,439</u>
Net OPEB Liability	<u><u>\$ 72,418,714</u></u>	<u><u>\$ 84,140,863</u></u>	<u><u>\$ 98,832,439</u></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, 2019

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

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#### **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, 2019, the City recognized OPEB expense of \$434,509. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (17,272,363)
Change in actuarial assumptions	5,142,348	(498,142)
Total	<u>\$ 5,142,348</u>	<u>\$ (17,770,505)</u>

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

<b>Year ended June 30</b>	<b>Net Amount of Outflow/(Inflow)</b>
2020	\$ (2,697,042)
2021	(2,697,042)
2022	(2,697,042)
2023	(2,697,042)
2024	(2,697,047)
After 2024	857,058

#### **Lynchburg City Schools**

##### **Plan Description**

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

##### **Benefits Provided**

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

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

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

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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#### **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, 2018, actuarial valuation, the following employees were covered by the benefit terms of the plan:

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

##### **Total OPEB Liability**

The School's total OPEB liability of \$10,310,379 was measured as of June 30, 2018 and was determined based on an actuarial valuation performed as of July 1, 2018.

##### **Actuarial Assumptions and other inputs**

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

Discount rate	3.87%
Retirees' share of benefit-related costs	Same as Health Care Trend
Healthcare cost trend	8.00%

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

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

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

#### **Changes in the Total OPEB Liability**

Balance at June 30, 2018	\$ 6,753,216
Changes for the year:	
Service cost	523,630
Interest	253,909
Differences between expected and actual experience	3,458,793
Assumption or other input changes	(310,331)
Benefit payments	(368,838)
Net changes	3,557,163
Balance at June 30, 2019	\$ 10,310,379

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

The following presents the total OPEB liability of the Schools, as well as what the Schools' total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	<b><u>1.00% Decrease (2.87%)</u></b>	<b><u>Current Discount Rate (3.87%)</u></b>	<b><u>1.00% Increase (4.87%)</u></b>
Total OPEB liability	\$ 11,429,781	\$ 10,310,379	\$ 9,324,150

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

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

	<b><u>1.00% Decrease (7.00%)</u></b>	<b><u>Current Healthcare Cost Trend Rates (8.00%)</u></b>	<b><u>1.00% Increase (9.00%)</u></b>
Total OPEB liability	\$ 9,039,975	\$ 10,310,379	\$ 11,768,989

(Continued)

**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2019

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

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**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, 2019, the Schools recognized OPEB expense of \$809,302. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,882,327	\$ 1,546,551
Change in assumptions	-	683,983
Employer contributions subsequent to the measurement date	368,838	-
Total	<u>\$ 3,251,165</u>	<u>\$ 2,230,534</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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ 31,763
2021	31,763
2022	31,763
2023	31,762
2024	524,742
Thereafter	-

(Continued)



## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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### **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 \$290,819 and \$285,405 for the years ended June 30, 2019 and June 30, 2018, respectively.

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

## **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, 2019, the City reported a liability of \$4,384,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the City's proportion was 0.28865% as compared to 0.29164% at June 30, 2017.

For the year ended June 30, 2019, the City recognized GLI OPEB expense of \$17,000. 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, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 214,000	\$ (78,000)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(143,000)
Changes in actuarial assumptions	-	(183,000)
Changes in proportion	-	(70,000)
Employer contributions subsequent to the measurement date	290,819	-
Total	<u>\$ 504,819</u>	<u>\$ (474,000)</u>

\$290,819 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, 2020. 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:

<b>Year Ending June 30,</b>	<b>Increase/ (Reduction) to OPEB Expense</b>
2020	\$ (79,000)
2021	(79,000)
2022	(79,000)
2023	(38,000)
2024	1,000
Thereafter	14,000

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

##### **Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
Salary increases, including inflation:	
• Locality – General employees	3.50 – 5.35 %
• Locality – Hazardous Duty employees	3.50 – 4.75 %
Healthcare cost trend rates:	
• Under age 65	7.50 – 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, 2018, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	<b>GLI OPEB Program</b>
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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.

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## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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#### **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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
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, 2018, 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, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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#### **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:

	<b><u>1% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1% Increase (8.00%)</u></b>
Total GLI OPEB Liability	<b><u>\$ 5,729,000</u></b>	<b><u>\$ 4,384,000</u></b>	<b><u>\$ 3,292,000</u></b>

#### **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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 the City reported a payable of \$202,185 for the outstanding amount of contributions to VRS required for the year ended June 30, 2019.

#### **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>

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## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

##### **Contributions**

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the Schools General plan were \$18,231 and \$19,036 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the Group Life Insurance Program from the Schools Teachers plan were \$273,581 and \$278,902 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the Schools General plan reported a liability of \$290,376 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Schools General plan proportion was 0.02014% as compared to 0.02039% at June 30, 2017.

For the year ended June 30, 2019, 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, 2019, the Schools General plan reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,234	\$ 4,745
Net difference between projected and actual earnings on GLI OPEB program investments	-	9,489
Changes in actuarial assumptions	-	12,336
Changes in proportion	-	13,285
Employer contributions subsequent to the measurement date	18,231	-
<b>Total</b>	<b>\$ 32,465</b>	<b>\$ 39,855</b>

(Continued)

**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2019

***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)**

\$18,231 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, 2020. 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:

<b>Year Ending June 30,</b>	<b>Increase/ (Reduction) to OPEB Expense</b>
2020	\$ (7,592)
2021	(7,592)
2022	(7,592)
2023	(3,796)
2024	(1,898)
Thereafter	2,849

At June 30, 2019, the Schools Teachers plan reported a liability of \$4,252,200 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Schools Teachers plan proportion was 0.29503% as compared to 0.30644% at June 30, 2017.

For the year ended June 30, 2019, the Schools Teachers plan recognized GLI OPEB expense of \$8,540. 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, 2019, the Schools Teachers plan reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 207,818	\$ 75,915
Net difference between projected and actual earnings on GLI OPEB program investments	-	138,545
Changes in actuarial assumptions	-	177,452
Changes in proportion	-	194,533
Employer contributions subsequent to the measurement date	273,581	-
<b>Total</b>	<b>\$ 481,399</b>	<b>\$ 586,445</b>

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

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

\$273,581 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, 2020. 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:

<b>Year Ending June 30,</b>	<b>Increase/ (Reduction) to OPEB Expense</b>
2020	\$ (100,588)
2021	(100,588)
2022	(100,588)
2023	(60,732)
2024	(18,979)
Thereafter	2,848

#### **Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
Salary increases, including inflation:	
• Locality – General employees	3.50 – 5.35 %
• 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

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

(Continued)



# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

## ***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, 2018, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	<b>GLI OPEB Program</b>
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
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, 2019

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

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#### **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, 2018, 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, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the School's proportionate share of the net GLI OPEB liability using the discount rate of 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:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Total GLI OPEB Liability – General	<u>\$ 376,729</u>	<u>\$ 290,376</u>	<u>\$ 222,052</u>
Total GLI OPEB Liability – Teachers	<u>\$ 5,660,427</u>	<u>\$ 4,252,200</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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 the School's General plan and Teachers plan reported payables of \$3,976 and \$64,365, respectively for the outstanding amount of contributions to VRS required for the year ended June 30, 2019.

(Continued)

## **CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2019

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

#### **Lynchburg City Schools**

#### **Summary of Significant Accounting Policies**

##### **Teacher Employee Health Insurance Credit Program**

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

#### **General Information about the Teacher Employee Health Insurance Credit Program**

##### **Plan Description**

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

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

##### **Contributions**

The contribution requirement for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Teacher Employee Health Insurance Credit Program from the Schools were \$622,711 and \$650,323 for the years ended June 30, 2019 and June 30, 2018, respectively.

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

## **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, 2019, the School's reported a liability of \$8,301,870 for its proportionate share of the Net HIC OPEB Liability. The Net HIC OPEB Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School's proportion was 0.69209% as compared to 0.71414% at June 30, 2017.

For the year ended June 30, 2019, the School's recognized HIC OPEB expense of \$618,837. 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, 2019, the School's reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 40,626
Net difference between projected and actual earnings on HIC OPEB program investments	-	6,614
Changes in actuarial assumptions	-	72,749
Changes in proportion	-	359,020
Employer contributions subsequent to the measurement date	622,711	-
Total	<u>\$ 622,711</u>	<u>\$ 479,009</u>

\$622,711 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, 2020. 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:

<b>Year Ending June 30,</b>	<b>Increase/ (Reduction) to OPEB Expense</b>
2020	\$ (86,921)
2021	(86,921)
2022	(86,921)
2023	(71,804)
2024	(76,528)
Thereafter	(69,914)

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

##### **Actuarial Assumptions**

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
Salary increases, including inflation:	
• Locality – General employees	3.50 – 5.35 %
• Locality – Teachers	3.50 – 5.95 %
Healthcare cost trend rates:	
• Under age 65	7.75 – 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

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

##### **Net OPEB Liability**

The net OPEB liability (NOL) for the HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the HIC Program is as follows (amounts expressed in thousands):

	<b>HIC OPEB Program</b>
Total HIC OPEB Liability	\$ 1,381,313
Plan Fiduciary Net Position	111,639
Employers' Net HIC OPEB Liability (Asset)	<u>\$ 1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.08%

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, 2019

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

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#### **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:

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

##### **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, 2018, 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, 2018 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, 2019

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

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#### **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:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Total HIC OPEB Liability	<u>\$ 9,553,716</u>	<u>\$ 8,301,870</u>	<u>\$ 7,715,155</u>

##### **Health Insurance Credit Program Fiduciary Net Position**

Detailed information about the Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 the School's reported a payable of \$58,886 for the outstanding amount of contributions to VRS required for the year ended June 30, 2019.

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

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#### **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, 2019

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

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#### **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 \$8,923,082 was measured as of June 30, 2019, 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**

<b>Total OPEB Liability</b>	<b>2019</b>
Service Cost	\$ 168,507
Interest	294,269
Changes in assumptions	634,614
Benefit payments	<u>(267,213)</u>
Net Change in Total OPEB Liability	830,177
Total OPEB Liability – Beginning of Year	<u>8,092,905</u>
Total OPEB Liability – End of Year	<u><u>\$ 8,923,082</u></u>

(Continued)



# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

## **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 3.13%, 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:

	<b><u>1% Decrease</u></b>	<b><u>Current Discount Rate</u></b>	<b><u>1% Increase</u></b>
Discount Rate	2.13%	3.13%	4.13%
Total OPEB Liability	<u>\$ 10,554,412</u>	<u>\$ 8,923,082</u>	<u>\$ 7,675,840</u>
Net OPEB Liability	<u>\$ 10,554,412</u>	<u>\$ 8,923,082</u>	<u>\$ 7,675,840</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:

	<b><u>1% Decrease</u></b>	<b><u>Current Ultimate Trend Rate</u></b>	<b><u>1% Increase</u></b>
Ultimate Trend Rate	3.75%	4.75%	5.75%
Total OPEB Liability	<u>\$ 7,615,374</u>	<u>\$ 8,923,082</u>	<u>\$ 10,609,346</u>
Net OPEB Liability	<u>\$ 7,615,374</u>	<u>\$ 8,923,082</u>	<u>\$ 10,609,346</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, 2019, the City recognized OPEB expense of \$553,435. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Change in actuarial assumptions	<u>\$ 543,955</u>	<u>\$ -</u>
Total	<u>\$ 543,955</u>	<u>\$ -</u>

(Continued)

**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements

As of June 30, 2019

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

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**City of Lynchburg (Continued)**

**General Information about the Line of Duty Act (Continued)**

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

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

<u>Year ended June 30</u>	<u>Net Amount of Outflow/(Inflow)</u>
2020	\$ 90,659
2021	90,659
2022	90,659
2023	90,659
2024	90,659
After 2024	90,660

(Continued)

**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2019

***Note. 18 Summary of Other Postemployment Benefit Elements***

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<b>Deferred outflows of resources - OPEB</b>			
OPEB contributions subsequent to measurement date			
Group life insurance	\$ 256,211	\$ 34,608	\$ 290,819
Health	-	-	-
Line of Duty	-	-	-
OPEB Diff between expected and actual experience			
Group life insurance	188,534	25,466	214,000
Health	-	-	-
Line of Duty	-	-	-
OPEB Changes of Assumptions			
Group life insurance	-	-	-
Health	4,514,981	627,367	5,142,348
Line of Duty	543,955	-	543,955
Total deferred outflow of resources - OPEB	<u>\$ 5,503,681</u>	<u>\$ 687,441</u>	<u>\$ 6,191,122</u>
<b>Net OPEB liability</b>			
Group life insurance	\$ 3,862,304	\$ 521,696	\$ 4,384,000
Health - Local Plan	73,875,678	10,265,185	84,140,863
Line of Duty	8,923,082	-	8,923,082
Total net OPEB liability	<u>\$ 86,661,064</u>	<u>\$ 10,786,881</u>	<u>\$ 97,447,945</u>
<b>Deferred inflows of resources - OPEB</b>			
Difference between expected and actual experience			
Group life insurance	\$ 68,718	\$ 9,282	\$ 78,000
Health	15,165,134	2,107,229	17,272,363
Line of Duty	-	-	-
Differences between projected and actual earnings on investments			
Group life insurance	125,983	17,017	143,000
Health	-	-	-
Line of Duty	-	-	-
Change of assumption			
Group life insurance	161,223	21,777	183,000
Health	437,368	60,774	498,142
Line of Duty	-	-	-
Change in proportionate share			
Group life insurance	61,670	8,330	70,000
Health	-	-	-
Line of Duty	-	-	-
Total deferred inflow of resources - OPEB	<u>\$ 16,020,096</u>	<u>\$ 2,224,409</u>	<u>\$ 18,244,505</u>

(Continued)

**CITY OF LYNCHBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2019

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

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

	<b>Component Unit School Board</b>
<b>Deferred outflows of resources:</b>	
Difference between expected and actual experience	
Local OPEB	\$ 2,882,327
GLI – general employees	14,234
GLI – teachers	207,818
OPEB contributions subsequent to measurement date	
Local OPEB	368,838
GLI – general employees	18,231
GLI – teachers	273,581
HIC – teachers	622,711
	<u>\$ 4,387,740</u>
<b>Net OPEB liability:</b>	
Local OPEB	\$ 10,310,379
GLI – general employees	290,376
GLI – teachers	4,252,200
HIC – teachers	8,301,870
	<u>\$ 23,154,825</u>
<b>Deferred inflows of resources:</b>	
Difference between expected and actual experience	
Local OPEB	\$ 1,546,551
GLI – general employees	4,745
GLI – teachers	75,915
HIC – teachers	40,626
Changes in assumptions	
Local OPEB	683,983
GLI – general employees	12,336
GLI – teachers	177,452
HIC – teachers	72,749
Net difference between projected and actual earnings on	
OPEB plan investments:	
GLI – general employees	9,489
GLI – teachers	138,545
HIC – teachers	6,614
Changes in proportion and related	
differences – cost sharing plans	
GLI – general employees	13,285
GLI – teachers	194,533
HIC – teachers	359,020
	<u>\$ 3,335,843</u>

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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### ***Note 19. Leases***

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#### Lessee:

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

Year Ending June 30	Operating Leases	
	Primary Government	Component Unit – Schools
2020	\$ 168,730	\$ 388,358
2021	106,427	365,017
2022	88,002	244,855
2023	80,131	144,301
2024	64,953	71,865
2025-2029	323,300	75,000
	<u>\$ 831,543</u>	<u>\$ 1,289,396</u>

For 2019, the City incurred rental expenditures of \$517,271 and the Schools incurred rental expenditures of \$704,721.

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### ***Note 20. Risk Management***

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The Risk Management Programs of the City are as follows:

Workers' Compensation: The City is self-insured for workers' compensation claims. All settled claims are paid through the General Fund and then charged to the Proprietary funds as appropriate. The liability for worker's compensation claims, including an estimate of incurred but not reported claims based on prior experience, to be paid in the next fiscal year and in future years is reflected in the statement of net position. Total claims paid for the year ended June 30 amounted to \$840,995.

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 \$417 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 \$603,035. The City has designated a portion of its fund balance in the General Fund to fund future general liability claims. City management believes incurred but not reported claims at June 30 would not exceed \$500,000. Accordingly, a liability has been recorded for \$500,000.

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 \$1,580,336. Administrative fees, Affordable Care Act fees, and stop loss premiums for the year ended June 30 totaled \$1,043,619.

(Continued)

# CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

## ***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	2019	\$	3,687,192	\$ 612,624	\$ 840,995	\$ 3,458,821
	2018	\$	2,953,097	\$ 1,693,519	\$ 959,424	\$ 3,687,192
General/Automotive Liability	2019	\$	-	\$ 241,307	\$ 241,307	\$ -
	2018	\$	-	\$ 456,007	\$ 456,007	\$ -
Healthcare	2019	\$	826,717	\$ 13,059,515	\$ 12,305,896	\$ 1,580,336
	2018	\$	877,495	\$ 11,549,193	\$ 11,599,971	\$ 826,717

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 \$9,502,028 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 \$909,068. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled \$1,471,621 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	2019	\$	990,741	\$ 9,502,028	\$ 9,021,148	\$ 1,471,621
	2018	\$	1,043,392	\$ 11,768,535	\$ 11,821,186	\$ 990,741

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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

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

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

Expenses of Schools – Component Unit (Exhibit 2)	\$ 106,075,275
Principal and other debt service expenses included in City	<u>9,424,235</u>
Total expenses/expenditures for School activities	<u>\$ 115,499,510</u>

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### ***Note 22. Commitments and Contingencies***

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#### Combined Sewer Overflow (CSO):

In 1994, and with subsequent permit renewals, the Virginia Department of Environmental Quality (VDEQ) issued a sewage discharge per CSO program. That permit required the City to implement a CSO Long-Term Control Plan and to undertake certain combined sewer management practices designed to minimize CSO discharge until the sewer system is completely separated. The order established a project priority listing for implementation of the CSO control plan.

On July 31, 2015 VDEQ issued a revised Consent Special Order which significantly changed the CSO Long-Term Control Plan. The revised plan includes an alternate list of projects designed to integrate the CSO program with overarching water quality standards that encompass both CSO and stormwater management impacts. As of June 30, 2019 the revised program has an estimated remaining cost \$45.6 million.

The new Consent Special Order does not contain a strict compliance schedule for implementing the CSO Long-Term Control Plan, but rather provides for implementation based on criteria reflecting the limits of the City’s financial capability. The current Consent Special Order requires the City to meet several specific criteria such as: maintain a sewer operating fund debt coverage ratio within a range of 1.1 to 1.5 computed on a rolling three year average; ensure sewer fund reserves equal no more than 40 percent of the subsequent years’ budgeted operating expenditures; and at least every other year adjust sewer rates and fees so that the annual sewer billing for a residential customer equals or exceeds 1.25% of the median household income based on 7 hcf (hundred cubic feet) of use per month. The City has successfully implemented its CSO Long-Term Control Plan since 1994 in accordance with the requirements of its permit and Special Orders of Consent. The City is also required by the current Special Order of Consent to submit an annual report by December 10 of each year to VDEQ on its compliance with the order and its progress with the CSO Long-Term Control Plan implementation. The report includes a review of the required financial targets by an independent consultant.

(Continued)

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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### **Note 22. Commitments and Contingencies (Continued)**

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#### **Grant Programs:**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to being appropriate expenditures under terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, related to such audits would not be material to the financial position of the City at June 30, 2019.

#### **Arbitrage:**

The City has certain debt instruments subject to arbitrage regulations. The Series 2016 general obligation public improvement bond issue was not fully spent at the end of thirty-six months. As of June 30, 2019, the arbitrage rebate liability estimate was zero and the yield restriction liability was \$568.

#### **Encumbrance Commitments:**

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

##### **MAJOR FUNDS**

General Fund	\$ 3,009,459
City Capital Projects Fund	6,629,700
School Capital Projects	845,501
<b>Total Major Funds</b>	<b><u>10,484,660</u></b>

##### **NONMAJOR FUNDS**

City Federal State Aid	226,274
Lynchburg Regional Juvenile Detention Center	16,638
<b>Total Nonmajor Funds</b>	<b><u>242,912</u></b>

<b>TOTAL ENCUMBRANCES</b>	<b><u>\$ 10,727,572</u></b>
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#### **Construction Commitments:**

Included in the encumbrances above are construction commitments of \$6,629,700 in the City Capital Projects fund and \$845,501 in the School Capital Projects fund. The City also had construction commitments of \$989,388 in the Water fund; \$34,473,717 in the Sewer fund; \$318,721 in the Stormwater Fund; and \$1,148,283 in the Airport fund as of June 30, 2019.

(Continued)



## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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### ***Note 23. Bluffwalk***

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#### Loan Agreement:

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

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

During FY2019, Bluffwalk repaid the City, with interest, all payments made by the City on the HUD loan (\$693,574) and paid off the balance of the HUD loan (\$914,562). The repayment amount received by the City will be used for CDBG projects as approved by HUD. Subsequent to June 30, the City received approval from HUD to use \$1,250,000 of the Bluffwalk Section 108 Loan Repayment proceeds to partially fund the design of the new Lynchburg Police Department Headquarters.

### ***Note 24. Tax Abatements***

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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 FY2019 were \$539,124.

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 \$87,044,151 on a total of 255 parcels equating to \$966,190 in real estate tax.

## CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2019

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### **Note 25. New Accounting Standards**

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

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. 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.

The GASB issued **Statement No. 91, *Conduit Debt Obligations*** in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

## **REQUIRED SUPPLEMENTAL INFORMATION**



## Required Supplementary Information

## Primary Government

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

For the Year Ended June 30, 2019

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

## Schools - Non Professional Employees

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

For the Year Ended June 30, 2019

	2014	2015	Plan Year 2016	2017	2018
<b>Total Pension Liability</b>					
Service cost	\$ 408,027	\$ 408,652	\$ 390,047	\$ 388,263	\$ 369,905
Interest on total pension liability	935,168	975,621	1,013,096	1,012,802	1,013,987
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	-	(47,318)	(601,120)	(438,840)	(45,578)
Changes in assumptions	-	-	-	(126,476)	-
Benefit payments, including refunds of employee contributions	(736,082)	(794,492)	(808,719)	(803,718)	(833,932)
Net change in total pension liability	607,113	542,463	(6,696)	32,031	504,382
<b>Total pension liability - beginning</b>	<u>13,727,582</u>	<u>14,334,695</u>	<u>14,877,158</u>	<u>14,870,462</u>	<u>14,902,493</u>
<b>Total pension liability - ending</b>	<u>14,334,695</u>	<u>14,877,158</u>	<u>14,870,462</u>	<u>14,902,493</u>	<u>15,406,875</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	382,008	327,719	332,290	228,134	229,132
Contributions - employee	192,487	183,717	185,375	182,067	183,766
Net investment income	1,844,193	609,217	236,379	1,651,561	1,096,860
Benefit payments, including refunds of employee contributions	(736,082)	(794,492)	(808,719)	(803,718)	(833,932)
Administrative expenses	(9,987)	(8,505)	(8,626)	(9,732)	(9,621)
Other	98	(127)	(101)	(1,460)	(969)
Net change in plan fiduciary net position	1,672,717	317,529	(63,402)	1,246,852	665,236
<b>Plan fiduciary net position - beginning</b>	<u>11,769,997</u>	<u>13,442,714</u>	<u>13,760,243</u>	<u>13,696,841</u>	<u>14,943,693</u>
<b>Plan fiduciary net position - ending</b>	<u>13,442,714</u>	<u>13,760,243</u>	<u>13,696,841</u>	<u>14,943,693</u>	<u>15,608,929</u>
<b>Net pension liability - ending</b>	<u>\$ 891,981</u>	<u>\$ 1,116,915</u>	<u>\$ 1,173,621</u>	<u>\$ (41,200)</u>	<u>\$ (202,054)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>94%</u>	<u>92%</u>	<u>92%</u>	<u>100%</u>	<u>101%</u>
Covered payroll	<u>\$ 3,851,034</u>	<u>\$ 3,613,671</u>	<u>\$ 3,593,865</u>	<u>\$ 3,593,865</u>	<u>\$ 3,654,690</u>
Net pension liability as a percentage of covered payroll	<u>23%</u>	<u>31%</u>	<u>33%</u>	<u>-1%</u>	<u>-6%</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, 2019**

<b>Entity Fiscal Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2019	\$ 10,377,528	\$ 10,377,528	\$ -	\$ 54,656,679	18.99%
2018	\$ 10,288,625	\$ 10,288,625	\$ -	\$ 54,235,867	18.97%
2017	\$ 9,920,997	\$ 9,920,997	\$ -	\$ 52,930,961	18.74%
2016	\$ 10,951,053	\$ 10,951,053	\$ -	\$ 51,326,626	21.34%
2015	\$ 10,728,502	\$ 10,728,502	\$ -	\$ 50,441,350	21.27%
<b>Schools - Nonprofessional Employees</b>					
2019	\$ 204,385	\$ 204,385	\$ -	\$ 3,654,690	5.59%
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 five 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, 2019**


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

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only five 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, 2019**

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<b>School Division Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2019	\$ 8,313,426	\$ 8,313,426	\$ -	\$ 51,957,981	16.00%
2018	\$ 8,869,387	\$ 8,869,387	\$ -	\$ 53,894,780	16.46%
2017	\$ 8,261,471	\$ 8,261,471	\$ -	\$ 53,942,322	15.32%
2016	\$ 7,972,259	\$ 7,972,259	\$ -	\$ 50,669,701	15.73%
2015	\$ 7,458,200	\$ 7,458,200	\$ -	\$ 51,468,623	14.49%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only five 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, 2019**

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

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the 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, 2019**

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

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the 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, 2019**

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

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the 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, 2019**

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

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

**Required Supplementary Information****Schedule of OPEB Contributions Group Life Insurance - Schools General Employees****For the Year Ended June 30, 2019**


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<b>Entity Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2019	\$ 19,912	\$ 19,912	\$ -	\$ 3,666,419	0.54%
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 two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

**Required Supplementary Information****Schedule of OPEB Contributions Group Life Insurance - School Teachers****For the Year Ended June 30, 2019**


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<b>Entity Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2019	\$ 288,302	\$ 288,302	\$ -	\$ 55,019,401	0.52%
2018	\$ 293,909	\$ 293,909	\$ -	\$ 52,992,834	0.55%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

**Required Supplementary Information****Schedule of OPEB Contributions for Health Insurance Credit - School Teachers****For the Year Ended June 30, 2019**


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<b>Entity Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2019	\$ 659,100	\$ 659,100	\$ -	\$ 54,925,031	1.20%
2018	\$ 688,326	\$ 688,326	\$ -	\$ 53,104,064	1.30%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.



**Required Supplementary Information****Schedule of Employer's Share of Net OPEB Liability - Group Life Insurance****City of Lynchburg****For the Year Ended June 30, 2019**


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<b>Fiscal Year Ended June 30</b>	<b>Employer's Proportion of the Net OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2019	0.28865%	\$ 4,384,000	\$ 54,656,679	8.02%	51.22%
2018	0.29164%	\$ 4,388,000	\$ 54,235,867	8.09%	48.86%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the measurement period, which is the twelve months prior to the 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, 2019**


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<b>Fiscal Year Ended June 30</b>	<b>Employer's Proportion of the Net OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2019	0.02014%	\$ 306,000	\$ 3,666,419	8.35%	51.22%
2018	0.02039%	\$ 307,000	\$ 3,617,185	8.49%	48.86%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the measurement period, which is the twelve months prior to the 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, 2019**


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<b>Fiscal Year Ended June 30</b>	<b>Employer's Proportion of the Net OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2019	0.29500%	\$ 4,481,000	\$ 55,019,401	8.14%	51.22%
2018	0.30644%	\$ 4,612,000	\$ 52,992,834	8.70%	48.86%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the measurement period, which is the twelve months prior to the 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, 2019**


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<b>Fiscal Year Ended June 30</b>	<b>Employer's Proportion of the Net OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2019	0.69210%	\$ 8,787,000	\$ 54,925,031	16.00%	8.08%
2018	0.71414%	\$ 9,060,000	\$ 53,104,064	17.06%	7.04%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the measurement period, which is the twelve months prior to the fiscal year.

## **CITY OF LYNCHBURG, VIRGINIA**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2019**

#### **Note 1. Changes of Benefit Terms**

##### Pension

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

##### Other Postemployment Benefits (OPEB)

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

#### **Note 2. Changes of Assumptions**

The 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
- 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
- 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
- Applicable to: Pension and GLI OPEB

(Continued)

**CITY OF LYNCHBURG, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2019**

**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
- 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

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#### Nonmajor Governmental Funds:

Nonmajor governmental funds consist of special revenue funds.

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

Funds in this category include:

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

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2019

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Children's Services Act
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 1,450,693	\$ 171	\$ 206,359	\$ 383,864
Receivables, net of allowance:					
Other	2,988	1,800	-	-	6,088
Due from other funds	263,378	-	-	-	-
Due from other governments	318,134	70,944	-	-	865,386
Due from component unit	-	-	125,000	-	-
Other assets	-	-	213	-	-
Restricted assets:					
Cash and cash equivalents	432,884	-	-	-	-
<b>Total assets</b>	<u>\$ 1,017,384</u>	<u>\$ 1,523,437</u>	<u>\$ 125,384</u>	<u>\$ 206,359</u>	<u>\$ 1,255,338</u>
<b>Liabilities</b>					
Accounts payable and other liabilities	\$ 21,336	\$ 41,719	\$ -	\$ 60	\$ 658,738
Accrued payroll and related liabilities	72,967	4,248	-	-	2,182
Due to other funds	499,476	24,977	-	-	684
Due to other governments	13,425	-	-	-	-
Unearned revenue/prepaid rent	-	-	-	-	-
<b>Total liabilities</b>	<u>607,204</u>	<u>70,944</u>	<u>-</u>	<u>60</u>	<u>661,604</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	-	1,800	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Restricted	410,180	1,450,693	-	206,299	593,734
Committed	-	-	125,384	-	-
Assigned	-	-	-	-	-
<b>Total fund balances</b>	<u>410,180</u>	<u>1,450,693</u>	<u>125,384</u>	<u>206,299</u>	<u>593,734</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 1,017,384</u>	<u>\$ 1,523,437</u>	<u>\$ 125,384</u>	<u>\$ 206,359</u>	<u>\$ 1,255,338</u>

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2019

	Lynchburg Expressway Appearance	HOME Investment Trust	Lynchburg Regional Juvenile Detention Center	Total Nonmajor Special Revenue
<b>Assets</b>				
Cash and cash equivalents	\$ 262,789	\$ 3,727	\$ 360,201	\$ 2,667,804
Receivables, net of allowance:				
Other	96,134	-	-	107,010
Due from other funds	-	-	-	263,378
Due from other governments	-	60,684	130,781	1,445,929
Due from component unit	-	-	-	125,000
Other assets	-	-	-	213
Restricted assets:				
Cash and cash equivalents	-	-	-	432,884
<b>Total assets</b>	<u>\$ 358,923</u>	<u>\$ 64,411</u>	<u>\$ 490,982</u>	<u>\$ 5,042,218</u>
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ -	\$ 42,293	\$ 50,485	\$ 814,631
Accrued payroll and related liabilities	-	776	88,573	168,746
Due to other funds	-	17,615	23,516	566,268
Due to other governments	-	-	-	13,425
Unearned revenue/prepaid rent	-	-	206,080	206,080
<b>Total liabilities</b>	<u>-</u>	<u>60,684</u>	<u>368,654</u>	<u>1,769,150</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	183,196	-	-	184,996
<b>Total deferred inflows of resources</b>	<u>183,196</u>	<u>-</u>	<u>-</u>	<u>184,996</u>
<b>Fund Balances</b>				
Restricted	175,727	3,727	-	2,840,360
Committed	-	-	-	125,384
Assigned	-	-	122,328	122,328
<b>Total fund balances</b>	<u>175,727</u>	<u>3,727</u>	<u>122,328</u>	<u>3,088,072</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 358,923</u>	<u>\$ 64,411</u>	<u>\$ 490,982</u>	<u>\$ 5,042,218</u>

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

## Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Forfeited Assets	Children's Services Act
<b>Revenues</b>					
Intergovernmental	\$ 3,454,393	\$ 643,332	\$ -	\$ 101,753	\$ 4,125,708
Revenue from use of money and property	-	-	30,034	4,486	-
Charges for services	629,382	695,674	-	-	2,177,005
Miscellaneous	1,184,041	-	-	-	31,874
<b>Total revenues</b>	<u>5,267,816</u>	<u>1,339,006</u>	<u>30,034</u>	<u>106,239</u>	<u>6,334,587</u>
<b>Expenditures</b>					
Current operating expenditures:					
General government	-	-	-	-	-
Judicial	1,203,357	-	-	34,275	-
Public safety	1,383,036	-	-	76,508	-
Public works	18,407	-	-	-	-
Health and human services	1,521,684	-	-	-	6,076,165
Community development	164,260	747,333	30,034	-	-
Debt service:					
Principal retirements	1,040,000	-	-	-	-
Interest payments and other fiscal charges	65,268	-	-	-	-
<b>Total expenditures</b>	<u>5,396,012</u>	<u>747,333</u>	<u>30,034</u>	<u>110,783</u>	<u>6,076,165</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(128,196)</u>	<u>591,673</u>	<u>-</u>	<u>(4,544)</u>	<u>258,422</u>
<b>Other financing sources</b>					
Transfers in	220,036	-	-	-	-
<b>Total other financing sources</b>	<u>220,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	91,840	591,673	-	(4,544)	258,422
<b>Fund balances - beginning</b>	<u>318,340</u>	<u>859,020</u>	<u>125,384</u>	<u>210,843</u>	<u>335,312</u>
<b>Fund balances - ending</b>	<u>\$ 410,180</u>	<u>\$ 1,450,693</u>	<u>\$ 125,384</u>	<u>\$ 206,299</u>	<u>\$ 593,734</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2019**

	<b>Lynchburg Expressway Appearance</b>	<b>HOME Investment Trust</b>	<b>Lynchburg Regional Juvenile Detention Center</b>	<b>Total Nonmajor Special Revenue</b>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 272,754	\$ 1,924,270	\$ 10,522,210
Revenue from use of money and property	-	-	-	34,520
Charges for services	-	-	1,028,249	4,530,310
Miscellaneous	30,732	-	-	1,246,647
<b>Total revenues</b>	<u>30,732</u>	<u>272,754</u>	<u>2,952,519</u>	<u>16,333,687</u>
<b>Expenditures</b>				
Current operating expenditures:				
General government	-	-	4,652	4,652
Judicial	-	-	-	1,237,632
Public safety	-	-	2,932,777	4,392,321
Public works	55,164	-	-	73,571
Health and human services	-	-	-	7,597,849
Community development	-	308,394	-	1,250,021
Debt service:				
Principal retirements	-	-	30,065	1,070,065
Interest payments and other fiscal charges	-	-	3,302	68,570
<b>Total expenditures</b>	<u>55,164</u>	<u>308,394</u>	<u>2,970,796</u>	<u>15,694,681</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(24,432)</u>	<u>(35,640)</u>	<u>(18,277)</u>	<u>639,006</u>
<b>Other financing sources</b>				
Transfers in	-	-	-	220,036
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,036</u>
<b>Net changes in fund balance</b>	<u>(24,432)</u>	<u>(35,640)</u>	<u>(18,277)</u>	<u>859,042</u>
<b>Fund balances - beginning</b>	<u>200,159</u>	<u>39,367</u>	<u>140,605</u>	<u>2,229,030</u>
<b>Fund balances - ending</b>	<u>\$ 175,727</u>	<u>\$ 3,727</u>	<u>\$ 122,328</u>	<u>\$ 3,088,072</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**City/Federal/State Aid Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 2,938,894	\$ 4,380,276	\$ 3,454,393	\$ (925,883)
Charges for services	57,594	652,204	629,382	(22,822)
Miscellaneous	23,706	1,234,639	1,184,041	(50,598)
<b>Total revenues</b>	<u>3,020,194</u>	<u>6,267,119</u>	<u>5,267,816</u>	<u>(999,303)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Judicial	1,027,700	1,417,786	1,203,357	214,429
Public safety	365,676	1,796,605	1,383,036	413,569
Public works	-	18,513	18,407	106
Health and human services	1,688,838	1,672,504	1,521,684	150,820
Community development	37,000	469,511	164,260	305,251
Debt service:				
Principal retirements	-	1,040,000	1,040,000	-
Interest payments and other fiscal charges	-	65,268	65,268	-
<b>Total expenditures</b>	<u>3,119,214</u>	<u>6,480,187</u>	<u>5,396,012</u>	<u>1,084,175</u>
<b>Deficiency of revenues over expenditures</b>	<u>(99,020)</u>	<u>(213,068)</u>	<u>(128,196)</u>	<u>84,872</u>
<b>Other financing sources</b>				
Transfers in	99,020	220,036	220,036	-
<b>Total other financing sources</b>	<u>99,020</u>	<u>220,036</u>	<u>220,036</u>	<u>-</u>
<b>Net changes in fund balance</b>	-	6,968	91,840	84,872
<b>Fund balance - beginning</b>	<u>318,340</u>	<u>318,340</u>	<u>318,340</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 318,340</u>	<u>\$ 325,308</u>	<u>\$ 410,180</u>	<u>\$ 84,872</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Community Development Block Grant Fund**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 662,564	\$ 1,611,665	\$ 643,332	\$ (968,333)
Charges for services	3,234	-	695,674	695,674
<b>Total revenues</b>	<u>665,798</u>	<u>1,611,665</u>	<u>1,339,006</u>	<u>(272,659)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Community development	<u>768,099</u>	<u>2,912,188</u>	<u>747,333</u>	<u>2,164,855</u>
<b>Total expenditures</b>	<u>768,099</u>	<u>2,912,188</u>	<u>747,333</u>	<u>2,164,855</u>
<b>Net changes in fund balance</b>	(102,301)	(1,300,523)	591,673	1,892,196
<b>Fund balance - beginning</b>	<u>859,020</u>	<u>859,020</u>	<u>859,020</u>	<u>-</u>
<b>Fund balance (deficit) - ending</b>	<u>\$ 756,719</u>	<u>\$ (441,503)</u>	<u>\$ 1,450,693</u>	<u>\$ 1,892,196</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Forfeited Assets Fund**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 101,753	\$ 101,753
Revenue from use of money and property	-	-	4,486	4,486
<b>Total revenues</b>	-	-	106,239	106,239
<b>Expenditures</b>				
Current operating expenditures:				
Judicial	-	102,144	34,275	67,869
Public safety	-	155,063	76,508	78,555
<b>Total expenditures</b>	-	257,207	110,783	146,424
<b>Net changes in fund balance</b>	-	(257,207)	(4,544)	252,663
<b>Fund balance - beginning</b>	210,843	210,843	210,843	-
<b>Fund balance (deficit)- ending</b>	<u>\$ 210,843</u>	<u>\$ (46,364)</u>	<u>\$ 206,299</u>	<u>\$ 252,663</u>



**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Children's Services Act Fund**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 3,782,724	\$ 3,836,994	\$ 4,125,708	\$ 288,714
Charges for services	2,177,005	2,177,005	2,177,005	-
Miscellaneous	39,293	39,293	31,874	(7,419)
<b>Total revenues</b>	<u>5,999,022</u>	<u>6,053,292</u>	<u>6,334,587</u>	<u>281,295</u>
<b>Expenditures</b>				
Current operating expenditures:				
Health and human services	5,999,022	6,074,022	6,076,165	(2,143)
<b>Total expenditures</b>	<u>5,999,022</u>	<u>6,074,022</u>	<u>6,076,165</u>	<u>(2,143)</u>
<b>Net changes in fund balance</b>	-	(20,730)	258,422	279,152
<b>Fund balance - beginning</b>	<u>335,312</u>	<u>335,312</u>	<u>335,312</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 335,312</u>	<u>\$ 314,582</u>	<u>\$ 593,734</u>	<u>\$ 279,152</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Lynchburg Expressway Appearance Fund**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Miscellaneous	\$ -	\$ -	\$ 30,732	\$ 30,732
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>30,732</u>	<u>30,732</u>
<b>Expenditures</b>				
Current operating expenditures:				
Public works	75,000	75,000	55,164	19,836
<b>Total expenditures</b>	<u>75,000</u>	<u>75,000</u>	<u>55,164</u>	<u>19,836</u>
<b>Net changes in fund balance</b>	(75,000)	(75,000)	(24,432)	50,568
<b>Fund balance - beginning</b>	<u>200,159</u>	<u>200,159</u>	<u>200,159</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 125,159</u>	<u>\$ 125,159</u>	<u>\$ 175,727</u>	<u>\$ 50,568</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**HOME Investment Trust Fund**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 300,951	\$ 837,994	\$ 272,754	\$ (565,240)
Charges for Services	35,640	-	-	-
<b>Total revenues</b>	<u>336,591</u>	<u>837,994</u>	<u>272,754</u>	<u>(565,240)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Community development	336,591	900,744	308,394	592,350
<b>Total expenditures</b>	<u>336,591</u>	<u>900,744</u>	<u>308,394</u>	<u>592,350</u>
<b>Net changes in fund balance</b>	-	(62,750)	(35,640)	27,110
<b>Fund balance - beginning</b>	<u>39,367</u>	<u>39,367</u>	<u>39,367</u>	<u>-</u>
<b>Fund balance (deficit) - ending</b>	<u>\$ 39,367</u>	<u>\$ (23,383)</u>	<u>\$ 3,727</u>	<u>\$ 27,110</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, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 1,767,536	\$ 1,945,521	\$ 1,924,270	\$ (21,251)
Charges for services	970,350	1,036,571	1,028,249	(8,322)
<b>Total revenues</b>	<u>2,737,886</u>	<u>2,982,092</u>	<u>2,952,519</u>	<u>(29,573)</u>
<b>Expenditures</b>				
Current operating expenditures:				
General government	6,910	4,652	4,652	-
Public safety	2,697,609	2,935,864	2,932,777	3,087
Debt service:				
Principal retirements	30,065	30,065	30,065	-
Interest payments and other fiscal charges	3,302	3,302	3,302	-
<b>Total expenditures</b>	<u>2,737,886</u>	<u>2,973,883</u>	<u>2,970,796</u>	<u>3,087</u>
<b>Net changes in fund balance</b>	-	8,209	(18,277)	(26,486)
<b>Fund balance - beginning</b>	<u>140,605</u>	<u>140,605</u>	<u>140,605</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 140,605</u>	<u>\$ 148,814</u>	<u>\$ 122,328</u>	<u>\$ (26,486)</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**City Capital Projects**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 12,058,000	\$ 25,782,821	\$ 9,322,347	\$ (16,460,474)
Revenue from use of money and property	-	31,226	17,017	(14,209)
Miscellaneous	-	3,503,017	1,599,439	(1,903,578)
<b>Total revenues</b>	<u>12,058,000</u>	<u>29,317,064</u>	<u>10,938,803</u>	<u>(18,378,261)</u>
<b>Expenditures</b>				
Current operating expenditures:				
Public works	5,614,610	14,669,030	7,935,573	6,733,457
Cultural and recreational	360,500	458,698	108,200	350,498
Community development	250,000	1,806,674	286,813	1,519,861
Capital outlay:				
Capital general government	23,776,828	51,330,421	13,706,477	37,623,944
<b>Total expenditures</b>	<u>30,001,938</u>	<u>68,264,823</u>	<u>22,037,063</u>	<u>46,227,760</u>
<b>Deficiency of revenues over expenditures</b>	<u>(17,943,938)</u>	<u>(38,947,759)</u>	<u>(11,098,260)</u>	<u>27,849,499</u>
<b>Other financing sources (uses)</b>				
Issuance of bonds	13,140,000	20,047,541	849,275	(19,198,266)
Transfers in	4,803,938	4,803,938	4,803,938	-
Transfers out	-	(306,314)	(306,314)	-
<b>Total other financing sources (uses)</b>	<u>17,943,938</u>	<u>24,545,165</u>	<u>5,346,899</u>	<u>(19,198,266)</u>
<b>Net changes in fund balance</b>	-	(14,402,594)	(5,751,361)	8,651,233
<b>Fund balance - beginning</b>	<u>21,585,864</u>	<u>21,585,864</u>	<u>21,585,864</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 21,585,864</u>	<u>\$ 7,183,270</u>	<u>\$ 15,834,503</u>	<u>\$ 8,651,233</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**School Capital Projects**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 325,000	\$ 325,000	\$ -
Revenue from use of money and property	-	-	31,810	31,810
Miscellaneous	-	-	9,600	9,600
<b>Total revenues</b>	<u>-</u>	<u>325,000</u>	<u>366,410</u>	<u>41,410</u>
<b>Expenditures</b>				
Current operating expenditures:				
Education	11,000	948,142	5,000	943,142
Capital outlay:				
Capital general government	4,184,000	6,583,367	2,026,977	4,556,390
<b>Total expenditures</b>	<u>4,195,000</u>	<u>7,531,509</u>	<u>2,031,977</u>	<u>5,499,532</u>
<b>Deficiency of revenues over expenditures</b>	<u>(4,195,000)</u>	<u>(7,206,509)</u>	<u>(1,665,567)</u>	<u>5,540,942</u>
<b>Other financing sources</b>				
Issuance of bonds	3,625,000	5,625,780	1,425,175	(4,200,605)
Transfers in	570,000	1,975,030	1,975,030	-
<b>Total other financing sources</b>	<u>4,195,000</u>	<u>7,600,810</u>	<u>3,400,205</u>	<u>(4,200,605)</u>
<b>Net changes in fund balance</b>	-	394,301	1,734,638	1,340,337
<b>Fund balance - beginning</b>	<u>556,806</u>	<u>556,806</u>	<u>556,806</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 556,806</u>	<u>\$ 951,107</u>	<u>\$ 2,291,444</u>	<u>\$ 1,340,337</u>

Statement of Changes in Fiduciary Assets and Liabilities  
Agency Fund  
For the Year Ended June 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
<b><u>Special Welfare</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 169,656	\$ 103,988	\$ 81,911	\$ 191,733
<b>Total Assets</b>	<u>\$ 169,656</u>	<u>\$ 103,988</u>	<u>\$ 81,911</u>	<u>\$ 191,733</u>
<b>Liabilities</b>				
Accounts payable	\$ 4,314	\$ 37,335	\$ 35,998	\$ 5,651
Amounts held for others	<u>165,342</u>	<u>211,808</u>	<u>191,068</u>	<u>186,082</u>
<b>Total Liabilities</b>	<u>\$ 169,656</u>	<u>\$ 249,143</u>	<u>\$ 227,066</u>	<u>\$ 191,733</u>

**Discretely Presented Component Unit - Lynchburg City Schools**  
**Combining Balance Sheet**  
**June 30, 2019**

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 10,310,128	\$ -	\$ 1,629,964	\$ 11,940,092
Receivables, net of allowance	87,101	-	112,891	199,992
Due from other funds	1,052,872	-	10,260	1,063,132
Due from other governments	2,649,308	2,269,229	-	4,918,537
Prepaid expenses	357,598	-	-	357,598
Inventory	-	-	102,919	102,919
<b>Total assets</b>	<u>\$ 14,457,007</u>	<u>\$ 2,269,229</u>	<u>\$ 1,856,034</u>	<u>\$ 18,582,270</u>
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ 1,104,994	\$ 31,941	\$ 59,001	\$ 1,195,936
Accrued payroll and related liabilities	6,021,309	734,278	152,596	6,908,183
Due to other funds	1,112	1,058,360	3,660	1,063,132
Unearned revenue	-	444,650	-	444,650
Due to primary government- return of local funding	5,008,139	-	-	5,008,139
Due to primary government- other	76,065	-	-	76,065
<b>Total liabilities</b>	<u>12,211,619</u>	<u>2,269,229</u>	<u>215,257</u>	<u>14,696,105</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	861,831	-	-	861,831
<b>Total deferred inflows of resources</b>	<u>861,831</u>	<u>-</u>	<u>-</u>	<u>861,831</u>
<b>Fund balances</b>				
Nonspendable:				
Prepaid expenses	357,598	-	-	357,598
Inventory	-	-	102,919	102,919
Restricted for:				
Education	-	-	1,537,858	1,537,858
Committed for:				
Education	1,025,959	-	-	1,025,959
<b>Total fund balances</b>	<u>1,383,557</u>	<u>-</u>	<u>1,640,777</u>	<u>3,024,334</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 14,457,007</u>	<u>\$ 2,269,229</u>	<u>\$ 1,856,034</u>	
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				7,030,342
Receivables on the Statement of Net Position that do not provide current financial resources are reported as unavailable revenue in the funds.				861,831
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Deferred outflows related to:				
Pensions			11,173,932	
Other postemployment benefits			4,387,740	
Deferred inflows related to:				
Pensions			(13,003,067)	
Other postemployment benefits			(3,335,843)	
Net pension liability			(77,646,974)	
Other postemployment benefits			(23,154,825)	(101,579,037)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(987,055)
Net position of governmental activities				<u>\$ (91,649,585)</u>



**Discretely Presented Component Unit - Lynchburg City Schools**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2019**

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
<b>Revenues</b>				
Intergovernmental:				
State and Federal	\$ 53,533,073	\$ 11,248,101	\$ 4,427,644	\$ 69,208,818
City of Lynchburg	38,257,161	-	-	38,257,161
Charges for services	1,723,917	-	367,005	2,090,922
Miscellaneous	803,639	12,688	117,373	933,700
<b>Total revenues</b>	<u>94,317,790</u>	<u>11,260,789</u>	<u>4,912,022</u>	<u>110,490,601</u>
<b>Expenditures</b>				
Education:				
Instruction	66,430,018	10,685,231	-	77,115,249
Administration, attendance and health	5,675,250	85,950	-	5,761,200
Pupil transportation services	5,668,771	2,803	-	5,671,574
Operations and maintenance	10,899,422	64,016	-	10,963,438
Food service and other	15,344	149,550	4,805,323	4,970,217
Facilities	20,959	-	-	20,959
Technology	3,104,473	75,849	-	3,180,322
Capital outlay	1,759,244	197,390	89,968	2,046,602
<b>Total expenditures</b>	<u>93,573,481</u>	<u>11,260,789</u>	<u>4,895,291</u>	<u>109,729,561</u>
<b>Net changes in fund balances</b>	744,309	-	16,731	761,040
<b>Fund balances - beginning</b>	<u>639,248</u>	<u>-</u>	<u>1,624,046</u>	
<b>Fund balances - ending</b>	<u>\$ 1,383,557</u>	<u>\$ -</u>	<u>\$ 1,640,777</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 (\$1,554,770) exceeded depreciation expense (\$1,277,356).	277,414
Loss on disposition of capital assets is not reflected in the fund statements.	(2,070)
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	8,212,874
Pension expense	(4,599,526)
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	1,283,361
Other postemployment expense	(1,422,725)
Compensated absences are not due and payable at June 30, and therefore are not reported in the fund statements.	(95,142)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(1,587)
<b>Change in net position of governmental activities.</b>	<u>\$ 4,413,639</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, 2019**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental:				
State and Federal	\$ 53,113,355	\$ 53,119,384	\$ 53,533,073	\$ 413,689
City of Lynchburg	42,028,498	43,115,071	43,265,300	150,229
Charges for services	1,221,000	1,408,786	1,723,917	315,131
Miscellaneous	1,309,554	1,313,179	803,639	(509,540)
<b>Total revenues</b>	<u>97,672,407</u>	<u>98,956,420</u>	<u>99,325,929</u>	<u>369,509</u>
<b>Expenditures</b>				
Education:				
Instruction	70,389,178	69,340,524	66,430,018	2,910,506
Administration, attendance and health	6,955,245	6,291,257	5,675,250	616,007
Pupil transportation services	5,751,513	6,042,359	5,668,771	373,588
Operations and maintenance	10,510,310	11,230,635	10,899,422	331,213
Food service and other	20,500	19,953	15,344	4,609
Facilities	188,808	28,477	20,959	7,518
Technology	3,054,273	4,619,152	3,104,473	1,514,679
Capital outlay	635,827	2,713,587	1,759,244	954,343
<b>Total expenditures</b>	<u>97,505,654</u>	<u>100,285,944</u>	<u>93,573,481</u>	<u>6,712,463</u>
<b>Net changes in fund balances</b>	<u>\$ 166,753</u>	<u>\$ (1,329,524)</u>	5,752,448	<u>\$ 7,081,972</u>
Less return of funds to the City			<u>(5,008,139)</u>	
			<u>\$ 744,309</u>	

**Discretely Presented Component Unit - Lynchburg City Schools**  
**Combining Statement of Fiduciary Net Position**  
**For the Year Ended June 30, 2019**

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	<b><u>Total Agency Funds</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ 864,077
Receivables, net of allowance	26,237
Prepaid expenses	<u>13,584</u>
<b>Total Assets</b>	<b><u>\$ 903,898</u></b>
<b>Liabilities</b>	
Amounts held for others	<u>\$ 903,898</u>
<b>Total Liabilities</b>	<b><u>\$ 903,898</u></b>

**Discretely Presented Component Unit - Lynchburg City Schools**  
**Statements of Fiduciary Net Position**  
**June 30, 2019**

	<u>Governor's School</u>	<u>STEM</u>	<u>Step with Links</u>	<u>GLCT- Step with Links</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 510,680	\$ 74,486	\$ 60,436	\$ 218,475	\$ 864,077
Receivables, net of allowance	26,000	12	225	-	26,237
Prepaid expenses	13,584	-	-	-	13,584
<b>Total assets</b>	<u>\$ 550,264</u>	<u>\$ 74,498</u>	<u>\$ 60,661</u>	<u>\$ 218,475</u>	<u>\$ 903,898</u>
<b>Liabilities</b>					
Amounts held for others	<u>\$ 550,264</u>	<u>\$ 74,498</u>	<u>\$ 60,661</u>	<u>\$ 218,475</u>	<u>\$ 903,898</u>
<b>Total liabilities</b>	<u>\$ 550,264</u>	<u>\$ 74,498</u>	<u>\$ 60,661</u>	<u>\$ 218,475</u>	<u>\$ 903,898</u>

**Combining Statement of Net Position**  
**Other Component Units**  
**June 30, 2019**

	<b>Component Units</b>		
	<b>Business Development Centre, Inc.</b>	<b>Greater Lynchburg Transit Company</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 629,236	\$ 921,576	\$ 1,550,812
Receivables, net of allowance	1,253,704	34,168	1,287,872
Due from other governments	-	61,689	61,689
Inventory	-	314,732	314,732
Prepays and other assets	126	33,765	33,891
Capital assets:			
Nondepreciable	-	1,685,532	1,685,532
Depreciable, net	875	35,433,968	35,434,843
<b>Total assets</b>	<b>1,883,941</b>	<b>38,485,430</b>	<b>40,369,371</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to other postemployment benefits	-	66,454	66,454
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>66,454</b>	<b>66,454</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and other liabilities	66,742	387,337	454,079
Due to other governments	1,271,060	-	1,271,060
Due to primary government	125,000	137,689	262,689
<b>Total current liabilities</b>	<b>1,462,802</b>	<b>525,026</b>	<b>1,987,828</b>
Noncurrent liabilities:			
Net other postemployment benefit liability	-	552,260	552,260
Compensated absences	-	103,970	103,970
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>656,230</b>	<b>656,230</b>
<b>Total liabilities</b>	<b>1,462,802</b>	<b>1,181,256</b>	<b>2,644,058</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to other postemployment benefits	-	1,126	1,126
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>1,126</b>	<b>1,126</b>
<b>Net position</b>			
Net investment in capital assets	875	37,119,500	37,120,375
Unrestricted	420,264	250,002	670,266
<b>Total net position</b>	<b>\$ 421,139</b>	<b>\$ 37,369,502</b>	<b>\$ 37,790,641</b>

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Other Component Units**  
**For the Year Ended June 30, 2019**

	<b>Component Units</b>		
	<b>Business Development Centre, Inc.</b>	<b>Greater Lynchburg Transit Company</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services and other operating revenues	\$ 250,300	\$ 875,655	\$ 1,125,955
<b>Total operating revenues</b>	<u>250,300</u>	<u>875,655</u>	<u>1,125,955</u>
<b>Operating expenses</b>			
Operations	197,735	7,021,115	7,218,850
Administration	2,406	1,899,081	1,901,487
Maintenance and repairs	28,189	2,491,178	2,519,367
<b>Total operating expenses</b>	<u>228,330</u>	<u>11,411,374</u>	<u>11,639,704</u>
<b>Operating income (loss)</b>	<u>21,970</u>	<u>(10,535,719)</u>	<u>(10,513,749)</u>
<b>Nonoperating revenue</b>			
Subsidy of operations- City of Lynchburg	-	1,591,096	1,591,096
Subsidy of operations- Counties	-	74,780	74,780
Subsidy of operations- Liberty University	-	1,435,415	1,435,415
Subsidy of operations- State aid for public transportation	-	2,004,931	2,004,931
Subsidy of operations- Federal operating grant	-	1,953,526	1,953,526
Donations and grants	3,000	-	3,000
Miscellaneous revenue	-	17,072	17,072
Loss on disposition of capital assets	-	-	-
<b>Total nonoperating revenue</b>	<u>3,000</u>	<u>7,076,820</u>	<u>7,079,820</u>
Capital contributions	-	560,670	560,670
<b>Change in net position</b>	<u>24,970</u>	<u>(2,898,229)</u>	<u>(2,873,259)</u>
<b>Total net position - beginning</b>	<u>396,169</u>	<u>40,267,731</u>	<u>40,663,900</u>
<b>Total net position - ending</b>	<u>\$ 421,139</u>	<u>\$ 37,369,502</u>	<u>\$ 37,790,641</u>

**Combining Statement of Cash Flows**  
**Other Component Units**  
**For the Year Ended June 30, 2019**

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
<b>Operating activities</b>			
Cash received from operations	\$ 546,384	\$ 1,037,947	\$ 1,584,331
Cash paid to employees	(114,729)	(3,634,434)	(3,749,163)
Cash paid to suppliers for goods and services	(116,157)	(4,442,935)	(4,559,092)
New loans disbursed	(563,000)	-	(563,000)
<b>Net cash used in operating activities</b>	<b>(247,502)</b>	<b>(7,039,422)</b>	<b>(7,286,924)</b>
<b>Noncapital financing activities</b>			
Subsidies	-	7,103,535	7,103,535
Operating grants and contributions	3,000	-	3,000
<b>Net cash provided by noncapital financing activities</b>	<b>3,000</b>	<b>7,103,535</b>	<b>7,106,535</b>
<b>Capital and related financing activities</b>			
Capital contributions received	-	938,483	938,483
Purchases of capital assets	-	(747,680)	(747,680)
Repayment of amounts due to Lynchburg Area Development Corporation	(115,500)	-	(115,500)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(115,500)</b>	<b>190,803</b>	<b>75,303</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(360,002)</b>	<b>254,916</b>	<b>(105,086)</b>
<b>Cash and cash equivalents</b>			
<b>Beginning of year</b>	<b>989,238</b>	<b>666,660</b>	<b>1,655,898</b>
<b>End of year</b>	<b>\$ 629,236</b>	<b>\$ 921,576</b>	<b>\$ 1,550,812</b>
<b>Reconciliation of operating income (loss) to net cash used in operating activities</b>			
Operating income (loss)	\$ 21,970	\$ (10,535,719)	\$ (10,513,749)
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:			
Depreciation	437	3,320,931	3,321,368
(Increase) decrease in receivables	(267,695)	162,292	(105,403)
Increase in prepaids and other assets	-	(23,541)	(23,541)
Increase in inventory	-	(5,275)	(5,275)
Decrease in accounts payable and other current liabilities	(2,214)	(19,108)	(21,322)
Increase in compensated absences and other postemployment benefits	-	60,998	60,998
<b>Net cash used in operating activities</b>	<b>\$ (247,502)</b>	<b>\$ (7,039,422)</b>	<b>\$ (7,286,924)</b>
<b>Supplemental cash flow information</b>			
<b>Non-cash transactions:</b>			
Capital assets additions financed by accounts payable	\$ 60,000	\$ 50,274	\$ 110,274

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## **SUPPLEMENTAL SCHEDULES**



Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b><u>Primary Government</u></b>					
<b>Department of Agriculture</b>					
Passed through Commonwealth of Virginia:					
Department of Social Services:					
Supplemental Nutrition Assistance Program	10.561	171VA407S2514		\$ 1,467,848	\$ -
Supplemental Nutrition Assistance Program - Community Market	10.561	171VA407S2514		13,367	1,481,215
National School Lunch Program	10.555	16161VA347N2535		37,943	37,943
National School Breakfast Program	10.553	16161VA347N2535		28,624	28,624
Department of Parks & Recreation:					-
Food Insecurity Nutritional Incentive (FINI) Double-Dollars Grant	10.331	2015-70018-2330		13,084	13,084
Total Department of Agriculture				\$	1,560,866
<b>Department of Health and Human Services</b>					
Passed through Commonwealth of Virginia:					
Department of Social Services:					
Family Preservation and Support	93.556	1701VAFPS		\$ 60,791	\$ 60,791
TANF Block Grant	93.558	1701VATANF		968,918	968,918
Refugee and Entrant Assistance State - Administered Programs	93.566	1701VARSOC		410	410
Low Income Energy Assistance	93.568	17B1VALIEA		145,855	145,855
Child Care Assistance	93.575	1701VACCDF		(3,782)	(3,782)
Child Care Development Fund	93.596	1701VACCDF		159,683	159,683
Chafee Education and Training Vouchers Program (ETV)	93.599	1701VACETV		10,445	10,445
Child Welfare Services	93.645	1701VACWSS		1,060	1,060
Foster Care - Title IV-E	93.658	1701VAFOST		1,233,294	1,233,294
Adoption Assistance	93.659	1701VAADPT		2,578,797	2,578,797
Social Services Block Grant	93.667	1701VASOSR		876,602	876,602
Independent Living	93.674	1701VACILP		19,795	19,795
Children's Insurance Program	93.767	1705VA0301		31,484	31,484
Medicaid Assistance	93.778	1705VA5MAP		1,613,435	1,613,435
Total Department of Health and Human Services				\$	7,696,787

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b><u>Primary Government (Continued)</u></b>					
<b>Department of Housing and Urban Development</b>					
Direct Payments:					
Community Development Block Grant Program, Entitlement Grants					
Community Development Block Grant FY16	14.218	B-15-MC-51-0014			
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-15-MC-51-0014	56,597	56,597	
Community Development Block Grant FY17	14.218	B-16-MC-51-0014			
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-16-MC-51-0014	50,037	50,037	
Lynchburg Community Action Group	14.218	B-16-MC-51-0014	1,182	1,182	
Community Development Block Grant FY18	14.218	B-17-MC-51-0014		323,468	
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-17-MC-51-0014	57,892	57,892	
Community Development Block Grant FY19	14.218	B-18-MC-51-0014		125,180	
Passed through to:					
Lynchburg Redevelopment and Housing Authority	14.218	B-18-MC-51-0014	13,013	13,013	
Lynchburg Community Action Group	14.218	B-18-MC-51-0014	18,065	18,065	<b>645,434</b>
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	2,280	2,280	
Home Investment Partnership Program FY16	14.239	M-15-MC-51-0211			
Passed through to:					
Rush Homes	14.239	M-15-MC-51-0211	5,000	5,000	
Home Investment Partnership Program FY17	14.239	M-16-MC-51-0211		6,445	
Passed through to:					
Lynchburg Community Action Group	14.239	M-16-MC-51-0211	115,492	115,492	
Home Investment Partnership Program FY18	14.239	M-17-MC-51-0211		12,519	
Passed through to:					
Habitat for Humanity	14.239	M-17-MC-51-0211	64,993	64,993	
Lynchburg Community Action Group	14.239	M-17-MC-51-0211	66,465	66,465	
Home Investment Partnership Program FY19	14.239	M-18-MC-51-0211			
Passed through to:					
Lynchburg Community Action Group	14.239	M-18-MC-51-0211	35,200	35,200	<b>308,394</b>
Total Department of Housing and Urban Development				<b>\$</b>	<b>953,828</b>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b>Primary Government (Continued)</b>					
<b>Department of Justice</b>					
Direct Payments:					
Office of Violence Against Women - Improving Criminal Responses Program	16.590	2016-WE-AX-0020	\$ 46,900	\$ 158,249	\$ 158,249
Bulletproof Vest Partnership	16.607	2018-BUBX-1608-2768		6,574	-
Bulletproof Vest Partnership	16.607	2019-BUBX-1608-2768		15,002	21,576
Edward Byrne Memorial Justice Assistance Grant Program - Body Cameras	16.738	2017-DJ-BX-0360		41,920	-
Edward Byrne Memorial Justice Assistance Grant Program - Body Cameras	16.738	2018-DJ-BX-0407		39,946	81,866
Federal Asset Forfeiture	16.922			18,870	18,870
Passed through Commonwealth of Virginia:					
Department of Criminal Justice Services:					-
Victim Witness Services	16.575	19-VW926VW17		271,217	271,217
Violence Against Women Formula Grant	16.588	18-I6141VA17		31,087	-
Violence Against Women Formula Grant	16.588	19-J6141VA18		30,708	61,795
Total Department of Justice				\$	613,573
<b>Department of Labor</b>					
Passed through Commonwealth of Virginia:					
Virginia Community College System (VCCS):					
WIA Adult Program	17.258	AA-30941-17-55-A-51	\$ 170,925	\$ 170,925	\$ -
WIA Adult Program	17.258	AA-32183-18-55-A-51	261,866	261,866	432,791
WIA Youth Activities	17.259	AA-30941-17-55-A-51	260,465	260,465	-
WIA Youth Activities	17.259	AA-32183-18-55-A-51	350,705	350,705	611,170
WIA Dislocated Workers (after 7/1/10)	17.278	AA-30941-17-55-A-51	246,538	246,538	-
WIA Dislocated Workers (after 7/1/10)	17.278	AA-32183-18-55-A-51	50,168	50,168	296,706
Total Department of Labor				\$	1,340,667

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b><u>Primary Government (Continued)</u></b>					
<b>Department of Homeland Security</b>					
Direct Payments:					
Transportation Security Administration:					
Airport LEO Cooperative Agreement	97.090	HSTS02-16-H-SLR753		\$ 87,320	\$ 87,320
Total Department of Homeland Security					\$ 87,320
<b>Department of Transportation</b>					
Passed through Commonwealth of Virginia:					
Virginia Department of Transportation					
Highway Planning and Construction					
Safe Route to School - Bass / Linkhorne	20.205	SRTS-118-246		\$ 72,800	
Adaptive Signal Control - Rivermont Avenue	20.205	65001-118-274		123,308	
Midtown Connector	20.205	5118(194)		114,302	
Transportation Alternative Program (TAP)					
Safe Route to School - Stoneridge Street - Dearington	20.205	EN16-118-001		4,785	
Linkhorne Road Trail Extension	20.205	17045-EN17-118-282		135,584	450,779
Passed through Commonwealth of Virginia:					
DMV Selective Enforcement - Alcohol FY18	20.607	AL-2018-58240-8240		12,678	-
DMV Selective Enforcement - Speed FY18	20.600	SC-2018-58130-8130		1,523	-
DMV Selective Enforcement - Speed FY19	20.600	SC-2019-59376-9376		23,265	24,788
DMV Selective Enforcement - Alcohol FY19	20.607	AL-2019-59318-9318		49,699	62,377
Total Department of Transportation					\$ 537,944
<b>Environmental Protection Agency</b>					
Passed through Commonwealth of Virginia:					
Virginia Resources Authority:					
Revolving Loan	66.458	972		\$ 3,421,982	\$ 3,421,982
Total Environmental Protection Agency					\$ 3,421,982

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b><u>Primary Government (Continued)</u></b>					
<b>Federal Aviation Administration</b>					
Direct Payments:					
Department of Aviation:					
Airport Improvement Program	20.106	3-51-0029-039-2017		\$ 45,717	-
Airport Improvement Program	20.106	3-51-0029-040-2018		225,337	-
Airport Improvement Program	20.106	3-51-0029-041-2018		4,050	<b>275,104</b>
Total Federal Aviation Administration				<b>\$</b>	<b>275,104</b>
<b>Federal Emergency Management Agency</b>					
Passed through Commonwealth of Virginia:					
Virginia Department of Emergency Management:					
Emergency Management Performance Grants	97.042	7196		\$ 23,423	<b>\$ 23,423</b>
State Homeland Security Program Grant - Fire	97.067	7613		47,182	-
State Homeland Security Program Grant - Fire	97.067	7240		8,514	<b>55,696</b>
Total Federal Emergency Management Agency				<b>\$</b>	<b>79,119</b>
<b><u>Component Unit - Lynchburg Schools</u></b>					
<b>Department of Agriculture</b>					
Passed through Commonwealth of Virginia:					
Department of Education:					
National School Lunch Program	10.555			\$ 2,736,916	<b>\$ 2,736,916</b>
National School Breakfast Program	10.553			1,260,951	<b>1,260,951</b>
Total Department of Agriculture				<b>\$</b>	<b>3,997,867</b>
<b>Department of Education</b>					
Passed through Commonwealth of Virginia:					
Passed through Commonwealth of Virginia:					
Title I - Part A - Improving Basic Programs	84.010	S010A160046		\$ 47,319	-
Title I - Part A - Improving Basic Programs	84.010	S010A170046		839,604	-
Title I - Part A - Improving Basic Programs	84.010	S010A180046		3,471,065	-
Title I - Part D - Neglected or Delinquent	84.010	S010A170046		32,153	-
Title I - Part D - Neglected or Delinquent	84.010	S010A180046		36,274	<b>4,426,415</b>
Title I - Neglected and Delinquent Children	84.013	S013A170046		546	-
Title I - Neglected and Delinquent Children	84.013	S013A180046		575	<b>1,121</b>

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
<b><u>Component Unit - Lynchburg Schools (Continued)</u></b>					
<b>Department of Education (Continued)</b>					
Elementary and Secondary Education Act (ESEA):					
Title IV-B - 21st Century	84.287	S287C160047		24,882	-
Title IV-B - 21st Century	84.287	S287C170047		317,860	-
Title IV-B - 21st Century	84.287	S287C180047		1,368,971	1,711,713
IDEA - Part B Section 611 - Special Education	84.027	H027A160107		20	-
IDEA - Part B Section 611 - Special Education	84.027	H027A170107		222,153	-
IDEA - Part B Section 611 - Special Education	84.027	H027A180107		1,902,221	2,124,394
IDEA - Part B Section 619 - Special Education Preschool	84.173	H173A160112		10,833	-
IDEA - Part B Section 619 - Special Education Preschool	84.173	H173A170112		53,752	64,585
Title III Part A - Language Acquisition State Grant	84.365	S365A160046		398	-
Title III Part A - Language Acquisition State Grant	84.365	S265A170046		11,496	-
Title III Part A - Language Acquisition State Grant	84.365	S265A180046		15,284	27,178
Title II - Part A - Improving Teacher Quality	84.367	S367A160044		4,573	-
Title II - Part A - Improving Teacher Quality	84.367	S367A170044		120,765	-
Title II - Part A - Improving Teacher Quality	84.367	S367A180044		252,393	377,731
Title IV - Student Support	84.424	S424A170048		70,641	-
Title IV - Student Support	84.424	S424A180048		129,749	200,390
Vocational Education:					
Basic Grants to States	84.048	V048A180046		231,646	231,646
McKenney - Vento Homeless Education Assistance Improvements Act of 2001:					
Title X-C - No Child Left Behind Act	84.000	S196A170048		9,676	-
Title X-C - No Child Left Behind Act	84.000	S196A180048		11,046	20,722
Total Department of Education				\$	9,185,895
<b>TOTAL</b>			\$ 1,873,783	\$ 29,750,952	\$ 29,750,952



Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Grant Agency Number	Passed Through to Sub-Recipients	Federal Expenditures	Total By CFDA Number
		Donated Food Received			
<b><u>Primary Government</u></b>					
<b>Department of Agriculture</b>					
Passed through Commonwealth of Virginia:					
Department of Social Services:					
Juvenile Detention Home (Commodities)	10.555	16161VA347N2535		\$ 3,513	
<b><u>Component Unit - Lynchburg Schools</u></b>					
<b>Department of Agriculture</b>					
Passed through Commonwealth of Virginia:					
Department of Education:					
National School Lunch Program (Commodities)	10.555	16161VA347N2535		308,115	311,628
<b>TOTAL</b>				<b>\$ 311,628</b>	<b>\$ 311,628</b>

## CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
As of June 30, 2019

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

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#### Basis of Accounting:

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

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

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

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

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

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

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

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

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

## CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
As of June 30, 2019

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### ***Note 5. Subgrantees***

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

<b>Subrecipient</b>	<b>Community Development Block Grant</b>	<b>Home Investment Trust</b>	<b>Workforce Investment Act Cluster</b>
Habitat for Humanity	\$ -	\$ 64,993	\$ -
Lynchburg Community Action Group	19,247	219,437	-
Lynchburg Redevelopment & Housing Authority	177,539	-	-
Region 2000 Local Government Council	-	-	1,340,667
Rush Homes	-	5,000	-
	<u>\$ 196,786</u>	<u>\$ 289,430</u>	<u>\$ 1,340,667</u>

---

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

---

Program income received in FY 2019 totals \$695,674 which was received through the sale of properties and the repayment of the Bluffwalk loan. In accordance with terms of the Community Development Block Grant Program, program income totaling \$2,100 was used in FY 2019 to reduce the amount of federal funds in conjunction with the program's objective.

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

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As of June 30, 2019, the City had an outstanding balance through the Virginia Revolving Loan Fund in the amount of \$118,059,161 which includes federal funded loans. Expenditures associated with federally funded loans in FY 2019 totaled \$3,421,892.

**SCHEDULE 2****CITY OF LYNCHBURG, VIRGINIA**Schedule of Passenger Facility Charges  
As of June 30, 2019Passenger Facility Charges:

Federal Agency/Program Name/Application Number	PFC Balance July 1, 2018	Adjustments	PFC Collected	Interest Earnings	Expenditures	PFC Balance June 30, 2019
<b>FEDERAL AVIATION ADMINISTRATION</b>						
Passenger facility charges (12-06-C-00-LYH)	\$ 4,598	\$ -	\$ -	\$ -	\$ 4,136	\$ 462
Passenger facility charges (17-07-C-00-LYH)	41,867	-	360,123	1,169	400,000	3,159
	<u>\$ 46,465</u>	<u>\$ -</u>	<u>\$ 360,123</u>	<u>\$ 1,169</u>	<u>\$ 404,136</u>	<u>\$ 3,621</u>

**SCHEDULE 3**Schedule of Expenditures of Passenger Facility Charges  
As of June 30, 2019Expenditures of Passenger Facility Charges:

Project	PFC Expenditures
<u>Application 6 (12-06-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ 4,136
Local share reimbursement – “Local” expense	-
Local share reimbursement – “State Entitlements” expense	-
Total PFC expenditures	<u>\$ 4,136</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	-
Rehabilitate Taxiway Edge Lights (LED)	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.

### **CONTENTS**

### **Pages**

#### **MISCELLANEOUS STATISTICAL DATA**

This section provides additional information about the City, form of government, taxable subjects for local taxation, City's Fund Balance, Debt Management, Budget, and Investment policies. 155-160

#### **FINANCIAL TRENDS**

Tables 1-11 contain trend information to help the reader understand how the City's financial performance and well-being have changed over the time. 161-173

#### **REVENUE CAPACITY**

Tables 12-19 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 174-181

#### **DEBT CAPACITY**

Tables 20-24 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. 182-186

#### **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. 187-188

#### **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. 189-192

**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, 2019**

**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 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
United States Census 2018 (1).....	81,339

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

**FORM OF GOVERNMENT**

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

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

**SEGREGATION OF TAXABLE SUBJECTS FOR LOCAL TAXATION ONLY**

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

**ASSESSMENTS**

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

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



## CITY OF LYNCHBURG, VIRGINIA

### MISCELLANEOUS STATISTICAL DATA

June 30, 2019

(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: 2013-2019
- \$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: 2005-2019
- \$3.30 per \$100 assessed value: 1990-2004

##### Machinery and Tools:

- \$3.00 per \$100 assessed value: 1990-2019

##### Local Sales Tax:

- 1% + 4.3% VA tax: 2014-2019
- 1% + 4.0% VA tax: 2005-2013
- 1% + 3.5% VA tax: 1998-2004

##### Utility Consumers' Tax:

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

##### Business, Professional, and Occupational License:

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

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

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

**CITY OF LYNCHBURG, VIRGINIA**  
**MISCELLANEOUS STATISTICAL DATA**  
**June 30, 2019**  
**(Continued)**

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

Motor Vehicle License:

- \$29.50 for vehicles weighing 4,000 pounds or less: 2005-2019
- \$34.50 for vehicles weighing greater than 4,000 pounds: 2005-2019
- \$25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2019
- \$0.15 on pack of twenty cigarettes: 1990-2003

Lodging Tax:

- A tax of 6.5% of the charge made for each room rented per night. In FY 2018, Lynchburg changed the lodging tax from 5.5% to 6.5% plus \$1 per room per night.

Meals Tax:

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

Ambulance Services:

- Basic Life Services
  - Non-emergency transport fee - \$350
  - Emergency transport fee - \$500
- Advanced Life Support
  - Non-emergency transport fee - \$600
  - Emergency transport fee - \$425
  - Emergency transport fee if three or more different medications combined with at least one Advanced Life Support procedure are administered- \$850
- A fee of \$12/mile is charged for each mile that the patient is transported
- A fee of \$100 is charged when the patient is evaluated and treated by emergency medical services personnel when no transport occurs.

**TAXES DUE**

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

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

**DELINQUENT TAXES**

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

**CITY OF LYNCHBURG, VIRGINIA**  
**MISCELLANEOUS STATISTICAL DATA**  
**June 30, 2019**  
**(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, 2019**  
**(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, 2019**  
**(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 Chief Financial Officer. This Committee will provide broad policy oversight over investments. This policy will be reviewed on an annual basis. Any changes must be approved by the Investment Committee and be reaffirmed by City Council.

## CITY OF LYNCHBURG, VIRGINIA

TABLE 1

NET POSITION BY COMPONENT,  
LAST TEN FISCAL YEARS

(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 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	\$ 236,283,981
Restricted	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	3,540,436
Unrestricted	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)	(106,684,248)
Total governmental activities net position	<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>	<u>\$ 133,140,169</u>
Business-type activities										
Net investment in capital assets	\$ 167,081,709	\$ 180,332,606	\$ 182,791,158	\$ 189,456,676	\$ 196,909,298	\$ 205,192,151	\$ 209,526,622	\$ 218,449,553	\$ 224,892,828	\$ 235,078,795
Restricted	5,213	10,312	119,534	25,193	8,433	7,231	3,478	108,833	46,465	3,621
Unrestricted	20,419,761	18,709,510	19,388,092	19,764,741	20,968,416	10,828,849	16,266,676	16,867,521	7,589,878	12,507,989
Total business-type activities net position	<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>	<u>\$ 247,590,405</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 471,362,776
Restricted	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	3,544,057
Unrestricted	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)	(94,176,259)
Total primary government net position	<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>	<u>\$ 380,730,574</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 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	\$ 13,734,751
Judicial	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	6,673,671
Public Safety	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	49,901,450
Public Works	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	29,588,360
Health and Human Services	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	28,193,609
Culture and Recreation	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	10,792,828
Community Development	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	6,618,561
Education	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	45,787,500
Interest Payments and Fiscal Charges	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	7,000,819
Issuance Costs	483,236	170,210	28,450	29,815	204,180	875,409	268,267	-	346,067	-
Total governmental activities expenses	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	198,291,549
Business-type activities:										
Stormwater (1)	-	-	-	2,038,265	2,542,077	1,988,044	2,250,406	2,303,672	2,796,349	3,114,545
Airport	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	5,019,188
Water	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	14,845,315
Sewer	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	20,301,884
Total business-type activities expenses	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	43,280,932
Total primary government expenses	\$ 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	\$ 241,572,481

(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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Program Revenues</b> (see Table 3)										
Governmental Activities:										
Charges for services:										
General government	\$ 437,468	\$ 424,127	\$ 523,344	\$ 530,988	\$ 460,961	\$ 505,564	\$ 521,930	\$ 529,426	\$ 533,921	\$ 675,679
Judicial	846,930	686,417	781,941	917,900	816,341	785,268	807,987	628,411	558,501	445,007
Public safety	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	6,526,492
Public works	989,613	786,813	813,474	1,711,835	1,806,816	1,304,063	1,310,028	1,540,998	1,291,023	1,334,424
Health and human services	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	2,967,498
Cultural and Recreational	2,069,822	2,092,744	647,929	660,626	684,094	776,379	860,612	955,311	905,158	927,578
Community development	544,603	340,847	622,156	936,595	2,422,730	1,172,941	1,352,602	1,120,860	1,249,908	1,913,803
Operating Grants and Contributions	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	44,733,375
Capital Grants and Contributions	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	8,265,018
Total governmental activities program services	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	67,788,874
Business-type activities:										
Charges for services:										
Stormwater	-	-	-	3,355,267	3,124,545	3,268,776	3,209,504	3,208,044	3,212,572	3,227,746
Airport	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	2,775,975
Water	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	15,127,793
Sewer	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	23,723,563
Operating Grants and Contributions	203,659	202,704	158,129	951,522	810,040	417,601	409,592	394,959	395,048	397,320
Capital Grants and Contributions	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	11,794,517
Total business-type activities program revenues	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	57,046,914
Total primary government program revenues	\$ 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	\$ 124,835,788
<b>Net (Expense) Revenue</b>										
Governmental Activities	\$ (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)	\$ (130,502,675)
Business-type Activities	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	13,765,982
Total Primary Government Net Expenses	\$ (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)	\$ (116,736,693)

(Continued)



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

**CITY OF LYNCHBURG, VIRGINIA**

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes										
Property taxes	\$ 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	\$ 81,396,201
Local sales and use taxes	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	15,913,730
Meals taxes	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	14,958,842
Consumer utility taxes	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	4,673,911
Business license taxes	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	9,503,954
Communications sales and use taxes	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	2,877,715
Other taxes	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	7,745,217
Unrestricted intergovernmental	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	6,415,005
Interest	794,471	601,999	438,375	201,735	295,656	312,688	477,313	504,776	889,609	1,642,727
IRS interest subsidy - Build America bonds	283,891	146,839	293,680	293,680	270,332	272,388	272,975	273,563	273,856	274,884
Miscellaneous	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	733,225
Transfers	(261,260)	(259,950)	(417,961)	(336,330)	(218,809)	(60,658)	-	-	(135,751)	154,228
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	405,627
Total governmental activities	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	146,695,266
Business-type activities:										
Interest	207,953	206,665	210,782	108,977	132,701	96,910	136,484	231,789	546,939	1,064,934
IRS interest subsidy - Build America Bonds	287,632	148,776	297,551	297,550	273,896	275,978	276,573	277,168	277,466	278,508
Miscellaneous	49,847	79,613	148,571	45,232	22,332	22,966	56,305	90,785	93,369	90,949
Transfers	261,260	259,950	-	336,330	218,809	60,658	-	-	135,751	(154,228)
Gain (loss) on sale of assets	-	-	417,961	209,250	12,967	9,825	6,866	6,344	47,162	15,089
Total business-type activities	806,692	695,004	1,074,865	997,339	660,705	466,337	476,228	606,086	1,100,687	1,295,252
Total primary government	\$ 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	\$ 147,990,518
<b>Changes in Net Position</b>										
Governmental activities	\$ 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	\$ 16,192,591
Business-type activities	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	15,061,234
Total primary government	\$ 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	\$ 31,253,825

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Function/Program</b>										
Governmental Activities:										
General government	\$ 784,656	\$ 733,374	\$ 842,476	\$ 842,595	\$ 772,920	\$ 822,568	\$ 6,315,850	\$ 852,147	\$ 14,731,586	\$ 1,296,467
Judicial	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	4,366,657
Public safety	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	13,101,997
Public works	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	20,888,553
Health and human services	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	23,752,553
Cultural and recreational	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	1,193,224
Community development	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	2,864,423
Education	976,991	31,022	354,953	29,284	-	-	80,355	135,337	120,770	325,000
Subtotal governmental activities	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	67,788,874
Business-type activities:										
Stormwater (1)	-	-	-	4,005,267	3,774,545	3,543,776	3,484,504	3,572,102	4,042,606	3,502,746
Airport	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	5,312,847
Water	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	15,397,448
Sewer	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	32,833,873
Subtotal business-type activities	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	57,046,914
Total primary government	\$ 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	\$ 124,835,788

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

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

Note: One year of data is available for GASB 34 compliance. Nine 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$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	\$137,222,286
Regulatory licenses, permits and privilege fees	664,028	683,712	916,546	991,098	1,068,270	1,000,222	1,108,694	1,071,926	1,101,285	1,106,893
Intergovernmental	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	57,603,524
Fines and forfeitures	667,756	598,424	721,839	726,438	634,485	637,417	570,242	505,829	406,905	363,010
Revenue from use of money and property	2,177,785	1,962,064	749,017	506,030	702,100	820,000	1,051,355	1,243,844	1,496,011	2,296,990
Charges for services	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	15,500,824
Miscellaneous	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	3,636,735
Total revenues	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	217,730,262
<b>Expenditures</b>										
General government	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	16,547,404
Judicial	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	6,326,561
Public Safety	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	51,881,221
Public Works	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	21,227,308
Health and human services	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	28,731,703
Cultural and recreational	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	9,428,732
Community development	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	6,578,169
Education	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	38,318,576
Capital Outlay										
Capital general government (1)	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	21,053,810
Debt Services										
Principal Retirement	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	11,719,848
Interest payments and other fiscal charges	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	7,390,213
Issuance costs	483,236	170,210	28,450	29,815	204,180	875,409	268,267	-	346,067	-
Total expenditures	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	219,203,545
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(29,984,088)</b>	<b>(442,190)</b>	<b>1,008,799</b>	<b>284,045</b>	<b>(7,588,283)</b>	<b>(44,035,296)</b>	<b>(46,925,382)</b>	<b>(20,109,637)</b>	<b>(5,500,539)</b>	<b>(1,473,283)</b>
<b>Other financing sources (uses)</b>										
Proceeds from debt issues	36,180,000	-	-	-	-	83,225,000	15,680,000	-	182,562	2,274,450
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	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	7,642,818
Transfers out	(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)	(7,549,488)
Total other financing sources (uses)	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	2,367,780
Net change in fund balances	\$ 7,351,776	\$ (456,488)	\$ (136,599)	\$ (4,778,201)	\$ 160,240	\$ 47,063,689	\$ (30,415,427)	\$ (19,859,637)	\$ 7,559,851	\$ 894,497
Debt Service as a percentage of noncapital expenditures (2)	13.28%	9.95%	9.23%	8.56%	8.00%	9.44%	8.91%	9.18%	9.24%	9.64%

- (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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>										
Taxes	\$ 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	\$ 137,222,286
Regulatory licenses, permits, and privilege fees	664,028	683,712	916,546	991,098	1,068,270	1,000,222	1,108,694	1,071,926	1,101,285	1,106,893
Intergovernmental	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	37,433,967
Fines & forfeitures	667,756	598,424	721,839	726,438	634,485	637,417	570,242	505,829	406,905	363,010
Revenues from use of money & property	995,450	840,217	690,069	437,531	640,544	697,756	916,257	1,125,893	1,434,901	2,213,643
Charges for services	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	10,970,514
Miscellaneous	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	781,049
<b>Total revenues</b>	<b>157,124,538</b>	<b>159,184,103</b>	<b>162,666,074</b>	<b>169,308,031</b>	<b>173,619,523</b>	<b>176,615,630</b>	<b>180,853,471</b>	<b>184,021,445</b>	<b>186,818,862</b>	<b>190,091,362</b>
<b>Expenditures:</b>										
Current operating expenditures:										
General government	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	16,893,676
Judicial	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	5,088,929
Public safety	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	47,769,024
Public works	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	17,926,578
Health and human services	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	21,133,854
Cultural & recreational	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	9,320,532
Community development	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	5,041,335
Education	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	38,257,161
Capital outlay:										
Capital general government	-	-	-	-	-	-	-	-	649,712	37,309
Debt service:										
Principal retirements	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	10,649,783
Interest payments and other fiscal charges	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	7,321,643
Issuance costs	186,536	162,757	28,450	29,815	204,180	443,933	171,746	-	346,067	-
<b>Total expenditures</b>	<b>152,522,358</b>	<b>149,627,210</b>	<b>149,851,936</b>	<b>158,463,479</b>	<b>158,787,391</b>	<b>167,290,084</b>	<b>175,666,090</b>	<b>178,739,835</b>	<b>177,528,161</b>	<b>179,439,824</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>4,602,180</b>	<b>9,556,893</b>	<b>12,814,138</b>	<b>10,844,552</b>	<b>14,832,132</b>	<b>9,325,546</b>	<b>5,187,381</b>	<b>5,281,610</b>	<b>9,290,701</b>	<b>10,651,538</b>
<b>Other financing sources (uses):</b>										
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	464,020	546,826	283,272	18,524	4,761	325,036	366,572	1,585,000	252,397	643,814
Transfers out	(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)	(7,243,174)
<b>Total other financing sources (uses)</b>	<b>3,963,323</b>	<b>(9,436,629)</b>	<b>(11,411,841)</b>	<b>(9,833,271)</b>	<b>(10,100,245)</b>	<b>(10,460,528)</b>	<b>(15,236,915)</b>	<b>(3,286,092)</b>	<b>10,162,376</b>	<b>(6,599,360)</b>
<b>Net changes in fund balances</b>	<b>8,565,503</b>	<b>120,264</b>	<b>1,402,297</b>	<b>1,011,281</b>	<b>4,731,887</b>	<b>(1,134,982)</b>	<b>(10,049,534)</b>	<b>1,995,518</b>	<b>19,453,077</b>	<b>4,052,178</b>
<b>Fund balance - beginning, as restated (1)</b>	<b>37,178,893</b>	<b>46,880,303</b>	<b>47,000,567</b>	<b>48,402,864</b>	<b>49,414,145</b>	<b>54,146,032</b>	<b>53,011,050</b>	<b>42,961,516</b>	<b>44,957,034</b>	<b>64,410,111</b>
<b>Fund balance - ending</b>	<b>\$ 45,744,396</b>	<b>\$ 47,000,567</b>	<b>\$ 48,402,864</b>	<b>\$ 49,414,145</b>	<b>\$ 54,146,032</b>	<b>\$ 53,011,050</b>	<b>\$ 42,961,516</b>	<b>\$ 44,957,034</b>	<b>\$ 64,410,111</b>	<b>\$ 68,462,289</b>

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

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>										
Intergovernmental	\$ 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	\$ 91,790,234
Revenue from use of money & property	1,314	527	136	106	-	-	-	-	-	-
Charges for services	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	1,723,917
Miscellaneous	230,075	804,264	1,197,197	590,372	520,942	726,730	1,365,368	412,650	632,056	803,639
<b>Total revenues</b>	<b>83,692,782</b>	<b>74,292,804</b>	<b>76,799,947</b>	<b>81,005,474</b>	<b>82,206,008</b>	<b>86,320,073</b>	<b>92,653,954</b>	<b>95,261,756</b>	<b>92,712,147</b>	<b>94,317,790</b>
<b>Expenditures:</b>										
Education:										
Instruction	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	66,430,018
Administration, attendance, and health	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	5,675,250
Pupil transportation services	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	5,668,771
Operations and maintenance	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	10,899,422
Food service and other	-	-	-	5,633	16,087	24,670	21,358	12,153	16,691	15,344
Facilities	64,784	48,403	40,563	87,879	20,365	10,163	14,825	20,758	26,138	20,959
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	3,104,473
Capital outlay	1,683,684	709,526	1,999,266	3,253,181	862,639	742,418	2,813,555	1,147,768	1,445,076	1,759,244
Debt service:										
Principal retirements	920,908	642,489	480,697	264,931	109,353	-	-	-	-	-
Interest payments	72,838	44,389	22,256	8,261	970	-	-	-	-	-
<b>Total expenditures</b>	<b>83,596,620</b>	<b>74,459,194</b>	<b>76,568,369</b>	<b>81,264,741</b>	<b>81,709,458</b>	<b>86,571,184</b>	<b>92,594,491</b>	<b>94,016,276</b>	<b>93,833,876</b>	<b>93,573,481</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>96,162</b>	<b>(166,390)</b>	<b>231,578</b>	<b>(259,267)</b>	<b>496,550</b>	<b>(251,111)</b>	<b>59,463</b>	<b>1,245,480</b>	<b>(1,121,729)</b>	<b>744,309</b>
<b>Other financing sources (uses):</b>										
Transfers in (out)	(433,046)	(23,726)	-	(26,655)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(433,046)</b>	<b>(23,726)</b>	<b>-</b>	<b>(26,655)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(336,884)</b>	<b>(190,116)</b>	<b>231,578</b>	<b>(285,922)</b>	<b>496,550</b>	<b>(251,111)</b>	<b>59,463</b>	<b>1,245,480</b>	<b>(1,121,729)</b>	<b>744,309</b>
<b>Fund balance - beginning</b>	<b>791,939</b>	<b>455,055</b>	<b>264,939</b>	<b>496,517</b>	<b>210,595</b>	<b>707,145</b>	<b>456,034</b>	<b>515,497</b>	<b>1,760,977</b>	<b>639,248</b>
<b>Fund balance - ending</b>	<b>\$ 455,055</b>	<b>\$ 264,939</b>	<b>\$ 496,517</b>	<b>\$ 210,595</b>	<b>\$ 707,145</b>	<b>\$ 456,034</b>	<b>\$ 515,497</b>	<b>\$ 1,760,977</b>	<b>\$ 639,248</b>	<b>\$ 1,383,557</b>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Operating revenues:</b>										
Charges for services and other operating revenues	\$ 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	\$ 15,127,793
Total operating revenues	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	15,127,793
<b>Operating expenses:</b>										
Personal services and benefits	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	5,076,126
Operation and maintenance	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	1,301,725
Supplies and materials	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	1,362,100
Administration	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	1,550,316
Other charges	52,684	67,481	60,133	65,424	60,118	77,950	87,808	90,180	86,149	89,138
Depreciation	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	3,231,814
Total operating expenses	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	12,611,219
<b>Operating income</b>	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	2,516,574
<b>Nonoperating revenues (expenses):</b>										
Interest income	22,207	30,674	40,275	2,729	21,508	21,514	41,904	75,939	229,606	501,029
Governmental grants	-	-	-	72,289	13,103	-	-	-	-	-
Miscellaneous	29,613	19,585	10,847	16,535	2,122	2,781	1,028	1,131	1,001	33,101
Gain (loss) on disposition of assets	-	(293)	-	-	7,314	9,219	6,128	5,172	18,282	5,798
Interest on long-term debt	(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)	(2,208,099)
IRS interest subsidy - Build America Bonds	243,211	125,799	251,598	251,598	231,596	233,357	233,860	234,363	234,615	235,496
Total nonoperating revenues (expenses)	(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)	(1,432,675)
<b>Income before contributions and transfers</b>	(281,524)	397,707	738,370	514,262	900,887	1,788,911	703,875	1,750,902	1,041,390	1,083,899
Capital contributions	-	-	24,000	9,500	-	5,000	362,917	210,000	-	269,655
Transfers in	-	-	-	-	-	-	-	-	67,298	93,215
<b>Change in net position</b>	(281,524)	397,707	762,370	523,762	900,887	1,793,911	1,066,792	1,960,902	1,108,688	1,446,769
<b>Total net position - beginning, as restated (1) (2) (3)</b>	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	31,094,577
<b>Ending net position:</b>										
Net investment in capital assets	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	30,347,378
Unrestricted	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	2,193,968
<b>Total net position - ending</b>	<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>	<u>\$ 32,541,346</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**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Operating revenues:</b>										
Charges for services and other operating revenues	\$ 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	\$ 23,723,563
Total operating revenues	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	23,723,563
<b>Operating expenses:</b>										
Personal services and benefits	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	3,355,976
Operation and maintenance	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	3,636,697
Supplies and materials	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	1,661,637
Administration	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	2,580,626
Other charges	45,466	39,915	70,699	33,447	44,651	66,946	51,118	106,560	74,387	66,021
Depreciation	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	8,037,676
Total operating expenses	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	19,338,633
<b>Operating income</b>	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	4,384,930
<b>Nonoperating revenues (expenses):</b>										
Interest income	182,548	173,319	167,849	102,589	108,729	73,142	85,086	124,705	241,852	409,567
Governmental grants	93,000	93,000	-	93,667	10,759	-	-	219	-	-
Miscellaneous	15,985	15,936	125,336	11,999	11,170	10,400	11,821	19,605	47,687	47,717
Gain (loss) on disposition of assets	-	-	-	(160,294)	5,653	606	738	1,172	16,393	2,259
Interest on long-term debt	(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)	(1,077,985)
IRS interest subsidy - Build America Bonds	44,421	22,977	45,953	45,952	42,300	42,621	42,713	42,805	42,851	43,012
Total nonoperating revenues (expenses)	(1,160,954)	(1,171,998)	(1,020,588)	(1,141,058)	(969,914)	(959,567)	(989,068)	(797,311)	(719,289)	(575,430)
<b>Income before contributions and transfers</b>	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	3,809,500
Capital contributions	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	9,110,310
Transfers in					126,734	126,734	126,734		50,729	64,082
Transfers out	-	-	(3,401)	-	-	-	-	-	-	-
<b>Change in net position</b>	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	12,983,892
<b>Total net position - beginning, as restated (1) (2) (3)</b>	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	160,459,256
<b>Ending net position:</b>										
Net investment in capital assets	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	164,363,686
Unrestricted	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	9,079,462
<b>Total net position - ending</b>	\$ 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	\$ 173,443,148

(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 SEVEN FISCAL YEARS**

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

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

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Operating revenues:</b>										
Charges for services and other operating revenues	\$ 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	\$ 2,775,975
Intergovernmental	179,276	168,209	158,129	135,566	136,178	142,601	134,592	119,740	120,048	122,320
Total operating revenues	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	2,898,295
<b>Operating expenses: (2)</b>										
Personal services and benefits	940,547	962,868	917,266	942,087	970,660	1,006,709	1,018,464	1,058,236	1,097,115	1,151,858
Operation and maintenance	962,156	993,088	979,812	1,008,265	1,160,643	1,166,823	1,011,546	1,134,897	965,901	1,064,812
Supplies and materials	107,755	118,586	122,848	113,371	133,670	12,803	137,041	141,930	114,948	145,406
Administration	242,702	233,300	263,522	243,385	233,277	239,614	235,287	258,123	272,997	300,143
Other charges	20,088	15,794	21,416	18,000	16,800	24,384	20,637	27,399	29,752	31,762
Depreciation	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	2,284,681
Total operating expenses	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	4,978,662
<b>Operating loss</b>	(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)	(2,080,367)
<b>Nonoperating revenues (expenses):</b>										
Interest income	3,198	2,672	2,658	3,659	2,464	2,254	8,281	21,668	44,361	93,544
Governmental grants	24,383	34,495	-	-	-	-	-	-	-	-
Passenger facility charges (3)	377,504	350,002	321,031	-	-	-	-	-	-	-
Miscellaneous	4,249	44,092	12,388	16,697	9,040	9,724	20,004	70,047	44,190	10,131
Gain (Loss) on disposition of assets	-	(17,651)	-	137,762	-	-	-	-	12,487	7,032
Interest on long-term debt	(73,265)	(64,581)	(54,416)	(45,020)	(39,411)	(8,061)	(27,422)	(24,752)	(11,781)	(38,239)
Total nonoperating revenues (expenses)	336,069	349,029	281,661	113,098	(27,907)	3,917	863	66,963	89,257	72,468
<b>Loss before contributions and transfers</b>	(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)	(2,007,899)
Capital contributions	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	2,054,429
Passenger facility charges (3)	-	-	-	335,209	329,951	323,963	317,503	320,942	338,455	360,123
Transfers in	261,260	259,950	421,362	336,330	218,809	96,600	-	-	13,346	16,432
<b>Change in net position</b>	875,732	262,475	(506,501)	1,388,454	1,069,009	1,321,061	600,330	1,087,508	295,465	423,085
<b>Total net position - beginning, as restated (1)(2)(4)</b>	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	38,153,588
<b>Ending net position:</b>										
Net investment in capital assets	33,807,415	33,495,323	32,131,518	33,305,694	34,631,136	35,973,930	34,496,749	37,058,108	37,141,375	35,473,699
Restricted	5,213	10,312	119,534	25,193	8,433	7,231	3,478	108,833	46,465	3,621
Unrestricted	908,684	1,478,152	2,246,374	2,554,993	2,315,320	1,096,607	3,177,871	1,598,665	965,748	3,099,353
<b>Total net position - ending</b>	\$ 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	\$ 38,576,673

(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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Real Estate	\$ 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	\$ 57,541,054
PSC Taxes	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	2,596,128
Personal Property Tax	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	20,347,254
Penalties & Interest	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	1,218,007
Sales & Use Tax	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	15,913,730
Utility Tax	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	4,673,597
Business License Tax	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	9,398,263
Franchise License Tax	4,527	8,554	4,527	500	-	-	10,100	500	-	-
Communication Sales & Use Tax	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	2,877,715
Motor Vehicle Licenses	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	1,800,426
Bank Stock Taxes	685,879	901,240	817,990	722,734	769,284	831,103	836,320	834,986	829,988	953,307
Taxes on Recordation and Wills	525,417	381,719	461,835	549,056	486,321	592,113	504,432	614,673	629,846	694,483
Tobacco Taxes	953,513	936,648	974,864	1,025,289	975,078	936,024	900,484	903,846	870,084	846,122
Admission and Amusement Taxes	576,139	610,625	644,842	660,558	662,453	667,212	678,870	762,657	847,388	820,805
Hotel and Motel Room Taxes	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	2,648,042
Restaurant Food Taxes	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	14,893,353
Total General Government Tax Revenues	<u>\$ 112,551,637</u>	<u>\$ 115,044,676</u>	<u>\$ 116,760,078</u>	<u>\$ 122,436,720</u>	<u>\$ 125,237,029</u>	<u>\$ 127,770,649</u>	<u>\$ 130,022,195</u>	<u>\$ 132,895,836</u>	<u>\$ 134,835,168</u>	<u>\$ 137,222,286</u>

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

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

<b>Fiscal Year</b>	<b>Residential Property (3)</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Total Taxable Assessed Value (2)</b>	<b>Direct Tax Rate</b>
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
2019	3,503,663,800	1,440,950,200	362,489,500	5,307,103,500	1.11

Source: Real Estate Assessor, City of Lynchburg, Virginia

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

(2) Excludes tax-exempt property.

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

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

Fiscal Year	Real Property (1)					Personal Property (3)				Machinery and Tools		Total Assessed Value of Taxable Property	Total Direct Tax Rate (8)
	Residential Property (2)(6)	Commercial Property (2)(7)	Public Service Corporation	Total	Tax Rate	Personal Property	Public Service Corporation	Total	Tax Rate	Machinery and Tools (2)	Tax Rate		
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	676,603,014 (4)	31,249,795	707,852,809	3.80	169,680,373 (4)	3.00	6,299,242,727	7.91
2019	3,503,663,800	1,803,439,700	205,907,581	5,513,011,081	1.11	592,447,520 (5)	26,991,933	619,439,453	3.80	175,330,229 (5)	3.00	6,307,780,763	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) 2019 Personal Property Tax Levy in FY 2019. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2020 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	2019				2010			
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2019 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
AEP - American Electric Power	Utility	\$ 95,363,655	1	1.51 %	\$ 1,065,780	1.22 %	\$ 63,016,342	1	1.11 %
Frito Lay, Inc.	Food Manufacturer	57,757,916	2	0.92	1,250,889	1.43	42,411,145	6	0.75
Framatome (fmr Areva NP, Inc.)	Nuclear Power Design & Fuel	49,738,037	3	0.79	1,049,038	1.20	60,309,284	3	1.06
River Ridge, Ltd.	Shopping Mall	46,604,400	4	0.74	517,309	0.59	54,815,400	4	0.96
Wal-Mart Real Estate Business Trust	Retail	40,241,762	5	0.64	497,354	0.57	-	-	-
LSC Communications (fmr RR Donnelley)	Periodical Publication Printing	39,449,750	6	0.63	894,138	1.02	51,287,414	5	0.90
Columbia Gas of Virginia, Inc.	Utility	37,872,478	7	0.60	420,427	0.48	-	-	-
Verizon VA, Inc.	Utility	36,656,610	8	0.58	409,640	0.47	60,603,726	2	1.07
J Crew Inc.	Clothing	25,725,868	9	0.41	470,620	0.54	-	-	-
Carriage Square LTD	Apartment complex	22,790,500	10	0.36	252,975	0.29	-	-	-
C.B. Fleet Co.	Pharmaceuticals	22,554,380	11	0.36	440,825	0.50	-	-	-
Genworth Financial, Inc.	Life Insurance	22,254,440	12	0.35	464,971	0.53	38,562,054	7	0.68
Vistas LP	Apartments	20,689,900	13	0.33	229,658	0.26	20,171,000	9	0.35
CCRC, Inc.	Nursing Home/Assisted Living	20,302,100	14	0.32	225,353	0.26	18,802,100	10	0.33
LU Candler Station Holdings LLC	Shopping Center	19,011,400	15	0.30	211,027	0.24	21,085,400	8	0.37
Central Virginia Professional	Medical Office	16,725,700	16	0.27	185,655	0.21	-	-	-
IREIT Lynchburg Lakeside LLC	Shopping Center	16,490,000	17	0.26	183,039	0.21	-	-	-
700 Main Street LLC (Pacific Life Insurance)	Office building	16,356,727	18	0.26	240,802	0.27	-	-	-
Virginian Hotel	Hotel/conference center	15,183,636	19	0.24	186,928	0.21	-	-	-
Lynchburg Hotel Group	Hotels	14,410,253	20	0.23	179,202	0.20	-	-	-
Harris Corp.	Radio communications	13,477,100	21	0.21	149,596	0.17	-	-	-
REA Lynchburg LLC	Apartments	12,376,600	22	0.20	137,380	0.16	-	-	-
Lynchburg (Wards Crossing) LLC	Retail	12,047,400	23	0.19	133,726	0.15	-	-	-
Total		<u>\$ 674,080,612</u>		<u>10.69 %</u>	<u>\$ 9,796,332</u>	<u>11.19 %</u>	<u>\$ 431,063,865</u>		<u>7.58 %</u>
Total Assessed Valuation:		<u>\$ 6,307,780,763</u>					<u>\$ 5,688,407,895</u>		
Tax Levy:									
Real Estate		\$ 58,900,277							
Railroads and Pipelines		286,180							
Public Service Corporations		2,309,945							
Personal Property		<u>26,087,202</u>							
Total Tax Levy:		<u>\$ 87,583,604</u>							

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

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Levied for the Fiscal Year (1)	Adjustments (2)	Adjusted Levy	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (4)	Total Collections to Date	
				Amount	Percentage of Levy (3)		Amount	Percentage of Levy (3)
2010	\$ 73,945,100	\$ 365,936	\$ 74,311,036	\$ 71,488,683	96.68%	\$ 2,801,988	\$ 74,290,671	99.97%
2011	75,304,880	266,634	75,571,514	72,759,636	96.62%	2,782,737	75,542,373	99.96%
2012	76,467,417	293,888	76,761,305	73,256,961	95.80%	3,472,504	76,729,465	99.96%
2013	80,037,980	319,889	80,357,869	77,536,743	96.87%	2,784,043	80,320,786	99.95%
2014	80,297,119	360,875	80,657,994	78,239,826	97.44%	2,284,235	80,524,061	99.83%
2015	81,223,917	376,079	81,599,996	78,731,871	96.93%	2,709,615	81,441,486	99.81%
2016	82,721,284	188,877	82,910,161	80,478,895	97.29%	2,243,568	82,722,463	99.77%
2017	83,923,034	634,758	84,557,792	81,750,492	97.41%	2,495,756	84,246,248	99.63%
2018	85,534,487	714,412	86,248,899	83,113,348	97.17%	2,397,684	85,511,032	99.14%
2019	87,349,894	(428,978)	86,920,916	84,635,267	96.89%	-	84,635,267	97.37%

Source: Chief Financial Officer, City of Lynchburg, Virginia

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

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

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

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

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

	<u>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>	<u>2019</u>
Real Estate										
Locally Assessed	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11
Personal Property										
Locally Assessed	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Machinery and Tools	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Automobiles, Trucks and Business Equipment	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Public Service Corporations										
Equalized	1.05	1.05	1.05	1.11	1.11	1.11	1.11	1.11	1.11	1.11
Automobiles and Trucks	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Total Direct Tax Rate	7.85	7.85	7.85	7.91	7.91	7.91	7.91	7.91	7.91	7.91

Note: There is no overlapping government taxation.

Source:

City of Lynchburg Adopted Budget Fiscal Year 2019  
Commissioner of the Revenue for City of Lynchburg, Virginia [www.lynchburgva.gov](http://www.lynchburgva.gov)



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

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Taxable Retail Sales (2)</b>	<b>Taxable Retail Sales Per Capita (2)</b>
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	81,339	1,388,422,136	17,070
2019	81,339	*	*

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

Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given. 2010 through 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**

	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b><u>Water</u></b>										
Volume Rate/hcf*	\$ 2.13	\$ 2.22	\$ 2.29	\$ 2.38	\$ 2.38	\$ 2.43	\$ 2.43	\$ 2.55	\$ 2.68	\$ 2.68
Hydrant charge or 8" or smaller fire line	17.99	19.79	19.79	19.79	19.79	19.79	19.79	20.58	20.58	20.58
10" fire line	32.30	35.53	35.53	35.53	35.53	35.53	35.53	36.95	36.95	36.95
12" fire line	51.25	56.38	56.38	56.38	56.38	56.38	56.38	58.64	58.64	58.64
<b><u>Sewer</u></b>										
Volume Rate/hcf*	\$ 5.54	\$ 5.54	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.83	\$ 6.02	\$ 6.02	\$ 6.02

\* hundred cubic feet

**Monthly Service Charge Table**

	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b><u>Meter Size</u></b>										
5/8"	\$ 3.69	\$ 3.69	\$ 3.69	\$ 3.69	\$ 5.69	\$ 7.69	\$ 7.69	\$ 7.69	\$ 7.69	\$ 7.69
3/4"	3.69	3.69	3.69	3.69	6.69	9.69	9.69	9.69	9.69	9.69
1"	3.69	3.69	3.69	3.69	8.69	13.69	13.69	13.69	13.69	13.69
1-1/2"	3.69	3.69	3.69	3.69	13.69	23.69	23.69	23.69	23.69	23.69
2"	3.69	3.69	3.69	3.69	19.69	35.69	35.69	35.69	35.69	35.69
3"	3.69	3.69	3.69	3.69	33.69	63.69	63.69	63.69	63.69	63.69
4"	3.69	3.69	3.69	3.69	63.69	123.69	123.69	123.69	123.69	123.69
6"	3.69	3.69	3.69	3.69	123.69	243.69	243.69	243.69	243.69	243.69
8"	3.69	3.69	3.69	3.69	183.69	363.69	363.69	363.69	363.69	363.69
10"	3.69	3.69	3.69	3.69	303.69	603.69	603.69	603.69	603.69	603.69

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

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

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

Fiscal Year	Governmental Activities							Business-type Activities					Total Primary Government - Net Outstanding Debt Ratios				
	General Obligation Bonds	Direct Borrowings <sup>(1)</sup>	Literary Bonds	General Obligation Notes	Note Payable and Other	Capital Leases	Net Deferred Amounts <sup>(2)</sup>	General Obligation Bonds	Direct Borrowings <sup>(1)</sup>	General Obligation Notes	Public Utility Revenue Bonds	Net Deferred Amounts <sup>(2)</sup>	Total Primary Government (Principal Only)	Total Primary Government - Net		Total Primary Government - Net	
														Government - Net (Includes Net Deferred Amounts)	Percentage of Personal Income <sup>(3)</sup>	Government - Net Bonded Debt Per Capita <sup>(3)</sup>	
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	11.94%	4,604	
2018	169,882	12,496	-	183	4,978	-	12,610	79,953	1,400	618	93,217	5,709	362,727	381,046	12.15%	4,685	
2019	160,508	10,851	-	2,457	3,500	-	11,792	76,582	1,130	5,619	118,825	5,412	379,472	396,676	12.65%	4,877	

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

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.  
The City of Lynchburg is autonomous and entirely independent of any county or any other political subdivision of the Commonwealth of Virginia.  
Therefore, there is no direct and no overlapping debt related to governmental activities.

(1) Direct Borrowings were split out from General Obligation Bonds starting with FY 2018 to meet GASB 88 disclosure requirements.

(2) Net Deferred Amounts include Premiums and Discounts.

(3) See Table 25 for population and per capita personal income information. For FY 2019 and FY 2018, the FY 2017 amount for per capita personal income of \$38,560 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)
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	81,339	6,299,243 (5)	264,532	18,319	282,851	4.49%	3,477	81,971	5,709	195,171	3.10%
2019	81,339	6,307,781 (6)	257,147	17,204	274,351	4.35%	3,373	83,331	5,412	185,608	2.94%

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

(1) See Table 14 for Assessed Valuations and Table 25 for population information.

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

(3) Net Deferred Amounts include Premiums and Discounts.

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

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

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

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

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

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

These figures will be updated in FY 2020 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 2019**

Real Property Assessed Value	\$ 5,307,104
Public Service Corporations Real Property Assessed Value	205,908
Total Real Property Assessed Value (1)	<u>5,513,012</u>
Debt limit (10% of assessed value)	551,301
Debt applicable to limit:	
Less: General Obligation Debt	(257,147)
<b>Legal Debt Margin</b>	<u><u>\$ 294,154</u></u>

Description	Fiscal Years									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 506,924	\$ 514,821	\$ 513,186	\$ 517,062	\$ 516,248	\$ 520,266	\$ 532,834	\$ 536,633	\$ 542,171	\$ 551,301
Total net debt applicable to limit	<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>	<u>257,147</u>
Legal debt margin	<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>	<u>\$ 294,154</u>
Total net debt applicable to the limit as a percentage of the debt limit	41.61%	38.42%	35.87%	34.67%	34.43%	49.38%	50.34%	47.08%	48.79%	46.64%

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

(1) See Table 14 for Real Property Assessed Value information.

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

**PLEDGED REVENUE COVERAGE SEWER  
LAST TEN FISCAL YEARS**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Sewer Fund Operating Income</b>	\$ 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	\$ 4,384,930
Plus:										
Depreciation & amortization	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	8,037,676
Interest income received	226,969	173,319	167,849	102,589	108,729	73,142	85,086	124,705	241,852	409,567
Capital contributions from members										
Regional Sewerage Treatment Plant	431,486	474,581	451,645	480,922	614,353	1,015,339	525,856	616,250	549,989	504,507
Governmental grants & miscellaneous income	108,985	108,936	125,336	105,666	21,929	10,400	11,821	19,824	47,687	47,717
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	103,546
<b>Net Revenue per Indenture (1)</b>	<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>	<u>\$ 13,487,943</u>
<b>Debt Service</b>										
General obligation bonds										
Principal (2)	\$ 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	\$ 1,607,228
Interest	1,128,126	1,139,108	1,053,216	961,054	908,213	1,058,566	1,046,664	891,725	987,085	1,052,708
Total	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	2,659,936
Revenue bonds										
Principal (5)	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	6,351,572
Interest	368,782	338,122	306,510	273,917	240,312	210,084	174,501	137,815	99,989	60,988
Total	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	6,412,560
<b>Total Debt Service Principal and Interest</b>	<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>	<u>\$ 9,072,496</u>
<b>Debt Coverage</b>	<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>	<u>1.49</u>

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

(2) For 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.

**PLEDGED REVENUE COVERAGE STORMWATER  
LAST FISCAL YEAR**

	<b>2019</b>
<b>Stormwater Fund Operating Income</b>	\$ 330,011
Plus:	
Depreciation & amortization	275,261
Interest income received	60,794
Intergovernmental transfer (1)	(337,500)
Capitalized cost (2)	33,883
<b>Net Revenue per Indenture</b>	<b>\$ 362,449</b>
<b>Debt Service</b>	
General obligation bonds	
Principal	\$ -
Interest	106
Total	106
Revenue bonds	
Principal	40,331
Interest	-
Total	40,331
<b>Total Debt Service Principal and Interest</b>	<b>\$ 40,437</b>
<b>Debt Coverage</b>	<b>8.96</b>

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

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

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

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (thousands of dollars) (2)</b>	<b>Per Capita Personal Income (3)</b>	<b>Median Age (4)</b>	<b>School Enrollment (5)</b>	<b>Unemployment Rate (6)</b>
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	3,099,453	38,560	30.3	8,500	4.8
2018	81,339	*	*	30.3	8,438	3.9
2019	81,339	*	*	30.3	8,286	3.6

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

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

Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given. 2010 through 2018 are all based on a July 1st estimate published on January 28, 2019.

(2) U.S. Department of Commerce, Economic and Statistical 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 Statistical Administration, Bureau of Economic Analysis Report MAINC1 - Personal Income Summary - [www.apps.bea.gov/iTable.cfm?ReqID=70&step=1](http://www.apps.bea.gov/iTable.cfm?ReqID=70&step=1)  
The information was last updated March 6, 2019.  
The Table has been revised to reflect these changes.

(4) United States Census - 2010

(5) Virginia Department of Education reported by Lynchburg City Schools. Enrollment as of September 30 for each year 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](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 2019  
2019 Unemployment Rate has been adjusted to reflect the most current data available.

\* Information unavailable



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

<b>Employer</b>	<b>2019</b>	<b>2010</b>
	<b>Employees (3)</b>	<b>Employees (4)</b>
Liberty University (2)(5)	8000 +	3,171
Centra Health, Inc.	5000-5999	5,313
Lynchburg City Schools	1500-1999	1,321
City of Lynchburg	1000-1499	1,209
Framatome (10)	1000-1499	2,046
Genworth Financial Inc.	1000-1499	1,400
J. Crew Outfitters	1000-1499	950
Harris Corporation	500-999	
Horizon Behavioral Health (1)	500-999	663
KDC (8)	500-999	
Kroger, Inc.	500-999	619
Southern Air, Inc.	500-999	
Wal-Mart Stores, Inc.	500-999	800
C.B. Fleet Company, Inc.	250-499	
Central Virginia Community College	250-499	
Cocentrix	250-499	
Delta Star, Inc.	250-499	
Frito-Lay, Inc.	250-499	
LSC Communications (6)	250-499	
Norcraft	250-499	
Pacific Life	250-499	
US Pipe	250-499	
U.S. Post Office	250-499	
University of Lynchburg (7)	250-499	
Westminster-Canterbury	250-499	
Aerofin Corporation	100-249	
Bausch & Lomb	100-249	
BB&T	100-249	
Belvac Production Machinery	100-249	
BWXT (11)	100-249	
Flowers Baking Company	100-249	
Flowserve Corp.	100-249	
Hanwha Azdel	100-249	
International Paper (9)	100-249	
Lowe's	100-249	
News & Advance	100-249	
Parker-Hannifin	100-249	
Randolph College	100-249	
Tessy Plastics	100-249	
Thomas Road Baptist Church (5)	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 2019) Lynchburg City - Virginia		
Employment Commission		34,962
Employed Civilian Labor Force (June 2010) Lynchburg City - Virginia		
Employment Commission		35,335

Source: FY2019 numbers are derived from Office of Economic Development, City of Lynchburg, VA, or employer contact, as of June 30, 2019.

Source: FY2010 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 FY2010 Comprehensive Annual Financial Report.

(5) Combined numbers for TRBC and Liberty University for 2010

(6) Formerly RR Donnelly, and Meredith Burda. LSC closed on June 30, 2019.

(7) Formerly Lynchburg College

(8) Formerly Tri-Tech Laboratories

(9) Formerly Weyerhaeuser

(10) Formerly Areva

(11) Formerly Babcock & Wilcox

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

Functions/Programs	Full-Time Equivalent Employees as of June 30									
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Adopted
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 <sup>(1)</sup>
Primary government:										
Council Manager Offices	8.0	8.0	8.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0
Parking Division	2.5	4.5	4.5	5.0	5.0	5.7	5.7	5.7	5.7	5.7
City Assessor	12.0	10.3	10.0	10.0	9.6	9.6	9.0	9.0	9.0	9.0
City Attorney	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	7.9
Commissioner of Revenue (State)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Commissioner of Revenue (City)	7.0	6.4	4.4	4.4	4.4	4.4	4.4	4.6	4.6	4.6
Communications and Marketing	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Local Government Channel	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Citizens First Customer Service Center	3.5	3.5	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0
Financial Services	43.8	42.3	42.0	42.0	41.7	41.7	41.7	40.7	39.0	39.0
Financial Services-Human Services <sup>(2)</sup>	9.8	9.8	8.8	7.8	6.0	5.7	5.7	-	-	-
Human Resources	11.1	10.0	10.0	10.0	10.0	9.6	9.6	9.6	9.5	9.0
Information Technology	30.0	31.0	31.0	30.0	30.0	30.0	32.0	32.0	32.0	33.0
Internal Audit <sup>(3)</sup>	2.0	2.0	2.0	-	-	-	-	-	-	-
Registrar and Electoral Board (State)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Registrar and Electoral Board (City)	1.3	1.3	1.3	1.3	1.5	1.5	1.5	1.5	1.5	1.5
State Treasurer (State)	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
State Treasurer (City) <sup>(6)</sup>	-	-	-	-	-	-	-	-	0.7	0.7
Risk Management Fund	3.1	3.1	3.0	3.0	3.0	2.9	2.9	2.9	3.1	3.1
Circuit Court Clerk (State)	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Circuit Court Clerk (City) <sup>(6)</sup>	-	-	-	-	-	-	-	-	1.0	1.0
Circuit Court Judges	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Commonwealth Attorney (State)	15.6	15.5	15.9	14.9	14.9	15.2	14.0	14.0	14.0	14.0
Commonwealth Attorney (City)	1.1	1.0	0.8	2.8	2.8	1.7	2.2	5.7	4.8	4.8
Sheriff (State)	24.0	22.0	23.0	23.0	22.0	22.0	22.0	21.0	19.0	18.0
Sheriff (City)	6.9	6.9	7.4	7.4	8.6	8.0	8.4	8.4	8.3	8.3
Regional Juvenile Detention Center Fund	49.5	47.3	47.3	46.1	45.1	45.1	45.1	41.1	44.1	44.1
Police Department	203.9	202.7	202.7	197.9	199.8	199.8	200.8	204.3	204.0	207.0
Emergency Services	35.5	35.0	32.0	35.0	35.6	35.6	36.6	36.6	36.6	36.6
Fire Department	186.0	187.0	187.0	185.0	187.5	187.5	189.5	189.5	189.5	189.5
Public Works Administration	11.0	11.0	11.0	10.0	10.0	10.7	10.7	10.0	10.0	10.0
Buildings and Grounds Maintenance	78.0	73.7	76.2	71.8	72.3	72.3	74.2	74.3	74.3	74.3
Engineering Division	38.1	31.2	32.7	30.8	30.7	31.2	32.2	32.2	32.7	32.7
Street, Traffic, and Refuse Maintenance	52.5	50.4	52.4	52.2	47.5	48.5	46.3	47.0	46.2	46.2
Health and Human Services	174.7	168.5	169.9	164.4	170.1	167.9	170.5	176.3	173.3	173.3
Cultural and Recreational	98.9	99.1	96.7	91.2	97.4	94.6	97.0	95.0	94.0	99.4
Community Development	30.0	24.8	23.8	22.1	22.0	22.0	23.0	23.0	23.8	23.8
Economic Development, Tourism, and Visitor Center <sup>(4)</sup>	-	-	-	-	-	-	12.3	12.3	9.8	10.8
Economic Development <sup>(4)</sup>	3.0	3.0	3.0	3.0	3.0	3.0	-	-	-	-
Tourism and Visitor Center <sup>(4)</sup>	-	-	-	-	3.9	11.8	-	-	-	-
Fleet Services Fund	12.5	11.5	11.0	11.5	10.5	11.0	10.6	11.1	11.4	11.4
Business-type activities:										
Airport Fund	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7
Water Fund	68.4	67.4	68.4	66.1	69.1	69.0	70.4	72.4	73.4	75.4
Sewer Fund	50.0	50.0	55.0	50.4	52.5	52.5	53.5	55.5	55.5	58.5
Stormwater Fund <sup>(5)</sup>	-	-	-	5.8	5.8	7.1	7.1	9.1	9.0	10.1
Source: Adopted Budget Documents, City of Lynchburg, Virginia	1,328.5	1,294.8	1,299.3	1,269.0	1,285.9	1,291.2	1,302.5	1,309.4	1,304.4	1,320.4

(1) FY2019 actual will be available with the FY2021 adopted budget.

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

(3) Internal Audit was closed in FY2013.

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

(5) The Stormwater Fund began in FY2013.

(6) State Treasurer and Circuit Court did not have City employees prior to FY2018.

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Police										
Physical Arrests	6,605	7,039	6,879	6,835	5,927	5,435	5,047	4,608	4,614	5,084
Traffic Violations	12,672	11,437	12,506	12,483	10,366	10,344	8,581	5,667	5,887	6,064
Parking Violations	4,599	3,943	6,338	4,481	4,854	6,812	5,718	6,642	5,916	847
Fire (3)										
Number of Fire calls answered (per month)	518	574	511	315	268	241	277	296	284	175
Number of inspections conducted (1) (4) (5) (6)	567	767	469	254	291	192	441	332	465	587
Number of EMS calls	15,124	14,731	14,393	20,612	20,113	19,426	19,169	19,296	15,509	11,776
Sanitation and Refuse										
Refuse collected (tons/day)	69.35	69.74	70.14	72.96	65.58	55.70	63.17	65.37	65.50	69.53
Recyclables collected (tons/day)	7.23	7.31	6.85	6.46	5.26	4.10	7.09	6.04	5.27	4.27
Airport										
Total number of passengers	178,387	169,174	152,064	157,450	157,074	153,729	154,218	159,523	157,452	172,449
Sewage										
Number of service connections (2)	18,606	18,706	18,785	18,916	19,057	19,060	19,083	19,149	19,186	19,363
Average daily treatment in million gallons	12.99	11.09	10.57	10.35	12.20	11.33	12.97	11.19	11.53	14.80
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)	22,265	22,361	22,422	22,517	22,628	22,640	22,716	22,786	22,807	22,982
Average daily consumption of plant in million gallons	12	11	10	10	10	10	11	11	10	10
Maximum daily capacity of plant in million gallons	26	26	26	26	26	26	26	26	26	26

Source: City Departments, City of Lynchburg, Virginia

(1) 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units (8)	57	57	57	57	57	60	83	91	81	116
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	16	16	16	22	22	20	20	19	21	19
Highways and Streets										
Street (miles)	378.26	378.26	378.61	378.61	379.36	378.10	378.95	378.95	381.32	381.32
Streetlights	9,966	9,982	9,982	10,167	10,287	10,347	10,347	10,378	10,504	10,521
Traffic signals	119	119	119	120	120	121	120	116	113	113
Culture and Recreation										
Community centers	7	7	7	6	7	7	7	6	6	6
Senior centers	1	1	1	1	1	1	1	1	1	1
Parks (10)	20	21	21	21	21	21	21	21	21	21
Parks acreage (1) (7)	917	948	948	948	948	948	948	948	948	948
Swimming pools	1	2	2	2	2	2	2	2	2	2
Tennis courts (2)	40	40	40	40	40	40	40	40	40	40
Gymnasiums	7	7	7	7	7	7	7	7	7	7
Sewage system										
Storm sewers (miles) (3)	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped
Water										
Fire hydrants	3,080	3,111	3,156	3,177	3,204	3,210	3,230	3,253	3,289	3,303
Storage capacity (thousands of gallons)	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Sewer										
Average daily sewage treatment (MGD)	12.99	11.09	10.57	10.35	12.20	11.33	12.97	11.19	11.53	14.80
Maximum daily sewage treatment (MGD)	33.69	29.54	31.68	31.03	39.07	30.47	38.82	32.95	47.04	55.40
Transit - route service buses (4)	38	38	39	39	39	39	39	39	39	39
Transit - paratransit service buses (5)	11	11	10	14	14	14	17	13	13	13
Facility and service not included in the reporting entity:										
Education										
Number of elementary schools (6)	11	11	11	11	11	11	11	11	11	11
Number of secondary schools	5	5	5	5	5	5	5	5	5	5
Number of community colleges	1	1	1	1	1	1	1	1	1	1
Number of universities or colleges	4	4	4	4	4	4	4	4	4	4
Hospitals										
Number of hospitals	2	2	2	2	2	2	2	2	2	2
Number of patient beds	513	519	519	519	519	519	519	519	519	675

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.
- (8) Patrol units are defined as vehicles used by the Police department.

TABLE 30

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

<b>Student Enrollment, Employees and Schools by Fiscal Year</b>										
<b>Description</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Elementary School Membership	3,934	3,968	3,987	3,975	4,020	3,921	3,982	3,985	3,839	3,723
Secondary School Membership	4,438	4,359	4,317	4,133	4,171	4,216	4,191	4,270	4,213	4,258
Total Membership	8,372	8,327	8,304	8,108	8,191	8,137	8,173	8,255	8,052	7,981
Instructional and Administrators (1)	759	977	851	836	850	967	1,019	994	948	1,003
Support (1)	449	466	478	505	458	426	434	479	404	373
Total Employees	1,208	1,443	1,329	1,341	1,308	1,393	1,453	1,473	1,352	1,376
Elementary Schools (2)	11	11	11	11	11	11	11	11	11	11
Secondary Schools (3)	5	5	5	5	5	5	5	5	5	5
Total Buildings	16	16	16	16	16	16	16	16	16	16

(1) Includes only full-time equivalent positions funded through the operating budget. For 2010 - 2018, the classification of instruction assistants were not consistent. For 2019, all instructional assistants are included in the Instructional and Administrators category.

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

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

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

<b>Grade</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
K	718	696	740	735	732	567	667	670	636	630
1	702	726	705	720	738	719	701	653	664	625
2	648	670	676	662	692	696	677	695	630	626
3	632	620	643	643	619	658	675	675	624	594
4	639	629	615	601	642	638	637	662	653	623
5	595	627	608	614	597	643	625	630	632	625
6	598	605	621	609	604	615	619	630	591	626
7	619	593	586	608	607	608	597	616	609	595
8	581	622	593	567	613	585	597	613	595	601
9	706	642	669	629	599	639	610	641	646	660
10	719	666	580	623	609	596	619	595	623	632
11	619	672	625	534	606	612	591	605	549	587
12	596	559	643	563	533	561	558	570	600	557
Total	8,372	8,327	8,304	8,108	8,191	8,137	8,173	8,255	8,052	7,981

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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, 2019, 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 20, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 20, 2019

**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, 2019. 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, 2019.**

### **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 20, 2019

**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, 2019.

***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, 2019.**

## 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 20, 2019

**CITY OF LYNCHBURG, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2019**

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

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Budget and Appropriation Laws  
Cash and Investment Laws  
Conflicts of Interest Act  
Local Retirement Systems  
Debt Provisions  
Procurement Laws  
Comprehensive Services Act  
Uniform Disposition of Unclaimed Property Act  
Sheriff Internal Controls  
Stormwater Utility Program

*State Agency Requirements*

Education  
Social Services  
Urban Highway Maintenance

**FEDERAL 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, 2019**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** 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
WIA /WIAO Cluster:	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.278
Capitalization Grants for Clean Water	66.458
Special Education Cluster	
IDEA – Part B Section 611	84.027
IDEA – Part B Section 619	84.173
Title I	84.010
Temporary Assistance for Needy Families (TANF)	93.558

8. The **threshold** for distinguishing Type A and B programs was **\$799,218**.
9. The City of Lynchburg was **not** 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**.

(Continued)



**CITY OF LYNCHBURG, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2019**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS – 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.

**CITY OF LYNCHBURG, VIRGINIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2019**

**A. 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.

*Status:*

LCS was in agreement that there were issues with access and segregation of duties in the new Payroll system. In response, they adjusted the payroll processes/assignments for areas where the new system could not adjust to meet their control needs. 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.