

In the opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the City, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed under the Code, however for tax years beginning after December 31, 2022, interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel to the City, under the existing statutes of the Commonwealth of Virginia, interest on the Bonds is not includable in computing the Virginia income tax. See “TAX MATTERS” herein.

**NEW ISSUE —
BOOK-ENTRY ONLY**



**Official Statement
Relating To The Issuance Of
\$66,990,000
City Of Lynchburg, Virginia,
General Obligation Public Improvement Bonds, Series 2023**

RATINGS:
Fitch: “AA+”
Moody’s: “Aa2”
Standard & Poor’s: “AA+”
(See “RATINGS” herein)

Dated: Date of Delivery

Due: As Shown On Inside Cover

This Official Statement has been prepared by the City of Lynchburg, Virginia (the “City”) to provide information on the Bonds. Selected information is presented on this cover page for the convenience of the reader. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

The Bonds will be general obligations of the City, and the full faith and credit of the City will be irrevocably pledged to the punctual payment of the principal of and interest on the Bonds as they become due. In each year while the Bonds, or any of them, are outstanding and unpaid, the City Council of the City is 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.

The Bonds will be dated the date of their delivery and will mature in each of the years and in the principal amounts set forth on the inside cover of this Official Statement. Interest on the Bonds will be payable on August 1, 2023 and semiannually on each February 1 and August 1 thereafter.

The Bonds are issuable only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interests in the Bonds purchased. Payments of principal and interest will be made by wire transfer to DTC or its nominee, Cede & Co., which will then remit such payments to the DTC Participants, for subsequent disbursement to the Beneficial Owners of the Bonds, as described in APPENDIX F “DESCRIPTION OF THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM”. The Chief Financial Officer of the City will initially serve as Registrar and Paying Agent for the Bonds. The City reserves the right to appoint a successor Registrar and Paying Agent at any time in its sole discretion.

The Bonds are subject to redemption prior to their stated maturities at the option of the City as set forth herein.

The Bonds are offered when, as and if issued, subject to approval of their validity by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the City, as described herein. It is expected that delivery of the Bonds will be made through the facilities of DTC on or about March 7, 2023.

Dated: February 22, 2023

\$66,990,000
CITY OF LYNCHBURG, VIRGINIA,
GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS, SERIES 2023

Year (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP Number**
2023	\$1,305,000	5.000%	3.100%	55127LBV6
2024	2,020,000	5.000	3.080	55127LBW4
2025	1,900,000	5.000	2.940	55127LBX2
2026	1,995,000	5.000	2.750	55127LBY0
2027	2,100,000	5.000	2.660	55127LBZ7
2028	2,210,000	5.000	2.640	55127LCA1
2029	2,315,000	5.000	2.590	55127LCB9
2030	2,440,000	5.000	2.590	55127LCC7
2031	2,560,000	5.000	2.620	55127LCD5
2032	2,695,000	5.000	2.650	55127LCE3
2033	2,835,000	5.000	2.750*	55127LCF0
2034	2,985,000	5.000	2.850*	55127LCG8
2035	3,135,000	5.000	3.000*	55127LCH6
2036	3,285,000	5.000	3.230*	55127LCJ2
2037	3,460,000	5.000	3.410*	55127LCK9
2038	3,310,000	5.000	3.520*	55127LCL7
2039	3,465,000	4.000	3.900*	55127LCM5
2040	3,605,000	4.000	100.000	55127LCN3
2041	3,745,000	4.000	4.050	55127LCP8
2042	3,910,000	4.000	4.080	55127LCQ6
2043	970,000	4.000	4.110	55127LCR4
2044	1,010,000	4.000	4.150	55127LCS2
2045	1,055,000	4.000	4.180	55127LCT0

\$3,425,000 4.000% Term Bond Maturing August 1, 2048, Yield 4.300%, CUSIP** 55127LCW3

\$5,255,000 4.125% Term Bond Maturing August 1, 2052, Yield 4.350%, CUSIP** 55127LDA0

*Yield to the August 1, 2032 optional redemption date.

**CUSIP numbers have been assigned by an organization not affiliated with the City and are included solely for the convenience of the holders of the Bonds. The City is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated above.

CITY OF LYNCHBURG, VIRGINIA

CITY COUNCIL

Stephanie Reed, Mayor

Chris Faraldi, Vice Mayor

Mary Jane Dolan

Jeff S. Helgeson

Martin Misjuns

Larry Taylor

Sterling Wilder

CITY OFFICIALS

Wynter C. Benda, City Manager

Greg Patrick, Deputy City Manager

Donna S. Witt, Chief Financial Officer

Alicia L. Finney, Clerk of Council

Matthew Freedman, City Attorney

BOND COUNSEL

HAWKINS DELAFIELD & WOOD LLP

New York, New York

AUDITORS

BROWN, EDWARDS & COMPANY, L.L.P.

Lynchburg, Virginia

FINANCIAL ADVISOR

DAVENPORT & COMPANY LLC

Richmond, Virginia

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The information contained in this Official Statement (which term shall be deemed to include all Appendices to this Official Statement) has been obtained from the City and other sources deemed reliable. The information concerning DTC has been obtained from DTC. This Official Statement is submitted in connection with the sale of the securities described in it and may not be reproduced or used, in whole or in part, for any other purpose. The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create any implication that there have not been changes in the affairs of the City since the date of this Official Statement. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds.

No broker, dealer, sales representative or any other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page and inside cover page hereof, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Bonds will be exempt from registration under the Securities Act of 1933, as obligations of a political subdivision of the Commonwealth of Virginia. The Bonds also will be exempt from registration under the securities laws of the Commonwealth of Virginia.

The electronic distribution of this Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds described herein to the residents of any particular state and is not specifically directed to the residents of any particular state. The Bonds will not be offered or sold in any state unless and until they are either registered pursuant to the laws of such state, or qualified pursuant to an appropriate exemption from registration in such state.

In making an investment decision investors must rely on their own examination of the terms of the offering, including the merits and risks involved.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

Any References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document for purposes of, and as that term is defined in, Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend," "projection" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in APPENDIX A to this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**OFFICIAL STATEMENT
RELATING TO THE ISSUANCE OF**

**\$66,990,000
CITY OF LYNCHBURG, VIRGINIA,
GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS, SERIES 2023**

SECTION ONE: INTRODUCTION

The purpose of this Official Statement is to furnish information in connection with the sale by the City of Lynchburg, Virginia (the “City”), of its \$66,990,000 aggregate principal amount General Obligation Public Improvement Bonds, Series 2023 (the “Bonds”). The Bonds will be general obligations of the City to the payment of which the full faith and credit and unlimited taxing power of the City are irrevocably pledged. Financial and other information contained in this Official Statement has been prepared by the City from its records (except where other sources are noted). This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of the City.

The Issuer

The issuer of the Bonds is the City of Lynchburg located adjacent to Amherst, Bedford and Campbell Counties in the Piedmont section of Virginia within 14 miles of the geographic center of the Commonwealth of Virginia. The City is autonomous and entirely independent of any county or any other political subdivision of the Commonwealth of Virginia. The City had a population of 80,054 for calendar year 2021 as reported by the Weldon Cooper Center for Public Service.

Purpose and Use of Proceeds of the Bonds

The proceeds of the Bonds will be used to finance and refinance the costs of various public improvement projects of and for the City, including the refunding and redemption of the City’s outstanding Series 2020 Bond Anticipation Note. A more complete description of the use of proceeds of the Bonds is provided in Section Two.

The Bonds

The Bonds will be dated the date of their delivery and will mature on August 1 in each of the years and in the principal amounts in each such year set forth on the inside cover page of this Official Statement. The Bonds will be issued in the denomination of \$5,000 or any integral multiple thereof and will be held by DTC or by its nominee as securities depository with respect to the Bonds.

The Bonds will bear interest at the rates per annum set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on August 1, 2023 and semiannually on each February 1 and August 1 thereafter. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, on each interest payment date.

The record dates for the payment of principal of and interest on the Bonds are July 15, 2023 and each January 15 and July 15 thereafter.

The Bonds are subject to redemption prior to maturity as described herein under “SECTION TWO: THE BONDS — Description of the Bonds — *Redemption*”.

Delivery

The Bonds are offered for delivery, when, as and if issued, subject to the approval of their validity by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the City. Certain legal matters will be passed upon for the City by its City Attorney, Matthew Freedman, Esquire. It is expected that the Bonds will be available for delivery, at the expense of the City, in New York, New York, through the facilities of DTC, on or about March 7, 2023.

Continuing Disclosure

The City will execute and deliver to the Underwriter on the date of issuance of the Bonds, a Continuing Disclosure Certificate in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Ratings

The Bonds have been rated as shown on the cover page hereof by Fitch Ratings, One State Street Plaza, New York, New York 10004, Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York, 10007, and S&P Global Ratings, 55 Water Street, New York, New York, 10041. A more complete description of the ratings is provided in Section Three.

Additional Information

Any questions concerning the content of this Official Statement should be directed to Ms. Donna S. Witt, Chief Financial Officer, 900 Church Street, Lynchburg, Virginia 24504 (434-455-3968, email: donna.witt@lynchburgva.gov), or to the City's Financial Advisor, Davenport & Company LLC, One James Center, 901 East Cary Street, Richmond, Virginia, 23219 (804-780-2000).

SECTION TWO: THE BONDS

Authorization and Purposes of the Bonds

The Bonds are being issued in accordance with the provisions of Title 15.2, Chapter 26 of the Code of Virginia, 1950, as amended (being the Public Finance Act of 1991), and a Resolution duly adopted by the Council of the City on January 24, 2023.

A portion of the proceeds of the Bonds, exclusive of the costs of issuance thereof, will be used to finance the costs of the acquisition, construction, reconstruction, improvement, extension, enlargement and equipping of various public improvement projects of and for the City, including, but not limited to, transportation projects, school improvement projects, sewer improvement projects, water improvement projects, building projects, parks and recreation projects, economic development projects, airport projects and stormwater improvement projects, and to finance and refinance the costs of acquisition of fleet vehicles, public safety equipment, capital equipment and information systems technology. A portion of the proceeds of the Bonds will also be used to provide long-term financing for the costs of various public improvement projects of the City through the refunding and redemption on the date of issuance of the Bonds of the City's Series 2020 Bond Anticipation Note (the "Series 2020 BAN").

Sources and Uses of Funds

The following table sets forth the anticipated application of the proceeds of the Bonds for the purposes described above:

Sources of Funds

Principal Amount	\$66,990,000.00
Net Original Issue Premium ⁽¹⁾	<u>4,863,105.35</u>
Total Sources	<u>\$71,853,105.35</u>

Uses of Funds

Deposit to Capital Improvements Fund	\$42,102,934.97
Refunding of Series 2020 BAN	29,196,688.15
Costs of Issuance ⁽²⁾	<u>553,482.23</u>
Total Uses	<u>\$71,853,105.35</u>

⁽¹⁾ Based on the initial public prices of the Bonds.

⁽²⁾ Including underwriting compensation as discussed under "Sale at Competitive Bidding" in Section Three.

Description of the Bonds

General

The Bonds consist of one issue totaling \$66,990,000 aggregate principal amount of General Obligation Public Improvement Bonds of the City, to which the full faith and credit and unlimited taxing power of the City are pledged for payment (see "Security for the Bonds" herein). The Bonds are dated the date of their delivery, bear interest from that date payable on August 1, 2023 and semiannually on each February 1 and August 1 thereafter at the rates per annum set forth on the inside cover page of this Official Statement and mature on August 1 of the years and in the principal amount in each such year set forth on the inside cover page of this Official Statement.

The Bonds will be issued in fully registered form in the denomination of \$5,000 or integral multiples thereof and will be held by DTC, or its nominee, as securities depository with respect to the Bonds. Purchasers of beneficial ownership interests in the Bonds will be made only in book-entry form and individual

purchasers will not receive physical delivery of the Bonds. See Appendix F “DESCRIPTION OF THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM”.

Redemption

Optional Redemption

The Bonds maturing on and after August 1, 2033 (or portions thereof in installments of \$5,000) are subject to redemption at the option of the City prior to their stated maturities on or after August 1, 2032, in whole or in part at any time, in such order as may be determined by the City (except that if at any time less than all of the Bonds of a given maturity of any series are called for redemption, the particular Bonds or portions thereof in installments of \$5,000 of such maturity to be redeemed shall be selected by lot), upon payment of a redemption price equal to the principal amount of the Bonds to be redeemed, together with the interest accrued thereon to the date fixed for the redemption thereof.

Mandatory Sinking Fund Redemption

The Bonds maturing on August 1, 2048 are subject to mandatory sinking fund redemption on August 1, 2046 and on August 1 of each year thereafter and to payment at maturity in the principal amounts in each year set forth below, in the case of redemption with the particular Bond or Bonds maturing on August 1, 2048 or portions thereof to be redeemed to be selected by lot, upon payment of the principal amount of the Bonds maturing on August 1, 2048 to be redeemed, together with the interest accrued on the principal amount to be redeemed to the date fixed for the redemption thereof:

<u>Year</u> <u>(August 1)</u>	<u>Principal Amount</u>
2046	\$1,100,000
2047	1,140,000
2048†	1,185,000

†Final maturity.

The City, at its option, may credit against such mandatory sinking fund redemption requirement the principal amount of any Bonds maturing on August 1, 2048 which have been purchased and cancelled by the City or which have been redeemed and not theretofore applied as a credit against such mandatory sinking fund redemption requirement.

The Bonds maturing on August 1, 2052 are subject to mandatory sinking fund redemption on August 1, 2049 and on August 1 of each year thereafter and to payment at maturity in the principal amounts in each year set forth below, in the case of redemption with the particular Bond or Bonds maturing on August 1, 2052 or portions thereof to be redeemed to be selected by lot, upon payment of the principal amount of the Bonds maturing on August 1, 2052 to be redeemed, together with the interest accrued on the principal amount to be redeemed to the date fixed for the redemption thereof:

<u>Year</u> <u>(August 1)</u>	<u>Principal Amount</u>
2049	\$1,230,000
2050	1,285,000
2051	1,340,000
2052†	1,400,000

†Final maturity.

The City, at its option, may credit against such mandatory sinking fund redemption requirement the principal amount of any Bonds maturing on August 1, 2052 which have been purchased and cancelled by the City or which have been redeemed and not theretofore applied as a credit against such mandatory sinking fund redemption requirement.

Notice of Redemption

If any Bond (or any portion of the principal amount thereof in installments of \$5,000) shall be called for redemption, notice of the redemption thereof, specifying the date, number and maturity of such Bond, the date and place or places fixed for its redemption, and if less than the entire principal amount of such Bond is to be redeemed, that such Bond must be surrendered in exchange for the principal amount thereof to be redeemed and a new Bond or Bonds issued equaling in principal amount that portion of the principal amount thereof not to be redeemed, shall be mailed not less than 30 days prior to the date fixed for redemption by first class mail, postage prepaid, to the registered owner of such Bond at such registered owner's address as it appears on the books of registry kept by the Registrar and Paying Agent for the Bonds as of the close of business on the 45th day next preceding the date fixed for redemption. If notice of the redemption of any Bond (or portion thereof in installments of \$5,000) shall have been given as aforesaid, and payment of the principal amount of such Bond (or the portion of the principal amount thereof to be redeemed) and of the accrued interest payable upon such redemption shall have been duly made or provided for, interest on such Bond shall cease to accrue from and after the date so specified for redemption thereof.

Any notice of the optional redemption of the Bonds may state that it is conditioned upon there being on deposit with the City, or with the Registrar and Paying Agent for the Bonds or other agent designated by the City, on the date fixed for the redemption thereof an amount of money sufficient to pay the redemption price of such Bonds, together with the interest accrued thereon to the date fixed for the redemption thereof, and any conditional notice so given may be rescinded at any time before the payment of the redemption price of such Bonds, together with the interest accrued thereon, is due and payable if any such condition so specified is not satisfied. If a redemption of any Bonds does not occur after a conditional notice is given due to there not being on deposit with the City, or with the Registrar and Paying Agent for the Bonds or other agent designated by the City, a sufficient amount of money to pay the redemption price of such Bonds, together with the interest accrued thereon to the date fixed for the redemption thereof, the corresponding notice of redemption shall be deemed to be revoked.

So long as the Bonds are in book-entry only form, any notice of redemption shall be given only to DTC or to its nominee. The City shall not be responsible for providing any beneficial owner of the Bonds any notice of redemption.

Security for the Bonds

The Bonds will be general obligations of the City, and the full faith and credit of the City will be irrevocably pledged to the punctual payment of the principal of and interest on the Bonds as they become due. The Council of the City is 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.

Bondholders' Remedies in the Event of Default

Section 15.2-2659 of the Code of Virginia, 1950, provides that, upon the affidavit of any owner or any paying agent of any general obligation indebtedness of a political subdivision of the Commonwealth of Virginia (including the City) in default as to payment of principal or interest, the Governor shall immediately make a summary investigation and if such default is established to the Governor's satisfaction, the Governor shall immediately make an order directing the State Comptroller to withhold all

further payment to the political subdivision of all funds, or any part thereof, appropriated and payable by the Commonwealth to the political subdivision so in default for any and all purposes until such default is cured. The Governor shall, while such default continues, direct the payment of all such sums so withheld, or so much thereof as shall be necessary, to the owners of the indebtedness so in default, or the paying agent therefor, so as to cure, or to cure insofar as possible, the default on such indebtedness and the interest thereon. The Governor shall, as soon as practicable, give notice of such default and of the availability of funds with the paying agent or with the State Comptroller by publication one time in a daily newspaper of general circulation in the City of Richmond and, in the case of registered bonds, by mail, to the registered owners of such indebtedness. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659 has ever been issued. Although the provisions of Section 15.2-2659 have never been tested in a Virginia court, the Attorney General of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to that section. In the fiscal year ended June 30, 2022, total direct appropriations paid by the Commonwealth to the City amounted to approximately \$119,640,825, as reported by the City to the Auditor of Public Accounts of the Commonwealth.

Neither the Bonds nor the proceedings with respect hereto specifically provide any remedies to the Bondholders if the City defaults in the payment of principal of or interest on the Bonds, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the Bondholders upon the occurrence of such default. Upon any default in the payment of the principal of or interest on a Bond, a Bondholder could, among other things, seek to obtain a writ of mandamus from a court of competent jurisdiction requiring the City Council to levy and collect 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 as the same shall come due and otherwise to observe the covenants contained in the Bonds and the proceedings with respect thereto. The mandamus remedy, however, may be impractical and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Although Virginia law currently does not authorize such action, future legislation may enable the City to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code") if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the City could have adverse effects on the Bondholders including (1) delay in the enforcement of their remedies, (2) subordination of their claims to those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation indebtedness or the Bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

The City has never defaulted in the payment of either principal of or interest on any indebtedness.

Approval of Legal Proceedings

Certain legal matters relating to the authorization and validity of the Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the City. The opinion of Bond Counsel will be furnished at the expense of the City upon delivery of the Bonds and will be printed on or appended to the Bonds. The proposed form of the opinion of Bond Counsel is set forth in Appendix D to this Official Statement. Bond Counsel will express no opinion as to the Official Statement, and the opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the Bonds and to the exclusion of interest on the Bonds from gross income under present federal and Virginia income tax laws.

Tax Matters

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the City, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed under the Code, however for tax years beginning after December 31, 2022, interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinions, Bond Counsel has relied on certain representations, certifications of fact and statements of reasonable expectations made by the City in connection with the Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes of the Commonwealth of Virginia, interest on the Bonds is not includable in computing the Virginia income tax.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinions under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinions to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequences of any of the events in the preceding sentence or the likelihood of their occurrence. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, without regard to the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals

otherwise eligible for the earned income tax credit and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons acting in the capacity as underwriters, placement agents or wholesalers). In general, the issue price for each maturity of the Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of OID for federal income tax purposes, including various special rules relating thereto, and the State and local tax consequences of acquiring, holding and disposing of Discount Bonds.

Original Issue Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest that is unconditionally payable at least annually at prescribed rates), that premium constitutes “premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that result in the lowest yield on such Bond). An owner of a Premium Bond must amortize the premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the premium allocable to that period. In the case of a tax-exempt Premium Bond, if the premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of premium for federal income tax purposes, including various special rules relating thereto, and State and local tax consequences, in connection with the acquisition, ownership, amortization of premium on, sale, exchange or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally may be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal to accept delivery of and pay for the Bonds. The City's Financial Advisor will be responsible for obtaining the CUSIP numbers for the Bonds. The City is not responsible for the selection, use or assignment of the CUSIP numbers, and no representation is made by the City as to the correctness of the CUSIP numbers indicated herein or on the Bonds.

SECTION THREE: MISCELLANEOUS

Ratings

The City has applied to Fitch Ratings, One State Street Plaza, New York, New York, 10004, Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York, 10007, and S&P Global Ratings, 55 Water Street, New York, New York, 10041, for credit ratings on the Bonds. The initial credit ratings are set forth on the cover of this Official Statement. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions of rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any of such rating agencies if, in the judgment of either or both, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the City. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

Financial Advisor

Davenport & Company LLC, Richmond, Virginia, is employed as Financial Advisor to the City in connection with the issuance of the Bonds. Although the Financial Advisor assisted in the preparation and review of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement.

Sale at Competitive Bidding

The Bonds were sold at competitive bidding on February 22, 2023 (the "Sale Date"). The Bonds were awarded to Citigroup Global Markets Inc. (the "Underwriter") at a price to the City that results in underwriting compensation in the amount of \$184,222.50 from the initial public offering prices derived from the yields for the Bonds shown on the inside cover page of this Official Statement. The Underwriter supplied the information as to the initial public offering yields for the Bonds shown on such inside cover page. The Underwriter may offer to sell the Bonds to certain dealers and others at prices lower than the initial public offering prices, or prices derived from the yields, shown on such inside cover page.

Closing Certificates

In addition to the customary closing certificates, the Underwriter will be furnished at the time the Bonds are delivered a certificate of the City stating that the descriptions and statements, including financial statements, of or pertaining to the City contained in this Official Statement (other than under the caption "Litigation" in Appendix A hereto), on the Sale Date and at the time of delivery of the Bonds, were and are true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. Such certificate will further confirm that insofar as the descriptions and statements, including financial data, contained in this Official Statement of or pertaining to non-governmental bodies and governmental bodies other than the City are concerned, such descriptions, statements and data have been attained from sources believed by the City to be reliable and the City has no reason to believe that they are untrue or incomplete in any material respect.

The Underwriter will also be furnished on the date of delivery of the Bonds, a certificate signed by the City Attorney stating that the portion of this Official Statement entitled "Litigation" in Appendix A hereto on the Sale Date and at the time of the delivery of the Bonds was and is true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a

material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Continuing Disclosure

The City will execute and deliver to the Underwriter, a Continuing Disclosure Certificate, the form of which is set forth as Appendix E to this Official Statement, pursuant to which the City will covenant and agree, for the benefit of the holders of the Bonds, consistent with the Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), to provide to the Municipal Securities Rulemaking Board (the “MSRB”) annual financial information and operating data for the City, including audited financial statements of the City, within nine (9) months after the end of each fiscal year, beginning with the fiscal year ending June 30, 2023, and, in a timely manner not in excess of ten (10) business days after the occurrence thereof, notices of certain listed events with respect to the Bonds, as required by Rule 15c2-12 and as more particularly set forth in Appendix E to this Official Statement. The City will also agree to provide notice, in a timely manner, to the MSRB of any failure of the City to provide required annual financial information referred to in the Continuing Disclosure Certificate to the MSRB. The continuing obligation of the City to provide annual financial information and notices referred to above will terminate with respect to the Bonds when the Bonds are defeased or no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the Bonds.

For each of the fiscal years ended June 30, 2017 through and including the fiscal year ended June 30, 2021, the City failed to update certain financial and operating data (hereinafter referred to as the “Additional Annual Data”) in its annual reports filed on the MSRB’s EMMA website, as required by the City’s prior continuing disclosure undertakings relating to its general obligation bonds issued prior to calendar year 2017 (the “Prior Undertakings”). Certain of the Prior Undertakings relating to the City’s general obligation bonds issued prior to calendar year 2014 are no longer outstanding and the City no longer has any obligations thereunder. The City has made a late filing of the Additional Annual Data required by the City’s currently outstanding Prior Undertakings on the MSRB’s EMMA website on or prior to the date of distribution of this Official Statement.

Independent Auditors

The financial statements of the City, as of and for the year ended June 30, 2022, included in this Official Statement as Appendix B, have been audited by Brown, Edwards & Company, LLP, independent auditors, as stated in their report appearing herein.

Brown, Edwards & Company, LLP, independent auditors, has not been engaged to perform and has not performed, since the date of their report included in Appendix B, any procedures on the basic financial statements addressed in that report. Brown, Edwards & Company, LLP also has not performed any procedures relating to this Official Statement or the issuance of the Bonds.

Summaries and Descriptions

All summaries in this Official Statement of provisions of the Constitution of the Commonwealth of Virginia, statutes of the Commonwealth of Virginia, resolutions or other proceedings of the City, or other documents and instruments and of the Bonds are subject to the detailed provisions and judicial interpretations to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

This Official Statement and any advertisement of the Bonds are not to be construed as a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of these estimates will be realized.

Final Official Statement

The City has duly authorized the distribution of this Official Statement relating to the Bonds.

**CITY COUNCIL OF THE CITY OF LYNCHBURG,
VIRGINIA**

/S/ STEPHANIE REED

.....
STEPHANIE REED
Mayor

APPENDIX A

CITY OF LYNCHBURG, VIRGINIA

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CITY OF LYNCHBURG

General Description

Overview

The City of Lynchburg (the “City” or “Lynchburg”) is named for its founder, John Lynch, who, at the age of 17, established a ferry service across the James River in 1757. In October of 1786, the Virginia General Assembly granted John Lynch a charter, and a town was formed, Lynch’s Ferry House. The town later became known as Lynchburg, was incorporated in 1805 and became an independent city in 1852. Lynchburg, Virginia, is a city which remembers its past while focusing on the future. It is a vibrant central city, serving as the business and cultural center of the region, fostering a strong sense of community, promoting economic opportunity for all of its citizens and providing responsive, results-oriented government. An active community with 40 miles of urban trails and boasting friendly residential neighborhoods, Lynchburg has a tradition of outstanding public education. The City is also home to five colleges and universities including Liberty University, the largest private university in the Commonwealth of Virginia (the “Commonwealth” or “Virginia”).

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 14 miles of the geographic center of the Commonwealth. Although it serves as the core of a 2,000 square mile region, Lynchburg is autonomous and entirely independent of any county or any other political subdivision of the Commonwealth. The Weldon Cooper Center reported the City’s population to be 80,054 for 2021 and the population of the Lynchburg MSA, including the City and the Counties of Amherst, Bedford and Campbell, was reported to be 262,937 in the 2020 census.

City employees strive to fulfill their mission to deliver services to City residents and visitors in an efficient, effective and equitable manner and to build a stronger community. Lynchburg has received frequent recognition for its successes. 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. Recently the City of Lynchburg has been listed in Southern Living’s “Cities on the Rise,” Travel + Leisure Magazine’s “Best College Towns,” and Blue Ridge Outdoors’ “Top Adventure Towns.” The City once again was recognized nationally as a leader in using information technology to assist in service delivery. In its annual Digital Cities Survey, e.Republic’s Center for Digital Government and Digital Communities Program, the City of Lynchburg placed fourth in its population category (75,000 – 124,999). This is the 19th consecutive year the City of Lynchburg has been in the national top ten ranking for communities of its size. 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.

Organization of Government, Vision and Priorities

Council-Manager Government

The City has been organized under the Council-Manager form of government since 1920. The City Council is the governing body that makes all policy decisions for the proper administration of the City. The City Council is elected by the voters and is comprised of seven members, who elect a Mayor and Vice-Mayor from their members for a two-year term. Three City Council members are elected at-large and four are elected from wards. Terms are four years and a portion of the City Council is elected every two years. City Council is responsible for the appointments of three positions within the organization: A City Manager to act as administrative head of the City; a City Attorney to serve as its parliamentarian, and; a Clerk of Council to record and preserve the actions of City Council. The Manager serves at the pleasure of City Council, carries out its policies, directs City operations, provides financial and human resource management, and has the power of appointment and removal of all department directors and employees of the City.

City Council's Vision and Priorities

Vision: “A Great Place to Live, Work and Play.”

Mission: Deliver services to City residents, workers and visitors in an efficient, effective and equitable manner and to build a stronger community.

Values: Open Communication, Personal Responsibility, Integrity and Customer Focus.

City Council and staff have previously worked to develop, clarify, and operationalize the City's priorities in order to create an actionable plan that meets the needs of the community, known as *The Lynchburg Plan*, which is broken down into four priority areas: The City's growing and redeveloping economy; exceptional neighborhoods and strong families; a resilient, agile, and innovative organization; and impactful public schools. The City Council continues to work through *The Lynchburg Plan* to ensure it correctly represents the City Council's vision for the City. In early 2022, City Council further expanded on these areas of focus and identified the following key priorities in which they built the City of Lynchburg's Fiscal Year 2023 budget: Public Safety, Infrastructure, Lifelong Learning, Economic Development, and Quality of Life.

Lynchburg School Board

The City Council appoints a nine-member School Board to serve staggered three-year terms of office. Although the School Board is appointed by the City Council, under Virginia law all operations of the School Board are completely independent of the City Council and City administration. The School Board appoints a School Superintendent who serves at the pleasure of the Board and is responsible for the operations of the school system in accordance with Virginia laws, regulations of the state Board of Education, and the policies and regulations of the Board. The Superintendent recommends and the School Board appoints a staff which directs the three

divisions: School Financial Services, Instructional Services, and Operations and Administrations. The School Board presents an annual budget to the City Council, which is required to make an annual appropriation for school operations, but has no authority over how the appropriation is spent. The School Board is not empowered to levy taxes or incur indebtedness and all school facilities are titled to the City.

School Board's Vision and Priorities

The Vision: A Tradition of Excellence for All.

The Mission: Every Child, By Name and By Need, to Graduation.

Goal 1 – Student Growth, Development and Success: Lynchburg City Schools affirms that all students are challenged and are actively engaged through a variety of academic pathways, resulting in successful outcomes for post graduate education, career training or military service. Each Lynchburg City School will be accredited and the achievement gap closed.

Goal 2 – Personnel Growth, Development and Success: Lynchburg City Schools strives to recruit, hire, support, train, and retain employees to build excellence in education and, most importantly, to meet the needs of all students.

Goal 3 – Fiscal Responsibility: Lynchburg City Schools operates in an efficient, effective, timely and transparent manner with fiscal responsibility to meet our diverse financial needs and develop resources that advance educational outcomes of all students.

Goal 4 – Family and Community Engagement: Lynchburg City Schools purposefully works collaboratively with families, community, and businesses to provide the best education for our students.

The Lynchburg City School Board subsequently adopted these specific goals and rationale and equity habits have been set for each goal.

Lynchburg City Schools is presently engaged in a facilities master plan that will take into account both the educational programming needs and strategies of the school division and the building assets that are needed to support those programs. This master plan will be complete in 2023 and will inform future capital improvement plans.

Constitutional Officers

The Constitutional Officers of the City (the Commissioner of the Revenue, the Treasurer, the Commonwealth's Attorney, the Sheriff and the Clerk of the Circuit Court) are elected at-large by the citizens. They are not responsible to City Council, but closely coordinate their efforts with the Council and the City Manager.

Principal Officers

Elected Officials	Name	Term and Manner of Selection	Length of Service With City	Expiration of Term
Mayor and Council Member	Stephanie Reed	4 years (Elected)	1 month	12/31/2026
Vice Mayor and Council Member	Chris Faraldi	4 years (Elected)	2 years, 7 months	12/31/2024
Council Member	Mary Jane Dolan	4 years (Elected)	6 years, 7 months	12/31/2024
Council Member	Jeff S. Helgeson	4 years (Elected)	18 years, 7 months	12/31/2024
Council Member	Martin Misjuns	4 years (Elected)	1 month	12/31/2026
Council Member	Larry Taylor	4 years (Elected)	1 month	12/31/2026
Council Member	Sterling A. Wilder	4 years (Elected)	6 years, 7 months	12/31/2024

Government Officials	Name	Manner of Selection	Length of Service With City	Expiration of Term
City Manager	Wynter C. Benda	Appointed by City Council	1 year, 6 months	Pleasure of Council
Deputy City Manager	Greg Patrick	Appointed by City Manager	4 months	Pleasure of City Manager
Assistant City Manager	John H. Hughes, IV	Appointed by City Manager	6 years	Pleasure of City Manager
City Attorney	Matthew Freedman	Appointed by Council	2 years	Pleasure of Council
Chief Financial Officer	Donna S. Witt	Appointed by City Manager	23 years	Pleasure of City Manager
Superintendent of Schools	Dr. Crystal Edwards	Appointed by School Board	4 years	Pleasure of School Board

Certain City Administrative and Financial Staff Members

Wynter C. Benda City Manager

Wynter C. Benda was appointed as Lynchburg City Manager in 2021. Before coming to Lynchburg, Mr. Benda served as Norfolk, Virginia's Chief Deputy City Manager after having served as a Deputy City Manager. While in Norfolk, he led a portfolio of city departments that included the Departments of Planning, Intergovernmental Relations, Public Utilities, Public Works, Transit, Real Estate, Resilience and Communications.

Mr. Benda began his tenure with Norfolk in the City Manager's Office as Assistant to the City Manager in Norfolk, where he worked across multiple city departments. He has also served as the Senior Assistant City Attorney for the City of Hampton, the In-House Council for the Chesapeake Treasurer's Office and served as a Judicial Law Clerk for the 7th Judicial Circuit.

While at Norfolk, Mr. Benda was charged with overseeing several major economic development projects including negotiating a 30-year extension through 2060 of an existing water agreement with Virginia Beach valued at \$250 million, finalizing a \$30 million land sale agreement with Hampton Roads Sanitation District for the expansion of the Sustainable Water Initiative for Tomorrow (SWIFT) onto Lambert's Point Golf Course, spearheading a partnership with the Downtown Norfolk Council to establish Selden Market – Norfolk's first retail incubator space – in the Selden Market, and managing several catalytic opportunities in Ocean View adjacent to the Chesapeake Bay.

He also implemented the new Department of Transit, overseeing Norfolk's multimodal transportation portfolio and was involved in a multi-year initiative to redesign the city's transportation network.

Mr. Benda received a Bachelor of Arts degree from Hampden-Sydney College, a Masters of Divinity degree and a Masters of Theology degree from Union Presbyterian Seminary and a Juris Doctor from Regent University School of Law. He was born in Norfolk and raised in Virginia Beach. He and his wife Shannon have three daughters.

Greg Patrick Deputy City Manager

Greg Patrick is the Deputy City Manager for the City of Lynchburg. He previously served as Director of Budget and Strategic Planning for the City of Norfolk and began his duties with Lynchburg on September 28, 2022.

Mr. Patrick graduated from Virginia Tech with a Bachelor's degree in Resource Management and has a Master's degree in Accounting from Strayer University. In addition to his previous position, he also served as Budget Team Leader and Management Analyst III with the City of Norfolk.

During his time with Norfolk, Mr. Patrick helped guide the city to its first ever AAA credit rating, developed a formula to guide local K-12 operating funding and a capital funding model for

school construction, and created “Civic Lab,” which supports data-informed and innovative management in city operations and increased transparency in the community.

John H. Hughes, IV
Assistant City Manager

John H. Hughes, IV, was appointed as Assistant City Manager in December 2016. He previously served the City as the Children’s Services Act (CSA) Coordinator in Human Services from 2007-2016, as a Foster Care Social Worker from 2004-2007 and as a Youth Care Worker at the Lynchburg Regional Juvenile Detention Home from 1998-2000.

A native of Lynchburg, Mr. Hughes has earned an A.A.S. in General Studies from Central Virginia Community College, as well as a B.S. in Social Science, a B.S. in Business Administration, an M.B.A., and an Ed.D. in Leadership Studies all from the University of Lynchburg (formerly Lynchburg College).

Mr. Hughes serves on the City’s Community Policing Advisory Committee, Martin Luther King, Jr. Lynchburg Community Council, Juvenile Justice Advisory Board, Community Criminal Justice Board, African-American Cultural Committee, and the Central VA Continuum of Care. He is active with professional organizations including the Virginia Local Government Management Association, the National Forum for Black Public Administrators and the International City/County Management Association. He currently serves as a Board member for the Old City Cemetery and Arboretum.

Mr. Hughes is a member of the Omega Psi Phi Fraternity, Inc. and most enjoys the pleasures of fatherhood, music, history, recreation, and opportunities for transformational leadership.

Donna S. Witt
Chief Financial Officer

Donna S. Witt was promoted to Chief Financial Officer on June 14, 2006. For the six months prior to that date, she served as the Financial Services Department’s Interim Director, assuming the duties and responsibilities of the retiring Director on January 1, 2006.

Ms. Witt has worked for the City of Lynchburg since September 1999, first as the Billings and Collections Administrator, until July 2004, when she was promoted to Assistant Director of Financial Services. As Chief Financial Officer, Ms. Witt is responsible for directing overall financial planning and policy by identifying, monitoring, and analyzing the fiscal condition of the City. Further responsibilities include: managing all aspects of the City’s bonded indebtedness, including assessing debt capacity; coordinating bond issues and bond rating activities; and management oversight of the Accounting, Procurement, Budget, and Billings and Collections (including utility billing) Divisions.

A Kentucky native, Ms. Witt possesses 40 years of financial services experience, having received her Bachelor of Science Degree from Liberty University in 1983 with a Major in Accounting and a Minor in Business Administration. Immediately prior to her service with the

City, she was employed by Liberty University as Director of Accounting from 1989 to 1997 and Director of Budget from 1997 to 1999.

Ms. Witt completed an extensive governmental leadership program sponsored by the Weldon Cooper Center for Public Service at the University of Virginia. She is also a graduate of Leadership Lynchburg and was commissioned a Kentucky Colonel by the Governor of Kentucky.

Ms. Witt is a member of the National and State organizations of the Government Finance Officers Association of the United States and Canada. In fall 2011, she earned the designation of Certified Public Finance Officer and also earned the Virginia Government Finance Officers' Certificate. In July 2014, Ms. Witt completed the Harvard Kennedy School Executive Education Senior Executives in State and Local Government Program.

Crystal M. Edwards, Ed.D Superintendent

Dr. Crystal M. Edwards was appointed by the Lynchburg City School Board as the 13th Superintendent of Lynchburg City Schools.

Dr. Edwards has over thirty years of experience in education. She earned a B.S. in Secondary Education from Penn State University, an M.S. in Chemistry from Rutgers University, and an Ed.D in Educational Leadership, Management and Policy from Seton Hall University. She began the first five years of her career as a high school Biology teacher in East Orange, New Jersey. After East Orange, Dr. Edwards spent the next nine years as a high school Chemistry/Biology/Earth Science/Laboratory Techniques teacher in Hillsborough, New Jersey.

In 2001, Dr. Edwards joined the staff of the Metuchen, N.J. School District as the Supervisor of Math and Science, and after two years she moved on to become the Director of Math and Science for the Highland Park, N.J. School District. Much of her work in both districts focused on raising the academic performance of at-risk students, particularly in the area of math.

In 2005, Dr. Edwards became the Assistant Superintendent for Lawrence Township Public Schools in New Jersey. During her time as Assistant Superintendent she accomplished many things with the help of the administrative team and staff including revising the district's curriculum, establishing afterschool math and literacy programs for at-risk students, implementing a district-wide assessment and accountability system in grades K-10, developing career academies at the high school, and writing and being awarded a \$1.4 million grant for 1:1 mobile devices for students in grades 6 and 7.

In 2011, Dr. Edwards was appointed as the Superintendent for Lawrence Township Public Schools, with a student population of about 4,000, where she continued to pursue opportunities for excellence. She was instrumental in developing the District's 5-Year Strategic Plan and hosting an annual Community Conversation to gather input and share progress. Through the strategic planning process the community worked collaboratively with the district to increase the graduation requirements, increase enrollment and participation in the arts, institute programs and services to address teenage mental health, build two multi-purpose artificial turf fields, increase the number of students participating in service learning and community service, institute programs to enhance special education and support services, increase the number of parents and families participating

in school programs, and craft a \$25 million referendum for upgrades in HVAC, facilities and safety and security.

COVID-19 PANDEMIC

The information in this Section supplements the information provided elsewhere in this Appendix A and the other information in this Appendix A should be read in conjunction with the information in this Section. The information in this Section is subject to change without notice. The effects on the City of the COVID-19 pandemic may be affected by future events, circumstances and actions that are outside of the control of the City, and the City does not undertake to update or supplement the information contained in this Section for any such future events or circumstances.

On March 11, 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) a global pandemic. In response to the COVID-19 pandemic, the Governor of Virginia declared a state of emergency in the Commonwealth on March 12, 2020 and the United States declared a national state of emergency on March 13, 2020. During the course of the state of emergency in the Commonwealth, the Governor of Virginia issued several executive orders to address the effects of the COVID-19 pandemic and to employ different phases of restrictions and re-openings, similar to the executive orders issued by Governors across the United States, restricting individual, social, business and governmental activities in order to mitigate the spread of COVID-19. The state of emergency in the Commonwealth expired as of June 30, 2021 and there are currently no COVID-related mandated restrictions or limitations in effect with respect to individual, business and governmental activities.

The City closely monitored the COVID-19 pandemic and implemented the Governor of Virginia's executive orders. On March 15, 2020, the City Manager declared a local emergency and City Council consented to the declaration on March 17, 2020. The City worked closely with state and regional authorities and municipalities to implement a coordinated response to the pandemic and plan for reopening. The City provided comprehensive and updated information to residents and businesses about the pandemic on its website. Many City buildings, including City Hall, remained closed to the public to mitigate the risks of transmission of the virus until the executive order expired.

In response to the COVID-19 pandemic, the President of the United States has signed into law several pieces of legislation enacted by the United States Congress to provide relief, assistance and stimulus to individuals, businesses and state and local governments in the United States, including the Coronavirus Aid, Relief and Economic Security Act, known as the CARES Act. The CARES Act established a \$150 billion Coronavirus Relief Fund to help states and local governments with a population of 500,000 or more in the United States.

The City received approximately \$14.3 million of CARES funds allocated from the Commonwealth. This funding was used by the City for COVID-19 related expenses, including allocation of approximately \$2 million to the City's public schools, \$4 million to be disbursed as grant funding for small businesses, and the balance to public health and safety expenditures and investments.

The financial impacts of COVID-19 on the City's revenues for FY 2020 reflected slight growth (\$2.2 million) over FY 2019 due to a strong first two quarters. FY 2021 was adopted with a \$6.5 million decrease in budgeted revenues from the original budget proposed in March 2020 prior to the declaration of the national state of emergency. FY 2021 ended with a \$4.1 million increase in revenues over FY 2020 due to the economy opening in the fourth quarter. Further, extensive savings were recognized due to an increase in vacant positions. This trend continued for FY 2022 with the economy fully open, citizens spending stimulus funds and extensive vacancies continuing. The FY 2023 Adopted Budget reflects conservative budgeting due to inflation and the possibility of a recession within the fiscal year. See "Financial Information - General Fund Adopted Budgets for Fiscal Years 2022 and 2023" herein.

On March 11, 2021, President Biden signed the \$1.9 trillion American Rescue Plan Act (the "ARP Act") into law. The ARP Act builds upon certain provisions in the CARES Act and the Coronavirus Response and Relief Supplemental Appropriations Act.

The Coronavirus State and Local Fiscal Recovery Funds "SLFRP" was established by the ARP Act to provide \$350 billion in emergency funding for eligible state, local, territorial, and Tribal governments. The City received an allocation of SLFRP funds to be disbursed in fiscal years 2021 and 2022 in the aggregate amount of \$33.3 million. The U.S. Department of the Treasury detailed how these funds can be used to respond to acute pandemic response needs, fill revenue shortfalls among these governments, and support the communities and populations hardest-hit by the COVID-19 crisis.

Funds from the SLFRP may be used by state and local governments to cover costs that:

1. Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

In response to this funding, City Council agreed to spend the funds on revenue replacement providing government services. City Council then adopted capital projects to utilize the additional funds. This will allow certain capital projects to be constructed with cash instead of bond funds.

On January 30, 2023, President Biden announced that the federal government intends to end the national emergency and national public health emergency declarations relating to COVID-19 on May 11, 2023. There can be no assurance that future surges in COVID transmission rates will not occur, or that any such future surges will not result in new executive orders and governmental mandates. All of the short-term and long-term impacts of the COVID-19 pandemic on the economies of the United States, the Commonwealth, and the City cannot be determined at this time, and such impacts and effects may be materially adverse to the operations and financial conditions of the United States, the Commonwealth, and the City.

Government Services and Facilities

Introduction

The City of Lynchburg provides a broad array of municipal services to its citizens, including police and fire protection, collection of refuse, water, sewer and stormwater services, parks and recreation, libraries and museums, human services, maintenance of streets and highways, economic development, tourism and community planning. The City also operates a public school system including pre-school, kindergarten through twelfth grade, gifted, special, and technical education. Other services provided by the City, and which receive partial funding from the state, include health services, mental health and substance abuse assistance, and judicial activities. The City operates a regional airport with commercial and general aviation services and a regional juvenile detention center. Additionally, the City participates in a regional jail authority, a regional public safety radio authority, a regional landfill authority, regional economic development activities and transportation planning.

Lynchburg Public Schools

Lynchburg City Schools (LCS) is an urban school division consisting of a diverse population of students and employs faculty and staff who work together to provide the highest level of academic, artistic, and physical instructional programs and extra-curricular activities to ensure that each student reaches his or her full potential. The system operates eleven elementary schools, three middle schools and two high schools. In addition, three Schools for Innovation provide additional emphasis on science, technology, economics, performing arts, and foreign languages, and one year-round elementary school provides periodic intersessions concentrating on remediation and enrichment activities. LCS participates in three regional programs, the Central Virginia Governor's School for Science and Technology, the Lynchburg Regional Governor's STEM (science, technology, engineering and mathematics) Academy, and LAUREL Regional School (students with severe disabilities). LCS also participates broadly in the national Advanced Placement (AP) program making its schools among the Top 5% in the country in terms of the number of AP classes taken by students. The Empowerment Academy, which began in the 2016-17 school year, is designed to provide students with extra support to gain graduation credits.

The school division embraces one-to-one technology through LCS-One, a program that provides a Chromebook for every middle and high school student. The Career-Technical (CTE) program is consistently recognized in the Commonwealth and nation-wide with 70% of CTE students passing CTE certification tests. The E. C. Glass nuclear technologies course is one of only three courses like it in the country.

All schools are either fully or partially accredited by the Virginia Department of Education. The School Board has adopted a Strategic Plan that focuses on student growth and development and success, personnel growth and development and success, fiscal responsibility, and family and community engagement. LCS is a state and regional leader in programs and opportunities focused on growing student capacity in the areas of science, technology, engineering, and math (STEM). It is currently designated as the fiscal agent for two regional schools with a focus on science and technology, the Central Virginia Governor's School for Science and Technology (CVGS) and the XLR8-Lynchburg Regional Governor's STEM Academy. Both of these innovative schools highlight the collaborative nature of the Lynchburg region by serving not only Lynchburg students, but also students in the counties of Bedford, Campbell, Appomattox, and Amherst. CVGS and XLR8 have industry advisory boards and internship programs to ensure curriculum is relevant to the targeted workforce needs and growth patterns of the region. Students are actively engaged in informal learning opportunities through participation in robust regional robotics programs that allow students to interface directly with professionals in scientific and technical fields.

With partnerships from over 250 local businesses as well as record funding for the LCS Education Foundation, Lynchburg City Schools has the community support necessary to reach its vision of “A Tradition of Excellence for All.”

Lynchburg Public Schools - Operating Information

Student Enrollment, Employees and Schools by Fiscal Year

Description	2018	2019	2020	2021	2022
Elementary School Membership	3,839	3,723	3,683	3,420	3,433
Secondary School Membership	4,213	4,258	4,250	4,245	4,126
Total Membership	8,052	7,981	7,933	7,665	7,559
Instructional and Administrators (1)	948	1,003	1,018	1,046	1,044
Support (1)	404	373	389	349	273
Total Employees	1,352	1,376	1,407	1,395	1,317
Elementary Schools (2)	11	11	11	11	11
Secondary Schools (3)	5	5	5	5	5
Total Buildings	16	16	16	16	16

(1) Includes only full-time equivalent positions funded through the operating budget. For 2018, the classification of instructional assistants were not consistent. Beginning with 2019, all instructional assistants are included in the Instructional and Administrators category.

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

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

Source: Superintendent of Schools, City of Lynchburg, Virginia

Actual and Projected Student Enrollment by Grade and Fiscal Year

Grade	Fiscal Year Student Enrollment by Grade As of September 30, Actual Enrollment					Fiscal Year Student Enrollment by Grade As of September 30, Projected Enrollment		
	2018	2019	2020	2021	2022	2023	2024	2025
K	636	630	664	543	566	547	530	512
1	664	625	614	615	563	556	538	521
2	630	626	595	565	607	535	530	513
3	624	594	610	564	560	585	517	511
4	653	623	585	574	565	544	572	506
5	632	625	615	559	572	544	531	558
6	591	626	604	600	542	549	526	514
7	609	595	627	591	577	525	535	513
8	595	601	564	629	582	556	514	524
9	646	660	636	618	755	655	632	585
10	623	632	643	624	567	716	626	604
11	549	587	600	604	556	519	658	575
12	600	557	576	579	547	514	486	616
Total	8,052	7,981	7,933	7,665	7,559	7,345	7,195	7,052

Source: Actual Enrollment- Superintendent of Schools, City of Lynchburg, Virginia.

Projected Enrollment- Weldon Cooper Center for Public Service, University of Virginia, Charlottesville, Virginia

Lynchburg City Schools – School Buildings

School	Grade	Site Size (in acres)	Original Construction Date	Date of Additions	Maximum Capacity	Optimum Capacity	2022 Enrollment
Secondary:							
E.C. Glass High School	9-12	54.0	1953	1966, 1981, 2004	1,610	1,610	1,343
Heritage High School	9-12	56.0	2016	-	1,200	1,200	1,082
Dunbar Middle School for Innovation	6-8	14.0	1940	1949, 1957	789	789	558
Linkhorne Middle School	6-8	25.0	1966	1976, 2002	680	680	590
Sandusky Middle School	6-8	29.6	2010	--	675	675	553
Elementary:							
Bass Elementary School	K-5	14.3	1951	1963	276	276	170
Bedford Hills Elementary School	K-5	31.3	1958	1992	474	474	370
Dearington Elementary School for Innovation	K-5	6.1	1960	--	224	224	144
Heritage Elementary School	K-5	6.0	1957	1961, 1993	402	402	396
Hutcherson Elementary School	Pre-K	7.5	1960	2013	200	200	- (1)
Kizer ES (Laurel Regional Program)	Sp. Ed.	4.5	1968	--	225	225	- (2)
Linkhorne Elementary School	K-5	10.0	1964	1970, 1988	482	482	386
Paul Munro Elementary School	K-5	9.7	1962	1990	330	330	315
R.S. Payne Elementary School	K-5	4.5	1925	--	500	500	375
Perrymont Elementary School	K-5	33.0	1954	1956, 1993	412	412	352
Sandusky Elementary School	K-5	10.0	1964	1967, 1974	340	340	334
Sheffield Elementary School	K-5	12.8	1957	1961, 2001	480	480	390
T.C. Miller Elementary School for Innovation	K-5	4.2	1932	--	242	242	201
TOTAL							7,559 (3)

(1)Pre-kindergarten and Headstart are not included in enrollment totals.

(2)Kizer Elementary School houses a regional program for students with disabilities.

(3)School enrollment numbers by building may differ slightly from other enrollment numbers due to when data is collected by building.

Source: Superintendent of Schools, City of Lynchburg, Virginia.

Parks & Recreation

A city with outstanding cultural, educational and recreation opportunities, Lynchburg operates eighteen parks, one senior center and two natural areas comprising over 900 acres of public recreational land with an extensive 40-mile trail system. The parks serve those interested in sports and active recreation as well as those seeking a place to stroll, have a picnic or enjoy a quiet moment in a natural setting. The City also manages three community centers, six neighborhood centers, an Olympic size outdoor pool, a spray park and play fountain, numerous playgrounds, tennis courts, athletic fields and basketball courts. The largest community recreation center, the Miller Center, serves as the administrative offices for the Parks and Recreation Department and features a community theatre, commercial kitchen, an environmental education center, classrooms and community meeting spaces. Lynchburg Parks and Recreation Department

(LPRD) offers over 140 community recreation programs every four months in programming areas such as aquatics, health and fitness, nature, arts and crafts, special events, theatre, athletics, clubs, and many self-improvement classes. Recent marketing and programming efforts have gained LPRD a major boost in visibility and growing new customer/participant data base.

The department's most recent park project ribbon cuttings include the Biggers Park Renovation, a new Pump Track in Peaks View Park and a Solar Education Center in Ivy Creek Park. Besides new programming and bricks and mortar projects, Lynchburg Parks and Recreation also has over 30 community partnerships. Lynchburg Little League collaborated with LPRD to win the bid to host the 2022 Virginia Little League State Tournament. The department has taken strides to boost sports tourism to Lynchburg by upgrading facilities, developing various partnerships in disc golf, lacrosse, soccer, softball and mountain biking and focused strategic planning. A major department milestone is the completion and adoption of the Lynchburg Parks and Recreation Master Plan. A comprehensive plan that will serve as a roadmap for program offerings, capital improvement projects, trail additions and connectivity, new parks, fees and charges, health equity, staffing, and organizational restructure over the next 10 years. Also adopted in 2022 into the City's Comprehensive Plan was the Jefferson Park Master Plan and the College Park Master Plan. Some of the current department CIP projects include Peaks to Creeks Trail, Native Greenhouse Project, Jefferson Park Master Plan Implementation, and College Park Master Plan Implementation, Blueways Development and Creekside Trail Restoration.

Other recreational opportunities include hiking and biking on the James River Heritage Trail and in the Blue Ridge Mountains, swimming, fishing and boating on Smith Mountain Lake and the James River, disc golf courses in Bedford County, skiing at nearby Wintergreen Resort, year-round skiing at Snowflex, ice skating at Liberty University or taking in a minor-league baseball game at the Lynchburg City Stadium.

In November 2022, LPRD was honored with The Best New Special Event Award from the Virginia Recreation and Parks Society at their annual conference. The winning special event was the Haunted Trail along the tunnel section of Blackwater Creek Bikeway. The event sold out both nights. The Lynchburg Community Market staff was selected nationally to serve on the National Recreation and Park Society's Community of Practice for Farmers Markets. Only 11 Farmers Markets across the nation were selected to serve on this Board. The Red Cross awarded the National Lifesaving Award for successful CPR administration and lifesaving to a Miller Park Pool lifeguard and department aquatics training staff. The Neighborhood Centers continue to serve as feeding centers and satellite farmers markets. From June through July 2022 alone, the Neighborhood Centers served 5200 meals. The City of Lynchburg Parks and Recreation Department was inducted into the USA Softball of Piedmont Virginia Hall of Fame in 2022. The first mention of a softball team in the local paper was in 1965 when a team photo was printed. For the past 55 years the department has consistently registered their adult leagues and umpires under ASA/USA of Piedmont. Lynchburg City Schools Foundation Partners in Education presented the Master Partner Award in November 2022 to Lynchburg Parks and Recreation for 25 years of continued support and commitment.

Water, Sewer and Stormwater Systems

Achievements

The City of Lynchburg's Department of Water Resources operates three enterprise funds consisting of water, sewer and stormwater systems. The water and sewer systems serve the City and portions of three adjacent counties. The utility operations have been regularly recognized for excellent performance. In 2022, the Virginia Department of Health, for the sixteenth consecutive year, recognized the City with the "Water Treatment Plant Performance for Excellence in Filtration and Clarification" for consistently producing high quality water, three times cleaner than required by the U.S. Environmental Protection Agency, at the Abert and College Hill Water Treatment Plants.

Water Treatment and Distribution Systems

The City owns and operates its own public water supply and distribution system. The primary source of supply is a surface water impoundment reservoir, Pedlar Lake, located in Amherst County twenty-five miles from the City. The reservoir can be supplemented by the James River, which is sufficient to provide the City's total demand, if necessary. The City has over 465 miles of waterlines, some as large as 36" in diameter.

Raw water from the Pedlar Reservoir flows by gravity into two water treatment plants, College Hill and Abert. The College Hill Water Plant has a capacity of 14 million gallons per day (mgd) and the Abert Water Plant has a capacity of 12 mgd, for a total treatment capacity of 26 mgd. During the past two years (2020-2022) the highest one-day water demand for the City's distribution system was 15.3 million gallons, with an average daily demand of 10.69 million gallons for the fiscal year ended June 30, 2022. Both treatment plants meet or exceed current Virginia Department of Health standards and are operated in accordance with current Health Department requirements. Studies project that these two facilities have adequate capacity to supply the City's needs well beyond the year 2050. Treated water from the two plants is stored in 12 reservoirs with a total combined capacity of 31.2 million gallons.

Of the 23,268 active water customers in 2022, 20,828 were residential, 1,914 were commercial, 93 were industrial, 297 were institutional, 112 were municipal, 16 were irrigation only, and 8 were other accounts. In addition to serving the City of Lynchburg, portions of the counties of Amherst and Campbell are served on a wholesale basis. A portion of Bedford County is served with a negotiated agreement that includes minimum purchase requirements.

During FY 2021 and FY 2022, over 6 miles of new water lines were installed in the City. Water mains were replaced to improve fire flow protection to neighborhoods and to replace aging and undersized water lines. Work is continuing in the Downtown Central Business District with the completion of Main Street Renewal, the second downtown project, and work is nearly complete with the third project on Commerce Street. Work will continue in upcoming years to completely replace the water line infrastructure throughout this area. In addition, neighborhood water line and sewer line replacement projects were completed in Tinbridge Hill, Fairview Heights, Blue Ridge Farms, Harrison Street, and along 12th Street near R.S. Payne Elementary School and Dunbar

Middle School. Private development continued with installation of new water lines with projects at Blackwater Run, Townes at Locust Thicket, and Miller's Rest.

In FY 2021 and FY 2022, following the planned water tank inspection program, four of the City's twelve finished water tanks were inspected by a tank and coatings professional. These inspections noted no adverse conditions. In the past three years, the exteriors of the two Candler's Mountain water tanks and the interior of the 10.5 MG College Hill tank were refinished to extend their useful life. Design has begun for refurbishment of the two College Hill coagulation tanks, including equipment replacement and repainting.

Dams

The Water Resources Department has oversight responsibility for three City owned dams, Pedlar Lake, Abert Lagoon, and College Lake. The department's oversight responsibility includes dam inspections, emergency action planning and response, and grant proposals for all three dams. Each year, these dams are inspected by a registered professional engineer, and Emergency Action Plan exercises for each are conducted. Design for the removal of the College Lake Dam is complete and a project to remove it is anticipated to start Fall of 2023.

Wastewater Treatment and Collection Systems

The City owns and operates a Regional Wastewater Treatment Plant and a sanitary collection system serving 19,363 City sewer customers, representing 84% of the water customers. The treatment plant, which is located in the northeastern part of the City, serves all of the City and portions of the counties of Amherst, Bedford and Campbell. The plant has an average capacity of 22 mgd with a peak of permitted 44 mgd and treats the incoming sewage to secondary standards. The operational and capital costs of the facility are shared by the region's localities based on the amount of flow from each jurisdiction and capacity owned in the plant. For the fiscal year ending June 30, 2022 the average daily flow at the Wastewater Treatment Plant was 11.586 mgd, with a peak daily flow of 29.274 mgd. In support of Combined Sewer Overflow (CSO) reduction efforts to maximize flows through the plant during wet weather events, the plant now operates during wet weather events at rates over 70 mgd for short periods and 60 mgd for extended periods without permit exceedance. In 2020 and 2021, the wastewater treatment plant received the "National Association of Clean Water Agencies Silver and Gold Peak Performance Award" respectively for compliance with the National Pollutant Discharge Elimination System permit.

New wet weather capacity improvements required under the new 2015 CSO Special Order were completed in 2022. Work continues on various sewer system repairs and system extensions. The wastewater collection system consists of approximately 460 miles of pipes, ranging in size from 8" to 84". Additionally, in FY 2021 and FY 2022, the department with its sanitary sewer line maintenance program televised a total of 262,416 feet (approximately 50 miles) that allows efficient use of resources in determining clean out methods that include root removal by chemical treatment and or cutting, rodding and flushing. Several significant sewer collection system projects are ongoing revitalizing neighborhood sewer systems. The implementation began in FY 2016 for the City's Sanitary Sewer Evaluation Study (SSES) Program. Priority areas of the City's sewer collection system are being studied, inspected and cleaned over the course of a projected 10-year

period. The City has implemented an EPA recommended Capacity, Management, Operation, and Maintenance Program (CMOM) for the sewer collection system to insure its long-term viability.

Combined Sewer Overflow Program

One of the characteristics of the City's wastewater collection system, typical of some older cities, is the collection and transmission of sanitary waste and stormwater in the same pipes. While considered state of the art at the time it was constructed, system overflows during high rainfall events coupled with water quality standards established by the Clean Water Act, required remediation of the Combined Sewer Overflows (CSO). In December 1989, the City completed and submitted to the Virginia State Water Control Board (SWCB), an update to the CSO portion of the City's 1978 inflow/infiltration study. That analysis established that complete separation of the City's storm sewers and sanitary sewers was the most feasible and cost-effective option to eliminate the problem of untreated combined wastewater overflow during high rainfall events. Accordingly, complete separation was selected as the City's Long-Term Control Plan (LTCP) to improve water quality.

On August 19, 1994, the Virginia Department of Environmental Quality (DEQ) issued the City's sewage discharge permit and a Special Consent Order (Special Order) contingent upon the terms and conditions governing implementation of the LTCP. The permit required the City to implement the LTCP and to undertake certain combined sewer management practices designed to minimize CSO discharges until the sewer system was completely separated. The order established compliance criteria and project priorities for implementation of the LTCP. The order did not contain fixed dates for implementing the LTCP, but rather provided for implementation based on three criteria that reflected the limits of the City's financial capability. Of the original 132 combined sewer overflow points, 115 have been eliminated.

On July 31, 2015, the City was issued a new Consent Special Order which replaced the 1994 Order and implements a new LTCP. The new CSO LTCP calls for the remaining separation projects in the past LTCP to be replaced by wet weather capacity/treatment improvements at the wastewater treatment plant. Remaining projects in the CSO program are estimated to cost \$85 million over the next 5 years versus \$250 million over decades for the past LTCP, and the new plan will meet current water quality standards. In 2022, the City received two State grants. One State grant of \$25 million requires no City Match and another State grant of \$25 million requires City a match of 50%. These grants will provide funding for a significant portion designated for the design and construction of the wet weather storage improvements at CSO 52. Under the new LTCP, 17 overflow points will be left open permanently. The remaining major CSO interceptor sewer projects and WWTP storage and pumping improvements are now complete.

From July 1, 1993 to June 30, 2022, funding of \$339,121,597 has been authorized for CSO control projects, with expenditures totaling \$302,274,100. The new CSO Special Order financial criteria are listed below:

“The City shall demonstrate implementation of the LTCP to the limits of its financial capabilities if it achieves the following four criteria:

- Notwithstanding the provisions of Section II (b) in this Appendix, sewer volume rates for all City customers will be equivalent. At least every other year, the City shall adjust the annual sewer rates and fees so that the annual sewer billings for a residential customer with 7 HCF of the average monthly usage is equal to, or exceeds, 1.25% of median household income.
- Rates of contract customers added after execution of this Order will be based on a cost of service study that demonstrates annual revenue from that customer equals or exceeds the cost of providing service based on a rolling five-year average. The City will base these contract rates on a cost of service analysis that is updated at least every five years. The City shall provide DEQ a copy of this analysis.
- The City borrows funds for Option D2 (the approved LTCP projects), as well as other water-quality projects associated with the City's CSS, LTCP, and Facility, in order to maintain a sewer debt coverage ratio within the range of 1.1 to 1.5 computed on a rolling three- year average.
- The City annually adjusts sewer system reserve funds to equal no more than 40% of the subsequent fiscal years' budgeted operating expenses and debt service.”

Since 1994, the City has met every Special-Order requirement each year with exception annual sewer billings for a residential customer of 7 HCF sewer use per month as of July 1, 2022. The annual usage billings based on 7 HCF of sewer used per month did not equal to, or exceed, 1.25% of median household income. The July 1, 2022 sewer billing rate was based on an estimation of the median household income as July 1, 2022 during the fiscal year 2023 budget development process. The FY 2023 budget sewer volume rates increased from \$6.14 per hundred cubic feet to \$7.22 per hundred cubic feet (17.6%) in an effort to meet or exceed the 1.25% requirement. However, the consumer price index increased at a faster rate than anticipated. As a result, as of July 1, 2022, the annual sewer bill for residential customers with 7 HCF of average monthly sewer use was 1.21% of median household income based on estimates of median household income provided by the U.S. Census Bureau even with the 17.6% sewer rate increase.

Virginia Clean Water Revolving Loan Fund

Since 1994, in addition to receiving \$91 million in federal and state grants for CSO projects, the City has entered into CSO project related loan agreements with the Virginia Clean Water Revolving Loan Fund (VCWRLF). Throughout this period, the City has remained in full compliance with the financial requirements of each loan agreement and the Special Orders.

Water and Sewer Rates

To comply with requirements of the above noted Special Order, the City annually studies municipal water and sewer rates to determine necessary adjustments. Effective July 1, 2015 for 5/8” meter size the monthly service fee is \$7.69. Revenues from this monthly charge are allocated as follows: \$3.69 is divided equally between the Water Fund and the Sewer Fund. The remaining \$4.00 is divided one-third to Water and two-thirds to Sewer. This allocation is approximately the ratio of debt service between the two funds. Despite the costs of the CSO control program, as of July 1, 2022 Lynchburg’s combined water and sewer rates are 12.5% below the state average.

A comparison of FY 2021, FY 2022 and FY 2023 water and sewer rates is as follows:

	FY 2021	FY 2022	FY 2023
<u>Water</u>			
Volume Rate/hcf	\$ 2.68	\$ 2.68	\$2.77
Hydrant charge or 8" or smaller fire line	20.58	20.58	20.58
10" Fire line	36.95	36.95	36.95
12" Fire line	58.64	58.64	58.64
<u>Sewer</u>			
Volume Rate/hcf	6.14	6.14	7.22
<u>Other Charges</u>			
Monthly Service Charge	See Monthly Service Charge Table Below	See Monthly Service Charge Table Below	See Monthly Service Charge Table Below

Monthly Service Charge Table

Meter Size	FY 2021	FY 2022	FY 2023
5/8"	\$ 7.69	\$ 7.69	\$ 7.69
3/4"	9.69	9.69	9.69
1"	13.69	13.69	13.69
1-1/2"	23.69	23.69	23.69
2"	35.69	35.69	35.69
3"	63.69	63.69	63.69
4"	123.69	123.69	123.69
6"	243.69	243.69	243.69
8"	363.69	363.69	363.69
10"	603.69	603.69	603.69

Stormwater

Throughout its history, the City of Lynchburg has been linked to the James River. Federal and state regulations have increased focus on cleaning up the Chesapeake Bay and responsibility for good environmental stewardship has resulted in a higher emphasis on water quality issues over the last several years and the foreseeable future. Other than combined sewer overflows, the largest impact on water quality in Lynchburg's streams and the James River is urban stormwater runoff. The entire City drains to the James River, a tributary of the Chesapeake Bay, and is subject to pollution reduction requirements to restore the estuary. Approximately 45 miles of 254 stream miles in the City are listed as impaired. The City has held a Municipal Separate Storm Sewer System (MS4) General Permit with the state for discharge of stormwater runoff since 2003. In addition to the Minimum Control Measures, the permit addresses pollutants that have been identified in the Total Maximum Daily Loads (TMDL). Based on the assigned waste load allocations by the Department of Environmental Quality (DEQ), two TMDL action plans have been developed and continue to be implemented. The Chesapeake Bay TMDL Action Plan established a waste load allocation for nitrogen, phosphorus, and sediment reductions to waterways. The current MS4 General Permit identifies water quality improvement projects needed to meet the 40% reduction requirement combined with best management practices to treat, prevent

or reduce water pollution by 2023 with 100% reduction goals met by 2028. To date, the City has met these reduction goals through crediting of existing facilities and implementation of new stormwater management facilities or restoration projects. The James River Basin (Bacteria) TMDL Action Plan reduces sources of E.coli bacteria discharged in the stream segments that have been identified as impaired. In the future, the City will also be required to develop action plans for any additional pollutants identified in a TMDL approved before the General Small MS4 permit re-issuance if the impairment is included in the 303(d)/305(b) Integrated Report and the report identifies that the TMDL will be developed during that permit cycle. Currently, the lower James River is being studied for Chlorophyll-impairment and the results of the study underway may have an additional and significant impact on the City's water quality plan and the City's Wastewater Treatment Plant. Many tributaries in the City have been listed as having a Benthic-Macroinvertebrate impairment. In addition, the main stem James River along the Lynchburg corridor has been identified as having a polychlorinated biphenyls (PCB) impairment. Once developed, these TMDLs will require further measures to be implemented to address the impairment.

The City is responsible for repairs, maintenance, and replacement of the storm sewer infrastructure that drains rain runoff from roadways and properties throughout the City and stormwater management facilities that treat stormwater runoff. There are approximately 174 publicly owned stormwater management facilities that capture, detain, and/or treat stormwater runoff. The MS4 Permit requires the City to implement a maintenance program to ensure adequate long-term operation and maintenance of the stormwater management facilities, and conduct maintenance to address deficiencies identified through the inspection process. There are approximately 181 miles of publicly owned storm sewer pipes, 7.2 miles of large-diameter culverts, and 12,118 drop/curb/grated inlets. The department has performed an inventory of the existing stormwater conveyance collection system that includes data collection, inventory, and condition assessment of surface assets (inlets, manholes, ditches, outlets) and work is ongoing for the televising of the underground assets (pipes, underground storage). Prioritization of maintenance, repairs, and replacements is a continual process as inspection, data collection, and assessments are updated. As work priorities are being updated, so are maintenance schedules, standard operating procedures, and budget planning for the Capital Improvement Program. In FY 2021 and FY 2022, the department televised a combined total of 62,832 feet (11.9 miles) and cleaned a combined total of 10,877 feet (2.06 miles) of stormwater lines. Additionally, the department completed 11,667 inlet cleanings during the same time period. This work will result in various stormwater infrastructure projects that will address various issues in meeting federal and state water quality improvement initiatives, addressing local infrastructure needs, and improving water quality within the City's watersheds.

Stormwater Utility Fees

Stormwater utility fees are charged to owners or occupants of all developed property in the City and are based on the amount of impervious surface area on the property. The basic standard of 2,672 square feet is the average impervious area of a single-family unit (SFU). While there are three tiers for detached single-family dwellings, charges for other properties, including commercial, institutional and industrial, are based on actual measurements of impervious surface area converted into equivalent SFU's. Currently, each SFU is charged a monthly rate of \$4.17. A

credit program allows for a reduction in charges based on the implementation of stormwater management practices on individual properties.

Solid Waste Management

Regional Solid Waste Management

The City is a founding member of the Region 2000 Services Authority. In July 2008 the Services Authority took over operations of the City landfill on Concord Turnpike and Campbell County landfill on Livestock Road. Since then the two landfills have served the communities of Lynchburg and Campbell, Appomattox, and Nelson counties. The Services Authority has closed the Concord Turnpike facility; however, a residential convenience center, funded by the City of Lynchburg, remains on the site. Lynchburg citizens can bring up to 500 pounds of trash per month to the convenience center for free. In addition to the convenience center and its regular solid waste collection program, the City offers brush and bulk service on a routine basis at no additional fee. The City pays a tipping fee of \$30.25 effective July 1, 2019 to the Services Authority for disposal of solid waste. The City has provided its estimated portion of closure costs and post closure costs for the Concord Turnpike landfill to the Region 2000 Services Authority.

Disposal Fee Program

Revenues pay for a portion of the costs associated with residential trash collection. For many years residents and small businesses purchased an annual decal and/or purchased labeled bags to dispose of their weekly trash. In May 2020 City Council revised the ordinance to eliminate decals and instead apply a \$10 monthly fee to water bills. For overflow trash that does not fit in the City-issued cart, labeled trash bags can be purchased and set out alongside the cart. The official municipal prepaid trash bag is available at retail stores throughout the City. The bag manufacturing and retail inventory is being managed by a private contractor.

Recycling

Recycling is a voluntary effort. Five recycling collection centers are located at strategic locations throughout the City. This collection program, coupled with a cooperative effort with industry and large commercial business, has helped the City exceed the waste stream reduction requirements established by the Commonwealth. The collection centers provide recycling bins for newspapers, corrugated or mixed paper, aluminum, steel, and plastics.

Economic Development and Tourism

Established in 1983, the Office of Economic Development & Tourism, with the Economic Development Authority of the City of Lynchburg (the “EDA”), leads business retention and expansion, attraction and new business development and entrepreneurship development for the City. The City’s economic development & tourism functions were combined in 2017 with the strategic vision to build the pipeline to promote and develop businesses and drive investment in the City.

In 2018, the Office of Economic Development & Tourism engaged residents, business executives, community leaders and elected officials to create a five-year comprehensive economic

development strategy to build tomorrow's Lynchburg and ensure that all residents have the opportunity to thrive. To be the best small city in America, the City of Lynchburg requires a deliberate strategy for competing for new investment and talent. During the 2020 COVID-19 Pandemic, the Office of Economic Development & Tourism engaged with the business community and created a "Blueprint Reset for Resilience" to focus on three core goals.

The "Blueprint Reset" is built on three key priorities: support and grow Lynchburg businesses and destination assets, drive long-term economic growth and resilience and position Lynchburg as the best small city in America

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

In 2020, Flowers Foods invested \$25 million to expand and transform its Lynchburg bakery into an organic facility, creating 15 new jobs. The company operates 46 bakeries in 18 states, with more than 9,700 employees. Among the company's top brands are Nature's Own, Wonder, Dave's Killer Bread, and Tastykake.

In 2020, Bausch + Lomb, a leading global eye health business of Bausch Health Companies Inc. (NYSE/TSX: BHC), invested more than \$35 million to expand its manufacturing facility in the City of Lynchburg. In total, 79 new jobs will be created over the next five years.

In 2021, Virginia Metal Treating purchased 111 Lynchpin Lane from the Economic Development Authority in 2019 and completed a new \$5.7 million facility in Ivy Creek Industrial Park. Virginia Metal Treating specializes in heat treating for customers throughout the Mid-Atlantic, doubling their employment.

In 2020, CloudFit Software completed a \$5 million renovation in the historic Carter Glass Building in Downtown Lynchburg, serving as the company's new headquarters. CloudFit Software was founded in March 2018 by a group of cloud pioneers from Microsoft. The company is a select Microsoft partner serving Fortune 500 and Department of Defense customers. CloudFit serves as a consultant to its clients who are looking to upgrade their IT portfolios to run quickly and effectively in the Cloud. CloudFit software currently has hired 164 full-time-equivalent employees including both Lynchburg based and remote workers.

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

Also headquartered in Lynchburg, BWX Technologies, Inc. is a leading supplier of nuclear components and fuel to the U.S. government. In April 2018, BWXT announced that it had acquired Sotera Health's Nordion medical isotope business. This acquisition accelerates and de-risks

BWXT's entrance into the medical radioisotope market. The company will add licensed infrastructure, approximately 150 highly trained and experienced personnel and two production centers to BWXT.

The City's two Enterprise Zones coupled with expanded small business financing continue to produce substantial results. In FY 2022, \$1,122,817 in Enterprise Zone Real Property Improvement grants were awarded to 14 Lynchburg companies and organizations leveraging \$33.7 million in capital investment and supporting nearly 200 jobs.

The Local Enterprise Zone Redevelopment Program provides an investment overlay district corresponding to existing Enterprise Zone boundaries. The Program is designed to support small to mid-sized commercial property districts. In FY 2022, \$150,000 leveraged investment of more than \$13.7 million by small businesses making improvements to their buildings and storefronts in the City's Enterprise Zones.

The Real Estate Rehabilitation Program encourages renovation of older structures and helps to revitalize commercial neighborhoods by granting tax exemptions for eligible and qualified properties under rehabilitation/renovation. In FY 2022, 42 commercial properties were active in the program with more than \$53 million in improvements to the City's tax base.

In 2022, The City's Economic Development Authority received \$500,000 from the Environmental Protection Agency grant to support the assessment and redevelopment planning for eight formerly heavy industrial sites for commercial development. Formerly, the City has received over \$1 Million Federal and State Brownfields Grants to support these projects.

The City of Lynchburg must provide skills training and pathways to job opportunities within the City's target industry clusters, allowing residents to achieve their full economic potential and improve the City's fiscal growth and stability. The Office of Economic Development & Tourism coordinates HIRE Lynchburg, an economic empowerment initiative that helps to match low-income Lynchburg citizens with local skills training, job placement programs and community resources. By partnering with local agencies, citizens are able to acquire non-traditional work experience to further their career pathways. Programs such as Women in Machining and Career Readiness for Juvenile Offenders partnered with our local Juvenile Services department, VA Career Works and Vector Space to provide information and training to 14 individuals. Birth in Color is another partnership that provides training for women of color to become doulas and start their own business; HIRE Lynchburg is helping to fund this program.

In 2018, the City's Beacon of Hope scholarship launched the "Stay Close, Go Far" initiative. Beginning with the class of 2019, Heritage High School and E.C. Glass High School students – around 550 seniors each year – will be eligible for scholarships to attend Centra College of Nursing, Central Virginia Community College, Liberty University, Randolph College, Sweet Briar College and University of Lynchburg. In the first year, nearly 40% of graduates are pursuing college or technical certification on a Beacon of Hope scholarship. CVCC saw nearly a 60% increase in students from Lynchburg City Schools enrolling in a single year, from 85 students in 2018 to 136 in 2019.

CO.STARTERS is a ten-week program, offered by the Office of Economic Development and Tourism in partnership with the Small Business Development Center – Lynchburg Region, that equips aspiring entrepreneurs with the insights, relationships and tools to turn a passion into a sustainable and thriving business. This nationally-based program is designed to jump start entrepreneurial ideas and provide a foundation for success, all within a community of other entrepreneurs working together. Since 2016, the program has supported more than 100 individuals, many of whom have launched new businesses in the Lynchburg community.

The City’s James River Arts & Cultural District Program generates both economic and cultural activity. Coordinated by the Office of Economic Development & Tourism, with support from the National Endowment for the Arts and the Virginia Commission for the Arts – combined with locally generated amusement taxes – the District provides a local arts and cultural endowment to support activity. Since 2012, 177 projects have been funded generating more than \$22 million in local economic impact.

In 2017, the City of Lynchburg merged tourism efforts into the Office of Economic Development, believing that a continuum of investment in placemaking, building the City’s assets and marketing will make the City shine. Bolstered by tourism marketing and sales, meetings, conferences, sporting events and leisure travelers drive direct economic return for the City of Lynchburg.

Tourism drives spending in food and beverage, lodging, transportation, retail and recreation. In FY 2022, tourism jobs comprised 3,245 of the City’s local employment and \$18.9 million in state and local tax revenues, saving each Lynchburg household about \$688 in annual state and local tax collections. In FY 2022, tourism sales secured 60 groups/events across all target sectors – sports, meetings and conferences and group travel – with an estimated economic impact of \$10.94 million. In FY 2022, the Office of Economic Development & Tourism permitted 40 special events which generated \$1.5 million total in business sales generated. After the COVID 19 Pandemic, domestic tourism to the City of Lynchburg recovered 120% from July 2019.

In the fall of 2021, the Office of Economic Development & Tourism released the new Placemaking Brand Strategy, “LYH Loves You”, a bold message of inclusivity that leverages the state’s iconic messaging and works to instill pride in a city leaning into the future. The concept behind LYH Loves You revolves around the citizens, businesses and organizations of Lynchburg—and their stories. From print to social to organic promotion, the campaign will be a central rallying cry, one platform with spokes that reach residents, talent, businesses and visitors alike.

The LYH Loves You campaign goals are to: build community pride among residents to drive spending and support for local businesses and attractions, attract talent and visitors to the City, create and deliver consumable and engaging content, and position the City as a resource for economic development for both local businesses and decision makers.

Lynchburg is indeed “the City of Opportunity” with the right ingredients for success in business, research and commercial development and a thriving tourism economy. A highly-skilled and educated workforce, diverse industry sectors and affordable commercial real estate join with

a beautiful, amenity-rich community, and comprehensive physical and technological infrastructure to create a stable business environment.

Downtown

Quality of place has a major influence on where talent decides to locate. Communities that attract the most talented, highly skilled residents tend to have a strong local identity characterized by a diversity of cultural assets.

To this end, the City's commitment to downtown revitalization remains strong. In fall 2018, Lynchburg City Council adopted Downtown 2040, a new master plan to build upon the success and momentum of the 2000 Downtown and Riverfront Master Plan. The City continues to invest in new water and sewer infrastructure throughout Downtown Lynchburg, complete with new streetscape and pedestrian amenity improvements. There are currently more than 3,700 employees working daily in Downtown Lynchburg.

In May 2018, The Virginian Hotel opened, joining the Curio Collection of Hilton Hotels and Resorts. A centerpiece of Lynchburg since 1913, this magnificent hotel has been thoughtfully restored to its historic grandeur and refreshed with modern amenities. The property boasts 115 guest rooms and suites. In addition to in-room dining, the hotel is home to three diverse dining options from the Parry group, including Lynchburg's first rooftop restaurant, Skyline Rooftop, William & Henry Steakhouse, and Marigold Eatery. The historic ballroom has been restored to its former glory with the addition of contemporary event spaces for up to 440 guests and more than 8,000 sq. ft. of space for meetings, conferences and receptions.

After 60 years and a \$30 million renovation, the Academy Center of the Arts reopened an 800-seat theatre in December 2018. Built in 1905, the theatre has been closed since 1958. Its completion into the dynamic multi-facility Academy has already proven its value to the revitalization of Downtown Lynchburg, serving as a magnet for tourism, jumpstarting retail, restaurant and hospitality activity at a gateway to the City. The City of Lynchburg leveraged its support for the project with an Industrial Revitalization Fund from the Virginia Department of Housing and Community Development.

In 2022, City Council appropriated funding for major improvements to Riverfront Park to realize the vision set forth in the 2000 and 2040 Downtown & Riverfront master plans. Improvements will include an amphitheater, playground, public restrooms, fencing, lighting and more. Construction will begin in early summer 2023.

Other Infrastructure Improvements

The City continues to improve infrastructure around the City. The new Lakeside Drive bridge over Blackwater Creek was recently opened in Fall 2022. The project included construction of a new four lane bridge and roundabout at Lakeside Drive and Old Forest Road near the University of Lynchburg. Construction of the bridge was necessary in order to remove the deteriorating College Lake Dam. The Main Street Renewal project that replaced aging underground utilities, converted traffic from one-way to two-way on Main and Church Streets, and included streetscape and pedestrian friendly improvements was completed in December 2021. The new Wastewater Treatment Plant Headworks project was completed at the end of FY 2021. During

this multi-year project additional facilities were constructed to increase wet weather capacity at the treatment facility to mitigate the impacts of combined sewer overflows. Construction included an influent pump station with generator backup, screenings and grit removal systems, four million gallons of wet weather storage, disinfection machinery, and primary clarifier pump stations. Other completed projects include replacement of an existing bridge on Link Road, construction of the Bikeway Bridge to Linkhorne that expanded the City's trail system, and completion of the John Capron Drive road extension. The City also purchased land in Fall 2022 that will be used for the new Police Department Headquarters. Projects currently underway include design and upcoming construction for the new Police Department Headquarters, removal of the College Lake Dam, repairs to the Rivermont Avenue Bridge, and construction for the second phase of the Downtown Utility Line and Streetscape Improvement project. A large Virginia Department of Transportation and City funded project at the intersection of U.S. 501 and 221 is also under design.

Lynchburg Regional Airport

Lynchburg Regional Airport, owned and operated by the City of Lynchburg, is a full service commercial service Airport offering a full array of aeronautical services including scheduled airline service, aircraft charter, maintenance and avionics, fuel services, flight training, aircraft storage, and emergency med-flight services. As the primary commercial service airport for Central Virginia, Lynchburg Regional Airport's market area contains a population of more than 260,000.

The City has made significant Airport capital improvements over the past twenty years to meet both commercial and general aviation needs, including a full rehabilitation of both runways, constructing a new airfield maintenance facility, a new rental car service facility, a new airborne medical evacuation facility, a new general aviation terminal, a cluster of 12 T-hangar units, a 1,301-foot extension to the airport's main runway, a new and relocated Airport Rescue and Fire Fighting (ARFF) facility and acquisition of a new ARFF vehicle, replacement of the main terminal escalators and HVAC units, an upgrade to the airport security access systems, an extensive reconfiguration of the airport taxiways and ramp areas, a new Air Traffic Control Tower, a conversion of airfield taxiway lighting to LED, a new 13,800sf hangar and office space facility for lease to a corporate tenant, acquired a large multi-purpose snow removal unit, installed a general aviation aircraft self-service fueling facility, a commercial aviation passenger boarding bridge, and is nearing completion of a large "shovel-ready" north airfield development area suitable for additional hangar construction or aircraft maintenance facilities with taxiway access to the airports' two runways. Airport capital projects are funded by a combination of federal and state aviation funds, Passenger Facility Charges ("PFCs") and local (Airport) resources.

A lower fare structure put in place by American Airlines (the former US Airways) continues to attract travelers to Lynchburg Regional Airport in sustainable numbers. A growing local economy and increasing local college enrollment should continue to support additional traffic growth. The Airport has been self-sustaining for the past seven years and no subsidy to the Airport from the City is expected to be necessary for the foreseeable future.

Lynchburg Regional Airport has received a total of over \$16 million in COVID-19 related CARES/CRRSA/ARPA/BIL federal grant awards. These grants expire at various times through September 2026 and are available for lost revenue replacement and certain eligible capital projects.

Before the impact of COVID-19, the airport had a total of 14 scheduled airline arrivals and departures daily. In FY 2022, the Airport operated on a self-sustaining basis with 10 - 12 scheduled arrivals and departures and expects to be operating with a similar number of flights well into 2024 or until the airline industry is able to fully recover from the economic effects of COVID-19.

Greater Lynchburg Transit Company

The Greater Lynchburg Transit Company (“GLTC”) was created in 1974 to provide for the continued operation of the public transportation system after the closing of the private Lynchburg Transit Company. GLTC was chartered by the State Corporation Commission as a public service corporation whose outstanding stock is owned entirely by the City. It is managed by a nine-member board of directors appointed by City Council. In 2014, GLTC celebrated the opening of a LEED Platinum Certified transfer center adjacent to the Kemper Street train station; the facility has won numerous awards for design and energy efficiency. Construction on a new Operations and Maintenance (O&M) Facility was completed in March, 2017. The O&M facility features 50,000 square feet of space and is the first brand new operations facility in since 1922.

GLTC has received the following funds to assist its operations:

Fiscal Year	City of Lynchburg	Federal Transit Administration ¹	Virginia Department of Rail & Public Transportation ²	Passenger Revenue	Liberty University	Other ³	Total
2013	\$ 1,369,262	\$ 1,845,335	\$ 1,435,818	\$ 1,087,387	\$ 1,162,567	\$ 158,226	\$ 7,058,595
2014	1,194,239	1,973,720	1,673,517	1,129,554	1,005,196	154,176	7,130,402
2015	1,394,038	2,039,536	1,463,711	1,006,069	1,341,618	201,830	7,446,802
2016	1,394,038	2,019,195	1,449,024	962,974	1,236,898	181,610	7,243,739
2017	1,675,805	2,049,373	2,022,327	853,419	2,239,525	163,641	9,004,090
2018	1,775,805	2,274,007	1,692,950	782,759	1,660,504	194,790	8,380,815
2019	1,728,785	2,067,226	2,022,003	750,431	1,435,415	200,004	8,203,864
2020	1,728,785	2,357,625	2,300,500	593,258	249,680	158,063	7,387,911
2021	500,000	3,676,764	2,198,620	388,288	293,964	177,479	7,235,115
2022	1,642,346	2,873,705	2,855,125	470,089	0	233,718	8,074,983

1 Received upon evidence of compliance with requirements of the U.S. Federal Transit Administration as reimbursements for the operating expenses incurred by GLTC through formula and discretionary 5307, 5339, and other funds.

2 The Virginia General Assembly provides for a maximum reimbursement of 50% of public transportation-related maintenance materials and supplies.

3 Miscellaneous revenues received from Amherst County, advertising, insurance proceeds, and non-operating revenues

Source: Greater Lynchburg Transit Company.

Risk Management

In 1986, due to the unavailability of certain coverages and the large increase in premiums where coverage was still available, the City Council adopted a Self-Insurance Plan to guide the management of municipal liability risks. Currently, the City is self-insured for general liability and automobile liability claims. The City purchases primary insurance coverage for risks related to property, boiler and machinery, surety bonds and airport liability. City property is insured up to a limit of \$508 million per occurrence. Other liability policies provide up to \$60 million coverage in aggregate. Police Professional Liability and Public Officials’ Liability claims are

covered through a policy with the States Self Insured Risk Retention Group, with a \$500,000 deductible per claim. Total premiums for all insurance coverage purchased for the year ended June 30, 2022 were approximately \$839,307. The City has designated a portion of the balance in the General Fund into a Self-Insurance Fund, to fund future general liability claims. City management believes any incurred but not reported (IBNR) claims as of June 30, 2022 are insignificant.

City policy provides that all general liability and automobile liability claims are to be paid bi-weekly. During FY 2022, the City paid approximately \$39,383 in actual claims and \$372,146 in legal defense of claims against the City. In addition, the City set aside reserves in the amount of \$300,000 towards claims that have occurred, or legal settlements which are being appealed. The City has also purchased excess workers' compensation coverage to cover City employees with a liability limit of \$1 million per person/\$1 million limit per occurrence. The City is self-insured for workers' compensation claims. Annual appropriations are adopted to provide for current claims and the annual amount due under long-term claims.

The City Code provides for the establishment of a Self-Insurance Fund which is reported as part of the Committed General Fund balance and also requires a minimum balance of not less than \$500,000. If the designated Self-Insurance Fund balance is less than \$500,000, funds shall be appropriated to restore the fund to the required balance in accordance with the City Code, Section 18.125 adopted in 1986. As of June 30, 2022, the committed fund balance for the Self-Insurance Fund was \$566,870. Based on average annual losses, as well as an actuarial survey, management of the City has determined that this amount is adequate.

Cybersecurity

The City, like many other municipalities, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other such attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attack could impact operations and/or digital networks and the costs of remedying any such damage could be significant. To transfer and share these risks, the City has purchased a Cyber liability insurance policy through Virginia Risk Sharing Association that covers a broad range of impacts, including security breach, security liability, data recovery costs, system failure, and extortion, among other areas. The City's Department of Information Technology includes a dedicated information security manager that focuses on security awareness, threat and risk mitigation/remediation, constant improvement of cyber-hygiene, and cyber security solutions to enhance the City's cyber security posture. Further, to assess and mitigate threats as a result of human error, the City encourages security awareness with training and testing throughout the workforce. Additionally, the City's information technology department implements technologies for back-ups and redundancy of critical records and system processes, as well as limitations on user downloads and system uses.

Labor Relations

Localities in Virginia have the ability to collectively bargain with some of their employees under certain circumstances if collective bargaining has been authorized by the governing body of the locality. To date, the City does not have any formal negotiations with its employees concerning any aspect of the terms and conditions of their employment nor has it adopted any ordinance/resolution authorizing collective bargaining or allowing any union or employee association to be recognized as an exclusive bargaining representative or unit. Under Virginia law employees of localities are prohibited from engaging in strikes, and at the present time, there are not strikes or work stoppages by the employees of the City in progress or threatened.

Demographic and Economic Information

Transportation

The City of Lynchburg is advantageously located at the junction of two rail lines. The Norfolk Southern system provides freight service to and from Lynchburg and is utilized by Amtrak for passenger service. The James River Division of CSX Railroad runs along the James River and provides freight service. Both rail lines are major carriers from the port of Hampton Roads to cities in the Midwest. Amtrak provides daily rail passenger service through Lynchburg between New York City and New Orleans, Louisiana on its Crescent route as well as two daily departures on the Northeast Regional line with terminus in Boston, MA through Washington, DC, Philadelphia, New York and other major hubs. The Northeast Regional service through Lynchburg saw an increase of 72.1 percent in July 2022 as compared to July of 2021. This route also beat its pre-pandemic number with a 31.4 percent increase in July 2022 over July 2019. U.S. 29, U.S. 460 and U.S. 501 are the major arterial highways connecting the City of Lynchburg with Interstates 81, 64, 95 and 40. The City enjoys an extensive network of roads and is experiencing increased traffic congestion.

Business and Employment

The City of Lynchburg's business development dates to 1757, when Edward and John Lynch began a ferry across the James River. By the 1780's a thriving settlement had grown up along the river which provided business a way to transport products to distant markets. Cargos of tobacco, lime, wheat, and molasses were shipped downriver on batteaux, long narrow boats that could navigate the James River to Richmond.

As Richmond was a deepwater port, vessels from around the world brought their goods to that City and the batteaux were poled back up river to Lynchburg with cargoes that included salt, textiles, French wines, and much more. George Washington and others envisioned a canal/river system that would connect the James River to the Kanawha, Ohio, and Mississippi Rivers and connect the frontier to the eastern states. By 1840, the canal connected Lynchburg and Richmond, which created a much safer and more efficient way to ship goods in and out of Lynchburg. The canal never reached the west, but it operated until 1880, with floods and railroads bringing an end to the canal era.

Lynchburg became a City in 1852 and tobacco remained the major cash crop for much of the 19th century. Lynchburg's per capita income in 1860 was said to be second in the nation, with

only New Bedford, Massachusetts wealthier from its whaling industry. At the beginning of the Civil War, Lynchburg was a major tobacco market and transportation center, but manufacturing had also begun along the river. Foundries used Virginia iron ore and made railroad cars, plows, and munitions. Coal was imported and converted to gas, which provided lighting for parts of the City by the early 1850s. Grain mills were also built in the City along the river and its tributaries. During the Civil War, a Confederate depot produced wagons, limbers, and leather goods, and the foundries shipped thousands of tons of bullets and shells for the military forces.

By 1860, three railroads served Lynchburg: the Virginia and Tennessee, Orange and Alexandria, and the Southside. The City of Lynchburg was a hospital and supply center for the Confederacy from 1861-1865 and fortunate to escape destruction during the war years. While the economy was devastated by the conflict, Lynchburg recovered quicker than most southern cities as the transportation networks were soon rebuilt. New industries emerged, among them shoe manufacture, a variety of textile mills, and more foundries producing an array of metal goods such as pipes, farm equipment, cigarette rolling machines, and bridge materials.

For the next 100 years, the City's business continued to evolve and prosper. In the late 1950's, two new industries brought significant change to the City, as General Electric and Babcock and Wilcox created major manufacturing sites here. These electronics and nuclear industries brought new blood, hundreds of jobs, and a widely diversified industrial economy to the City.

Today, the City of Lynchburg is a regional center for medical services, higher education, nuclear engineering, advanced manufacturing and retail businesses. The City of Lynchburg's unemployment has consistently been either at or below the national average.

On the following pages are lists of major employers which illustrate the wide diversification of the economy within and immediately adjacent to the City.

Largest Employers within the City as of January 2023

Company	Product	Approximate Employment
Liberty University (1)	Private university	4,000-4,999
Centra Health, Inc.	Healthcare services	2,500-2,999
Lynchburg City Schools	Public education	1,500-1,999
City of Lynchburg	Local government	1,000-1,499
Framatome (2)	Nuclear products and services	1,000-1,499
J. Crew Outfitters	Mail order clothing products	500- 999
Horizon Behavioral Health (3)	Healthcare services	500- 999
Frito-Lay, Inc.	Food manufacturing	500- 999
Wal-Mart Stores, Inc.	Retail store	500- 999
Kroger, Inc.	Grocery store	500- 999
Central Virginia Community College	Public community college	500- 999
Delta Star, Inc.	Manufacturers-Transformers	500- 999
University of Lynchburg (4)	Private university	200-499
Genworth Financial Inc.	Insurance	200-499
Pacific Life	Insurance	200-499
Southern Air, Inc.	Contractors- Mechanical and HVAC	200-499
Randolph College	Private college	200-499
Westminster-Canterbury	Independent and assisted living community	200-499
Belvac Production Machinery	Manufacturers- Material handling	200-499
US Pipe	Gray iron foundry	200-499
Tessy Plastics	Manufacturers-Thermoplastics	200-499
OrthoVirginia	Healthcare services	200-499
Lowes	Retail building supplies	200-499
Hanwha Azdel	Manufacturers- Thermoplastics	200-499
L3Harris	Radio communications	200-499
BWXT	Manufacturers – Nuclear	200-499
Bausch & Lomb	Eyewear wholesaler	200-499
C.B. Fleet Company, Inc.	Pharmaceuticals	200-499

Source: Office of Economic Development & Tourism, City of Lynchburg, Virginia.

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

(2) Formerly Areva

(3) Formerly Central Virginia Community Services

(4) Formerly Lynchburg College

Additional major employers in the surrounding counties of Amherst, Appomattox, Bedford and Campbell:

Major Employers in the Surrounding Region as of January 2023

Company	Product	Approximate Employment
BWXT Technologies	Nuclear power systems	2500-2999
BGF Industries, Inc.	Fiberglass fabrics	500-999
Abbott Laboratories	Adult/infant nutritional	250-499
Georgia-Pacific Corp.	Paperboard	250-499
Glad Manufacturing Co	Plastic “Glad-lock” bags	250-499
Greif Brothers Corp., Riverville Mill	Paper mills products	250-499
Buffalo Air Handling (Division of Howden Fan)	Heat exchangers	250-499
Schrader-Bridgeport	Metal fabrication	0-249
Progress Printing	Lithographic printing	0-249

Source: Office of Economic Development and Tourism, City of Lynchburg, Virginia.

Income Profile

Median Family Income

	2017	2018	2019	2020	2021
City of Lynchburg	\$ 54,491	\$ 58,661	\$ 61,870	\$ 62,038	\$ 68,079
Virginia	83,164	86,628	90,141	93,284	98,711
United States	70,850	73,965	77,263	80,069	85,028

Source: United States Census Bureau – ACS 5-Year Estimates Data Profiles

Median Household Income

	2017	2018	2019	2020	2021
City of Lynchburg	\$41,971	\$43,374	\$46,409	\$49,201	\$54,015
Virginia	68,766	71,564	74,222	76,398	80,615
United States	57,652	60,293	62,843	64,994	69,021

Source: United States Census Bureau – ACS 5-Year Estimates Data Profiles

Per Capita Personal Income

	2017	2018	2019	2020	2021
City of Lynchburg ⁽¹⁾	\$ 35,973	\$ 37,296	\$ 38,359	\$ 41,882	\$ 44,577
Virginia	54,879	56,619	59,073	62,189	66,305
United States	51,550	53,786	56,250	59,765	64,143

(1) Includes Campbell County.

Source: Bureau of Economic Analysis

Population

Statistics indicate that Lynchburg's population has shown consistent growth over the last decade.

Year	Population
2012	77,203
2013	77,376
2014	77,874
2015	78,675
2016	79,531
2017	80,380
2018	81,339
2019	80,783
2020	81,266
2021	80,054

Source: Weldon Cooper Center for Public Service, University of Virginia, Charlottesville, Virginia.
United States Bureau of the Census.

Taxable Retail Sales and Taxable Retail Sales Per Capita

Calendar Year	Population ⁽¹⁾	Taxable Retail Sales ⁽²⁾	Taxable Retail Sales Per Capita ⁽²⁾
2012	77,203	\$ 1,217,552,914	\$15,771
2013	77,376	1,240,113,906	16,027
2014	77,874	1,279,815,746	16,434
2015	78,675	1,353,815,269	17,208
2016	79,531	1,345,647,515	16,920
2017	80,380	1,373,101,289	17,083
2018	81,339	1,388,422,136	17,070
2019	80,783	1,426,885,543	17,663
2020	81,266	1,415,058,859	17,413
2021	80,054	1,621,386,030	20,254

1 Source: Weldon Cooper Center for Public Service, University of Virginia, Charlottesville, VA.

2. Source: Commonwealth of Virginia, Department of Taxation.

Construction Activity

The following data is presented to illustrate construction activity in the City:

Building Permits and Value

Calendar Year	Residential		Commercial		Government		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
2013	432	\$ 30,402,571	202	\$ 147,877,565	28	\$ 8,186,340	662	\$ 186,466,476
2014	380	24,853,686	212	194,303,514	13	60,624,521	605	279,781,721
2015	393	39,960,402	171	78,864,501	13	13,669,057	577	132,493,960
2016	344	23,441,488	189	259,992,291	15	7,418,971	548	290,852,750
2017	401	30,753,985	172	171,069,737	10	5,564,729	583	207,388,451
2018	351	34,036,380	177	87,533,697	13	31,336,899	541	152,906,976
2019	337	41,554,352	163	157,850,170	14	3,299,819	514	202,704,341
2020	419	48,712,844	179	89,116,196	12	2,993,502	610	140,822,542
2021	445	55,689,006	172	112,165,176	12	2,460,045	629	170,314,227
2022	531	54,454,975	177	122,655,812	10	7,915,124	718	185,025,911

Source: Division of Inspections, City of Lynchburg, Virginia.

Housing

The following data is presented to illustrate the character of housing in the City:

Housing Units by Type of Structure

Type of Structure: (Fiscal Year)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Number of Single-Family Units:	26,781	26,931	26,931	27,218	27,352
Number of Multi-Family Units:	275	289	293	300	313
Total	27,056	27,220	27,224	27,518	27,665
*Median Single-Family Value	\$119,600	\$126,200	\$130,600	\$142,600	\$143,700

*Single Family Unit: Combined Land + Improvement Value for property classes: 101 - 107.

Information based on City Assessor's Land Book records as of July for each fiscal year.

Source: Real Estate Assessor, City of Lynchburg, Virginia.

Higher Education

Institutions of higher education within the City include Liberty University, the University of Lynchburg (formerly Lynchburg College), Randolph College, and the Virginia University of Lynchburg. Sweet Briar College is located in neighboring Amherst County. All are private institutions. Also, located in the City is Central Virginia Community College, part of the state-supported community college system. Lynchburg's institutions of higher education granted 26,916 degrees and certifications in the 2021-2022 school year.

Lynchburg's active engagement in programs and opportunities focused on growing student capacity in the areas of science, technology, engineering and math (STEM) continues beyond the local school system along with its institutions of higher education, which also are broadening STEM focused fields of study. Liberty University's accredited School of Engineering and award winning School of Aeronautics offer groundbreaking opportunities for study with one of the largest private institutions in the country. Central Virginia Community College's technician programs are allowing students to pursue affordable coursework in the scientific and engineering fields without leaving their home community. Randolph College offers courses of study in science, physics, and engineering. Sweet Briar is one of only two women's colleges in the United States to offer a degree-granting engineering program. Details of each institution of higher education are below.

Liberty University

Founded in 1971, Liberty University is the largest university in Virginia and one of the largest Christian universities in the world. It is also recognized as one of the nation's largest private nonprofit educators, with a total student population of over 130,000 students. Of these, more than 115,000 study through online programs and 15,000 study on campus. Liberty is an accredited evangelical liberal arts institution with 15 colleges and schools — with more than 600 online programs of study and over 350 residential programs from the certificate to the doctoral level,

there's something for everyone. The student body represents all 50 states (and Washington, D.C.) and over 70 countries.

Over 25,000 active military service members, spouses, and veterans are earning their degrees through Liberty's online education programs. Liberty's commitment to the military community earned the university the rank No. 2 in online education in the Military Times Best for Vets: Colleges 2022 listing.

Liberty's 7,000-acre campus ranks in the Top 5 Best College Campuses in America (Niche.com) and features over 7 million square feet of building space and 172 buildings and structures. The new Jerry Falwell Center will open in 2023 and give visitors an immersive look at the faith, vision, and impact of Liberty University's founder.

Liberty provides numerous recreational opportunities to the surrounding community including Liberty Mountain Snowflex Centre, the first year-round snowless ski slope of its kind in North America; the Liberty Mountain Trail System, featuring more than 50 miles of single- and double-track trails on approximately 5,000 acres; and the Tower Theater, featuring Broadway-style performances.

Part of the ASUN Conference, Liberty offers an exceptional college sports experience, with 20 NCAA Division I athletic teams, 40+ Club Sports, and 20+ intramural sports. In the upcoming 2023-24 season, Liberty's athletic programs are moving to Conference USA.

University of Lynchburg

The University of Lynchburg is a private, student-centered liberal arts institution with a deep commitment to teaching, scholarship, and service. Founded in 1903, the University offers more than 100 majors, minors, and graduate pathways, as well as 13 master's and three doctoral programs — a Doctor of Medical Science, a Doctor of Physical Therapy, and a Doctor of Education in Leadership Studies. An 11:1 student-to-faculty ratio ensures in-depth research and experiential learning opportunities, including internships and study abroad.

The University is home to 1,589 undergraduate and 805 graduate students, representing 48 states. Of the 1,589 undergraduate students, 63% are female, 37% are male, 25% are students of color, and 72% live on campus. Students, faculty, and staff contribute more than 70,000 hours of service to the community each year. The University is an NCAA Division III member competing in the Old Dominion Athletic Conference with 24 varsity teams, and numerous clubs and student organizations make for a lively, diverse campus. According to recent data, 61% of University of Lynchburg graduates stay in Virginia for more than 10 years after graduation.

In addition to being one of 44 Colleges That Change Lives, the University of Lynchburg in 2022 was ranked nationally for the first time by U.S. News & World Report: 219th overall, 45th for Best Value, 209th in Top Performers on Social Mobility, and 413th in Nursing. The Princeton Review included the University once again on its annual list of best colleges nationwide. Lynchburg also was featured among the 143 best Southeastern Colleges and ranked 15th on the Best Student Support and Counseling Services list.

The University's first female and first foreign-born president, Dr. Alison Morrison-Shetlar, took charge in August 2020. She quickly established partnerships with area organizations and launched a new strategic plan. "Reimagine the University" focuses on the student experience and her three pillars: Leadership Development; Diversity, Equity, and Inclusion; and Innovation and Collaboration.

Randolph College

Randolph College was founded in 1891 as Randolph-Macon Woman's College. It became coeducational and adopted its new name in 2007. Total enrollment for Fall 2022 was 550, of which 38% was male and 62% was female. Since its founding, Randolph College has offered students a rigorous education in the liberal arts and sciences. Randolph is a Phi Beta Kappa institution with a primarily undergraduate mission and offers 29 majors and 44 minors, as well as an independently designed major tailored to student interests. It also offers a Master of Arts in Teaching, a Master of Coaching and Sport Leadership, as well as a Master of Fine Arts in Creative Writing and a new Master of Fine Arts in Theatre. Randolph College has a highly diverse student body with students from 32 states and 12 foreign countries. The long-standing and unique honor system is a central part of daily life at Randolph that adds to the already close-knit community feel. Randolph's small size enables close student-faculty relationships. The college is consistently recognized nationally for its quality.

Central Virginia Community College

Central Virginia Community College (CVCC), a two-year institution established as a member of the Virginia Community College System, provides state-supported educational credentials beyond the high school level for the City of Lynchburg and the counties of Amherst, Appomattox, Bedford, and Campbell. The campus is approximately 104 acres with building facilities of approximately 206,000 square feet. Central Virginia Community College offers over 60 programs and is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award associate degrees, diplomas and certificates. It works in partnership with area business and industry to serve their training needs, and also offers non-credit instruction and apprenticeship programs custom tailored to each company's needs through its Workforce Solutions division. Additionally, it hosts the Lynchburg Regional Governor's STEM Academy and the Lynchburg Regional CTE Academy. The college partners with all five local public school systems for Early College and dual enrollment programs. The college offers 100 online courses with two online degrees and operates three off-campus centers in Amherst, Appomattox, and Bedford counties.

Health Care

Centra is a regional nonprofit healthcare system based in Lynchburg, Virginia. Serving its communities for over three decades, Centra has more than 7,300 Caregivers, 500 employed providers and physicians, and a medical staff of nearly 800. Providing care in 50 locations, Centra serves over 500,000 people as a provider of critical medical services in central and southern Virginia.

Centra was created in 1987 through the merger of the Lynchburg General (LGH) and Virginia Baptist (VBH) Hospitals. In 2006, Southside Community Hospital (CSCH) in Farmville became a Centra affiliate. In 2014, Centra acquired full ownership of Bedford Memorial Hospital (BMH), in the town of Bedford, which is its fourth hospital. In addition to these flagship facilities, the system includes Centra Specialty Hospital, a long-term acute care hospital, a regional standalone emergency department, health and rehabilitation centers, a cancer center, a nursing school, sites and providers serving a geography of approximately 9,000 square miles, and a health plan. Centra's services also include residential and outpatient mental health facilities, home health and hospice programs, mammography centers, a sleep disorders center, and a center for wound care and hyperbaric medicine. Centra is also home to the Central Virginia Center for Simulation and Virtual Learning.

Centra Lynchburg General Hospital, with 358 beds, is home to the Centra Stroobants Heart Center and Stroobants Cardiovascular Pavilion, a national benchmark facility for cardiac care. Centra Heart Center specialists perform more than 6,000 major cardiac procedures each year. LGH is also a Level II Trauma Center, providing emergency services to more than 68,000 patients per year. LGH has a pediatric center and an outpatient surgery center and provides orthopedic, neurology, neurosurgery, diabetes, oncology and pulmonary services. The five-story East Tower at LGH has 144 private patient rooms for orthopedic, oncology, pulmonary and surgery patients.

Centra Virginia Baptist Hospital, a 161-bed facility located three miles from LGH, includes The Birth Center, Women's and Children's Health, and the region's neonatal intensive care unit. VBH also serves as the primary regional provider of children and adult mental health services. VBH operates an outpatient surgery center and provides acute rehabilitation, physical therapy and ambulatory surgery. VBH is home to a variety of specialty services, including the Breast Imaging Center, Heartburn Treatment Center, Sleep Disorders Center, and the Center for Pain Management.

Centra Southside Community Hospital is a 116-bed acute care facility. CSCH's hospital inpatient services include obstetrics, general medicine intensive care, surgical services, and general medicine. The hospital serves as the medical hub for an eight-county region. In a typical year, CSCH has an estimated 4,000 admissions and sees more than 30,000 patients through its emergency department.

Centra Bedford Memorial Hospital is a full-service medical facility with special emphasis on outpatient surgery, emergency services, cardiology care, and rehabilitative services. The facility offers 24-hour emergency care to a local community of approximately 60,000 residents. CBMH is a licensed 50 bed acute care facility with an attached licensed 111 bed long-term care facility. Centra Bedford Memorial Hospital has an estimated 1,600 admissions and 22,000 emergency department visits.

Through the Alan B. Pearson Regional Cancer Center, opened in 2008, Centra Caregivers treat a broad range of cancers, including lung, prostate, breast, brain, kidney, bladder, ovarian, lymphoma, leukemia, colon, uterine and rectal. The Cancer Center brings radiation and medical oncology together in one facility for patient convenience. Centra's comprehensive cancer services and treatments range from the newest minimally invasive robotic surgery and Trilogy linear

accelerator to chemotherapy, biological and targeted drug therapies; genetic testing; and clinical trials.

The Centra College of Nursing offers four nursing programs: Registered Nurse to Bachelor of Science in Nursing (RN-BSN), Associate Degree in Nursing (ADN), Practical Nursing Program (PN) and Nurse Aide Education Program.

Centra Medical Group is a network of local family practices, primary care physicians, and medical and surgical specialists. With over 260 employed physicians, specialists and surgeons covering the greater Lynchburg area and spanning from Danville to Farmville, and Moneta to Big Island and Bedford, CMG provides the community with primary care physicians, cardiologists, cardiothoracic surgeons, gerontologists, neurosurgeons, physiatrists, psychiatrists, therapists and urologists.

The Centra Foundation was established in 1993 to develop and direct resources for the support of Centra. Over the past five years, on average the Centra Foundation provided \$5.7 million annually in support of Centra programs.

Centra is the parent of Piedmont Community Health Plan, Inc., a for profit network and administrative services company, which itself is the parent of an insurer (Piedmont Community Healthcare, Inc.) and a health maintenance organization (Piedmont Community Healthcare HMO, Inc.), which together cover over 21,000 individuals.

Financial Information

Annual Audit

The financial statements and notes thereto included in the Official Statement in Appendix C have been audited by Brown, Edwards & Company, L.L.P., certified public accountants and independent auditors, as set forth in their report dated December 2, 2022.

Financial Management Policies

In August 1999, City Council adopted fund balance and debt management financial management policies. Since then, the City has expanded its financial management policies to include a budget policy (adopted November 2000) and an investment policy (adopted September 2001). Biennially City Council reviews these policies and revises or reaffirms each as appropriate, and the most recent revisions were adopted in January 2023.

These financial management policies are a statement of the guidelines and goals that influence and guide the financial management practices of the City of Lynchburg. The primary objective of sound financial management policies is to create a framework within which responsible financial decisions can be made. Financial management policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management.

Budget Process

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 Annual Comprehensive Financial Report. The budget must be adopted no later than the day the fiscal year begins (July 1).

General Fund Adopted Budgets for Fiscal Years 2022 and 2023

The City's Fiscal Year 2023 Adopted General Fund Budget is \$223,116,195, which is an increase of \$19,092,426 or 9.4% above the Fiscal Year 2022 Adopted General Fund Budget of \$204,023,769.

The General Fund is the principal fund of the City and its revenues are derived from a variety of sources. The two major sources of General Fund revenues are General Property Taxes and Other Local Taxes, which make up \$152,396,287, or 73.8% of the \$206,486,198 budgeted for fiscal year 2023. The \$16,629,997 difference in the adopted General Fund Budget and the General Fund Revenues is made up of use of fund balance or 7.5% of the General Fund Budget. A summary and comparison of General Fund revenue sources is shown below for the Fiscal Years ending June 30, 2022 and June 30, 2023.

Of the \$223,116,195 budgeted for General Fund expenditures for Fiscal Year 2023, \$167,571,954, or 75.1%, is dedicated to six functions. These functions are General Government Administration (\$15,356,489), Public Safety (\$48,152,844), Public Works (\$22,422,227), Health and Welfare (\$23,623,833), Education (\$40,794,923), and Debt Service on general obligation general improvement bonds for both General Fund and Schools (\$17,212,638). A summary and comparison of expenditures by function is shown below for the fiscal years ending June 30, 2022 and June 30, 2023.

Budgeted General Fund Revenues by Source
Fiscal Years Ending June 30, 2022-2023

	<u>Adopted</u> <u>FY2022</u>	<u>Adopted</u> <u>FY2023</u>	<u>Variance</u>	<u>Percent</u>
<u>Revenues</u>				
General Property Taxes	\$ 88,621,833	\$ 91,693,674	\$ 3,071,841	3.5%
Other Local Taxes	53,969,807	60,702,613	6,732,806	12.5%
Permits, Fees and Regulatory Licenses	1,107,500	1,058,800	(48,700)	-4.4%
Fines and Forfeitures	295,000	250,000	(45,000)	-15.3%
Revenue from Use of Money and Property	382,191	267,720	(114,471)	-30.0%
Charges for Services	8,985,131	9,536,455	551,324	6.1%
Miscellaneous	3,117,261	3,358,753	241,492	7.7%
Revenue from the Commonwealth:				
Non-Categorical State Aid	6,270,984	6,132,584	(138,400)	-2.2%
Categorical Aid for State Shared Expenditures	3,300,895	3,362,703	61,808	1.9%
Categorical State Aid	19,642,840	19,679,634	36,794	0.2%
Revenue from Federal Government	9,810,832	10,443,262	632,430	6.4%
Total Revenues	<u>\$195,504,274</u>	<u>\$206,486,198</u>	<u>\$10,981,924</u>	<u>5.6%</u>
Use of Fund Balance	8,519,495	16,629,997	8,110,502	95.2%
Total Sources	<u>\$204,023,769</u>	<u>\$223,116,195</u>	<u>\$19,092,426</u>	<u>9.4%</u>

**Budgeted General Fund Expenditures by Function
Fiscal Years Ending June 30, 2022-2023**

	<u>Adopted FY2022</u>	<u>Adopted FY2023</u>	<u>Variance</u>	<u>Percent</u>
<u>Expenditures</u>				
General Government	\$ 13,641,261	\$ 15,356,489	\$ 1,715,228	12.6%
Judicial Administration	5,325,030	5,667,365	342,335	6.4%
Public Safety	40,006,183	48,152,844	8,146,661	20.4%
Public Works	20,902,340	22,422,227	1,519,887	7.3%
Health and Welfare	22,851,025	23,632,833	781,808	3.4%
Parks, Recreation and Cultural	5,649,451	6,472,080	822,629	14.6%
Community Development	5,718,870	6,022,442	303,572	5.3%
Non-Departmental	12,146,182	12,685,081	538,899	4.4%
External Service Providers	8,319,822	7,650,741	(669,081)	-8.0%
Total Expenditures	\$134,560,164	\$148,062,102	\$13,501,938	10.0%
Transfer to School Operations	39,828,498	40,794,923	966,425	2.4%
Transfers to Other Funds	1,184,439	3,462,740	2,278,301	192.4%
Transfer to City Capital	7,045,118	9,798,546	2,753,428	39.1%
Greater Lynchburg Transit Company	1,642,346	1,266,454	(375,892)	-22.9%
Reserves	2,132,607	2,518,792	386,185	18.1%
Debt Service for General Fund	8,637,035	8,807,366	170,331	2.0%
Debt Service for Schools	8,993,562	8,405,272	(588,290)	-6.5%
Total Uses	\$204,023,769	\$223,116,195	\$19,092,426	9.4%

**Budgeted Comparison of Selected Major Funds
Fiscal Years Ending June 30, 2022-2023**

	<u>Adopted FY2022</u>	<u>Adopted FY2023</u>	<u>Variance</u>	<u>Percent</u>
Lynchburg City Schools	\$126,971,408	\$156,139,841	\$ 29,168,433	23.0%
Water Fund	16,537,288	17,598,649	1,061,361	6.4%
Sewer Fund	24,597,988	27,817,051	3,219,063	13.1%
Stormwater Fund	4,038,087	4,107,582	69,495	1.7%
Airport Fund	4,221,277	4,658,605	437,328	10.4%
Fleet Services Fund	8,798,792	11,909,428	3,110,636	35.4%
City/Federal/State Aid Fund	4,355,905	4,531,996	176,091	4.0%
Community Development Block Grant Fund	718,593	729,183	10,590	1.5%
Children's Services Act	6,921,130	6,923,562	2,432	0.0%
Lynchburg Expressway Appearance Fund	75,000	75,000	-	0.0%
HOME Investment Trust Fund	459,939	413,856	(46,083)	-10.0%
Lynchburg Regional Juvenile Detention Fund	3,108,106	3,381,764	273,658	8.8%
Technology fund	865,246	898,536	33,290	3.8%
Risk Management Fund	1,164,367	1,761,586	597,219	51.3%
Special Welfare Fund	129,500	129,500	-	0.0%
Total	\$202,962,626	\$241,076,139	\$38,113,513	18.8%

Capital Improvement Program

Annually, City Administration presents a five-year Capital Improvement Program (CIP) to City Council proposing capital outlays for general City, Water, Sewer, Stormwater, Airport, and Schools improvements based on staff recommendations. The CIP is adopted by City Council, and the upcoming fiscal year's capital projects' budgets are appropriated by resolution. However, the adopted CIP does not represent a legislative commitment to expend funds for the projects indicated for future fiscal years; it is a plan for future spending and establishes priorities for the orderly development of the City. The CIP for all fiscal years is subject to continuing examination and revision.

The following is a summary of the Adopted CIP for FY 2023-2027.

Adopted Capital Improvement Program FY 2023-2027

Proposed Expenditures

Five Year Proposed Appropriations to be Financed By The City						Five-Year Estimated Net Cost
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	
Summary - All Funds						
Buildings	47,774,711	7,875,980	11,657,500	16,165,000	16,568,000	100,041,191
Transportation	22,968,864	19,971,913	24,950,500	25,979,324	31,394,002	125,264,603
Public Transit	4,730,000	4,781,100	490,100	531,100	1,230,000	11,762,300
Economic Development	7,461,459	6,755,000	3,470,000	6,600,000	2,570,000	26,856,459
Parks and Recreation	5,243,000	1,663,000	6,948,000	5,255,000	3,505,000	22,614,000
Miscellaneous	12,785,208	1,830,000	200,000	200,000	200,000	15,215,208
Reserves	350,000	350,000	350,000	350,000	250,000	1,650,000
Total City Capital Projects	\$101,313,242	\$43,226,993	\$48,066,100	\$55,080,424	\$55,717,002	\$303,403,761
Schools	-	2,501,000	4,620,000	4,595,000	35,020,000	46,736,000
Total City Capital and Schools	\$101,313,242	\$45,727,993	\$52,686,100	\$59,675,424	\$90,737,002	\$350,139,761
Airport	1,100,000	950,000	2,500,000	1,500,000	3,000,000	9,050,000
Water	9,811,000	14,411,000	8,908,000	11,565,000	7,209,000	51,904,000
Sewer	65,330,000	13,940,000	14,810,000	12,775,000	9,175,000	116,030,000
Stormwater	3,857,100	4,975,000	3,448,500	4,297,000	3,966,900	20,544,500
Grand Total All Funds	\$181,411,342	\$80,003,993	\$82,352,600	\$89,812,424	\$114,087,902	\$547,668,261

Adopted Capital Improvement Program FY 2021-2025

Sources for Funding for Appropriations

	Fiscal Year Ending June 30,					
	2023	2024	2025	2026	2027	5 Year Totals
<u>City Capital Fund</u>						
Federal: Grants	\$17,082,665	\$ 620,480	\$ 41,480	\$11,603,008	\$ 866,400	\$30,214,033
Federal: Transportation Alternatives	653,879	-	-	-	-	653,879
Federal: State of Good Repair	-	10,000,000	-	-	-	10,000,000
Federal: ARPA - Revenue Replacement	24,609,000	-	-	-	-	24,609,000
Other: Donated from Private Citizens	125,000	-	-	-	-	125,000
Other: GLTC ARPA Funds	829,612	72,528	-	-	-	902,140
Local: Line of Credit	29,733,140	17,688,913	37,464,750	30,301,658	39,240,001	154,428,462
Local: Pay-As-You-Go	9,798,546	8,338,484	5,570,012	5,810,952	6,914,800	36,432,794
State: Grants	5,216,400	3,123,588	299,108	138,148	181,800	8,959,044
State: Highway Maintenance (VDOT)	3,265,000	3,383,000	3,426,000	3,470,000	3,514,000	17,058,000
State: Revenue Sharing	-	-	1,264,750	3,756,658	5,000,001	10,021,409
State: VCWRLF	10,000,000	-	-	-	-	10,000,000
Total City Capital Fund	\$101,313,242	\$43,226,993	\$48,066,100	\$55,080,424	\$55,717,002	\$303,403,761
<u>Schools Capital Fund</u>						
Local: Line of Credit	\$ -	\$ 1,121,000	\$ 4,085,000	\$ 3,110,000	\$33,828,000	\$42,144,000
Local: Pay-As-You-Go	-	1,380,000	535,000	1,485,000	1,192,000	4,592,000
Total Schools Capital Fund	\$0	\$2,501,000	\$4,620,000	\$4,595,000	\$35,020,000	\$46,736,000
<u>Airport Capital Fund</u>						
Federal: Federal Aviation Admin	\$ 990,000	\$ 855,000	\$ 2,250,000	\$ 1,350,000	\$ 2,700,000	\$ 8,145,000
State: VA Dept of Aviation	110,000	95,000	250,000	150,000	300,000	905,000
Total Airport Capital Fund	\$1,100,000	\$950,000	\$2,500,000	\$1,500,000	\$3,000,000	\$9,050,000
<u>Water Capital Fund</u>						
Local: Line of Credit	\$ 7,811,000	\$13,295,000	\$ 7,962,000	\$10,590,000	\$ 6,336,000	\$45,994,000
Local: Pay-As-You-Go (Water)	2,000,000	1,116,000	946,000	975,000	873,000	5,910,000
Total Capital Fund	\$9,811,000	\$14,411,000	\$8,908,000	\$11,565,000	\$7,209,000	\$51,904,000
<u>Sewer Capital Fund</u>						
Federal: ARPA - Revenue Replacement	\$ 7,500,000	\$ -	\$ -	\$ -	\$ -	\$ 7,500,000
Federal: ARPA - Water Resources	25,000,000	-	-	-	-	25,000,000
Local: Line of Credit	4,300,000	12,410,000	12,717,500	10,650,000	7,855,000	47,932,500
Local: Pay-As-You-Go (Sewer)	3,300,000	1,530,000	2,092,500	2,125,000	1,320,000	10,367,500
State: VCWRLF	25,230,000	-	-	-	-	25,230,000
Total Sewer Capital Fund	\$65,330,000	\$13,940,000	\$14,810,000	\$12,775,000	\$9,175,000	\$116,030,000
<u>Stormwater Capital Fund</u>						
Local: Line of Credit	\$ 3,587,100	\$ 4,744,000	\$ 3,239,500	\$ 4,029,000	\$ 3,519,900	\$19,119,500
Local: Pay-As-You-Go (Stormwater)	270,000	231,000	209,000	268,000	447,000	1,425,000
Total Stormwater Capital Fund	\$3,857,100	\$4,975,000	\$3,448,500	\$4,297,000	\$3,966,900	\$20,544,500
Total Sources of Funds	\$181,411,342	\$80,003,993	\$82,352,600	\$89,812,424	\$114,087,902	\$547,668,261

¹ GLTC Federal and State Grant funds are included in resources and capital projects, but not appropriated.

Pension Plan

All full-time classified employees of the City participate in the Virginia Retirement System (VRS). Teachers, administrators, and full-time qualified employees of the Lynchburg City Schools also participate in VRS. VRS administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid.

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

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

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

See Appendix C, Notes 11 and 12 of the City's Annual Comprehensive Financial Report for detailed information regarding the City and Schools Defined Benefit Pension Plans.

Commitments and Contingent Liabilities

City employees accumulate annual leave based upon their length of service. Outstanding annual leave and compensated absences are payable up to a maximum of thirty-six (36) days upon termination of employment for employees hired prior to January 1, 2014 and a maximum of 31 days for non-public safety employees hired on or after January 1, 2014. As of June 30, 2022, compensated absences liabilities are reported as follows: \$5,043,064 for the General Fund, \$417,787 for the Water Fund, \$196,885 for the Sewer Fund, \$31,026 for the Stormwater Fund, \$51,171 for the Airport Fund and \$35,045 for the Fleet Fund. At June 30, 2022, the compensated absences liability for the Schools' employees was \$1,015,826.

Compensated absences liability amounts are reflected in the appropriate proprietary fund level financial statements and in the Long-term Liabilities Note 9 of the Annual Comprehensive Financial Report. See Appendix C.

Other Post-Employment Benefits (OPEB)

The City provides post-employment health and dental benefits to its retirees. The City does not provide prescription coverage for Medicare eligible retirees. All health care benefits are provided through the City's self-insured health plan and retirees who qualify for City sponsored health benefits receive a City contribution in the same amount as active employees. 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 as follows: (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.

For the fiscal year ended June 30, 2022, the City had a Total OPEB Liability of \$39,492,482. This was based on an actuarial valuation as of January 1, 2022 utilizing a 3.69% discount rate. The City recognized OPEB expense of \$(6,643,065).

The Schools currently provide 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. 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.

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

For the fiscal year ended June 30, 2022, the Schools had a Total OPEB Liability of \$10,038,220. This was based on an actuarial valuation as of July 1, 2020 utilizing a 2.16% discount rate. The Schools recognized OPEB expense of \$673,059.

See Appendix C, Note 14 of the City's Annual Comprehensive Financial Report for detailed information regarding the City and Schools Other Post-Employment Benefits.

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases for the City. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement

establishes a single model of lease accounting based on the principle that leases are financings of the right to use an underlying asset. See Appendix C, Note 19 of the City's Annual Comprehensive Financial Report.

Debt Management

Statement of General Obligation Long-Term Debt as of June 30, 2022

Tax-Supported Debt

General ¹	\$83,870,780
Schools	81,935,499
Sub-Total	<u>\$165,806,279</u>

Enterprise Fund Debt

Airport ²	797,574
Water ³	44,276,998
Sewer ³	29,568,706
Stormwater ³	1,971,727
Sub-Total	<u>\$76,615,005</u>

Total Bonded Debt ⁴	<u><u>\$242,421,284</u></u>
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¹ General debt includes General Fund, Detention Home and Fleet Services funds, and excludes Schools.

² Effective July 1, 1996, the City established the Regional Airport Fund to provide financing and accounting for its transportation services.

³ Although all of the above Water, Sewer and Stormwater System Bonds are general obligations of the City, the entire principal and interest on the bonds historically have been paid from revenues of those systems. No tax revenue has been applied to such payment.

⁴ Total bonded debt includes General Obligation Serial Bonds, Direct Borrowings and Bond Anticipation Notes.

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

Legal Debt Margin

	Based on Assessed Valuation as of June 30, 2022
Total Assessed Value of Real Estate	\$6,375,937,397
Legal Debt Limit- 10% of Total Assessed Value of Real Estate	\$637,593,740
Legal Debt Margin	\$637,593,740
Less: Bonded Debt as of June 30, 2022 ¹	242,421,284
Legal Debt Margin for Creation of Additional Debt	\$395,172,456

¹ Does not include \$102,639,867 City of Lynchburg Public Utility Revenue Bonds which by State law are not required to be included in the calculation of legal debt margin for additional debt.

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

**Ratio of Net Bonded Debt to Assessed Valuation
and Net Bonded Debt Per Capita
(Amounts in Thousands, Except Per Capita Data)**

Fiscal Year	Population ⁽¹⁾	Assessed Valuation (in thousands) ⁽²⁾	Gross Bonded Debt ⁽³⁾	Net Deferred Amounts ⁽⁴⁾	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	Net Deferred Amounts Enterprise Funds	Net Bonded Debt Governmental Funds Only	Net Bonded Debt Governmental Funds Only To Assessed Value (Includes Net Deferred Amounts)
2013	77,376	\$ 5,930,510	\$ 179,267	\$ 4,612	\$ 183,879	3.10%	\$ 2,376	\$ 65,058	\$ 1,849	\$ 116,972	1.97%
2014	77,874	5,945,181	177,761	4,135	181,896	3.06%	2,336	63,242	1,711	116,943	1.97%
2015	78,675	6,006,197	256,930	13,958	270,888	4.51%	3,443	70,415	2,871	197,602	3.29%
2016	79,531	6,141,752	268,243	17,599	285,842	4.65%	3,594	76,395	4,722	204,725	3.33%
2017	80,380	6,209,849	252,654	16,626	269,280	4.34%	3,350	71,917	4,483	192,880	3.11%
2018	81,339	6,299,243	264,532	18,319	282,851	4.49%	3,477	81,971	5,709	195,171	3.10%
2019	80,783	6,434,077	257,147	17,204	274,351	4.26%	3,396	83,331	5,412	185,608	2.88%
2020	81,266	6,728,225	257,174	20,508	277,682	4.13%	3,417	73,907	5,914	197,861	2.94%
2021	80,054	6,896,833	246,436	21,083	267,519	3.88%	3,342	72,518	6,234	188,767	2.74%
2022	80,054	7,263,242	242,421	19,663	262,084	3.61%	3,274	76,615	5,874	179,595	2.47%

(1) Data from the Weldon Cooper Center for Public Service, University of Virginia, Charlottesville, Virginia.

(2) The FY 2022 amount only reflects two of four billings associated with the personal property tax levy as of June 30, 2022.

(3) These amounts include principal only and do not include City of Lynchburg Public Utility Revenue Bonds of \$102,639,867 at June 30, 2022.

(3) Enterprise fund general obligation debt is removed from net bonded debt because this debt is paid for through user charges of the respective Enterprise funds and not tax revenues.

(4) Net Deferred Amounts include Premiums and Discounts.

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

**Ratio of Annual Debt Service Expenditures for General Fund Bonded Debt to
Total General Fund and School Component Unit Expenditures**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund and School Component Unit Expenditures Minus General Fund Transfer to Schools	Ratio of Debt Service to Total General Fund and School Component Expenditures
2013	\$9,537,447	\$4,738,246	\$14,275,693	\$ 214,336,530	7%
2014	9,359,924	4,542,510	13,902,434	215,020,311	6%
2015	9,959,146	7,272,175	17,231,321	228,914,885	8%
2016	9,837,962	7,276,976	17,114,938	241,412,702	7%
2017	10,683,800	7,292,074	17,975,874	234,753,971	8%
2018	10,416,914	7,378,458	17,795,372	237,493,024	7%
2019	10,649,783	7,316,952	17,966,735	241,999,318	7%
2020	10,897,501	6,511,030	17,408,531	250,117,257	7%
2021	11,250,149	6,655,058	17,905,207	244,433,978	7%
2022	11,131,297	6,417,482	17,548,779	261,672,644	7%

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

In accordance with the City's debt policies, annual debt service expenditures for tax-supported debt should not exceed 10% of total General Fund Expenditures, plus School Component Unit Expenditures, minus the General Fund Transfer to Schools.

This portion of the debt policy was originally adopted August 1999, revised on December 12, 2006 and revised again on December 9, 2008.

The overall debt policy was last revised on December 10, 2019; however, the calculation for the above ratio has not changed.

The debt policy is revised or reaffirmed biennially and was reaffirmed again in January 2023.

All fiscal years were calculated using the current policy.

Debt Service Requirements on General Obligation Outstanding Debt as of June 30, 2022

Fiscal Year	Governmental Funds				Proprietary Funds				Total General Obligation Debt Service			
	Principal	Interest	Total	Payout Ratio	Principal	Interest	Total	Payout Ratio	Principal	Interest	Total	Payout Ratio
2023	\$ 10,938,538.68	\$ 5,907,696.89	\$ 16,846,235.57	7.0%	\$ 3,668,654.31	\$ 2,487,044.42	\$ 6,155,698.73	5.4%	\$ 14,607,192.99	\$ 8,394,741.31	\$ 23,001,934.30	6.5%
2024	10,256,379.24	5,440,956.20	15,697,335.44	13.6%	3,579,814.27	2,321,069.88	5,900,884.15	10.6%	13,836,193.51	7,762,026.08	21,598,219.59	12.7%
2025	10,075,924.12	4,989,965.64	15,065,889.76	20.1%	3,460,695.30	2,152,158.48	5,612,853.78	15.7%	13,536,619.42	7,142,124.12	20,678,743.54	18.7%
2026	10,329,532.47	4,536,136.60	14,865,669.07	26.7%	3,543,266.89	1,983,617.22	5,526,884.11	20.8%	13,872,799.36	6,519,753.82	20,392,553.18	24.9%
2027	9,674,486.67	4,053,530.04	13,728,016.71	33.0%	3,331,513.33	1,810,476.24	5,141,989.57	25.7%	13,006,000.00	5,864,006.28	18,870,006.28	30.7%
2028	8,234,407.12	3,667,232.71	11,901,639.83	38.3%	3,321,592.88	1,673,633.57	4,995,226.45	30.6%	11,556,000.00	5,340,866.28	16,896,866.28	35.9%
2029	8,286,598.62	3,331,870.95	11,618,469.57	43.6%	3,339,401.38	1,547,055.33	4,886,456.71	35.4%	11,626,000.00	4,878,926.28	16,504,926.28	41.1%
2030	7,640,191.12	3,008,997.07	10,649,188.19	48.5%	3,104,808.88	1,428,046.69	4,532,855.57	40.0%	10,745,000.00	4,437,043.76	15,182,043.76	45.9%
2031	7,153,362.05	2,691,227.17	9,844,589.22	53.1%	3,096,637.95	1,296,016.59	4,392,654.54	44.5%	10,250,000.00	3,987,243.76	14,237,243.76	50.5%
2032	7,264,504.92	2,390,140.33	9,654,645.25	57.8%	3,175,495.08	1,166,303.43	4,341,798.51	49.1%	10,440,000.00	3,556,443.76	13,996,443.76	55.1%
2033	7,167,705.38	2,108,278.00	9,275,983.38	62.4%	3,092,294.62	1,050,465.76	4,142,760.38	53.7%	10,260,000.00	3,158,743.76	13,418,743.76	59.7%
2034	7,110,468.04	1,856,636.95	8,967,104.99	67.0%	3,054,531.96	947,356.81	4,001,888.77	58.1%	10,165,000.00	2,803,993.76	12,968,993.76	64.3%
2035	6,429,896.80	1,632,044.82	8,061,941.62	71.1%	3,090,103.20	853,798.94	3,943,902.14	62.6%	9,520,000.00	2,485,843.76	12,005,843.76	68.5%
2036	6,498,059.93	1,433,569.63	7,931,629.56	75.3%	3,151,940.07	758,639.75	3,910,579.82	67.3%	9,650,000.00	2,192,209.38	11,842,209.38	72.8%
2037	5,568,614.86	1,230,560.39	6,799,175.25	78.8%	3,116,385.14	661,245.86	3,777,631.00	71.8%	8,685,000.00	1,891,806.25	10,576,806.25	76.7%
2038	5,615,148.52	1,054,324.71	6,669,473.23	82.5%	3,194,851.48	564,606.54	3,759,458.02	76.5%	8,810,000.00	1,618,931.25	10,428,931.25	80.6%
2039	5,665,177.42	875,504.73	6,540,682.15	86.1%	2,399,822.58	465,601.53	2,865,424.11	80.0%	8,065,000.00	1,341,106.26	9,406,106.26	84.2%
2040	5,717,735.85	693,994.17	6,411,730.02	89.8%	2,442,264.15	390,018.35	2,832,282.50	83.6%	8,160,000.00	1,084,012.52	9,244,012.52	87.9%
2041	5,270,000.00	518,784.38	5,788,784.38	93.2%	1,610,000.00	326,528.14	1,936,528.14	85.9%	6,880,000.00	845,312.52	7,725,312.52	91.0%
2042	5,325,000.00	349,765.63	5,674,765.63	96.6%	1,635,000.00	275,165.63	1,910,165.63	88.3%	6,960,000.00	624,931.26	7,584,931.26	94.1%
2043	2,650,000.00	212,000.00	2,862,000.00	98.3%	1,655,000.00	222,787.50	1,877,787.50	90.7%	4,305,000.00	434,787.50	4,739,787.50	96.0%
2044	2,650,000.00	106,000.00	2,756,000.00	100.0%	1,690,000.00	169,475.00	1,859,475.00	93.2%	4,340,000.00	275,475.00	4,615,475.00	97.9%
2045	-	-	-	-	1,110,000.00	115,187.50	1,225,187.50	94.8%	1,110,000.00	115,187.50	1,225,187.50	98.4%
2046	-	-	-	-	1,135,000.00	84,537.50	1,219,537.50	96.5%	1,135,000.00	84,537.50	1,219,537.50	98.9%
2047	-	-	-	-	580,000.00	53,125.00	633,125.00	97.3%	580,000.00	53,125.00	633,125.00	99.2%
2048	-	-	-	-	600,000.00	38,375.00	638,375.00	98.2%	600,000.00	38,375.00	638,375.00	99.4%
2049	-	-	-	-	610,000.00	15,437.50	625,437.50	99.1%	610,000.00	15,437.50	625,437.50	99.7%
2050	-	-	-	-	625,000.00	15,625.00	640,625.00	100.0%	625,000.00	15,625.00	640,625.00	100.0%
Grand Total	<u>\$ 155,521,731.81</u>	<u>\$ 52,089,217.01</u>	<u>\$ 207,610,948.82</u>		<u>\$ 68,414,073.47</u>	<u>\$ 24,873,399.16</u>	<u>\$ 93,287,472.63</u>		<u>\$ 223,935,805.28</u>	<u>\$ 76,962,616.17</u>	<u>\$ 300,898,421.45</u>	

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

Total outstanding debt includes General Obligation Serial Bonds and Direct Borrowings. Bond Anticipation Notes are not included in these calculations.

Governmental fund totals include the General and Detention Home funds. Proprietary Funds include Water, Sewer, Stormwater, Airport and Fleet Services funds.

Tax Base Data

Assessed Value of All Taxable Property

Fiscal Year	Real Property (1)					Personal Property (3)				Machinery and Tools		Total Assessed	
	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	Value of Taxable Property	Total Direct Tax Rate (8)
2013	\$ 3,349,936,800	\$ 1,636,110,200	\$ 184,575,507	\$ 5,170,622,507	1.11	\$ 586,098,054 (4)	\$ 23,632,441	\$ 609,730,495	3.80	\$ 150,157,140 (4)	3.00	\$ 5,930,510,142	7.91
2014	3,323,554,300	1,658,900,600	180,026,914	5,162,481,814	1.11	603,981,655 (4)	25,839,427	629,821,082	3.80	152,877,609 (4)	3.00	5,945,180,505	7.91
2015	3,358,581,200	1,668,856,200	175,223,235	5,202,660,635	1.11	622,453,513 (4)	25,979,883	648,433,396	3.80	155,103,327 (4)	3.00	6,006,197,358	7.91
2016	3,383,069,800	1,760,180,000	185,088,590	5,328,338,390	1.11	625,528,817 (4)	28,004,949	653,533,766	3.80	159,879,989 (4)	3.00	6,141,752,145	7.91
2017	3,417,070,700	1,760,280,700	188,976,706	5,366,328,106	1.11	658,107,572 (4)	26,479,912	684,587,484	3.80	158,933,643 (4)	3.00	6,209,849,233	7.91
2018	3,460,374,300	1,767,530,600	193,804,645	5,421,709,545	1.11	676,603,014 (4)	31,249,795	707,852,809	3.80	169,680,373 (4)	3.00	6,299,242,727	7.91
2019	3,503,663,800	1,803,439,700	205,907,581	5,513,011,081	1.11	718,416,481 (4)	26,991,933	745,408,414	3.80	175,657,733 (4)	3.00	6,434,077,228	7.91
2020	3,709,717,400	1,902,697,100	200,755,250	5,813,169,750	1.11	723,862,510 (4)	33,531,033	757,393,543	3.80	157,661,606 (4)	3.00	6,728,224,899	7.91
2021	3,773,293,400	1,923,612,700	214,754,922	5,911,661,022	1.11	795,541,727 (4)	31,097,593	826,639,320	3.80	158,532,445 (4)	3.00	6,896,832,787	7.91
2022	4,187,446,900	1,979,480,800	209,009,697	6,375,937,397	1.11	692,121,238 (5)	29,459,641	721,580,879	3.80	165,723,550 (5)	3.00	7,263,241,826	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) 2022 Personal Property Tax Levy in FY 2022. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2023 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.

Percentage of Total Locally Assessed Real Estate in Business and Industrial Use

Fiscal Year	Percent
2013	32.76%
2014	33.25%
2015	33.11%
2016	34.14%
2017	33.93%
2018	33.74%
2019	33.89%
2020	33.82%
2021	33.68%
2022	31.90%

Source: Real Estate Assessor, City of Lynchburg, Virginia.

Certain Other Local Taxes

Fiscal Year	Local Sales and Use Tax	Consumer Utility Taxes	Communications Sales & Use Tax	Business License Taxes	Meals and Lodging Taxes
2013	\$13,589,747	\$4,628,647	\$ 3,471,805	\$7,810,315	\$13,841,972
2014	13,842,292	4,738,343	3,412,734	8,391,989	14,791,888
2015	15,006,326	4,575,492	3,382,915	8,535,544	15,501,956
2016	14,995,131	4,660,389	3,282,767	8,464,009	16,181,590
2017	15,351,346	4,569,906	3,202,076	9,258,208	16,608,218
2018	15,282,741	4,768,971	3,101,975	9,095,288	17,282,753
2019	15,913,730	4,673,597	2,877,715	9,398,263	17,541,395
2020	16,478,533	4,527,034	2,812,099	9,553,844	15,556,756
2021	18,586,355	4,581,154	2,497,779	9,294,844	17,294,065
2022	20,685,254	4,733,518	2,424,362	10,049,251	20,693,228

Source: Chief Financial Officer , City of Lynchburg, Virginia

Tax Rates

(Per \$100 Assessment)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Real Estate					
Locally Assessed	\$ 1.11	\$1.11	\$1.11	\$1.11	\$1.11
Personal Property					
Locally Assessed	3.80	3.80	3.80	3.80	3.80
Machinery and Tools	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
Public Service Corporations					
Equalized	1.11	1.11	1.11	1.11	1.11
Automobiles and Trucks	3.80	3.80	3.80	3.80	3.80
Total Direct Tax Rate	7.91	7.91	7.91	7.91	7.91

Note: There is no overlapping government taxation.

Source: Chief Financial Officer , City of Lynchburg, Virginia

Ten Largest Taxpayers

June 30, 2022

Taxpayer	Type of Business	Taxable		Percentage of	2021	Percentage of
		Assessed Value	Rank	Total Taxable Assessed Value	Total Tax Levy	of Total Tax Levy
AEP - American Electric Power	Utility	\$ 114,984,412	1	1.58 %	\$ 1,280,393	1.27 %
Frito Lay, Inc.	Food Manufacturer	61,170,622	2	0.84	1,353,271	1.35
River Ridge, Ltd.	Shopping Mall	54,298,501	3	0.75	630,345	0.63
Framatome (fmr Areva NP, Inc.)	Nuclear Power Design & Fuel	54,084,545	3	0.74	1,196,099	1.19
REA Lynchburg LLC	Apartments	39,044,653	4	0.54	436,192	0.43
Columbia Gas of Virginia, Inc.	Utility	37,099,166	5	0.51	411,838	0.41
Wal-Mart Real Estate Business Trust	Retail	36,446,212	6	0.50	464,154	0.46
Verizon Va, Inc.	Utility	31,142,099	7	0.43	347,045	0.35
Eleven 25 of Virginia	Apartments	28,342,000	8	0.39	310,842	0.31
J Crew Inc.	Clothing	26,313,695	9	0.36	522,445	0.52
TPB Enterprises LLC		26,286,700	9	0.36	239,398	0.24
Gardens on Timberlake LLC (fmr Carriage Sq)	Apartment complex	24,908,300	10	0.34	276,482	0.28
C.B. Fleet Co.	Pharmaceuticals	24,226,970	11	0.33	487,677	0.49
700 Main Street LLC (Pacific Life Insurance)	Office building	23,601,887	12	0.32	331,340	0.33
Genworth Financial, Inc.	Life Insurance	23,514,376	12	0.32	512,850	0.51
MMAC FCA (fmr Central Virginia Prof)	Medical Office	23,355,500	13	0.32	259,246	0.26
Virgina Baptist Homes, Inc (fmr CCRC, Inc.)	Nursing Home/Assisted Living	21,950,000	14	0.30	63,414	0.06
Vistas LP	Apartments	21,125,500	15	0.29	234,493	0.23
Azdel Inc	Thermoplastic manufacturer	20,398,786	16	0.28	438,533	0.44
Logans Landing LLC		18,863,100	17	0.26	209,380	0.21
LU Candler Station Holdings LLC	Shopping Center	18,640,000	17	0.26	206,904	0.21
Virginian Hotel & Restaurant	Hotel/conference center	16,879,111	18	0.23	211,033	0.21
Southwood Overlook LLC (fmr CL Overlook LP	Apartments	15,916,800	19	0.22	176,676	0.18
IREIT Lynchburg Lakeside LLC	Shopping Center	15,165,500	20	0.21	168,337	0.17
Old Mill Investments LLC		15,044,700	20	0.21	151,709	0.15
Lynchburg (Wards Crossing) LLC	Retail	14,177,000	21	0.20	157,365	0.16
L3 Harris Corp.	Radio communications	13,708,233	22	0.19	152,468	0.15
Reserve at Burton Creek		13,649,500	22	0.19	151,509	0.15
Lynchburg Hotel Group	Hotels	13,416,007	22	0.18	168,797	0.17
Summit SNF Property Holdings, LLC	Nursing Home/Assisted Living	12,740,600	23	0.18	82,915	0.08
Total		<u>\$ 860,494,475</u>		<u>11.85 %</u>	<u>\$ 11,633,150</u>	<u>\$ 12 %</u>
Total Assessed Valuation:		<u>\$ 7,263,241,826</u>				
Tax Levy:						
Real Estate		\$ 68,279,378				
Railroads and Pipelines		257,994				
Public Service Corporations		2,394,806				
Personal Property		29,536,062				
Total Tax Levy:		<u>\$ 100,468,240</u>				

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

Tax Levies and Tax Collections (1)

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)
2013	\$ 80,037,980	\$ 319,769	\$ 80,357,749	\$ 77,536,743	96.87%	\$ 2,802,581	\$ 80,339,324	99.98%
2014	80,297,119	360,598	80,657,717	78,239,826	97.44%	2,398,706	80,638,532	99.98%
2015	81,223,917	374,235	81,598,152	78,731,871	96.93%	2,843,657	81,575,528	99.97%
2016	82,721,284	179,324	82,900,608	80,478,895	97.29%	2,392,415	82,871,310	99.96%
2017	83,923,034	617,068	84,540,102	81,750,492	97.41%	2,637,561	84,388,053	99.82%
2018	85,534,487	659,819	86,194,306	83,113,348	97.17%	2,897,288	86,010,636	99.79%
2019	87,349,894	827,203	88,177,097	84,635,267	96.89%	3,322,030	87,957,297	99.75%
2020	90,985,488	509,744	91,495,232	88,831,389	97.63%	2,311,917	91,143,306	99.62%
2021	94,112,716	738,259	94,850,975	90,819,949	96.50%	3,098,975	93,918,924	99.02%
2022	100,695,312	(539,503)	100,155,809	97,067,294	96.40%	-	97,067,294	96.92%

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.

Litigation

During the normal course of business, the City, its departments, officers, and/or employees have been named as defendants in claims for various types of damages, injuries, and liabilities which are defended by the City Attorney or associated counsel. The City's potential liability, where applicable, is protected partially by indemnification agreements, various insurance policies, and the City's Self-Insurance Program. The City Attorney is of the opinion that there is no litigation pending or threatened in either state or federal courts which would in any way affect the validity of the Bonds or the ability of the City to levy or collect ad valorem taxes for payment of the Bonds or the interest thereon.

Selected Financial Information

The financial data shown in the following tables represent a summary for the years ended June 30, 2013 through 2022, for the funds which represent significant operations of the City.

City of Lynchburg, Virginia
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund Last Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues:										
Taxes	\$ 122,436,720	\$ 125,237,029	\$ 127,770,651	\$ 130,022,195	\$ 132,895,836	\$ 134,835,168	\$ 137,222,286	\$ 139,065,653	\$ 144,180,960	\$ 157,712,379
Regulatory licenses, permits, and privilege fees	991,098	1,068,270	1,000,222	1,108,694	1,071,926	1,101,285	1,106,893	1,162,650	980,572	1,266,228
Intergovernmental	33,669,141	34,333,156	34,604,123	36,644,986	37,432,488	36,917,105	37,433,967	38,090,501	38,592,078	39,843,467
Fines & forfeitures	726,438	634,485	637,417	570,242	505,829	406,905	363,010	323,366	319,307	263,529
Revenues from use of money & property	437,531	640,544	697,756	916,257	1,125,893	1,434,901	2,213,643	1,908,132	753,752	242,292
Charges for services	9,949,886	10,555,494	10,750,591	10,356,244	9,938,717	10,743,235	10,970,514	11,168,427	11,334,318	13,025,106
Miscellaneous	1,097,217	1,150,545	1,154,870	1,234,853	1,050,756	1,380,263	781,049	1,052,246	821,512	835,869
Total revenues	169,308,031	173,619,523	176,615,630	180,853,471	184,021,445	186,818,862	190,091,362	192,770,975	196,982,499	213,188,870
Expenditures:										
Current operating expenditures:										
General government	16,408,318	14,507,532	16,298,894	16,490,338	17,106,909	17,389,996	16,893,676	17,521,050	17,925,675	17,896,501
Judicial	4,650,024	4,655,974	4,696,403	4,788,676	4,832,773	5,032,655	5,088,929	5,176,741	5,255,436	5,516,524
Public safety	42,026,411	42,455,002	44,421,121	44,391,282	45,274,306	46,414,215	47,769,024	47,642,493	42,690,099	50,078,262
Public works	15,547,537	16,403,344	14,600,543	16,009,423	16,364,853	15,920,299	17,926,578	16,707,843	17,156,557	17,428,616
Health and human services	18,905,329	19,184,011	19,825,954	21,018,515	21,401,062	21,441,064	21,133,854	22,938,513	22,746,911	23,106,733
Cultural & recreational	7,560,762	7,479,777	8,558,412	8,394,652	9,034,143	8,825,071	9,320,532	8,906,758	8,926,841	9,925,705
Community development	3,504,251	4,283,676	4,819,261	4,590,547	3,804,380	4,817,967	5,041,335	4,905,846	3,462,940	4,867,147
Education	35,308,205	35,709,226	36,389,604	42,691,567	42,943,004	38,894,037	38,257,161	37,411,557	40,002,658	39,128,643
Capital outlay:										
Capital general government	-	-	-	-	-	649,712	37,309	12,102	810,907	3,597,518
Debt service:										
Principal retirements	9,693,099	9,359,924	9,959,146	9,837,962	10,683,800	10,416,914	10,649,783	17,254,960	11,250,149	11,276,319
Interest payments and other fiscal charges	4,829,728	4,544,745	7,276,813	7,281,382	7,294,605	7,380,164	7,321,643	6,514,725	6,658,383	6,468,169
Issuance costs	29,815	204,180	443,933	171,746	-	346,067	-	374,779	118,505	-
Total expenditures	158,463,479	158,787,391	167,290,084	175,666,090	178,739,835	177,528,161	179,439,824	185,367,367	177,005,061	189,290,137
Excess of revenues over expenditures	10,844,552	14,832,132	9,325,546	5,187,381	5,281,610	9,290,701	10,651,538	7,403,608	19,977,438	23,898,733
Other financing sources (uses):										
Issuance of bonds	-	57,468	412,470	83,298	-	103,342	-	6,138,453	-	-
Premium on debt proceeds	-	-	-	-	-	1,700,762	-	593,822	-	-
Issuance of refunding bonds	4,129,625	-	22,823,100	8,152,866	-	15,221,555	-	-	9,124,115	-
Premium on refunding debt issuance	-	-	-	-	-	-	-	-	2,002,105	-
Refunded bond principal payments	-	-	-	-	-	-	-	-	(1,644,732)	-
Payments to escrow agent	(4,129,625)	-	(22,647,772)	(8,065,760)	-	(2,160,352)	-	(13,850,000)	(9,358,669)	-
Lease financing	-	-	-	-	-	-	-	-	-	2,794,413
Transfers in	18,524	4,761	325,036	366,572	1,585,000	252,397	643,814	274,908	175,000	65,000
Transfers out	(9,851,795)	(10,162,474)	(11,373,362)	(15,773,891)	(4,871,092)	(4,955,328)	(7,243,174)	(7,444,129)	(7,783,426)	(10,380,499)
Total other financing sources (uses)	(9,833,271)	(10,100,245)	(10,460,528)	(15,236,915)	(3,286,092)	10,162,376	(6,599,360)	(14,286,946)	(7,485,607)	(7,521,086)
Net changes in fund balances	1,011,281	4,731,887	(1,134,982)	(10,049,534)	1,995,518	19,453,077	4,052,178	(6,883,338)	12,491,831	16,377,647
Fund balance - beginning, as restated	48,402,864	49,414,145	54,146,032	53,011,050	42,961,516	44,957,034	64,410,111	68,462,289	61,578,951	74,070,782
Fund balance - ending	\$ 49,414,145	\$ 54,146,032	\$ 53,011,050	\$ 42,961,516	\$ 44,957,034	\$ 64,410,111	\$ 68,462,289	\$ 61,578,951	\$ 74,070,782	\$ 90,448,429

City of Lynchburg, Virginia

Fund Balances, Governmental Funds, Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,401,700	\$ 14,093,629	\$ -	\$ -	\$ -
Committed	14,610,825	15,237,982	14,803,075	12,139,666	13,970,703	12,739,188	15,920,227	16,944,527	14,606,255	14,477,110
Assigned	3,128,072	5,029,549	6,118,051	5,232,752	3,838,602	8,071,697	9,083,748	10,054,580	9,693,184	9,576,402
Unassigned	31,675,248	33,878,501	32,089,924	25,589,098	27,147,729	29,197,526	29,364,685	34,579,844	49,771,343	66,394,917
Total General Fund	<u>\$ 49,414,145</u>	<u>\$ 54,146,032</u>	<u>\$ 53,011,050</u>	<u>\$ 42,961,516</u>	<u>\$ 44,957,034</u>	<u>\$ 64,410,111</u>	<u>\$ 68,462,289</u>	<u>\$ 61,578,951</u>	<u>\$ 74,070,782</u>	<u>\$ 90,448,429</u>
All Other Governmental Funds										
Nonspendable	\$ 450,000	\$ 400,000	\$ 350,000	\$ 300,000	\$ 250,000	\$ 200,000	\$ -	\$ -	\$ -	\$ -
Restricted	16,805,325	15,935,152	9,483,641	4,879,215	2,743,988	2,929,713	3,540,436	3,232,537	3,497,836	3,300,380
Committed	17,761,570	13,852,139	68,602,388	52,840,854	33,170,926	21,141,975	17,551,255	44,853,501	35,302,180	26,581,307
Assigned	100,000	100,012	100,012	100,012	100,012	100,012	122,328	-	-	-
Unassigned	(257,945)	-	(50,067)	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 34,858,950</u>	<u>\$ 30,287,303</u>	<u>\$ 78,485,974</u>	<u>\$ 58,120,081</u>	<u>\$ 36,264,926</u>	<u>\$ 24,371,700</u>	<u>\$ 21,214,019</u>	<u>\$ 48,086,038</u>	<u>\$ 38,800,016</u>	<u>\$ 29,881,687</u>

City of Lynchburg, Virginia
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
Water Fund
Last Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating revenues:										
Charges for services and other operating revenues	\$ 12,985,275	\$ 13,478,920	\$ 14,703,923	\$ 14,811,555	\$ 15,177,716	\$ 15,362,052	\$ 15,127,793	\$ 15,564,799	\$ 15,725,568	\$ 16,130,624
Total operating revenues	12,985,275	13,478,920	14,703,923	14,811,555	15,177,716	15,362,052	15,127,793	15,564,799	15,725,568	16,130,624
Operating expenses:										
Personal services and benefits	4,385,357	4,345,690	4,350,457	5,061,596	5,173,210	4,779,528	5,076,126	5,960,956	5,896,481	4,804,038
Operation and maintenance	1,460,251	1,453,789	1,550,252	1,788,171	945,920	1,750,445	1,301,725	1,269,534	1,272,141	1,873,850
Supplies and materials	1,220,000	1,218,645	1,210,601	1,229,613	1,378,106	1,435,848	1,362,100	1,210,432	973,583	1,152,654
Administration	1,220,437	1,308,718	1,462,335	1,335,499	1,196,167	1,431,196	1,550,316	1,610,286	1,576,052	1,532,789
Other charges	65,424	60,118	77,950	87,808	90,180	86,149	89,138	93,493	87,911	121,944
Depreciation	2,711,581	2,757,951	2,852,246	2,916,684	3,048,763	3,116,981	3,231,814	3,225,638	3,278,090	3,402,047
Total operating expenses	11,063,050	11,144,911	11,503,841	12,419,371	11,832,346	12,600,147	12,611,219	13,370,339	13,084,258	12,887,322
Operating income	1,922,225	2,334,009	3,200,082	2,392,184	3,345,370	2,761,905	2,516,574	2,194,460	2,641,310	3,243,302
Nonoperating revenues (expenses):										
Interest income	2,729	21,508	21,514	41,904	75,939	229,606	501,029	435,285	82,440	(14,082)
Governmental grants	72,289	13,103	-	-	-	-	-	-	-	-
Miscellaneous	16,535	2,122	2,781	1,028	1,131	1,001	33,101	220,157	154,952	70,140
Gain (loss) on disposition of assets	-	7,314	9,219	6,128	5,172	18,282	5,798	9,621	7,877	10,313
Interest on long-term debt	(1,751,114)	(1,708,765)	(1,678,042)	(1,971,229)	(1,911,073)	(2,204,019)	(2,208,099)	(1,663,343)	(1,138,518)	(1,400,233)
IRS interest subsidy - Build America Bonds	251,598	231,596	233,357	233,860	234,363	234,615	235,496	117,999	-	-
Total nonoperating revenues (expenses)	(1,407,963)	(1,433,122)	(1,411,171)	(1,688,309)	(1,594,468)	(1,720,515)	(1,432,675)	(880,281)	(893,249)	(1,333,862)
Income before contributions and transfers	514,262	900,887	1,788,911	703,875	1,750,902	1,041,390	1,083,899	1,314,179	1,748,061	1,909,440
Capital contributions	9,500	-	5,000	362,917	210,000	-	269,655	3,274	-	-
Transfers in	-	-	-	-	-	67,298	93,215	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(48,494)	(63,463)
Change in net position	523,762	900,887	1,793,911	1,066,792	1,960,902	1,108,688	1,446,769	1,317,453	1,699,567	1,845,977
Total net position - beginning, as restated (1) (2)	36,036,200	36,559,962	31,448,108	33,242,019	34,308,811	29,985,889	31,094,577	32,541,346	33,858,799	35,558,366
Ending net position:										
Net investment in capital assets	27,787,795	28,010,070	28,620,307	27,610,452	29,430,618	29,134,568	30,347,378	31,506,001	34,204,364	35,416,138
Unrestricted	8,772,167	9,450,779	4,621,712	6,698,359	6,839,095	1,960,009	2,193,968	2,352,798	1,354,002	1,988,205
Total net position - ending	\$ 36,559,962	\$ 37,460,849	\$ 33,242,019	\$ 34,308,811	\$ 36,269,713	\$ 31,094,577	\$ 32,541,346	\$ 33,858,799	\$ 35,558,366	\$ 37,404,343

(1) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Annual Comprehensive 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 Annual Comprehensive Financial Report for FY 2018 for an explanation.

City of Lynchburg, Virginia
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
Sewer Fund
Last Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating revenues:										
Charges for services and other operating revenues	\$ 18,913,651	\$ 19,763,592	\$ 20,216,758	\$ 21,264,506	\$ 22,640,530	\$ 22,635,664	\$ 23,723,563	\$ 23,231,507	\$ 24,695,077	\$ 25,879,520
Total operating revenues	18,913,651	19,763,592	20,216,758	21,264,506	22,640,530	22,635,664	23,723,563	23,231,507	24,695,077	25,879,520
Operating expenses:										
Personal services and benefits	2,731,139	2,871,425	2,944,024	3,390,178	3,424,756	3,274,735	3,355,976	3,365,150	3,633,749	3,297,274
Operation and maintenance	2,493,078	2,742,797	2,697,307	2,906,172	3,071,702	3,533,634	3,636,697	3,649,979	4,062,291	4,288,688
Supplies and materials	1,040,125	1,158,838	1,336,709	1,489,227	1,562,481	1,386,495	1,661,637	1,738,027	2,098,779	2,322,572
Administration	2,273,339	2,282,628	2,573,784	2,341,346	2,316,721	2,467,815	2,580,626	2,802,473	3,191,245	3,169,432
Other charges	33,447	44,651	66,946	51,118	106,560	74,387	66,021	69,826	111,934	106,719
Depreciation	6,147,918	7,049,861	7,584,388	7,635,836	7,888,946	7,898,587	8,037,676	8,131,718	8,434,452	10,441,598
Total operating expenses	14,719,046	16,150,200	17,203,158	17,813,877	18,371,166	18,635,653	19,338,633	19,757,173	21,532,450	23,626,283
Operating income	4,194,605	3,613,392	3,013,600	3,450,629	4,269,364	4,000,011	4,384,930	3,474,334	3,162,627	2,253,237
Nonoperating revenues (expenses):										
Interest income	102,589	108,729	73,142	85,086	124,705	241,852	409,567	350,086	79,817	49,315
Governmental grants	93,667	10,759	-	-	219	-	-	-	-	-
Miscellaneous	11,999	11,170	10,400	11,821	19,605	47,687	47,717	270,958	53,235	100,365
Gain (loss) on disposition of assets	(160,294)	5,653	606	738	1,172	16,393	2,259	(175,771)	(213,716)	1,594
Interest on long-term debt	(1,234,971)	(1,148,525)	(1,086,336)	(1,129,426)	(985,817)	(1,068,072)	(1,077,985)	(1,119,367)	(585,733)	(901,840)
IRS interest subsidy - Build America Bonds	45,952	42,300	42,621	42,713	42,805	42,851	43,012	21,552	-	-
Total nonoperating revenues (expenses)	(1,141,058)	(969,914)	(959,567)	(989,068)	(797,311)	(719,289)	(575,430)	(652,542)	(666,397)	(750,566)
Income before contributions and transfers	3,053,547	2,643,478	2,054,033	2,461,561	3,472,053	3,280,722	3,809,500	2,821,792	2,496,230	1,502,671
Capital contributions	31,025	2,855,237	3,207,248	4,471,358	1,882,733	2,992,600	9,110,310	8,986,028	1,003,352	1,955,264
Transfers in	-	126,734	126,734	126,734	-	50,729	64,082	-	48,494	87,463
Change in net position	3,084,572	5,625,449	5,388,015	7,059,653	5,354,786	6,324,051	12,983,892	11,807,820	3,548,076	3,545,398
Total net position - beginning, as restated (1) (2)	135,830,038	138,914,610	140,651,555	146,039,570	153,099,223	154,135,205	160,459,256	173,443,148	185,250,968	188,799,044
Ending net position:										
Net investment in capital assets	128,264,125	133,496,405	138,595,419	144,934,435	148,010,757	154,280,143	164,363,686	177,570,472	174,740,303	177,500,410
Unrestricted	10,650,485	11,043,654	7,444,151	8,164,788	10,443,252	6,179,113	9,079,462	7,680,496	14,058,741	14,844,032
Total net position - ending	\$ 138,914,610	\$ 144,540,059	\$ 146,039,570	\$ 153,099,223	\$ 158,454,009	\$ 160,459,256	\$ 173,443,148	\$ 185,250,968	\$ 188,799,044	\$ 192,344,442

(1) Total net position - beginning, was restated as of June 30, 2014. See Note 20, City of Lynchburg's Annual Comprehensive 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 Annual Comprehensive Financial Report for FY 2018 for an explanation.

City of Lynchburg, Virginia

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance School Fund Last Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues:										
Intergovernmental	\$ 78,946,545	\$ 80,213,734	\$ 84,423,859	\$ 89,797,227	\$ 93,028,379	\$ 90,439,558	\$ 91,790,234	\$ 90,816,094	\$ 99,931,412	\$ 98,783,518
Revenue from use of money & property	106	-	-	-	-	-	-	-	-	-
Charges for services	1,468,451	1,471,332	1,169,484	1,491,359	1,820,727	1,640,533	1,723,917	2,706,961	464,205	510,448
Miscellaneous	590,372	520,942	726,730	1,365,368	412,650	632,056	803,639	1,432,973	321,090	1,022,427
Total revenues	81,005,474	82,206,008	86,320,073	92,653,954	95,261,756	92,712,147	94,317,790	94,956,028	100,716,707	100,316,393
Expenditures:										
Education:										
Instruction	57,096,206	57,686,592	61,909,077	65,839,840	68,909,218	67,276,868	66,430,018	68,039,938	68,140,244	68,296,053
Administration, attendance, and health	4,193,846	5,581,280	4,865,032	5,426,428	5,717,931	6,376,477	5,675,250	5,953,847	7,208,116	7,983,324
Pupil transportation services	4,661,286	4,690,144	4,828,845	4,762,678	5,016,591	5,335,508	5,668,771	5,322,011	4,302,460	5,659,041
Operations and maintenance	9,643,581	9,497,568	10,665,930	10,485,381	10,157,853	10,296,919	10,899,422	10,554,930	10,945,726	11,539,043
Food service and other	5,633	16,087	24,670	21,358	12,153	16,691	15,344	8,986	30,194	19,510
Facilities	87,879	20,365	10,163	14,825	20,758	26,138	20,959	18,434	175	2,288
Technology	2,049,937	3,244,460	3,525,049	3,230,426	3,034,004	3,060,199	3,104,473	3,748,479	6,280,494	5,940,881
Capital outlay	3,253,181	862,639	742,418	2,813,555	1,147,768	1,445,076	1,759,244	1,070,693	2,740,740	1,690,511
Debt service:										
Principal retirements	264,931	109,353	-	-	-	-	-	-	-	-
Interest payments	8,261	970	-	-	-	-	-	-	-	-
Total expenditures	81,264,741	81,709,458	86,571,184	92,594,491	94,016,276	93,833,876	93,573,481	94,717,318	99,648,149	101,130,651
Excess (deficiency) of revenues over expenditures	(259,267)	496,550	(251,111)	59,463	1,245,480	(1,121,729)	744,309	238,710	1,068,558	(814,258)
Other financing sources (uses):										
Transfers in (out)	(26,655)	-	-	-	-	-	-	-	(229,754)	-
Total other financing sources (uses)	(26,655)	-	-	-	-	-	-	-	(229,754)	-
Net change in fund balances	(285,922)	496,550	(251,111)	59,463	1,245,480	(1,121,729)	744,309	238,710	838,804	(814,258)
Fund balance - beginning	496,517	210,595	707,145	456,034	515,497	1,760,977	639,248	1,383,557	1,622,267	2,461,071
Fund balance - ending	\$ 210,595	\$ 707,145	\$ 456,034	\$ 515,497	\$ 1,760,977	\$ 639,248	\$ 1,383,557	\$ 1,622,267	\$ 2,461,071	\$ 1,646,813

City of Lynchburg, Virginia
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position
Stormwater Fund
Last Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating revenues:										
Charges for services and other operating revenues	\$ 3,355,267	\$ 3,124,545	\$ 3,268,776	\$ 3,209,504	\$ 3,208,044	\$ 3,212,572	\$ 3,227,746	\$ 3,265,521	\$ 3,197,089	\$ 3,495,968
Intergovernmental	650,000	650,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000
Total operating revenues	4,005,267	3,774,545	3,543,776	3,484,504	3,483,044	3,487,572	3,502,746	3,540,521	3,472,089	3,770,968
Operating expenses:										
Personal services and benefits	281,160	414,356	362,502	446,320	651,860	531,569	673,639	680,361	554,455	781,650
Operation and maintenance	651,189	719,470	306,678	285,560	327,657	451,961	511,138	418,487	369,085	563,868
Supplies and materials	50,358	113,528	104,029	136,741	131,321	127,008	168,543	186,793	152,042	160,879
Administration	1,109,817	1,340,126	1,227,229	1,353,809	1,160,256	1,576,573	1,528,109	1,767,225	1,805,945	1,792,075
Other charges	4,804	8,233	11,916	5,289	16,864	23,538	16,045	11,939	21,071	20,455
Depreciation	-	4,465	33,662	67,558	76,239	142,092	275,261	295,876	419,151	456,956
Total operating expenses	2,097,328	2,600,178	2,046,016	2,295,277	2,364,197	2,852,741	3,172,735	3,360,681	3,321,749	3,775,883
Operating income	1,907,939	1,174,367	1,497,760	1,189,227	1,118,847	634,831	330,011	179,840	150,340	(4,915)
Nonoperating revenue:										
Interest Income	-	-	-	1,213	9,477	31,120	60,794	39,235	5,873	3,223
Governmental Grants	-	-	-	-	-	-	-	-	9,822	21,311
Miscellaneous	1	-	61	23,452	2	491	-	3,203	(19,583)	(14)
Interest on long-term debt	-	-	-	-	-	(4,672)	(106)	(37,254)	(20,751)	(29,871)
Total nonoperating revenue	1	-	61	24,665	9,479	26,939	60,688	5,184	(24,639)	(5,351)
Income before contributions and transfers	1,907,940	1,174,367	1,497,821	1,213,892	1,128,326	661,770	390,699	185,024	125,701	(10,266)
Capital contributions	-	-	-	-	89,058	555,034	-	556,350	421,817	68,971
Transfers in	-	-	-	-	-	8,593	9,543	-	-	-
Transfers out	-	(126,734)	(162,676)	(126,734)	-	(4,215)	(337,500)	-	-	-
Change in net position	1,907,940	1,047,633	1,335,145	1,087,158	1,217,384	1,221,182	62,742	741,374	547,518	58,705
Total net position - beginning, as restated (1) (2)	-	1,907,940	2,428,919	3,764,064	4,851,222	5,656,260	6,877,442	6,940,184	7,681,558	8,229,076
Ending net position:										
Net investment in capital assets	99,062	771,687	2,002,495	2,484,986	3,950,070	4,336,742	4,894,032	6,496,175	6,717,478	6,546,769
Unrestricted	1,808,878	2,183,886	1,761,569	2,366,236	2,118,536	2,540,700	2,046,152	1,185,383	1,511,598	1,741,012
Total net position - ending	\$ 1,907,940	\$ 2,955,573	\$ 3,764,064	\$ 4,851,222	\$ 6,068,606	\$ 6,877,442	\$ 6,940,184	\$ 7,681,558	\$ 8,229,076	\$ 8,287,781

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 Annual Comprehensive 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 Annual Comprehensive Financial Report for FY 2018 for an explanation.

City of Lynchburg, Virginia
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position
Airport Fund
Last Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating revenues:										
Charges for services and other operating revenues	\$ 2,124,073	\$ 2,235,749	\$ 2,254,531	\$ 2,446,873	\$ 2,522,138	\$ 2,470,025	\$ 2,775,975	\$ 2,533,763	\$ 2,114,485	\$ 2,635,988
Intergovernmental	135,566	136,178	142,601	134,592	119,740	120,048	122,320	844,787	2,558,317	2,580,509
Total operating revenues	2,259,639	2,371,927	2,397,132	2,581,465	2,641,878	2,590,073	2,898,295	3,378,550	4,672,802	5,216,497
Operating expenses: (1)										
Personal services and benefits	942,087	970,660	1,006,709	1,018,464	1,058,236	1,097,115	1,151,858	1,199,829	980,321	951,481
Operation and maintenance	1,008,265	1,160,643	1,166,823	1,011,546	1,134,897	965,901	1,064,812	1,281,301	1,658,459	2,013,978
Supplies and materials	113,371	133,670	12,803	137,041	141,930	114,948	145,406	53,306	183,642	192,569
Administration	243,385	233,277	239,614	235,287	258,123	272,997	300,143	282,978	260,306	336,678
Other charges	18,000	16,800	24,384	20,637	27,399	29,752	31,762	28,466	28,242	28,254
Depreciation	1,782,786	1,820,883	2,115,435	2,141,357	2,145,813	2,240,282	2,284,681	2,247,024	2,179,385	2,050,505
Total operating expenses	4,107,894	4,335,933	4,565,768	4,564,332	4,766,398	4,720,995	4,978,662	5,092,904	5,290,355	5,573,465
Operating loss	(1,848,255)	(1,964,006)	(2,168,636)	(1,982,867)	(2,124,520)	(2,130,922)	(2,080,367)	(1,714,354)	(617,553)	(356,968)
Nonoperating revenues (expenses):										
Interest income	3,659	2,464	2,254	8,281	21,668	44,361	93,544	92,189	11,660	32,224
Passenger facility charges (2)	-	-	-	-	-	-	-	-	-	-
Miscellaneous	16,697	9,040	9,724	20,004	70,047	44,190	10,131	5,976	22,234	11,567
Gain (Loss) on disposition of assets	137,762	-	-	-	-	12,487	7,032	421	-	-
Interest on long-term debt	(45,020)	(39,411)	(8,061)	(27,422)	(24,752)	(11,781)	(38,239)	(33,252)	(30,048)	(26,675)
Total nonoperating revenues (expenses)	113,098	(27,907)	3,917	863	66,963	89,257	72,468	65,334	3,846	17,116
Loss before contributions and transfers	(1,735,157)	(1,991,913)	(2,164,719)	(1,982,004)	(2,057,557)	(2,041,665)	(2,007,899)	(1,649,020)	(613,707)	(339,852)
Capital contributions	2,452,072	2,512,162	3,065,217	2,264,831	2,824,123	1,985,329	2,054,429	2,992,979	4,139,246	6,632,385
Passenger facility charges (2)	335,209	329,951	323,963	317,503	320,942	338,455	360,123	325,214	233,439	302,589
Transfers in	336,330	218,809	96,600	-	-	13,346	16,432	-	-	-
Change in net position	1,388,454	1,069,009	1,321,061	600,330	1,087,508	295,465	423,085	1,669,173	3,758,978	6,595,122
Total net position - beginning, as restated (1) (3)	34,497,426	35,885,880	35,756,707	37,077,768	37,678,098	37,858,123	38,153,588	38,576,673	40,245,846	44,004,824
Ending net position:										
Net investment in capital assets	33,305,694	34,631,136	35,973,930	34,496,749	37,058,108	37,141,375	35,473,699	35,181,514	35,326,409	39,502,497
Restricted	25,193	8,433	7,231	3,478	108,833	46,465	3,621	53,350	53,539	51,547
Unrestricted	2,554,993	2,315,320	1,096,607	3,177,871	1,598,665	965,748	3,099,353	5,010,982	8,624,876	11,045,902
Total net position - ending	\$ 35,885,880	\$ 36,954,889	\$ 37,077,768	\$ 37,678,098	\$ 38,765,606	\$ 38,153,588	\$ 38,576,673	\$ 40,245,846	\$ 44,004,824	\$ 50,599,946

(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.

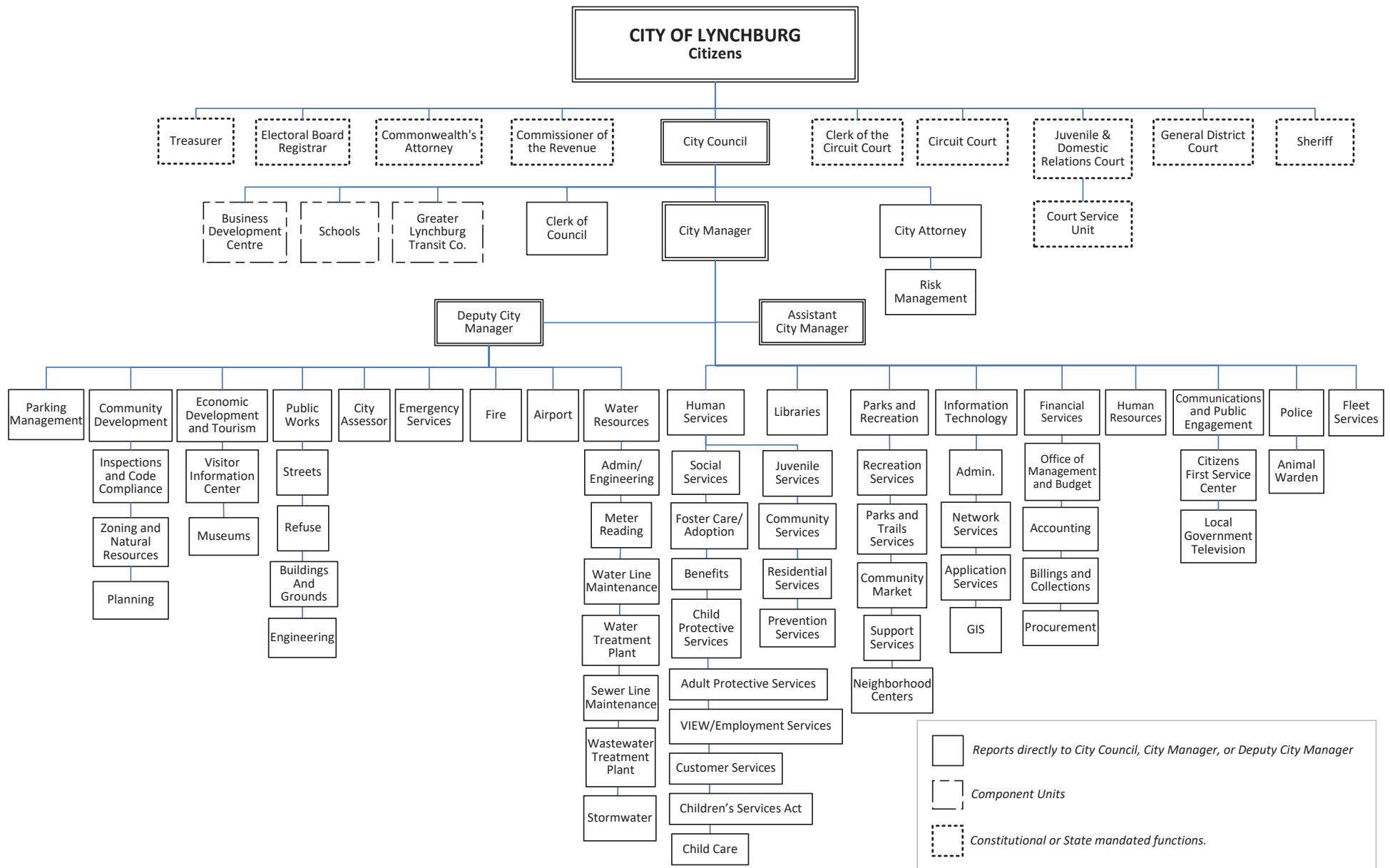
(2) Beginning in FY 2013, Passenger facility charges are reported with capital contributions and transfers.

(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.

APPENDIX B

**CITY OF LYNCHBURG, VIRGINIA
ORGANIZATIONAL STRUCTURE**

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APPENDIX C

**FINANCIAL STATEMENTS OF THE CITY OF LYNCHBURG, VIRGINIA,
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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 *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lynchburg and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 19 to the financial statements, in 2022, the City adopted new accounting guidance, *GASB Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lynchburg's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Lynchburg's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lynchburg's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on the Audit of the Financial Statements (Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the other required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lynchburg's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor fund financial statements, 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on the Audit of the Financial Statements (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 2, 2022

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, 2022. 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, 2022 by \$493.7 million (net position). Unrestricted net position of (\$8.7) million represented (\$35.1) million for governmental activities, which included the general fund, and \$26.4 million for business-type activities, which included the enterprise funds (water, sewer, stormwater, and airport).
- The general fund's unassigned fund balance of \$66.4 million was 31.1% of total general fund revenues, which were \$213.2 million. This was \$45.1 million more than the City Council adopted unassigned fund balance policy requirement of 10%, or \$21.3 million.
- In comparison with the prior fiscal year, the City's total net position increased 10.6%, or \$47.5 million, from FY 2021. Net position of governmental activities increased 20.3%, or \$35.2 million, from FY 2021; and, net position of business-type activities increased 4.5%, or \$12.3 million. The Schools' total net position increased 12.4% or \$11.2 million, from FY 2021.
- The City's total revenues of \$293.9 million increased 2.3%, or \$6.6 million, and total expenses of \$246.4 million decreased 2.3%, or \$5.8 million, from FY 2021. General revenues of \$165.8 million were \$47.5 million more than the expenses net of program revenues of \$118.3 million.
- For the current fiscal year, the City's total liabilities and deferred inflows of resources of \$658.9 million decreased 2.1% or \$14.4 million from FY 2021.
- The City decreased its overall debt by \$8.4 million. Governmental activities decreased by \$5.8 million and business-type activities decreased by \$2.6 million. This includes the issuance of new debt totaling \$13.6 million, of which \$6.2 million was for governmental activities and \$7.4 million was for business-type activities. Debt retirements, through a combination of planned retirements, lease payments and a reduction on a Virginia Revolving loan balance, totaled \$22.0 million; of which \$12.0 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.

Custodial Funds

Custodial funds account for assets held by the City in a trustee capacity or as an agent for others. Activities from custodial 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, 2022/2021
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2022	2021	2022	2021	2022	2021	2022-2021	2022	2021
Current and other assets	\$ 199.6	\$ 178.0	\$ 63.1	\$ 58.9	\$ 262.7	\$ 236.9	11%	\$ 15.7	\$ 16.7
Capital assets	416.8	413.3	436.4	430.8	853.2	844.1	1%	7.7	8.2
Net pension asset	-	-	-	-	-	-	-	1.5	-
Total assets	616.4	591.3	499.5	489.7	1,115.9	1,081.0	3%	24.9	24.9
Total deferred outflows of resources	31.4	33.0	5.3	5.5	36.7	38.5	-5%	21.6	26.9
Long-term liabilities	286.5	357.4	190.6	210.5	477.1	567.9	-16%	67.7	113.7
Other liabilities	29.8	26.0	18.4	6.3	48.2	32.3	49%	9.5	10.8
Total liabilities	316.3	383.4	209.0	216.8	525.3	600.2	-12%	77.2	124.5
Total deferred inflows of resources	123.2	67.8	10.4	5.3	133.6	73.1	83%	48.4	17.6
Net Position									
Net investment in capital assets	240.1	241.4	259.0	251.0	499.1	492.4	1%	7.7	8.2
Restricted for Capital projects	-	0.1	-	-	-	0.1	-100%	-	-
Restricted for Grants and other	3.3	3.4	-	-	3.3	3.4	-3%	-	-
Net pension asset	-	-	-	-	-	-	0%	1.5	-
Unrestricted	(35.1)	(71.8)	26.4	22.1	(8.7)	(49.7)	-82%	(88.3)	(98.5)
Total net position	\$ 208.3	\$ 173.1	\$ 285.4	\$ 273.1	\$ 493.7	\$ 446.2	11%	\$ (79.1)	\$ (90.3)

The City's total net position of \$493.7 million increased 10.6%, or \$47.5 million, from FY 2021.

Net investment in capital assets of \$499.1 million was 101.1% of total net position and increased 1.4%, or \$6.7 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 (\$8.7) million, which is comprised of (403.5%), or (\$35.1) million, for governmental activities, and 303.5%, or \$26.4 million, for business-type activities. Unrestricted net position available for providing services to the citizens increased 82.5%, or \$41.0 million from FY 2021. Restricted net position of \$3.3 million primarily consists of grant funds restricted mainly for public safety.

The Schools' component unit total net position of (\$79.1) million increased 12.4%, or \$11.2 million from FY 2021. Unrestricted net position of (\$88.3) million increased 10.4%, or \$10.2 million from FY 2021.

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, 2022/2021 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2022	2021	2022	2021	2022	2021	2022-2021	2022	2021
Revenues:									
Program Revenues:									
Charges for services	\$ 16.3	\$ 14.4	\$ 48.1	\$ 45.7	\$ 64.4	\$ 60.1	7%	\$ 1.8	\$ 1.1
Operating grants/contributions	49.6	61.7	2.9	2.8	52.5	64.5	-19%	83.5	73.1
Capital grants/contributions	2.3	4.2	8.9	5.8	11.2	10.0	12%	-	-
General Revenues:									
Property taxes	93.8	87.1	-	-	93.8	87.1	8%	-	-
Other taxes	64.4	57.2	-	-	64.4	57.2	13%	-	-
Unrestricted intergovernmental	6.5	6.5	-	-	6.5	6.5	0%	-	-
Interest	(0.4)	0.1	0.1	0.2	(0.3)	0.3	-200%	-	-
Miscellaneous	0.9	0.9	0.2	0.2	1.1	1.1	0%	1.3	0.4
Gain on sale of assets	0.3	0.5	-	-	0.3	0.5	-40%	-	-
City appropriation	-	-	-	-	-	-	-	38.8	42.0
Total Revenues	233.7	232.6	60.2	54.7	293.9	287.3	2%	125.4	116.6
Expenses:									
General government	14.4	16.1	-	-	14.4	16.1	-11%	-	-
Judicial	6.8	6.8	-	-	6.8	6.8	0%	-	-
Public safety	49.4	50.9	-	-	49.4	50.9	-3%	-	-
Public works	28.5	27.4	-	-	28.5	27.4	4%	-	-
Health and human services	29.9	31.5	-	-	29.9	31.5	-5%	-	-
Cultural and recreational	11.8	11.3	-	-	11.8	11.3	4%	-	-
Community development	6.5	9.1	-	-	6.5	9.1	-29%	-	-
Education	45.4	48.9	-	-	45.4	48.9	-7%	114.2	115.3
Interest & other fiscal charges	5.8	5.2	-	-	5.8	5.2	12%	-	-
Issuance costs	-	0.1	-	-	-	0.1	100%	-	-
Stormwater	-	-	3.7	3.3	3.7	3.3	12%	-	-
Airport	-	-	5.6	5.3	5.6	5.3	6%	-	-
Water	-	-	14.2	14.1	14.2	14.1	1%	-	-
Sewer	-	-	24.4	22.2	24.4	22.2	10%	-	-
Total Expenses	198.5	207.3	47.9	44.9	246.4	252.2	-2%	114.2	115.3
Increase in net position	35.2	25.3	12.3	9.8	47.5	35.1	35%	11.2	1.3
Net position beginning	173.1	147.8	273.1	263.3	446.2	411.1	9%	(90.3)	(91.6)
Net position ending	\$208.3	\$173.1	\$285.4	\$273.1	\$493.7	\$446.2	11%	\$(79.1)	\$(90.3)

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 \$208.3 million increased 20.3%, or \$35.2 million from FY 2021.

Revenue highlights:

Revenues from governmental activities of \$233.7 million increased 0.5%, or \$1.1 million from FY 2021.

Program revenues, specifically charges for services of \$16.3 million had an overall increase of \$1.9 million.

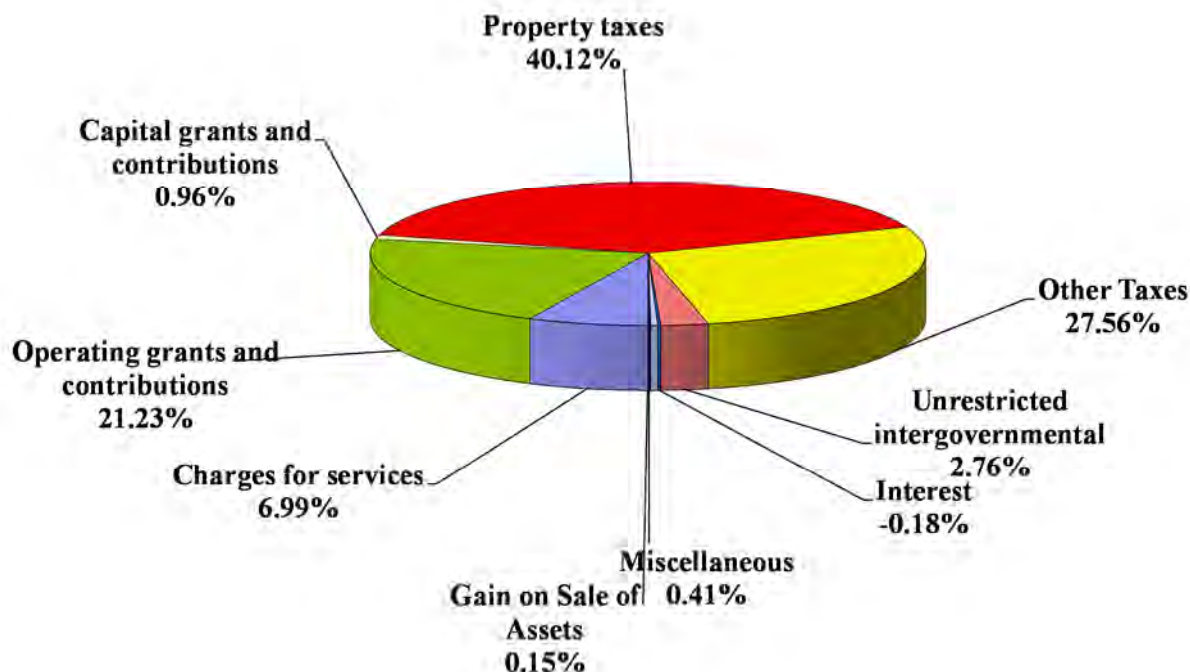
Operating grants and contributions decreased \$12.1 million. The decrease is primarily attributed to the Coronavirus Aid, Relief, and Economic Security (CARES) Act funds received in FY21.

General revenues, specifically property taxes of \$93.8 million, increased \$6.7 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 \$4.7 million and personal property taxes increased \$1.8 million primarily due to the increase in assessed value.

Other taxes revenue of \$64.4 million increased \$7.2 million. Other taxes are comprised mainly of revenue from local sales, meals, lodging, consumer utilities, business licenses, motor vehicle licenses, and communications sales and use taxes. The increase is primarily attributed to the following: \$2.1 million increase in local sales tax; \$2.8 million increase in meals tax; \$0.7 million increase in business license tax; \$0.8 million in lodging tax; and \$0.4 million increase in amusement tax.

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

Revenue by Source-Governmental Activities



Expense highlights:

Governmental activities expenses of \$198.5 million decreased 4.2%, or \$8.8 million from FY 2021. The decrease is primarily due to expenses incurred as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act funds in FY 2021 along with increased vacancies in City staff due to hiring challenges.

Education expenses decreased \$3.5 million due to a decrease in the local contribution to the Schools and an increase in CARES funds provided to the Schools.

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

***Net Cost of Governmental Activities
For Fiscal Years Ended FY 2022/2021
(in millions)***

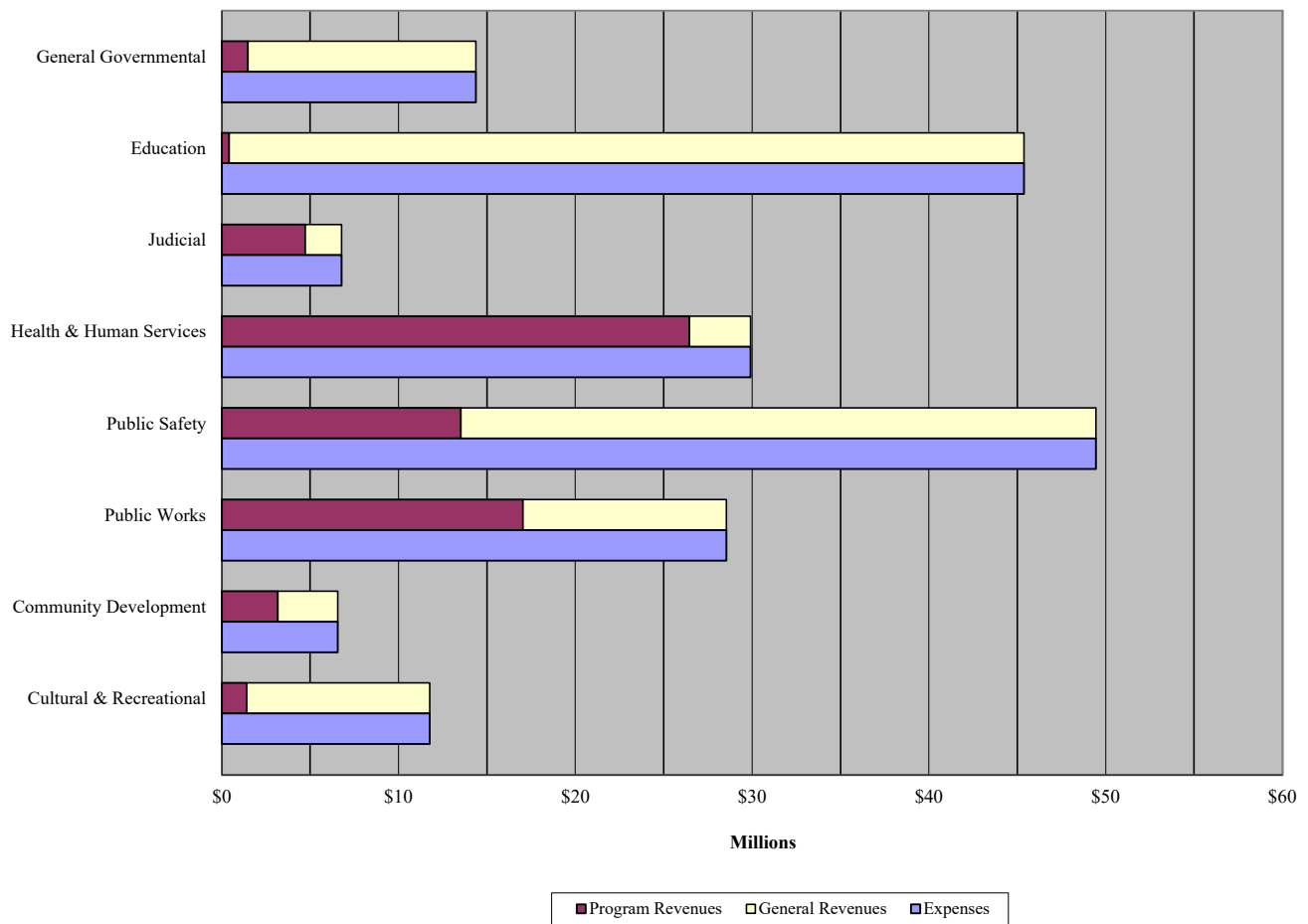
Governmental Activity	Total Cost of Services		Percentage Change 2022-2021	Net Cost of Services		Percentage Change 2022-2021
	2022	2021		2022	2021	
General government	\$ 14.4	\$ 16.1	-11%	\$ 12.9	\$ 13.8	-7%
Judicial	6.8	6.8	0%	2.1	2.4	-13%
Public safety	49.4	50.9	-3%	35.9	32.1	12%
Public works	28.5	27.4	4%	11.5	8.8	31%
Health and human services	29.9	31.5	-5%	3.4	5.7	-40%
Cultural and recreational	11.8	11.3	4%	10.4	9.4	11%
Community development	6.5	9.1	-29%	3.4	2.7	26%
Education	45.4	48.9	-7%	44.9	46.8	-4%
Interest payments & other fiscal charges	5.8	5.2	12%	5.8	5.2	12%
Issuance Costs	-	0.1	100%	-	0.1	100%
Total Governmental Activities	\$ 198.5	\$ 207.3	-4.2%	\$ 130.3	\$ 127.0	3%

The four largest funded programs were public safety at 24.9%, or \$49.4 million; local support for education at 22.9%, or \$45.4 million; health and human services at 15.0%, or \$29.9 million; and public works at 14.4%, or \$28.5 million. Education and public safety continued to be high priorities for the City.

The governmental activities total cost of services decreased 4.2% from the prior year with a 3.0% increase in the net cost of services. The Statement of Net Position shows that the \$198.5 million in governmental activities program expenses were financed by \$16.3 million from those receiving services, \$49.6 million from operating grants and contributions, \$2.3 million from capital grants and contributions, and \$130.3 million from general revenues. Overall, general revenues of \$165.5 million were \$35.2 million more than the \$130.3 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

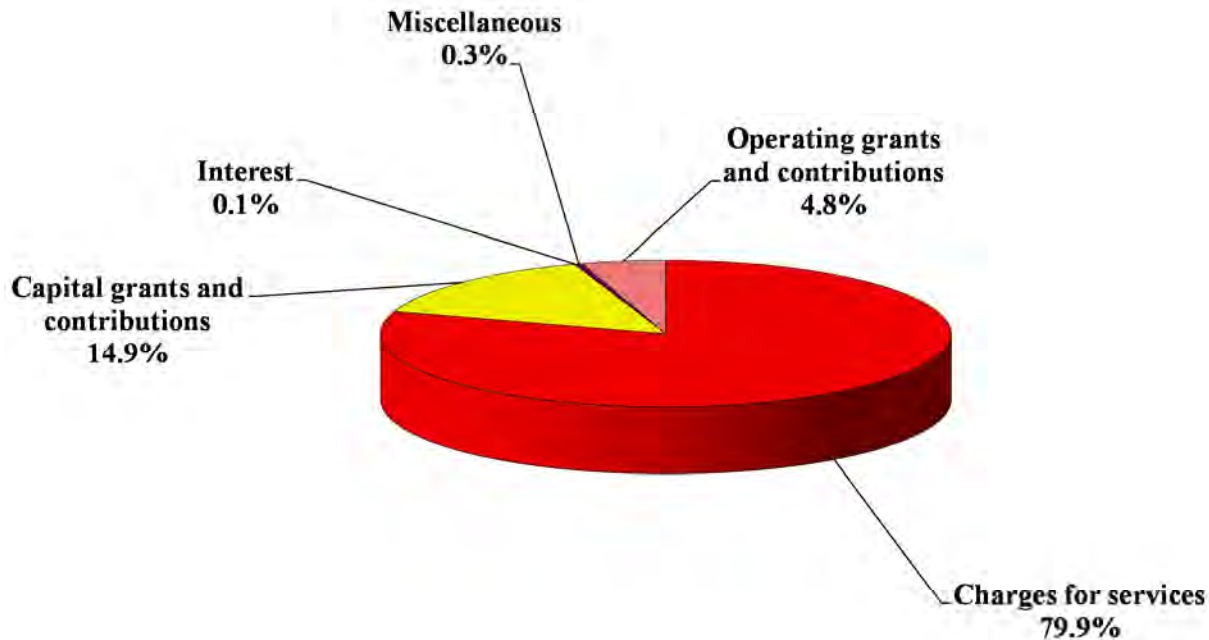
The business-type activities are comprised of enterprise funds for water, sewer, stormwater, and airport operations. Total net position of \$285.4 million increased 4.5%, or \$12.3 million from FY 2021.

Revenue highlights:

Business-type activities revenues of \$60.2 million increased \$5.5 million from the prior year. This was primarily due to an overall increase in charges for services along with an increase in funding for the Airport North GA Development Area, Phase I.

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

Revenues by Source - Business-type Activities



Expense highlights:

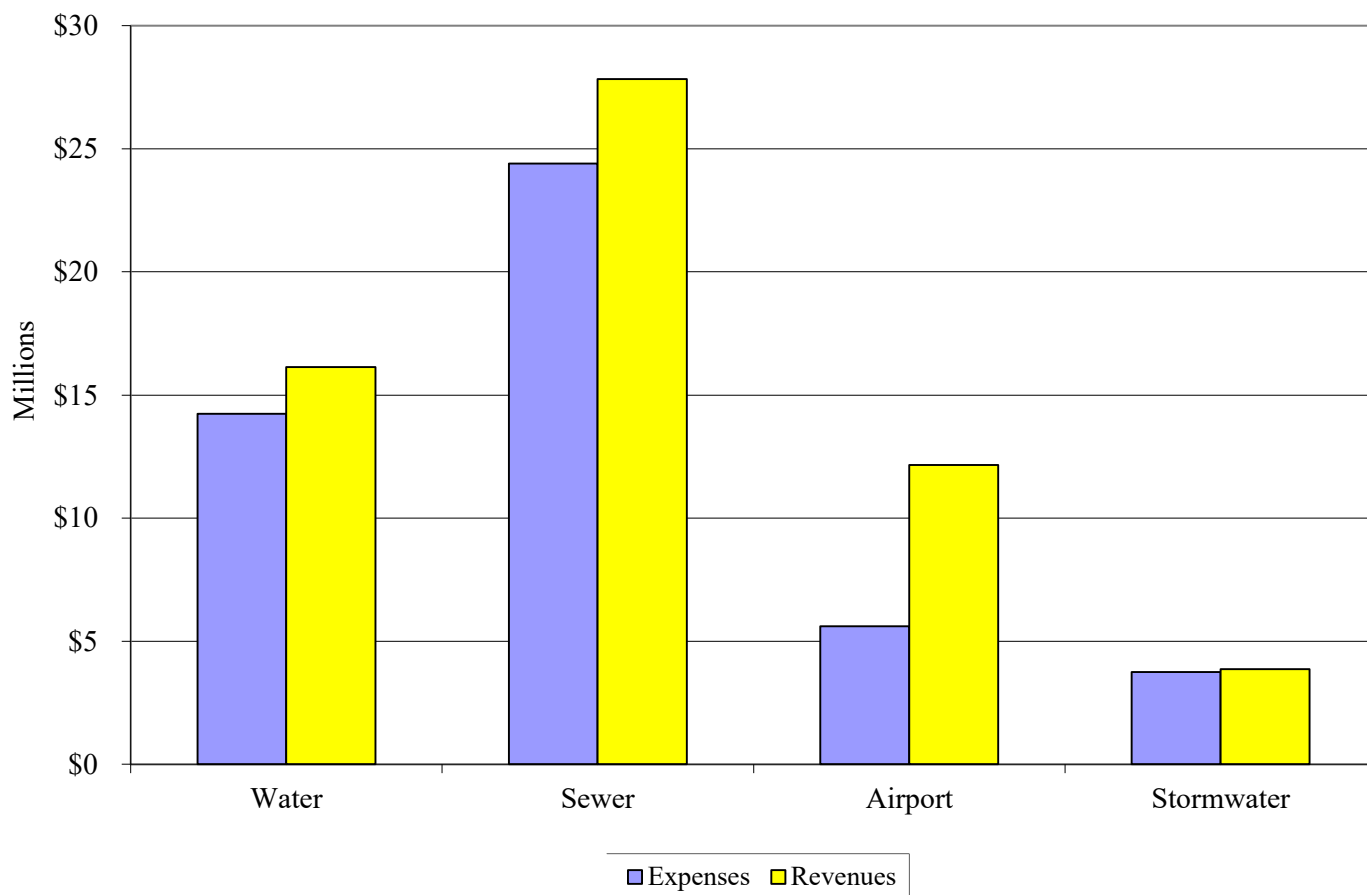
Business-type activities expenses of \$47.9 million increased \$3.0 million from the prior year.

Overall, business-type activities revenues of \$60.2 million were \$12.3 million more than expenses of \$47.9 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 (\$79.1) million increased 12.4% or \$11.2 million, from FY 2021. Unrestricted net position of (\$88.3) million increased 10.4% or \$10.2 million from FY 2021.

Revenue Highlights

Total revenues of \$124.8 million increased 7.40% or \$8.6 million in comparison with the prior year fund financial statements. For FY 2022, \$82.9 million or 66.4% of total revenues were received from the Commonwealth of Virginia and the Federal Government as compared to \$72.7 million received in FY 2021. State sales tax receipts were \$13.5 million for FY 2022. The City government contributed \$38.8 million or 31.7% to education. Federal revenues of \$17.3 million included the \$3.7 million from Title I funds to provide educational services to economically disadvantaged students. School Nutrition revenues of \$5.9 million included \$4.0 million from the Federal government for the operation of the breakfast and lunch programs. Other revenue sources of \$3.1 million or 2.5% of the total revenues included the following: school meals sales; facility and transportation rentals; and other miscellaneous sources.

Expenditure Highlights

Total expenditures of \$124.5 million increased by \$8.9 million from the prior year fund financial statements. For FY 2022, \$82.4 million or 66.2% of total expenditures related directly to providing instruction to an enrollment of 7,827 students and \$17.4 million or 14.0% supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were \$5.7 million or 4.6% of total expenditures while administration costs for the schools and attendance and health services for students were \$9.2 million or 7.4%. Technology costs were \$6.5 million or 5.2% of total expenditures. Capital outlay costs were \$3.1 million or 2.5% of total expenditures.

FUND FINANCIAL ANALYSIS

Governmental Funds

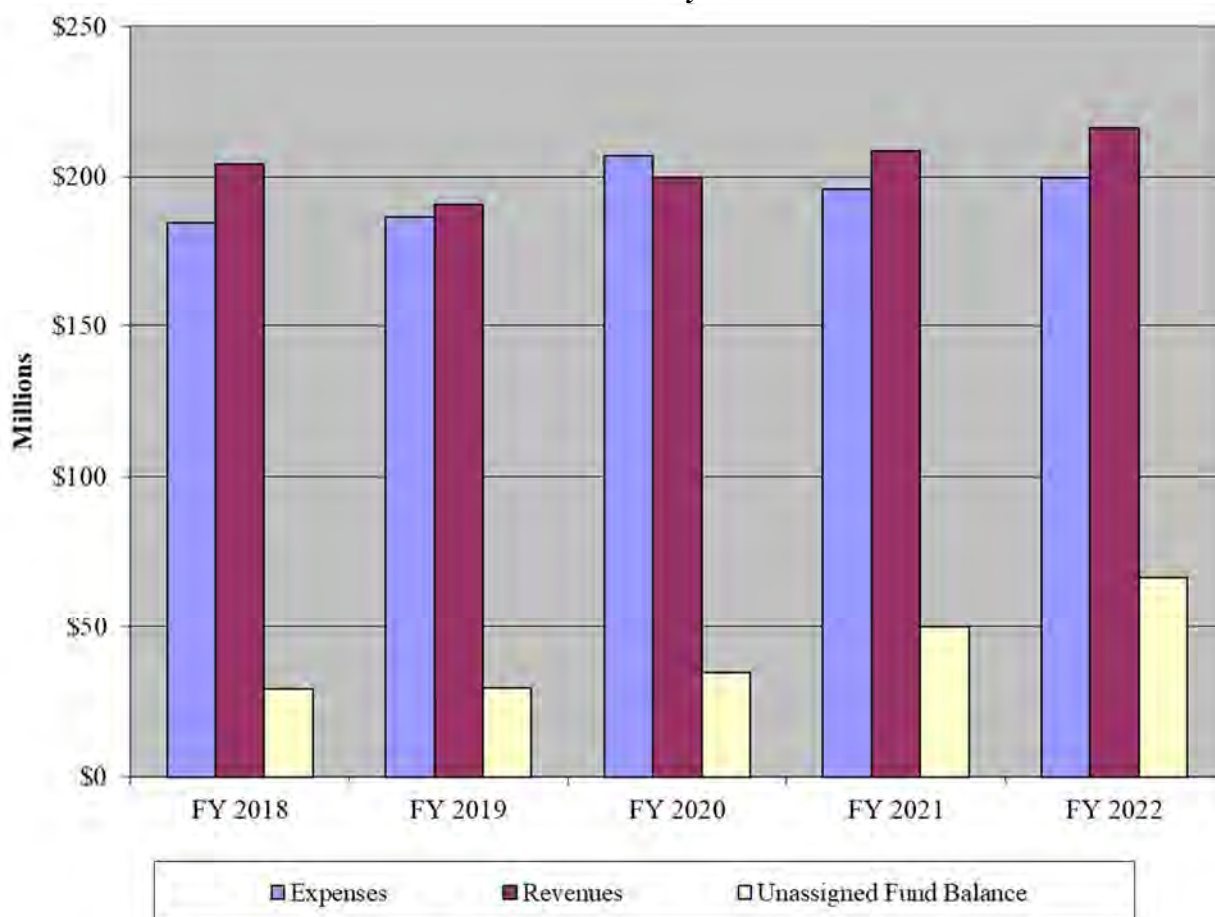
Governmental funds include the general fund, special revenue funds, and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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 2022, the City's governmental funds reported combined fund balances of \$120.3 million, an increase of \$7.4 million from FY 2021. Of that amount, \$3.3 million was restricted; \$41.0 million was committed; \$9.6 million was assigned; and \$66.4 million was unassigned. The general fund's increase in fund balance was \$16.4 million. This increase was primarily attributable to increased property taxes due to an increase of 11.0% in the residential property values, as well as increased sales and meals tax collections due to increased inflation. The City capital projects fund's decrease in fund balance was \$9.7 million. The decrease is due to current year expenditures exceeding current year revenue, resulting in a use of fund balance. The school capital projects fund's increase in fund balance was \$0.8 million and was primarily due to decrease in project expenses of \$0.5 million and an increase in CARES funding of \$0.4 million. Special revenue funds decrease in fund balance was \$0.06 million.
- As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35.0% of total general fund expenditures, while total fund balance represents 47.8% 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 2022 summarized comparison of amended budget versus actual information. In accordance with the implementation of GASB 54, the technology fund is utilized for internal reporting purposes only. For financial statement reporting, the technology fund is collapsed into the general fund. The five-year summary includes the technology fund while the budget comparison does not. See further information in Note 1 to the Financial Statements.

Five-Year General Fund Financial Summary



General Fund Budgetary Highlights

<u>Description</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Amended versus Actual</u>
<u>Revenues & Other Financing Sources</u>				
Taxes	\$ 142.6	\$ 142.6	\$ 157.7	\$ 15.1
Intergovernmental	39.0	39.5	39.8	0.3
Other	<u>15.1</u>	<u>15.1</u>	<u>18.5</u>	<u>3.4</u>
Total	<u>196.7</u>	<u>197.2</u>	<u>216.0</u>	<u>18.8</u>
<u>Expenditures & Other Financing Uses</u>				
Expenditures	197.0	199.1	188.8	10.3
Transfers	<u>8.2</u>	<u>10.9</u>	<u>10.9</u>	<u>-</u>
Total	<u>205.2</u>	<u>210.0</u>	<u>199.7</u>	<u>10.3</u>
<u>Change in Fund Balance</u>	<u>\$ (8.5)</u>	<u>\$ (12.8)</u>	<u>\$ 16.3</u>	<u>\$ 29.1</u>

Actual expenditures and other financing uses of \$199.7 million was less than revenues and other financing sources of \$216.0 million by \$16.3 million, which resulted in a positive change in fund balance that was more than the amended budget projected decrease of \$12.8 million. The FY 2022 adopted budget included the use of \$8.5 million of the FY 2021 General Fund's unassigned fund balance primarily to resource a planned \$7.0 million transfer out for general government capital projects; \$0.5 million transfer to the technology fund for equipment purchases; \$0.5 million transfer out to Fleet fund for debt service; and \$0.2 million transfer to the City/Federal/State Aid fund for matching funds on grants. This transfer is in accordance with City Council's adopted Fund Balance Policy (revised in FY 2020) which states that funds in excess of the targeted fund balance of ten percent (10%) of general fund revenues may be considered to supplement "pay-as-you-go" capital outlay expenditures, with the goal of moving towards the target of fifteen percent (15%). In summary, actual revenues were above the amended budget by \$18.8 million and actual expenditures were below the amended budget by \$10.3 million, resulting in a \$29.1 million increase in fund balance for FY 2022.

Actual revenues were greater than estimated and within 9.5%, or \$18.8 million, of the amended budget. Personal property, real estate, public service corporations, sales and use, business license, meals, lodging and amusement taxes were above the amended budget for FY 2022. Intergovernmental revenue was on pace with the amended budget.

Actual expenditures and transfers were \$10.3 million less than the FY 2022 amended budget with the following functions having unexpended appropriations:

- \$5.1 million for general government
- \$0.3 million for judicial
- \$2.2 million for public safety
- \$1.8 million for public works
- \$1.5 million for health and human services
- \$0.2 million for cultural and recreational
- \$0.7 million for community development
- \$1.1 million for education
- \$0.3 million for debt service

Keeping consistent with Council adopted Financial Policies, City Council appropriated \$1.2 million for a General Fund Reserve for Contingencies. City Council authorized 4.2%, or \$0.05 million in expenditures from this contingency. The remaining 95.8%, or \$1.15 million, reverted to unassigned fund balance.

From the original budget of \$205.2 million, City Council approved budget amendments to increase the budget 2.3%, or \$4.8 million, resulting in an amended budget of \$210.0 million. The budget amendments were primarily for the following purposes:

- \$1.6 million net increase for third quarter budget amendment requests. Each fiscal year, management reviews current year expenditures and revenue collection patterns and presents to City Council a third quarter budget amendment. The FY 2022 amendment was primarily for an increase in the per diem for the Lynchburg Regional Juvenile Detention Center; an increase in reserves for the City's self-insurance program; and transfers to other funds.
- \$1.8 million increase to the budget for unexpended items requested to be re-appropriated in the current year to continue programs (first quarter carryforward).

City Capital Projects Fund

The City capital projects fund accounts for the major construction projects of the City other than those financed by proprietary funds or the school capital projects fund. Annually, the City adopts a five-year capital project plan. Year one of the plan is appropriated for current year expenditures. The fund balance of \$21.4 million decreased 31.2%, or \$9.7 million from FY 2021.

Revenues and transfers of \$12.6 million increased 3.5%, or \$0.4 million primarily due to the following:

- \$2.5 million decrease in Virginia Department of Transportation (VDOT) funds
- \$2.8 million increase in transfers
- \$0.1 million increase in miscellaneous revenue sources

Expenditures, capital outlay, and transfers of \$22.3 million decreased 4.0%, or \$0.9 million primarily due to the following:

- \$1.7 million decrease in Lakeside Drive Bridge over Blackwater Creek
- \$1.0 million decrease in Link Road Bridge
- \$0.7 million decrease in Route 501/221 one-way pairs
- \$0.4 million decrease in Human Services Building rooftop HVAC replacement
- \$0.4 million decrease in Bikeway Bridge to Linkhorne renovation
- \$0.1 million decrease in Indian Hill Road Bridge repair
- \$1.0 million increase in streetscape improvements
- \$0.8 million increase in Reusens Road retaining wall
- \$0.4 million increase in two-way traffic
- \$0.3 million increase in Rivermont Avenue bridge repair
- \$0.2 million increase in Monument Terrace chiller replacement
- \$0.2 million increase in citywide roof evaluation maintenance
- \$0.2 million increase in emergency building repairs
- \$0.1 million increase in Public Works equipment shed refurbishment
- \$0.1 million increase in salt barn rehabilitations
- \$0.1 million increase in Kemper St. demolition
- \$0.1 million increase in expressway privacy fence repairs

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 \$5.1 million increased 20.0%, or \$0.9 million, from FY 2021.

Revenues, issuance of bonds, and transfers of \$3.9 million decreased 13.3%, or \$0.6 million. The decrease is primarily attributable to the following:

- \$0.7 million decrease in proceeds from line of credit for roof replacement projects at Paul Munro, Linkhorne, Dunbar and Sheffield Elementary Schools
- \$0.5 million decrease in transfers from the general fund
- \$0.4 million increase in proceeds from CARES funding

Expenditures and capital outlay of \$3.1 million decreased 13.9%, or \$0.5 million primarily due to the following:

- \$0.3 decrease in Bass Elementary School HVAC replacement
- \$0.3 increase in Paul Munro Elementary School roof replacement
- \$0.2 increase in LCS transportation building
- \$0.2 increase in E.C. Glass intercom
- \$0.2 increase in Dunbar Middle School roof replacement
- \$0.1 increase in E.C. Glass cooling tower
- \$0.1 increase in Sandusky Elementary HVAC

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 \$37.4 million increased 5.1%, or \$1.8 million, from FY 2021. Net investment in capital assets of \$35.4 million increased 3.5%, or \$1.2 million, primarily due to completion of capital projects and increased activity of other projects that are on-going. Net investment in capital assets was 94.7% of total net position. Unrestricted net position available to fund future expenditures increased by 42.9% or \$0.6 million. This increase resulted from current year's revenues exceeding combined operating and debt services expenditures. Operating revenues totaled \$16.1 million, and increased 2.5%, or \$0.4 million. Operating expenses totaled \$12.9 million, and decreased 1.5% compared to FY 2021. Investment earnings decreased \$0.1 million. For FY 2022, the fund balance ratio was 56.0% as compared to City Council's financial policy target range of 25% to 40%. The debt coverage ratio was 1.69 as compared to City Council's financial policy minimum target of 1.20.

Sewer Fund

The sewer fund's total net position of \$192.3 million increased 1.9%, or \$3.5 million, from FY 2021. Net investment in capital assets of \$177.5 million increased 1.6%, or \$2.8 million, primarily due to decreased revenue bond debt. Net investment in capital assets was 92.3% of total net position. Unrestricted net position available to fund future expenditures increased by 5.0%, or \$0.7 million. This was primarily due to a decrease of pension plan and other post-employment obligations. Unrestricted net position was 7.7%, or \$14.8 million of total net position. Operating revenues totaled \$25.9 million and increased 4.9% or \$1.2 million from FY 2021. This was mostly attributable to an increase of sewer surcharge sales and sale of sewer interceptor capacity to an adjacent county. Operating expenses totaled \$23.6 million and increased 9.8% or \$2.1 million. This was largely due to increased operating expenses at the Water Resources Recovery Facility. Investment earnings decreased \$0.03 million. For FY 2022, the fund balance ratio was 45.0% as compared to City Council's financial policy target range of 25% to 40%. The debt coverage ratio was 1.57 as compared to City Council's financial policy minimum target of 1.20 and was compliant 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 \$8.3 million increased 1.2%, or \$0.1 million from FY 2021. Net investment in capital assets of \$6.5 million decreased 3.0%, or \$0.2 million primarily due to increased use of debt to fund capital projects. Net investment in capital assets was 78.3% of total net position. Unrestricted net position available to fund future expenditures increased by 13.3%, or \$0.2 million. This was mostly attributable to increase of cash and cash equivalents used to fund capital projects. Unrestricted net position was 20.5%, or \$1.7 million, of total net position. Operating revenues totaled \$3.8 million and increased 8.6% or \$0.3 million. This was primarily due to increased billable impervious areas. Operating expenses totaled \$3.8 million and increased 15.2%, or \$0.5 million largely due to increased expenses in personal services and benefits and operation and maintenance. Investment earnings decreased \$0.003 million. For FY 2022, the fund balance ratio was 38.0% as compared to City Council's financial policy target range of 15% to 20%. The debt coverage ratio was 3.46 as compared to City Council's 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 \$50.6 million increased 15.0%, or \$6.6 million, from FY 2021. Net investment in capital assets, of \$39.5 million increased \$4.2 million, or 11.8% from the prior year. Net investment in capital assets was 78.1% of total net position. Net position, unrestricted, increased 28.1%, or \$2.4 million from FY 2021. Unrestricted net position was 21.8%, or \$11.0 million, of net position. Operating revenues were \$5.2 million, an increase of \$0.5 million or 11.6%. Operating expenses totaled \$5.6 million, an increase of 5.4% or \$0.3 million from FY 2021. Capital contributions totaled \$6.6 million, an increase of 60.2%, or \$2.5 million, and reflects an increase of state and federal contributions received for Airport capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of depreciation, were \$853.2 million as reflected in the following schedule. The City of Lynchburg owns the land, buildings, and facilities used by Lynchburg City Schools. The Schools had \$7.7 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

Capital Assets As of June 30, 2022/2021 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2022	2021	2022	2021	2022	2021	2022-2021	2022	2021
Capital assets, not being depreciated:									
Land	\$ 23.5	\$ 23.4	\$ 5.2	\$ 5.2	\$ 28.7	\$ 28.6	0%	\$ -	\$ -
Construction in progress	41.3	32.9	24.0	23.1	65.3	56.0	17%	-	-
Capital assets, being depreciated:									
Land improvements	64.6	64.3	14.4	14.2	79.0	78.5	1%	-	-
Buildings and improvements	320.8	317.3	98.9	98.3	419.7	415.6	1%	-	-
Infrastructure	340.2	332.0	530.4	510.8	870.6	842.8	3%	-	-
Machinery and equipment	64.6	61.1	34.4	33.8	99.0	94.9	4%	22.7	21.6
Leases	2.8	-	-	-	2.8	-	0%		
Less: Accumulated depreciation and amortization	(441.0)	(417.7)	(270.9)	(254.6)	(711.9)	(672.3)	6%	(15.0)	(13.4)
Total Capital Assets	<u>\$ 416.8</u>	<u>\$ 413.3</u>	<u>\$ 436.4</u>	<u>\$ 430.8</u>	<u>\$ 853.2</u>	<u>\$ 844.1</u>	<u>1%</u>	<u>\$ 7.7</u>	<u>\$ 8.2</u>

During FY 2022, the City's net increase in capital assets was 1.1% or \$9.1 million. Major capital assets completed and placed in service included the following:

- Main St. Renewal was completed with \$4.6 million of general obligation bonds.
- Combined Sewer Overflow (CSO) 56 Vault Replacement was completed for \$3.7 million using a combination of a loan from the Virginia Resource Authority (VRA) and local funds.
- Tinbridge Hill Phase 2 utility project was completed with \$1.5 million of local funds.

Construction-in-progress at the end of FY 2022 includes Airport North General Aviation Development Area, Downtown Streetscape Improvements; Lakeside Drive Bridge over Blackwater Creek; Bikeway Bridge to Linkhorne Renovation; College Lake Dam Removal; Route 501/221 One Way Pair; Downtown Area Business Improvements Phase II; Blue Ridge Farms Phase IV; Water Resources Recovery Facility Sludge Holding Tank improvements; various other transportation and building projects; various sewer system evaluation and system upgrades; sewer system collection improvements; various waterline projects; and Sewer CSO upgrades. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term Debt

Total outstanding debt was \$349.9 million with \$179.2 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$170.7 million. Liabilities of \$8.3 million for compensated absences and workers compensation were excluded.

Long-term Debt Obligations As of June 30, 2022/2021 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2022	2021	2022	2021	2022	2021	2022-2021
General obligation bonds	\$ 152.7	\$ 163.2	\$ 66.0	\$ 69.3	\$ 218.7	\$ 232.5	-6%
General obligation-Direct borrowing	5.2	6.2	-	-	5.2	6.2	-16%
Revenue bonds	-	-	102.6	109.3	102.6	109.3	-6%
Bond anticipation notes	7.9	4.5	10.6	3.2	18.5	7.7	140%
Lease obligations	2.7	-	-	-	2.7	-	100%
Other long-term payables	2.2	2.6	-	-	2.2	2.6	-15%
Total	<u>\$ 170.7</u>	<u>\$ 176.5</u>	<u>\$ 179.2</u>	<u>\$ 181.8</u>	<u>\$ 349.9</u>	<u>\$ 358.3</u>	<u>-2%</u>

Total new debt of \$13.6 million was issued, of which \$6.2 million was for governmental activities, and \$7.4 million was for business-type activities and includes:

- \$10.8 million of bond anticipation notes, of which \$3.4 million was for governmental activities and \$7.4 million was for business-type activities.
- \$2.8 million of lease obligations as a result of implementing GASB 87, all of which was for governmental activities.

The City retired \$22.0 million of outstanding principal. The governmental activities principal retirements were \$12.0 million and the business-type activities principal retirements were \$10.0 million and include:

- \$21.8 million in planned principal retirements, of which \$11.9 million was for governmental activities and \$9.9 million was for business-type activities.
- \$0.1 million in lease payments, all of which was for governmental activities.
- \$0.1 million reduction in revenue bonds due to a decrease on a Virginia Revolving Loan balance, all of which was for business-type activities.

The City's general obligation bonds continued to maintain an Aa2 rating from Moody's Investors Service, an AA+ rating from Fitch Ratings, and an AA+ from Standard & Poor's Global Ratings. These credit ratings were last affirmed in October 2020 for the City's issuance of \$15.3 million General Obligation Public Improvement Refunding Bonds, Series 2020B on October 29, 2020. All three agencies noted the City's strong management and financial policies and practices when reaffirming the ratings.

On June 30, 2020, the City issued a three-year General Obligation Bond Anticipation Note, Series 2020 and concurrently entered into a line of credit Financing Agreement with JPMorgan Chase, N.A. The Agreement provided for borrowings of up to \$42.0 million to provide interim financing for qualifying city, school, water, sewer, stormwater, and fleet capital improvements. Interest on the unpaid principal is equal to the sum of (i) 80% times Daily One-Month London Interbank Offered Rate (LIBOR), plus (ii) 0.96%, as calculated by the Lender on each day. Interest shall be computed on the basis of the actual number of days elapsed in a 360-day year and paid monthly. Final maturity of the Note is June 15, 2023. Outstanding principal as of June 30 is \$18.5 million. The unused line of credit is \$23.5 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, 2022, the City's assessed value of real property was \$6.4 billion. The City's debt is less than the current debt limitation of \$637.6 million.

The City's debt management policy states that tax-supported debt should not exceed 4.5% of net assessed valuation of taxable property in the City of Lynchburg. For the purposes of calculating this ratio, assessed value includes real property and personal property. As of June 30, 2022, debt to assessed value was 2.47%. 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, 2022, the 10-year principal payout ratio was 66.23%.

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

ECONOMIC FACTORS

The City's unemployment rate decreased from 4.8% in June 2021 to 3.3% in June 2022 reflecting continued recovery from the economic impact of COVID-19. The City's unemployment rate typically trends above the State rate, which was 2.8% in June 2022. For the current and previous four years, the City's unemployment rate has trended below the National rate, which was 3.6% for the same period. The Lynchburg economy typically lags the nation in both recession and recovery.

Although still an important sector, manufacturing no longer dominates the Lynchburg economy as it did in the past. American Electric Power (AEP), the region's electric utility provider, remains the City's largest property taxpayer with an 2.9% increase in taxable assessed value over FY 2021. The principal property taxpayers, as a whole, realized an increase of 7.2% in taxable assessed value when compared to FY 2021. The City remains the retail hub for the region. Other important sectors of the Lynchburg economy include wireless technology, engineering, finance, 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 2022 Operating and Capital Budgets, and FY 2022-2026 Capital Improvement Program are on the City's web site at www.lyncburgva.gov.

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2022

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Lynchburg City Schools	Other	
Assets						
Cash and cash equivalents	\$ 106,143,629	\$ 28,216,466	\$ 134,360,095	\$ 4,681,624	\$ 2,269,922	\$ 141,311,641
Investments	50,756,333	21,143,898	71,900,231	-	-	71,900,231
Receivables, net of allowance	23,196,809	5,705,880	28,902,689	188,631	499,650	29,590,970
Lease receivable	1,628,502	91,199	1,719,701	-	-	1,719,701
Internal balances	3,149,441	(3,149,441)	-	-	-	-
Due from other governments	6,215,392	5,176,782	11,392,174	9,709,086	6,878	21,108,138
Due from component units	1,705,896	-	1,705,896	-	-	1,705,896
Inventory	103,207	693,942	797,149	137,876	344,787	1,279,812
Prepays and other assets	3,139,465	-	3,139,465	986,588	270,197	4,396,250
Restricted assets:						
Cash and cash equivalents	3,581,302	1,259,720	4,841,022	-	-	4,841,022
Due from other governments	-	3,994,845	3,994,845	-	-	3,994,845
Capital assets:						
Nondepreciable	64,810,492	21,931,363	86,741,855	-	1,669,530	88,411,385
Depreciable, net	351,960,384	414,533,325	766,493,709	7,665,261	33,826,894	807,985,864
Net pension asset	-	-	-	1,541,999	-	1,541,999
Total assets	616,390,852	499,597,979	1,115,988,831	24,911,065	38,887,858	1,179,787,754
Deferred Outflows of Resources						
Deferred charge on refunding	2,202,690	1,295,725	3,498,415	-	-	3,498,415
Pension related	21,685,582	3,120,622	24,806,204	17,513,766	-	42,319,970
Other postemployment benefits related	7,565,414	855,596	8,421,010	4,082,577	-	12,503,587
Total deferred outflows of resources	31,453,686	5,271,943	36,725,629	21,596,343	-	58,321,972
Liabilities						
Accounts payable and other liabilities	7,818,319	6,273,329	14,091,648	952,364	489,146	15,533,158
Accrued payroll and related liabilities	5,319,222	257,455	5,576,677	6,490,012	-	12,066,689
Accrued interest payable	1,309,363	736,020	2,045,383	-	-	2,045,383
Due to other governments	1,439,676	756	1,440,432	-	1,273,519	2,713,951
Due to primary government	-	-	-	1,175,921	529,975	1,705,896
Unearned revenue/prepaid rent	795,343	-	795,343	331,777	-	1,127,120
Deposits payable from restricted assets	358,892	1,208,173	1,567,065	-	-	1,567,065
Long-term liabilities:						
Due within one year	12,736,394	9,958,346	22,694,740	599,337	-	23,294,077
Due in more than one year:						
Net pension liability	64,080,479	9,221,373	73,301,852	46,021,785	-	119,323,637
Net other postemployment benefit liabilities	43,369,249	5,299,042	48,668,291	21,246,218	150,765	70,065,274
Other long-term liabilities	179,046,066	176,114,228	355,160,294	416,489	142,398	355,719,181
Total liabilities	316,273,003	209,068,722	525,341,725	77,233,903	2,585,803	605,161,431
Deferred Inflows of Resources						
Property taxes	12,052,519	-	12,052,519	-	-	12,052,519
Grants	33,328,529	-	33,328,529	-	-	33,328,529
Lease related	1,615,292	90,836	1,706,128	-	-	1,706,128
Pension related	37,370,061	5,377,664	42,747,725	41,926,245	-	84,673,970
Other postemployment benefits related	38,873,052	4,958,866	43,831,918	6,440,749	16,445	50,289,112
Total deferred inflows of resources	123,239,453	10,427,366	133,666,819	48,366,994	16,445	182,050,258
Net Position						
Net investment in capital assets	240,095,381	258,965,814	499,061,195	7,665,261	35,496,424	542,222,880
Restricted for:						
Grants	3,300,380	-	3,300,380	-	-	3,300,380
Net pension asset	-	-	-	1,541,999	-	1,541,999
Passenger facility charges	-	51,547	51,547	-	-	51,547
Unrestricted	(35,063,679)	26,356,473	(8,707,206)	(88,300,749)	789,186	(96,218,769)
Total net position	\$ 208,332,082	\$ 285,373,834	\$ 493,705,916	\$ (79,093,489)	\$ 36,285,610	\$ 450,898,037

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

Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total Reporting Unit
					Governmental Activities	Business-type Activities	Total	Lynchburg City Schools	Other	
Primary government:										
Governmental activities:										
General government	\$ 14,375,451	\$ 828,663	\$ 652,081	\$ 7,400	\$ (12,887,307)	\$ -	\$ (12,887,307)	\$ -	\$ -	\$ (12,887,307)
Judicial	6,783,137	418,146	4,301,837	-	(2,063,154)	-	(2,063,154)	-	-	(2,063,154)
Public safety	49,446,622	6,613,570	6,918,659	-	(35,914,393)	-	(35,914,393)	-	-	(35,914,393)
Public works	28,546,799	2,912,898	12,381,220	1,743,041	(11,509,640)	-	(11,509,640)	-	-	(11,509,640)
Health and human services	29,917,851	2,970,167	23,494,119	-	(3,453,565)	-	(3,453,565)	-	-	(3,453,565)
Cultural and recreational	11,755,843	988,256	324,242	86,223	(10,357,122)	-	(10,357,122)	-	-	(10,357,122)
Community development	6,553,744	1,599,327	1,567,930	-	(3,386,487)	-	(3,386,487)	-	-	(3,386,487)
Education	45,367,275	9,513	-	405,471	(44,952,291)	-	(44,952,291)	-	-	(44,952,291)
Interest payments and other fiscal charges	5,788,846	-	-	-	(5,788,846)	-	(5,788,846)	-	-	(5,788,846)
Total governmental activities	<u>198,535,568</u>	<u>16,340,540</u>	<u>49,640,088</u>	<u>2,242,135</u>	<u>(130,312,805)</u>	<u>-</u>	<u>(130,312,805)</u>	<u>-</u>	<u>-</u>	<u>(130,312,805)</u>
Business-type activities:										
Stormwater	3,746,417	3,495,968	296,311	68,971	-	114,833	114,833	-	-	114,833
Airport	5,604,299	2,635,988	2,580,509	6,934,974	-	6,547,172	6,547,172	-	-	6,547,172
Water	14,239,005	16,130,624	-	-	-	1,891,619	1,891,619	-	-	1,891,619
Sewer	24,398,177	25,879,520	-	1,955,264	-	3,436,607	3,436,607	-	-	3,436,607
Total business-type activities	<u>47,987,898</u>	<u>48,142,100</u>	<u>2,876,820</u>	<u>8,959,209</u>	<u>-</u>	<u>11,990,231</u>	<u>11,990,231</u>	<u>-</u>	<u>-</u>	<u>11,990,231</u>
Total primary government	<u>\$ 246,523,466</u>	<u>\$ 64,482,640</u>	<u>\$ 52,516,908</u>	<u>\$ 11,201,344</u>	<u>(130,312,805)</u>	<u>11,990,231</u>	<u>(118,322,574)</u>	<u>-</u>	<u>-</u>	<u>(118,322,574)</u>
Component units:										
Lynchburg City Schools	\$ 114,153,940	\$ 1,797,614	\$ 83,520,497	\$ -	-	-	-	(28,835,829)	-	(28,835,829)
Greater Lynchburg Transit Company	9,924,327	626,009	7,020,531	2,160,203	-	-	-	-	(117,584)	(117,584)
Business Development Centre	245,268	270,972	-	-	-	-	-	-	25,704	25,704
Total component units	<u>\$ 124,323,535</u>	<u>\$ 2,694,595</u>	<u>\$ 90,541,028</u>	<u>\$ 2,160,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,835,829)</u>	<u>(91,880)</u>	<u>(28,927,709)</u>
General revenues:										
Property taxes					93,778,345	-	93,778,345	-	-	93,778,345
Local sales and use taxes					20,685,254	-	20,685,254	-	-	20,685,254
Meals taxes					17,916,644	-	17,916,644	-	-	17,916,644
Consumer utility taxes					4,733,521	-	4,733,521	-	-	4,733,521
Business license taxes					10,270,020	-	10,270,020	-	-	10,270,020
Communications sales and use taxes					2,424,362	-	2,424,362	-	-	2,424,362
Other taxes					8,387,255	-	8,387,255	-	-	8,387,255
Unrestricted intergovernmental					6,445,454	-	6,445,454	-	-	6,445,454
Interest					(412,442)	70,680	(341,762)	-	-	(341,762)
Miscellaneous					960,543	182,058	1,142,601	1,298,850	23,470	2,464,921
Gain on sale of assets					352,256	11,907	364,163	-	22,968	387,131
City appropriation					-	-	-	38,777,643	-	38,777,643
Transfers					(24,000)	24,000	-	-	-	-
Total general revenues and transfers					<u>165,517,212</u>	<u>288,645</u>	<u>165,805,857</u>	<u>40,076,493</u>	<u>46,438</u>	<u>205,928,788</u>
Changes in net position					<u>35,204,407</u>	<u>12,278,876</u>	<u>47,483,283</u>	<u>11,240,664</u>	<u>(45,442)</u>	<u>58,678,505</u>
Net position - beginning					<u>173,127,675</u>	<u>273,094,958</u>	<u>446,222,633</u>	<u>(90,334,153)</u>	<u>36,331,052</u>	<u>392,219,532</u>
Net position - ending					<u>\$ 208,332,082</u>	<u>\$ 285,373,834</u>	<u>\$ 493,705,916</u>	<u>\$ (79,093,489)</u>	<u>\$ 36,285,610</u>	<u>\$ 450,898,037</u>

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

Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	City Capital Projects	School Capital Projects	Other Governmental	Total Governmental
Assets					
Cash and cash equivalents	\$ 87,900,219	\$ 7,070,810	\$ 3,940,567	\$ 2,147,971	\$ 101,059,567
Investments	34,986,577	14,260,380	1,509,376	-	50,756,333
Receivables, net of allowance:					
Taxes excluding penalties	15,440,177	-	-	-	15,440,177
Accounts	6,114,177	-	-	-	6,114,177
Other	1,536,333	44,034	321	39,035	1,619,723
Lease receivable	1,419,594	35,718	173,190	-	1,628,502
Due from other funds	324,657	-	-	-	324,657
Due from other governments	3,726,981	390,125	-	2,098,286	6,215,392
Due from component units	1,580,896	-	-	125,000	1,705,896
Other assets	-	-	-	213	213
Restricted assets:					
Cash and cash equivalents	374,901	2,423,814	-	782,587	3,581,302
Total assets	<u>\$ 153,404,512</u>	<u>\$ 24,224,881</u>	<u>\$ 5,623,454</u>	<u>\$ 5,193,092</u>	<u>\$ 188,445,939</u>
Liabilities					
Accounts payable and other liabilities	\$ 3,219,706	\$ 2,827,566	\$ 358,104	\$ 1,214,268	\$ 7,619,644
Accrued payroll and related liabilities	5,459,506	1,445	-	96,678	5,557,629
Due to other funds	210,096	-	-	324,657	534,753
Due to other governments	1,311,333	-	-	128,343	1,439,676
Unearned revenue/prepaid rent	795,343	-	-	-	795,343
Deposits payable from restricted assets	358,892	-	-	-	358,892
Total liabilities	<u>11,354,876</u>	<u>2,829,011</u>	<u>358,104</u>	<u>1,763,946</u>	<u>16,305,937</u>
Deferred Inflows of Resources					
Unavailable revenue	50,191,212	-	-	3,382	50,194,594
Lease related	1,409,995	34,854	170,443	-	1,615,292
Total deferred inflows of resources	<u>51,601,207</u>	<u>34,854</u>	<u>170,443</u>	<u>3,382</u>	<u>51,809,886</u>
Fund Balances					
Restricted	-	-	-	3,300,380	3,300,380
Committed	14,477,110	21,361,016	5,094,907	125,384	41,058,417
Assigned	9,576,402	-	-	-	9,576,402
Unassigned	66,394,917	-	-	-	66,394,917
Total fund balances	<u>90,448,429</u>	<u>21,361,016</u>	<u>5,094,907</u>	<u>3,425,764</u>	<u>120,330,116</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 153,404,512</u>	<u>\$ 24,224,881</u>	<u>\$ 5,623,454</u>	<u>\$ 5,193,092</u>	<u>\$ 188,445,939</u>

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022**

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

Ending fund balance - governmental funds		\$	120,330,116
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			402,461,305
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			4,813,546
Deferred outflow of resources used to reflect deferred losses on debt refunding bonds are not reported in the governmental funds.			2,112,257
Internal service fund activity that has been allocated to the user departments.			3,262,678
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 Position.			14,710,210
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows related to:			
Pensions	21,415,195		
Other postemployment benefits	7,489,734		
Deferred inflows related to:			
Pensions	(36,904,111)		
Other postemployment benefits	(38,433,516)		
Net pension liability	(63,281,489)		
Net other postemployment liability	(42,900,003)		
			(152,614,190)
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	(173,575,457)		
Accrued interest payable	(1,292,210)		
Lease obligations payable	(2,653,804)		
Other long-term payable	(2,187,777)		
Compensated absences	(5,043,064)		
Workers' compensation	(1,991,528)		
			(186,743,840)
Net position of governmental activities		\$	<u>208,332,082</u>

The Notes to 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, 2022

	General	City Capital Projects	School Capital Projects	Other Governmental	Total Governmental
Revenues					
Taxes	\$ 157,712,379	\$ -	\$ -	\$ -	\$ 157,712,379
Regulatory licenses, permits and privilege fees	1,266,228	-	-	-	1,266,228
Intergovernmental	39,843,467	4,883,167	405,471	12,805,414	57,937,519
Fines and forfeitures	263,529	-	-	-	263,529
Revenue from use of money and property	242,292	16,906	16,547	16,051	291,796
Charges for services	13,025,106	-	-	4,206,775	17,231,881
Miscellaneous	835,869	257,887	-	223,209	1,316,965
Total revenues	<u>213,188,870</u>	<u>5,157,960</u>	<u>422,018</u>	<u>17,251,449</u>	<u>236,020,297</u>
Expenditures					
Current operating expenditures:					
General government	17,896,501	-	-	224,551	18,121,052
Judicial	5,516,524	-	-	1,413,017	6,929,541
Public safety	50,078,262	-	-	5,001,910	55,080,172
Public works	17,428,616	4,028,419	-	117,725	21,574,760
Health and human services	23,106,733	-	-	8,907,070	32,013,803
Cultural and recreational	9,925,705	687,355	-	28,520	10,641,580
Community development	4,867,147	86,532	-	1,931,583	6,885,262
Education	39,128,643	-	356,838	-	39,485,481
Capital outlay:					
Capital general government	3,597,518	17,460,524	2,717,471	7,179	23,782,692
Debt service:					
Principal retirements	11,276,319	-	-	9,414	11,285,733
Interest payments and other fiscal charges	6,468,169	-	-	3,507	6,471,676
Total expenditures	<u>189,290,137</u>	<u>22,262,830</u>	<u>3,074,309</u>	<u>17,644,476</u>	<u>232,271,752</u>
Excess (deficiency) of revenues over expenditures	<u>23,898,733</u>	<u>(17,104,870)</u>	<u>(2,652,291)</u>	<u>(393,027)</u>	<u>3,748,545</u>
Other financing sources (uses)					
Issuance of bonds	-	-	1,553,482	-	1,553,482
Lease financing	2,794,413	-	-	7,179	2,801,592
Transfers in	65,000	7,467,133	1,947,403	326,958	9,806,494
Transfers out	(10,380,499)	(65,000)	-	(5,296)	(10,450,795)
Total other financing sources (uses)	<u>(7,521,086)</u>	<u>7,402,133</u>	<u>3,500,885</u>	<u>328,841</u>	<u>3,710,773</u>
Net changes in fund balances	<u>16,377,647</u>	<u>(9,702,737)</u>	<u>848,594</u>	<u>(64,186)</u>	<u>7,459,318</u>
Fund balances - beginning	<u>74,070,782</u>	<u>31,063,753</u>	<u>4,246,313</u>	<u>3,489,950</u>	<u>112,870,798</u>
Fund balances - ending	<u>\$ 90,448,429</u>	<u>\$ 21,361,016</u>	<u>\$ 5,094,907</u>	<u>\$ 3,425,764</u>	<u>\$ 120,330,116</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2022**

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

Net change in fund balances - total governmental funds		\$	7,459,318
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			25,332,880
Depreciation and amortization expense			(20,545,634)
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.			
			7,400
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
			424,188
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	9,618,133		
Pension expenses	(4,538,328)		
			5,079,805
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned net of employee contributions is reported as other postemployment benefit expense.			
Employer other postemployment benefit contribution	262,359		
Other postemployment benefit expense	8,579,149		
			8,841,508
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.			
			7,657,954
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.			
			190,519
To eliminate transfers to the internal service fund			
			620,301
The net income of certain activities of the internal service fund is reported with governmental activities.			
			136,168
Change in net position of governmental activities.		\$	35,204,407

The Notes to 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, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 142,591,640	\$ 142,591,640	\$ 157,712,379	\$ 15,120,739
Regulatory licenses, permits and privilege fees	1,088,950	1,188,950	1,266,228	77,278
Intergovernmental	39,025,551	39,485,933	39,823,623	337,690
Fines and forfeitures	295,000	295,000	263,529	(31,471)
Revenue from use of money and property	479,341	479,341	244,627	(234,714)
Charges for services	12,590,573	12,590,573	13,025,106	434,533
Miscellaneous	598,057	498,057	807,512	309,455
Total revenues	196,669,112	197,129,494	213,143,004	16,013,510
Expenditures				
Current operating expenditures:				
General government	27,509,090	22,500,695	17,365,414	5,135,281
Judicial	5,338,819	5,773,613	5,516,524	257,089
Public safety	49,385,295	52,241,271	50,078,262	2,163,009
Public works	17,673,621	19,181,215	17,428,616	1,752,599
Health and human services	23,720,174	24,623,651	23,106,733	1,516,918
Cultural and recreational	10,038,446	10,172,539	9,925,705	246,834
Community development	5,434,039	5,561,118	4,867,147	693,971
Education	39,828,498	40,228,499	39,128,643	1,099,856
Capital outlay:				
Capital general government	-	803,105	3,597,518	(2,794,413)
Debt service:				
Principal retirements	11,531,298	11,531,298	11,276,319	254,979
Interest payments and other fiscal charges	6,499,299	6,499,299	6,468,169	31,130
Total expenditures	196,958,579	199,116,303	188,759,050	10,357,253
Excess (deficiency) of revenues over expenditures	(289,467)	(1,986,809)	24,383,954	26,370,763
Other financing sources (uses)				
Lease financing	-	-	2,794,413	2,794,413
Transfers in	-	65,000	65,000	-
Transfers out	(8,229,557)	(10,903,930)	(10,944,267)	(40,337)
Total other financing sources (uses)	(8,229,557)	(10,838,930)	(8,084,854)	2,754,076
Net changes in fund balances	(8,519,024)	(12,825,739)	16,299,100	29,124,839
Fund balances - beginning	72,331,654	72,331,654	72,331,654	-
Fund balances - ending	\$ 63,812,630	\$ 59,505,915	\$ 88,630,754	\$ 29,124,839

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

Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Assets						
Current assets:						
Cash and cash equivalents	\$ 5,113,880	\$ 8,353,033	\$ 2,492,074	\$ 12,257,479	\$ 28,216,466	\$ 5,084,062
Investments	8,000,313	12,800,269	343,316	-	21,143,898	-
Receivables, net of allowance:	1,776,598	3,290,170	500,744	138,368	5,705,880	22,732
Lease receivable	-	-	-	91,199	91,199	-
Due from other funds	97,089	115,162	12,412	16,015	240,678	96,859
Due from other governments	-	-	-	2,835,187	2,835,187	-
Inventory	624,338	-	-	69,604	693,942	103,207
Prepays and other assets	-	-	-	-	-	3,139,252
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	305,755	-	-	305,755	-
Total current assets	15,612,218	24,864,389	3,348,546	15,407,852	59,233,005	8,446,112
Noncurrent assets:						
Due from other governments	-	2,341,595	-	-	2,341,595	-
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	3,689,090	-	-	3,689,090	-
Cash and cash equivalents	1,199,503	-	-	60,217	1,259,720	-
Capital assets:						
Nondepreciable	4,070,362	7,154,636	1,168,101	9,538,264	21,931,363	-
Depreciable, net	78,654,294	296,263,707	8,793,098	30,822,226	414,533,325	14,309,571
Total noncurrent assets	83,924,159	309,449,028	9,961,199	40,420,707	443,755,093	14,309,571
Total assets	99,536,377	334,313,417	13,309,745	55,828,559	502,988,098	22,755,683
Deferred Outflows of Resources						
Deferred charge on refunding	529,740	750,095	-	15,890	1,295,725	90,433
Pension related	1,654,574	989,768	193,489	282,791	3,120,622	270,387
Other postemployment benefits related	437,050	293,554	54,933	70,059	855,596	75,680
Total deferred outflows of resources	2,621,364	2,033,417	248,422	368,740	5,271,943	436,500
Liabilities						
Current liabilities:						
Accounts payable and other liabilities	1,554,198	2,148,270	188,677	2,382,184	6,273,329	198,675
Accrued payroll and related liabilities	204,090	114,731	20,559	31,061	370,441	37,370
Accrued interest payable	437,642	279,839	8,831	9,708	736,020	17,153
Due to other funds	28,706	56,735	42,000	-	127,441	-
Due to other governments	-	-	756	-	756	-
Current portion of lease obligations	1,063	1,327	-	-	2,390	1,127
Current portion of general obligation bonds	1,827,460	1,390,302	15,000	73,567	3,306,329	228,926
Current portion of direct borrowings	-	-	-	-	-	133,400
Current portion of public utility revenue bonds	-	6,449,022	87,619	-	6,536,641	-
Total current liabilities	4,053,159	10,440,226	363,442	2,496,520	17,353,347	616,651
Noncurrent liabilities:						
Deposits payable from restricted assets	1,199,503	-	-	8,670	1,208,173	-
Self insurance claims	158,374	54,632	2,294	5	215,305	-
Compensated absences	367,653	173,258	27,303	45,030	613,244	30,840
Pension plan obligation	4,889,234	2,924,744	571,754	835,641	9,221,373	798,990
Other postemployment benefits obligations	2,701,155	1,825,671	340,864	431,352	5,299,042	469,246
Lease obligations	-	-	-	-	-	2,967
Notes payable	5,507,080	3,786,651	1,281,727	-	10,575,458	3,475,488
General obligation bonds	40,502,655	26,588,218	715,806	800,316	68,606,995	1,382,905
Direct borrowings	-	-	-	-	-	799,400
Public utility revenue bonds	-	94,788,948	1,314,278	-	96,103,226	-
Total noncurrent liabilities	55,325,654	130,142,122	4,254,026	2,121,014	191,842,816	6,959,836
Total liabilities	59,378,813	140,582,348	4,617,468	4,617,534	209,196,163	7,576,487
Deferred Inflows of Resources						
Lease related	-	-	-	90,836	90,836	-
Pension related	2,851,274	1,705,634	333,432	487,324	5,377,664	465,950
Other postemployment benefits related	2,523,311	1,714,410	319,486	401,659	4,958,866	439,536
Total deferred inflows of resources	5,374,585	3,420,044	652,918	979,819	10,427,366	905,486
Net Position						
Net investment in capital assets	35,416,138	177,500,410	6,546,769	39,502,497	258,965,814	11,515,043
Restricted for:						
Passenger facility charges	-	-	-	51,547	51,547	-
Unrestricted	1,988,205	14,844,032	1,741,012	11,045,902	29,619,151	3,195,167
Total net position	\$ 37,404,343	\$ 192,344,442	\$ 8,287,781	\$ 50,599,946	288,636,512	\$ 14,710,210
Reconciliation with business-type activities in the Statement of Net Position:						
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					(3,262,678)	
Total net position of business-type activities					\$ 285,373,834	

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds					
	Water	Sewer	Stormwater	Airport	Total	Internal Service
Operating revenues						
Charges for services and other operating revenues	\$ 16,130,624	\$ 25,879,520	\$ 3,495,968	\$ 2,635,988	\$ 48,142,100	\$ 6,831,298
Intergovernmental	-	-	275,000	2,580,509	2,855,509	-
Total operating revenues	<u>16,130,624</u>	<u>25,879,520</u>	<u>3,770,968</u>	<u>5,216,497</u>	<u>50,997,609</u>	<u>6,831,298</u>
Operating expenses						
Personal services and benefits	4,804,038	3,297,274	781,650	951,481	9,834,443	1,198,810
Operation and maintenance	1,873,850	4,288,688	563,868	2,013,978	8,740,384	2,437,876
Supplies and materials	1,152,654	2,322,572	160,879	192,569	3,828,674	43,904
Administration	1,532,789	3,169,432	1,792,075	336,678	6,830,974	5,104
Other charges	121,944	106,719	20,455	28,254	277,372	35,646
Depreciation and amortization	3,402,047	10,441,598	456,956	2,050,505	16,351,106	3,009,838
Total operating expenses	<u>12,887,322</u>	<u>23,626,283</u>	<u>3,775,883</u>	<u>5,573,465</u>	<u>45,862,953</u>	<u>6,731,178</u>
Operating income (loss)	<u>3,243,302</u>	<u>2,253,237</u>	<u>(4,915)</u>	<u>(356,968)</u>	<u>5,134,656</u>	<u>100,120</u>
Nonoperating revenues (expenses)						
Interest income	(14,082)	49,315	3,223	32,224	70,680	10,824
Governmental grants	-	-	21,311	-	21,311	-
Miscellaneous	70,140	100,365	(14)	11,567	182,058	50,570
Gain on disposition of assets	10,313	1,594	-	-	11,907	327,284
Interest expense	(1,400,233)	(901,840)	(29,871)	(26,675)	(2,358,619)	(118,956)
Total nonoperating revenues (expenses)	<u>(1,333,862)</u>	<u>(750,566)</u>	<u>(5,351)</u>	<u>17,116</u>	<u>(2,072,663)</u>	<u>269,722</u>
Income (loss) before contributions and transfers	<u>1,909,440</u>	<u>1,502,671</u>	<u>(10,266)</u>	<u>(339,852)</u>	<u>3,061,993</u>	<u>369,842</u>
Capital contributions	-	1,955,264	68,971	6,632,385	8,656,620	-
Passenger facility charges	-	-	-	302,589	302,589	-
Transfers in	-	87,463	-	-	87,463	620,301
Transfers out	(63,463)	-	-	-	(63,463)	-
Change in net position	<u>1,845,977</u>	<u>3,545,398</u>	<u>58,705</u>	<u>6,595,122</u>	<u>12,045,202</u>	<u>990,143</u>
Total net position - beginning	<u>35,558,366</u>	<u>188,799,044</u>	<u>8,229,076</u>	<u>44,004,824</u>	<u>276,591,310</u>	<u>13,720,067</u>
Total net position - ending	<u>\$ 37,404,343</u>	<u>\$ 192,344,442</u>	<u>\$ 8,287,781</u>	<u>\$ 50,599,946</u>	<u>\$ 288,636,512</u>	<u>\$ 14,710,210</u>
Reconciliation with business-type activities in the Statement of Activities:						
Change in net position - enterprise funds reported in this statement					\$ 12,045,202	
Internal service fund activity is eliminated for the Statement of Activities, with residual activity allocated to user departments					<u>233,674</u>	
Change in net position of business-type activities:					<u>\$ 12,278,876</u>	

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Operating activities						
Cash received from operations	\$ 16,371,383	\$ 26,235,722	\$ 3,761,829	\$ 5,249,643	\$ 51,618,577	\$ 6,831,298
Cash paid to employees	(6,132,995)	(3,874,425)	(706,709)	(1,193,645)	(11,907,774)	(1,065,569)
Cash paid to suppliers	(4,774,954)	(10,034,749)	(2,557,936)	(2,526,216)	(19,893,855)	(2,608,467)
Net cash provided by operating activities	5,463,434	12,326,548	497,184	1,529,782	19,816,948	3,157,262
Noncapital financing activities						
Governmental grants	-	-	21,311	-	21,311	-
Transfers in (out)	(63,463)	87,463	-	-	24,000	620,301
Net cash provided by (used in) noncapital financing activities	(63,463)	87,463	21,311	-	45,311	620,301
Capital and related financing activities						
Proceeds from issuance of long-term debt:						
Bond anticipation notes	4,043,366	2,483,066	880,360	-	7,406,792	1,827,144
Lease obligations	4,246	5,299	-	-	9,545	5,210
Payment of long-term debt:						
General obligation debt	(1,829,008)	(1,395,513)	(15,000)	(69,870)	(3,309,391)	(221,695)
Direct borrowings	-	-	-	-	-	(133,400)
Revenue bonds	-	(6,449,022)	(93,950)	-	(6,542,972)	-
Lease obligations	(3,183)	(3,972)	-	-	(7,155)	(1,117)
Drawdowns of public utility revenue bonds - revolving loan funds	-	1,387,285	68,972	-	1,456,257	-
Payment of interest on long-term debt	(1,578,331)	(981,590)	(31,689)	(33,441)	(2,625,051)	(133,427)
Capital contributions received	-	-	-	3,989,472	3,989,472	-
Passenger facility charges collected	-	-	-	302,589	302,589	-
Proceeds from sale of capital assets	10,313	1,594	-	-	11,907	327,284
Additions to capital assets	(6,187,739)	(8,190,304)	(1,078,849)	(4,092,024)	(19,548,916)	(3,490,639)
Proceeds from other governments	-	903,795	68,775	-	972,570	49,795
Payments from (to) other organizations	70,140	100,365	(14)	11,567	182,058	-
Net cash provided by (used in) capital and related financing activities	(5,470,196)	(12,138,997)	(201,395)	108,293	(17,702,295)	(1,770,845)
Investing activities						
Net purchase of investments	(6,032,144)	(11,509,286)	(343,316)	-	(17,884,746)	-
Interest income received	(14,082)	49,315	3,223	32,224	70,680	10,824
Net cash provided by (used in) investing activities	(6,046,226)	(11,459,971)	(340,093)	32,224	(17,814,066)	10,824
Net increase (decrease) in cash and cash equivalents	(6,116,451)	(11,184,957)	(22,993)	1,670,299	(15,654,102)	2,017,542
Cash and cash equivalents						
Beginning	12,429,834	19,537,990	2,515,067	10,647,397	45,130,288	3,066,520
Ending	<u>\$ 6,313,383</u>	<u>\$ 8,353,033</u>	<u>\$ 2,492,074</u>	<u>\$ 12,317,696</u>	<u>\$ 29,476,186</u>	<u>\$ 5,084,062</u>
Reconciliation to Statement of Net Position						
Current Assets	\$ 5,113,880	\$ 8,353,033	\$ 2,492,074	\$ 12,257,479	\$ 28,216,466	\$ 5,084,062
Restricted Assets	1,199,503	-	-	60,217	1,259,720	-
	<u>\$ 6,313,383</u>	<u>\$ 8,353,033</u>	<u>\$ 2,492,074</u>	<u>\$ 12,317,696</u>	<u>\$ 29,476,186</u>	<u>\$ 5,084,062</u>

(Continued)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds					Internal Service
	Water	Sewer	Stormwater	Airport	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 3,243,302	\$ 2,253,237	\$ (4,915)	\$ (356,968)	\$ 5,134,656	\$ 100,120
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	3,402,047	10,441,598	456,956	2,050,505	16,351,106	3,009,838
Other postemployment benefit expense net of employer contributions	(532,573)	(489,889)	9,098	(177,013)	(1,190,377)	143,819
Pension expense net of employer contributions	(506,308)	(86,281)	72,800	(34,333)	(554,122)	74,931
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	222,889	356,202	(9,139)	34,172	604,124	-
Increase in lease receivable	-	-	-	(1,026)	(1,026)	-
(Increase) decrease in due from other funds	48,196	25,455	4,324	12,735	90,710	(76,324)
Increase in inventory	(96,877)	-	-	(51,898)	(148,775)	(50,570)
Increase (decrease) in accounts payable	3,160	(147,338)	(20,659)	96,921	(67,916)	(35,367)
Increase (decrease) in accrued expenses	(296,380)	(42,209)	(3,431)	(30,738)	(372,758)	157
Increase (decrease) in due to other funds	(41,892)	15,773	(7,850)	(12,815)	(46,784)	(9,342)
Increase in deposits payable	17,870	-	-	240	18,110	-
Net cash provided by operating activities	<u>\$ 5,463,434</u>	<u>\$ 12,326,548</u>	<u>\$ 497,184</u>	<u>\$ 1,529,782</u>	<u>\$ 19,816,948</u>	<u>\$ 3,157,262</u>
Supplemental cash flow information						
Non-cash transactions						
Capital asset additions financed by retainage payable	\$ 261,706	\$ 103,683	\$ 39,650	\$ 261,924	\$ 1,280,526	\$ -
Capital asset additions financed by accounts payable	\$ 1,003,320	\$ 1,587,465	\$ 139,058	\$ 1,918,291	\$ 1,522,427	\$ -
Amortization of debt related items	\$ 157,341	\$ 64,054	\$ 1,506	\$ 5,923	\$ 983,663	\$ 11,823
Undrawn public utility revenue bond proceeds	\$ -	\$ 2,341,595	\$ -	\$ -	\$ 3,899,160	\$ -

Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2022

	Special Welfare
Assets	
Cash and cash equivalents	\$ 223,118
Total assets	<u>223,118</u>
Liabilities	
Accounts payable	9,558
Amounts held for others	<u>9,311</u>
Total liabilities	<u>18,869</u>
Net Position	
Restricted for individuals	<u>204,249</u>
Total net position	<u><u>\$ 204,249</u></u>

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

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2022

	Special Welfare
Additions	
Contributions for the benefit of individuals	\$ 36,299
Interest earnings	318
Total additions	<u>36,617</u>
Deductions	
Payments to benefit individuals	<u>33,990</u>
Total deductions	<u>33,990</u>
Increase in fiduciary net position	<u>2,627</u>
Net position - beginning	<u>201,622</u>
Net position - ending	<u><u>\$ 204,249</u></u>

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

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CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

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

Greater Lynchburg Transit Company
Post Office Box 11286
Lynchburg, Virginia 24506

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, Bedford, Campbell, and Halifax. 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, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blue Ridge Regional Jail Authority: (Continued)

The City sold its existing jail facilities to the Authority during FY1997. A new central jail facility was constructed in Lynchburg and opened in FY2000. It is owned and operated by the Authority. Each Member Jurisdiction pays a per diem charge for each day that one of its prisoners is at any Regional Jail Facility. In accordance with the Service Agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based on an agreed upon number of prisoner days, and is subject to an adjustment at the end of each fiscal year. During FY2022, the City paid \$4,503,556 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 \$574,512 for an operating contribution in FY2022.

Central Virginia Planning District Commission: The City serves as the grant recipient for the Federal Workforce Innovation and Opportunity Act's (WIOA) Adult, Dislocated Worker, and Youth Programs on behalf of the Central Virginia Planning District Commission/Central Virginia Workforce Development Board. 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 FY2022, the Central Virginia Planning District Commission received \$1,399,710 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 startup costs. During FY2022, the City paid \$706,560 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 the Virginia's Region 200 Local Government Council, now named the Central Virginia Planning District Commission (CVPDC). The Member Jurisdictions and the CVPDC 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 CVPDC. The CVPDC 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 CVPDC through their pro rata share of capital costs. The City's pro rata share of capital costs is 30.1%. Should the CVPDC fail to make debt service payments, the Member Jurisdictions have a moral non-binding obligation to pay the debt service. During FY2022, the City paid \$698,896 to the Board. The City's scheduled capital cost payment for FY23 is \$724,171.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

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

Lynchburg Redevelopment and Housing Authority: Under the *Code of Virginia* (“Code”), the Commonwealth of Virginia (“Commonwealth”) created in each city and county a redevelopment and housing authority which is a separate political subdivision of the Commonwealth. In April 1956, City Council activated the Lynchburg Redevelopment and Housing Authority (the “LRHA”) which owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the LRHA are appointed by City Council; however, City Council is not financially accountable for LRHA. During FY2022, the City appropriated \$78,521 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. Lynchburg’s EDA takes an active role in economic development efforts, actively pursuing investment and development opportunities, and elevating the economic development profile of the City. During FY2022, the City did not appropriate funds 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, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

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

The City reports the following major governmental funds:

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

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

School Capital Projects: The School Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays approved by the School Board and City Council 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 Grants, 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, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

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

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

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

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

Additionally, the City reports the following fund types:

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

Fiduciary Fund Types – Custodial Funds: Custodial Funds account for assets held by the City as a custodian for others. The City's custodial 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, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Fiduciary fund reporting focuses on net position and changes in net position. Financial statements of fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Budgets and Budgetary Accounting

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

- Typically, in early March the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1 and ending June 30 of the following year. The operating budget includes proposed expenditures and the means of financing them.
- Council studies the proposed budget at work sessions throughout the months of March and April and holds a public hearing to receive citizens' comments.
- 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 funds. 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 re-appropriated 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, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

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

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

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ 16,299,100
Add: Net change in fund balance for Technology Fund	<u>78,547</u>
Net change in fund balance (GAAP basis)	<u>\$ 16,377,647</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	\$ 2,335,027
General Fund, ambulance receivables	\$ 3,906,163
Enterprise Funds	\$ 369,074

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Inventory**

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

- **Capital Assets**

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

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

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

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

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Deferred Outflows / Inflows of Resources**

In addition to assets, the statements that present net position report a separate section for *deferred outflows of resources*. These items represent a consumption of net assets 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 assets 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.
- Lease-related amounts are recognized at the inception of leases in which the city is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.
- 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Compensated Absences**

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

- **Arbitrage Rebate Liability**

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

- **Pensions 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

- **Net Position/Fund Equity**

- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority - City Council. These committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Fund Balance may be assigned either through the encumbrance process as a result of normal purchasing activity (which includes the issuance of a purchase order), or by the City Manager or his designee, the Chief Financial Officer, in accordance with the Council adopted fund balance policy.
- Unassigned fund balance is the positive fund balance within the General fund which has not been classified as Restricted, Committed, or Assigned and negative fund balances in other governmental funds.

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

F. Estimates

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

Note 2. Cash and Investments

Deposits:

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 2. Cash and Investments (Continued)

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.

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, 27% of the portfolio was invested in "Aaa" rated obligations; 2% was invested in "Aa1" Municipal Bonds; 3% was invested in "Aa2", 62% was invested in an "AAAm" rated LGIP fund; 6% of Commercial Paper was invested in "P-1". The "Aaa" rated portion of the total portfolio included 9% of obligations guaranteed by the U. S. Government; 16% 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 26% of the City's portfolio previously noted as "Aaa" by Moody's Investors Service. All credit ratings presented in this paragraph are Moody's or Standard & Poor's as necessary.

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>
U. S. Treasury Notes	9.5%
Municipal Bonds	6.5%
Commercial Paper	5.7%
Federal Home Loan Bank	5.4%

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, 2022

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	\$ 119,026,539	-
Commercial Paper	10,934,294	229
U.S. Treasury Notes	18,210,093	288
Federal Farm Credit Bank	7,942,589	133
Federal Home Loan Bank	10,365,006	365
Federal National Mortgage Association	8,061,973	289
Federal Home Loan Mortgage Corporation	3,912,415	119
Municipal Bonds	12,473,862	704
Total investments	<u>\$ 190,926,771</u>	
Portfolio weighted average maturity		127

* Weighted average maturity in days.

Custodial Credit Risk:

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

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

The above items are reflected in the statements as follows:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	\$ 15,550	\$ -
Deposits	20,382,145	4,681,624
Funds held in trust by others	-	705,726
Investments	190,926,771	-
	<u>\$ 211,324,466</u>	<u>\$ 5,387,350</u>
Statement of net position:		
Cash and cash equivalents	\$ 134,360,095	\$ 4,681,624
Investments	71,900,231	-
Restricted cash and cash equivalents	4,841,022	-
Custodial fund cash and cash equivalents	223,118	705,726
	<u>\$ 211,324,466</u>	<u>\$ 5,387,350</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 2. Cash and Investments (Continued)

Investments: (Continued)

Custodial Credit Risk: (Continued)

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

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

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

	Level 1	Level 2	Level 3	Total
U.S. Treasury Securities	\$ 18,210,093	\$ -	\$ -	\$ 18,210,093
U.S. Debt Securities	-	30,281,983	-	30,281,983
Municipal Bonds	-	12,473,861	-	12,473,861
Commercial Paper	-	10,934,294	-	10,934,294
	<u>\$ 18,210,093</u>	<u>\$ 53,690,138</u>	<u>\$ -</u>	<u>\$ 71,900,231</u>

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

Note 3. Property Taxes

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

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 4. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2022 were as follows:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	\$ 324,657	\$ 210,096
Non-major Special Revenue Funds:		
City Federal/State Aid	-	254,077
Lynchburg Regional Juvenile Detention Center	-	70,580
Major Proprietary Funds:		
Sewer	115,162	56,735
Water	97,089	28,706
Stormwater	12,412	42,000
Airport	16,015	-
Internal Service	96,859	-
	<u>\$ 662,194</u>	<u>\$ 662,194</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.

Interfund transfers were as follows:

	To	From
Major Fund:		
General	\$ 65,000	\$ 10,380,499
Non-major Special Revenue Funds:		
City Federal/State Aid	326,958	5,296
Major Fund – Capital Projects		
City Capital Projects	7,467,133	65,000
School Capital Projects	1,947,403	-
Major Proprietary Funds:		
Sewer	87,463	-
Water	-	63,463
Internal Service	620,301	-
Total Fund Transfers:	<u>\$ 10,514,258</u>	<u>\$ 10,514,258</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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

	Due From	Due To
Primary Government:		
Major Fund:		
General Fund	\$ 1,580,896	\$ -
Non-major Special Revenue Fund:		
Lynchburg Business Development Centre Fund	125,000	-
	<u>\$ 1,705,896</u>	<u>\$ -</u>
Component Units:		
Lynchburg City Schools	\$ -	\$ 1,175,921
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	-	404,975
	<u>\$ -</u>	<u>\$ 1,705,896</u>

Note 6. Due From Other Governments

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

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 6,215,392	\$ 2,835,187	\$ 9,709,086	\$ 6,878
Virginia Revolving Loan	-	2,341,595	-	-
Members of Regional Sewage Treatment Plant	-	3,994,845	-	-
	<u>\$ 6,215,392</u>	<u>\$ 9,171,627</u>	<u>\$ 9,709,086</u>	<u>\$ 6,878</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	\$ 305,755
Amount receivable 2 to 5 years	1,150,379
Amount receivable beyond 5 years	<u>2,538,711</u>
	<u>\$ 3,994,845</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2022

Note 7. Receivables

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

	<u>Taxes</u>	<u>Accounts</u>	<u>Other</u>	<u>Total</u>
Major funds:				
General	\$ 15,440,177	\$ 6,114,177	\$ 1,536,333	\$ 23,090,687
City Capital Projects	-	-	44,034	44,034
School Capital Projects	-	-	321	321
Water	-	1,776,598	-	1,776,598
Sewer	-	3,290,170	-	3,290,170
Stormwater	-	500,744	-	500,744
Airport	-	138,368	-	138,368
Internal Service	-	-	22,732	22,732
Non-major Governmental Funds	-	-	39,035	39,035
	<u>\$ 15,440,177</u>	<u>\$ 11,820,057</u>	<u>\$ 1,642,455</u>	<u>\$ 28,902,689</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 8. Capital Assets

Primary Government:

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

Governmental Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
<u>Capital assets, not being depreciated:</u>				
Land	\$ 23,461,861	\$ 10,425	\$ -	\$ 23,472,286
Construction in progress	32,884,305	8,513,906	(60,005)	41,338,206
Total capital assets, not being depreciated	56,346,166	8,524,331	(60,005)	64,810,492
<u>Capital assets, being depreciated:</u>				
Land improvements	64,314,264	309,485	-	64,623,749
Accumulated depreciation	(25,959,998)	(2,605,343)	-	(28,565,341)
Net land improvements	38,354,266	(2,295,858)	-	36,058,408
Buildings and improvements	317,294,753	3,535,562	-	320,830,315
Accumulated depreciation	(169,074,555)	(8,003,081)	-	(177,077,636)
Net buildings and improvements	148,220,198	(4,467,519)	-	143,752,679
Infrastructure	331,973,155	8,219,637	-	340,192,792
Accumulated depreciation	(182,528,735)	(8,230,206)	-	(190,758,941)
Net infrastructure	149,444,420	(10,569)	-	149,433,851
Machinery and equipment	61,076,783	3,704,112	(158,059)	64,622,836
Accumulated depreciation	(40,119,260)	(4,598,550)	158,059	(44,559,751)
Net machinery and equipment	20,957,523	(894,438)	-	20,063,085
Total capital assets, being depreciated	774,658,955	15,768,796	(158,059)	790,269,692
Less: accumulated depreciation	(417,682,548)	(23,437,180)	158,059	(440,961,669)
Total capital assets, being depreciated	356,976,407	(7,668,384)	-	349,308,023
<u>Lease assets:</u>				
Equipment	-	251,442	-	251,442
Infrastructure	-	2,441,805	-	2,441,805
Buildings	-	113,555	-	113,555
Accumulated amortization	-	(154,441)	-	(154,441)
Total lease assets being amortized	-	2,652,361	-	2,652,361
Capital assets, net	\$ 413,322,573	\$ 3,508,308	\$ (60,005)	\$ 416,770,876

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, 2022

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation and amortization was charged to functions as follows:

Governmental activities:	
General government	\$ 985,120
Education	6,226,047
Judicial	616,134
Health and human services	290,033
Public safety	2,371,610
Public works	10,676,765
Community development	218,733
Cultural and recreational	1,796,165
	<hr/>
Total governmental activities	23,180,607
	<hr/>
Business-type activities:	
Water	122,236
Sewer	242,469
Stormwater	9,628
Airport	531
	<hr/>
Total business-type activities	374,864
	<hr/>
Total depreciation	\$ 23,555,471

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 \$374,864 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, 2022

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

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

<u>Business-type Activities</u>	<u>Beginning Balances</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balances</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 5,174,413	\$ 12,633	\$ -	\$ 5,187,046
Construction in progress	15,765,302	11,414,506	(10,435,491)	16,744,317
Total capital assets, not being depreciated	20,939,715	11,427,139	(10,435,491)	21,931,363
<u>Capital assets, being depreciated:</u>				
Land improvements	14,197,628	191,957	-	14,389,585
Accumulated depreciation	(12,584,169)	(119,321)	-	(12,703,490)
Net land improvements	1,613,459	72,636	-	1,686,095
Buildings and improvements	98,324,168	620,713	-	98,944,881
Accumulated depreciation	(36,152,328)	(3,119,844)	-	(39,272,172)
Net buildings and improvements	62,171,840	(2,499,131)	-	59,672,709
Infrastructure	510,835,802	19,524,391	-	530,360,193
Accumulated depreciation	(188,998,620)	(11,368,357)	-	(200,366,977)
Net infrastructure	321,837,182	8,156,034	-	329,993,216
Machinery and equipment	33,711,893	686,748	-	34,398,641
Accumulated depreciation	(13,970,728)	(1,553,462)	-	(15,524,190)
Net machinery and equipment	19,741,165	(866,714)	-	18,874,451
Capitalized interest	7,345,201	-	-	7,345,201
Accumulated depreciation	(2,893,918)	(146,904)	-	(3,040,822)
Net capitalized interest	4,451,283	(146,904)	-	4,304,379
Total capital assets, being depreciated	664,414,692	21,023,809	-	685,438,501
Less: accumulated depreciation	(254,599,763)	(16,307,888)	-	(270,907,651)
Total capital assets, being depreciated	409,814,929	4,715,921	-	414,530,850
<u>Lease assets:</u>				
Equipment	-	9,545	-	9,545
Accumulated amortization	-	(7,070)	-	(7,070)
Total lease assets being amortized	-	2,475	-	2,475
Capital assets, net	\$ 430,754,644	\$ 16,145,535	\$ (10,435,491)	\$ 436,464,688

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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	\$ 20,120,515	\$ 1,177,317	\$ (59,150)	\$ 21,238,682
Accumulated depreciation	(12,220,418)	(1,642,738)	59,150	(13,804,006)
Net equipment	<u>7,900,097</u>	<u>(465,421)</u>	<u>-</u>	<u>7,434,676</u>
Equipment – cafeteria	1,463,542	8,785	-	1,472,327
Accumulated depreciation	(1,173,865)	(67,877)	-	(1,241,742)
Net equipment – cafeteria	<u>289,677</u>	<u>(59,092)</u>	<u>-</u>	<u>230,585</u>
Total capital assets, being depreciated	21,584,057	1,186,102	(59,150)	22,711,009
Less: accumulated depreciation	<u>(13,394,283)</u>	<u>(1,710,615)</u>	<u>59,150</u>	<u>(15,045,748)</u>
Capital assets, net	<u>\$ 8,189,774</u>	<u>\$ (524,513)</u>	<u>\$ -</u>	<u>\$ 7,665,261</u>

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

Land, buildings, and improvements	\$ 33,081,362
Construction in progress	26,550
Machinery and equipment	<u>28,527,532</u>
	61,635,444
Less accumulated depreciation	<u>26,139,020</u>
	<u>\$ 35,496,424</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 9. Long-Term Liabilities

Primary Government:

General Obligation Debt:

As of June 30, 2022	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Public Improvements	School Facilities	Proprietary Funds	Total
Bond Anticipation Note								
Public Improvement- Line of Credit for Two Years	Variable- LIBOR	6/30/2020	2023	\$ 42,000,000	\$ 67,656	\$ 4,366,874	\$ 14,050,946	\$ 18,485,476
General Obligation Bonds								
VA Resources Authority	0.00	3/24/1994	2027	3,976,369	-	-	518,930	518,930
VPSA General Obligation	2.35-4.85	11/7/2002	2023	6,513,732	-	371,613	-	371,613
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	1,451,869	-	1,451,869
Public Improvement								
Series C Refunding	2.00-4.00	8/13/2009	2023	12,800,000	118,406	60,481	186,114	365,001
VPSA General Obligation	0.00	11/13/2009	2027	10,255,000	-	3,650,000	-	3,650,000
Public Improvement	2.00-5.00	7/10/2014	2044	101,730,000	13,505,000	53,775,000	13,535,000	80,815,000
Public Improvement								
Refunding	5.00	7/10/2014	2026	13,460,000	3,944,076	1,555,506	680,418	6,180,000
Public Improvement	2.00-5.00	5/19/2016	2046	26,945,000	11,100,971	-	10,994,029	22,095,000
Public Improvement								
Refunding	2.00-5.00	5/19/2016	2038	20,350,000	4,021,854	-	10,933,146	14,955,000
Public Improvement								
Refunding	3.00-5.00	9/26/2017	2040	29,100,000	4,245,369	8,917,353	12,772,278	25,935,000
Public Improvement	2.00-5.00	1/30/2020	2050	49,425,000	32,550,000	3,930,000	12,465,000	48,945,000
Public Improvement								
Refunding	4.00-5.00	10/26/2020	2034	15,340,000	4,673,855	3,419,786	5,396,360	13,490,001
General Obligation- Direct Borrowings								
Public Improvement								
Refunding	2.26	12/19/2012	2024	4,129,625	499,394	-	-	499,394
Public Improvement	2.75	10/23/2013	2029	10,000,000	3,294,183	437,017	932,800	4,664,000
					<u>\$ 78,020,764</u>	<u>\$ 81,935,499</u>	<u>\$ 82,465,021</u>	<u>\$ 242,421,284</u>

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

Authorized and unissued general obligation public improvement bonds amounted to \$74,575,000 at June 30, 2022.

As of June 30, the City's Primary Government had outstanding general obligation debt of \$242,421,284, including direct borrowings from commercial banks totaling \$5,163,394. 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, 2022

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

General Obligation Debt: (Continued)

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

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

Legal Debt Limit:

The Constitution of Virginia, Article VII, Section 10(a) sets forth the City’s legal debt limit at ten percent (10%) of its real estate assessed valuation for the issuance of any bonds or other interest-bearing obligations. As shown in Supplementary Statistical Table 22, as of June 30, the City’s debt limit was \$637.6 million. The City’s aggregate general obligation indebtedness was \$242.4 million and the City’s legal debt margin (amount available for issuance of additional debt) was \$395.2 million.

Debt Management Policy:

The City’s Debt Management Policy, which was most recently revised on December 10, 2019, limits tax-supported debt to four and a half percent (4.50%) of its net assessed valuation of taxable property (general obligation bonds issued for self-supporting enterprise funds are not included in this calculation). As shown in the Supplementary Statistical Table 21, outstanding tax-supported debt was 2.47% of net assessed valuation of taxable property. The Policy also states that the 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program. The principal payout ratio for the year ended June 30 was 66.23%. There are no overlapping tax jurisdictions.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Revenue Debt:

As of June 30, 2022	Interest Rates %	Date Issued	Final Maturity	Final Issue	Sewer Fund	Stormwater Fund	Total
Virginia Resources Authority							
Public Utility Revenue Bonds	0.00	3/28/1995	2026	\$ 6,541,207	\$ 731,957	\$ -	\$ 731,957
Public Utility Revenue Bonds	0.00	8/10/1995	2028	10,000,000	1,615,079	-	1,615,079
Public Utility Revenue Bonds	0.00	6/27/1996	2029	8,000,000	1,250,230	-	1,250,230
Public Utility Revenue Bonds	0.00	7/17/1997	2030	7,591,540	1,624,620	-	1,624,620
Public Utility Revenue Bonds	0.00	8/21/1998	2031	6,203,000	1,549,095	-	1,549,095
Public Utility Revenue Bonds	0.00	2/15/2001	2032	735,000	211,382	-	211,382
Public Utility Revenue Bonds	0.00	11/6/2001	2034	1,413,613	490,572	-	490,572
Public Utility Revenue Bonds	0.00	9/15/2003	2036	2,350,165	1,017,304	-	1,017,304
Public Utility Revenue Bonds	0.00	5/20/2004	2038	6,000,000	2,900,000	-	2,900,000
Public Utility Revenue Bonds	0.00	5/17/2005	2038	6,700,000	3,350,000	-	3,350,000
Public Utility Revenue Bonds	0.00	6/28/2006	2039	9,600,000	5,280,000	-	5,280,000
Public Utility Revenue Bonds	0.00	6/20/2007	2039	7,000,000	3,966,667	-	3,966,667
Public Utility Revenue Bonds	0.00	6/5/2008	2041	12,350,000	7,615,833	-	7,615,833
Public Utility Revenue Bonds	0.00	6/25/2009	2041	19,000,000	12,033,333	-	12,033,333
Public Utility Revenue Bonds	0.00	6/17/2010	2042	13,100,000	8,733,333	-	8,733,333
Public Utility Revenue Bonds	0.00	6/15/2011	2033	9,343,149	5,135,232	-	5,135,232
Public Utility Revenue Bonds	0.00	6/15/2011	2045	10,100,000	7,575,000	-	7,575,000
Public Utility Revenue Bonds	0.00	6/6/2012	2044	7,000,000	5,133,333	-	5,133,333
Public Utility Revenue Bonds	0.00	1/5/2017	2038	1,697,269	-	1,401,897	1,401,897
Public Utility Revenue Bonds	0.00	9/18/2018	2041	32,000,000	29,600,000	-	29,600,000
Public Utility Revenue Bonds	0.00	7/30/2020	2041	1,500,000	1,425,000	-	1,425,000
					<u>\$ 101,237,970</u>	<u>\$ 1,401,897</u>	<u>\$ 102,639,867</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 1.57 and the Stormwater Fund’s debt coverage ratio was 3.46.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Summary of Changes in Long-Term Liabilities for FY 2022:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond anticipation notes	\$ 4,529,392	\$ 3,380,626	\$ -	\$ 7,910,018	\$ -
General obligation bonds	163,143,461	-	10,410,594	152,732,867	10,208,947
General obligation- Direct borrowings	6,245,842	-	1,082,448	5,163,394	1,091,918
Lease obligations	-	2,806,802	148,904	2,657,898	117,032
Other long term payable *	2,625,332	-	437,555	2,187,777	437,555
Adjust for deferred amounts:					
Issuance discounts	(319,853)	-	(53,309)	(266,544)	-
Issuance premiums	15,168,988	-	1,113,147	14,055,841	-
Total bonds and notes	191,393,162	6,187,428	13,139,339	184,441,251	11,855,452
Workers' compensation**	2,293,997	935,799	966,696	2,263,100	271,572
Compensated absences**	4,727,281	3,510,604	3,159,776	5,078,109	609,370
	<u>\$ 198,414,440</u>	<u>\$ 10,633,831</u>	<u>\$ 17,265,811</u>	<u>\$ 191,782,460</u>	<u>\$ 12,736,394</u>

Business-Type Activities	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond anticipation notes	\$ 3,168,666	\$ 7,406,792	\$ -	\$ 10,575,458	\$ -
General obligation bonds	69,348,938	-	3,309,391	66,039,547	3,306,329
Public utility revenue bonds	109,284,147	-	6,644,280	102,639,867	6,536,641
Lease obligations	-	9,545	7,155	2,390	2,390
Adjust for deferred amounts:					
Issuance premiums	6,233,655	-	359,878	5,873,777	-
Total bonds and notes	188,035,406	7,416,337	10,320,704	185,131,039	9,845,360
Workers' compensation	380,815	173,480	309,629	244,666	29,361
Compensated absences	689,263	568,880	561,274	696,869	83,625
	<u>\$ 189,105,484</u>	<u>\$ 8,158,697</u>	<u>\$ 11,191,607</u>	<u>\$ 186,072,574</u>	<u>\$ 9,958,346</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, 2022

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
2023	\$ 10,208,947	\$ 5,867,149	\$ 1,091,918	\$ 126,791	\$ 437,555	\$ -
2024	9,885,659	5,410,896	741,476	101,167	437,555	-
2025	9,781,023	4,963,303	666,000	82,418	437,555	-
2026	10,042,972	4,512,232	666,000	64,103	437,555	-
2027	9,251,461	4,031,968	666,000	45,788	437,557	-
2028-2032	37,737,535	15,107,227	1,332,000	36,630	-	-
2033-2037	32,932,208	8,272,847	-	-	-	-
2038-2042	27,593,062	3,492,374	-	-	-	-
2043-2044	5,300,000	318,000	-	-	-	-
	<u>\$ 152,732,867</u>	<u>\$ 51,975,996</u>	<u>\$ 5,163,394</u>	<u>\$ 456,897</u>	<u>\$ 2,187,777</u>	<u>\$ -</u>

Year Ending June 30	Business-Type Activities							
	General Obligation Bonds							
	Water Fund		Sewer Fund		Stormwater Fund		Airport Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 1,827,460	\$ 1,457,191	\$ 1,390,302	\$ 892,845	\$ 15,000	\$ 20,819	\$ 73,567	\$ 29,947
2024	1,805,347	1,369,910	1,311,449	833,716	15,000	20,069	77,263	26,269
2025	1,753,801	1,277,806	1,239,703	776,874	15,000	19,319	81,093	22,406
2026	1,795,705	1,185,514	1,268,065	720,985	15,000	18,569	85,058	18,351
2027	1,858,892	1,090,716	1,172,171	663,618	15,000	17,819	42,476	14,098
2028-2032	9,484,020	4,290,393	5,735,526	2,636,960	100,000	74,819	227,919	54,495
2033-2037	9,692,950	2,536,567	5,319,644	1,652,535	125,000	54,641	210,198	16,006
2038-2042	6,966,743	1,077,773	4,180,195	903,916	135,000	40,231	-	-
2043-2047	2,925,000	278,850	3,095,000	343,763	150,000	22,500	-	-
2048-2050	660,000	25,000	1,070,000	40,500	105,000	3,938	-	-
	<u>\$ 38,769,918</u>	<u>\$ 14,589,720</u>	<u>\$ 25,782,055</u>	<u>\$ 9,465,712</u>	<u>\$ 690,000</u>	<u>\$ 292,724</u>	<u>\$ 797,574</u>	<u>\$ 181,572</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 9. Long-Term Liabilities (Continued)

Primary Government: (Continued)

Debt Service to Maturity: (Continued)

Year Ending June 30	Business-Type Activities	
	Revenue Bonds	
	Sewer Fund	Stormwater Fund
	Principal	Principal
2023	\$ 6,449,022	\$ 87,619
2024	6,449,022	87,619
2025	6,449,022	87,619
2026	6,449,022	87,619
2027	6,266,032	87,619
2028-2032	27,878,793	438,092
2033-2037	24,134,557	438,092
2038-2042	15,854,167	87,618
2043-2045	1,308,333	-
	<u>\$ 101,237,970</u>	<u>\$ 1,401,897</u>

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

On June 30, 2020 the City issued a three-year General Obligation Bond Anticipation Note and concurrently entered into a line of credit Financing Agreement with JPMorgan Chase Bank, N.A. The Agreement provided for borrowings of up to \$42,000,000 to provide interim financing for qualifying city, school, water, sewer, stormwater and fleet capital improvements. Interest on the unpaid principal is equal to the sum of (i) 80% times Daily One-Month London Interbank Offered Rate (LIBOR), plus (ii) 0.96%, as calculated by the Lender on each day. Interest shall be computed on the basis of the actual number of days elapsed in a 360-day year and paid monthly. All outstanding amounts are due on June 15, 2023. Outstanding principal as of June 30 is \$18,485,476. The unused line of credit is \$23,514,524. The City intends to finance the outstanding principal balance with a general obligation bond in FY 2023.

Component Unit – Lynchburg City Schools:

Summary of Changes in Long-Term Liabilities for FY 2022:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	\$ 1,110,590	\$ 562,784	\$ 657,548	\$ 1,015,826	\$ 599,337
	<u>\$ 1,110,590</u>	<u>\$ 562,784</u>	<u>\$ 657,548</u>	<u>\$ 1,015,826</u>	<u>\$ 599,337</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 10. Fund Equity Balances

Fund Balance Policy:

- The City of Lynchburg's Unassigned General Fund Balance (UGFB) will be maintained at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.
- The City shall not use the UGFB to finance recurring operating expenditures.
- The City will maintain an UGFB equal to 10% of General Fund revenues with a goal of 15% as the City strives to grow incrementally each year subject to revenues available. In the event the UGFB is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the UGFB to the minimum of 10% over three years.
- The City will balance moving towards the 15% targeted fund balance with its annual "Pay as you go" capital improvement requirements.

For FY 2022 the City was in compliance with the Fund Balance Policy.

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2022

	MAJOR FUNDS			NON MAJOR SPECIAL REVENUE FUNDS			
	GENERAL FUND	CITY CAPITAL PROJECTS	SCHOOL CAPITAL PROJECTS	CITY FEDERAL STATE AID	COMMUNITY DEVELOPMENT BLOCK GRANT	LYNCHBURG BUSINESS DEVELOPMENT CENTRE	FORFEITED ASSETS
FUND BALANCES							
Restricted for:							
Fire Department	\$ -	\$ -	\$ -	\$ 399,933	\$ -	\$ -	\$ -
Public Safety	-	-	-	144,259	-	-	-
Economic Development	-	-	-	106,122	-	-	-
Grants	-	-	-	116,196	-	-	-
CDBG - Bluffwalk	-	-	-	-	1,450,505	-	-
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	-	-	82,224
Federal Asset Forfeiture- Police	-	-	-	-	-	-	5,417
State Asset Forfeiture - Police	-	-	-	-	-	-	46,642
Health and Human Services	-	-	-	-	-	-	-
Lynchburg Expressway beautification	-	-	-	-	-	-	-
HOME projects	-	-	-	-	-	-	-
Community Placement Program	-	-	-	-	-	-	-
Juvenile Detention Center	-	-	-	-	-	-	-
Committed to:							
Technology	1,891,361	-	-	-	-	-	-
Detention Home Workers Compensation	100,000	-	-	-	-	-	-
Health Insurance Reserve	77,447	-	-	-	-	-	-
Schools for Textbooks	2,229,511	-	-	-	-	-	-
Schools for Health Insurance Reserve	2,066,925	-	-	-	-	-	-
Other Postemployment Benefits	3,050,083	-	-	-	-	-	-
Solid Waste Debt Retirement	113,316	-	-	-	-	-	-
Schools Special Education	321,000	-	-	-	-	-	-
GLTC Special Reserve	1,705,452	-	-	-	-	-	-
Self Insurance	566,870	-	-	-	-	-	-
Fuel	300,000	-	-	-	-	-	-
Concord Tumpike Landfill Maintenance	240,000	-	-	-	-	-	-
Long Term On-Time Debt Financing	400,000	-	-	-	-	-	-
Cultural and Recreational	4,353	-	-	-	-	-	-
General Government	248,545	-	-	-	-	-	-
Health and Welfare	6,297	-	-	-	-	-	-
Judicial	3,856	-	-	-	-	-	-
Public Safety	29,873	-	-	-	-	-	-
Public Works	1,122,221	-	-	-	-	-	-
Building projects	-	3,468,403	-	-	-	-	-
Transportation projects	-	12,130,839	-	-	-	-	-
Economic Development projects	-	3,188,616	-	-	-	-	-
Parks and Recreation projects	-	2,170,064	-	-	-	-	-
Other Projects	-	402,209	-	-	-	-	-
Leases	-	885	3,068	-	-	-	-
School Construction and Maintenance	-	-	5,091,839	-	-	-	-
Provision of loan funds for small businesses	-	-	-	-	-	125,384	-
Assigned to:							
Return of School Fund Balance	1,175,921	-	-	-	-	-	-
Law Library	60,535	-	-	-	-	-	-
Museum	50,028	-	-	-	-	-	-
Recreation Programs	340,056	-	-	-	-	-	-
Pier Program	26,233	-	-	-	-	-	-
Health Insurance Reserve	3,061,235	-	-	-	-	-	-
Line of Duty Death Benefit	501,440	-	-	-	-	-	-
Future Landfill Needs	260,998	-	-	-	-	-	-
Parking Operations	261,703	-	-	-	-	-	-
Point of Honor	2,653	-	-	-	-	-	-
Police Range Operations	4,688	-	-	-	-	-	-
Future Police Building	104,927	-	-	-	-	-	-
Fire Restitution	100	-	-	-	-	-	-
Adopt-A-Be	1,085	-	-	-	-	-	-
Virginia Land Conservancy	2,314	-	-	-	-	-	-
General Government	550,504	-	-	-	-	-	-
Health and Welfare	8,162	-	-	-	-	-	-
Judicial	20	-	-	-	-	-	-
Public Safety	565,042	-	-	-	-	-	-
Public Works	2,235,843	-	-	-	-	-	-
Community Development	143,672	-	-	-	-	-	-
Community Diversion	212,744	-	-	-	-	-	-
Cultural & Recreational	6,499	-	-	-	-	-	-
Unassigned:	66,394,917	-	-	-	-	-	-
Total Fund Balance	\$ 90,448,429	\$ 21,361,016	\$ 5,094,907	\$ 766,510	\$ 1,450,505	\$ 125,384	\$ 134,283

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2022

NON MAJOR SPECIAL REVENUE FUNDS					
	CHILDREN'S SERVICES ACT	LYNCHBURG EXPRESSWAY APPEARANCE	HOME INVESTMENT PARTNERSHIP PROGRAM	LYNCHBURG REGIONAL JUVENILE DETENTION CENTER	ALL FUNDS
FUND BALANCES					
Restricted for:					
Fire Department	\$ -	\$ -	\$ -	\$ -	\$ 399,933
Public Safety	-	-	-	-	144,259
Economic Development	-	-	-	-	106,122
Grants	-	-	-	-	116,196
CDBG - Bluffwalk	-	-	-	-	1,450,505
State Asset Forfeiture - Commonwealth Attorney	-	-	-	-	82,224
Federal Asset Forfeiture - Police	-	-	-	-	5,417
State Asset Forfeiture - Police	-	-	-	-	46,642
Health and Human Services	362,856	-	-	-	362,856
Lynchburg Expressway beautification	-	205,572	-	-	205,572
HOME projects	-	-	58,849	-	58,849
Community Placement Program	-	-	-	230,665	230,665
Juvenile Detention Center	-	-	-	91,140	91,140
Committed to:					
Technology	-	-	-	-	1,891,361
Detention Home Workers Compensation	-	-	-	-	100,000
Health Insurance Reserve	-	-	-	-	77,447
Schools for Textbooks	-	-	-	-	2,229,511
Schools for Health Insurance Reserve	-	-	-	-	2,066,925
Other Postemployment Benefits	-	-	-	-	3,050,083
Solid Waste Debt Retirement	-	-	-	-	113,316
Schools Special Education	-	-	-	-	321,000
GLTC Special Reserve	-	-	-	-	1,705,452
Self Insurance	-	-	-	-	566,870
Fuel	-	-	-	-	300,000
Concord Turnpike Landfill Maintenance	-	-	-	-	240,000
Long Term On-Time Debt Financing	-	-	-	-	400,000
Cultural and Recreational	-	-	-	-	4,353
General Government	-	-	-	-	248,545
Health and Welfare	-	-	-	-	6,297
Judicial	-	-	-	-	3,856
Public Safety	-	-	-	-	29,873
Public Works	-	-	-	-	1,122,221
Building projects	-	-	-	-	3,468,403
Transportation projects	-	-	-	-	12,130,839
Economic Development projects	-	-	-	-	3,188,616
Parks and Recreation projects	-	-	-	-	2,170,064
Other Projects	-	-	-	-	402,209
Leases	-	-	-	-	3,953
School Construction and Maintenance	-	-	-	-	5,091,839
Provision of loan funds for small businesses	-	-	-	-	125,384
Assigned to:					
Return of School Fund Balance	-	-	-	-	1,175,921
Law Library	-	-	-	-	60,535
Museum	-	-	-	-	50,028
Recreation Programs	-	-	-	-	340,056
Pier Program	-	-	-	-	26,233
Health Insurance Reserve	-	-	-	-	3,061,235
Line of Duty Death Benefit	-	-	-	-	501,440
Future Landfill Needs	-	-	-	-	260,998
Parking Operations	-	-	-	-	261,703
Point of Honor	-	-	-	-	2,653
Police Range Operations	-	-	-	-	4,688
Future Police Building	-	-	-	-	104,927
Fire Restitution	-	-	-	-	100
Adopt-A-Bed	-	-	-	-	1,085
Virginia Land Conservancy	-	-	-	-	2,314
General Government	-	-	-	-	550,504
Health and Welfare	-	-	-	-	8,162
Judicial	-	-	-	-	20
Public Safety	-	-	-	-	565,042
Public Works	-	-	-	-	2,235,843
Community Development	-	-	-	-	143,672
Community Diversion	-	-	-	-	212,744
Cultural & Recreational	-	-	-	-	6,499
Unassigned:	-	-	-	-	66,394,917
Total Fund Balance	\$ 362,856	\$ 205,572	\$ 58,849	\$ 321,805	\$ 120,330,116

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 11. Defined Benefit Pension Plan – City of Lynchburg

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has 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, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>1,108</u>
Inactive members:	
Vested inactive members	225
Non-vested inactive members	330
Inactive members active elsewhere in VRS	<u>327</u>
Total inactive members	<u>882</u>
Active members	<u>1,183</u>
Total covered employees	<u><u>3,173</u></u>

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, 2022 was 19.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$11,141,125 and \$11,088,357 for the years ended June 30, 2022 and June 30, 2021, respectively.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Net Pension Liability

The net pension liability (NPL) 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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

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, 2020, 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, 2021.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non-10 Largest): Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.; adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age; adjusted rates to better fit experience at each year age and service through 9 years of service; no change to disability rates, salary scale, line of duty disability, or discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non-10 Largest): Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020; adjusted rates to better fit experience and changed final retirement age from 65 to 70; decreased withdrawal rates; no change to disability rates, salary scale, line of duty disability, or discount rate.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.00 %	1.70 %
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS – Multi Asset Public Strategies	6.00	3.29	0.20
PIP – Private Investment Partnership	3.00	6.84	0.21
Total	100.00 %		4.89 %
Inflation			2.50 %
*Expected arithmetic nominal return			7.39 %

The above allocation provides for a one-year return of 7.39%. However, one-year returns do not consider 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 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2020	\$ 396,865,496	\$ 278,361,474	\$ 118,504,022
Changes for the year:			
Service cost	7,087,893	-	7,087,893
Interest	25,997,865	-	25,997,865
Changes of assumptions	16,038,052	-	16,038,052
Differences between expected and actual experience	(6,001,569)	-	(6,001,569)
Contributions – employer	-	10,801,810	(10,801,810)
Contributions – employee	-	2,717,344	(2,717,344)
Net investment income	-	74,989,208	(74,989,208)
Benefit payments, including refunds of employee contributions	(23,423,878)	(23,423,878)	-
Administrative expenses	-	(190,993)	190,993
Other changes	-	7,042	(7,042)
Net changes	19,698,363	64,900,533	(45,202,170)
Balances at June 30, 2021	\$ 416,563,859	\$ 343,262,007	\$ 73,301,852

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability	<u>\$ 124,687,989</u>	<u>\$ 73,301,852</u>	<u>\$ 30,623,980</u>

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

For the year ended June 30, 2022, the political subdivision recognized pension expense of \$5,295,582. At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,693,187
Change in assumptions	13,665,079	-
Net difference between projected and actual earnings on pension plan investments	-	37,054,538
Employer contributions subsequent to the measurement date	<u>11,141,125</u>	<u>-</u>
Total	<u>\$ 24,806,204</u>	<u>\$ 42,747,725</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

The \$11,141,125 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 ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Reduction to Pension Expense
2023	\$ (5,025,755)
2024	(6,038,136)
2025	(6,710,693)
2026	(11,308,062)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-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, 2022, \$1,073,206 was payable to the Virginia Retirement System for the legally required contributions related to June 2022 payroll.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of the Lynchburg City Schools, (the “School division”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described for the City. The Laurel Regional Program (the “Program”) participates in post-retirement benefits through the Lynchburg City Schools (the “Schools”) various benefit plans through its fiduciary relationship with the Schools. The Schools accounts for and report the Program’s participation in the Schools’ benefit plans by applying the requirements for a cost-sharing multiple employer plan. All Required Supplementary Information is presented for the various post-retirement benefit plans at the Schools as a whole.

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>119</u>
Inactive members:	
Vested inactive members	10
Non-vested inactive members	77
Inactive members active elsewhere in VRS	<u>35</u>
Total inactive members	<u>122</u>
Active members	<u>133</u>
Total covered employees	<u><u>374</u></u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Contributions

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

The school division's contractually required contribution rate for the year ended June 30, 2022 was 5.70% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$218,677 and \$204,330 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

The net pension liability (NPL) 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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

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, 2019, 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, 2021.

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%
Teacher cost sharing plan – Salary increases, including inflation	3.50 – 5.95%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15% to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 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, 2022

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non-10 Largest): Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.; adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age; adjusted rates to better fit experience at each year age and service through 9 years of service; no change to disability rates, salary scale, line of duty disability, or discount rate.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.00 %	1.70 %
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS – Multi Asset Public Strategies	6.00	3.29	0.20
PIP – Private Investment Partnership	3.00	6.84	0.21
Total	100.00 %		4.89 %
Inflation			2.50 %
*Expected arithmetic nominal return			7.39 %

The above allocation provides for a one-year return of 7.39%. However, one-year returns do not consider 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 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2020	\$ 16,089,309	\$ 14,970,265	\$ 1,119,044
Changes for the year:			
Service cost	362,714	-	362,714
Interest	1,080,976	-	1,080,976
Differences between expected and actual experience	(64,652)	-	(64,652)
Assumption changes	480,918	-	480,918
Contributions – employer	-	205,458	(205,458)
Contributions – employee	-	184,629	(184,629)
Net investment income	-	4,147,309	(4,147,309)
Benefit payments, including refunds of employee contributions	(977,965)	(977,965)	-
Administrative expenses	-	(10,610)	10,610
Other changes	-	(5,787)	5,787
Net changes	881,991	3,543,034	(2,661,043)
Balances at June 30, 2021	\$ 16,971,300	\$ 18,513,299	\$ (1,541,999)

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's net pension liability (asset)	<u>\$ 416,590</u>	<u>\$ (1,541,999)</u>	<u>\$ (3,186,779)</u>

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

For the year ended June 30, 2022, the school division recognized pension expense of \$30,570. At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,948	\$ 36,420
Change in assumptions	270,910	-
Net difference between projected and actual earnings on pension plan investments	-	2,053,686
Employer contributions subsequent to the measurement date	<u>218,677</u>	<u>-</u>
Total	<u>\$ 556,535</u>	<u>\$ 2,090,106</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

The \$218,677 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 ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Reduction to Pension Expense
2023	\$ (232,540)
2024	(415,754)
2025	(478,065)
2026	(625,889)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-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, 2022, \$34,930 was payable to the Virginia Retirement System for the legally required contributions related to June 2022 payroll.

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

General Information about the Teacher Cost Sharing Plan

Plan Description

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

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 11.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$8,894,334 and \$8,331,322 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2022, the school division reported a liability of \$46,021,785 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was 0.611% as compared to 0.639% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension benefit of \$1,846,164. Since there was a change in proportionate share between measurement dates, a portion of the pension benefit was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,919,857
Change in assumptions	8,062,897	-
Net difference between projected and actual earnings on pension plan investments	-	29,001,725
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	6,914,557
Employer contributions subsequent to the measurement date	<u>8,894,334</u>	<u>-</u>
Total	<u>\$ 16,957,231</u>	<u>\$ 39,836,139</u>

The \$8,894,334 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 ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Reduction) to Pension Expense
2023	\$ (8,413,983)
2024	(7,267,689)
2025	(7,165,769)
2026	(8,926,445)
2027	644
Thereafter	-

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 53,381,141
Plan Fiduciary Net Position	<u>45,617,878</u>
Employers' Net Pension Liability (Asset)	<u>\$ 7,763,263</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.5%

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 88,819,555</u>	<u>\$ 46,021,785</u>	<u>\$ 10,814,904</u>

Payables to the Pension Plan

At June 30, 2022, \$1,019,263 was payable to the Virginia Retirement System for the legally required contributions related to June 2022 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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2022

Note 13. Summary of Pension Benefit Elements

A summary of pension financial statement elements are as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources			
Pension contributions subsequent to measurement date	\$ 9,739,571	\$ 1,401,554	\$ 11,141,125
Changes of assumptions	<u>11,946,011</u>	<u>1,719,068</u>	<u>13,665,079</u>
Total deferred outflow of resources	<u>\$ 21,685,582</u>	<u>\$ 3,120,622</u>	<u>\$ 24,806,204</u>
Net pension liability	<u>\$ 64,080,479</u>	<u>\$ 9,221,373</u>	<u>\$ 73,301,852</u>
Deferred inflows of resources			
Differences between projected and actual earnings on investments	\$ 32,393,077	\$ 4,661,461	\$ 37,054,538
Differences between expected and actual experience	<u>4,976,984</u>	<u>716,203</u>	<u>5,693,187</u>
Total deferred inflow of resources	<u>\$ 37,370,061</u>	<u>\$ 5,377,664</u>	<u>\$ 42,747,725</u>
Pension Expense			
VRS	\$ 4,629,398	\$ 666,184	\$ 5,295,582
Total pension expense	<u>\$ 4,629,398</u>	<u>\$ 666,184</u>	<u>\$ 5,295,582</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 13. Summary of Pension Benefit Elements (Continued)

Lynchburg City Schools

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

	<u>School Board Component Unit</u>
Deferred outflows of resources:	
Difference between expected and actual experience	
VRS – nonprofessionals	\$ 66,948
Changes in assumptions	
VRS – nonprofessionals	270,910
VRS Teacher cost sharing plan	8,062,897
Contributions subsequent to measurement date	
VRS – nonprofessionals	218,677
VRS Teacher cost sharing plan	<u>8,894,334</u>
	<u>\$ 17,513,766</u>
Net VRS liability (asset):	
VRS – nonprofessionals	\$ (1,541,999)
VRS Teacher cost sharing plan	<u>46,021,785</u>
	<u>\$ 44,479,786</u>
Deferred inflows of resources:	
Difference between expected and actual experience	
VRS – nonprofessionals	\$ 36,420
VRS Teacher cost sharing plan	3,919,857
Net difference between projected and actual earnings on pension plan investments	
VRS – nonprofessionals	2,053,686
VRS Teacher cost sharing plan	29,001,725
Changes in proportion and related differences – cost sharing plans VRS Teacher cost sharing plan	<u>6,914,557</u>
	<u>\$ 41,926,245</u>
Net VRS expense (benefit)	
VRS – nonprofessionals	\$ 30,570
VRS Teacher cost sharing plan	<u>(1,846,164)</u>
	<u>\$ (1,815,594)</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 14. Other Post-Employment Benefits – Healthcare

City of Lynchburg

Plan Description

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

Benefits Provided

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

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

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

Membership

The number of participants as of the most recent valuation, January 1, 2022, was as follows:

Actives	1,098
Retired/Dependents	<u>478</u>
Total Participants	<u><u>1,576</u></u>

Total OPEB Liability

The City's total OPEB liability of \$39,492,482 was measured as of June 30, 2022, and was determined by an actuarial valuation as of January 1, 2022.

Actuarial Assumptions

In the January 1, 2022 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 3.69% discount rate, and an initial annual healthcare cost trend of 6.0% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.25%. Mortality rates were RPH-2014 for Males and Females projected generationally to 2020 with Scale SSA.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

City of Lynchburg (Continued)

Changes in OPEB Liability

	2022
Service Cost	\$ 367,419
Interest	930,937
Difference between expected and actual experience	(1,453,248)
Changes in assumptions	(7,077,885)
Benefit payments, including implicit subsidies	(2,774,048)
Net Change in Total OPEB Liability	(10,006,825)
Total OPEB Liability – Beginning of Year	49,499,307
Total OPEB Liability – End of Year	<u>\$ 39,492,482</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 3.69%, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1.00% Decrease (2.69%)	Current Discount Rate (3.69%)	1.00% Increase (4.69%)
Total OPEB Liability	\$ 44,598,106	\$ 39,492,482	\$ 35,322,762
Net OPEB Liability	<u>\$ 44,598,106</u>	<u>\$ 39,492,482</u>	<u>\$ 35,322,762</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 Cost Trend Rate

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

	1.00% Decrease (3.25%)	Current Ultimate Trend Rate (4.25%)	1.00% Increase (5.25%)
Total OPEB Liability	\$ 35,197,796	\$ 39,492,482	\$ 44,704,208
Net OPEB Liability	<u>\$ 35,197,796</u>	<u>\$ 39,492,482</u>	<u>\$ 44,704,208</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, 2022

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

City of Lynchburg (Continued)

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$(6,643,065). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 32,182,642
Change in actuarial assumptions	6,043,212	6,392,407
Total	<u>\$ 6,043,212</u>	<u>\$ 38,575,049</u>

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

Year ended June 30,	Net Amount of Outflow/(Inflow)
2023	\$ (7,941,421)
2024	(7,941,426)
2025	(4,387,321)
2026	(5,244,379)
2027	(5,506,940)
After 2027	(1,510,350)
Total Amount to be Recognized	<u>\$ (32,531,837)</u>

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, 2022

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

Lynchburg City Schools (Continued)

Employees Covered by Benefit Terms

As of the July 1, 2020 actuarial valuation, the following employees were covered by the benefit terms of the plan:

Inactive employees or beneficiaries currently receiving benefits	52
Active plan members	<u>1,339</u>
Total participants	<u><u>1,391</u></u>

Total OPEB Liability

The School's total OPEB liability of \$10,038,220 was measured as of June 30, 2021 and was determined based on an actuarial valuation performed as of July 1, 2020.

Actuarial Assumptions and Other Inputs

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

Inflation	2.5%
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Mortality rates: Pub-2010 Teachers Headcounted – Weighted Mortality Table with projections Scale MP-2019.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 for the VRS.

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

Changes in the Total OPEB Liability

Balance at June 30, 2020	<u>\$ 8,873,052</u>
Changes for the year:	
Service cost	890,149
Interest	213,079
Assumption or other input changes	305,192
Benefit payments	<u>(243,252)</u>
Net changes	<u>1,165,168</u>
Balance at June 30, 2021	<u><u>\$ 10,038,220</u></u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Lynchburg City Schools (Continued)

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

The following presents the total OPEB liability of the Schools, as well as what the Schools' total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current discount rate:

	<u>1.00% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1.00% Increase (3.16%)</u>
Total OPEB liability	<u>\$ 11,176,753</u>	<u>\$ 10,038,220</u>	<u>\$ 9,029,557</u>

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:

	<u>1.00% Decrease (7.00%)</u>	<u>Current Healthcare Cost Trend Rate (8.00%)</u>	<u>1.00% Increase (9.00%)</u>
Total OPEB liability	<u>\$ 8,650,493</u>	<u>\$ 10,038,220</u>	<u>\$ 11,744,484</u>

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

For the year ended June 30, 2022, the Schools recognized OPEB expense of \$673,059. At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,152,929	\$ 3,459,185
Change in assumptions	743,731	209,788
Employer contributions subsequent to the measurement date	<u>383,304</u>	<u>-</u>
Total	<u>\$ 2,279,964</u>	<u>\$ 3,668,973</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Lynchburg City Schools (Continued)

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

The \$383,304 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 ending June 30, 2023. Other 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>Increase (Reduction) to OPEB Expense</u>
2023	\$ (430,169)
2024	(430,170)
2025	62,810
2026	(461,932)
2027	(461,934)
Thereafter	(50,918)

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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

City of Lynchburg (Continued)

General Information about the Group Life Insurance Program (Continued)

Plan Description (Continued)

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% 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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the City were \$303,902 and \$303,246 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the City reported a liability of \$3,195,343 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the City's proportion was 0.27445% as compared to 0.27948% at June 30, 2020.

For the year ended June 30, 2022, the City recognized GLI OPEB expense of \$79,994. 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2022

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 (Continued)**

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 364,440	\$ 24,347
Net difference between projected and actual earnings on GLI OPEB program investments	-	762,660
Changes in Actuarial Assumptions	176,158	437,191
Changes in Proportionate Share	-	171,347
Employer contributions subsequent to the measurement date	303,902	-
Total	<u>\$ 844,500</u>	<u>\$ 1,395,545</u>

\$303,902 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30,	Reduction to OPEB Expense
2023	\$ (208,329)
2024	(169,408)
2025	(160,157)
2026	(259,032)
2027	(58,021)
Thereafter	-

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

City of Lynchburg (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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	7.00 – 4.75%
• Ages 65 and older	5.375 – 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

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, 2021, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	<u>2,413,074</u>
Employers' Net GLI OPEB Liability (Asset)	<u><u>\$ 1,164,272</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

City of Lynchburg (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS - Multi -Asset Public Strategies	6.00	3.29	0.20
PIP- Private Investment Partnership	3.00	6.84	0.21
Total			4.89%
		Inflation	2.50%
		*Expected Arithmetic nominal return	7.39%

* The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, 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, 2021 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

City of Lynchburg (Continued)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Total GLI OPEB Liability	<u>\$ 4,668,512</u>	<u>\$ 3,195,343</u>	<u>\$ 2,005,692</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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://varetire.org/pdf/publications/2021-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, 2022 the City reported a payable of \$174,708 for the outstanding amount of contributions to VRS required for the year ended June 30, 2022.

Lynchburg City Schools

Plan Descriptions

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

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

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

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Lynchburg City Schools (Continued)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% 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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. 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 \$22,922 and \$21,229 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the Group Life Insurance Program from the Schools Teachers plan were \$302,430 and \$282,835 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the Schools General plan reported a liability of \$224,408 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Schools General plan proportion was 0.01983% as compared to 0.01936% at June 30, 2020.

For the year ended June 30, 2022, the Schools General plan recognized GLI OPEB expense of \$5,325. 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, 2022, the Schools General plan reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,594	\$ 1,710
Net difference between projected and actual earnings on GLI OPEB program investments	-	53,562
Changes in actuarial assumptions	12,371	30,704
Changes in proportion	12,246	16,440
Employer contributions subsequent to the measurement date	22,922	-
Total	<u>\$ 73,133</u>	<u>\$ 102,416</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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)**

\$22,922 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30,	Reduction to OPEB Expense
2023	\$ (14,925)
2024	(11,113)
2025	(9,583)
2026	(14,953)
2027	(1,631)
Thereafter	-

At June 30, 2022, the Schools Teachers plan reported a liability of \$2,990,298 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Schools Teachers plan proportion was 0.26424% as compared to 0.27477% at June 30, 2020.

For the year ended June 30, 2022, the Schools Teachers plan recognized GLI OPEB expense of \$8,111. 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, 2022, the Schools Teachers plan reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 341,054	\$ 22,784
Net difference between projected and actual earnings on GLI OPEB program investments	-	713,721
Changes in actuarial assumptions	164,854	409,137
Changes in proportion	-	384,704
Employer contributions subsequent to the measurement date	302,430	-
Total	<u>\$ 808,338</u>	<u>\$ 1,530,346</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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)

\$302,430 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, 2023. 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:

<u>Year Ended June 30,</u>	<u>Reduction to OPEB Expense</u>
2023	\$ (261,709)
2024	(223,236)
2025	(199,401)
2026	(270,469)
2027	(69,623)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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	7.00 – 4.75%
• Ages 65 and older	5.375 – 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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, 2022

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, 2021, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	2,413,074
Employers' Net GLI OPEB Liability (Asset)	\$ 1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS – Multi-Asset Public Strategies	6.00	3.29	0.20
PIP – Private Investment Partnership	3.00	6.84	0.21
Total	100.00%		4.89%
		Inflation	2.50%
		*Expected Arithmetic nominal return	7.39%

* The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Lynchburg City Schools (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, 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, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Total GLI OPEB Liability – General	<u>\$ 327,868</u>	<u>\$ 224,408</u>	<u>\$ 140,859</u>
Total GLI OPEB Liability – Teachers	<u>\$ 4,368,935</u>	<u>\$ 2,990,298</u>	<u>\$ 1,876,987</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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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, 2022 the School's General plan and Teachers plan reported payables of \$5,734 and \$67,146, respectively for the outstanding amount of contributions to VRS required for the year ended June 30, 2022.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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>

General Information about the General Employee Health Insurance Credit Program

Plan Description

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Lynchburg City Schools (Continued)

General Information about the General Employee Health Insurance Credit Program (Continued)

Plan Description (Continued)

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

Inactive members or their beneficiaries currently receiving benefits	<u>57</u>
Inactive members:	
Vested inactive members	<u>1</u>
Total inactive members	58
Active members	<u>133</u>
Total covered employees	<u><u>191</u></u>

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, 2022, was 1.21% 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, 2019. 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 \$681,075 and \$636,257 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the General Employee Health Insurance Credit Program from the Schools were \$27,351 and \$0 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2021, the School's reported a liability of \$7,683,669 for its proportionate share of the Teacher Net HIC OPEB Liability. The Teacher Net HIC OPEB Liability was measured as of June 30, 2021 and the total HIC OPEB liability used to calculate the Net HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Teacher 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the School's proportion was 0.61628% as compared to 0.64426% at June 30, 2020.

For the year ended June 30, 2021, the School's recognized Teacher HIC OPEB expense of \$427,800. 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.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 16. Other Post-Employment Benefits – Health Insurance Credit (HIC) (Continued)**Lynchburg City Schools (Continued)****OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)**

At June 30, 2022, the School's reported deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 134,080
Net difference between projected and actual earnings on HIC OPEB program investments	-	101,218
Changes in actuarial assumptions	207,704	30,880
Changes in proportion	-	870,725
Employer contributions subsequent to the measurement date	681,075	-
Total	<u>\$ 888,779</u>	<u>\$ 1,136,903</u>

\$681,075 reported as deferred outflows of resources related to the Teacher HIC OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the Teacher Net HIC OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,	Reduction to OPEB Expense
2023	\$ (207,374)
2024	(208,523)
2025	(196,223)
2026	(164,201)
2027	(90,759)
Thereafter	(62,119)

At June 30, 2022, the School's reported deferred outflows of resources and deferred inflows of resources related to the General Employee HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1
Net difference between projected and actual earnings on HIC OPEB program investments	-	2,110
Changes in actuarial assumptions	5,012	-
Employer contributions subsequent to the measurement date	27,351	-
Total	<u>\$ 32,363</u>	<u>\$ 2,111</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Lynchburg City Schools (Continued)

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

\$27,351 reported as deferred outflows of resources related to the General Employee 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, 2023. 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:

<u>Year Ended June 30,</u>	<u>Increase to OPEB Expense</u>
2023	\$ 926
2024	926
2025	926
2026	123
2027	-
Thereafter	-

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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	7.00 – 4.75%
• Ages 65 and older	5.375 – 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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, 2022

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

Lynchburg City Schools (Continued)

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, 2021, NOL amounts for the HIC Program is as follows (amounts expressed in thousands):

	HIC OPEB Program
Total HIC OPEB Liability	\$ 1,477,874
Plan Fiduciary Net Position	194,305
Employers' Net HIC OPEB Liability (Asset)	<u>\$ 1,283,569</u>
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	13.15%

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, 2022

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

Lynchburg City Schools (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS – Multi Asset Public Strategies	6.00	3.29	0.20
PIP – Private Investment Partnership	3.00	6.84	0.21
Total	100.00%		4.89%
		Inflation	2.50%
		*Expected Arithmetic nominal return	7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, 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, 2021 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, 2022

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

Lynchburg City Schools (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2020	\$ 305,942	\$ -	\$ 305,942
Changes for the year:			
Service cost	5,314	-	5,314
Interest	20,651	-	20,651
Changes of assumptions	6,465	-	6,465
Differences between expected and actual experience	(1)	-	(1)
Contributions – employer	-	25,370	(25,370)
Net investment income	-	3,490	(3,490)
Administrative expenses	-	(112)	112
Net changes	32,429	28,748	3,681
Balances at June 30, 2021	\$ 338,371	\$ 28,748	\$ 309,623

In addition, for the year ended June 30, 2021, the School's recognized OPEB expense of \$26,150 related to the General Employee Health Insurance Credit Program.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Teacher HIC Net OPEB Liability	\$ 8,649,681	\$ 7,683,669	\$ 6,866,192
General Employee HIC Net OPEB Liability	\$ 341,661	\$ 309,623	\$ 282,049

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

Lynchburg City Schools (Continued)

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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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, 2022 the School's reported a payable of \$60,632 and \$2,958 for the outstanding amount of contributions to VRS required for the year ended June 30, 2022 for the Teachers and General Employee HIC, respectively.

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

City of Lynchburg

General Information about the Line of Duty Act

Plan Description

The City of Lynchburg is a non-participating employer of the State's Line of Duty Act (LODA), and therefore directly funds the cost of benefits provided under LODA in a single-employer plan. 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 pays 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 to eligible family members if death occurs as a direct result of performing duty (amount may vary for other causes of death) and 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.

Membership

The number of participants as of the most recent valuation, January 1, 2022, was as follows:

Actives	330
Disabled Participants/Dependents	<u>27</u>
Total Participants	<u>357</u>

Total OPEB Liability

The City's total OPEB liability of \$5,980,466 was measured as of June 30, 2022, and was determined by an actuarial valuation as of January 1, 2022.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, using a Healthcare Trend: 6.00% initially, grading down to 4.25% ultimate. Mortality rates were RPH2014 for Males and Females base year 2000 projected to 2020 with Scale SSA. The Entry Age method is used for accounting/GASB purposes.

Changes in OPEB Liability

Total OPEB Liability	2022
Service Cost	\$ 235,111
Interest	150,318
Difference between expected and actual experience	(585,976)
Changes in assumptions	(1,227,410)
Benefit payments	(369,297)
Net Change in Total OPEB Liability	(1,797,254)
Total OPEB Liability – Beginning of Year	7,777,720
Total OPEB Liability – End of Year	<u>\$ 5,980,466</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 3.69%, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1.00% Decrease (2.69%)	Current Discount Rate (3.69%)	1.00% Increase (4.69%)
Total OPEB Liability	<u>\$ 6,886,030</u>	<u>\$ 5,980,466</u>	<u>\$ 5,252,575</u>
Net OPEB Liability	<u>\$ 6,886,030</u>	<u>\$ 5,980,466</u>	<u>\$ 5,252,575</u>
Ratio of Plan Net Position to Total OPEB Liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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 Healthcare Cost Trend Rate

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

	1.00% Decrease (3.25%)	Current Ultimate Trend Rate (4.25%)	1.00% Increase (5.25%)
Total OPEB Liability	\$ 5,187,371	\$ 5,980,466	\$ 6,967,545
Net OPEB Liability	<u>\$ 5,187,371</u>	<u>\$ 5,980,466</u>	<u>\$ 6,967,545</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, 2022, the City recognized OPEB expense of \$125,832. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,770,294
Change in actuarial assumptions	1,533,299	1,091,031
Total	<u>\$ 1,533,299</u>	<u>\$ 3,861,325</u>

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

Year ended June 30,	Net Amount of Inflow
2023	\$ (259,597)
2024	(259,597)
2025	(259,596)
2026	(350,256)
2027	(350,256)
After 2027	(848,724)
Total Amount to be Recognized	<u>\$ (2,328,026)</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 18. Summary of Other Postemployment Benefit Elements

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

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources - OPEB			
OPEB contributions subsequent to measurement date			
Group life insurance	\$ 265,672	\$ 38,230	\$ 303,902
OPEB Diff between expected and actual experience			
Group life insurance	318,593	45,847	364,440
OPEB Changes of assumptions			
Group life insurance	153,997	22,161	176,158
Health	5,293,853	749,358	6,043,211
Line of duty	1,533,299	-	1,533,299
Total deferred outflow of resources - OPEB	<u>\$ 7,565,414</u>	<u>\$ 855,596</u>	<u>\$ 8,421,010</u>
Net OPEB liability			
Group life insurance	\$ 2,793,369	\$ 401,974	\$ 3,195,343
Health - Local plan	34,595,414	4,897,068	39,492,482
Line of duty	5,980,466	-	5,980,466
Total net OPEB liability	<u>\$ 43,369,249</u>	<u>\$ 5,299,042</u>	<u>\$ 48,668,291</u>
Deferred inflows of resources - OPEB			
Difference between expected and actual experience			
Group life insurance	\$ 21,284	\$ 3,063	\$ 24,347
Health - Local plan	28,191,994	3,990,647	32,182,641
Line of duty	2,770,294	-	2,770,294
Difference between projected and actual investment earnings			
Group life insurance	666,718	95,942	762,660
Change of assumptions			
Group life insurance	382,192	54,999	437,191
Health - Local plan	5,599,748	792,659	6,392,407
Line of duty	1,091,031	-	1,091,031
Change in proportionate share			
Group life insurance	149,791	21,556	171,347
Total deferred inflow of resources - OPEB	<u>\$ 38,873,052</u>	<u>\$ 4,958,866</u>	<u>\$ 43,831,918</u>
OPEB expense			
Health - Local plan	\$ (5,812,682)	\$ (830,383)	\$ (6,643,065)
VRS GLI	69,931	10,063	79,994
Line of duty	125,832	-	125,832
Total OPEB expense	<u>\$ (5,616,919)</u>	<u>\$ (820,320)</u>	<u>\$ (6,437,239)</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

	Component Unit School Board
Deferred outflows of resources:	
Difference between expected and actual experience	
Local OPEB	\$ 1,152,929
GLI – general employees	25,594
GLI – teachers	341,054
Changes in assumptions	
Local OPEB	743,731
GLI – general employees	12,371
GLI – teachers	164,854
HIC – general employees	5,012
HIC – teachers	207,704
Changes in proportion and related differences – cost sharing plans	
GLI – general employees	12,246
OPEB contributions subsequent to measurement date	
Local OPEB	383,304
GLI – general employees	22,922
GLI – teachers	302,430
HIC – general employees	27,351
HIC – teachers	<u>681,075</u>
	<u>\$ 4,082,577</u>
 Net OPEB liability	
Local OPEB	\$ 10,038,220
GLI – general employees	224,408
GLI – teachers	2,990,298
HIC – general employees	309,623
HIC – teachers	<u>7,683,669</u>
	<u><u>\$ 21,246,218</u></u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

	Component Unit School Board
Deferred inflows of resources:	
Difference between expected and actual experience	
Local OPEB	\$ 3,459,185
GLI – general employees	1,710
GLI – teachers	22,784
HIC – general employees	1
HIC – teachers	134,080
Difference between projected and actual earnings on OPEB plan investments	
GLI – general employees	53,562
GLI – teachers	713,721
HIC – general employees	2,110
HIC – teachers	101,218
Changes in assumptions	
Local OPEB	209,788
GLI – general employees	30,704
GLI – teachers	409,137
HIC – teachers	30,880
Changes in proportion and related differences – cost sharing plans	
GLI – general employees	16,440
GLI – teachers	384,704
HIC – teachers	870,725
	<u>\$ 6,440,749</u>
 Net OPEB expense	
Local OPEB	\$ 673,059
GLI – general employees	5,325
GLI – teachers	8,111
HIC – general employees	26,150
HIC – teachers	427,800
	<u>\$ 1,140,445</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 19. Leases

Primary Government:

Lessee:

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model of lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. For additional information, refer to the disclosures below.

Governmental Activities:

On July 1, 2021 and September 1, 2021, the City entered into forty-six (46) leases as lessee for the use of copiers and a postage meter. An initial liability was recorded in the amount of \$251,442. As of June 30, 2022, the value of the lease liability is \$153,589. The City is required to make fixed monthly or quarterly payments ranging between \$17 and \$788; totaling approximately \$104,498 per year. The leases have an interest rate of 0.3710% to 1.0590%. The value of the right to use asset as of June 30, 2022 is \$251,442 with accumulated amortization of \$96,714 for a net book value of \$154,728.

On July 1, 2021, the City entered into three (3) leases as lessee for the use of infrastructure and buildings. An initial liability was recorded in the amount of \$2,555,360. As of June 30, 2022, the value of the lease liability is \$2,504,309. The City is required to make fixed monthly, annual, and quarterly payments ranging between \$561 to \$36,688; totaling approximately \$99,307 per year. The leases have an interest rate of 0.5140% to 2.5830%. The value of the right to use asset as of June 30, 2022 is \$2,555,360 with accumulated amortization of \$57,727 for a net book value of \$2,497,633.

Business-type Activities:

On July 1, 2021, the City entered into three (3) leases as lessee for the use of copiers. An initial liability was recorded in the amount of \$9,545. As of June 30, 2022, the value of the lease liability is \$2,390. The City is required to make fixed monthly payments ranging between \$98 and \$283; totaling approximately \$7,177 per year. The leases have an interest rate of 0.3870%. The value of the right to use asset as of June 30, 2022 is \$9,545 with accumulated amortization of \$7,070 for a net book value of \$2,475.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 19. Leases (Continued)

Primary Government: (Continued)

Lessee: (Continued)

Lessee Principal and Interest Requirements to Maturity:

Year Ending June 30	Governmental Activities		
	Principal Payment	Interest Payment	Total Payments
2023	\$ 117,032	\$ 64,583	\$ 181,615
2024	54,337	63,664	118,001
2025	38,675	63,009	101,684
2026	27,876	62,433	90,309
2027	21,110	61,953	83,063
2028 - 2032	97,459	303,076	400,535
2033 - 2037	85,210	291,763	376,973
2038 - 2042	85,561	281,314	366,875
2043 - 2047	97,276	269,599	366,875
2048 - 2052	110,595	256,280	366,875
2053 - 2057	125,738	241,137	366,875
2058 - 2062	142,954	223,921	366,875
2063 - 2067	162,528	204,347	366,875
2068 - 2072	184,781	182,094	366,875
2073 - 2077	210,081	156,794	366,875
2078 - 2082	238,846	128,029	366,875
2083 - 2087	271,549	95,326	366,875
2088 - 2092	308,729	58,146	366,875
2093 - 2097	277,561	16,348	293,909
	<u>\$ 2,657,898</u>	<u>\$ 3,023,816</u>	<u>\$ 5,681,714</u>

Year Ending June 30	Business-type Activities		
	Principal Payment	Interest Payment	Total Payments
2023	\$ 2,390	\$ -	\$ 2,390
	<u>\$ 2,390</u>	<u>\$ -</u>	<u>\$ 2,390</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 19. Leases (Continued)

Primary Government: (Continued)

Lessor:

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model of lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

Governmental Activities:

On July 1, 2021, the City entered into eight (8) leases as lessor, with a time frame of 36 to 349 months. An initial lease receivable was recorded in the amount of \$1,808,069. As of June 30, 2022, the value of the lease receivable is \$1,628,502. The lessee is required to make either annual or monthly fixed payments ranging from \$687 to \$37,316; totaling approximately \$208,620 per year. The leases have an interest rate of 0.7270% to 2.5630%. The value of the deferred inflow of resources as of June 30, 2022 was \$1,615,292, and the City recognized lease revenue of \$179,568 during the fiscal year.

Business-type Activities:

On July 1, 2021, the City entered into three (3) leases as lessor, with a time frame of 77 to 144 months. An initial lease receivable was recorded in the amount of \$103,961. As of June 30, 2022, the value of the lease receivable is \$91,199. The lessee is required to make an annual fixed payment ranging from \$1,350 to \$10,350; totaling approximately \$13,238 per year. The leases have an interest rate of 0.5140% to 1.3750%. The value of the deferred inflow of resources as of June 30, 2022 was \$90,836, and the City recognized lease revenue of \$13,124 during the fiscal year.

Note 20. Risk Management

The Risk Management Programs of the City are as follows:

Workers' Compensation: The City is self-insured for workers' compensation claims. All settled claims are paid through the General Fund and then charged to the Proprietary funds as appropriate. The liability for worker's compensation claims, including an estimate of incurred but not reported claims based on prior experience, to be paid in the next fiscal year and in future years is reflected in the statement of net position. Total claims paid for the year ended June 30, 2022 amounted to \$1,276,325.

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 \$509 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 \$1,070,319. The City has designated a portion of its fund balance in the General Fund to fund future general liability claims. City management believes any incurred but not reported claims at June 30 would be insignificant.

Healthcare: The City's professionally administered self-insurance program provides healthcare coverage for employees and retirees of the City on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the City. Under the program, the City is obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$400,000 per covered individual per contract year. Included in accrued payroll related liabilities for the year ended June 30 were claims payables of \$550,000. Administrative fees, Affordable Care Act fees, and stop loss premiums for the year ended June 30 totaled \$1,060,322.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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	2022	\$	2,674,812	\$ 1,109,279	\$ 1,276,325	\$ 2,507,766
	2021	\$	2,953,015	\$ 1,200,195	\$ 1,478,398	\$ 2,674,812
General/Automotive Liability	2022	\$	-	\$ 477,239	\$ 477,239	\$ -
	2021	\$	-	\$ 329,310	\$ 329,310	\$ -
Healthcare	2022	\$	500,000	\$ 13,250,344	\$ 13,200,344	\$ 550,000
	2021	\$	688,000	\$ 11,833,002	\$ 12,021,002	\$ 500,000

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

The Risk Management Programs of the Schools are as follows:

Workers' Compensation: The Schools 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 \$400,000 per covered individual per contract year. Total claims expense of \$11,438,677 was incurred in the current year, and there were no claims above the per individual limit that would have been covered by the stop loss policy. Administrative fees, affordable care act fees, and stop loss premiums for the current year totaled \$1,119,948. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled \$375,265 and have been recorded as a liability by the Schools and is included with accrued payroll and related liabilities on the statement of net position.

Changes in aggregate liabilities were as follows:

			Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Healthcare	2022	\$	1,058,126	\$ 11,438,677	\$ 12,121,538	\$ 375,265
	2021	\$	1,464,221	\$ 11,668,069	\$ 12,074,164	\$ 1,058,126

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

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

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

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

Expenses of Schools – Component Unit (Exhibit 2)	\$ 114,153,940
Principal and other debt service expenses included in City	<u>8,969,567</u>
Total expenses/expenditures for School activities	<u>\$ 123,123,507</u>

Note 22. Commitments and Contingencies

Combined Sewer Overflow (CSO):

In 1994, the Virginia Department of Environmental Quality (VDEQ) issued a voluntary Consent Special Order to the City to address its combined sewers. That Consent Special Order 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 was 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 new projects designed to integrate the CSO program with overarching water quality standards that encompass both CSO and stormwater management impacts. As of June 30, 2022, the revised program has an estimated remaining cost \$86 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 (MHI) 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 with exception of the 1.25% (MHI) requirement as of July 1, 2022. Effective July 1, 2022 a significant rate increase was passed by City Council to meet the 1.25% MHI requirement. This rate increase was calculated using projected inflation and MHI. Both actual inflation and updated MHI outpaced projections. City is expected to be compliant with the 1.25% MHI requirement effective July 1, 2023 by increasing sewer rates to an adequate level enough to cover economic inflation impacts. 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, 2022

Note 22. Commitments and Contingencies (Continued)

Grant Programs:

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to being appropriate expenditures under terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, related to such audits would not be material to the financial position of the City at June 30, 2022.

Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. As of June 30, 2022, the arbitrage rebate liability estimate was zero.

Encumbrance Commitments:

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

MAJOR FUNDS

General Fund	\$ 5,085,536
City Capital Projects Fund	16,461,508
School Capital Projects	<u>2,409,041</u>
Total Major Funds	<u>23,956,085</u>

NONMAJOR FUNDS

City Federal State Aid	220,263
Lynchburg Regional Juvenile Detention Center	<u>11,196</u>
Total Nonmajor Funds	<u>231,459</u>

TOTAL ENCUMBRANCES	<u><u>\$ 24,187,544</u></u>
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Construction Commitments:

Included in the encumbrances above are construction commitments of \$16,461,508 in the City Capital Projects fund and \$2,409,041 in the School Capital Projects fund. The City also had construction commitments of \$4,101,552 in the Water fund; \$5,733,549 in the Sewer fund; \$1,812,918 in the Stormwater Fund; and \$1,050,682 in the Airport fund as of June 30, 2022.

Note 23. Tax Abatements

The City provides tax abatements through Economic Development for two grants. The grants are provided to local developers through the Lynchburg Economic Development Authority (LEDA). To qualify for the grant, local developers must complete projects that promote economic development within the City. The projects must generate additional tax revenue; as well as create new jobs, and services that will benefit the City. Performance agreements between the City, the developer, and LEDA are approved by City Council. Local taxes collected from the businesses located in these developments are used to fund the grants. The applicable taxes include real estate, business personal property, business license, sales and use, meals, and lodging tax. Total taxes abated for the two grants during FY2022 were \$544,852.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 23. Tax Abatements (Continued)

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 \$141,612,000 on a total of 359 parcels equating to \$1,571,893 in real estate tax.

Note 24. New Accounting Standards

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

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

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

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

In April 2022, the GASB issued **Statement No. 99, *Omnibus 2022***. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

Note 24. New Accounting Standards (Continued)

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

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REQUIRED SUPPLEMENTAL INFORMATION

Required Supplementary Information

Primary Government

Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2022

	2014	2015	2016	Plan Year		2019	2020	2021
				2017	2018			
Total Pension Liability								
Service cost	\$ 6,203,323	\$ 6,349,597	\$ 6,346,042	\$ 6,432,589	\$ 6,654,862	\$ 6,625,713	\$ 6,986,017	\$ 7,087,893
Interest on total pension liability	22,279,728	22,979,376	23,599,711	24,063,948	24,449,704	25,140,219	25,463,249	25,997,865
Difference between expected and actual experience	-	(1,322,839)	(3,091,281)	(5,899,588)	120,722	(2,629,680)	(1,859,042)	(6,001,569)
Changes in assumptions	-	-	-	2,149,134	-	10,427,997	-	16,038,052
Benefit payments, including refunds of employee contribution	(18,346,084)	(18,630,099)	(19,658,299)	(20,786,742)	(21,683,819)	(21,037,746)	(21,916,092)	(23,423,878)
Net change in total pension liability	10,136,967	9,376,035	7,196,173	5,959,341	9,541,469	18,526,503	8,674,132	19,698,363
Total pension liability - beginning	327,454,876	337,591,843	346,967,878	354,164,051	360,123,392	369,664,861	388,191,364	396,865,496
Total pension liability - ending	337,591,843	346,967,878	354,164,051	360,123,392	369,664,861	388,191,364	396,865,496	416,563,859
Plan Fiduciary Net Position								
Contributions - employer	10,482,447	10,640,498	10,888,855	9,920,997	10,083,118	10,150,416	10,510,166	10,801,810
Contributions - employee	2,545,602	2,623,103	2,647,107	2,766,837	2,676,472	2,655,886	2,783,330	2,717,344
Net investment income	32,917,551	10,830,296	4,079,524	28,939,509	19,156,055	17,849,423	5,343,056	74,989,208
Benefit payments, including refunds of employee contribution	(18,346,084)	(18,630,099)	(19,658,299)	(20,786,742)	(21,683,819)	(21,037,746)	(21,916,092)	(23,423,878)
Administrative expenses	(180,075)	(151,038)	(152,831)	(171,345)	(169,088)	(180,734)	(184,881)	(190,993)
Other	1,737	(2,273)	(1,774)	(25,640)	(16,908)	(11,250)	(7,513)	7,042
Net change in plan fiduciary net position	27,421,178	5,310,487	(2,197,418)	20,643,616	10,045,830	9,425,995	(3,471,934)	64,900,533
Plan fiduciary net position - beginning	211,183,720	238,604,898	243,915,385	241,717,967	262,361,583	272,407,413	281,833,408	278,361,474
Plan fiduciary net position - ending	238,604,898	243,915,385	241,717,967	262,361,583	272,407,413	281,833,408	278,361,474	343,262,007
Net pension liability - ending	\$ 98,986,945	\$ 103,052,493	\$ 112,446,084	\$ 97,761,809	\$ 97,257,448	\$ 106,357,956	\$ 118,504,022	\$ 73,301,852
Plan fiduciary net position as a percentage of total pension liability	71%	70%	68%	73%	74%	73%	70%	82%
Covered payroll	\$ 49,759,064	\$ 50,441,350	\$ 51,326,626	\$ 52,930,961	\$ 54,235,867	\$ 54,656,679	\$ 56,091,908	\$ 57,485,897
Net pension liability as a percentage of covered payroll	199%	204%	219%	185%	179%	195%	211%	128%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report. This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, only eight years of data is available. Additional years will be included as they become available.

Required Supplementary Information

Schools - Non Professional Employees

Schedule of Changes in Net Pension Liability and Related Ratios

For the Year Ended June 30, 2022

	Plan Year							
	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability								
Service cost	\$ 408,027	\$ 408,652	\$ 390,047	\$ 388,263	\$ 369,905	\$ 363,374	\$ 386,485	\$ 373,612
Interest on total pension liability	935,168	975,621	1,013,096	1,012,802	1,013,987	1,047,533	1,048,986	1,113,455
Difference between expected and actual experience	-	(47,318)	(601,120)	(438,840)	(45,578)	(326,795)	486,898	(66,595)
Changes in assumptions	-	-	-	(126,476)	-	397,376	-	495,368
Benefit payments, including refunds of employee contributions	(736,082)	(794,492)	(808,719)	(803,718)	(833,932)	(884,234)	(927,192)	(1,007,349)
Net change in total pension liability	607,113	542,463	(6,696)	32,031	504,382	597,254	995,177	908,491
Total pension liability - beginning	13,727,582	14,334,695	14,877,158	14,870,462	14,902,493	15,406,875	16,004,129	16,999,306
Total pension liability - ending	14,334,695	14,877,158	14,870,462	14,902,493	15,406,875	16,004,129	16,999,306	17,907,797
Plan Fiduciary Net Position								
Contributions - employer	382,008	327,719	332,290	228,134	229,132	179,891	192,366	211,631
Contributions - employee	192,487	183,717	185,375	182,067	183,766	174,448	188,186	190,176
Net investment income	1,844,193	609,217	236,379	1,651,561	1,096,860	1,024,271	306,074	4,271,921
Benefit payments, including refunds of employee contributions	(736,082)	(794,492)	(808,719)	(803,718)	(833,932)	(884,234)	(927,192)	(1,007,349)
Administrative expenses	(9,987)	(8,505)	(8,626)	(9,732)	(9,621)	(10,452)	(10,658)	(10,929)
Other	98	(127)	(101)	(1,460)	(969)	(642)	(357)	400
Net change in plan fiduciary net position	1,672,717	317,529	(63,402)	1,246,852	665,236	483,282	(251,581)	3,655,850
Plan fiduciary net position - beginning	11,769,997	13,442,714	13,760,243	13,696,841	14,943,693	15,608,929	16,092,211	15,840,630
Plan fiduciary net position - ending	13,442,714	13,760,243	13,696,841	14,943,693	15,608,929	16,092,211	15,840,630	19,496,480
Net pension liability - ending	\$ 891,981	\$ 1,116,915	\$ 1,173,621	\$ (41,200)	\$ (202,054)	\$ (88,082)	\$ 1,158,676	\$ (1,588,683)
Plan fiduciary net position as a percentage of total pension liability	94%	92%	92%	100%	101%	101%	93%	109%
Covered payroll	\$ 3,851,034	\$ 3,727,782	\$ 3,613,671	\$ 3,593,865	\$ 3,654,690	\$ 3,837,637	\$ 3,971,969	\$ 4,080,952
Net pension liability as a percentage of covered payroll	23%	30%	32%	-1%	-6%	-2%	29%	-39%

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, 2022

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2022	\$ 11,141,125	\$ 11,141,125	\$ -	\$ 55,542,571	20.06%
2021	\$ 11,088,357	\$ 11,088,357	\$ -	\$ 57,485,897	19.29%
2020	\$ 10,870,219	\$ 10,870,219	\$ -	\$ 56,091,908	19.38%
2019	\$ 10,377,528	\$ 10,377,528	\$ -	\$ 54,656,679	18.99%
2018	\$ 10,288,625	\$ 10,288,625	\$ -	\$ 54,235,867	18.97%
2017	\$ 9,920,997	\$ 9,920,997	\$ -	\$ 52,930,961	18.74%
2016	\$ 10,951,053	\$ 10,951,053	\$ -	\$ 51,326,626	21.34%
2015	\$ 10,728,502	\$ 10,728,502	\$ -	\$ 50,441,350	21.27%
Schools - Nonprofessional Employees					
2022	\$ 225,247	\$ 225,247	\$ -	\$ 4,399,742	5.12%
2021	\$ 211,631	\$ 211,631	\$ -	\$ 4,080,952	5.19%
2020	\$ 192,396	\$ 192,396	\$ -	\$ 3,971,969	4.84%
2019	\$ 179,891	\$ 179,891	\$ -	\$ 3,837,637	4.69%
2018	\$ 229,094	\$ 229,094	\$ -	\$ 3,654,691	6.27%
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 eight 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.

The Notes to Required Supplementary Information are an integral part of this statement.

Required Supplementary Information**Schedule of Employer's Share of Net Pension Liability****VRS Teacher Retirement Plan****For the Year Ended June 30, 2022**

School Division	Fiscal Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	2022	0.61%	\$ 47,405,591	\$ 54,503,957	86.98%	85.46%
	2021	0.64%	\$ 92,940,347	\$ 56,477,224	164.56%	71.47%
	2020	0.65%	\$ 82,501,054	\$ 51,957,981	158.78%	73.51%
	2019	0.69%	\$ 80,732,000	\$ 53,894,780	149.80%	74.81%
	2018	0.71%	\$ 87,249,000	\$ 53,942,322	161.74%	72.92%
	2017	0.73%	\$ 102,102,000	\$ 50,669,701	201.51%	68.28%
	2016	0.71%	\$ 88,962,000	\$ 51,468,623	172.85%	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 eight 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, 2022**

School Division Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 9,161,578	\$ 9,161,578	\$ -	\$ 57,947,892	15.81%
2021	\$ 8,629,023	\$ 8,629,023	\$ -	\$ 54,503,957	15.83%
2020	\$ 8,469,585	\$ 8,469,585	\$ -	\$ 56,477,224	15.00%
2019	\$ 8,313,426	\$ 8,313,426	\$ -	\$ 51,957,981	16.00%
2018	\$ 8,869,387	\$ 8,869,387	\$ -	\$ 53,894,780	16.46%
2017	\$ 8,261,471	\$ 8,261,471	\$ -	\$ 53,942,322	15.32%
2016	\$ 7,972,259	\$ 7,972,259	\$ -	\$ 50,669,701	15.73%
2015	\$ 7,458,200	\$ 7,458,200	\$ -	\$ 51,468,623	14.49%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only eight 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, 2022

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Total OPEB Liability					
Service cost	\$ 350,020	\$ 360,521	\$ 371,336	\$ 356,717	\$ 367,419
Interest on OPEB liability	3,559,674	2,771,030	2,600,222	1,148,518	930,937
Difference between expected and actual experience	(24,181,307)	-	(38,403,363)	-	(1,453,248)
Changes in assumptions	(697,398)	5,999,406	2,100,461	2,879,001	(7,077,885)
Benefit payments, including refunds of member contributions	(2,632,827)	(2,333,984)	(2,898,368)	(2,796,080)	(2,774,048)
Net change in total OPEB liability	(23,601,838)	6,796,973	(36,229,712)	1,588,156	(10,006,825)
Total OPEB liability - beginning	<u>100,945,728</u>	<u>77,343,890</u>	<u>84,140,863</u>	<u>47,911,151</u>	<u>49,499,307</u>
Total OPEB liability - ending	<u>\$ 77,343,890</u>	<u>\$ 84,140,863</u>	<u>\$ 47,911,151</u>	<u>\$ 49,499,307</u>	<u>\$ 39,492,482</u>
Covered employee payroll	<u>\$ 55,870,874</u>	<u>\$ 60,897,864</u>	<u>\$ 63,032,343</u>	<u>\$ 64,452,592</u>	<u>\$ 68,360,485</u>
Net OPEB liability as a percentage of covered employee payroll	<u>138.4%</u>	<u>138.2%</u>	<u>76.0%</u>	<u>76.8%</u>	<u>57.8%</u>

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

Lynchburg City Schools

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

For the Year Ended June 30, 2022

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Total OPEB Liability					
Service cost	\$ 629,101	\$ 523,630	\$ 858,868	\$ 956,878	\$ 890,149
Interest on OPEB liability	271,525	253,909	424,127	437,213	213,079
Difference between expected and actual experience	(2,319,827)	3,458,793	-	(4,301,568)	-
Changes in assumptions	(638,060)	(310,331)	439,283	323,568	305,192
Benefit payments, including refunds of member contributions	(175,271)	(368,838)	(419,802)	(155,894)	(243,252)
Net change in total OPEB liability	(2,232,532)	3,557,163	1,302,476	(2,739,803)	1,165,168
Total OPEB liability - beginning	<u>8,985,748</u>	<u>6,753,216</u>	<u>10,310,379</u>	<u>11,612,855</u>	<u>8,873,052</u>
Total OPEB liability - ending	<u>\$ 6,753,216</u>	<u>\$ 10,310,379</u>	<u>\$ 11,612,855</u>	<u>\$ 8,873,052</u>	<u>\$ 10,038,220</u>
Covered employee payroll	<u>\$ 61,142,865</u>	<u>\$ 61,045,540</u>	<u>\$ 61,045,540</u>	<u>\$ 66,302,035</u>	<u>\$ 63,870,989</u>
Net OPEB liability as a percentage of covered employee payroll	<u>11.0%</u>	<u>16.9%</u>	<u>19.0%</u>	<u>13.4%</u>	<u>15.7%</u>

Schedule is intended to show information for 10 years. Since 2018 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**Lynchburg City Schools****Schedule of Changes in Net OPEB for Healthcare Liability and Related Ratios****For the Year Ended June 30, 2022**

	Fiscal Year 2022
Total OPEB Liability	
Service cost	\$ 5,471
Interest on OPEB liability	21,260
Difference between expected and actual experience	(1)
Changes in assumptions	6,656
Net change in total OPEB liability	33,386
Total OPEB liability - beginning	314,969
Total OPEB liability - ending	348,355
Plan Fiduciary Net Position	
Contributions - employer	26,119
Net investment income	3,593
Administrative expenses	(116)
Net change in plan fiduciary net position	29,596
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	29,596
Net OPEB liability - ending	\$ 318,759
Plan fiduciary net position as a percentage of total OPEB liability	8.5%
Covered payroll	\$ 4,082,596
Net OPEB liability as a percentage of covered payroll	7.8%

Schedule is intended to show information for 10 years. Since 2022 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the entity's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

The Notes to Required Supplementary Information are an integral part of this statement.

Required Supplementary Information

Primary Government

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

For the Year Ended June 30, 2022

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Total OPEB Liability					
Service cost	\$ 163,599	\$ 168,507	\$ 173,562	\$ 228,263	\$ 235,111
Interest on OPEB liability	287,149	294,269	281,173	176,727	150,318
Difference between expected and actual experience	-	-	(3,213,464)	-	(585,976)
Changes in assumptions	-	634,614	1,192,943	532,826	(1,227,410)
Benefit payments, including refunds of member contributions	(250,836)	(267,213)	(228,753)	(288,639)	(369,297)
Net change in total OPEB liability	199,912	830,177	(1,794,539)	649,177	(1,797,254)
Total OPEB liability - beginning	<u>7,892,993</u>	<u>8,092,905</u>	<u>8,923,082</u>	<u>7,128,543</u>	<u>7,777,720</u>
Total OPEB liability - ending	<u>\$ 8,092,905</u>	<u>\$ 8,923,082</u>	<u>\$ 7,128,543</u>	<u>\$ 7,777,720</u>	<u>\$ 5,980,466</u>
Covered employee payroll	<u>\$ 18,941,025</u>	<u>\$ 21,770,826</u>	<u>\$ 20,775,959</u>	<u>\$ 21,101,725</u>	<u>\$ 23,692,611</u>
Net OPEB liability as a percentage of covered employee payroll	<u>42.7%</u>	<u>41.0%</u>	<u>34.3%</u>	<u>36.9%</u>	<u>25.2%</u>

Schedule is intended to show information for 10 years. Since 2018 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 OPEB Contributions Group Life Insurance****For the Year Ended June 30, 2022**

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2022	\$ 303,902	\$ 303,902	\$ -	\$ 55,542,571	0.55%
2021	\$ 303,246	\$ 303,246	\$ -	\$ 57,485,897	0.53%
2020	\$ 303,560	\$ 303,560	\$ -	\$ 56,091,908	0.54%
2019	\$ 290,819	\$ 290,819	\$ -	\$ 54,656,679	0.53%
2018	\$ 279,734	\$ 279,734	\$ -	\$ 54,235,867	0.52%

Schedule is intended to show information for 10 years. Since 2018 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 OPEB Contributions Group Life Insurance - Schools General Employees****For the Year Ended June 30, 2022**

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Schools General Employees					
2022	\$ 23,583	\$ 23,583	\$ -	\$ 4,399,742	0.54%
2021	\$ 21,949	\$ 21,949	\$ -	\$ 4,094,871	0.54%
2020	\$ 20,871	\$ 20,871	\$ -	\$ 3,666,419	0.57%
2019	\$ 19,912	\$ 19,912	\$ -	\$ 3,983,065	0.50%
2018	\$ 20,062	\$ 20,062	\$ -	\$ 3,617,185	0.55%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only 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 OPEB Contributions Group Life Insurance - School Teachers****For the Year Ended June 30, 2022**

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Schools Teachers					
2022	\$ 311,145	\$ 311,145	\$ -	\$ 58,049,523	0.54%
2021	\$ 292,433	\$ 292,433	\$ -	\$ 54,558,390	0.54%
2020	\$ 296,299	\$ 296,299	\$ -	\$ 54,925,031	0.54%
2019	\$ 288,302	\$ 288,302	\$ -	\$ 55,019,401	0.52%
2018	\$ 293,909	\$ 293,909	\$ -	\$ 52,992,834	0.55%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only 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 OPEB Contributions for Health Insurance Credit - School Teachers and General Employees****For the Year Ended June 30, 2022**

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
School Teachers					
2022	\$ 701,169	\$ 701,169	\$ -	\$ 57,947,892	1.21%
2021	\$ 654,498	\$ 654,498	\$ -	\$ 54,503,956	1.20%
2020	\$ 677,727	\$ 677,727	\$ -	\$ 55,019,401	1.23%
2019	\$ 659,100	\$ 659,100	\$ -	\$ 54,925,031	1.20%
2018	\$ 688,326	\$ 688,326	\$ -	\$ 53,104,064	1.30%

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

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
General Employees					
2022	\$ 28,158	\$ 28,158	\$ -	\$ 4,399,742	0.64%

Schedule is intended to show information for 10 years. Since 2022 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available. The covered payroll amounts above are for the entity's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

The Notes to Required Supplementary Information are an integral part of this statement.

Required Supplementary Information**Schedule of Employer's Share of Net OPEB Liability - Group Life Insurance****City of Lynchburg****For the Year Ended June 30, 2022**

Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	Fiduciary Net Position as a Percentage of the Total OPEB Liability
Primary Government					
2022	0.27445%	\$ 3,195,343	\$ 57,485,897	5.56%	67.45%
2021	0.27948%	\$ 4,664,064	\$ 56,091,908	8.32%	52.64%
2020	0.28214%	\$ 4,591,169	\$ 54,656,679	8.40%	52.00%
2019	0.28865%	\$ 4,384,000	\$ 54,235,867	8.08%	51.22%
2018	0.29164%	\$ 4,388,000	\$ 52,930,961	8.29%	48.86%

Schedule is intended to show information for 10 years. Since 2018 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 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, 2022**

Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	Fiduciary Net Position as a Percentage of the Total OPEB Liability
Schools General Employees					
2022	0.01983%	\$ 230,875	\$ 4,094,871	5.64%	67.45%
2021	0.01936%	\$ 323,086	\$ 3,666,419	8.81%	52.64%
2020	0.01870%	\$ 304,000	\$ 3,983,065	7.63%	52.00%
2019	0.02014%	\$ 306,000	\$ 3,617,185	8.46%	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 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 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, 2022**

Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
School Teachers					
2022	0.26424%	\$ 3,076,470	\$ 54,558,390	5.64%	67.45%
2021	0.27477%	\$ 4,585,461	\$ 54,925,031	8.35%	52.64%
2020	0.29000%	\$ 4,567,000	\$ 55,019,401	8.30%	52.00%
2019	0.29500%	\$ 4,481,000	\$ 52,992,834	8.46%	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 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 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, 2022**

Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	Fiduciary Net Position as a Percentage of the Total OPEB Liability
School Teachers					
2022	0.61628%	\$ 7,910,380	\$ 54,503,957	14.51%	13.15%
2021	0.64426%	\$ 8,404,478	\$ 54,925,031	15.30%	9.95%
2020	0.65486%	\$ 8,573,000	\$ 55,019,401	15.58%	8.97%
2019	0.69210%	\$ 8,787,000	\$ 53,104,064	16.55%	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 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 fiscal year.

The Notes to Required Supplementary Information are an integral part of this statement.

CITY OF LYNCHBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2022

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Lowered rates of disability retirement
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

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

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

(Continued)

CITY OF LYNCHBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Teacher cost-sharing pool

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

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

March 7, 2023

Council of the City of Lynchburg,
Virginia
Lynchburg, Virginia

Dear Councilmembers:

\$66,990,000
CITY OF LYNCHBURG, VIRGINIA,
GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS,
SERIES 2023

At your request we have examined into the validity of an issue of Sixty-Six Million Nine Hundred Ninety Thousand Dollars (\$66,990,000) principal amount of General Obligation Public Improvement Bonds, Series 2023 (the “Bonds”), of the City of Lynchburg, Virginia (the “City”). The Bonds are dated the date of their delivery, are issued in fully registered form in the denomination of \$5,000 or any whole multiple thereof and are numbered from R-2023-1 upwards in order of issuance. The Bonds mature on August 1 in each of the years and in the principal amounts set forth below, with the Bonds maturing in a particular year bearing interest from their date payable on August 1, 2023 and semiannually on each February 1 and August 1 thereafter at the rate per annum set forth opposite such year, to wit:

<u>Year</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2023	\$1,305,000	5.000%	2036	\$3,285,000	5.000%
2024	2,020,000	5.000	2037	3,460,000	5.000
2025	1,900,000	5.000	2038	3,310,000	5.000
2026	1,995,000	5.000	2039	3,465,000	4.000
2027	2,100,000	5.000	2040	3,605,000	4.000
2028	2,210,000	5.000	2041	3,745,000	4.000
2029	2,315,000	5.000	2042	3,910,000	4.000
2030	2,440,000	5.000	2043	970,000	4.000
2031	2,560,000	5.000	2044	1,010,000	4.000
2032	2,695,000	5.000	2045	1,055,000	4.000
2033	2,835,000	5.000	2048	3,425,000	4.000
2034	2,985,000	5.000	2052	5,255,000	4.125
2035	3,135,000	5.000			

The Bonds maturing on and after August 1, 2033 are subject to redemption at the option of the City prior to their stated maturities on or after August 1, 2032 upon the terms and conditions and at the prices stated therein.

The Bonds recite that they are issued under and pursuant to and in full compliance with the Constitution and statutes of the Commonwealth of Virginia, including Chapter 26 of Title 15.2 of the Code of Virginia, 1950 (the same being the Public Finance Act of 1991), the Charter of the City and resolutions and other proceedings of the Council of the City duly adopted and taken under the Public Finance Act of 1991, for

the purpose of providing funds to finance the costs of the acquisition, construction, reconstruction, improvement, extension, enlargement and equipping of various public improvement projects of and for the City and to pay the outstanding principal amount of a general obligation public improvement bond anticipation note issued for the purpose of providing funds to finance the costs of the acquisition, construction, reconstruction, improvement, extension, enlargement and equipping of various public improvement projects of and for the City, together with the interest accrued thereon.

We have examined (i) the Constitution and statutes of the Commonwealth of Virginia, (ii) the Charter of the City, (iii) certified copies of the aforementioned resolutions and other proceedings of the Council of the City in connection with the authorization, issuance, sale and delivery of the Bonds, (iv) such other papers, instruments, documents and proceedings as we have deemed to be necessary or advisable and (v) an executed and authenticated Bond of such issue.

In our opinion, the Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia and constitute valid and legally binding obligations of the City, and the City Council of the City is 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.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to judicial discretion, to the exercise of the sovereign police powers of the Commonwealth of Virginia and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting the relief of debtors.

In our opinion, under existing statutes and court decisions, interest on the Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (ii) is not treated as an item of tax preference for purposes of the alternative minimum tax imposed under the Code, however for tax years beginning after December 31, 2022, interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering our opinion, we have relied on certain representations, certifications of fact and statements of reasonable expectations made by the City in connection with the Bonds, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

We are further of the opinion that, for any Bonds having original issue discount (a “Discount Bond”), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

It is also our opinion that under the existing statutes of the Commonwealth of Virginia, such interest is not includable in computing the Virginia income tax.

We express no opinion regarding other federal or Commonwealth of Virginia tax consequences arising with respect to the Bonds. We are rendering our opinion under existing statutes and court decisions as of the issue date of the Bonds, and we assume no obligation to update, revise or supplement our opinion after the issue date of the Bonds to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to our attention, or changes in law or interpretations thereof that may thereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion

on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Very truly yours,

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APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

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PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Certificate”), dated March 7, 2023, is executed and delivered in connection with the issuance by the City of Lynchburg, Virginia (the “City”), of \$66,990,000 aggregate principal amount of City of Lynchburg, Virginia, General Obligation Public Improvement Bonds, Series 2023, dated March 7, 2023 (the “Bonds”), and pursuant to a Resolution duly adopted by the City Council of the City on January 24, 2023 (the “Resolution”). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the City agrees as follows:

ARTICLE I

Definitions

SECTION 1.1. Definitions. The following terms used in this Certificate shall have the following respective meanings:

(1) “Annual Financial Information” means, collectively, (i) the financial information and operating data with respect to the City for each fiscal year included in the City’s Annual Comprehensive Financial Report, which includes financial information and operating data with respect to the City necessary to update the material financial and operating information pertaining to the City of the general type contained in Appendix A to the Official Statement under the tables entitled “Legal Debt Margin”; “Ratio of Net Bonded Debt to Assessed Valuation and Net Bonded Debt Per Capita”; “Debt Service Requirements on General Obligation Debt”; “Assessed Value of All Taxable Property”; “Tax Rates”, “Ten Largest Taxpayers”; “Tax Levies and Tax Collections”; and “Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund”; and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(d) and (e) of this Certificate. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 1.1(1)(i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that is no longer regularly generated, updated or maintained by the City or that can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law and the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; *provided, however*, that, pursuant to Sections 4.2(a) and (e) hereof, the City may from time to time, if required by federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 4.2(a) hereof shall include a reference to the specific federal or State law or regulation requiring such accounting principles or other description thereof.

(3) “Counsel” means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “Financial Obligation” means “financial obligation” as such term is defined in the Rule. The term financial obligation as defined in the Rule means (a) a debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or guarantee of the Financial Obligations described in clauses (a) and (b). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(5) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board or any successor to the duties and responsibilities of either of them.

(6) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934 or any successor thereto or to the functions of the MSRB contemplated by this Certificate.

(7) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the City or otherwise:

- (i) principal and interest payment delinquencies,
- (ii) nonpayment related defaults, if material,
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties,
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties,
- (v) substitution of credit or liquidity providers, or their failure to perform,
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds,
- (vii) modifications to rights of Bondholders, if material,
- (viii) Bond calls, if material, and tender offers,
- (ix) defeasances,
- (x) release, substitution or sale of property securing repayment of the Bonds, if material,
- (xi) rating changes,
- (xii) bankruptcy, insolvency, receivership or similar event of the City,

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the

assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

- (xiii) the consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material,
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties

(8) “Official Statement” means the Official Statement of the City relating to the Bonds.

(9) “Rule” means Rule 15c2 12 promulgated by the SEC under the Securities and Exchange Act of 1934 as amended (17 CFR Part 240, §240.15c2 12), as in effect on the date of this Certificate, including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

(10) “SEC” means the United States Securities and Exchange Commission.

(11) “State” means the Commonwealth of Virginia.

(12) “Unaudited Financial Statements” means the same as Audited Financial Statements, except the same shall not have been audited.

(13) “Underwriter” means the winning bidder of the Bonds as identified in the Official Statement.

ARTICLE II

The Undertaking

SECTION 2.1. Purpose. This Certificate is being executed and delivered solely to assist the Underwriter in complying with paragraph (b)(5) of the Rule.

SECTION 2.2. Annual Financial Information. (a) The City shall provide Annual Financial Information for the City with respect to each fiscal year of the City, commencing with fiscal year ended June 30, 2023, by no later than nine (9) months after the end of the respective fiscal year, to the MSRB.

(b) The City shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

SECTION 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the dates required by Section 2.2(a) hereof, the City shall provide Audited Financial Statements, when and if available, to the MSRB.

SECTION 2.4. Notice Events. (a) If a Notice Event occurs, the City shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to the MSRB.

(b) Any such notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

SECTION 2.5. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the City chooses to do so, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

SECTION 2.6. Additional Disclosure Obligations. The City acknowledges and understands that other federal and State laws, including but not limited to the Securities Act of 1933 and SEC Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

ARTICLE III

Operating Rules

SECTION 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet website (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section 3.1 shall not apply to notice of Notice Events pursuant to Section 2.4 hereof.

SECTION 3.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

SECTION 3.3. Dissemination Agents. The City may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the City under this Certificate, and revoke or modify any such designation.

SECTION 3.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 3.5. Fiscal Year. (a) The City's current fiscal year is July 1 to June 30, and the City shall promptly notify the MSRB of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than twelve (12) calendar months.

ARTICLE IV

Effective Date, Termination, Amendment and Enforcement

SECTION 4.1. Effective Date; Termination. (a) This Certificate shall be effective upon the issuance of the Bonds.

(b) The City's obligations under this Certificate with respect to the Bonds shall terminate upon legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Certificate, or any provision hereof, shall be null and void in the event that the City (i) shall have received an opinion of Counsel, addressed to the City, to the effect that those portions of the Rule which require this Certificate, or such provision, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed or otherwise, as shall be specified in such opinion, and (ii) the City shall have delivered copies of such opinion to the MSRB.

SECTION 4.2. Amendment. (a) This Certificate may be amended, by written certificate of the City Manager of the City, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby, (ii) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (iii) the City shall have received an opinion of Counsel addressed to the City, to the same effect as set forth in clause (ii) above, (iv) the City shall have received an opinion of Counsel, addressed to the City, or a determination by an entity, in each case unaffiliated with the City (such as Bond Counsel) and acceptable to the City to the effect that the amendment does not materially impair the interests of the holders of the Bonds, and (v) the City shall have delivered copies of such opinion and amendment to the MSRB.

(b) This Certificate may be amended, by written certificate of the City Manager of the City, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Certificate, (ii) the City shall have received an opinion of Counsel to the effect that performance by the City under this Certificate as so amended will not result in a violation of the Rule and (iii) the City shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Certificate may be amended by written certificate of the City Manager of the City, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (i) the City shall have received an opinion of Counsel, addressed to the City, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of the Staff of the SEC and (ii) the City shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Certificate results in a change in the types of financial information or operating data provided pursuant to this Certificate, the first Annual Financial

Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of financial information or operating data being provided.

(e) If an amendment is made pursuant to Section 4.2(a) hereof to the accounting principles to be followed by the City in preparing financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 4.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of the Bonds shall be third-party beneficiaries of this Certificate. The provisions of this Certificate shall create no rights in any person or entity except as provided in this subsection (a) or subsection (b) of this Section 4.3.

(b) The obligations of the City to comply with the provisions of this Certificate shall be enforceable by the holders of the Bonds, including beneficial owners thereof. The rights of the holders of the Bonds to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Certificate and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of the Bonds pursuant to subsection (a) of this Section 4.3, beneficial owners shall be deemed to be holders of the Bonds for purposes of this subsection (b).

(c) Any failure by the City to perform in accordance with this Certificate shall not constitute a default under the Resolution and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; *provided, however*, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the date first
above written.

CITY OF LYNCHBURG, VIRGINIA

By: _____
Title: City Manager

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APPENDIX F

DESCRIPTION OF THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM

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DESCRIPTION OF THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to The Depository Trust Company (“DTC”), New York, New York, its nominee, Participants, defined below, or Beneficial Owners, defined below, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and among DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued in the aggregate principal amount of each maturity of the Bonds and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in and the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no

knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s or such other DTC nominee's consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer (*i.e.*, the City) or the Registrar and Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer or the Registrar and Paying Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

