



# City of Bristol, Virginia

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018



**CITY OF BRISTOL, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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CITY OF BRISTOL, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2018

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## INTRODUCTORY SECTION

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# CITY OF BRISTOL, VIRGINIA

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## MEMBERS OF CITY COUNCIL

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Kevin Wingard, Vice Mayor  
Archie Hubbard

Kevin Mumpower, Mayor

Bill Hartley  
Doug Fleenor

## CITY OFFICIALS

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City Manager ..... Randall C. Eads  
Chief Financial Officer ..... Tamrya Spradlin  
City Attorney..... Randall C. Eads  
City Clerk..... Amy Thompson  
City Treasurer ..... Angel Britt  
Commissioner of Revenue ..... Cloe-Eva Barker  
Clerk of Circuit Court..... Kelly F. Duffy  
City Sheriff ..... David Maples  
Commonwealth Attorney ..... Jerry Wolfe

## INDUSTRIAL DEVELOPMENT AUTHORITY BOARD

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Kelly Robinson, Vice Chair  
Ted Ellis  
Diana Oxendine

Paul Conco, Chair

Don Ashley  
William Lester  
R. Dean Tillison

## SOCIAL SERVICES BOARD

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Rev. W.A. Johnson, Vice Chairman  
Kevin Wingard

David Maples, Chairman

Ernie Sprouse  
Mabel Lamie

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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To the Honorable Members of  
City Council of the  
City of Bristol, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bristol, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bristol, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Change in Accounting Principle*

As described in Note 25 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

## *Restatement of Beginning Balances*

As described in Note 25 to the financial statements, in 2018, the City restated beginning balances to reflect the requirements of GASB Statement No. 75. The City also restated beginning balance to reflect changes to 2017 revenue accruals. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 9-24, 119, 120-131 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bristol, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

*Supplementary and Other Information (continued)*

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

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the City of Bristol, Virginia'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 City of Bristol, Virginia'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 of Bristol, Virginia's internal control over financial reporting and compliance.

*Prolinea, Fawcett, Cox Associates*

Blacksburg, Virginia  
December 4, 2018



# City of Bristol, Virginia

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December 4, 2018

To the Honorable Mayor, Members of City Council and the Citizens of Bristol, VA:

We are pleased to present the City of Bristol, Virginia's ("the City") Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2018 in accordance with Section 7.02(C) of the Bristol Virginia City Charter. The Charter requires the City to prepare an annual financial report in accordance with generally accepted accounting principles of municipal accounting and applicable government laws and to have an audit firm of independent certified public accountants to express an opinion on the financial report.

Responsibility for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the City's management. The data as presented is accurate in all material respects and is reported in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of the various funds and component units. Management believes that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

The City engaged Robinson, Farmer, Cox Associates, licensed certified public accountants, to independently audit the City's financial statements. The goal of the audit is to provide reasonable assurance that the financial statements found herein are free from material misstatement. Tests of the City's internal control structure and of its compliance with applicable laws and regulations were conducted.

The CAFR is presented in the following three sections:

1. *Introductory Section* – This section is unaudited and includes this letter of transmittal and a list of the City's principal officials;
2. *Financial Section* – This section includes the independent auditor's report on the basic financial statements, Management's Discussion and Analysis ("MD&A"), which is unaudited supplementary information required by GASB, basic financial statements, notes to the basic financial statements, other unaudited required supplementary information and combining fund financial statements;
3. *Statistical Section* – This section is unaudited and includes selected financial and demographic information, generally presented in a multi-year comparative basis.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### **Profile of the Government**

The City of Bristol, Virginia was founded in 1856 and has grown to become the principle center of commerce located along Interstate 81 in the southern highlands of Southwest Virginia. The Virginia-Tennessee State Line bisects the principal business street and commercial center of the twin cities of Bristol, Virginia, and Bristol, Tennessee. Each of the Cities is independent of the other in governmental administration and operation. Bristol, Virginia, encompassing 13.17 square miles, is geographically located north of the State Line and is adjacent to Washington County and services a population of 17,160.

Bristol is an independent city of the Commonwealth with no county oversight. The City government is organized under the Council-Manager form of government. The governing body, a Council elected at-large to staggered 4-year terms by the voters, makes policies for proper administration of the City. The Council is composed of five members. The Mayor and Vice-Mayor are chosen by majority vote of all members of Council from its own members. Council appoints a City Manager to act as administrative head of the City. The City Manager serves at the pleasure of the Council, carries out its policies, and directs business procedures.

The City provides a full range of services, including general government administration, judicial administration, public safety, public works, human services, education, community development, and parks, recreation and cultural activities.

Annually the council shall pass the annual appropriation ordinance based upon the budget submitted by the city manager, as amended by city council, and shall levy such taxes for the year as may be necessary to meet the appropriations. Council shall adopt all such tax ordinances as have been submitted by the city manager and agreed upon by the city council for the purpose of funding the appropriations for the budget for the ensuing year together with all sums required to service city debt.

### **Local Economy**

The economy of the City has been historically dependent on manufacturing as a major component. The twin cities of Bristol, Virginia, and Bristol, Tennessee, serve as a commercial trade center for Southwest Virginia and Northeast Tennessee. Also, other sectors of the economy such as services and government are becoming more important. The City appears to be in economic transition from a manufacturing center to a more diverse economy incorporating trade, services, governmental functions and attendant activities such as construction, finance, insurance and real estate.

In 1985, the City became the second Virginia City to attain certification by the Governor through a program administered by the Virginia Department of Economic Development, as a prepared community ready for economic investment. Bristol also benefits from its partnership with state government by having a large designated Enterprise Zone and in 2018 was announced as a Designated Opportunity Zone by the Governor.

Bristol has a rich history that is being translated into a vibrant downtown supported by a unique community. State Street, which also serves as the state line between Virginia and Tennessee, hosts a multitude of businesses including national chains and hometown entrepreneur successes. Loft apartments and condos further enrich the growing downtown community. Bristol has promoted tourism and retail development through the establishment of a Main Street district, a Tourism Zone, and an Arts and Entertainment district. The Smithsonian-affiliated Birthplace of Country Music Museum, a

24,000 square foot museum, is in the City's historic downtown district. These attractions are projected to continually increase the number of visitors in the downtown area, which currently hosts over 300,000 visitors annually.

Located adjacent to Interstate 81, Bristol, VA has three interchanges providing access to businesses, neighborhoods, industrial areas, and downtown. The City is currently working on development of a new destination retail center featuring 1.5 million square feet of commercial space at Exit 5 of I-81, in close proximity to Exit 7 which already is developed with retail, lodging, and restaurants.

Despite the successful commercial development and new housing development over the last ten years, Bristol has significant community development needs. Approximately 54% of the total housing stock in Bristol is 50 years or older, and many houses are in need of rehabilitation. Multi-family units account for 29% of the homes in the City. The City has been working on housing rehabilitation as well as blight reduction, through its Community Development Block Grant program, and the City has several older neighborhoods that are designated historic districts.

The median household income in Bristol is \$35,801, with 20.6% of the population falling below the poverty level. The largest industry sectors forming the City's employment base are: Educational, Health Care and Social Services (23.7%); Retail and Wholesale Trade (14.4%); Manufacturing (11.7%); and Arts, Entertainment, Recreation and Accommodation/Food Services (11.4%). The unemployment rate for 2018 was 4.2%.

The City offers substantial educational advantages in comparison with other cities of comparable size or location. The City School System is operated under the jurisdiction of the Bristol Virginia School Board, and is comprised of 6 schools. There are seven colleges and universities in the general vicinity of the City.

In addition to I-81, Bristol is served by the main line of the Norfolk-Southern Railroad – the railway being the main reason for the founding of the city in 1856 – and the Tri-Cities Regional Airport in nearby Blountville, Tennessee. The city operates numerous parks, including the 400 acre Sugar Hollow Park on the northeastern edge of the city, and the Randolph Park complex with football stadium and Minor League Baseball Park.

### **Long-Term Planning**

In 2014, the Bristol, Virginia City Council prepared a vision from the perspective of the City Council in the year of 2034. This written vision sets a course of action in several policy areas. The following are areas that will be the focus for strategic planning:

- Economic Hub
- Destination Bristol
- Foundation for the Future
- Vibrant Neighborhoods
- Outstanding City Services
- Health Financial Environment
- Superb Facilities and Infrastructure

In March 2016, the City of Bristol, Virginia instituted a Capital Improvement Program ("CIP"). The CIP is a formal mechanism for decision making, links the budgeting process to the City's long range planning, and is a financial management tool. The Capital Improvement Program consists of two (2) components, the capital plan and the capital budgets. The plan is a listing of capital items that the locality anticipates

undertaking within the next five (5) years. The plan is used in preparing the annual budget and approved by Council during the annual budget process.

In March 2017, the City Council adopted a new Comprehensive Plan for the City which addresses long-term goals and objectives for land use, transportation, community facilities, parks and recreation, and housing. The plan received accolades as an excellent example of what a small city can accomplish in terms of long-term planning, and won the Commonwealth Plan of the Year award from the Virginia Chapter of the American Planning Association. The plan is being used on a regular basis to guide decision-making, with a yearly review of recommended actions being prepared by the Planning Commission. Already a major overhaul of the city's zoning ordinance is well underway and will result in a much-needed update and a new, "user-friendly" approach to land use regulations.

**Financial Policies**

On November 28, 2017, the Bristol, Virginia City Council amended its Fund Balance policy. The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to maintain fund balance reserves sufficient to fund all cash flows of the City, to provide financial reserves for unanticipated or emergency expenditures and/or revenue shortfalls, and to provide funds for all existing expenses. Per the policy, the City Council shall budget an amount each year toward rebuilding the Unassigned Fund Balance until the balance, at a minimum, reaches 18% of annual budgeted operating revenues. During fiscal year 2018, the City met and surpassed this goal. The unassigned fund balance as of June 30, 2018 is 23% of annual budgeted operating revenues.

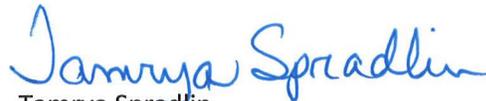
The preparation of this report would not have been possible without the skill, effort and dedication of the entire staff of the City of Bristol, VA. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Many hours of hard work are represented herein, and we extend our sincere appreciation to each member of our staff who contributed to the final report.

Finally, grateful appreciation is extended to the City Council for their leadership and support throughout the year.

Respectfully submitted,



Randall C. Eads  
City Manager



Tamrya Spradlin  
Chief Financial Officer

**City of Bristol Virginia**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

As management of the City of Bristol, Virginia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Bristol, Virginia, for fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

**Financial Highlights**

- The total liabilities and deferred inflows of resources for the City exceeded its assets and deferred outflows of resources at June 30, 2018 resulting in a negative net position of \$20.9 million. Of this amount, (\$21.3 million) represents unrestricted net position. Unrestricted net position shows a negative balance primarily due to liabilities recorded in the statement of net position that will not be paid with immediate funds.
- The City's total net position decreased by \$1.5 million during the current fiscal year. Of this amount an increase of \$1 million is related to government activities and a decrease of \$2.5 million is attributed to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds had an ending fund balance of \$15.6 million. Approximately 91% of this total amount, \$14.2 million is classified as unassigned fund balance and is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was, \$14.2 million or 15% of total general fund expenditures. This is a \$5.7 million increase over last year.
- The City's total debt decreased by \$.8 million during the current fiscal year. General Obligation Bonds (bonded debt) increased by \$2.4 million. Other Debt which is comprised of net pension liability, capital lease obligations, and compensated absences decreased \$3.2 million.

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the financial statements

This report also contains other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**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. The full accrual accounting method is used.

The *statement of net position* presents financial information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

In the *statement of net position* and the *statement of activities*, the city's fund-based activity is classified as follows:

- Governmental activities—Most of the City's basic services including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, community development and transit are reported here. The majority of these activities are supported by property taxes, other local taxes, and federal and state grants.
- Business-type activities—The City's Solid Waste Disposal Enterprise is reported as a business-type activity. 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 includes two legally separate component units in this report, Bristol Virginia School Board (School Board) and the Industrial Development Authority (IDA). Although legally separate, the component units are included as the City is financially accountable for the School Board and appoints the majority of the IDA Board; as such, exclusion could cause the City's financial statements to be misleading. Complete financial statements for the School Board can be obtained from the Finance Department.

The government-wide financial statements can be found on pages 25-26 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories.

*Governmental Funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, fund based financial statements focus on how resources flow into and out of those funds and the balances left at year-end. Unlike the government-wide financial statements, governmental fund

financial statements provide a detailed short-term overview that helps the reader determine the financial resources that can be spent in the near future.

Because the focus of governmental funds is narrower than that of the government-wide financial statements; it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains two governmental funds:

- General Fund
- Community Development Block Grant Fund (CDBG).

Information for each fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The City adopts an annual appropriated budget for its general and CDBG funds. A budgetary comparison statement has been provided for the general fund and CDBG grant fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 27-30 of this report.

*Proprietary Funds* - The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

The City maintains one enterprise fund:

- Solid Waste Disposal Fund

*Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for the solid waste disposal fund, which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 31-35 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-118 of this report.

**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 and other post-employment benefits to its employees. Required supplementary information can be found on pages 119-131 of this report.

## **Government-Wide Financial Analysis**

### **Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City at the close of the most recent fiscal year, the total liabilities and deferred inflows of resources exceeded the total assets and deferred outflows of resources resulting in a negative net position of \$20.9 million

The largest portion of the City's net position was the investment in capital assets (e.g., land, buildings, plant in service, machinery, and equipment); less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$.4 million represents resources that are subject to external restrictions on how they may be used. These resources are comprised of Commonwealth Attorney Federal Sharing Revenue, Capital Project, and other Special Project Funds.

The City's total net position decreased by \$1.5 million from FY2017. The Summary of Net position and the Summary of Changes in Net Position contain FY2017 data that has been restated. It is listed here for comparison purposes.

### **A comparative analysis of Summary of Net Position is provided below.**

<b>City of Bristol, Virginia</b>						
<b>Summary of Net Position</b>						
<b>(in thousands 000's)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
Current & Other Assets	\$ 28,050	\$ 32,585	\$ 2,440	\$ 2,401	\$ 30,490	\$ 34,986
Capital Assets	90,376	88,935	23,439	21,921	113,815	110,856
<b>Total Assets</b>	<b>\$ 118,426</b>	<b>\$ 121,520</b>	<b>\$ 25,879</b>	<b>\$ 24,322</b>	<b>\$ 144,305</b>	<b>\$ 145,842</b>
Deferred Outflows of Resources	\$ 4,406	\$ 3,336	\$ 922	\$ 1,660	\$ 5,328	\$ 4,996
Current & Other Liabilities	\$ 3,496	\$ 5,675	\$ 1,507	\$ 612	\$ 5,003	\$ 6,287
Long term Liabilities	105,221	107,288	42,879	45,494	148,100	152,782
<b>Total Liabilities</b>	<b>\$ 108,717</b>	<b>\$ 112,963</b>	<b>\$ 44,386</b>	<b>\$ 46,106</b>	<b>\$ 153,103</b>	<b>\$ 159,069</b>
Deferred Inflows of Resources	\$ 15,634	\$ 12,458	\$ 256	\$ 183	\$ 15,890	\$ 12,641
Invested in Capital Assets, Net of Related Debt	\$ 15,362	\$ 11,266	\$ (9,883)	\$ (11,241)	\$ 5,479	\$ 25
Restricted	\$ 461	395	-	-	461	395
Unrestricted	\$ (17,342)	(12,226)	(7,958)	(9,066)	(25,300)	(21,292)
<b>Total Net Position</b>	<b>\$ (1,519)</b>	<b>\$ (565)</b>	<b>\$ (17,841)</b>	<b>\$ (20,307)</b>	<b>\$ (19,360)</b>	<b>\$ (20,872)</b>

Statement of Activities

The City's total revenues and expenses for governmental activities and business-type activities are reflected in the following table:

City of Bristol, Virginia Summary of Changes in Net Position (in thousands 000's)						
	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
<b>Revenues</b>						
Program Revenue						
Charges for Services	\$ 1,294	\$ 1,332	\$ 4,884	\$ 4,706	\$ 6,178	\$ 6,038
Operating Grants & Contributions	15,921	16,155	-	-	15,921	16,155
Capital Grants & Contributions	2,111	4,158	-	-	2,111	4,158
General Revenues						
Property Taxes	18,343	17,386	-	-	18,343	17,386
Other Taxes	13,637	14,274	-	-	13,637	14,274
Grants & Contributions						
Not Restricted	2,366	2,399	-	-	2,366	2,399
Gain (Loss) on Sale of Property	-	-		12	-	12
Other	1,164	1,475	30	12	1,194	1,487
<b>Total Revenues</b>	<b>\$ 54,836</b>	<b>\$ 57,179</b>	<b>\$ 4,914</b>	<b>\$ 4,730</b>	<b>\$ 59,750</b>	<b>\$ 61,909</b>
<b>Expenses</b>						
General Government	\$ 3,293	\$ 2,871	\$ -	\$ -	\$ 3,293	\$ 2,871
Judicial Administration	1,489	1,547	-	-	1,489	1,547
Public Safety	14,846	14,203	-	-	14,846	14,203
Public Works	6,612	12,170	-	-	6,612	12,170
Health and Welfare	7,494	7,797	-	-	7,494	7,797
Education	6,664	6,810	-	-	6,664	6,810
Parks, Recreation, & Cultural	3,143	3,092	-	-	3,143	3,092
Community Development	5,059	3,024	-	-	5,059	3,024
Interest on Long-Term Debt	3,048	3,824	-	-	3,048	3,824
Solid Waste Disposal	-	-	6,036	8,083	6,036	8,083
<b>Total Expenses</b>	<b>\$ 51,648</b>	<b>\$ 55,338</b>	<b>\$ 6,036</b>	<b>\$ 8,083</b>	<b>\$ 57,684</b>	<b>\$ 63,421</b>
<b>Excess (Deficiency)</b>						
<b>Before Special Items &amp; Transfers</b>	<b>\$ 3,188</b>	<b>\$ 1,841</b>	<b>\$ (1,122)</b>	<b>\$ (3,353)</b>	<b>\$ 2,066</b>	<b>\$ (1,512)</b>
<b>Special Items &amp; Transfers</b>						
Restatement of prior amount	\$ (4,988)	\$ -	\$ (235)	\$ -	\$ (5,223)	\$ -
Transfers	(785)	(887)	785	887	-	-
<b>Total Special Items &amp; Transfers</b>	<b>\$ (5,773)</b>	<b>\$ (887)</b>	<b>\$ 550</b>	<b>\$ 887</b>	<b>\$ (5,223)</b>	<b>\$ -</b>
<b>Change in Net Position</b>	<b>\$ (2,585)</b>	<b>\$ 954</b>	<b>\$ (572)</b>	<b>\$ (2,466)</b>	<b>\$ (3,157)</b>	<b>\$ (1,512)</b>
<b>Net Position</b>						
Beginning, as Restated	\$ 1,066	\$ (1,519)	\$ (17,269)	\$ (17,841)	\$ (16,203)	\$ (19,360)
<b>Ending</b>	<b>\$ (1,519)</b>	<b>\$ (565)</b>	<b>\$ (17,841)</b>	<b>\$ (20,307)</b>	<b>\$ (19,360)</b>	<b>\$ (20,872)</b>

Governmental Activities-Statement of Activities-Overview

The City's governmental activities are comprised of the general fund and the community development and block grant fund. Governmental activities increased the City's net position by \$1 million during the current fiscal year.

Revenue highlights-Governmental Activities:

Revenues from governmental activities of \$57 million increased 4% or \$2.3 million from FY2017. This increase in revenues is mainly attributed to funding received for road improvements along Lee Highway at Exit 5 and Exit 7.

Program Revenues increased \$2.3 million and includes the following revenue:

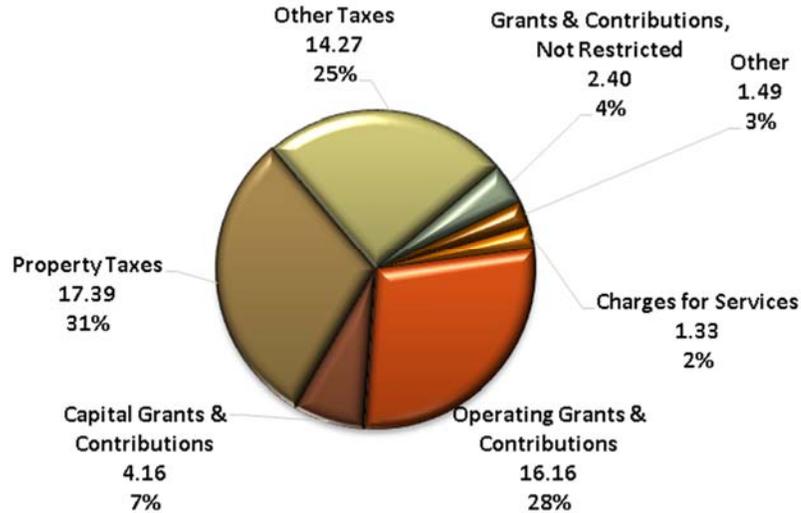
- Charges for services of \$1.33 million had an increase of 2.94%.
- Operating grants and contributions totaled \$16.16 million and increased \$.2 million or 1.5%. This increase was primarily the result of one-time flow through funding.
- Capital grants and contributions totaled \$4.2 million and increased \$2 million or 97%. This increase is from funding received for road improvement projects in FY2018.

General Revenues decreased \$.29 million and includes the following revenues:

- Property taxes of \$17.4 million decreased \$.96 million or 5%. Property taxes are comprised mainly of real property and personal property. In FY2018, the real estate property tax rate decreased from \$1.19 per \$100 of assessed valuation to \$1.17 per \$100 of assessed valuation.
- Other taxes of \$14.3 million increased \$.64 million or 4.7%. Other taxes are comprised primarily of revenues from local sales tax, restaurant/meals tax, lodging tax, business licenses, cigarette taxes and motor vehicle license taxes. In FY2017, other local taxes had decreased. In FY2018 the City revenues for other local taxes stabilized.
- Unrestricted grants and contributions totaled \$2.4 million and remained consistent with prior year data. Unrestricted grants and contributions are comprised primarily of state sales tax collections and payments received in lieu of taxes.

The following chart reflects the governmental activities distribution of revenue by source:

**Revenue by Source-Governmental Activities  
(In millions)**



Expenses highlights-Governmental Activities:

Expenses for governmental activities totaled \$55.3 million and increased \$3.7 million or 7% from last year.

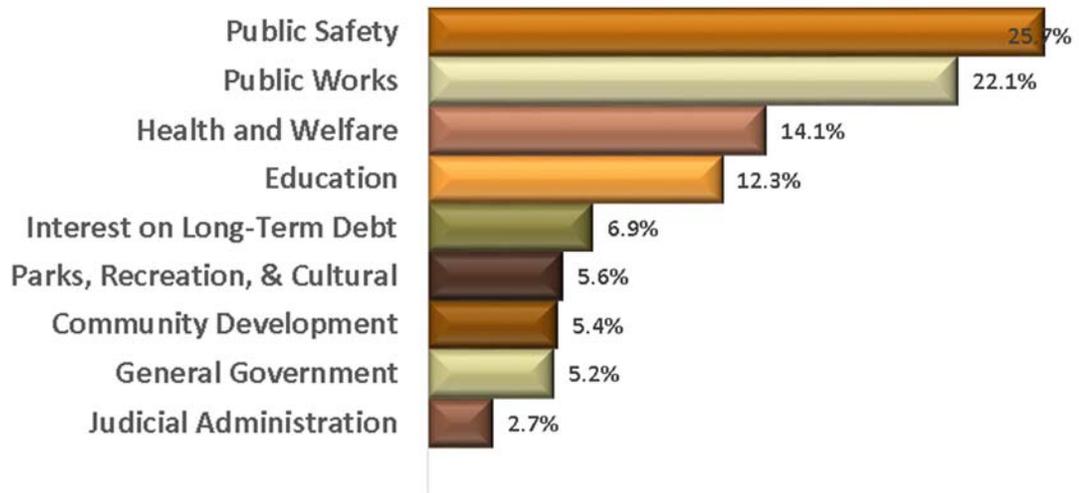
Program Expenses include the following expenses:

- General government expenses totaled \$2.87 million and decreased \$.4 million or 13% in FY2018.
- Judicial administration expenses totaled \$1.5 million and increased \$.06 million or 4%.
- Public safety expenses totaled \$14.2 million and decreased \$.6 million or 4%. Public safety is comprised of the police department, fire department, sheriff department and jail, inspections and animal control.
- Public works expenses totaled \$12.2 million and increased \$5.6 million or 84%. This increase is due to increased funding for state reimbursable road projects.
- Health and welfare expenses totaled \$7.8 million and increased \$.3 million or 4%. This increase is primarily due to the increase in residential placement expenses associated with the Comprehensive Services Act.
- Education expenses totaled \$6.8 million and increased \$.1 million or 2%.

- Parks, recreation and cultural expenses totaled \$3.1 million and decreased 1.6% from the prior year.
- Community development expenses totaled \$3 million and decreased \$2 million or 40% from FY2017. This decrease is due to one-time state pass through funding in FY17.
- Interest and fiscal expenses totaled \$3.8 million and increased \$.8 million or 25%.

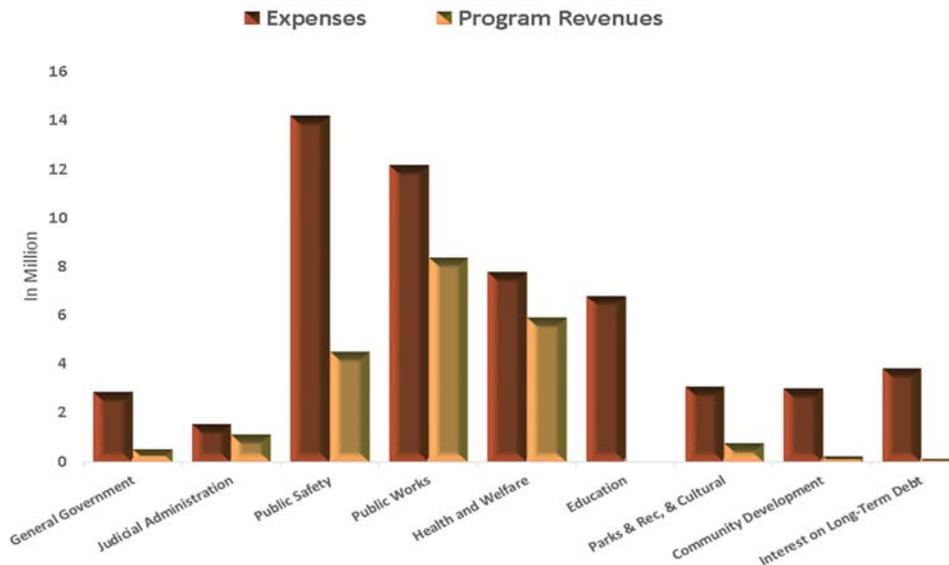
The following chart reflects the governmental activities distribution of expenses by activity:

**Program Expenses by Activity**  
**Governmental Activities**



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

**Program Expenses vs. Program Revenue**  
**Governmental Activities**  
**(In millions)**



Special Items-Governmental Activities:

Transfers decreased the Governmental Activities net position by \$.89 million. During the current fiscal year the Governmental Activities recorded a transfer of \$.89 million to the Business-Type Activities. This transfer was to support the operations of the Solid Waste Disposal Fund.

Business-Type Activities-Statement of Activities-Overview

The City's business-type activities are comprised of the Solid Waste Disposal Fund. The Solid Waste Disposal Fund's net position decreased \$2.5 million in the current fiscal year.

Revenue highlights-Business-Type Activities:

The Solid Waste Disposal Fund's revenues decreased \$.18 million or 3.64% from the previous year.

Program revenues for the business-type funds totaled \$4.7 million of which 99% was Charges for Services.

Expenses highlights-Business-Type Activities:

The Solid Waste Disposal Fund expenses totaled \$8 million. This was a \$2 million increase or 34% increase from FY2017 and was due primarily to increased landfill closure and postclosure liabilities.

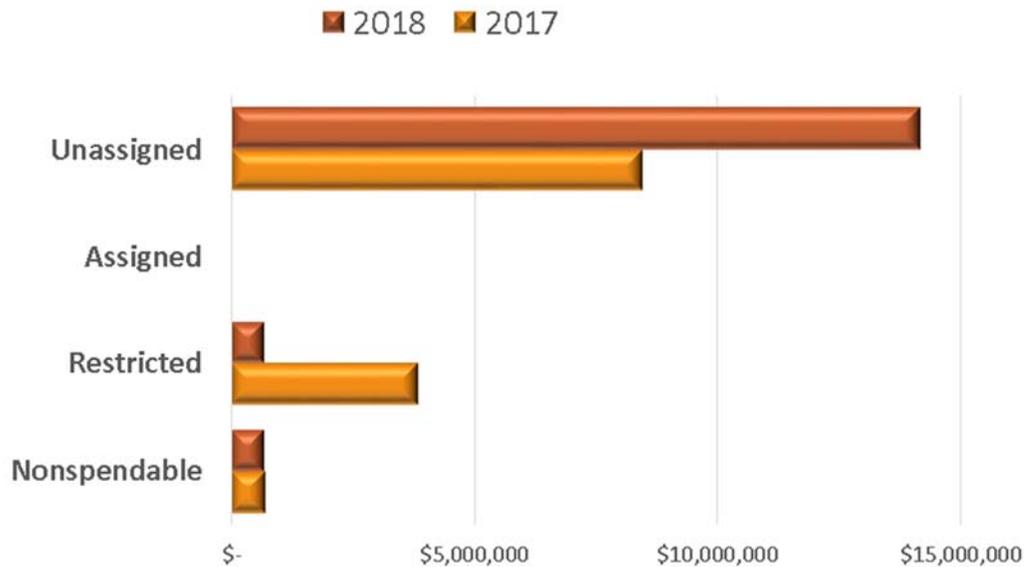
**Fund Financial Analysis**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows and outflows, of *spendable* resources, as well as balances of spendable resources available at year end. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15.6 million an increase of \$2.6 million in comparison with the prior year. Approximately 91% of this total amount, \$14.2 million, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is shown as *nonspendable, restricted or assigned* to indicate that it is 1) not in spendable form (\$.7 million), 2) restricted for a particular purposes (\$.69 million), or 3) assigned for a particular purpose (\$.023 million).

**General Fund  
Components of Fund Balance  
June 30, 2017 and 2018**



Governmental Funds-General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$14.2 million, while total fund balance reached \$15.6 million. As a measure of the general fund’s liquidity, it may be useful to compare total unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 15.43% of the total general fund expenditures, while total fund balance represents 16.97% of the same amount for FY2018.

The fund balance of the City’s general fund increased by \$2.6 million during the current fiscal year.

General fund revenues totaled \$57.8 million and increased 5.26% over FY2017. Local taxes including local sales taxes, restaurant/meal taxes, lodging taxes and business license taxes totaled \$14.3 and increased by 4.5% as compared to last year, indicating a stable local economy. General property taxes total \$17.8 million and decreased 2.4% in FY2018. Funding from the Commonwealth of Virginia and the Federal Government funding totaled \$22.5 million and increased 11.60%. This increase is due to revenue received from the Virginia Department of Transportation for highway projects that FY2018.

General fund expenditures totaled \$91.7 million and increased 68% in comparison with last fiscal year. This substantial increase is associated with FY2018 refinancing/refunding of bond anticipation notes and other general fund general obligation debt.

Governmental Funds-Other Governmental Funds

The Community Development Block Grant Fund (CDBG) is a governmental fund. As of June 30, 2018, the CDBG fund had a small negative fund balance of .018 million, related to accrued liabilities at year end. The revenues received from the Federal Community Development Entitlement Grant totaled \$.19 million and were expended for public service and community development projects.

Proprietary Funds-Solid Waste Disposal Fund

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds are comprised of the Solid Waste Fund and the Component Unit Industrial Development Authority. The Solid Waste Fund is the Business Type Activity included for the Primary Government in the Statement of Net Position and the Statement of Activities.

Net position of the Solid Waste Fund totaled a negative \$20.3 million. The Solid Waste Fund had an operating income of -\$1.6 million and an overall change in net position of -\$2.5 million. The Solid Waste Fund is involved in a competitive market and relies heavy on charges for services to cover operating expenses.

**General Fund Budgetary Highlights**

The following table provides budgetary and actual information for the general fund's revenues and expenditures.

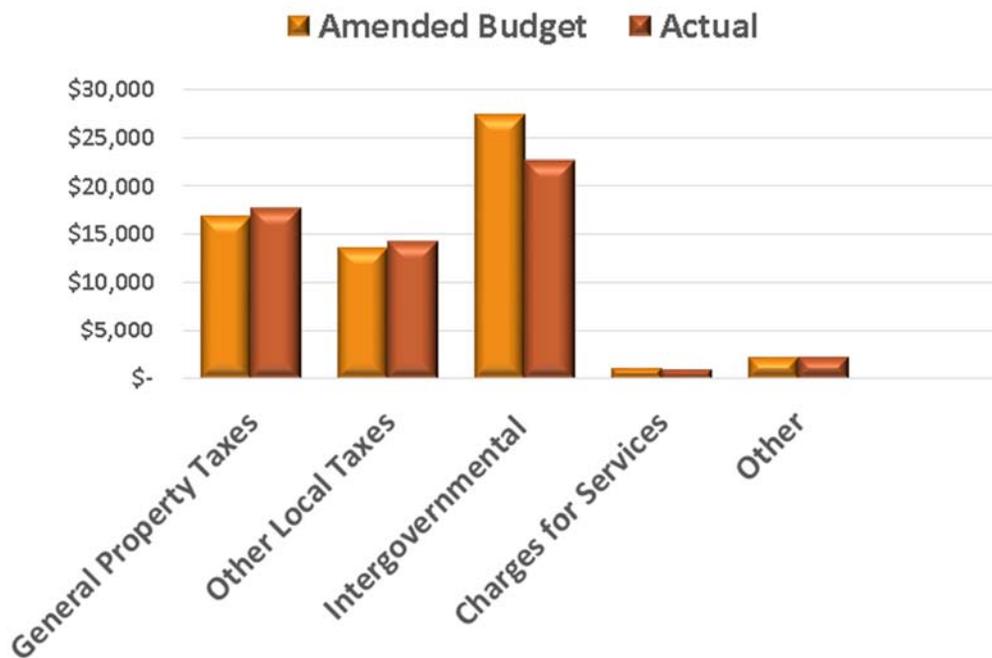
City of Bristol, Virginia General Fund-Budget Comparison For Fiscal Year Ending June 30, 2018 (in thousands)						
	Original Budget	Amended Budget	Budget Increase/ (Decrease)	Actual	Variance Actual vs. Amended	
<b>Revenues</b>						
Taxes	\$ 30,598	\$ 30,738	\$ 140	\$ 32,047	\$ 1,309	
Intergovernmental	25,172	27,454	2,282	22,517	(4,937)	
Other	3,235	3,336	101	3,239	(97)	
<b>Total Revenues</b>	<b>\$ 59,005</b>	<b>\$ 61,528</b>	<b>\$ 2,523</b>	<b>\$ 57,803</b>	<b>\$ (3,725)</b>	
<b>Expenditures</b>						
Expenditures	\$ 56,097	\$ 60,104	\$ 4,007	\$ 50,793	\$ 9,311	
Debt Service	4,180	4,933	\$ 753	40,892	(35,959)	
<b>Total Expenditures</b>	<b>\$ 60,277</b>	<b>\$ 65,037</b>	<b>\$ 4,760</b>	<b>\$ 91,685</b>	<b>\$ (26,648)</b>	
<b>Other Financing Sources (Uses)</b>						
Transfers	\$ (837)	\$ (837)	\$ -	\$ (829)	\$ 8	
Other	2,109	4,346	\$ 2,237	37,319	32,973	
<b>Total Other Financing Sources</b>	<b>\$ 1,272</b>	<b>\$ 3,509</b>	<b>\$ 2,237</b>	<b>\$ 36,490</b>	<b>\$ 32,981</b>	
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,608</b>	<b>\$ 2,608</b>	

The difference between the original budget and the final amended budget was approximately an increase of \$4.8 million.

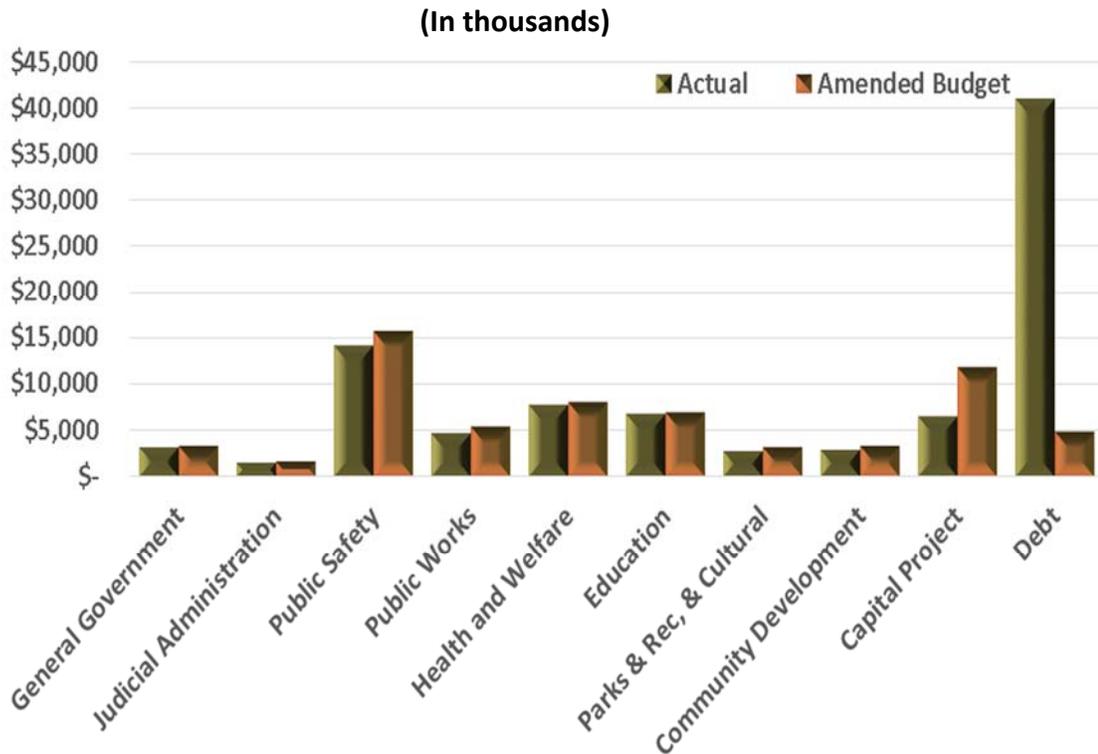
The changes from the original budget to the amended budget can be briefly summarized as follows: Additional appropriations were required for capital projects, additional state revenues related to highway maintenance, grant appropriations, and appropriations related to the debt refinancing.

The following charts show the difference between final amended budget and actual results for the general fund:

**General Fund-Amended Budget vs. Actual-Revenues  
For Fiscal Year Ending 06/30/18  
(In thousands)**



**General Fund-Amended Budget vs. Actual-Expenditures  
For Fiscal Year Ending 06/30/18**



The difference between final amended budget and actual results show noted differences due to the following:

- Actual revenues were less than budgeted revenues by approximately \$ 3.7 million. This difference is attributed to the timing of state and federal revenue related to grant funding and capital projects.
- Actual expenditures exceeded budgeted expenditures by approximately \$26.6 million. This difference is due to the FY18 debt refinancing. The City appropriates its budget on the cash basis, so only proceeds that were received and disbursed by the City were included in its budget related to the FY18 refinancing.
- Other financing sources were more than budgeted by approximately \$33 million. This difference is primarily attributable to the FY18 refinance as well.

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$110.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, roads, bridges, library assets, and land development costs.

The following table shows the major categories of capital assets for June 30, 2017 and 2018.

<b>City of Bristol, Virginia</b>						
<b>Capital Assets</b>						
<b>Net of Depreciation</b>						
<b>(in thousands)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
Land & Improvements	\$ 25,807	\$ 21,748	\$ 802	\$ 802	\$ 26,609	\$ 22,550
Construction in Progress	22,869	19,300	1,668	-	24,537	19,300
Buildings & Improvements	9,189	8,530	699	664	9,888	9,194
Machinery and Equipment	4,435	4,585	1,404	1,284	5,839	5,869
Library Assets	4,515	4,378	-	-	4,515	4,378
Infrastructure	23,465	30,316	9	1,343	23,474	31,659
Land Development Costs	96	78	18,857	17,828	18,953	17,906
<b>Total</b>	<b>\$ 90,376</b>	<b>\$ 88,935</b>	<b>\$ 23,439</b>	<b>\$ 21,921</b>	<b>\$ 113,815</b>	<b>\$ 110,856</b>

Major capital assets during the current fiscal year include the following:

- Additions to capital assets totaled \$17.7 million.
  - Construction in Progress totaled \$5 million.
  - Infrastructure additions totaled \$10 million.
  - Machinery and Equipment purchases totaled \$1.2 million
  - Land additions totaled \$1.475 million
  
- Decreases in capital assets totaled \$16.7 million and were primarily construction in progress that was completed and the related assets were placed into service.
  
- Total accumulated depreciation for FY2018 was \$111 million, with current year depreciation of \$4.6 million.

Additional information on the City's capital assets can be found in Note 14 on pages 108-110 of this report.

### **Debt Administration-Long-Term Debt**

At the end of the current fiscal year, the City had total debt outstanding of \$152.8 million. Of this amount, \$109 million or 71.46% comprises debt backed by the full faith and credit of the government.

The following table shows the long-term debt balances for the governmental and business activities as of June 30, 2017 and 2018:

The following is a summary of the City's long-term liabilities in FY2018:

City of Bristol, Virginia Long-Term Debt Obligations As of June 30, 2017 and 2018 (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
<b>General Obligations</b>						
General Obligation Bonds	\$ 24,793	\$ 74,064	\$ 33,767	\$ 34,792	\$ 58,560	\$ 108,856
Bond Anticipation Notes	47,530	-	-	-	\$ 47,530	-
Bond Premiums	255	156	392	160	\$ 647	316
<b>Total</b>	<b>\$ 72,578</b>	<b>\$ 74,220</b>	<b>\$ 34,159</b>	<b>\$ 34,952</b>	<b>\$ 106,737</b>	<b>\$ 109,172</b>
<b>Other Long-Term Debt</b>						
Literary Fund Loans	\$ 240	\$ -	\$ -	\$ -	\$ 240	\$ -
Capital Lease Obligations	3,980	3,055	312	240	\$ 4,292	3,295
Net Pension Liability	23,340	19,961	1,637	1,299	24,977	21,260
Other Post Employment Benefits	6,553	6,325	239	234	6,792	6,559
Compensated Absences	1,710	1,977	124	125	1,834	2,102
Revenue Sharing Agreement	2,100	1,750	-	-	2,100	1,750
Landfill Postclosure Liability	-	-	6,646	8,644	6,646	8,644
<b>Total</b>	<b>\$ 37,923</b>	<b>\$ 33,068</b>	<b>\$ 8,958</b>	<b>\$ 10,542</b>	<b>\$ 46,881</b>	<b>\$ 43,610</b>
<b>Total Long-Term Debt</b>	<b>\$ 110,501</b>	<b>\$ 107,288</b>	<b>\$ 43,117</b>	<b>\$ 45,494</b>	<b>\$ 153,618</b>	<b>\$ 152,782</b>

- The City's total bonded debt increased by \$2.4 million due primarily to the refinance of bond anticipation notes and general obligation debt. The principal amount of the 2018 issue was \$75 million at June 30, 2018.
- Other long-term debt totaled \$43.6 million and is comprised of debt not bonded, capital lease obligations, long-term loans, notes payables, postclosure landfill liability and compensated absences. Other long-term debt decreased \$3.2 million or 7.5%. Of this debt, the Landfill Postclosure Liability increased significantly, by \$2 million, or 30%.
- The implementation of *GASB 68-Accounting and Financial Reporting for Pensions* required state and local government to record pension liability and expenditures. The net pension liability as of June 30, 2018 was 21.3 million. Of this amount \$20 million was for the governmental activities and \$1.3 million for the business-type activities.
- The City maintains the states intercept rating of Aa1 from Moody's for general obligation debt. The underlying rating for the City is Baa2 from Moody's and A for Standard and Poor's.

Additional information on the City's long-term debt can be found in Note 9 on pages 55-59 of this report.

### **Industrial Development Authority**

The Industrial Development Authority, IDA, is reported as a component unit of the City of Bristol. Separate audited financial statements are not issued by the IDA. The IDA had a net position at June 30, 2018 of -\$10.4 million. The IDA had assets of \$22.9 million, mainly comprised of construction in progress of \$16.5 million, related to the Falls project. The IDA had \$33 million of revenue bond debt at June 30, 2018, related to the Falls project. The change in net position for FY18 was -\$0.3 million.

### **Economic Factors Impacting Next Year's Budget**

- The entire "Falls" project, which is a 1.5 million square foot "Commercial Development of Regional Impact," will continue to be an economic factor for the City. The completion of Phase I is scheduled for the next fiscal year as well as additional tenants in Phases 2 & 3.
- The Commonwealth of Virginia's strategies regarding state funding and how these strategies will impact the local governments.
- Personnel costs make up approximately 30% of the City of Bristol's budget. Increases in salary and fringe benefit costs, including health care, retirement and worker's compensation expenses will have a major impact on the City's budget.
- Economic trends and their impact on sales tax revenue and restaurant/meals taxes.
- For the month of June 2018, the City of Bristol, Virginia's unemployment rate was 4.2%, compared to the State rate of 3.3% and the Federal rate of 4.2%.
- The City of Bristol is in the process of conducting a financial analysis of the Solid Waste Fund to identify economic factors that could reduce transfers from the general fund and address the fund's significant negative net position.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Bristol, Virginia, 300 Lee Street, Bristol, VA 24201.

## Basic Financial Statements

City of Bristol, Virginia  
Statement of Net Position  
June 30, 2018

	Primary Government			Component Units	
	Governmental	Business-type	Total	School Board	IDA
	Activities	Activities		School Board	IDA
<b>ASSETS</b>					
Cash and cash equivalents	\$ 14,577,728	\$ 1,930,149	\$ 16,507,877	\$ 1,233,744	\$ 4,400
Investments	-	-	-	539,103	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,007,139	-	12,007,139	-	-
Accounts receivable	1,801,004	334,943	2,135,947	124,377	-
Due from other governmental units	3,504,624	120,701	3,625,325	1,360,925	-
Due from primary government	-	-	-	18,300	488,522
Inventories	486,680	-	486,680	48,724	-
Prepaid items	207,215	15,083	222,298	287,956	-
Restricted assets:					
Cash and cash equivalents	-	-	-	969,327	4,093,709
Investments	-	-	-	204,329	405,369
Capital assets (net of accumulated depreciation):					
Land	21,747,586	802,062	22,549,648	267,711	1,418,040
Land development costs	76,800	17,827,597	17,904,397	-	-
Buildings and improvements	12,908,231	663,784	13,572,015	17,160,284	-
Machinery and equipment	4,586,088	1,284,526	5,870,614	910,861	-
Infrastructure and utility plants	30,316,158	1,343,260	31,659,418	-	-
Construction in progress	19,300,408	-	19,300,408	66,050	16,516,926
Total assets	<u>\$ 121,519,661</u>	<u>\$ 24,322,105</u>	<u>\$ 145,841,766</u>	<u>\$ 23,191,691</u>	<u>\$ 22,926,966</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred loss on refunding, net	\$ 1,063,019	\$ 1,536,501	\$ 2,599,520	\$ -	\$ -
Pension related items	2,055,820	119,364	2,175,184	2,346,286	-
OPEB related items	217,318	3,701	221,019	311,825	-
Total deferred outflows of resources	<u>\$ 3,336,157</u>	<u>\$ 1,659,566</u>	<u>\$ 4,995,723</u>	<u>\$ 2,658,111</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,573,525	\$ 76,144	\$ 3,649,669	\$ 670,280	\$ -
Wages payable	-	-	-	1,643,871	-
Retainage payable	124,377	-	124,377	-	-
Advances from BVPS - Affiliated Entity	-	-	-	327,643	-
Accrued interest payable	1,210,336	535,578	1,745,914	15,452	339,322
Due to component unit	506,822	-	506,822	-	-
Unearned revenue	260,000	-	260,000	5,046	-
Long-term liabilities:					
Due within one year	2,542,447	582,283	3,124,730	227,294	880,000
Due in more than one year	104,745,566	44,911,747	149,657,313	28,163,836	32,135,000
Total liabilities	<u>\$ 112,963,073</u>	<u>\$ 46,105,752</u>	<u>\$ 159,068,825</u>	<u>\$ 31,053,422</u>	<u>\$ 33,354,322</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue-property taxes	\$ 10,584,973	\$ -	\$ 10,584,973	\$ -	\$ -
Pension related items	1,459,825	174,002	1,633,827	3,201,272	-
OPEB related items	413,055	9,376	422,431	204,000	-
Total deferred inflows of resources	<u>\$ 12,457,853</u>	<u>\$ 183,378</u>	<u>\$ 12,641,231</u>	<u>\$ 3,405,272</u>	<u>\$ -</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 11,265,975	\$ (11,240,766)	\$ 25,209	\$ 15,790,269	\$ (10,580,956)
Restricted	394,934	-	394,934	1,585,956	-
Unrestricted (deficit)	(12,226,017)	(9,066,693)	(21,292,710)	(25,985,117)	153,600
Total net position	<u>\$ (565,108)</u>	<u>\$ (20,307,459)</u>	<u>\$ (20,872,567)</u>	<u>\$ (8,608,892)</u>	<u>\$ (10,427,356)</u>

The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia  
Statement of Activities  
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Business-type Activities	Total	Component Units	
			Operating Grants and Contributions	Capital Grants and Contributions				School Board	IDA
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities:									
General government administration	\$ 2,870,965	\$ -	\$ 543,462	\$ -	\$ (2,327,503)	\$ -	\$ (2,327,503)		
Judicial administration	1,546,585	55,074	1,065,762	-	(425,749)	-	(425,749)		
Public safety	14,203,394	393,977	4,128,918	-	(9,680,499)	-	(9,680,499)		
Public works	12,169,519	76,848	4,126,585	4,157,571	(3,808,515)	-	(3,808,515)		
Health and welfare	7,796,803	-	5,904,569	-	(1,892,234)	-	(1,892,234)		
Education	6,810,420	-	-	-	(6,810,420)	-	(6,810,420)		
Parks, recreation, and cultural	3,092,715	798,102	-	-	(2,294,613)	-	(2,294,613)		
Community development	3,024,445	7,727	259,539	-	(2,757,179)	-	(2,757,179)		
Interest	3,823,602	-	126,429	-	(3,697,173)	-	(3,697,173)		
Total governmental activities	\$ 55,338,448	\$ 1,331,728	\$ 16,155,264	\$ 4,157,571	\$ (33,693,885)	\$ -	\$ (33,693,885)		
Business-type activities:									
Solid waste	\$ 8,083,494	\$ 4,705,962	\$ -	\$ -	\$ -	\$ (3,377,532)	\$ (3,377,532)		
Total primary government	\$ 63,421,942	\$ 6,037,690	\$ 16,155,264	\$ 4,157,571	\$ (33,693,885)	\$ (3,377,532)	\$ (37,071,417)		
<b>COMPONENT UNITS:</b>									
School Board	\$ 26,509,209	\$ 161,244	\$ 19,709,722	\$ -	\$ -	\$ -	\$ (6,638,243)	\$ -	\$ -
IDA	2,724,268	334,936	-	-	-	-	-	-	(2,389,332)
Total component units	\$ 29,233,477	\$ 496,180	\$ 19,709,722	\$ -	\$ -	\$ -	\$ (6,638,243)	\$ -	\$ (2,389,332)
General revenues:									
General property taxes					\$ 17,385,958	\$ -	\$ 17,385,958	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					4,104,440	-	4,104,440	-	-
Consumers' utility taxes					155,204	-	155,204	-	-
Business license taxes					1,401,431	-	1,401,431	-	-
Motor vehicle taxes					276,616	-	276,616	-	-
Restaurant food taxes					5,642,445	-	5,642,445	-	-
Bank stock taxes					437,918	-	437,918	-	-
Hotel and motel room taxes					1,368,400	-	1,368,400	-	-
Tobacco taxes					465,120	-	465,120	-	-
Other local taxes					423,619	-	423,619	-	-
Unrestricted revenues from the use of money and property					165,466	2,867	168,333	313,198	9,928
Miscellaneous					1,309,203	9,267	1,318,470	413,015	-
Contributions from the City of Bristol, Virginia					-	-	-	6,789,939	2,075,580
Grants and contributions not restricted to specific programs					2,398,882	-	2,398,882	-	-
Gain on disposal of asset					-	11,841	11,841	-	-
Transfers					(886,680)	886,680	-	-	-
Total general revenues and transfers					\$ 34,648,022	\$ 910,655	\$ 35,558,677	\$ 7,516,152	\$ 2,085,508
Change in net position					\$ 954,137	\$ (2,466,877)	\$ (1,512,740)	\$ 877,909	\$ (303,824)
Net position - beginning, as restated					(1,519,245)	(17,840,582)	(19,359,827)	(9,486,801)	(10,123,532)
Net position - ending					\$ (565,108)	\$ (20,307,459)	\$ (20,872,567)	\$ (8,608,892)	\$ (10,427,356)

The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2018

	<u>General</u>	<u>CDBG Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,577,728	\$ -	\$ 14,577,728
Receivables (net of allowance for uncollectibles):			
Taxes receivable	12,007,139	-	12,007,139
Accounts receivable	1,801,004	-	1,801,004
Due from other funds	13,640	-	13,640
Due from other governmental units	3,504,624	-	3,504,624
Inventories	486,680	-	486,680
Prepaid items	207,215	-	207,215
Total assets	<u>\$ 32,598,030</u>	<u>\$ -</u>	<u>\$ 32,598,030</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 3,568,997	\$ 4,528	\$ 3,573,525
Retainage payable	124,377	-	124,377
Due to other funds	-	13,640	13,640
Due to component unit	506,822	-	506,822
Unearned revenue	960,000	-	960,000
Total liabilities	<u>\$ 5,160,196</u>	<u>\$ 18,168</u>	<u>\$ 5,178,364</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	\$ 11,862,777	\$ -	\$ 11,862,777
Total deferred inflows of resources	<u>\$ 11,862,777</u>	<u>\$ -</u>	<u>\$ 11,862,777</u>
<b>FUND BALANCES</b>			
Nonspendable	\$ 693,895	\$ -	\$ 693,895
Restricted	688,350	-	688,350
Assigned	23,820	-	23,820
Unassigned	14,168,992	(18,168)	14,150,824
Total fund balances	<u>\$ 15,575,057</u>	<u>\$ (18,168)</u>	<u>\$ 15,556,889</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,598,030</u>	<u>\$ -</u>	<u>\$ 32,598,030</u>

The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Position  
 June 30, 2018

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	15,556,889
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	21,747,586
Buildings and improvements		12,908,231
Land development costs		76,800
Machinery and equipment		4,586,088
Infrastructure		30,316,158
Construction in progress		19,300,408
		88,935,271
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue-property taxes	\$	1,277,804
Unavailable revenue-note receivable		700,000
		1,977,804
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Deferred charge on refunding	\$	1,063,019
Pension related items		2,055,820
OPEB related items		217,318
		3,336,157
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds	\$	(74,064,230)
Capital leases		(3,055,373)
Accrued interest payable		(1,210,336)
Unamortized bond premium		(156,128)
Amount payable to Washington County		(1,750,000)
Compensated absences		(1,976,468)
Net OPEB liabilities		(6,325,313)
Net pension liability		(19,960,501)
		(108,498,349)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(1,459,825)
OPEB related items		(413,055)
		(1,872,880)
Net position of governmental activities	\$	(565,108)

The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

	<u>General</u>	<u>CDBG</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 17,771,748	\$ -	\$ 17,771,748
Other local taxes	14,275,193	-	14,275,193
Permits, privilege fees, and regulatory licenses	125,243	-	125,243
Fines and forfeitures	216,163	-	216,163
Revenue from the use of money and property	145,466	-	145,466
Charges for services	990,322	-	990,322
Miscellaneous	1,309,203	-	1,309,203
Recovered costs	452,792	-	452,792
Intergovernmental	22,517,165	194,552	22,711,717
Total revenues	<u>\$ 57,803,295</u>	<u>\$ 194,552</u>	<u>\$ 57,997,847</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 3,268,460	\$ -	\$ 3,268,460
Judicial administration	1,520,878	-	1,520,878
Public safety	14,139,809	-	14,139,809
Public works	4,696,700	-	4,696,700
Health and welfare	7,752,125	-	7,752,125
Education	6,868,446	-	6,868,446
Parks, recreation, and cultural	2,758,116	-	2,758,116
Community development	2,866,600	154,965	3,021,565
Nondepartmental	414,294	-	414,294
Capital projects	6,507,261	-	6,507,261
Debt service:			
Principal retirement	37,626,285	-	37,626,285
Interest and other fiscal charges	2,607,751	-	2,607,751
Bond issuance costs	658,107	-	658,107
Total expenditures	<u>\$ 91,684,832</u>	<u>\$ 154,965</u>	<u>\$ 91,839,797</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (33,881,537)</u>	<u>\$ 39,587</u>	<u>\$ (33,841,950)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 57,755	\$ -	\$ 57,755
Transfers out	(886,680)	(57,755)	(944,435)
Issuance of general obligation bonds	59,050,600	-	59,050,600
Sale of capital assets	87,043	-	87,043
Payment to bond escrow agent	(21,819,016)	-	(21,819,016)
Total other financing sources (uses)	<u>\$ 36,489,702</u>	<u>\$ (57,755)</u>	<u>\$ 36,431,947</u>
Net change in fund balances	\$ 2,608,165	\$ (18,168)	\$ 2,589,997
Fund balances - beginning, as restated	12,966,892	-	12,966,892
Fund balances - ending	<u>\$ 15,575,057</u>	<u>\$ (18,168)</u>	<u>\$ 15,556,889</u>

The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ 2,589,997

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 7,522,481	
Property conveyed to IDA	(5,450,599)	
Depreciation expense	<u>(2,971,333)</u>	(899,451)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.

Disposal of assets		(541,557)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ (385,790)	
Notes receivable	<u>20,000</u>	(365,790)

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 items.

Debt issued or incurred:

Issuance of general obligation bonds	\$ (59,050,600)	
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Principal repayments:

General obligation bonds	36,461,819	
Payment to escrow agent	20,847,201	
Literary loans	240,000	
Capital lease	924,466	
Washington County	<u>350,000</u>	(227,114)

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.

Change in compensated absences	\$ (266,976)	
Change in accrued interest payable	(232,680)	
Change in deferred amount on refunding	547,384	
Amortization of bond premium	99,367	
Pension expense	383,926	
OPEB expense	<u>(132,969)</u>	398,052

Change in net position of governmental activities		<u><u>\$ 954,137</u></u>
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The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,930,149	\$ 4,400
Accounts receivable, net of allowance for uncollectibles	334,943	-
Due from other governmental units	120,701	-
Due from other funds	-	488,522
Prepaid items	15,083	-
Total current assets	<u>\$ 2,400,876</u>	<u>\$ 492,922</u>
Restricted cash and cash equivalents:		
Cash and cash equivalents	\$ -	\$ 4,093,709
Investments	-	405,369
Total restricted assets	<u>\$ -</u>	<u>\$ 4,499,078</u>
Total current assets	<u>\$ 2,400,876</u>	<u>\$ 4,992,000</u>
Noncurrent assets:		
Capital assets:		
Land	\$ 802,062	\$ 1,418,040
Land development costs	35,456,968	-
Buildings and systems	1,315,187	-
Machinery and equipment	5,986,386	-
Infrastructure	1,697,957	-
Construction in progress	-	16,516,926
Accumulated depreciation	(23,337,331)	-
Total capital assets	<u>\$ 21,921,229</u>	<u>\$ 17,934,966</u>
Total noncurrent assets	<u>\$ 21,921,229</u>	<u>\$ 17,934,966</u>
Total assets	<u>\$ 24,322,105</u>	<u>\$ 22,926,966</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on bond refunding, net	\$ 1,536,501	\$ -
Pension related items	119,364	-
OPEB related items	3,701	-
Total deferred outflows of resources	<u>\$ 1,659,566</u>	<u>\$ -</u>

City of Bristol, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 76,144	\$ -
Accrued interest payable	535,578	339,322
Compensated absences - current portion	93,878	-
Capital lease - current portion	103,948	-
Bonds payable - current portion	384,457	880,000
Total current liabilities	\$ 1,194,005	\$ 1,219,322
Noncurrent liabilities:		
Compensated absences - net of current portion	\$ 31,293	\$ -
Capital lease - net of current portion	135,780	-
Bonds payable - net of current portion	34,568,165	32,135,000
Landfill closure liability	8,643,536	-
Net OPEB liabilities	233,729	-
Net pension liability	1,299,244	-
Total noncurrent liabilities	\$ 44,911,747	\$ 32,135,000
Total liabilities	\$ 46,105,752	\$ 33,354,322
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related items	\$ 174,002	\$ -
OPEB related items	9,376	-
Total deferred inflows of resources	\$ 183,378	\$ -
<b>NET POSITION</b>		
Net investment in capital assets	\$ (11,240,766)	\$ (10,580,956)
Unrestricted	(9,066,693)	153,600
Total net position	\$ (20,307,459)	\$ (10,427,356)

The notes to the financial statements are an integral part of this statement.

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

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
<b>OPERATING REVENUES</b>		
Disposal Operating Revenue:		
Solid waste - disposal fees	\$ 3,073,312	\$ -
Recycling income	39,434	-
Mulch/compost	35,035	-
Miscellaneous	6,506	-
Collections Operating Revenue:		
Waste collection fees	1,534,130	-
Garbage can fee - 2nd can	2,200	-
Dumpster permit fee	15,345	-
Cabela's guarantee payment	-	334,736
Miscellaneous	-	200
Total operating revenues	<u>\$ 4,705,962</u>	<u>\$ 334,936</u>
<b>OPERATING EXPENSES</b>		
Disposal Operational Expenses:		
Salaries and fringes	\$ 693,181	\$ -
Professional services	348,200	-
Utilities	371,276	-
Materials and supplies	245,718	-
Lease/rent of equipment	254,667	-
Maintenance and repairs	112,156	-
Education and training	3,203	-
Other	41,948	-
Refuse Collection Operational Expenses:		
Salaries and fringes	455,741	-
Professional services	25,239	-
Utilities	1,927	-
Materials and supplies	75,198	-
Lease/rent of equipment	3,988	-
Maintenance and repairs	65,881	-
Education and training	674	-
Other	531	-

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

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
<b>OPERATING EXPENSES (continued)</b>		
Landfill postclosure care	\$ 1,997,783	\$ -
IDA professional fees	-	12,386
IDA administrative	-	23,875
IDA miscellaneous	-	195,322
Depreciation	1,594,309	-
Total operating expenses	\$ 6,291,620	\$ 231,583
Operating income (loss)	\$ (1,585,658)	\$ 103,353
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	\$ 2,867	\$ 9,928
Bank service expense	(2,844)	-
Amortization	(131,840)	-
Debt service costs	(167,499)	-
Gain (loss) on disposal of surplus	11,841	-
Gain (loss) on investments	-	(31)
Interest expense	(1,489,691)	(2,096,964)
Other	9,267	-
Contributions from primary government:		
Economic development	-	64,652
Development of regional impact	-	2,010,928
Economic development	-	(395,690)
Total nonoperating revenues (expenses)	\$ (1,767,899)	\$ (407,177)
Income before transfers	\$ (3,353,557)	\$ (303,824)
Transfers in	886,680	-
Change in net position	\$ (2,466,877)	\$ (303,824)
Net position - beginning, as restated	(17,840,582)	(10,123,532)
Net position - ending	\$ (20,307,459)	\$ (10,427,356)

The notes to the financial statements are an integral part of this statement.

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

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 4,689,731	\$ (183)
Payments to suppliers	(1,577,760)	(231,583)
Payments to employees	(1,184,560)	-
Net cash provided by (used for) by operating activities	<u>\$ 1,927,411</u>	<u>\$ (231,766)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Contributions from primary government	\$ -	\$ 2,075,580
Transfers from other funds	886,680	-
Net cash provided by (used for) by noncapital financing activities	<u>\$ 886,680</u>	<u>\$ 2,075,580</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	\$ (701,629)	\$ (1,172,344)
Proceeds from the sale of assets	1,001	-
Principal payments on bonds	(461,680)	(820,000)
Principal payments on lease obligations	(137,859)	-
Proceeds from indebtedness	16,024,400	-
Payment on refunding bonds	(15,857,282)	-
Interest expense	(1,580,875)	(1,749,364)
Debt service costs	(167,499)	-
Economic development	-	(395,690)
Other	6,423	-
Net cash provided by (used for) by capital and related financing activities	<u>\$ (2,875,000)</u>	<u>\$ (4,137,398)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Gain (loss) on investments	\$ -	\$ (31)
Interest received	2,867	9,928
Net cash provided by (used for) by investing activities	<u>\$ 2,867</u>	<u>\$ 9,897</u>
Net increase (decrease) in cash and cash equivalents	\$ (58,042)	\$ (2,283,687)
Cash and cash equivalents - beginning	1,988,191	6,787,165
Cash and cash equivalents - ending	<u>\$ 1,930,149</u>	<u>\$ 4,503,478</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:</b>		
Operating income (loss)	\$ (1,585,658)	\$ 103,353
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 1,594,309	\$ -
Loss on disposal of assets	-	-
Pension expense	(41,694)	-
OPEB expense	4,626	-
(Increase) decrease in accounts receivable	(16,231)	-
(Increase) decrease in due from other funds	-	(335,119)
(Increase) decrease in prepaid items	(2,993)	-
Increase (decrease) in operating payables	(24,161)	-
Increase (decrease) in compensated absences	1,430	-
Increase (decrease) in landfill closure liability	1,997,783	-
Increase (decrease) in due to other funds	-	-
Total adjustments	<u>\$ 3,513,069</u>	<u>\$ (335,119)</u>
Net cash provided by (used for) by operating activities	<u>\$ 1,927,411</u>	<u>\$ (231,766)</u>

The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia  
 Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2018

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 123,584
Total assets	<u>\$ 123,584</u>
 <b>LIABILITIES</b>	
Amounts held for social services clients	\$ 98,070
Amounts held for employees	25,514
Total liabilities	<u><u>\$ 123,584</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BRISTOL, VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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**Note 1-Summary of Significant Accounting Policies:**

The financial statements of the City of Bristol, Virginia conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

**A. Financial Reporting Entity**

The City of Bristol, Virginia (the City) was founded in 1890. It is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the City's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City.

The City of Bristol, Virginia School Board (the School Board) operates the elementary and secondary public schools in the City. School Board members are popularly elected. The School Board is fiscally dependent upon the City because the City approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. A separate report is issued for the School Board and can be obtained from the School Board office.

Bristol Virginia Public Schools Education Foundation (the Foundation), a Virginia non-stock corporation, is an independent community-based organization, formed for charitable and educational purposes, as defined under 501(c)(3) of the Internal Revenue Code of 1986. Based on the Foundation's relationship with the School Board, it is reported as a discretely presented component unit of the School Board. The Foundation issues separate audited combined financial statements and may be obtained from the School Board office. The combined financial statements include the Foundation and six other entities that are related through common ownership and/or control. The Foundation's year end is December 31. However, the year end is treated consistently each year for reporting in the School Board's financial statements.

The Industrial Development Authority (the IDA) of the City was established to promote industry and develop trade within the City. The IDA is authorized to acquire, own, lease and dispose of properties to the extent that such activities may foster and stimulate industrial development. The Authority is governed by a Board of Directors appointed by the Council of Bristol City, Virginia. Due to their close relationship, the City reports the IDA as a discretely presented component unit. A separate report is not issued for the Authority.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

A. Financial Reporting Entity (Continued)

Joint Ventures - these entities are excluded from the accompanying financial statements:

The Bristol Public Library was established by the City, along with the City of Bristol, Tennessee and is located in Bristol, Virginia. Each City Council appoints five members to the Library Board, on which there is one at-large member appointed by the Board itself. Each locality provides equal funding to the Library annually and each has fifty percent ownership of the capital assets which are included in capital assets in the government-wide statements. During the fiscal year, the City contributed \$722,342 to fund operations of the Library. Financial statements of the Bristol Public Library can be obtained from the Library, located at 701 Goode Street, Bristol, Virginia 24201.

Related Organizations - The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointment.

The City jointly governs BVU Authority (BVU) with Washington County, Virginia, Abingdon, Virginia, and Scott County, Virginia. BVU provides electricity, water, wastewater, and fiber-optic telecommunication and information services to the City of Bristol, Virginia, Washington County, Virginia, Abingdon, Virginia, and Scott County, Virginia. The City appoints one member to BVU's Board of Directors. Complete financial statements of BVU can be obtained from its corporate office.

The City jointly governs the Regional Airport Authority with Bristol, Tennessee, Kingsport, Tennessee, Johnson City, Tennessee, Washington County, Tennessee, and Sullivan County, Tennessee. The Airport is located in Sullivan County Tennessee. The City appoints one member to the Airport Board of Commissioners. Complete financial statements of the Airport Authority can be obtained from its corporate office.

The Highlands Juvenile Detention Center Commission (the Commission) was organized in 1984 and is a jointly-governed organization by the City, the counties of Washington, Smyth, Lee, Dickenson, Tazewell, Wise, Russell, Buchanan, and Scott and the City of Norton. One member of the Commission Board is appointed by the City Council; however, the City Council is not financially accountable for the Commission.

Under the Code of Virginia, the Commonwealth of Virginia (Commonwealth) created in each city and county a redevelopment and housing authority which is a separate political Sub-Board of the Commonwealth. The Bristol Redevelopment and Housing Authority (the BRHA) owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the BRHA are appointed by the City Council; however, the City Council is not financially accountable for BRHA.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., 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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of net position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital position in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary 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.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

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 government considers revenues to be available if they are collected within 60 days 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the City.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds.

The *community development block grant fund* accounts for and reports financial resources that are received or expended under the federal Community Development Entitlement Grant.

The government reports the following major proprietary funds:

The City operates a waste collection and landfill. The activities of the system are accounted for in the *solid waste fund*.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 City's enterprise funds and the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection 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 expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance:

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

3. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property when payment is due. Real estate taxes are payable on June 5<sup>th</sup> and on December 5<sup>th</sup>.

Personal property taxes are due and collectible annually on December 5<sup>th</sup>. The City bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$279,717 at June 30, 2018. The allowance consists of delinquent taxes in the amount of \$279,717.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

7. Capital assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2018.

Property, plant, and equipment and infrastructure of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	8-50
Building improvements	40
Structures, lines, and accessories	25-50
Machinery and equipment	3-25
Infrastructure	20-25

School Board Capital Assets and Related Debt Reporting-Local governments in Virginia now have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one fiscal year. The primary government reports this debt in its financial statements. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the outstanding financial obligation. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has multiple items that qualify for reporting in this category. The City has deferred loss on bond refunding that is reported in the government-wide and proprietary fund statements of net position and is a result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB asset/liabilities and/or contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB asset/liability measurement date. For more detailed information on these items, reference the related notes.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

8. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes and membership fees are reported in the governmental funds balance sheet. These amounts are comprised of uncollected property taxes due prior to June 30, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>; amounts prepaid on the 2<sup>nd</sup> half installments and membership fees received in advance for services to be provided subsequent to fiscal year end. Under the modified accrual basis of accounting, these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB asset/liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

10. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement and for those vested employees with at least five years of service, calculated at 25% up to \$5,000. The City accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Retirement Plan and the additions to/deductions from the City's 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.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

12. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

13. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted —consist of assets that are restricted by the City’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

The solid waste disposal fund has an accumulated deficit in net position of (\$20,307,459). The City is currently funding the operating losses out of the general fund; however, it continues to monitor the operations of the landfill and is exploring opportunities to produce operating surpluses in future fiscal years to reduce the deficit. Restricted net position for specified purposes represents certain deposits restricted for specified expenditures and resources that have restrictions to particular uses imposed by federal awarding agencies or by state legislation.

14. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

15. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method except for where usability is affected by physical deterioration or obsolescence, and for commodities received from the federal government which are valued at market. Inventory in the general fund consists of expendable supplies held for consumption. The cost is recoded as an expenditure at the time of consumption. Governmental fund type inventories are offset by fund balance reserves, which indicated that they do not constitute available expendable resources. Inventory of some proprietary fund types is valued at the lower of cost (first-in, first-out) or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

16. Fund equity

The City follows provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (Continued)

16. Fund equity (Continued)

The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

17. Other Postemployment Benefits (OPEB)

*Group Life Insurance*

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI 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 GLI 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 GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI 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.

*Line of Duty Act Program*

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 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 LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan'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.

**Note 2-Stewardship, Compliance, and Accountability:**

A. Budgetary information

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. By the second Tuesday in April, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All of the City's funds, excluding fiduciary funds, have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only City Council can revise appropriations for each fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all City units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is part of the City's accounting system.

B. Excess of expenditures over appropriations

For the year ended June 30, 2018, there were no departments with expenses over appropriations.

C. Deficit fund equity

At June 30, 2018, the CDBG Fund, the Solid Waste Fund, and the IDA Fund reported a deficit in fund equity.

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**Note 3-Deposits 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 in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). As of June 30, 2018, the City’s component unit Industrial Development Authority had investments in the amount of \$405,369.

Credit Risk of Debt Securities

The City has not adopted an investment policy for credit risk.

The City’s rated debt investments for were rated by Standard and Poor’s, as of June 30, 2018 and the ratings are presented below using the respective rating scale.

<u>City's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
State Non-arbitrage Pool (SNAP)	\$ 18,204
MSILF Mutual Funds	387,165
Total	<u>\$ 405,369</u>

**Note 3-Deposits and Investments: (Continued)**

External Investment Pools

The value of the positions in the external investment pool (State Non-Arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

Investment Type	Fair Value	Less than 1 yr
SNAP	\$ 18,204	\$ 18,204
MSILF Mutual Funds	387,165	387,165

**Note 4-Fair Value Measurements:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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. The City maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 4-Fair Value Measurements: (Continued)**

The City has the following recurring fair value measurements as of June 30, 2018:

Investment	6/30/2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds Bonds	\$ 387,165	\$ 387,165	\$ -	\$ -

**Note 5-Receivables:**

Receivables for the City’s individual major funds and discretely presented component unit are as follows:

	Primary Government	
	General	Solid Waste Disposal
Receivables		
Taxes	\$ 12,286,856	\$ -
Accounts	1,801,004	334,943
Gross Receivables	\$ 14,087,860	\$ 334,943
Less: Allowance for uncollectibles	(279,717)	-
Net Receivables	\$ 13,808,143	\$ 334,943

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 5-Receivables: (Continued)**

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred inflows of resources* (unavailable revenue) and *unearned revenue* reported in the governmental funds were as follows:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Deferred/Unavailable Revenue		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 1,277,804
2nd half assessments due after June 30	10,402,245	10,402,245
Prepaid property taxes due after June 30 but paid in advance by taxpayers	182,728	182,728
Total deferred/unavailable revenue	<u>\$ 10,584,973</u>	<u>\$ 11,862,777</u>
Unearned Revenue		
Notes Receivable	\$ 60,000	\$ 760,000
BVU Authority	200,000	200,000
Total unearned revenue	<u>\$ 260,000</u>	<u>\$ 960,000</u>

**Notes Receivable**

Two promissory notes were issued by the City in February 2007 to construct/renovate an old school (Douglas) into housing. The notes are for \$350,000 and \$150,000, respectively. Both notes have an interest rate of 4.00% and have 31-year term. Accrued interest was \$200,000 as of June 30, 2018. All accrued interest and principal is due in one balloon payment at maturity.

As part of an economic performance agreement, a note receivable was issued in fiscal year 2015 to a business for a sale of property (401 Gordon Avenue). The original purchase price was \$200,000 with a note receivable of \$100,000 related to performance agreements. If certain criteria are met, the note is forgiven over 5 years, therefore, the balance is recorded as deferred revenue. As of June 30, 2018, the balance was \$60,000.

**Note 6-Due from Other Governmental Units:**

The following amounts represent receivables from other governments at year-end:

	Primary Government	
	Governmental Activities	Business-type Activities
<u>Local Governments</u>		
BVU	\$ -	\$ 120,701
<u>Commonwealth of Virginia:</u>		
Local sales tax	992,680	-
Local communication tax	89,015	-
Categorical aid-other	1,471,288	-
Non-categorical aid	36,766	-
Categorical aid-Virginia Public Assistance	172,495	-
Categorical aid-Comprehensive Services Act	230,517	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	242,292	-
Categorical aid-other	269,571	-
Total	\$ 3,504,624	\$ 120,701

**Note 7-Interfund Transfers and Balances:**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 57,755	\$ 886,680
Solid Waste Disposal Fund	886,680	-
CDBG Fund	-	57,755
Total	\$ 944,435	\$ 944,435

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in one fund to other fund(s) to finance various programs accounted for in other funds in accordance with budgeting authorization.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 8-Component-Unit Contribution and Obligations:**

Component unit contributions for the year ended June 30, 2018, consisted of the following:

Component Unit:	
School Board	\$ 6,789,939
IDA	2,075,580
Total	<u>\$ 8,865,519</u>

At year end, the Primary Government carries a liability to the Component Unit-School Board for funds due to the School Board related to a capital project at the School Board.

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ 506,822	\$ -
Component Unit		
School Board	-	18,300
IDA	-	488,522
Totals	<u>\$ 506,822</u>	<u>\$ 506,822</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9-Long-Term Obligations:**

Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2018.

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General Obligation Bonds	\$ 24,792,650	\$ 59,050,600	\$ (9,779,020)	\$ 74,064,230
Unamortized Premium	255,495	-	(99,367)	156,128
Bond Anticipation Note	47,530,000	-	(47,530,000)	-
Literary Fund Loans	240,000	-	(240,000)	-
Capital Lease	3,979,839	-	(924,466)	3,055,373
Net OPEB Liabilities	6,552,905	407,474	(635,066)	6,325,313
Compensated Absences	1,709,492	1,549,095	(1,282,119)	1,976,468
Net Pension Liability	23,340,462	8,671,194	(12,051,155)	19,960,501
Revenue sharing agreement	2,100,000	-	(350,000)	1,750,000
<b>Total</b>	<b>\$ 110,500,843</b>	<b>\$ 69,678,363</b>	<b>\$ (72,891,193)</b>	<b>\$ 107,288,013</b>

For governmental activities, compensated absences are generally liquidated in the General Fund.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 343,020	\$ 2,769,440
2020	770,900	3,025,581
2021	1,069,100	3,001,643
2022	1,696,980	2,975,216
2023	1,789,280	2,927,232
2024-2028	13,699,200	13,297,526
2029-2033	17,316,550	10,036,173
2034-2038	20,890,550	5,906,758
2039-2043	16,488,650	2,248,417
<b>Totals</b>	<b>\$ 74,064,230</b>	<b>\$ 46,187,986</b>

CITY OF BRISTOL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9-Long-Term Obligations: (Continued)**

**Primary Government - Governmental Activities Indebtedness: (Continued)**

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
GO Bond	3.50-5.00%	12/1/2006	2027	\$ 3,675,000	\$ 815,000	\$ -
GO Bond	4.00-4.25%	10/1/2007	2027	4,055,000	2,275,000	-
GO Bond	5.65%	10/1/2007	2024	12,050,000	163,800	-
GO Bond	2.00-5.00%	11/1/2010	2027	15,175,000	1,411,250	-
GO Bond	4.50%	6/1/2011	2027	3,000,000	1,687,500	187,500
GO Bond	2.82-4.83%	10/1/2012	2025	3,965,000	1,630,000	-
GO Bond	4.68-4.88%	5/1/2014	2043	16,820,000	6,223,400	-
GO Bond	1.92%	11/10/2016	2023	960,000	807,680	155,520
GO Bond	5.75%	1/9/2018	2043	59,050,600	59,050,600	-
Subtotal General Obligation Bonds					<u>\$ 74,064,230</u>	<u>\$ 343,020</u>
Bond Premium	n/a	n/a	n/a	n/a	\$ 156,128	\$ 40,704
Total GO Bonds					<u>\$ 74,220,358</u>	<u>\$ 383,724</u>
Other Obligations:						
Capital Leases	n/a	n/a	n/a	n/a	\$ 3,055,373	\$ 326,372
Net OPEB Liabilities	n/a	n/a	n/a	n/a	6,325,313	-
Compensated Absences	n/a	n/a	n/a	n/a	1,976,468	1,482,351
Net Pension Liability	n/a	n/a	n/a	n/a	19,960,501	-
Revenue sharing agreement with Washington County (1)	n/a	n/a	n/a	n/a	1,750,000	350,000
Total Other Obligations					<u>\$ 33,067,655</u>	<u>\$ 2,158,723</u>
Total Long-term Obligations					<u>\$ 107,288,013</u>	<u>\$ 2,542,447</u>

(1) There is a Voluntary Settlement agreement between the City and Washington County, Virginia (the County) for the City to pay \$350,000 annually to the County for seven years beginning within nine months after a County retailer closes its business for a total of \$2,450,000. During the year ended June 30, 2018, the City paid the County \$350,000 towards this liability, leaving a remaining balance of \$1,750,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9-Long-Term Obligations: (Continued)**

Primary Government - Business-type Activities Indebtedness:

The following is a summary of long-term debt transactions of the Enterprise Funds for the year ended June 30, 2018.

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General Obligation Bonds	\$ 33,767,350	\$ 16,024,400	\$ (14,999,480)	\$ 34,792,270
Unamortized Premium	391,821	-	(231,469)	160,352
Capital Lease	311,929	-	(72,201)	239,728
Landfill Closure Liability	6,645,753	1,997,783	-	8,643,536
Net Pension Liability	1,637,713	564,414	(902,883)	1,299,244
Net OPEB Liabilities	239,127	11,430	(16,828)	233,729
Compensated Absences	123,741	94,236	(92,806)	125,171
<b>Total</b>	<b>\$ 43,117,434</b>	<b>\$ 18,692,263</b>	<b>\$ (16,315,667)</b>	<b>\$ 45,494,030</b>

For business-type activities, compensated absences are generally liquidated in the same fund from which the respective employees are compensated.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 330,480	\$ 1,414,691
2020	696,600	1,478,587
2021	693,400	1,459,690
2022	604,520	1,443,985
2023	1,092,220	1,415,984
2024-2028	5,210,800	6,408,122
2029-2033	6,003,450	5,256,398
2034-2038	7,634,450	4,182,222
2039-2043	12,526,350	1,160,730
<b>Totals</b>	<b>\$ 34,792,270</b>	<b>\$ 24,220,409</b>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9-Long-Term Obligations: (Continued)**

**Primary Government - Business-Type Activities Indebtedness: (Continued)**

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
General Obligation Bonds:						
GO Bond	5.65%	10/1/2007	2024	\$ 12,050,000	\$ 1,006,200	\$ -
GO Bond	5.75%	1/9/2018	2043	16,024,400	16,024,400	-
GO Bond	2.00-5.00%	11/1/2010	2027	15,175,000	4,233,750	-
GO Bond	2.27-3.75%	10/1/2012	2023	2,550,000	1,215,000	-
GO Bond	4.68-4.88%	5/1/2014	2044	16,820,000	10,596,600	-
GO Bond	1.92%	11/10/2016	2023	2,040,000	1,716,320	330,480
Subtotal General Obligation Bonds					\$ 34,792,270	\$ 330,480
Bond Premium					160,352	53,977
Total General Obligation Bonds					\$ 34,952,622	\$ 384,457
Other Obligations:						
Capital Lease	n/a	n/a	n/a	n/a	\$ 239,728	\$ 103,948
Landfill Closure Liability	n/a	n/a	n/a	n/a	8,643,536	-
Net Pension Liability	n/a	n/a	n/a	n/a	1,299,244	-
Net OPEB Liabilities	n/a	n/a	n/a	n/a	233,729	-
Compensated Absences	n/a	n/a	n/a	n/a	125,171	93,878
Total Other Obligations					\$ 10,541,408	\$ 197,826
Total Long-term Obligations					\$ 45,494,030	\$ 582,283

**Advanced Refunding:**

The City issued a \$38,080,000 general obligation refunding bond/note to advance refund \$35,385,000 general obligation bonds. The net proceeds for the advanced refunding were placed into an irrevocable trust with an escrow agent to provide funds for future debt service payments of the advanced refunding bonds. As a result, the refunded 2007C, 2010, and 2015C general obligation bonds are considered defeased, and the City had removed the liability from the statement of net position.

In addition, the City issued \$36,995,000 refunding bonds/notes to currently refund \$36,060,000 general obligation bonds.

The purpose of the refunding was to restructure annual debt service and not to achieve a savings for refinancing. Accordingly, the refinancing increased debt payments over the next 25 years by \$43,685,232 and resulted in a net position value loss of \$2,757,062.

CITY OF BRISTOL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

**Note 9-Long-Term Obligations: (Continued)**

Primary Government - Business-type Activities Indebtedness: (Continued)

The following is a summary of long-term obligation transactions of the Component-Unit Industrial Development Authority for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2018</u>
Revenue Bonds	\$ 33,835,000	\$ -	\$ (820,000)	\$ 33,015,000
Total	<u>\$ 33,835,000</u>	<u>\$ -</u>	<u>\$ (820,000)</u>	<u>\$ 33,015,000</u>

Annual requirements to amortize long-term obligations and the related interest are as follows:

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 880,000	\$ 2,048,662
2020	935,000	1,987,406
2021	460,000	1,940,325
2022	145,000	1,919,906
2023	155,000	1,909,781
2024-2028	955,000	9,370,031
2029-2033	4,300,000	8,468,000
2034-2038	685,000	7,801,869
2039-2043	-	7,778,750
2044	24,500,000	2,333,625
Totals	<u>\$ 33,015,000</u>	<u>\$ 45,558,355</u>

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Installment Amounts</u>	<u>Amount of Original Issue</u>	<u>Balance Business- type Activities</u>	<u>Amount Due with- in One Year</u>
<u>Revenue Bonds:</u>							
Revenue Bond Series 2014A	6.75%	12/23/2014	2033	\$145,000-820,000 a+	\$ 6,355,000	\$ 5,535,000	\$ 880,000
Revenue Bond Series 2014B	5.00-6.35%	12/23/2014	2044	bp	27,500,000	27,480,000	-
Total Revenue Bonds						<u>\$ 33,015,000</u>	<u>\$ 880,000</u>
Total Long-Term Obligations						<u>\$ 33,015,000</u>	<u>\$ 880,000</u>

(a+) - annual principal installments shown; does not include semi-annual interest installments

bp - balloon payment on 11/1/2029 of \$2,980,000 and \$24,500,000 on 11/1/2044

**Note 10-Pension Plan:**

*Plan Description*

All full-time, salaried permanent employees of the City are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through City of Bristol, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan.

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 set out in the table below:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b>                      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.</p>	<p><b>About Plan 2</b>                      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.</p>	<p><b>About the Hybrid Retirement Plan</b>                      The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

**Note 10-Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1 (Cont.)</b></p>	<p><b>About Plan 2 (Cont.)</b></p>	<p><b>About the Hybrid Retirement Plan (Cont.)</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b>                      Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><b>Hybrid Opt-In Election</b>                      VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b>                      Employees are in 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.</p> <p><b>Hybrid Opt-In Election</b>                      Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b>                      Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b>                      Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**Note 10-Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Hybrid Opt-In Election (Cont.)</b>                      Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b>                      Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b>                      Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b>                      Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b>                      Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p><b>Retirement Contributions</b>                      A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

**Note 10-Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Creditable Service</b>                      Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b>                      Same as Plan 1.</p>	<p><b>Creditable Service</b>  <b><u>Defined Benefit Component:</u></b>                      Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contribution Component:</u></b>                      Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**Note 10-Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Vesting</b>                      Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>                      Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u>                      Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u><b>Defined Contribution Component:</b></u>                      Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

**Note 10-Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Vesting (Cont.)</b></p>	<p><b>Vesting (Cont.)</b></p>	<p><b>Vesting (Cont.)</b>  <b><u>Defined Contribution Component: (Cont.)</u></b>                      Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>                      The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b>                      See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <b><u>Defined Benefit Component:</u></b>                      See definition under Plan 1</p>

**Note 10-Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Calculating the Benefit (Cont.)</b>                      An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b>  <b><u>Defined Contribution Component:</u></b>                      The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b>                      A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>                      A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>                      Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b>  <b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>                      Not applicable.</p>

**Note 10-Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Normal Retirement Age</b>  <b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Age 60.</p>	<p><b>Normal Retirement Age</b>  <b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Same as Plan 1.</p>	<p><b>Normal Retirement Age</b>  <b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>

**Note 10-Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b>                      For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b>                      Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p><b><u>Defined Benefit Component:</u></b>                      Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b>                      Not applicable.</p> <p><b><u>Eligibility:</u></b>                      Same as Plan 1 and Plan 2.</p>

**Note 10-Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      Same as Plan 1 and Plan 2.</p>

**Note 10-Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Disability Coverage</b>                      Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>                      Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>                      Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b>                      Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b>                      Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <u><b>Defined Benefit Component:</b></u>                      Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>•Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><u><b>Defined Contribution Component:</b></u>                      Not applicable.</p>

**Note 10-Pension Plan: (Continued)**

*Pension Plan Data*

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

*Contributions*

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

The City's contractually required employer contribution rate for the year ended June 30, 2018 was 15.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$1,961,818 and \$2,075,925 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability*

At June 30, 2018, the City reported a liability of \$21,259,745 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. In order to allocate the net pension liability to all employers included in the plan, the City is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2017 and 2016 was used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2017 and 2016, the City's proportion was 95.299% and 95.98%, respectively.

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**Note 10-Pension Plan: (Continued)**

*Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 10-Pension Plan: (Continued)**

*Actuarial Assumptions - General Employees (Continued)*

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

**Largest 10 - Non-Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Note 10-Pension Plan: (Continued)**

*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits*

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, 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 return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 10-Pension Plan: (Continued)**

*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)*

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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**Note 10-Pension Plan: (Continued)**

*Long-Term Expected Rate of Return*

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

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

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 10-Pension Plan: (Continued)**

*Discount Rate*

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

*Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
City Net Pension Liability	\$ 33,908,244	\$ 21,259,745	\$ 10,659,799

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

For the year ended June 30, 2018, the City recognized pension expense of \$1,513,671. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 10-Pension Plan: (Continued)**

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

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 347,192
Change in assumptions	213,366	-
Net difference between projected and actual earnings on pension plan investments	-	1,153,714
Change in proportion	-	132,921
Employer contributions subsequent to the measurement date	<u>1,961,818</u>	<u>-</u>
Total	<u>\$ 2,175,184</u>	<u>\$ 1,633,827</u>

\$1,961,818 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (986,368)
2020	370,393
2021	11,261
2022	(815,747)
Thereafter	-

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**Note 11-Other Postemployment Benefits-Health Insurance:**

In addition to the pension benefits described in Note 10, the City administers a cost-sharing defined benefit healthcare plan, the City of Bristol OPEB Plan. Several entities participate in the defined benefit healthcare plan through the City of Bristol, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan.

Benefits Provided

The Plan provides for participation by eligible retirees of the City, and their spouses, in the health insurance programs available to City employees. The Plan will provide retiring employees the option to continue health insurance offered by the City. An eligible City retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the City and the employee must be eligible to retire from the City under the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the City and can be amended through city Council action.

Plan Membership

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

	<b>Primary Government</b>
Total active employees with coverage	328
Total retirees with coverage	13
Total	<u>341</u>

Contributions

The City does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the City Council. The amount paid by the City for OPEB as the benefits came due during the year ended June 30, 2018 was \$56,279.

Total OPEB Liability

The City's total OPEB liability was measured as of July 1, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 11-Other Postemployment Benefits-Health Insurance: (Continued)**

*Actuarial Assumptions*

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Healthcare Cost Trend Rates	5.28% for fiscal year end 2018, 6.00% for fiscal year ending 2019, decreasing 0.50% per year to an ultimate rate of 5.00%.
Salary Increases	2.50%
Discount Rate	3.56%

Mortality rates for Active employees and healthy retirees were based on a RP-2014 fully generational mortality table, with base year 2006, using two-dimensional improvement scale MP-2017.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

*Discount Rate*

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from the Municipal GO AA 20-year curve as of June 30, 2017. The final equivalent single discount rate used for this year’s valuation is 3.56% as of the end of the fiscal year with the expectation that the City will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	<u>Primary Government</u>
	<u>Total OPEB Liability</u>
Balances at June 30, 2017	\$ 2,908,799
Changes for the year:	
Service cost	98,173
Interest	106,027
Benefit payments	(59,861)
Net changes	<u>144,339</u>
Balances at June 30, 2018	<u>\$ 3,053,138</u>

**Note 11-Other Postemployment Benefits-Health Insurance: (Continued)**

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

The following amounts present the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

Rate		
1% Decrease (2.56%)	Current Discount (3.56%)	1% Increase (4.56%)
\$ 3,367,319	\$ 3,053,138	\$ 2,769,339

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

The following presents the total OPEB liability of the City and School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Rate		
1% Decrease (4.28%)	Healthcare Cost Trend (5.28%)	1% Increase (6.28%)
\$ 2,726,761	\$ 3,053,138	\$ 3,441,541

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2018, the City recognized OPEB expense in the amount of \$204,200. At June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 56,279	\$ -

\$56,279 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019.

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

**Note 12- Group Life Insurance (GLI) Program (OPEB Plan):**

*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 is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City School Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• Accidental Death Benefit - The accidental death benefit is double the natural death benefit.</li> <li>• Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:                         <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Safety belt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul>

**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Plan Description (Continued)*

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)</b>
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

*Contributions*

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the City were \$68,287 and \$71,160 for the years ended June 30, 2018 and June 30, 2017, respectively.

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB*

At June 30, 2018, the City reported a liability of \$1,116,904 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)*

At June 30, 2017, the City’s proportion was 0.07785% as compared to 0.07996% at June 30, 2016. The Bristol Public Library participates in the City’s GLI OPEB and represents 4.2204% of the above proportionate share.

For the year ended June 30, 2018, the City recognized GLI OPEB expense of \$6,671. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer 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	\$ -	\$ 24,778
Changes in assumptions	-	57,179
Net difference between projected and actual earnings on OPEB plan investments	-	41,932
Change in proportionate share	-	29,542
Employer contributions subsequent to the measurement date	68,287	-
Total	<u>\$ 68,287</u>	<u>\$ 153,431</u>

\$68,287 reported as deferred outflows of resources related to the GLI OPEB resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	\$ (31,449)
2020	(31,449)
2021	(31,449)
2022	(31,449)
2023	(20,966)
Thereafter	(6,669)

**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

**Mortality Rates - General State Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - General State Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

**Mortality Rates - Teachers**

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

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**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - Teachers (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**Mortality Rates - SPORS Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - SPORS Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

**Mortality Rates - VaLORS Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - VaLORS Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

**Mortality Rates - JRS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - JRS Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

**Mortality Rates - Largest Ten Locality Employers - General Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

*NET GLI OPEB Liability*

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

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

The total GLI OPEB 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 GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Long-Term Expected Rate of Return*

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

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

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Discount Rate*

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

*Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate*

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
City's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,443,780	\$ 1,116,904	\$ 851,020

*Group Life Insurance Program Fiduciary Net Position*

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 13—Line of Duty Act (LODA) Program:**

*Plan Description*

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers’ Retirement System (SPORS), or the Virginia Law Officers’ Retirement System (VALORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System’s actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is set out in the table below:

<b>LINE OF DUTY ACT PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The eligible employees of the Line of Duty Act Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers’ Retirement System (SPORS), or the Virginia Law Officers’ Retirement System (VALORS).</p>
<p><b>Benefit Amounts</b></p> <p>The Line of Duty Act Program provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> <li>• <b>Death</b> - The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:                             <ul style="list-style-type: none"> <li>○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.</li> <li>○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.</li> <li>○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.</li> </ul> </li> <li>• <b>Health Insurance</b> - The Line of Duty Act program provides health insurance benefits.                             <ul style="list-style-type: none"> <li>○ Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee’s death or disability. These premiums were reimbursed to the employer by the LODA program.</li> <li>○ Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.</li> </ul> </li> </ul>

**Note 13—Line of Duty Act (LODA) Program: (Continued)**

*Contributions*

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer’s contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were \$96,453 and \$98,013 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entity reported a liability of \$2,389,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity’s proportion of the Net LODA OPEB Liability was based on the entity’s actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity’s proportion was 0.90878% as compared to 0.91598% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of \$208,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on LODA OPEB plan investments	\$ -	\$ 4,000
Change in assumptions	-	247,000
Change in proportion	-	18,000
Employer contributions subsequent to the measurement date	<u>96,453</u>	<u>-</u>
Total	<u>\$ 96,453</u>	<u>\$ 269,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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**Note 13—Line of Duty Act (LODA) Program: (Continued)**

\$96,453 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity’s contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (33,000)
2020	(33,000)
2021	(33,000)
2022	(33,000)
2023	(32,000)
Thereafter	(105,000)

**Note 13—Line of Duty Act (LODA) Program: (Continued)**

*Actuarial Assumptions*

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Investment rate of return	3.56%, net of OPEB plan investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

**Mortality rates - General State Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

**Note 13—Line of Duty Act (LODA) Program: (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality rates - General State Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

**Mortality rates - SPORS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**Note 13—Line of Duty Act (LODA) Program: (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality rates - SPORS Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

**Mortality rates - VaLORS Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**Note 13—Line of Duty Act (LODA) Program: (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality rates - VaLORS Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

**Mortality Rates - Largest Ten Locality Employers with Public Safety Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**Note 13—Line of Duty Act (LODA) Program: (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - Largest Ten Locality Employers with Public Safety Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**Note 13—Line of Duty Act (LODA) Program: (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

*Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)*

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

**Note 13—Line of Duty Act (LODA) Program: (Continued)**

*Net LODA OPEB Liability*

The net OPEB liability (NOL) for the Line of Duty Act Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Line of Duty Act Program is as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 266,252
Plan Fiduciary Net Position	<u>3,461</u>
Employers' Net OPEB Liability (Asset)	<u>\$ 262,791</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%

The total LODA OPEB 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 OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

*Long-Term Expected Rate of Return*

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

*Discount Rate*

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

**Note 13—Line of Duty Act (LODA) Program: (Continued)**

*Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate*

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

	Discount Rate		
	1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
City's proportionate share of the total LODA Net OPEB Liability	\$ 2,708,000	\$ 2,389,000	\$ 2,121,000

*Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate*

Because the Line of Duty Act Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
City's proportionate share of the total LODA Net OPEB Liability	\$ 2,027,000	\$ 2,389,000	\$ 2,837,000

*LODA OPEB Fiduciary Net Position*

Detailed information about the Line of Duty Act Program Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 14-Capital Assets:**

Capital asset activity for the year ended June 30, 2018 was as follows:

## Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 25,806,789	\$ 1,475,000	\$ (5,534,203)	\$ 21,747,586
Construction in progress	22,868,870	4,947,338	(8,515,800)	19,300,408
Total capital assets not being depreciated	<u>\$ 48,675,659</u>	<u>\$ 6,422,338</u>	<u>\$ (14,050,003)</u>	<u>\$ 41,047,994</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 17,578,293	\$ -	\$ (240,000)	\$ 17,338,293
Land Development Costs	480,000	-	-	480,000
Infrastructure	89,183,140	8,281,884	(28,229)	97,436,795
Library Assets	7,225,183	-	(27,282)	7,197,901
Machinery and equipment	12,499,558	1,184,767	(626,487)	13,057,838
Total capital assets being depreciated	<u>\$ 126,966,174</u>	<u>\$ 9,466,651</u>	<u>\$ (921,998)</u>	<u>\$ 135,510,827</u>
Accumulated depreciation:				
Buildings and improvements	\$ (8,388,989)	\$ (510,450)	\$ 91,200	\$ (8,808,239)
Land Development Costs	(384,000)	(19,200)	-	(403,200)
Infrastructure	(65,717,708)	(1,406,309)	3,380	(67,120,637)
Library Assets	(2,709,691)	(131,841)	21,808	(2,819,724)
Machinery and equipment	(8,065,166)	(903,533)	496,949	(8,471,750)
Total accumulated depreciation	<u>\$ (85,265,554)</u>	<u>\$ (2,971,333)</u>	<u>\$ 613,337</u>	<u>\$ (87,623,550)</u>
Total capital assets being depreciated, net	<u>\$ 41,700,620</u>	<u>\$ 6,495,318</u>	<u>\$ (308,661)</u>	<u>\$ 47,887,277</u>
Governmental activities capital assets, net	<u>\$ 90,376,279</u>	<u>\$ 12,917,656</u>	<u>\$ (14,358,664)</u>	<u>\$ 88,935,271</u>

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CITY OF BRISTOL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 14-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 802,062	\$ -	\$ -	\$ 802,062
Construction in progress	1,668,165	-	(1,668,165)	-
Total capital assets not being depreciated	<u>\$ 2,470,227</u>	<u>\$ -</u>	<u>\$ (1,668,165)</u>	<u>\$ 802,062</u>
Capital assets, being depreciated:				
Land Development Costs	\$ 35,456,968	\$ -	\$ -	\$ 35,456,968
Machinery and equipment	5,939,406	129,669	(82,689)	5,986,386
Plant	1,317,317	-	(2,130)	1,315,187
Infrastructure	29,792	1,668,165	-	1,697,957
Total capital assets being depreciated	<u>\$ 42,743,483</u>	<u>\$ 1,797,834</u>	<u>\$ (84,819)</u>	<u>\$ 44,456,498</u>
Accumulated depreciation:				
Land Development Costs	\$ (16,600,116)	\$ (1,029,255)	\$ -	\$ (17,629,371)
Machinery and equipment	(4,535,832)	(238,624)	72,596	(4,701,860)
Plant	(618,067)	(33,846)	510	(651,403)
Infrastructure	(20,655)	(334,042)	-	(354,697)
Total accumulated depreciation	<u>\$ (21,774,670)</u>	<u>\$ (1,635,767)</u>	<u>\$ 73,106</u>	<u>\$ (23,337,331)</u>
Total capital assets being depreciated, net	<u>\$ 20,968,813</u>	<u>\$ 162,067</u>	<u>\$ (11,713)</u>	<u>\$ 21,119,167</u>
Business-type activities capital assets, net	<u>\$ 23,439,040</u>	<u>\$ 162,067</u>	<u>\$ (1,679,878)</u>	<u>\$ 21,921,229</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government administration	\$ 72,561
Judicial administration	123,182
Public safety	654,384
Public works	1,774,281
Health and welfare	34,702
Parks, recreation, and culture	312,223
Total depreciation expense-governmental activities	<u><u>\$ 2,971,333</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 14-Capital Assets: (Continued)**

Capital asset activity for the Industrial Development Authority for the year ended June 30, 2018 was as follows:

Discretely Presented Component Unit-Industrial Development Authority:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,418,040	\$ 5,450,599	\$ (5,450,599)	\$ 1,418,040
Construction in progress	15,344,582	1,172,344	-	16,516,926
Total capital assets not being depreciated	<u>\$ 16,762,622</u>	<u>\$ 6,622,943</u>	<u>\$ (5,450,599)</u>	<u>\$ 17,934,966</u>
Business-type activities capital assets, net	<u>\$ 16,762,622</u>	<u>\$ 6,622,943</u>	<u>\$ (5,450,599)</u>	<u>\$ 17,934,966</u>

**Note 15-Capital Leases:**

The City has entered into lease agreements to finance the acquisition of a fire trucks, garbage trucks, various vehicles, machinery, and energy projects. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments at the date of inception.

As of June 30, 2018, the City has the following capital leases:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Lease</u>	<u>Balance Governmental Activities</u>	<u>Balance Business-type Activities</u>
<b>Governmental</b>						
Voting Machines	5.03%	07-14	08-19	\$ 67,510	\$ 24,745	\$ -
Public Safety and Other Vehicles	1.69%	11-14	06-19	447,151	91,836	-
Fire Truck	3.65%	08-15	06-25	340,000	249,203	-
Vehicles	2.76%	08-15	06-20	403,767	167,329	-
Energy Project	3.17%	06-15	07-30	2,663,317	2,229,132	-
Vehicles	2.81%	06-16	06-21	298,125	182,446	-
Golf Carts	2.44%	08-16	08-20	208,000	110,682	-
<b>Solid Waste</b>						
Garbage Truck	1.89%	02-14	02-19	\$ 228,124	\$ -	\$ 27,737
Brush Truck	2.76%	08-15	06-20	136,896	-	57,181
Energy Project	3.17%	06-15	07-30	76,467	-	64,001
Skid Steer Loader	2.81%	06-16	06-21	99,375	-	62,079
Cat Wheel Loader	3.20%	08-13	08-18	121,015	-	28,730
					<u>\$ 3,055,373</u>	<u>\$ 239,728</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 15-Capital Leases: (Continued)**

The cost and accumulated depreciation associated with the above mentioned machinery and equipment acquired through a capital lease are as follows:

	Governmental Activities	Business-type Activities
Machinery & Equipment	\$ 6,236,919	\$ 610,037
Accumulated Depreciation	(2,411,327)	(176,315)
 Total	 \$ 3,825,592	 \$ 433,722

Annual requirements to amortize lease agreements and related interest are as follows:

Fiscal Year Ended	Governmental Activities	Business-type Activities
2019	\$ 349,700	\$ 111,062
2020	487,070	58,556
2021	340,399	27,882
2022	267,127	6,493
2023	267,127	6,493
2024-2028	1,212,926	32,464
2029-2031	678,670	19,475
 Total minimum lease payments	 \$ 3,603,019	 \$ 262,425
Less: amount representing interest	(547,646)	(22,697)
Present value of minimum lease payments	\$ 3,055,373	\$ 239,728

**Note 16-Operating Leases:**

The City has operating leases for one piece of equipment in the Solid Waste Disposal Fund. Future minimum lease payments as of June 30, 2018 are as follows:

Fiscal Year Ended	Business-type Activities
2019	\$ 164,345
2020	164,345
2021	164,345
2022	82,173
 Total	 \$ 575,208

**Note 17-Landfill Closure and Post-Closure Care Costs:**

The City owns and operates two landfills, a compost facility, and a tire shredder. One landfill has been in operation for a number of years. It is referred to as the old landfill. The other, formerly a quarry, began operations in 1998 and is referred to as the quarry balefill.

State and federal laws and regulations require that the City place a final cover on its landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill sites, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfills no longer accept waste. The recognition of these landfill closure and postclosure care costs is based on the landfill capacity used as of each statement of net position date.

The estimated landfill closure and postclosure care cost liability for the old landfill is \$2,593,872 as of June 30, 2018, which is based on 51% usage (filled) of the landfill. It is estimated that an additional \$2,492,151 will be recognized as closure and postclosure care expenses between the date of the statement of net position and the date the landfill is currently expected to be filled to capacity (the year 2020). The City is mining waste from the old landfill, baling it, and placing it in the quarry balefill. The old landfill is expected to remain open until its mandated closure date in 2020.

The estimated liability for landfill closure and postclosure care costs for the quarry balefill is \$5,935,214 as of June 30, 2018, which is based on 46.70% usage (filled) of the landfill. It is estimated that an additional \$6,774,024 will be recognized as closure and postclosure care expenses between the date of the statement of net position and the date the landfill is currently expected to be filled to capacity (the year 2045).

The estimated liability from landfill closure and postclosure care costs of the compost facility and tire shredder as of June 30, 2018 are \$51,605 and \$27,845, respectively. It is estimated that an additional \$105,394 will be recognized for the compost facility as closure expense between the date of the statement of net position and the date the facility is expected to be closed.

The estimated liability to close the solid waste transfer/baling facility is \$35,000 at June 30, 2018. This is estimated at 100%.

It should be recognized that the formula for closure/postclosure costs are based on a prescribed formula established by the Department of Environmental Quality without regard to regions or cost differentials across the state. The estimated total current cost of the landfill closure and postclosure care (\$18,015,106) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of June 30, 2018. However, the actual costs of closure will be paid out at the time of closure of each facility and postclosure will be paid out in the thirty years following the closure of each facility. The actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Federal and state regulations require owners of permitted solid waste landfills to provide financial assurance to assure that funds are available to properly close the facility to protect human health and the environment. The City qualifies to use the allowable financial assurances test in order to demonstrate financial responsibility, and those calculations are in compliance with the applicable regulations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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**Note 17-Landfill Closure and Post-Closure Care Costs: (Continued)**

The City demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

**Note 18-Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates with other localities in a public entity risk pool for their coverage of general liability, property, auto insurance and workers compensation with the Virginia Municipal League. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The City pays the Virginia Municipal League contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 19-Contingent Liabilities:**

Federal programs in which the City and its component units participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

**Note 20-Surety Bonds:**

Primary Government:

<u>Fidelity &amp; Deposit Company of Maryland-Surety:</u>	
Kelly F. Duffy, Clerk of Circuit Court	\$ 645,000
Angel Britt, Treasurer	500,000
Cloe-Eva Barker, Commissioner of Revenue	3,000
David Maples, Sheriff	30,000

**Note 21-Commitments and Contingencies:**

Effective December 31, 1998, the City entered into an agreement with Washington County, Virginia, whereby the City pays a share of real estate, personal property, and machinery and tools tax revenues derived from certain areas. Payments are to be 60% of the related tax for years 1-5, 40% for 6-10 years and 25% for years 11 and beyond. Amounts paid to Washington County during the fiscal year, representing 25%, were approximately \$157,053.

**Note 21-Commitments and Contingencies: (Continued)**

City Payments

The City has agreed to make the City Payments to the Industrial Development Authority of the City of Bristol, Virginia (the “Authority”), or to UMB Bank, n.a. (the “Trustee”) as the Authority’s assignee, in accordance with the Financing Agreement, dated as of December 1, 2014 (the “Financing Agreement”), between the City and the Authority. The City Payments are determined pursuant to the Financing Agreement and the Indenture of Trust, dated as of December 1, 2014 (the “Indenture”), between the Authority and the Trustee, to be in amounts sufficient to pay (i) principal of and interest on the 2014A Bonds as such amounts come due and to replenish the debt service reserve account for the 2014A Bonds, in each case to the extent Sales Tax Revenues Payments, Additional Tax Revenues Payments available for such purpose, and Guaranteed Payments (as each of such capitalized terms is defined in the Indenture) are insufficient for such purpose, and (ii) Administrative Expenses (as defined in the Indenture) after taking into account Additional Tax Revenues Payments available for such purpose. The City Payments are subject to appropriation by City Council, but are payable from general revenues of the City and are not limited to any revenue source. The Financing Agreement provides that as long as the 2014A Bonds are outstanding, the City Manager, or other City officer charged with responsibility for preparing the City’s budget, will include in the budget for each fiscal year a request for an amount sufficient to pay the City Payments expected to become due in such fiscal year.

**Note 22-Restricted and Assigned Fund Balance:**

Governmental Funds:	General Fund
Nonspendable:	
Inventories	\$ 486,680
Prepaid items	207,215
Total nonspendable balances	<u>\$ 693,895</u>
Restricted:	
Federal Sharing	\$ 256,016
Asset Forfeiture	138,918
Capital Projects	293,416
Total restricted balances	<u>\$ 688,350</u>
Assigned:	
Investigations-Police Department	\$ 23,820
Total assigned balances	<u>\$ 23,820</u>

**Note 23-Litigation:**

At June 30, 2018, there were two matters of litigation involving the City for which could materially affect the City’s financial position should any court decisions on pending matters not be favorable to the City.

**Note 23-Litigation: (Continued)**

The first matter of litigation is with Atlas Honda and Crabtree Buick. The nature of the litigation concerns the taking of a portion of the property adjacent to Lee Highway for the purpose of widening Lee Highway. This was done in conjunction with the Falls development to allow for an improved traffic flow. To date, Atlas Honda and Crabtree Buick have had an expert prepare an appraisal of the loss each business has suffered by the taking of the property and loss of income due to the road construction. The parties have attempted to mediate the claims which was unsuccessful. The parties have successfully completed a mediation and reached a settlement agreement on all matters. The City owes Crabtree \$625,000 and Atlas \$850,000. VDOT is responsible for one-half (1/2) of the amount owed to each business.

The second matter of litigation is Sunstar Keshav v. City of Bristol. The nature of the litigation pertains to a real estate tax assessment value on the property located at the Bristol Mall. The Plaintiffs argued the assessment was not true and the true market value and their real estate tax liability was greater than it would be based on market value. The Court ruled that tax assessed value of the property did not consider actual market conditions, and the Plaintiffs were entitled to a refund of their overpayment. The City is in the process of determining the overpayment of approximately \$170,000 in order to satisfy the Court's Order. This overpayment was for year 2016.

**Note 24-Tax Abatement and Economic Incentives:**

GASB Statement 77, Tax Abatement Disclosures, requires governments that enter into tax abatement agreements to disclose information about the agreements.

**The following list provides details of each agreement the City had as of June 30, 2018:**

Bristol Hotels, Inc. - 3.5% of total reported gross lodging receipts, for a maximum payment of \$380,000. The agreement expires on 04/01/2020. The City's liability at 06/30/2018 was \$82,648.

MB Contractors, Inc. - 3.5% of total annual sales from gross lodging receipts and sales of meals. Maximum amount due from the City is \$1,200,000. Agreement is dated 12/19/2013 and expires 5 years from official grand opening.

K-VA-T Food Stores, Inc. -0.5% of total sales once renter of property provides information. No information has been provided to the City at this time. The City's total liability per the agreement is \$100,000. Incentive does not expire.

Heritage Motorsports, LLC - 50% of new real property tax, 0.5% of taxable sales tax reported, 0.3% of taxable personal property value. Total per the agreement is \$75,000. The agreement is dated 10/10/2014 and expires 06/26/26. At June 30, the City's liability was \$50,423.

Hotel Bristol, LLC - 50% of local sales tax. The total per the agreement is \$1,200,000. The agreement expires six years from the official grand opening, which must be by 12/31/2018.

Burger Bar, LLC - 3.5% of total food sales, for a maximum of \$26,000. The agreement is dated 07/14/2015 and expires 5 years from the opening date, or 10/1/2020. The City's liability at June 30, 2017 was \$21,259.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 24-Tax Abatement and Economic Incentives: (Continued)**

The Euclid Avenue Center, LLC. - 50% of total reported meal and alcohol taxes, for a maximum of \$900,000. The agreement is dated 01/25/2018 and expires 10 years from the date of the initial payment.

The following list provides details of each agreement the IDA had as of June 30, 2018:

Lowe’s Home Center - 3% of total reported annual sales, shall not exceed 50% of the amount actually received by the City. Total per agreement dated 03/31/2014 \$12,000,000. IDA liability at 06/30/2018 was \$11,202,826

**Note 25-Adoption of Accounting Principles:**

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Fund Balance		Net Position	
	General Fund	Governmental Activities	Business-Type Activities	
			Solid Waste Fund	Component Unit IDA
Beginning balance, July 1, 2017, as previously stated	\$ 12,840,300	\$ 3,469,044	\$ (17,605,804)	\$ (10,574,438)
Restatement unrelated to implementation of GASB 75	126,592	126,592	-	450,906
Implement GASB 75	-	(5,114,881)	(234,778)	-
Beginning balance, July 1, 2017, as restated	\$ 12,966,892	\$ (1,519,245)	\$ (17,840,582)	\$ (10,123,532)

**Note 26-Upcoming Pronouncements:**

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

**Note 26-Upcoming Pronouncements: (Continued)**

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that

**Note 26-Upcoming Pronouncements: (Continued)**

in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

## Required Supplementary Information

City of Bristol, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 16,873,420	\$ 16,973,420	\$ 17,771,748	\$ 798,328
Other local taxes	13,724,790	13,764,790	14,275,193	510,403
Permits, privilege fees, and regulatory licenses	166,200	166,200	125,243	(40,957)
Fines and forfeitures	292,500	292,500	216,163	(76,337)
Revenue from the use of money and property	153,200	153,200	145,466	(7,734)
Charges for services	1,056,000	1,063,000	990,322	(72,678)
Miscellaneous	1,278,500	1,298,000	1,309,203	11,203
Recovered costs	289,098	362,737	452,792	90,055
Intergovernmental	25,171,791	27,454,101	22,517,165	(4,936,936)
Total revenues	<u>\$ 59,005,499</u>	<u>\$ 61,527,948</u>	<u>\$ 57,803,295</u>	<u>\$ (3,724,653)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,442,545	\$ 3,382,015	\$ 3,268,460	\$ 113,555
Judicial administration	1,388,776	1,662,245	1,520,878	141,367
Public safety	14,738,737	15,753,486	14,139,809	1,613,677
Public works	4,742,742	5,417,348	4,696,700	720,648
Health and welfare	8,086,483	8,086,483	7,752,125	334,358
Education	6,944,770	6,985,121	6,868,446	116,675
Parks, recreation, and cultural	3,147,665	3,149,319	2,758,116	391,203
Community development	3,325,101	3,378,164	2,866,600	511,564
Nondepartmental	529,887	532,983	414,294	118,689
Capital projects	9,749,900	11,756,819	6,507,261	5,249,558
Debt service:				
Principal retirement	1,570,936	2,415,386	37,626,285	(35,210,899)
Interest and other fiscal charges	2,602,337	1,757,887	2,607,751	(849,864)
Bond issuance costs	6,500	759,800	658,107	101,693
Total expenditures	<u>\$ 60,276,379</u>	<u>\$ 65,037,056</u>	<u>\$ 91,684,832</u>	<u>\$ (26,647,776)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,270,880)</u>	<u>\$ (3,509,108)</u>	<u>\$ (33,881,537)</u>	<u>\$ (30,372,429)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 50,000	\$ 50,000	\$ 57,755	\$ 7,755
Transfers out	(886,680)	(886,680)	(886,680)	-
Issuance of general obligation bonds	1,807,560	3,963,688	59,050,600	55,086,912
Sale of capital assets	300,000	382,100	87,043	(295,057)
Payment to escrow agent	-	-	(21,819,016)	(21,819,016)
Total other financing sources (uses)	<u>\$ 1,270,880</u>	<u>\$ 3,509,108</u>	<u>\$ 36,489,702</u>	<u>\$ 32,980,594</u>
Net change in fund balances	\$ -	\$ -	\$ 2,608,165	\$ 2,608,165
Fund balances - beginning, as restated	-	-	12,966,892	12,966,892
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,575,057</u>	<u>\$ 15,575,057</u>

Note: GAAP serves as the budgetary basis of accounting

City of Bristol, Virginia  
 Schedule of Employer's Proportionate Share of the Net Pension Liability  
 For the Years Ended June 30, 2015 through June 30, 2018

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
<b>Primary Government</b>					
2017	95.30%	\$ 21,259,745	\$ 11,952,424	177.87%	80.17%
2016	95.98%	24,978,175	13,791,202	181.12%	76.40%
2015	95.98%	20,330,242	13,183,487	154.21%	80.41%
2014	95.98%	18,668,266	12,555,570	148.69%	81.76%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

City of Bristol, Virginia  
 Schedule of Employer Contributions  
 For the Years Ended June 30, 2008 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 2,214,065	\$ 1,961,818	\$ 252,247	\$ 13,066,288	15.01%
2017	2,323,691	2,075,925	247,766	11,952,424	17.37%
2016	2,471,383	1,977,658	493,725	13,791,202	14.34%
2015	2,362,481	1,890,512	471,968	13,183,487	14.34%

Current year contributions are from City records and prior year contributions are from the VRS actuarial valuation performed each year.

Schedule is intended to show information for 10 years. Prior to 2015, the Library's information was consolidated in the City's totals and presented in the City report. Therefore, sufficient information to allocate the prior year balances is not available. Additional years will be included as they become available.

City of Bristol, Virginia  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

City of Bristol, Virginia  
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios  
 Primary Government  
 For the Year Ended June 30, 2018

	2017
Total OPEB liability	
Service cost	\$ 98,173
Interest	106,027
Changes in assumptions	-
Differences between expected and actual experience	-
Benefit payments	(59,861)
Net change in total OPEB liability	\$ 144,339
Total OPEB liability - beginning	2,908,799
Total OPEB liability - ending	\$ 3,053,138
Covered-employee payroll	\$ 13,144,483
City's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	23.23%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

City of Bristol, Virginia  
Notes to Required Supplementary Information - City OPEB  
For the Year Ended June 30, 2018

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Valuation Date: 7/1/2017  
Measurement Date: 7/1/2017

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56%
Inflation	3.56%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.28% in 2017 and then 6.00% in 2018 for Pre-Medicare coverage and gradually declines 0.50% per year until an ultimate rate of 5.00% is reached.
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Fully Generational Mortality Table with base year 2006, using two-dimensional improvement scale MP-2017.

**City of Bristol, Virginia**  
**Schedule of City's Share of Net OPEB Liability**  
**Group Life Insurance Program**  
**For the Year Ended June 30, 2018**

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.0779% \$	1,116,904 \$	13,684,481	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

City of Bristol, Virginia  
 Schedule of Employer Contributions  
 Group Life Insurance Program  
 For the Years Ended June 30, 2009 through June 30, 2018

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 68,287	\$ 68,287	\$ -	\$ 13,132,182	0.52%
2017	71,160	71,160	-	13,684,481	0.52%
2016	68,971	68,971	-	14,368,829	0.48%
2015	65,931	65,931	-	13,735,661	0.48%
2014	68,865	68,865	-	14,346,978	0.48%
2013	69,220	69,220	-	14,420,809	0.48%
2012	38,635	38,635	-	13,798,071	0.28%
2011	38,935	38,935	-	13,905,393	0.28%
2010	45,678	45,678	-	22,505,585	0.20%
2009	60,383	60,383	-	22,364,001	0.27%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

City of Bristol, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2018

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

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

**General State Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020	
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75	
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	
Disability Rates	Adjusted rates to better match experience	
Salary Scale	No change	
Line of Duty Disability	Increased rate from 14% to 25%	

**Teachers**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020	
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75	
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	
Disability Rates	Adjusted rates to better match experience	
Salary Scale	No change	

**SPORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience	
Retirement Rates	Increased age 50 rates and lowered rates at older ages	
Withdrawal Rates	Adjusted rates to better fit experience	
Disability Rates	Adjusted rates to better match experience	
Salary Scale	No change	
Line of Duty Disability	Increased rate from 60% to 85%	

**VaLORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience	
Retirement Rates	Increased age 50 rates and lowered rates at older ages	
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	
Disability Rates	Adjusted rates to better fit experience	
Salary Scale	No change	
Line of Duty Disability	Decreased rate from 50% to 35%	

City of Bristol, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2018

**JRS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

**Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

City of Bristol, Virginia  
 Schedule of Employer's Share of Net LODA OPEB Liability  
 Line of Duty Act Program (LODA)  
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2017	0.9088% \$	2,389,000 \$	N/A	N/A	1.30%

\* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

City of Bristol, Virginia  
 Schedule of Employer Contributions  
 Line of Duty Act Program (LODA)  
 For the Years Ended June 30, 2017 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2018	\$ 96,453	\$ 96,453	-	N/A	N/A
2017	98,013	98,013	-	N/A	N/A

\*  
 The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only two years of data is available. However, additional years will be included as they become available.

City of Bristol, Virginia  
Notes to Required Supplementary Information  
Line of Duty Act Program (LODA)  
For the Year Ended June 30, 2018

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

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

**General State Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

**SPORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

**VaLORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

**Employees in the Largest Ten Locality Employers with Public Safety Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Employees in the Non-Largest Ten Locality Employers with Public Safety Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

## Other Supplementary Information

City of Bristol, Virginia  
CDBG Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 465,363	\$ 194,552	\$ (270,811)
Total revenues	<u>\$ -</u>	<u>\$ 465,363</u>	<u>\$ 194,552</u>	<u>\$ (270,811)</u>
<b>EXPENDITURES</b>				
Community development	\$ -	\$ 465,363	\$ 154,965	\$ 310,398
Total expenditures	<u>\$ -</u>	<u>\$ 465,363</u>	<u>\$ 154,965</u>	<u>\$ 310,398</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,587</u>	<u>\$ 39,587</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (57,755)	\$ (57,755)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,755)</u>	<u>\$ (57,755)</u>
Net change in fund balances	\$ -	\$ -	\$ (18,168)	\$ (18,168)
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,168)</u>	<u>\$ (18,168)</u>

City of Bristol, Virginia  
 Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2018

	<u>Agency Funds</u>			
	<u>Balance</u> July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> June 30, <u>2018</u>
<b>ASSETS</b>				
Cash and cash equivalents:				
Special Welfare Fund	\$ 76,567	\$ 241,085	\$ 219,582	\$ 98,070
FSA	26,434	33,036	33,956	25,514
Total assets	<u>\$ 103,001</u>	<u>\$ 274,121</u>	<u>\$ 253,538</u>	<u>\$ 123,584</u>
<b>LIABILITIES</b>				
Amounts held for others:				
Social services clients	\$ 76,567	\$ 241,085	\$ 219,582	\$ 98,070
Amounts held for employees	26,434	33,036	33,956	25,514
Total liabilities	<u>\$ 103,001</u>	<u>\$ 274,121</u>	<u>\$ 253,538</u>	<u>\$ 123,584</u>

## Supporting Schedules

City of Bristol, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,960,420	\$ 12,960,420	\$ 13,329,576	\$ 369,156
Real and personal public service corporation taxes	225,000	325,000	359,389	34,389
Personal property taxes	3,323,000	3,323,000	3,606,308	283,308
Other taxes	50,000	50,000	102,799	52,799
Penalties	150,000	150,000	182,632	32,632
Interest	165,000	165,000	191,044	26,044
Total general property taxes	<u>\$ 16,873,420</u>	<u>\$ 16,973,420</u>	<u>\$ 17,771,748</u>	<u>\$ 798,328</u>
Other local taxes:				
Local sales and use taxes	\$ 3,840,290	\$ 3,840,290	\$ 4,104,440	\$ 264,150
Consumers' utility taxes	150,000	150,000	155,204	5,204
Consumption taxes	80,000	80,000	74,704	(5,296)
Tobacco taxes	465,000	465,000	465,120	120
Business license taxes	1,389,500	1,389,500	1,401,431	11,931
Motor vehicle licenses	240,000	240,000	276,616	36,616
Bank stock taxes	385,000	425,000	437,918	12,918
Taxes on recordation and wills	150,000	150,000	235,294	85,294
Hotel and motel room taxes	1,225,000	1,225,000	1,368,400	143,400
Restaurant food taxes	5,670,000	5,670,000	5,642,445	(27,555)
Admissions taxes	130,000	130,000	113,621	(16,379)
Total other local taxes	<u>\$ 13,724,790</u>	<u>\$ 13,764,790</u>	<u>\$ 14,275,193</u>	<u>\$ 510,403</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,200	\$ 1,200	\$ 752	\$ (448)
Transfer fees	500	500	638	138
Charges for stormwater management	8,000	8,000	19,400	11,400
Zoning fees	6,500	6,500	7,727	1,227
Permits and other licenses	150,000	150,000	96,726	(53,274)
Total permits, privilege fees, and regulatory licenses	<u>\$ 166,200</u>	<u>\$ 166,200</u>	<u>\$ 125,243</u>	<u>\$ (40,957)</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 292,500</u>	<u>\$ 292,500</u>	<u>\$ 216,163</u>	<u>\$ (76,337)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 8,000	\$ 8,000	\$ 4,056	\$ (3,944)
Revenue from use of property	145,200	145,200	141,410	(3,790)
Total revenue from use of money and property	<u>\$ 153,200</u>	<u>\$ 153,200</u>	<u>\$ 145,466</u>	<u>\$ (7,734)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ -	\$ -	\$ 6,041	\$ 6,041

City of Bristol, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for courthouse maintenance	\$ 16,000	\$ 16,000	\$ 15,059	\$ (941)
Charges for courtroom security	60,000	60,000	63,597	3,597
Charges for miscellaneous jail and inmate fees	12,000	12,000	10,698	(1,302)
Charges for Commonwealth's Attorney	4,000	4,000	4,721	721
Charges for miscellaneous court	34,000	41,000	42,984	1,984
Charges for parks and recreation	28,000	28,000	15,663	(12,337)
Charges for bus tickets	46,000	46,000	42,389	(3,611)
Charges for golf course	743,000	743,000	679,530	(63,470)
Charges for law library	6,000	6,000	6,731	731
Other charges for services	107,000	107,000	102,909	(4,091)
Total charges for services	<u>\$ 1,056,000</u>	<u>\$ 1,063,000</u>	<u>\$ 990,322</u>	<u>\$ (72,678)</u>
Miscellaneous:				
Miscellaneous	\$ 462,500	\$ 482,000	\$ 407,149	\$ (74,851)
Revenue sharing payments - BVUA	350,000	350,000	564,378	214,378
Revenue sharing payments - Optinet	96,000	96,000	-	(96,000)
Payments in lieu of taxes	370,000	370,000	337,676	(32,324)
Total miscellaneous	<u>\$ 1,278,500</u>	<u>\$ 1,298,000</u>	<u>\$ 1,309,203</u>	<u>\$ 11,203</u>
Recovered costs:				
Insurance recoveries	\$ -	\$ 55,947	\$ 73,368	\$ 17,421
Other recovered costs	289,098	306,790	379,424	72,634
Total recovered costs	<u>\$ 289,098</u>	<u>\$ 362,737</u>	<u>\$ 452,792</u>	<u>\$ 90,055</u>
Total revenue from local sources	<u>\$ 33,833,708</u>	<u>\$ 34,073,847</u>	<u>\$ 35,286,130</u>	<u>\$ 1,212,283</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 25,000	\$ 25,000	\$ 13,979	\$ (11,021)
Mobile home titling tax	5,000	5,000	1,929	(3,071)
Motor vehicle rental tax	13,000	13,000	8,785	(4,215)
Communications tax	588,000	588,000	554,316	(33,684)
State tax on deeds	40,000	40,000	71,687	31,687
State sales tax	1,160,000	1,160,000	1,024,196	(135,804)
Personal property tax relief funds	723,990	723,990	723,990	-
Total noncategorical aid	<u>\$ 2,554,990</u>	<u>\$ 2,554,990</u>	<u>\$ 2,398,882</u>	<u>\$ (156,108)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 461,323	\$ 461,323	\$ 460,469	\$ (854)

City of Bristol, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Sheriff	\$ 2,026,502	\$ 2,026,502	\$ 2,010,058	\$ (16,444)
Commissioner of revenue	122,558	122,558	116,594	(5,964)
Treasurer	89,556	89,556	89,469	(87)
Registrar/electoral board	36,000	36,000	37,399	1,399
Clerk of the Circuit Court	278,786	280,525	273,415	(7,110)
Other shared expenses	29,000	29,000	24,646	(4,354)
Total shared expenses	<u>\$ 3,043,725</u>	<u>\$ 3,045,464</u>	<u>\$ 3,012,050</u>	<u>\$ (33,414)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 2,057,138	\$ 2,057,138	\$ 1,912,365	\$ (144,773)
Comprehensive services act	1,448,299	1,448,299	1,084,806	(363,493)
Law enforcement 599 funds	998,000	998,000	998,156	156
Family preservation grant	23,157	23,157	23,157	-
Wireless E-911 payment state grant	80,000	80,000	90,304	10,304
Asset forfeiture funds	-	-	3,715	3,715
Emergency services funds	16,000	64,407	54,816	(9,591)
VDOT grants	7,131,700	8,107,648	2,953,080	(5,154,568)
Street and highway maintenance	3,717,843	4,117,949	3,705,049	(412,900)
Mass transit funds	100,000	100,000	75,626	(24,374)
Metro planning organization	74,000	74,000	76,070	2,070
Fire program	51,000	200,706	59,625	(141,081)
HAZMAT funds	-	-	1,000	1,000
PSAP grants	2,000	2,000	489	(1,511)
4-for-life funds	14,000	14,000	12,783	(1,217)
Litter control grant	6,500	6,500	6,038	(462)
VA foundation for healthy youth	39,791	39,791	37,780	(2,011)
Victim witness funds	27,736	27,736	18,522	(9,214)
State contract jail beds	300,000	300,000	273,945	(26,055)
Tobacco region opportunity funds	-	3,386	41,830	38,444
Government opportunity grant	-	-	300,000	300,000
Other categorical aid	25,000	82,983	27,528	(55,455)
Total other categorical aid	<u>\$ 16,112,164</u>	<u>\$ 17,747,700</u>	<u>\$ 11,756,684</u>	<u>\$ (5,991,016)</u>
Total categorical aid	<u>\$ 19,155,889</u>	<u>\$ 20,793,164</u>	<u>\$ 14,768,734</u>	<u>\$ (6,024,430)</u>
Total revenue from the Commonwealth	<u>\$ 21,710,879</u>	<u>\$ 23,348,154</u>	<u>\$ 17,167,616</u>	<u>\$ (6,180,538)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,759,820	\$ 2,759,820	\$ 2,869,618	\$ 109,798

City of Bristol, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Cops hiring program CHP grant	\$ 125,000	\$ 125,000	\$ 118,656	\$ (6,344)
Selective enforcement grants	45,000	45,000	49,426	4,426
SHSP funds	-	179,321	127,619	(51,702)
Substance abuse and mental health services grant	68,312	275,059	208,494	(66,565)
Assistance to firefighters grant	-	257,143	257,143	-
V stop grant	21,771	21,771	10,885	(10,886)
UMTA funds	237,000	237,000	263,802	26,802
Victim witness funds	83,209	83,209	80,216	(2,993)
Bullet Proof Vest Grant	-	-	8,448	8,448
State homeland security grant	15,500	15,500	24,322	8,822
QSCB interest	-	-	126,429	126,429
Special projects	105,300	105,300	-	(105,300)
Street and highway maintenance	-	-	1,188,859	1,188,859
Other federal categorical aid	-	1,824	15,632	13,808
Total categorical aid	<u>\$ 3,460,912</u>	<u>\$ 4,105,947</u>	<u>\$ 5,349,549</u>	<u>\$ 1,243,602</u>
Total revenue from the federal government	<u>\$ 3,460,912</u>	<u>\$ 4,105,947</u>	<u>\$ 5,349,549</u>	<u>\$ 1,243,602</u>
Total General Fund	<u>\$ 59,005,499</u>	<u>\$ 61,527,948</u>	<u>\$ 57,803,295</u>	<u>\$ (3,724,653)</u>
Capital Projects Fund:				
CDBG Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Entitlement grants	\$ -	\$ 465,363	\$ 194,552	\$ (270,811)
Total categorical aid	<u>\$ -</u>	<u>\$ 465,363</u>	<u>\$ 194,552</u>	<u>\$ (270,811)</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 465,363</u>	<u>\$ 194,552</u>	<u>\$ (270,811)</u>
Total CDBG Fund	<u>\$ -</u>	<u>\$ 465,363</u>	<u>\$ 194,552</u>	<u>\$ (270,811)</u>
Total Primary Government	<u>\$ 59,005,499</u>	<u>\$ 61,993,311</u>	<u>\$ 57,997,847</u>	<u>\$ (3,995,464)</u>

City of Bristol, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
City Council	\$ 47,479	\$ 47,479	\$ 43,404	\$ 4,075
General and financial administration:				
City clerk	\$ 12,096	\$ 12,096	\$ 6,579	\$ 5,517
City manager	257,526	257,526	241,307	16,219
Human resources	156,183	156,183	153,451	2,732
Independent auditor	65,000	71,402	71,402	-
City attorney	150,000	150,000	151,833	(1,833)
Commissioner of revenue	326,279	326,279	302,037	24,242
Assessor	15,000	15,000	-	15,000
Treasurer	367,204	373,204	370,158	3,046
Finance	644,786	638,384	603,760	34,624
Purchasing	95,995	95,995	89,748	6,247
Health department	58,000	58,000	33,574	24,426
Retired benefits	155,000	155,000	113,791	41,209
Other	925,077	858,547	932,505	(73,958)
Total general and financial administration	\$ 3,228,146	\$ 3,167,616	\$ 3,070,145	\$ 97,471
Board of elections:				
Electoral board	\$ 166,920	\$ 166,920	\$ 154,911	\$ 12,009
Total board of elections	\$ 166,920	\$ 166,920	\$ 154,911	\$ 12,009
Total general government administration	\$ 3,442,545	\$ 3,382,015	\$ 3,268,460	\$ 113,555
Judicial administration:				
Courts:				
Circuit court	\$ 79,211	\$ 79,301	\$ 75,270	\$ 4,031
Drug Court	68,312	274,969	221,375	53,594
General district court	18,850	68,850	14,423	54,427
Juvenile and domestic relations court	2,800	2,800	2,155	645
Magistrate's office	1,000	1,000	795	205
Law library	1,800	1,800	529	1,271
Victim witness program	110,945	110,945	107,564	3,381
Clerk of the circuit court	417,938	434,660	415,852	18,808
Clerk of the juvenile and domestic relations court	12,450	12,450	9,921	2,529
Total courts	\$ 713,306	\$ 986,775	\$ 847,884	\$ 138,891
Commonwealth's attorney:				
Commonwealth's attorney	\$ 675,470	\$ 675,470	\$ 672,994	\$ 2,476
Total judicial administration	\$ 1,388,776	\$ 1,662,245	\$ 1,520,878	\$ 141,367
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 5,814,888	\$ 5,914,859	\$ 5,169,528	\$ 745,331
Total law enforcement and traffic control	\$ 5,814,888	\$ 5,914,859	\$ 5,169,528	\$ 745,331

City of Bristol, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire department	\$ 3,639,166	\$ 4,267,723	\$ 3,748,529	\$ 519,194
Total fire and rescue services	<u>\$ 3,639,166</u>	<u>\$ 4,267,723</u>	<u>\$ 3,748,529</u>	<u>\$ 519,194</u>
Correction and detention:				
City Sheriff & Jail	\$ 4,695,792	\$ 4,870,074	\$ 4,632,599	\$ 237,475
Appalachian Juvenile Commission	195,192	195,192	195,192	-
City Sheriff & Jail grants	9,000	9,000	3,200	5,800
Total correction and detention	<u>\$ 4,899,984</u>	<u>\$ 5,074,266</u>	<u>\$ 4,830,991</u>	<u>\$ 243,275</u>
Inspections:				
Building inspector	\$ 170,430	\$ 170,430	\$ 165,408	\$ 5,022
Total inspections	<u>\$ 170,430</u>	<u>\$ 170,430</u>	<u>\$ 165,408</u>	<u>\$ 5,022</u>
Other protection:				
Animal control	\$ 65,159	\$ 140,201	\$ 70,445	\$ 69,756
Medical examiner	500	500	180	320
Emergency preparedness	35,610	35,610	31,754	3,856
Hazardous materials emergency - ERS	15,000	51,897	26,521	25,376
Line of duty act	98,000	98,000	96,453	1,547
Total other protection	<u>\$ 214,269</u>	<u>\$ 326,208</u>	<u>\$ 225,353</u>	<u>\$ 100,855</u>
Total public safety	<u>\$ 14,738,737</u>	<u>\$ 15,753,486</u>	<u>\$ 14,139,809</u>	<u>\$ 1,613,677</u>
Public works:				
Sanitation and waste removal:				
Solid waste disposal	\$ 400,000	\$ 400,000	\$ 333,603	\$ 66,397
Total sanitation and waste removal	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 333,603</u>	<u>\$ 66,397</u>
Maintenance of highways, streets, bridges and sidewalks:				
Street and engineering divisions	\$ 808,948	\$ 970,948	\$ 724,662	\$ 246,286
VDOT reimbursed maintenance	2,609,464	3,122,070	3,038,991	83,079
Streetlights	29,400	29,400	25,856	3,544
Fleet maintenance	331,821	331,821	379,935	(48,114)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 3,779,633</u>	<u>\$ 4,454,239</u>	<u>\$ 4,169,444</u>	<u>\$ 284,795</u>
Maintenance of general buildings and grounds:				
General properties	\$ 531,909	\$ 531,909	\$ 171,516	\$ 360,393
Other city property	24,000	24,000	19,807	4,193
Municipal parking facilities	7,200	7,200	2,330	4,870
Total maintenance of general buildings and grounds	<u>\$ 563,109</u>	<u>\$ 563,109</u>	<u>\$ 193,653</u>	<u>\$ 369,456</u>
Total public works	<u>\$ 4,742,742</u>	<u>\$ 5,417,348</u>	<u>\$ 4,696,700</u>	<u>\$ 720,648</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 396,920	\$ 396,920	\$ 396,920	-

City of Bristol, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Mental health services	\$ 163,997	\$ 163,997	\$ 161,340	\$ 2,657
Total mental health and mental retardation	<u>\$ 163,997</u>	<u>\$ 163,997</u>	<u>\$ 161,340</u>	<u>\$ 2,657</u>
Welfare:				
Welfare administration and programs	\$ 5,417,023	\$ 5,417,023	\$ 4,969,269	\$ 447,754
Comprehensive services act	2,108,543	2,108,543	2,224,596	(116,053)
Total welfare	<u>\$ 7,525,566</u>	<u>\$ 7,525,566</u>	<u>\$ 7,193,865</u>	<u>\$ 331,701</u>
Total health and welfare	<u>\$ 8,086,483</u>	<u>\$ 8,086,483</u>	<u>\$ 7,752,125</u>	<u>\$ 334,358</u>
Education:				
Educational:				
Contributions to community colleges	\$ 33,760	\$ 33,760	\$ 33,760	\$ -
Other educational costs	-	40,351	44,747	(4,396)
Contribution to City School Board	6,911,010	6,911,010	6,789,939	121,071
Total education	<u>\$ 6,944,770</u>	<u>\$ 6,985,121</u>	<u>\$ 6,868,446</u>	<u>\$ 116,675</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 956,955	\$ 957,959	\$ 756,285	\$ 201,674
Programming	727,368	728,018	658,817	69,201
Clear Creek golf course	741,000	741,000	620,672	120,328
Total parks and recreation	<u>\$ 2,425,323</u>	<u>\$ 2,426,977</u>	<u>\$ 2,035,774</u>	<u>\$ 391,203</u>
Library:				
Library expenses	\$ 722,342	\$ 722,342	\$ 722,342	\$ -
Total parks, recreation, and cultural	<u>\$ 3,147,665</u>	<u>\$ 3,149,319</u>	<u>\$ 2,758,116</u>	<u>\$ 391,203</u>
Community development:				
Planning and community development:				
Planning and community development	\$ 381,837	\$ 356,837	\$ 272,166	\$ 84,671
Tourism promotion program	100,000	100,000	100,000	-
Economic development	135,759	140,969	193,034	(52,065)
Mount Rogers PDC	15,228	15,228	15,228	-
Chamber of Commerce	10,957	4,457	4,457	-
Keep Bristol Beautiful committee	-	6,500	6,500	-
VA's @Corridor	108,665	108,665	(2,469)	111,134
District 3 Governmental Coop	10,523	10,523	10,523	-
Office on Youth	45,117	45,117	35,330	9,787
Economic development activities	119,143	144,143	113,059	31,084
Family preservation	24,715	24,715	24,482	233
Code compliance	29,227	29,227	11,074	18,153
Non-city property management	21,980	21,980	7,636	14,344
Contribution to Industrial Development Authority	2,321,950	2,369,803	2,075,580	294,223
Total planning and community development	<u>\$ 3,325,101</u>	<u>\$ 3,378,164</u>	<u>\$ 2,866,600</u>	<u>\$ 511,564</u>

City of Bristol, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Total community development	\$ 3,325,101	\$ 3,378,164	\$ 2,866,600	\$ 511,564
Nondepartmental:				
Nondepartmental	\$ 529,887	\$ 532,983	\$ 414,294	\$ 118,689
Total nondepartmental	\$ 529,887	\$ 532,983	\$ 414,294	\$ 118,689
Capital outlay:				
Lee highway widening exit 7	\$ -	\$ 147,948	\$ 142,948	\$ 5,000
Exit 5 project	2,350,000	3,500,000	3,153,205	346,795
Flood damage red program	-	142,971	70,000	72,971
Lee highway widening phase 2	6,770,000	6,770,000	3,141,108	3,628,892
Other capital outlay	629,900	1,195,900	-	1,195,900
Total capital outlay	\$ 9,749,900	\$ 11,756,819	\$ 6,507,261	\$ 5,249,558
Debt service:				
Principal retirement	\$ 1,570,936	\$ 2,415,386	\$ 37,626,285	\$ (35,210,899)
Interest and other fiscal charges	2,602,337	1,757,887	2,607,751	(849,864)
Bond issuance costs	6,500	759,800	658,107	101,693
Total debt service	\$ 4,179,773	\$ 4,933,073	\$ 40,892,143	\$ (35,959,070)
Total General Fund	\$ 60,276,379	\$ 65,037,056	\$ 91,684,832	\$ (26,647,776)
Capital Projects Fund:				
CDBG Fund:				
Community development:				
Planning and community development:				
Administrative fees	\$ -	\$ 44,328	\$ 415	\$ 43,913
Demolition	-	29,973	-	29,973
Emergency Housing Rehab	-	67,509	85,819	(18,310)
Housing Maintenance Partnership	-	58,254	10,529	47,725
Enterprise Zone Incentives	-	45,748	24,353	21,395
CASA (People Inc)	-	3,657	3,743	(86)
Fred Hayes Park	-	87,341	-	87,341
Highlands Community Services	-	7,979	8,891	(912)
Sidewalk improvements	-	88,765	-	88,765
Bristol Public Library	-	9,309	11,820	(2,511)
Family Promise of Bristol	-	2,993	-	2,993
Crisis Center	-	10,199	-	10,199
Crossroads Medical Mission	-	4,654	4,654	-
King's Mt Supportive Housing	-	4,654	4,741	(87)
Total planning and community development	\$ -	\$ 465,363	\$ 154,965	\$ 310,398
Total CDBG Fund	\$ -	\$ 465,363	\$ 154,965	\$ 310,398
Total Primary Government	\$ 60,276,379	\$ 65,502,419	\$ 91,839,797	\$ (26,337,378)

## Statistical Information

CITY OF BRISTOL, VIRGINIA  
 Net Position by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
Net investment in capital assets	\$ 29,915,337	\$ 29,401,065	\$ 30,777,836	\$ 33,995,609	\$ 27,983,924	\$ 30,780,027	\$ 8,717,208	\$ 16,237,546	\$ 15,361,661	\$ 11,265,975
Restricted	2,073,182	1,614,580	955,441	779,252	2,029,871	1,149,693	2,376,424	990,054	461,041	394,934
Unrestricted	23,274,681	22,824,118	26,663,740	24,745,959	24,072,734	21,040,925	5,746,269	(14,148,599)	(12,353,658)	(12,226,017)
Total governmental activities net position	\$ 55,263,200	\$ 53,839,763	\$ 58,397,017	\$ 59,520,820	\$ 54,086,529	\$ 52,970,645	\$ 16,839,901	\$ 3,079,001	\$ 3,469,044	\$ (565,108)
<b>Business-type activities</b>										
Net investment in capital assets	\$ 54,845,271	\$ 60,044,625	\$ 512,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,882,306)	\$ (11,240,766)
Restricted	10,372	9,316	9,316	-	-	-	-	-	-	-
Unrestricted	(806,746)	538,771	(33,531,585)	(31,308,522)	(33,867,453)	(36,310,290)	(38,527,008)	(17,561,883)	(7,723,498)	(9,066,693)
Total business-type activities net position	\$ 54,048,847	\$ 60,592,712	\$ (33,009,722)	\$ (31,308,522)	\$ (33,867,453)	\$ (36,310,290)	\$ (38,527,008)	\$ (17,561,883)	\$ (17,605,804)	\$ (20,307,459)
<b>Primary government</b>										
Net investment in capital assets	\$ 84,760,608	\$ 89,445,690	\$ 31,290,383	\$ 33,995,609	\$ 27,983,924	\$ 30,780,027	\$ 8,717,208	\$ 16,237,546	\$ 5,479,355	\$ 25,209
Restricted	2,083,504	1,623,896	964,757	779,252	2,029,871	1,149,693	2,376,424	990,054	461,041	394,934
Unrestricted	22,467,935	23,362,889	(6,867,845)	(6,562,563)	(9,794,719)	(15,269,365)	(32,780,739)	(31,710,482)	(20,077,156)	(21,292,710)
Total primary government net position	\$ 109,312,047	\$ 114,432,475	\$ 25,387,295	\$ 28,212,298	\$ 20,219,076	\$ 16,660,355	\$ (21,687,107)	\$ (14,482,882)	\$ (14,136,760)	\$ (20,872,567)

Provisions of Statement No. 68 from the Governmental Accounting Standards Board (GASB) were implemented during the 2015 fiscal year. Financial information prior to the fiscal year ending June 30, 2015 has not been retroactively restated for provisions of this standard.

Note:

As of July 1, 2010, BVU Authority is considered to be a component unit of the City and will no longer be included in the City's financial data. Starting July 1, 2016, BVU ceased being a component unit of the City. As of July 1, 2011, the Clear Creek Golf Course fund was transferred to the General fund. The fiscal year 2016 numbers were restated in fiscal year 2017.

CITY OF BRISTOL, VIRGINIA  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government administration	\$ 2,661,457	\$ 2,978,720	\$ 2,700,711	\$ 2,738,642	\$ 3,863,132	\$ 3,644,857	\$ 3,577,188	\$ 3,808,184	\$ 3,293,394	\$ 2,870,965
Judicial administration	1,296,392	1,509,552	1,597,660	1,446,663	1,416,373	1,603,143	1,416,373	1,542,908	1,489,258	1,546,985
Public safety	12,896,808	12,367,339	12,555,932	13,108,290	13,203,468	13,658,662	13,353,824	13,950,011	14,845,666	14,203,394
Public works	6,333,187	6,659,981	4,931,172	5,645,111	5,825,721	6,078,766	5,735,516	6,491,233	6,612,183	7,196,519
Health and welfare	5,645,470	5,495,954	5,625,680	5,997,666	6,188,984	6,340,817	6,985,092	7,398,856	7,493,980	7,796,803
Education	9,307,322	9,265,259	8,598,977	8,937,192	9,370,182	9,468,882	9,495,178	9,354,408	6,664,037	6,810,420
Parks, recreation and cultural	2,882,840	2,835,079	2,784,258	3,798,309	3,933,370	3,817,264	3,241,612	3,354,408	3,142,962	3,092,715
Community development	1,692,851	2,867,133	4,609,396	2,378,139	2,791,217	5,182,711	5,533,853	2,766,734	5,058,993	3,024,445
Transit	552,299	552,312	555,189	545,380	474,911	506,937	415,780	397,012	-	-
Interest on long-term debt	1,156,243	925,339	1,049,255	1,092,274	1,495,132	1,406,389	2,273,656	2,602,511	3,047,922	3,823,602
Total governmental activities expenses	\$ 44,444,869	\$ 45,446,668	\$ 44,978,220	\$ 45,556,758	\$ 48,692,780	\$ 51,508,430	\$ 52,028,072	\$ 52,151,495	\$ 51,648,395	\$ 55,338,448
Business-type activities:										
Electric	\$ 51,968,590	\$ 48,136,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water	3,021,749	3,167,214	-	-	-	-	-	-	-	-
Wastewater	3,123,505	3,198,095	-	-	-	-	-	-	-	-
OptiNet	16,476,305	17,622,508	-	-	-	-	-	-	-	-
Solid Waste Disposal	7,020,171	7,252,392	7,117,767	6,853,393	6,799,466	6,201,423	5,888,523	6,147,043	6,036,630	8,083,494
Golf Course	1,117,334	1,093,885	1,019,440	-	-	-	-	-	-	-
Total business-type activities expenses	\$ 82,727,654	\$ 80,470,904	\$ 8,137,207	\$ 6,853,393	\$ 6,799,466	\$ 6,201,423	\$ 5,888,523	\$ 6,147,043	\$ 6,036,630	\$ 8,083,494
Total primary government expenses	\$ 127,172,523	\$ 125,917,572	\$ 53,115,427	\$ 52,410,151	\$ 55,492,246	\$ 57,709,853	\$ 57,916,595	\$ 58,298,538	\$ 57,685,025	\$ 63,421,942
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ 277,958	\$ 316,195	\$ 280,751	\$ 273,817	\$ 477,548	\$ 393,855	\$ 187,115	\$ 134,641	\$ -	\$ -
Judicial administration	230,806	279,718	332,140	348,572	341,793	316,409	292,519	266,659	53,309	55,074
Public safety	274,435	174,210	183,343	128,420	138,616	118,852	206,871	158,929	389,093	393,977
Public works	547	2,861	1,647	1,137	4,751	724	6,481	21,564	71,861	76,848
Parks, recreation and cultural	91,769	97,233	101,527	998,571	895,803	832,374	752,324	834,989	773,444	798,102
Other activities	39,318	34,769	39,865	44,620	46,395	32,640	56,943	69,234	5,875	7,277
Operating grants and contributions	13,225,110	13,868,952	16,737,399	14,065,443	14,277,719	15,647,934	13,894,225	15,316,508	15,920,827	16,152,641
Capital grants and contributions	2,656,318	3,730,705	2,947,622	4,189,662	2,722,801	2,722,801	5,091,895	8,353,503	2,111,361	4,157,971
Total governmental activities program revenues	\$ 16,896,261	\$ 18,504,643	\$ 20,654,294	\$ 20,050,242	\$ 17,553,538	\$ 20,065,589	\$ 20,478,373	\$ 25,188,027	\$ 19,325,770	\$ 21,644,563
Business-type activities:										
Charges for services:										
Electric	\$ 54,844,870	\$ 50,543,639	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water	3,530,035	3,179,182	-	-	-	-	-	-	-	-
Wastewater	3,197,360	3,316,913	-	-	-	-	-	-	-	-
OptiNet	17,234,687	19,236,343	-	-	-	-	-	-	-	-
Solid Waste Disposal	4,755,432	4,900,792	5,351,757	5,558,996	4,838,203	3,877,782	4,259,669	4,506,392	4,884,260	4,705,962
Golf Course	695,125	654,339	681,069	-	-	-	-	-	-	-
Capital grants and contributions	2,341,810	3,826,270	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 86,599,319	\$ 83,657,478	\$ 6,032,826	\$ 5,558,996	\$ 4,838,203	\$ 3,877,782	\$ 4,259,669	\$ 4,506,392	\$ 4,884,260	\$ 4,705,962
Total primary government program revenues	\$ 103,495,580	\$ 104,162,121	\$ 26,687,120	\$ 25,609,238	\$ 22,391,741	\$ 23,943,371	\$ 24,738,042	\$ 29,694,419	\$ 24,210,030	\$ 26,350,525
Net (expense) / revenue	\$ (27,548,608)	\$ (26,942,025)	\$ (24,353,926)	\$ (25,506,516)	\$ (31,139,242)	\$ (31,442,841)	\$ (31,549,699)	\$ (26,963,468)	\$ (32,322,625)	\$ (33,693,885)
Business-type activities	\$ 3,871,665	\$ 5,186,574	\$ (2,104,381)	\$ (1,294,397)	\$ (1,961,263)	\$ (2,323,641)	\$ (1,628,854)	\$ (1,640,651)	\$ (1,152,370)	\$ (3,372,532)
Total primary government net (expense)/revenue	\$ (23,676,943)	\$ (21,755,451)	\$ (26,458,307)	\$ (26,800,913)	\$ (33,100,505)	\$ (33,766,482)	\$ (33,178,553)	\$ (28,604,119)	\$ (33,474,995)	\$ (37,071,417)

CITY OF BRISTOL, VIRGINIA  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 12,686,832	\$ 12,651,353	\$ 13,427,997	\$ 13,597,177	\$ 13,833,296	\$ 14,380,655	\$ 15,946,537	\$ 16,993,071	\$ 18,343,545	\$ 17,385,958
Other taxes	11,613,383	11,448,949	11,722,627	12,419,037	12,427,340	12,316,335	13,264,747	13,863,419	13,637,649	14,275,193
Unrestricted grants and contributions	2,242,805	2,393,388	3,312,837	3,086,610	3,222,122	3,327,544	3,454,427	3,973,346	2,366,377	2,398,882
Unrestricted revenues from use of money and property	125,736	34,069	58,232	40,707	34,554	31,149	43,487	40,343	166,719	165,466
Miscellaneous	(2,343,748)	29,343	(99,480)	4,122	9,474	193,306	272,181	(51,679)	997,357	1,309,203
Gain (Loss) on disposal of capital assets	458,300	(1,352,839)		414,997	(84,010)	77,968	14,641	28,388		
Transfers				(2,932,331)			(986,243)	(22,605,369)	(785,408)	(886,680)
Special item-conveyance of property							(14,869,201)	1,425,649		
Total governmental activities	\$ 24,803,308	\$ 25,204,263	\$ 28,422,213	\$ 26,630,319	\$ 29,442,776	\$ 30,326,957	\$ 17,140,576	\$ 13,202,668	\$ 34,726,239	\$ 34,648,022
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 175,516	\$ 110,037	\$ 2,094	\$ 2,028	\$ 582	\$ 99	\$ 95	\$ 407	\$ 6,977	\$ 2,867
Miscellaneous				28,423			462		22,339	9,267
Gain (Loss) on disposal of capital assets	25,781	(105,585)	(19,154)	32,815	(8,725)	(5,102)	(11,123)		1,219	11,841
Transfers	(458,300)	1,352,839		2,932,331			986,243	22,605,369	785,408	886,680
Total business-type activities	\$ (257,003)	\$ 1,357,291	\$ (17,060)	\$ 2,995,997	\$ (8,143)	\$ (5,003)	\$ 975,677	\$ 22,605,776	\$ 815,943	\$ 910,655
Total primary government	\$ 24,546,305	\$ 26,561,554	\$ 28,405,153	\$ 29,625,916	\$ 29,434,633	\$ 30,321,954	\$ 18,116,253	\$ 35,808,444	\$ 35,542,182	\$ 35,558,677
Change in Net Position	\$ (2,745,300)	\$ (1,737,762)	\$ 4,068,287	\$ 1,123,803	\$ (1,696,466)	\$ (1,115,884)	\$ (14,409,123)	\$ (13,760,900)	\$ 2,403,614	\$ 954,137
Governmental activities	3,614,662	6,543,865	(2,121,441)	1,701,200	(1,969,406)	(2,328,644)	(653,177)	20,965,125	(336,427)	(2,466,877)
Business-type activities	869,362	4,806,103	1,946,846	2,825,003	(3,665,872)	(3,444,528)	(15,062,300)	7,204,225	2,067,187	(1,512,740)
Total primary government	\$ 4,484,024	\$ 11,350,000	\$ 3,991,253	\$ 4,526,203	\$ (5,632,278)	\$ (6,773,172)	\$ (19,461,423)	\$ 18,169,250	\$ 2,367,187	\$ (3,512,740)

Provisions of Statement No. 68 from the Governmental Accounting Standards Board (GASB) were implemented during the 2015 fiscal year. Financial information prior to the fiscal year ending June 30, 2015 has not been retroactively restated for provisions of this standard.

As of July 1, 2010, BVU Authority is considered to be a component unit of the City and will no longer be included in the City's financial data. Starting July 1, 2016, BVU ceased being a component unit of the City. As of July 1, 2011, the Clear Creek Golf Course fund was transferred to the General fund. The fiscal year 2016 numbers were restated in fiscal year 2017.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Nonspendable	\$ -	\$ -	\$ 20,641,868	\$ 18,228,985	\$ 19,835,179	\$ 22,661,237	\$ 22,642,183	\$ 521,732	\$ 707,275	\$ 693,895
Restricted/Reserved	19,727,559	20,656,132	955,441	779,252	2,029,871	1,149,693	2,376,424	990,054	3,828,772	688,350
Assigned	-	-	-	-	-	-	-	45,758	4,025	23,820
Unassigned/Unreserved	4,714,935	3,130,749	5,056,131	5,795,788	5,249,125	(277,620)	6,096,293	7,348,531	8,300,228	14,168,992
Total general fund	\$ 24,442,494	\$ 23,786,881	\$ 26,653,440	\$ 24,804,025	\$ 27,114,175	\$ 23,533,310	\$ 31,114,900	\$ 8,906,075	\$ 12,840,300	\$ 15,575,057
All other governmental funds										
Assigned	\$ -	\$ -	\$ 17,157	\$ 8,356	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	-	(8,925)	-	-	-	-	(18,168)
Unreserved:										
Special revenue funds	24,532	18,364	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 24,532	\$ 18,364	\$ 17,157	\$ 8,356	\$ (8,925)	\$ -	\$ -	\$ -	\$ -	\$ (18,168)

Effective July 1, 2010, the City adopted provisions of the Governmental Accounting Standards Board Statement Number 54. As such, components of fund balance beginning with the year ending June 30, 2011 follow requirements of that standard. The presentation of fund balance was changed to conform with GASB 54 beginning with fiscal year 2011. The fiscal year 2016 numbers were restated in fiscal year 2017.

CITY OF BRISTOL, VIRGINIA  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Taxes	\$ 24,918,957	\$ 24,620,177	\$ 25,730,352	\$ 26,334,737	\$ 27,619,746	\$ 27,436,595	\$ 29,117,698	\$ 30,511,538	\$ 31,860,324	\$ 32,046,941
Permits, privilege fees and regulatory licenses	43,601	31,359	104,035	69,455	48,089	69,535	169,671	130,317	175,884	125,243
Fines and forfeitures	134,421	175,137	222,367	228,566	212,516	196,285	169,313	144,190	150,338	216,163
Revenue from use of money and property	409,244	360,088	351,582	329,232	540,803	540,803	556,278	567,719	145,466	990,322
Charges for services	400,203	332,728	274,959	1,161,149	1,084,589	992,034	926,872	977,093	967,360	1,309,203
Miscellaneous	388,716	972,769	1,674,254	1,596,172	2,052,718	1,413,866	2,913,288	2,675,056	997,357	452,792
Recovered Costs	-	-	-	-	-	-	-	-	438,714	-
Intergovernmental	16,829,007	18,532,759	20,691,719	19,132,860	16,259,174	18,753,918	19,537,095	25,160,120	20,398,565	22,517,165
<b>Total revenues</b>	<b>\$ 43,124,149</b>	<b>\$ 45,025,017</b>	<b>\$ 49,049,268</b>	<b>\$ 48,852,171</b>	<b>\$ 47,819,635</b>	<b>\$ 49,403,036</b>	<b>\$ 53,099,897</b>	<b>\$ 59,754,592</b>	<b>\$ 55,135,261</b>	<b>\$ 57,803,295</b>
<b>Expenditures</b>										
General government administration	\$ 2,556,942	\$ 2,587,737	\$ 2,425,753	\$ 2,669,506	\$ 3,136,968	\$ 3,127,195	\$ 3,192,661	\$ 3,127,629	\$ 3,679,300	\$ 3,268,460
Judicial administration	1,271,989	1,401,759	1,485,763	1,453,743	1,379,353	1,284,285	1,322,111	1,492,193	1,473,001	1,570,878
Public safety	12,511,555	12,199,613	12,908,930	13,202,148	13,090,233	13,378,990	13,815,140	15,591,034	14,676,295	14,139,809
Public works	4,033,008	4,136,424	4,267,752	4,750,566	4,965,547	5,191,466	4,920,842	7,218,312	4,812,644	4,696,700
Health and welfare	5,623,301	5,507,342	5,635,487	6,016,795	6,198,340	6,359,553	6,953,676	7,400,902	7,447,964	7,752,125
Education	9,009,699	8,976,766	8,298,377	8,701,292	9,151,682	9,281,682	9,346,760	9,671,236	6,505,637	6,868,446
Parks, recreation and cultural	2,849,361	2,514,823	2,504,239	3,458,881	3,616,612	3,544,177	3,170,823	3,580,190	3,126,275	2,758,116
Community development	1,692,851	2,867,133	4,797,396	2,401,272	1,674,584	2,470,287	2,115,716	2,788,366	4,410,243	2,866,600
Transit	623,487	520,962	598,985	519,256	578,936	474,236	392,271	374,386	-	-
Nondepartmental	-	-	-	-	-	-	-	-	610,391	414,294
Capital projects	3,343,054	2,024,195	2,259,068	5,901,666	23,797,731	19,906,730	6,820,042	7,709,278	3,718,363	6,507,261
Debt service:										
Principal retirement	1,282,171	7,354,194	6,876,400	4,470,405	10,828,820	15,404,710	7,138,750	50,877,500	1,205,528	37,626,285
Bond insurance costs	-	-	-	-	-	-	-	-	127,015	658,107
Interest and other fiscal charges	983,772	979,386	923,095	1,007,191	1,699,310	2,127,968	2,126,011	2,936,887	2,855,623	2,607,751
<b>Total expenditures</b>	<b>\$ 45,781,190</b>	<b>\$ 51,070,334</b>	<b>\$ 52,981,245</b>	<b>\$ 54,552,721</b>	<b>\$ 80,118,116</b>	<b>\$ 82,551,279</b>	<b>\$ 61,374,803</b>	<b>\$ 112,767,913</b>	<b>\$ 54,648,279</b>	<b>\$ 91,684,832</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (2,657,041)</b>	<b>\$ (6,045,317)</b>	<b>\$ (3,931,977)</b>	<b>\$ (5,700,550)</b>	<b>\$ (32,298,481)</b>	<b>\$ (33,148,243)</b>	<b>\$ (8,214,906)</b>	<b>\$ (53,013,321)</b>	<b>\$ 486,982</b>	<b>\$ (33,881,537)</b>
<b>Other financing sources (uses)</b>										
Transfers in	\$ 809,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,026,124	\$ 57,755
Transfers out	-	(1,352,839)	-	(2,996,108)	-	-	(986,243)	(2,605,369)	(2,811,532)	(886,680)
Issuance of debt	-	6,630,569	6,270,473	6,146,486	34,115,513	28,756,450	14,750,000	49,930,000	4,466,125	59,050,600
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	(21,819,016)
Insurance recoveries	-	-	21,468	671,165	9,474	193,306	14,641	28,388	-	-
Capital leases	-	-	-	-	411,251	496,408	524,161	3,407,070	-	-
Sale of capital assets	65,630	105,806	16,421	20,791	55,112	130,139	1,493,937	44,407	33,640	87,043
<b>Total other financing sources (uses)</b>	<b>\$ 874,653</b>	<b>\$ 5,383,536</b>	<b>\$ 6,308,362</b>	<b>\$ 3,842,334</b>	<b>\$ 34,591,350</b>	<b>\$ 29,576,303</b>	<b>\$ 15,796,496</b>	<b>\$ 30,804,496</b>	<b>\$ 3,714,357</b>	<b>\$ 36,489,702</b>
<b>Net change in fund balances</b>	<b>\$ (1,782,388)</b>	<b>\$ (661,781)</b>	<b>\$ 2,376,385</b>	<b>\$ (1,858,216)</b>	<b>\$ 2,292,869</b>	<b>\$ (3,571,940)</b>	<b>\$ 7,581,990</b>	<b>\$ (22,208,825)</b>	<b>\$ 4,201,339</b>	<b>\$ 2,608,165</b>
<b>Debt service as a percentage of noncapital expenditures</b>	5.34%	16.99%	15.38%	11.26%	22.24%	27.99%	17.00%	51.22%	8.22%	47.24%

The fiscal year 2016 numbers were restated in fiscal year 2017.

CITY OF BRISTOL, VIRGINIA  
 General Governmental Tax Revenues by Source  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

Revenues	Fiscal Year										% Change 2009-2018
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
General Property Taxes	\$ 13,305,574	\$ 13,171,228	\$ 14,007,725	\$ 13,915,700	\$ 15,192,406	\$ 15,120,260	\$ 15,852,951	\$ 16,648,119	\$ 18,202,398	\$ 17,771,748	33.57%
Restaurant Meal Taxes	4,827,397	4,641,053	4,830,690	5,055,094	5,349,403	5,226,248	5,749,073	5,624,278	5,743,673	5,642,445	16.88%
Local Sales & Use Taxes	3,654,218	3,607,230	3,626,112	3,968,672	3,690,245	3,661,560	3,651,226	4,048,832	3,861,683	4,104,440	12.32%
Business License Taxes	1,122,829	1,077,817	1,123,574	1,300,348	1,158,940	1,203,627	1,178,435	1,423,571	1,181,072	1,401,431	24.81%
Lodging Taxes	930,582	936,836	914,244	926,754	1,011,142	992,389	1,099,052	1,186,427	1,252,539	1,368,400	47.05%
Bank Stock Taxes	352,064	465,464	514,730	408,863	446,719	489,100	450,157	384,303	345,315	437,918	24.39%
Motor Vehicle License Tax	237,869	236,155	226,898	245,591	255,625	247,584	278,234	237,286	246,335	276,616	16.29%
Cigarette Taxes	170,830	187,063	176,058	170,956	154,988	149,521	346,317	426,930	530,684	465,120	172.27%
Consumer Utility Taxes	113,337	116,576	117,578	140,174	147,845	140,382	146,758	153,801	154,648	155,204	36.94%
Taxes on Recordation & Wills	116,235	95,511	106,531	123,771	131,753	124,456	185,565	175,229	156,898	235,294	102.43%
Admissions Tax (1)	-	-	-	-	-	-	99,969	127,527	112,905	113,621	#DIV/0!
Electric Consumption Tax	88,020	85,474	86,213	78,815	80,679	81,467	79,959	75,235	72,174	74,704	-15.13%
<b>Total Revenues</b>	<b>\$ 24,918,955</b>	<b>\$ 24,620,407</b>	<b>\$ 25,730,353</b>	<b>\$ 26,334,738</b>	<b>\$ 27,619,745</b>	<b>\$ 27,436,594</b>	<b>\$ 29,117,696</b>	<b>\$ 30,511,538</b>	<b>\$ 31,860,324</b>	<b>\$ 32,046,941</b>	

(1) In FY2015, the City adopted an admission tax.

CITY OF BRISTOL, VIRGINIA  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year Ended	Real Property			Public Service Corporation		
	Assessed Value	Estimated Actual Value	Assessment Ratio	Assessed Value (1)	Estimated Actual Value	Assessment Ratio
2018	\$ 1,159,349,670	\$ 1,159,349,670	1.00	\$ 19,139,332	\$ 19,139,332	1.00
2017	1,119,683,562	1,119,683,562	1.00	19,141,769	19,141,769	1.00
2016	1,060,336,824	1,060,336,824	1.00	18,782,178	18,782,178	1.00
2015	1,031,933,300	1,031,933,300	1.00	18,414,192	18,414,192	1.00
2014	1,034,599,500	1,034,599,500	1.00	19,026,098	19,026,098	1.00
2013	1,055,629,250	1,055,629,250	1.00	17,498,045	17,498,045	1.00
2012	1,042,579,914	1,042,579,914	1.00	15,943,605	15,943,605	1.00
2011	1,037,501,250	1,037,501,250	1.00	15,373,438	15,373,438	1.00
2010	1,032,776,250	1,032,776,250	1.00	15,573,204	15,573,204	1.00
2009	932,366,500	932,366,500	1.00	14,250,641	14,250,641	1.00

Personal Property

Fiscal Year Ended	Personal Property			Machinery & Tools/Business Furn & Fixtures			Mobile Homes		
	Personal Property	Estimated Actual Value	Assessment Ratio	Machinery & Tools/Business Furn & Fixtures	Estimated Actual Value	Assessment Ratio	Mobile Homes	Estimated Actual Value	Assessment Ratio
2018	\$ 96,645,353	\$ 96,645,353	1.00	\$ 23,244,042	\$ 77,480,140	0.30	\$ 1,038,533	\$ 1,038,533	1.00
2017	98,420,988	98,420,988	1.00	28,808,328	96,027,760	0.30	1,052,119	1,052,119	1.00
2016	92,816,997	92,816,997	1.00	28,454,655	94,848,850	0.30	1,550,826	1,550,826	1.00
2015	26,968,568	89,895,227	0.30	29,368,709	97,895,697	0.30	1,505,142	1,505,142	1.00
2014	27,434,272	91,447,573	0.30	26,420,298	88,067,660	0.30	1,495,279	1,495,279	1.00
2013	26,901,534	89,671,780	0.30	28,792,186	95,973,953	0.30	1,534,142	1,534,142	1.00
2012	25,058,921	83,529,737	0.30	25,145,091	83,816,970	0.30	1,458,625	1,458,625	1.00
2011	24,357,820	81,192,733	0.30	26,158,706	87,195,687	0.30	1,468,048	1,468,048	1.00
2010	21,432,377	71,441,257	0.30	25,980,636	86,602,120	0.30	1,377,046	1,377,046	1.00
2009	25,118,747	83,729,157	0.30	26,077,432	86,924,773	0.30	1,279,636	1,279,636	1.00

CITY OF BRISTOL, VIRGINIA  
Property Tax Rates and Tax Levies  
Last Ten Fiscal Years

Fiscal Year Ended	Real Property		Public Service Corporation	
	Direct Tax Rate (1)	Levy	Direct Tax Rate (1)	Levy
2018	\$ 1.17	\$ 13,467,988	\$ 1.17	\$ 235,423
2017	1.19	12,993,566	1.19	227,758
2016	1.12	11,809,738	1.12	214,388
2015	1.07	10,988,079	1.07	200,969
2014	1.01	10,402,111	1.01	185,983
2013	0.99	10,408,457	0.99	188,358
2012	0.94	9,771,098	0.94	164,453
2011	0.94	9,752,512	0.94	149,870
2010	0.94	9,708,097	0.94	144,510
2009	1.05	9,789,848	1.05	163,519

Fiscal Year Ended	Personal Property		Machine & Tools/Business Furniture & Fixtures		Mobile Homes	
	Direct Tax Rate (1)	Levy (2) (3)	Direct Tax Rate (1)	Levy	Direct Tax Rate (1)	Levy
2018	\$ 2.60	\$ 2,207,639	\$ 7.00	\$ 1,627,003	\$ 1.17	\$ 12,151
2017	2.60	2,102,101	7.00	2,016,583	1.19	12,520
2016	2.10	1,513,689	7.00	1,991,826	1.12	11,557
2015	2.10	1,479,346	7.00	2,055,810	1.07	10,612
2014	2.10	1,487,305	7.00	1,849,420	1.01	13,308
2013	2.10	1,465,915	7.00	2,015,452	0.99	13,633
2012	2.10	1,369,345	7.00	1,760,157	0.94	13,800
2011	2.10	1,342,997	7.00	1,831,109	0.94	13,711
2010	2.10	1,168,043	7.00	1,818,644	0.94	14,421
2009	2.10	1,304,138	7.00	1,825,420	1.05	15,700

(1) The City is autonomous from any other political subdivision of the Commonwealth of Virginia, and there are no overlapping taxing powers with other political subdivisions.

(2) Levy does not include the state portion of the Personal Property Tax Relief Act

(3) Levy includes the vehicle license fee

CITY OF BRISTOL, VIRGINIA  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount (1)	Percentage of Levy		Amount	Percentage of Levy
2018	\$ 17,476,466	\$ 16,519,367	94.52%	\$ -	\$ 16,519,367	94.52%
2017	17,644,188	16,448,984	93.23%	405,175	16,854,159	95.52%
2016	15,541,198	14,835,535	95.46%	488,471	15,324,006	98.60%
2015	14,734,816	14,162,206	96.11%	401,026	14,563,232	98.84%
2014	13,938,127	13,327,390	95.62%	551,358	13,878,748	99.57%
2013	14,091,815	13,394,107	95.05%	649,807	14,043,914	99.66%
2012	13,077,853	12,301,612	94.06%	682,890	12,984,502	99.29%
2011	13,090,199	12,252,114	93.60%	723,376	12,975,490	99.12%
2010	12,853,715	12,044,688	93.71%	673,629	12,718,317	98.95%
2009	13,098,625	12,345,860	94.25%	573,831	12,919,691	98.63%

Source: Commissioner of Revenue, City Treasurer's office

(1) Includes collections and assessments under the State's PPTRA program

Table 9

CITY OF BRISTOL, VIRGINIA  
Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	Description	Fiscal Year 2018				Fiscal Year 2009			
		Taxable Assessed	Valuation	Rank	% of Total Taxable Assessed Value	Taxable Assessed	Valuation	Rank	% of Total Taxable Assessed Value
		Valuation				Valuation			
One Alpha Place LLC	Office Building	\$ 26,020,800		1	2.3%	\$ -			0.0%
US Magis International	College	10,617,500		2	0.9%	-			0.0%
Cabela's Wholesale Inc.	Retail	10,158,770		3	0.9%	-			0.0%
Lowes Home Centers LLC	Retail	10,123,500		4	0.9%	-			0.0%
D&J Virginia Real Estate LLC	Hotel	8,703,500		5	0.8%	17,437,600	1	1	1.9%
Apple Nine SPE Bristol	Hotel	8,373,700		6	0.7%	6,502,700	5	5	0.7%
HD Development of MD	Retail	8,181,800		7	0.7%	8,392,900	3	3	0.9%
Bristol Hotel Master Landlord	Hotel	8,104,000		8	0.7%	-			
Debra Jean Limited	Movie Theater	7,859,400		9	0.7%	7,178,300	4	4	0.8%
Bristol Hotels Inc.	Hotel	7,725,400		10	0.7%	-			
Bristol Mall Acquisitions LLC	Shopping Mall	-			0.0%	16,871,900	2	2	1.8%
Ball Metal Beverage Container Corp.	Manufacturing	-			0.0%	5,733,000	6	6	0.6%
Ventas Realty Limited Partnership	Shopping Center	-			0.0%	5,662,400	7	7	0.6%
Pacific Capital Group	Shopping Center	-			0.0%	4,552,900	8	8	0.5%
Yale Linden Associates LLC	Shopping Center	-			0.0%	4,300,700	9	9	0.5%
Yale Bristol VA LLC	Shopping Center	-			0.0%	4,246,200	10	10	0.5%
BLC Bristol-GC LLC	Assisted Living	-			0.0%	-			
BACM 2006 5 Gate City Hwy LLC	Shopping Mall	-			0.0%	-			
Bristol Plaza	Shopping Mall	-			0.0%	-			
Boise Cascade Office Products	Office Building	-			0.0%	-			
<b>Totals</b>		<b>105,868,370</b>			<b>9.3%</b>	<b>80,878,600</b>			<b>8.8%</b>

Source: Commissioner of Revenue

**CITY OF BRISTOL, VIRGINIA**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Years	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (3)	Per Capita (3)
	General Obligation Bonds (1)	Literary Loans	Capital Leases	General Obligation Bonds (1)	Revenue Bonds (1) (4)	Capital Leases	Total				
2018	\$ 74,220,358	\$ -	\$ 3,055,373	\$ 34,952,622	\$ -	\$ 239,729	\$ 112,468,082	16.67%	6,554		
2017	72,578,145	240,000	3,979,839	34,159,171	-	311,929	111,269,084	16.02%	6,297		
2016	68,780,899	480,000	4,251,733	32,501,822	-	324,570	106,339,024	15.31%	6,018		
2015	69,549,353	720,000	1,411,911	32,783,774	-	234,067	104,699,105	14.56%	5,940		
2014	61,759,056	960,000	1,336,405	33,079,476	-	376,627	97,511,564	13.83%	5,512		
2013	22,713,193	1,200,000	1,139,435	33,984,762	-	262,948	59,300,338	8.61%	3,345		
2012	23,424,864	1,440,000	1,033,533	32,918,845	-	377,572	59,194,814	8.29%	3,344		
2011	18,135,688	1,680,000	1,061,158	36,682,748	-	366,539	57,926,133	8.68%	3,258		
2010	18,243,183	1,920,000	1,187,274	36,470,819	46,560,500	397,603	104,779,379	17.03%	5,875		
2009	18,655,980	2,172,387	1,307,841	37,788,681	47,585,500	235,702	107,746,091	17.35%	6,013		

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Includes Unamortized Bond Premiums

(2) Includes Capital Leases

(3) See the Table 13 - Demographic and Economic Statistics for personal income and population data

(4) As of July 1, 2010, BVU Authority is considered to be a component unit of the City and will no longer be included in the City's financial data. Starting July 1, 2016, BVU ceased being a component unit of the City.

CITY OF BRISTOL, VIRGINIA  
 Ratios of General Bonded Debt Outstanding  
 Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Real Property (2)	Per Capita (3)
	General Obligation Bonds (1)	Total		
2018	\$ 109,172,980	\$ 109,172,980	9.42%	6,362
2017	106,737,316	106,737,316	9.53%	6,041
2016	101,282,721	101,282,721	9.05%	5,732
2015	102,333,127	102,333,127	9.65%	5,806
2014	94,838,532	94,838,532	9.19%	5,361
2013	56,697,955	56,697,955	5.48%	3,198
2012	56,343,709	56,343,709	5.34%	3,183
2011	54,818,436	54,818,436	5.26%	3,083
2010	54,714,002	54,714,002	5.27%	3,068
2009	56,444,661	56,444,661	5.47%	3,150

(1) Includes Unamortized Bond Premiums

(2) See Table 6-Assessed Value and Estimated Actual Value of Taxable Property for real property value data.

(3) See the Table 13-Demographic and Economic Statistics for personal and population data.

CITY OF BRISTOL, VIRGINIA  
Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 9,323,665	\$ 103,750,125	\$ 106,002,870	\$ 107,435,535	\$ 105,301,369	\$ 105,071,548	\$ 107,947,859	\$ 107,947,859	\$ 111,968,356	\$ 115,934,967
Total net debt applicable to limit	59,952,387	57,830,000	56,339,584	57,607,500	81,145,000	94,647,500	102,070,000	104,212,721	106,737,316	109,172,980
Legal debt margin	<u>\$ (50,628,722)</u>	<u>\$ 45,920,125</u>	<u>\$ 49,663,286</u>	<u>\$ 52,589,754</u>	<u>\$ 24,156,369</u>	<u>\$ 10,424,048</u>	<u>\$ 5,877,859</u>	<u>\$ 3,735,138</u>	<u>\$ 5,231,040</u>	<u>\$ 6,761,987</u>
Total net debt applicable to the limit as a percentage of debt limit	643.01%	55.74%	53.15%	53.62%	77.06%	90.08%	94.55%	96.54%	95.33%	94.17%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 1,159,349,670
Total assessed value	<u>\$ 1,159,349,670</u>
Debt limit (10% of total assessed value)	\$ 115,934,967
Net debt applicable to limit	<u>109,235,480</u>
Legal debt margin	<u>\$ 6,699,487</u>

Note: Includes General Real Estate and Public Service Corporation Real Estate

CITY OF BRISTOL, VIRGINIA  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Population (1) (2)	Personal Income	Per Capita Personal Income (3)	Median Age	School Enrollment (4)	Unemployment Rate (5)
2018	17,160 est	674,748,360 est	39,321 est	42.0 est	2,157	4.2%
2017	17,160	674,748,360	39,321	42.9	2,171	4.3%
2016	17,669	694,762,749	39,321	42.9	2,193	5.2%
2015	17,625	718,870,875	40,787	42.6	2,182	5.9%
2014	17,690	705,229,540	39,866	41.6	2,207	7.0%
2013	17,728	689,069,632	38,869	41.7	2,232	7.4%
2012	17,702	714,346,508	40,354	50.8	2,265	7.8%
2011	17,780	667,656,780	37,551	41.1	2,276	8.6%
2010	17,835	615,271,830	34,498	41.0	2,244	8.8%
2009	17,919	621,072,540	34,660	43.2	2,265	9.8%

(1) Population, school enrollment, and unemployment figures are based on fiscal year ending June 30. Per Capita Income is as of December 31.

(2) Population is based on figures available from the Weldon Cooper Center for Public Services

(3) Source: Bureau of Economic Analysis US Department of Commerce

Per Capita Income is based on Bristol of Bristol, Virginia + Washington County, Virginia

(4) Source: Bristol Virginia School System; does not include preschool enrollment

(5) Source: Virginia Employment Commission

CITY OF BRISTOL, VIRGINIA  
Principal Employers  
Current Year and Nine Years Ago

Employer	Fiscal Year 2018			Fiscal Year 2009		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Electro Mechanical Corp	500	1	15.98%	600	1	13.95%
Bristol, Virginia Schools System	383	2	12.24%	410	4	9.53%
City of Bristol	379	3	12.12%	387	7	9.00%
Shearer's (formerly Moore's Snack Foods)	330	4	10.55%	200	11	4.65%
KVAT	300	5	9.59%			
VDOT (Commonwealth of Virginia)	278	6	8.89%	250	9	5.81%
Strongwell	250	7	7.99%	400	5	9.30%
United Parcel Service	200	8	6.39%	300	8	6.98%
Aerus (formerly Electrolux)	168	9	5.37%	125	12	2.91%
Lowe's	130	10	4.16%			
Cabela's	130	11	4.16%			
Office Max	80	12	2.56%	500	2	11.63%
Sprint PCS				500	2	11.63%
US Solutions				394	6	9.16%
Ball Corp (formerly Reynolds Metal)				235	10	5.45%
Totals	<u>3,128</u>		<u>100.00%</u>	<u>4,301</u>		<u>100.00%</u>

Source: Community Development & Planning

CITY OF BRISTOL, VIRGINIA  
Full-time Equivalent City Government Employees by Function/Program  
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	23	23	24	24	25	24	23	23	26	23
Judicial administration	16	16	16	17	15	15	16	17	18	18
Public safety	173	172	171	173	173	169	167	173	176	179
Public works	23	22	25	25	29	30	30	31	32	34
Solid waste	45	41	33	34	31	28	29	26	25	25
Health and welfare	39	39	41	41	42	44	43	42	43	40
Parks, recreation, and cultural	26	27	26	27	28	27	25	25	23	23
Library	24	22	21	24	22	21	23	29	22	22
Community development	9	7	7	7	6	9	10	9	8	8
Transit	9	9	10	8	7	7	6	6	7	7
<b>Totals</b>	<b>387</b>	<b>378</b>	<b>374</b>	<b>380</b>	<b>378</b>	<b>374</b>	<b>372</b>	<b>381</b>	<b>380</b>	<b>379</b>

Source: Individual city departments  
As of July 1, 2010, BVU Authority is considered to be a component unit of the City and will no longer be included in the City's financial data. Starting July 1, 2016, BVU ceased being a component unit of the City.

CITY OF BRISTOL, VIRGINIA  
Operating Indicators by Function  
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Judicial Administration										
Sheriff:										
Inmates Housed (Daily)	126	131	143	141	153	153	144	140	145	151
Inmate Transports	512	353	416	583	396	537	522	519	568	917
Courts Worked	628	661	625	583	641	651	598	609	563	541
Public Safety										
Police:										
Criminal Warrants	2,978	3,126	2,409	2,631	2,393	2,666	2,276	2,419	2,273	1,710
Parking Violations	500	611	343	154	141	105	85	114	70	156
Traffic Violations	3,803	5,244	6,084	5,994	5,712	5,181	4,584	4,674	4,646	4,513
Fire-Current:										
Fire Responses	183	173	169	157	129	118	88	95	109	108
EMS Responses	1,123	1,314	1,480	1,390	1,398	1,583	1,598	990	1,389	1,836
Hazmat Responses	97	79	83	67	62	60	50	42	46	37
Other Responses	907	803	798	901	945	847	786	555	669	599
Public Works										
Refuse Collected (tons per day)	33	32	31	29	28	27	28	28	28	28
Recyclables collected (tons per day)	10	13	11	7	13	13	11	10	11	10
Library										
Volumes in collection	164,494	165,858	178,331	169,312	169,175	164,175	165,534	162,271	172,688	175,930
Total Circulated	371,697	390,382	382,877	381,470	381,470	352,080	312,565	287,868	280,164	275,015

CITY OF BRISTOL, VIRGINIA  
Capital Asset and Infrastructure Statistics by Function/Program  
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Law Enforcement Vehicles	73	76	69	70	63	66	64	67	67	60
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public works										
Primary Streets (lane miles)	50.64	50.64	50.64	50.64	50.64	50.64	50.64	49.67	49.63	52.07
Secondary Streets (lane miles)	208.23	208.55	210.49	210.49	210.49	210.49	210.49	207.43	214.96	218.00
Parks, Recreation, and Cultural										
Community Center	1	1	1	1	1	1	1	1	1	1
Parks/Athletic Fields	18	18	18	18	18	18	18	18	18	18

Source: Individual city departments. Prior year information provided to the extent available.

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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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To the Honorable Members of  
City Council of the  
City of Bristol, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bristol, Virginia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Bristol, Virginia's basic financial statements and have issued our report thereon dated December 4, 2018.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bristol, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items [2018-002].

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

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

### Purpose of this Report

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

*Prolina, Favel, Cox Associates*

Blacksburg, Virginia  
December 4, 2018

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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To the Honorable Members of  
City Council of the  
City of Bristol, Virginia

### Report on Compliance for Each Major Federal Program

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

#### *Management's Responsibility*

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

#### *Auditors' Responsibility*

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

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

#### *Opinion on Each Major Federal Program*

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

## Report on Internal Control over Compliance

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

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

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

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

*Polina, Fanev, Cox Associates*

Blacksburg, Virginia  
December 4, 2018

City of Bristol, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF AGRICULTURE:</i>			
Pass Through Payments:			
<i>State Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117/0010118/00301 18/0430018/0040117/00 40118/0050117/0050118	\$ 375,807
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596	0060117	<u>33,880</u>
Total Department of Agriculture			<u>\$ 409,687</u>
<i>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</i>			
Pass Through Payments:			
<i>State Department of Social Services:</i>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	not available	\$ 208,494
Promoting Safe and Stable Families	93.556	0950116/0950117	18,849
Temporary Assistance for Needy Families	93.558	0400117/0400118	377,086
Refugee and Entrant Assistance-State Administered Programs	93.566	0500117/0500118	464
Low-Income Home Energy Assistance	93.568	0600417/0600418	45,015
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117	1,066
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760118	52,811
Chafee Education and Training Vouchers Program	93.599	9160117	2,993
Adoption and Legal Guardianship Incentive Payments	93.603	1130115/1130116	2,460
Foster Care - Title IV-E	93.658	1100117/1100118	650,895
Adoption Assistance	93.659	1120117/1120118	478,673
Social Services Block Grant	93.667	1000117/1000118	429,007
Chafee Foster Care Independence Program	93.674	9150117/9150118	7,738
Children's Health Insurance Program	93.767	0540117/054118	14,854
Medical Assistance Program	93.778	1200117/1200118	<u>378,020</u>
Total Department of Health and Human Services			<u>\$ 2,668,425</u>
<i>DEPARTMENT OF HOMELAND SECURITY:</i>			
Direct Payments:			
Assistance to Firefighters Grant	97.044	not available	\$ 257,143
Pass Through Payments:			
<i>State Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	110273/112485	24,322
Homeland Security Grant Program	97.067	DEM6270500/110274	<u>127,619</u>
Total Department of Homeland Security			<u>\$ 409,084</u>

City of Bristol, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF JUSTICE:</i>			
Direct Payments:			
Bulletproof Vest Partnership Program	16.607	not available	\$ 8,448
Pass Through Payments:			
<i>State Department of Criminal Justice Services:</i>			
Crime Victim Assistance	16.575	CJS7601601	80,216
Violence Against Women Formula Grants	16.588	CJS7651601	10,885
Public Safety Partnership and Community Policing Grants	16.710	not available	<u>118,656</u>
Total Department of Justice			<u>\$ 218,205</u>
<i>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</i>			
Direct Payments:			
Community Development Block Grants/Entitlement Grants	14.218	not available	<u>\$ 194,552</u>
Total Department of Housing and Urban Development			<u>\$ 194,552</u>
<i>DEPARTMENT OF TRANSPORTATION:</i>			
Pass Through Payments:			
<i>State Department of Rail and Transportation:</i>			
Federal Transit Cluster:			
Federal Transit Formula Grants	20.507	VA90X527/VA90X513	\$ 251,802
Federal Transit Capital Investment Grants	20.500	VA90X406	12,000
<i>Virginia Department of Transportation:</i>			
Highway Planning and Construction	20.205	not available	1,188,859
Alcohol Open Container Requirements	20.607	154 AL 18 58328/ K8 17 57329	<u>49,426</u>
Total Department of Transportation			<u>\$ 1,502,087</u>
<i>APPALACHIAN REGIONAL COMMISSION:</i>			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Appalachian Area Development	23.002	not available	<u>\$ 15,632</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,417,672</u></u>

## Notes to Schedule of Expenditures of Federal Awards

## Note A-Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Bristol, Virginia under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the City of Bristol, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Bristol, Virginia.

City of Bristol, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2018

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Notes to Schedule of Expenditures of Federal Awards (Continued)

Note B-Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity identifying number are presented where available.

(3) The City did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement.

Note C-Subrecipients

The City did not have any subrecipients for the year ended June 30, 2018.

Note D-Loans and Loan Guarantees:

The City did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

Note E-Relationship to the Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 5,349,549
Less: QSCB subsidy	(126,429)
CDBG Fund	<u>194,552</u>
Total primary government	<u>\$ 5,417,672</u>

City of Bristol, Virginia  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2018

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## Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs:	Unmodified
-------------------------------------------------------------------	------------

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No
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Identification of major programs:

CFDA #	Name of Federal Program or Cluster
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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## Section II - Financial Statement Findings

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 2018-001 - Material Weakness
 

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Criteria: Proprietary funds are required to maintain a positive net position.

Condition: The Solid Waste Disposal Fund has a fund deficit which resulted from costs of providing services, including capital costs, exceeding the fees and charges collected.

City of Bristol, Virginia  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2018

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Section II - Financial Statement Findings (Continued)

2018-001 - Material Weakness (Continued)	
Cause of Condition:	Rates charged are not sufficient to cover costs.
Effect of Condition:	The Solid Waste Disposal Fund has received continuous advances and transfers from the General Fund to subsidize its activity.
Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, 2017-001.
Recommendation:	<p>Management and City Council have implemented some operational changes to the Solid Waste Disposal Fund over the last few fiscal years in order to see an increase in operational efficiency. Also, transfers have been budgeted and made from the General Fund during the last two fiscal years instead of continuing to increase the advances to the Solid Waste Disposal Fund which management determined would not be possible to repay and was adjusted to transfer of resources in the current fiscal year. In accordance with <i>Governmental Accounting Standards Board</i> No. 34, only amounts that will be repaid within one year should be recorded as receivable and payable between funds. Continued efforts to monitor these results and implementation of changes should be maintained to make proprietary funds self-sufficient.</p>
Management's Response:	<p>City Council and City Management are aware of the fund deficit in the Solid Waste Disposal Fund. Revenues for the Solid Waste Fund consisting primarily of charges for services are determined by the competitive market. Management continues to monitor the expenditures associated with the Solid Waste Disposal Fund, look for strategies that will reduce expenses, and implement those strategies when found.</p>
2018-002 - Noncompliance	
Criteria:	The Virginia Public Procurement Act requires certain construction contracts to be procured through competitive sealed bidding and for professional services to be procured through competitive negotiation.
Condition:	The City did not procure a construction project through a competitive sealed bidding process. Also, services for financial advisory services were not procured through competitive negotiation.
Cause of Condition:	Oversight of the need to put the construction project out to bid dealing with the extension of a road where the work for the initial part of the road was completed by the same vendor. Confusion over the need to solicit requests for proposals for payments where the vendor is paid directly from debt issuances.
Effect of Condition:	The City did not follow Code of Virginia guidelines.

City of Bristol, Virginia  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2018

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Section II - Financial Statement Findings (Continued)

2018-002 - Noncompliance (Continued)

Recommendation: The City should procure goods and services in accordance with the City's Procurement Policy and the Virginia Public Procurement Act.

Management's Response: The City agrees with the finding and will follow the Procurement Policies in the future. Substantial changes have been made to the City's procurement policy prior to the issuance of this report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings and Questioned Costs

2017-001

Finding 2017-001 was recurring in fiscal year 2018 as 2018-001

2017-002

Effect of Condition: There is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal controls over financial reporting.

Recommendation: The City should review the auditors' proposed audit adjustments for 2017 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Current Status: Proposed audit adjustments for FY2018 were held to an immaterial amount.

2017-003

Condition: The budgeting process for the City of Bristol, Virginia Council did not include the School Board's state and federal revenue or expenditures so those funds were technically not appropriated.

Recommendation: The City Council should appropriate the entire School Board budget and the School Board should implement procedures to monitor expenditures against that amount.

Current Status: The City started appropriating the entire School Board budgt with the FYE June 30, 2018 budget.