



City of Bristol, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019



CITY OF BRISTOL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION

CITY OF BRISTOL, VIRGINIA

MEMBERS OF CITY COUNCIL

Kevin Wingard, Vice Mayor	Kevin Mumpower, Mayor	Neal Osborne
Bill Hartley		Anthony Farnum

CITY OFFICIALS

City Manager	Randall C. Eads
Chief Financial Officer	Tamrya Spradlin
City Attorney.....	Randall C. Eads
City Clerk.....	Nicole Storm
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

	Paul Conco, Chair	
Kelly Robinson, Vice Chair		Daniel Marciano
William Lester		Diana Oxendine
R. Dean Tillison		Carly Thompson

SOCIAL SERVICES BOARD

	David Maples, Chairman	
Rev. W.A. Johnson, Vice Chairman		Eula Wheeler
Kevin Wingard		Vici Dotson

FINANCIAL SECTION

Independent Auditors' Report

To the Honorable Members of
The City Council
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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2019, 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 27 to the financial statements, in 2019, the City adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. 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, 100, 101-111 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 schedules 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 November 19, 2019, 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.

Robinson, Fawcett, & Associates

Blacksburg, Virginia
November 19, 2019



City of Bristol, Virginia

November 19, 2019

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, 2019 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, statistical information that is unaudited and includes selected financial and demographic information;
3. *Compliance Section* – This section includes the auditors' report on internal control over financial reporting, the auditor's report on compliance required by the uniform guidance, information on expenditures of federal monies, and a schedule of findings and questioned costs.

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 principal 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, condos, and two new boutique hotels 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 \$37,844, with 21.3% 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 (23.4%); Retail and Wholesale Trade (14.2%); Manufacturing (12.3%); and Arts, Entertainment, Recreation and Accommodation/Food Services (11.2%). The unemployment rate for 2019 was 3.9%.

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 six 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
- Healthy Financial Environment
- Superb Facilities and Infrastructure

In January 2018, the City of Bristol, Virginia updated its 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 2019, the City maintained unassigned fund balance levels above the policy goal.

On January 23, 2019, City Council approved the City of Bristol, Virginia Financial Policies-a comprehensive set of individual policies. The policy is a statement of the guidelines and objectives that will influence and guide the financial management practices of the City. The goal of the policy is to provide the structure that will necessitate best practices for the financial stability of the City. Items included in the policy are revenues, expenditures, budget, capital improvements, debt, and financial reporting. The policy sets certain goals that are required to be monitored and communicated to Council and the Citizens of the City of Bristol, Virginia during the budget process.

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, 2019

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, 2019. 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, 2019 resulting in a negative net position of \$15 million. Of this amount, (\$16 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 increased by \$7.9 million during the current fiscal year. Of this amount an increase of \$10.8 million is related to government activities and a decrease of \$2.9 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 \$20.9 million. Approximately 78% of this total amount, \$16.3 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 \$16.3 million or 29% of total general fund expenditures. This is a \$2.1 million increase over last year.
- The City's total debt increased by \$.4 million during the current fiscal year. General Obligation Bonds (bonded debt) decreased by \$.77 million. Other Debt which is comprised of net pension liability, capital lease obligations, landfill closure liability, and compensated absences increased \$1.17 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 37-99 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 101-111 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 \$15 million.

The largest portion of the City's net position, \$.7 million, 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, \$.26 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 increased by \$7.9 million from FY2018. The Summary of Net position and the Summary of Changes in Net Position contain FY2018 data that has been restated. It is listed here for comparison purposes.

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

City of Bristol, Virginia Summary of Net Position (in thousands 000's)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current & Other Assets	\$ 32,585	\$ 36,704	\$ 2,548	\$ 3,975	\$ 35,133	\$ 40,679
Capital Assets	88,935	93,633	19,650	17,967	108,585	111,600
Total Assets	\$ 121,520	\$ 130,337	\$ 22,198	\$ 21,942	\$ 143,718	\$ 152,279
Deferred Outflows of Resources	\$ 3,336	\$ 3,861	\$ 1,660	\$ 1,422	\$ 4,996	\$ 5,283
Current & Other Liabilities	\$ 5,675	\$ 4,707	\$ 612	\$ 755	\$ 6,287	\$ 5,462
Long term Liabilities	107,288	105,517	45,494	47,665	152,782	153,182
Total Liabilities	\$ 112,963	\$ 110,224	\$ 46,106	\$ 48,420	\$ 159,069	\$ 158,644
Deferred Inflows of Resources	\$ 12,458	\$ 13,652	\$ 183	\$ 315	\$ 12,641	\$ 13,967
Invested in Capital Assets, Net of Related Debt	\$ 11,266	\$ 15,682	\$ (13,512)	\$ (14,939)	\$ (2,246)	\$ 743
Restricted	\$ 395	264	-	-	395	264
Unrestricted	\$ (12,226)	(5,624)	(8,919)	(10,432)	(21,145)	(16,056)
Total Net Position	\$ (565)	\$ 10,322	\$ (22,431)	\$ (25,371)	\$ (22,996)	\$ (15,049)

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	
	2018	2019	2018	2019	2018	2019
#						
Program Revenue						
Charges for Services	\$ 1,332	\$ 1,573	\$ 4,706	\$ 5,663	\$ 6,038	\$ 7,236
Operating Grants & Contributions	16,155	16,948	-	-	16,155	16,948
Capital Grants & Contributions	4,158	5,678	-	-	4,158	5,678
General Revenues						
Property Taxes	17,386	17,998	-	-	17,386	17,998
Other Taxes	14,274	14,927	-	-	14,274	14,927
Grants & Contributions Not Restricted	2,399	2,416	-	-	2,399	2,416
Gain (Loss) on Sale of Property	-	-	12	-	12	-
Other	1,475	1,431	12	4	1,487	1,435
Total Revenues	\$ 57,179	\$ 60,971	\$ 4,730	\$ 5,667	\$ 61,909	\$ 66,638
Expenses						
General Government	\$ 2,871	\$ 3,865	\$ -	\$ -	\$ 2,871	\$ 3,865
Judicial Administration	1,547	1,616	-	-	1,547	1,616
Public Safety	14,203	13,483	-	-	14,203	13,483
Public Works	12,170	7,568	-	-	12,170	7,568
Health and Welfare	7,797	7,680	-	-	7,797	7,680
Education	6,810	5,416	-	-	6,810	5,416
Parks, Recreation, & Cultural	3,092	3,084	-	-	3,092	3,084
Community Development	3,024	3,596	-	-	3,024	3,596
Interest on Long-Term Debt	3,824	3,209	-	-	3,824	3,209
Solid Waste Disposal	-	-	8,083	9,174	8,083	9,174
Total Expenses	\$ 55,338	\$ 49,517	\$ 8,083	\$ 9,174	\$ 63,421	\$ 58,691
Excess (Deficiency)						
Before Special Items & Transfers	\$ 1,841	\$ 11,454	\$ (3,353)	\$ (3,507)	\$ (1,512)	\$ 7,947
Special Items & Transfers						
Restatement of prior amount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	(887)	(567)	887	567	-	-
Total Special Items & Transfers	\$ (887)	\$ (567)	\$ 887	\$ 567	\$ -	\$ -
Change in Net Position	\$ 954	\$ 10,887	\$ (2,466)	\$ (2,940)	\$ (1,512)	\$ 7,947
Net Position						
Beginning, as Restated	\$ (1,519)	\$ (565)	\$ (19,965)	\$ (22,431)	\$ (21,484)	\$ (22,996)
# Ending	\$ (565)	\$ 10,322	\$ (22,431)	\$ (25,371)	\$ (22,996)	\$ (15,049)

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 \$11 million during the current fiscal year.

Revenue highlights-Governmental Activities:

Revenues from governmental activities of \$61 million increased 6.6% or \$3.7 million from FY2018. This increase in revenues is mainly attributed to funding received for road improvements along Lee Highway at Exit 5 and Exit 7 and increases in property tax revenue and other local tax revenue.

Program Revenues increased \$2.5 million and includes the following revenue:

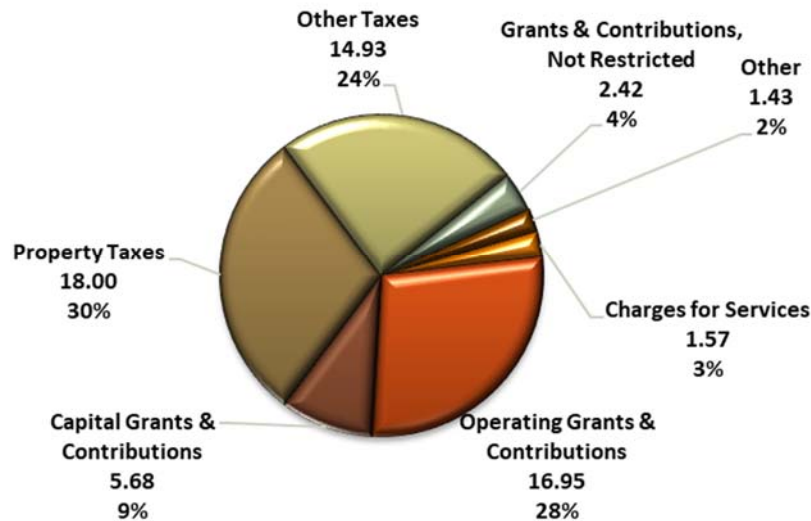
- Charges for services of \$1.6 million had an increase of 18%.
- Operating grants and contributions totaled \$16.9 million and increased \$.8 million or 5%. This increase was primarily the result of one-time flow through funding.
- Capital grants and contributions totaled \$5.7 million and increased \$1.5 million or 37%. This increase is from funding received for road improvement projects in FY2019.

General Revenues increased \$1.2 million and includes the following revenues:

- Property taxes of \$18 million increased \$.6 million or 3.5%. Property taxes are comprised mainly of real property and personal property. In FY2019, the real estate property tax rate was \$1.17.
- Other taxes of \$14.9 million increased \$.65 million or 4.57%. 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.
- 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)



Expenses highlights-Governmental Activities:

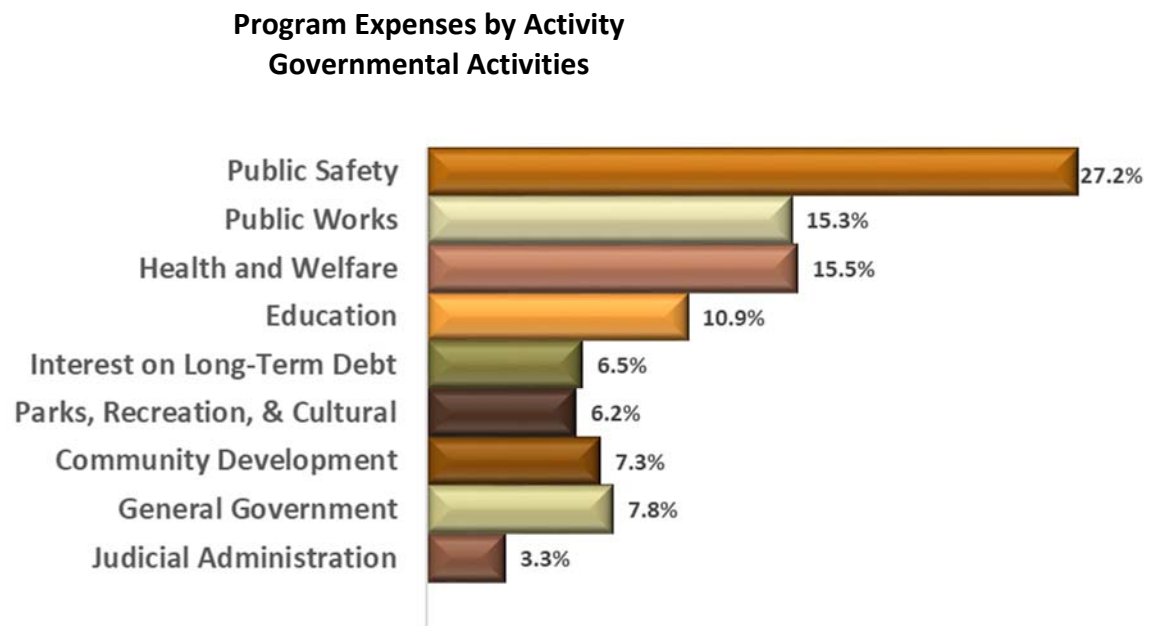
Expenses for governmental activities totaled \$49.7 million and decreased \$5.8 million or 10.5% from last year.

Program Expenses include the following expenses:

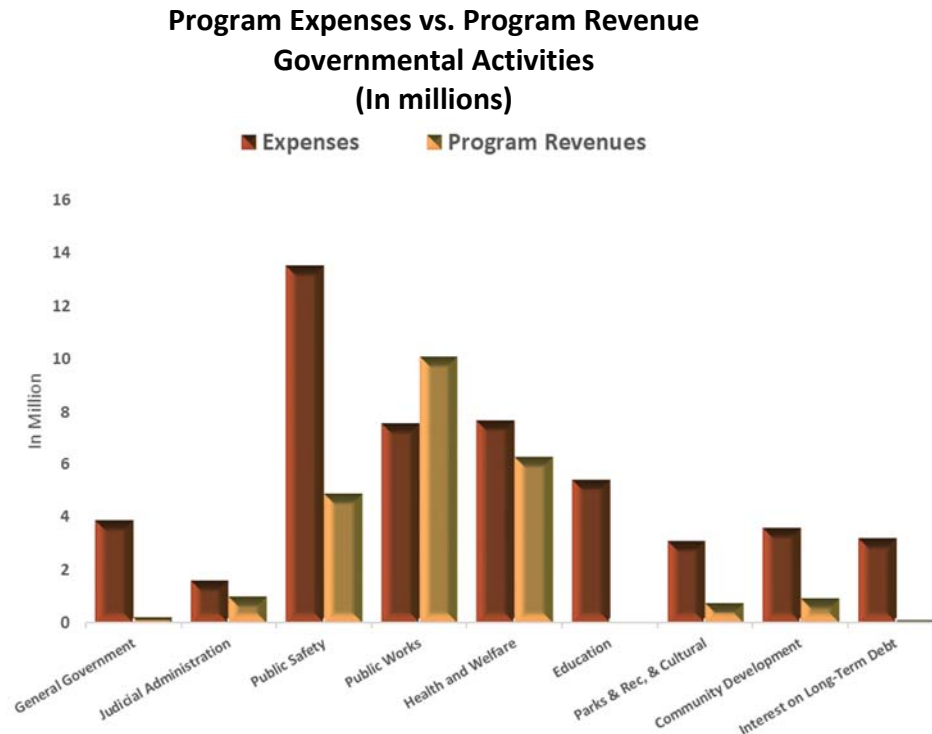
- General government expenses totaled \$3.86 million and increased \$1 million or 34.62% in FY2019. This increase was related to capital items that are not reported on the Governmental Statement of Revenues, Expenditure, and Changes in Fund Balance, but are reported under this category in the Statement of Activities.
- Judicial administration expenses totaled \$1.6 million and increased \$.06 million or 4%.
- Public safety expenses totaled \$13.5 million and decreased \$.7 million or 5%. Public safety is comprised of the police department, fire department, sheriff department and jail, inspections and animal control.
- Public works expenses totaled \$7.6 million and decreased \$4.6 million or 38%. This increase was related to capital items that are not reported on the Governmental Statement of Revenues, Expenditure, and Changes in Fund Balance, but are reported under this category in the Statement of Activities.
- Health and welfare expenses totaled \$7.7 million and decreased \$.1 million or 1.5%.
- Education expenses totaled \$5.4 million and decreased \$1.4 million or 20%. This decrease is related to a capital item that is reported by the City in the Statement of Activities.

- Parks, recreation and cultural expenses totaled \$3 million and decreased .26% from the prior year.
- Community development expenses totaled \$3.5 million and increased \$.57 million or 19% from FY2018. This decrease is due to one-time flow-through funding.
- Interest and fiscal expenses totaled \$3.2 million and decreased \$.6 million or 16%. This decrease is related to amounts reported in FY 2018 for the 2018 bond refunding.

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



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



Special Items-Governmental Activities:

Transfers decreased the Governmental Activities net position by \$.57 million. During the current fiscal year, the Governmental Activities recorded a transfer of \$.57 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 \$2.9 million in the current fiscal year.

Revenue highlights-Business-Type Activities:

The Solid Waste Disposal Fund's revenues increased \$.9 million or 19.8% % from the previous year. The revenue increase is a due to increased disposal revenues and increases in the collection fee charged.

Program revenues for the business-type funds totaled \$5.7 million of which 99% was Charges for Services.

Expenses highlights-Business-Type Activities:

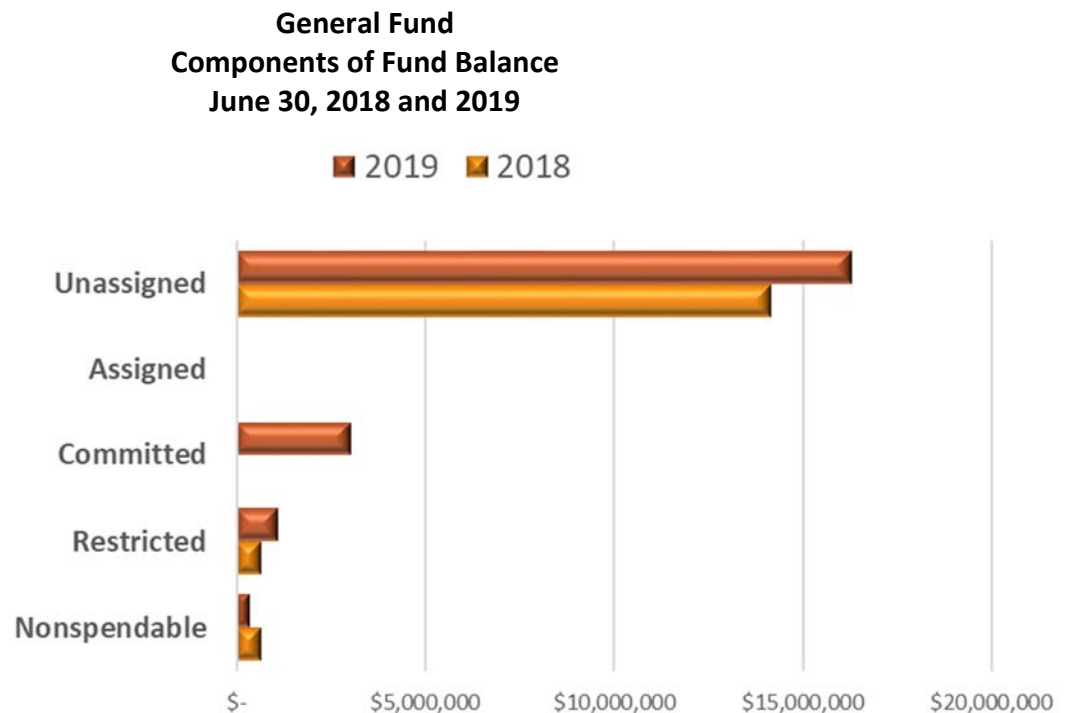
The Solid Waste Disposal Fund expenses totaled \$9.2 million. This was a \$1.1 million increase or 13% increase from FY2018 and was due primarily to increased landfill closure and postclosure liabilities.

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 \$20.9 million an increase of \$5.3 million in comparison with the prior year. Approximately 78% of this total amount, \$16.3 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, committed or assigned* to indicate that it is 1) not in spendable form (\$.4 million), 2) restricted for a particular purpose (\$1.1 million), 3) committed by the appropriating body (3.05 million), or 4) assigned for a particular purpose (\$.018 million).



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 \$16.3 million, while total fund balance reached \$20.9 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 28.62% of the total general fund expenditures, while total fund balance represents 36.71% of the same amount for FY2019.

The fund balance of the City's general fund increased by \$5.3 million during the current fiscal year.

General fund revenues totaled \$61.6 million and increased 6% over FY2018. Local taxes including local sales taxes, restaurant/meal taxes, lodging taxes and business license taxes totaled \$14.9 million and increased by 4.6% as compared to last year, indicating a stable local economy. General property taxes total \$18 million and increased 1.8% in FY2019. Funding from the Commonwealth of Virginia and the Federal Government funding totaled \$24.7 million and increased 10%. This increase is due to revenue received from the Virginia Department of Transportation for highway projects that occurred during fiscal year 2019.

General fund expenditures totaled \$56.9 million and decreased \$34.8 million. This substantial decrease is due to the decrease in debt service retirements from FY18 due to the refinance of a substantial portion of the City's debt.

Governmental Funds-Other Governmental Funds

The Community Development Block Grant Fund (CDBG) is a governmental fund. As of June 30, 2019, the CDBG fund had a small negative fund balance of .013 million, related to accrued liabilities at year end. The revenues received from the Federal Community Development Entitlement Grant totaled \$.29 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 \$25.4 million. The Solid Waste Fund had an operating loss of \$1.7 million and an overall change in net position of negative \$.2.9 million. The Solid Waste Fund is involved in a competitive market and relies heavily 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.

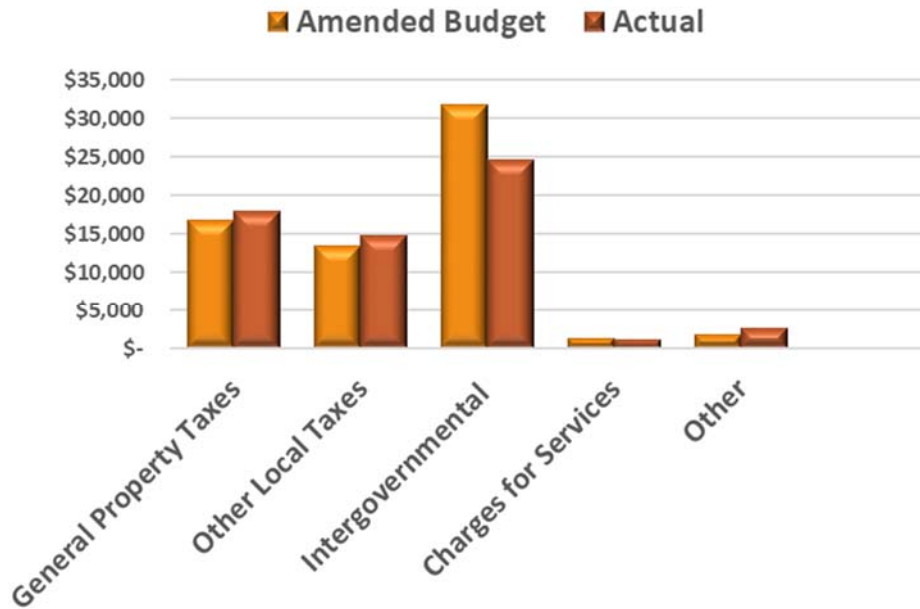
City of Bristol, Virginia General Fund-Budget Comparison For Fiscal Year Ending June 30, 2019 (in thousands)					
	Original Budget	Amended Budget	Budget Increase/ (Decrease)	Actual	Variance Actual vs. Amended
Revenues					
Taxes	\$ 30,439	\$ 30,504	\$ 65	\$ 33,026	\$ 2,522
Intergovernmental	28,580	31,872	3,292	24,757	(7,115)
Other	2,806	3,199	\$ 393	3,876	677
Total Revenues	\$ 61,825	\$ 65,575	\$ 3,750	\$ 61,659	\$ (3,916)
Expenditures					
Expenditures	\$ 57,824	\$ 62,743	\$ 4,919	\$ 53,184	\$ 9,559
Debt Service	4,399	4,399	\$ -	3,744	655
Total Expenditures	\$ 62,223	\$ 67,142	\$ 4,919	\$ 56,928	\$ 10,214
Other Financing Sources (Uses)					
Transfers	\$ (567)	\$ (567)	\$ -	\$ (567)	\$ -
Other	16	25	\$ 9	1,175	1,150
Total Other Financing Sources	\$ (551)	\$ (542)	\$ 9	\$ 608	\$ 1,150
Change in Fund Balance	\$ (949)	\$ (2,109)	\$ (1,160)	\$ 5,339	\$ 7,448

The difference between the original budget and the final amended budget was approximately an increase of \$4.9 million in expenditures.

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 departmental appropriations.

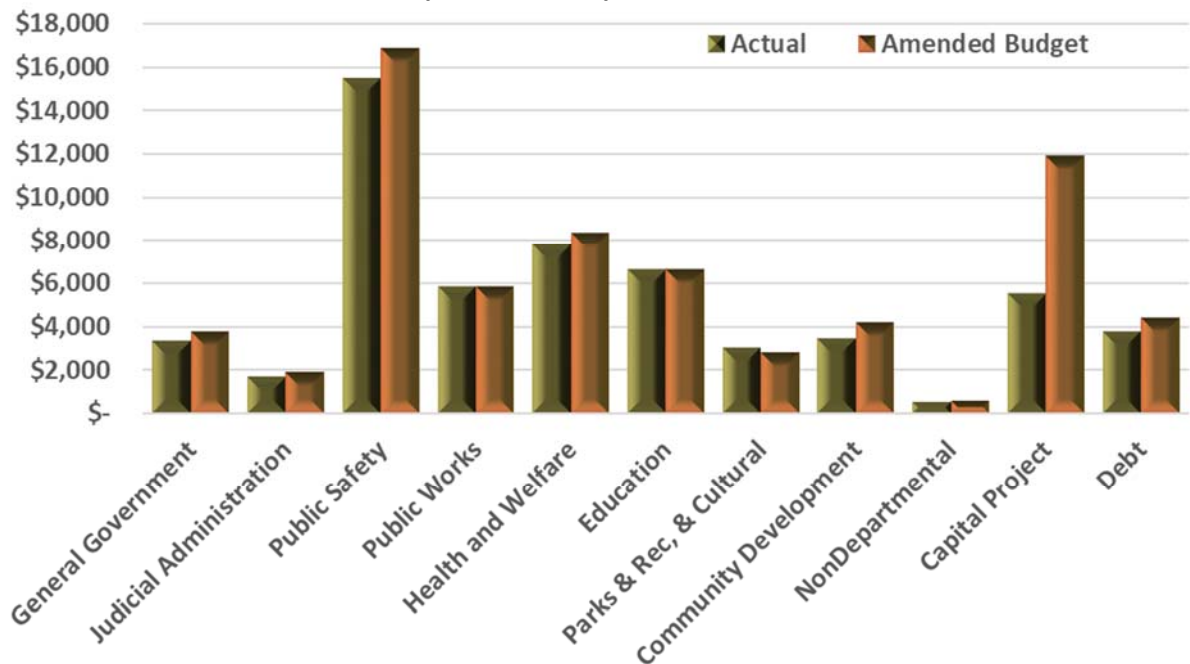
The following charts show the difference between final amended budget and actual results for the general fund:

**General Fund-Amended Budget vs. Actual-Revenues
For Fiscal Year Ending 06/30/19
(In thousands)**



**General Fund-Amended Budget vs. Actual-Expenditures
For Fiscal Year Ending 06/30/19**

(In thousands)



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 \$ 3.9 million. This difference is attributed to the timing of state and federal revenue related to grant funding and capital projects.
- Actual expenditures were less than budgeted expenditures by approximately \$10.2 million. This difference was due to the timing of work to be completed for capital projects.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$111.6 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, 2018 and 2019.

City of Bristol, Virginia Capital Assets Net of Depreciation (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Land & Improvements	\$ 21,748	\$ 19,343	\$ 802	\$ 802	\$ 22,550	\$ 20,145
Construction in Progress	19,300	13,857	-	21	19,300	13,878
Buildings & Improvements	8,530	8,163	664	630	9,194	8,793
Machinery and Equipment	4,585	6,013	1,284	1,088	5,869	7,101
Library Assets	4,378	4,256	-	-	4,378	4,256
Infrastructure	30,316	40,788	1,343	1,009	31,659	41,797
Land Development Costs	78	58	15,558	14,418	15,636	14,476
Total	\$ 88,935	\$ 92,478	\$ 19,651	\$ 17,968	\$ 108,586	\$ 110,446

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

- Additions to capital assets totaled \$21.6 million.
 - Construction in Progress totaled \$6.8 million.
 - Infrastructure additions totaled \$12.3 million.
 - Machinery and Equipment purchases totaled \$2.3 million
- Decreases in capital assets totaled \$15.2 million and were primarily construction in progress that was completed and the related assets were placed into service.
- Total accumulated depreciation for FY2019 was \$118 million, with current year depreciation of \$5 million.

Additional information on the City's capital assets can be found in Note 15 on pages 89-91 of this report.

Debt Administration-Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$153 million. Of this amount, \$108 million or 70.77% 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, 2018 and 2019:

City of Bristol, Virginia Long-Term Debt Obligations As of June 30, 2017 and 2018 (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
General Obligations						
General Obligation Bonds	\$ 74,064	\$ 73,721	\$ 34,792	\$ 34,462	\$ 108,856	\$ 108,183
Bond Anticipation Notes	-	-	-	-	\$ -	-
Bond Premiums	156	115	160	106	\$ 316	221
Total	\$ 74,220	\$ 73,836	\$ 34,952	\$ 34,568	\$ 109,172	\$ 108,404
Other Long-Term Debt						
Literary Fund Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Lease Obligations	3,055	3,695	240	131	\$ 3,295	3,826
Net Pension Liability	19,961	18,344	1,299	1,051	21,260	19,395
Other Post Employment Benefits	6,325	6,215	234	194	6,559	6,409
Compensated Absences	1,977	2,027	125	117	2,102	2,144
Revenue Sharing Agreement	1,750	1,400	-	-	1,750	1,400
Landfill Postclosure Liability	-	-	8,644	11,604	8,644	11,604
Total	\$ 33,068	\$ 31,681	\$ 10,542	\$ 13,097	\$ 43,610	\$ 44,778
Total Long-Term Debt	\$ 107,288	\$ 105,517	\$ 45,494	\$ 47,665	\$ 152,782	\$ 153,182

The following is a summary of the City's long-term liabilities in FY2019:

- The City's total bonded debt decreased by \$.8 million during the fiscal year.
- Other long-term debt totaled \$44.8 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 increased \$1.2 million or 2.7%. Of this debt, the Landfill Postclosure Liability increased significantly, by \$3 million, or 34%.
- 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, 2019 was 19.4 million. Of this amount \$18.4 million was for the governmental activities and \$1 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 A3 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 54-58 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, 2019 of -\$11 million. The IDA had assets of \$21.4 million, mainly comprised of land of \$1.4 million and infrastructure assets of \$15.9 million, related to the Falls project. The IDA had \$32 million of revenue bond debt at June 30, 2019, related to the Falls project. The change in net position for FY18 was negative \$.6 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 2019, the City of Bristol, Virginia's unemployment rate was 3.9%, compared to the State rate of 2.9% and the Federal rate of 3.8%.

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, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 17,373,586	\$ 2,714,248	\$ 20,087,834	\$ 1,094,585	\$ 4,400
Investments	-	-	-	474,863	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	11,945,385	-	11,945,385	-	-
Accounts receivable	1,659,093	369,229	2,028,322	7,449	-
Internal balances	(12,500)	12,500	-	-	-
Due from other governmental units	4,201,520	365,487	4,567,007	1,796,202	-
Due from primary government	-	-	-	-	373,245
Inventories	119,478	-	119,478	44,104	-
Prepaid items	285,709	14,996	300,705	101,951	-
Restricted assets:					
Cash and cash equivalents	1,132,610	497,303	1,629,913	1,730,003	3,261,895
Investments	-	-	-	102,318	492,296
Capital assets (net of accumulated depreciation):					
Land	19,343,392	802,062	20,145,454	267,711	1,418,040
Land development costs	57,600	14,417,162	14,474,762	-	-
Buildings and improvements	13,574,143	630,023	14,204,166	14,227,251	-
Machinery and equipment	6,013,039	1,088,283	7,101,322	777,285	-
Infrastructure and utility plants	40,787,955	1,009,218	41,797,173	-	15,856,250
Construction in progress	13,856,599	21,250	13,877,849	90,446	-
Total assets	\$ 130,337,609	\$ 21,941,761	\$ 152,279,370	\$ 20,714,168	\$ 21,406,126
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding, net	\$ 883,224	\$ 1,295,393	\$ 2,178,617	\$ -	\$ -
Pension related items	2,279,339	117,416	2,396,755	2,240,576	-
OPEB related items	698,562	9,430	707,992	399,554	-
Total deferred outflows of resources	\$ 3,861,125	\$ 1,422,239	\$ 5,283,364	\$ 2,640,130	\$ -
LIABILITIES					
Accounts payable	\$ 2,502,932	\$ 62,490	\$ 2,565,422	\$ 1,093,341	\$ -
Wages payable	16,589	844	17,433	1,379,651	-
Retainage payable	75,410	-	75,410	-	-
Accrued interest payable	1,400,531	691,953	2,092,484	14,864	340,715
Due to component unit	373,245	-	373,245	-	-
Unearned revenue	337,908	-	337,908	5,225	-
Long-term liabilities:					
Due within one year	3,076,371	888,054	3,964,425	243,743	935,000
Due in more than one year	102,441,220	46,777,142	149,218,362	25,920,671	31,200,000
Total liabilities	\$ 110,224,206	\$ 48,420,483	\$ 158,644,689	\$ 28,657,495	\$ 32,475,715
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-property taxes	\$ 10,598,502	\$ -	\$ 10,598,502	\$ -	\$ -
Pension related items	1,943,941	271,459	2,215,400	3,346,843	-
OPEB related items	1,110,113	43,040	1,153,153	696,900	-
Total deferred inflows of resources	\$ 13,652,556	\$ 314,499	\$ 13,967,055	\$ 4,043,743	\$ -
NET POSITION					
Net investment in capital assets	\$ 15,682,112	\$ (14,938,806)	\$ 743,306	\$ 12,948,287	\$ (11,106,519)
Restricted	263,848	-	263,848	2,305,466	-
Unrestricted (deficit)	(5,623,988)	(10,432,176)	(16,056,164)	(24,600,693)	36,930
Total net position	\$ 10,321,972	\$ (25,370,982)	\$ (15,049,010)	\$ (9,346,940)	\$ (11,069,589)

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, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		
					Governmental Activities	Primary Government Business-Type Activities	IDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 3,864,418	\$ -	\$ 242,239	\$ -	\$ (3,622,179)	\$ -	\$ (3,622,179)
Judicial administration	1,616,322	63,930	927,998	-	(624,394)	-	(624,394)
Public safety	13,482,799	683,358	4,207,606	-	(8,591,835)	-	(8,591,835)
Public works	7,568,141	78,415	4,283,459	5,678,501	2,472,234	-	2,472,234
Health and welfare	7,679,441	-	6,242,389	-	(1,437,052)	-	(1,437,052)
Education	5,415,563	-	-	-	(5,415,563)	-	(5,415,563)
Parks, recreation, and cultural	3,088,329	741,079	-	-	(2,347,250)	-	(2,347,250)
Community development	3,596,213	6,988	917,657	-	(2,671,568)	-	(2,671,568)
Interest	3,208,814	-	127,100	-	(3,081,714)	-	(3,081,714)
Total governmental activities	\$ 49,520,040	\$ 1,573,770	\$ 16,948,448	\$ 5,678,501	\$ (25,319,321)	\$ -	\$ (25,319,321)
Business-type activities:							
Solid waste	\$ 9,174,163	\$ 5,662,975	\$ -	\$ -	\$ (3,511,188)	\$ (3,511,188)	\$ (3,511,188)
Total primary government	\$ 58,694,203	\$ 7,236,745	\$ 16,948,448	\$ 5,678,501	\$ (25,319,321)	\$ (3,511,188)	\$ (28,830,509)
COMPONENT UNITS:							
School Board	\$ 30,597,486	\$ 178,119	\$ 11,547,455	\$ 1,583,410	\$ -	\$ (17,288,502)	\$ -
IDA	4,050,824	459,271	-	-	-	-	(3,591,553)
Total component units	\$ 34,648,310	\$ 637,390	\$ 11,547,455	\$ 1,583,410	\$ -	\$ (17,288,502)	\$ (3,591,553)
General revenues:							
General property taxes					\$ 17,998,625	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					4,430,693	-	-
Consumers' utility taxes					169,807	-	-
Business license taxes					1,327,635	-	-
Motor vehicle taxes					281,256	-	-
Restaurant food taxes					6,015,143	-	-
Bank stock taxes					401,879	-	-
Hotel and motel room taxes					1,417,096	-	-
Tobacco taxes					512,787	-	-
Other local taxes					372,448	-	-
State basic aid					-	-	6,727,997
State sales tax					-	-	2,835,207
Unrestricted revenues from the use of money and property					409,118	3,449	412,567
Miscellaneous					1,021,619	-	(26,603)
Contributions from the City of Bristol, Virginia					-	-	415,562
Grants and contributions not restricted to specific programs					-	-	6,590,610
Transfers					2,415,775	2,415,775	-
Total general revenues and transfers					(567,480)	567,480	-
Change in net position					\$ 36,206,401	\$ 570,929	\$ 36,777,330
Net position - beginning, as restated					\$ 10,887,080	\$ (2,940,259)	\$ 7,946,821
Net position - ending					\$ (565,108)	\$ (22,430,723)	\$ (22,995,831)
Net position - ending					\$ 10,321,972	\$ (25,370,982)	\$ (15,049,010)
							\$ (9,346,940)
							\$ (11,069,589)

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

City of Bristol, Virginia
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>CDBG Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 17,373,586	\$ -	\$ 17,373,586
Receivables (net of allowance for uncollectibles):			
Taxes receivable	11,945,385	-	11,945,385
Accounts receivable	1,659,093	-	1,659,093
Due from other funds	8,195	-	8,195
Due from other governmental units	4,201,520	-	4,201,520
Inventories	119,478	-	119,478
Prepaid items	285,709	-	285,709
Restricted assets:			
Cash and cash equivalents	1,132,610	-	1,132,610
Total assets	<u>\$ 36,725,576</u>	<u>\$ -</u>	<u>\$ 36,725,576</u>
LIABILITIES			
Accounts payable	\$ 2,498,263	\$ 4,669	\$ 2,502,932
Accrued wages	16,589	-	16,589
Retainage payable	75,410	-	75,410
Due to other funds	12,500	8,195	20,695
Due to component unit	373,245	-	373,245
Unearned revenue	1,057,908	-	1,057,908
Total liabilities	<u>\$ 4,033,915</u>	<u>\$ 12,864</u>	<u>\$ 4,046,779</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	<u>\$ 11,778,029</u>	<u>\$ -</u>	<u>\$ 11,778,029</u>
Total deferred inflows of resources	<u>\$ 11,778,029</u>	<u>\$ -</u>	<u>\$ 11,778,029</u>
FUND BALANCES			
Nonspendable	\$ 405,187	\$ -	\$ 405,187
Restricted	1,132,610	-	1,132,610
Committed	3,053,823	-	3,053,823
Assigned	18,820	-	18,820
Unassigned	16,303,192	(12,864)	16,290,328
Total fund balances	<u>\$ 20,913,632</u>	<u>\$ (12,864)</u>	<u>\$ 20,900,768</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,725,576</u>	<u>\$ -</u>	<u>\$ 36,725,576</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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	20,900,768
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 19,343,392	
Buildings and improvements	13,574,143	
Land development costs	57,600	
Machinery and equipment	6,013,039	
Infrastructure	40,787,955	
Construction in progress	13,856,599	93,632,728

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue-property taxes	\$ 1,179,527	
Unavailable revenue-note receivable	720,000	1,899,527

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	\$ 883,224	
Pension related items	2,279,339	
OPEB related items	698,562	3,861,125

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	\$ (73,721,210)	
Capital leases	(3,695,125)	
Accrued interest payable	(1,400,531)	
Unamortized bond premium	(115,425)	
Amount payable to Washington County	(1,400,000)	
Compensated absences	(2,027,142)	
Net OPEB liabilities	(6,215,091)	
Net pension liability	(18,343,598)	(106,918,122)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (1,943,941)	
OPEB related items	(1,110,113)	(3,054,054)

Net position of governmental activities

	\$	10,321,972
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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, 2019

	<u>General</u>	<u>CDBG</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 18,096,902	\$ -	\$ 18,096,902
Other local taxes	14,928,744	-	14,928,744
Permits, privilege fees, and regulatory licenses	137,486	-	137,486
Fines and forfeitures	257,255	-	257,255
Revenue from the use of money and property	389,118	-	389,118
Charges for services	1,179,029	-	1,179,029
Miscellaneous	1,021,619	-	1,021,619
Recovered costs	890,990	-	890,990
Intergovernmental	24,757,376	285,348	25,042,724
Total revenues	<u>\$ 61,658,519</u>	<u>\$ 285,348</u>	<u>\$ 61,943,867</u>
EXPENDITURES			
Current:			
General government administration	\$ 3,362,096	\$ -	\$ 3,362,096
Judicial administration	1,675,642	-	1,675,642
Public safety	15,432,576	-	15,432,576
Public works	5,833,148	-	5,833,148
Health and welfare	7,801,390	-	7,801,390
Education	6,624,370	-	6,624,370
Parks, recreation, and cultural	2,994,958	-	2,994,958
Community development	3,465,180	280,044	3,745,224
Nondepartmental	505,113	-	505,113
Capital projects	5,488,638	-	5,488,638
Debt service:			
Principal retirement	865,417	-	865,417
Interest and other fiscal charges	2,876,388	-	2,876,388
Bond issuance costs	3,139	-	3,139
Total expenditures	<u>\$ 56,928,055</u>	<u>\$ 280,044</u>	<u>\$ 57,208,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,730,464</u>	<u>\$ 5,304</u>	<u>\$ 4,735,768</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (567,480)	\$ -	\$ (567,480)
Issuance of capital leases	1,162,149	-	1,162,149
Sale of capital assets	13,442	-	13,442
Total other financing sources (uses)	<u>\$ 608,111</u>	<u>\$ -</u>	<u>\$ 608,111</u>
Net change in fund balances	\$ 5,338,575	\$ 5,304	\$ 5,343,879
Fund balances - beginning	15,575,057	(18,168)	15,556,889
Fund balances - ending	<u>\$ 20,913,632</u>	<u>\$ (12,864)</u>	<u>\$ 20,900,768</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, 2019

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

Net change in fund balances - total governmental funds \$ 5,343,879

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	\$ 6,479,347	
Reversion of capital assets to school board (net)	1,155,000	
Depreciation expense	<u>(2,936,890)</u>	4,697,457

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ (98,277)	
Notes receivable	<u>20,000</u>	(78,277)

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 capital leases	\$ (1,162,149)	
Principal repayments:		
General obligation bonds	343,020	
Capital lease	522,397	
Washington County	<u>350,000</u>	53,268

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	\$ (50,674)	
Change in accrued interest payable	(190,195)	
Change in deferred amount on refunding	(179,795)	
Amortization of bond premium	40,703	
Change in pension related items	1,356,306	
Change in OPEB related items	<u>(105,592)</u>	870,753

Change in net position of governmental activities		<u><u>\$ 10,887,080</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, 2019

Exhibit 7
Page 1 of 2

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,714,248	\$ 4,400
Accounts receivable, net of allowance for uncollectibles	369,229	-
Due from other governmental units	365,487	-
Due from other funds	12,500	373,245
Prepaid items	14,996	-
Total current assets	<u>\$ 3,476,460</u>	<u>\$ 377,645</u>
Restricted cash and cash equivalents:		
Cash and cash equivalents	\$ 497,303	\$ 3,261,895
Investments	-	492,296
Total restricted assets	<u>\$ 497,303</u>	<u>\$ 3,754,191</u>
Total current assets	<u>\$ 3,973,763</u>	<u>\$ 4,131,836</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	5,871,042	-
Infrastructure	1,697,957	16,516,926
Construction in progress	21,250	-
Accumulated depreciation	(27,196,468)	(660,676)
Total capital assets	<u>\$ 17,967,998</u>	<u>\$ 17,274,290</u>
Total noncurrent assets	<u>\$ 17,967,998</u>	<u>\$ 17,274,290</u>
Total assets	<u>\$ 21,941,761</u>	<u>\$ 21,406,126</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding, net	\$ 1,295,393	\$ -
Pension related items	117,416	-
OPEB related items	9,430	-
Total deferred outflows of resources	<u>\$ 1,422,239</u>	<u>\$ -</u>

City of Bristol, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 62,490	\$ -
Accrued payroll	844	-
Accrued interest payable	691,953	340,715
Compensated absences - current portion	87,590	-
Capital lease - current portion	49,886	-
Bonds payable - current portion	750,578	935,000
Total current liabilities	<u>\$ 1,643,341</u>	<u>\$ 1,275,715</u>
Noncurrent liabilities:		
Compensated absences - net of current portion	\$ 29,196	\$ -
Capital lease - net of current portion	81,431	-
Bonds payable - net of current portion	33,817,605	31,200,000
Landfill closure liability	11,604,295	-
Net OPEB liabilities	193,465	-
Net pension liability	1,051,150	-
Total noncurrent liabilities	<u>\$ 46,777,142</u>	<u>\$ 31,200,000</u>
Total liabilities	<u>\$ 48,420,483</u>	<u>\$ 32,475,715</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 271,459	\$ -
OPEB related items	43,040	-
Total deferred inflows of resources	<u>\$ 314,499</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ (14,938,806)	\$ (11,106,519)
Unrestricted	(10,432,176)	36,930
Total net position	<u><u>\$ (25,370,982)</u></u>	<u><u>\$ (11,069,589)</u></u>

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, 2019

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
OPERATING REVENUES		
Disposal Operating Revenue:		
Solid waste - disposal fees	\$ 3,538,347	\$ -
Recycling income	21,582	-
Mulch/compost	37,907	-
Miscellaneous	79,084	-
Collections Operating Revenue:		
Waste collection fees	1,923,239	-
Garbage can fee - 2nd can	1,575	-
Dumpster permit fee	61,241	-
Cabela's guarantee payment	-	459,271
Total operating revenues	<u>\$ 5,662,975</u>	<u>\$ 459,271</u>
OPERATING EXPENSES		
Disposal Operational Expenses:		
Salaries and fringes	\$ 635,252	\$ -
Professional services	303,970	-
Utilities	482,789	-
Materials and supplies	306,064	-
Lease/rent of equipment	267,101	-
Maintenance and repairs	98,074	-
Education and training	2,766	-
Other	54,413	-
Refuse Collection Operational Expenses:		
Salaries and fringes	389,560	-
Professional services	36,494	-
Utilities	2,084	-
Materials and supplies	74,882	-
Maintenance and repairs	102,733	-
Education and training	300	-
Landfill postclosure care	2,960,759	-
IDA professional fees	-	10,400
IDA administrative	-	44,351
Depreciation	1,690,888	660,676
Total operating expenses	<u>\$ 7,408,129</u>	<u>\$ 715,427</u>
Operating income (loss)	<u>\$ (1,745,154)</u>	<u>\$ (256,156)</u>

City of Bristol, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Fund	Component Unit
	Solid Waste <u>Fund</u>	Industrial Development <u>Authority</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 3,449	\$ 9,580
Amortization	(187,149)	-
Debt service costs	(1,933)	-
Gain (loss) on disposal of surplus	(665)	-
Gain (loss) on investments	-	(6)
Interest expense	(1,576,287)	(2,050,056)
Contributions from primary government:		
Economic development	-	967,321
Development of regional impact	-	1,972,420
Economic development	-	(1,285,335)
Total nonoperating revenues (expenses)	<u>\$ (1,762,585)</u>	<u>\$ (386,076)</u>
Income before transfers	\$ (3,507,739)	\$ (642,232)
Transfers in	567,480	-
Change in net position	<u>\$ (2,940,259)</u>	<u>\$ (642,232)</u>
Net position - beginning, as restated	(22,430,723)	(10,427,357)
Net position - ending	<u><u>\$ (25,370,982)</u></u>	<u><u>\$ (11,069,589)</u></u>

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, 2019

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 5,518,567	\$ 459,271
Payments to suppliers	(1,745,237)	(54,751)
Payments to employees	(1,193,371)	-
Net cash provided by (used for) by operating activities	<u>\$ 2,579,959</u>	<u>\$ 404,520</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from primary government	\$ -	\$ 3,055,018
Transfers from other funds	567,480	-
Net cash provided by (used for) by noncapital financing activities	<u>\$ 567,480</u>	<u>\$ 3,055,018</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (21,250)	\$ -
Proceeds from the sale of assets	12,500	-
Principal payments on bonds	(330,480)	(880,000)
Principal payments on lease obligations	(108,412)	-
Interest expense	(1,419,911)	(2,048,664)
Debt service costs	(1,933)	-
Economic development	-	(1,285,335)
Net cash provided by (used for) by capital and related financing activities	<u>\$ (1,869,486)</u>	<u>\$ (4,213,999)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Gain (loss) on investments	\$ -	\$ (6)
Interest received	3,449	9,580
Net cash provided by (used for) by investing activities	<u>\$ 3,449</u>	<u>\$ 9,574</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,281,402	\$ (744,887)
Cash and cash equivalents - beginning	1,930,149	4,503,478
Cash and cash equivalents - ending	<u>\$ 3,211,551</u>	<u>\$ 3,758,591</u>
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:		
Operating income (loss)	\$ (1,745,154)	\$ (256,156)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 1,690,888	\$ 660,676
Increase (decrease) in pension related items	(148,689)	-
Increase (decrease) in OPEB related items	(12,329)	-
(Increase) decrease in accounts receivable	(131,908)	-
(Increase) decrease in due from other funds	(12,500)	-
(Increase) decrease in prepaid items	87	-
Increase (decrease) in operating payables	(13,654)	-
Increase (decrease) in salaries and wages payable	844	-
Increase (decrease) in compensated absences	(8,385)	-
Increase (decrease) in landfill closure liability	2,960,759	-
Total adjustments	<u>\$ 4,325,113</u>	<u>\$ 660,676</u>
Net cash provided by (used for) by operating activities	<u>\$ 2,579,959</u>	<u>\$ 404,520</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, 2019

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 128,676
Total assets	<u>\$ 128,676</u>
LIABILITIES	
Amounts held for social services clients	\$ 104,309
Amounts held for employees	24,367
Total liabilities	<u><u>\$ 128,676</u></u>

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 waste collection services and a 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.

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 5th and on December 5th.

Personal property taxes are due and collectible annually on December 5th. 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 \$314,087 at June 30, 2019. The allowance consists of delinquent taxes in the amount of \$314,087.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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, 2019.

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.

8. 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, 2nd half installments levied during the fiscal year but due after June 30th; amounts prepaid on the 2nd 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, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd 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.

9. 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. 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.

10. 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)

11. 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.

12. 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 (\$25,370,982). 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.

13. 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)

14. 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.

15. Fund Balance

The following classifications of fund balance 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

15. Fund Balance (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).

16. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and LODA OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

In addition to the VRS related OPEB, the City allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating and implicit subsidy OPEB liability. In addition, retirees receive a monthly stipend towards their health insurance cost until the retiree is Medicare eligible.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 2-Stewardship, Compliance, and Accountability: (Continued)

B. Budgetary information (Continued)

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.

C. Excess of expenditures over appropriations

For the year ended June 30, 2019, the Commonwealth Attorney's Fund had expenses in excess of appropriations.

D. Deficit fund equity

At June 30, 2019, the CDBG Fund, the Solid Waste Fund, and the IDA Fund reported a deficit in fund equity.

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, 2019, the City's component unit Industrial Development Authority had investments in the amount of \$492,294.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 3-Deposits and Investments: (Continued)**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, 2019 and the ratings are presented below using the respective rating scale.

City's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
State Non-arbitrage Pool (SNAP)	\$ 18,650
MSILF Mutual Funds	473,644
Total	\$ 492,294

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. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

Investment Type	Fair Value	Less than 1 yr
SNAP	\$ 18,650	\$ 18,650
MSILF Mutual Funds	473,644	473,644

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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.

The City has the following recurring fair value measurements as of June 30, 2019:

Investment	6/30/2019	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)
Investments in mutual funds:				
Mutual Funds Bonds	\$ 3,735,539	\$ 3,735,539	\$ -	\$ -
Total	\$ 3,735,539	\$ 3,735,539	\$ -	\$ -
Investments measured at NAV:				
Virginia Investment Pool	\$ 10,170,247			
Total investments measured at NAV	\$ 10,170,247			
Total investments measured at fair value	\$ 13,905,786			

As of June 30, 2019, there were no withdraw limitations associated with investments held by the Virginia Investment Pool.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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	\$ 12,259,472	\$ -
Accounts	1,659,093	369,229
Gross Receivables	\$ 13,918,565	\$ 369,229
Less: Allowance for uncollectibles	(314,087)	-
Net Receivables	<u>\$ 13,604,478</u>	<u>\$ 369,229</u>

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 activities and funds were as follows:

	Government-wide Statements Governmental Activities	Balance Sheet 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.	\$ -	\$ 1,179,527
2nd half assessments due after June 30	10,419,731	10,419,731
Prepaid property taxes due after June 30 but paid in advance by taxpayers	178,771	178,771
Total deferred/unavailable revenue	<u>\$ 10,598,502</u>	<u>\$ 11,778,029</u>
Unearned Revenue		
Notes Receivable	\$ 40,000	\$ 760,000
Clear Creek Golf Course	197,908	197,908
BVU Authority	100,000	100,000
Total unearned revenue	<u>\$ 337,908</u>	<u>\$ 1,057,908</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 5-Receivables: (Continued)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 \$220,000 as of June 30, 2019. 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, 2019, the balance was \$40,000.

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	\$ 280,392	\$ 365,487
<u>Commonwealth of Virginia:</u>		
Local sales tax	746,082	-
Local communication tax	82,078	-
Categorical aid-State Sales Tax-DRI	268,731	
Categorical aid-VDOT	495,306	
Categorical aid-other	260,954	-
Categorical aid-Shared Expenses	339,287	
Non-categorical aid	13,618	-
Categorical aid-Virginia Public Assistance	160,345	-
Categorical aid-Comprehensive Services Act	344,856	-
<u>Federal Government:</u>		
Categorical aid-VDOT	757,322	
Categorical aid-Virginia Public Assistance	208,637	-
Categorical aid-other	243,912	-
Total	<u>\$ 4,201,520</u>	<u>\$ 365,487</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 7-Interfund Transfers and Balances:

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 567,480
Solid Waste Disposal Fund	567,480	-
Total	<u>\$ 567,480</u>	<u>\$ 567,480</u>

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.

Note 8-Component-Unit Contribution and Obligations:

Component unit contributions for the year ended June 30, 2019, consisted of the following:

Component Unit:	
School Board	\$ 6,590,610
IDA	2,025,320
Total	<u>\$ 8,615,930</u>

At year end, the Primary Government carries a liability to the Component Unit-IDA for funds due to the IDA related to taxes collected for payment of debt service.

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ 373,245	\$ -
Component Unit		
IDA	-	373,245
Totals	<u>\$ 373,245</u>	<u>\$ 373,245</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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, 2019.

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Direct Borrowings and Placements				
General Obligation Bonds	\$ 4,125,180	\$ -	\$ (343,020)	\$ 3,782,160
Unamortized Premium	156,128	-	(40,703)	115,425
Total Direct Borrowings and Placements	\$ 4,281,308	\$ -	\$ (383,723)	\$ 3,897,585
General Obligation Bonds	69,939,050	-	-	69,939,050
Capital Lease	3,055,373	1,162,149	(522,397)	3,695,125
Net OPEB Liabilities	6,325,313	1,297,330	(1,407,552)	6,215,091
Compensated Absences	1,976,468	1,533,025	(1,482,351)	2,027,142
Net Pension Liability	19,960,501	8,743,855	(10,360,758)	18,343,598
Revenue sharing agreement	1,750,000	-	(350,000)	1,400,000
Total	\$ 107,288,013	\$ 12,736,359	\$ (14,506,781)	\$ 105,517,591

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		Direct Borrowings and Placements	
	Principal	Interest	General Obligation Bonds Principal	Interest
2020	\$ -	\$ 2,814,683	\$ 770,900	\$ 210,898
2021	280,000	2,814,683	789,100	186,960
2022	1,135,000	2,807,067	561,980	168,149
2023	1,229,100	2,772,257	560,180	154,975
2024	2,584,700	2,739,156	362,500	138,109
2025-2029	13,847,550	12,272,447	737,500	408,109
2030-2034	18,130,000	9,357,156	-	-
2035-2039	17,765,900	5,036,371	-	-
2040-2043	14,966,800	1,537,525	-	-
Totals	\$ 69,939,050	\$ 42,151,345	\$ 3,782,160	\$ 1,267,200

CITY OF BRISTOL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**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
Direct Borrowings and Placements						
GO Bond	4.50%	6/1/2011	2027	\$ 3,000,000	\$ 1,500,000	\$ 187,500
GO Bond	2.82-4.83%	10/1/2012	2025	3,965,000	1,630,000	425,000
GO Bond	1.92%	11/10/2016	2023	960,000	652,160	158,400
Total Direct Borrowings and Placements					<u>\$ 3,782,160</u>	<u>\$ 770,900</u>
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	4.68-4.88%	5/1/2014	2043	16,820,000	6,223,400	-
GO Bond	5.75%	1/9/2018	2043	59,050,600	59,050,600	-
Total General Obligation Bonds					<u>\$ 69,939,050</u>	<u>\$ -</u>
Deferred Amount						
Bond Premium	n/a	n/a	n/a	n/a	\$ 115,425	\$ 40,704
Other Obligations						
Capital Leases	n/a	n/a	n/a	n/a	\$ 3,695,125	\$ 394,410
Net OPEB Liabilities	n/a	n/a	n/a	n/a	6,215,091	-
Compensated Absences	n/a	n/a	n/a	n/a	2,027,142	1,520,357
Net Pension Liability	n/a	n/a	n/a	n/a	18,343,598	-
Revenue sharing agreement with Washington County (1)	n/a	n/a	n/a	n/a	1,400,000	350,000
Total Other Obligations					<u>\$ 31,680,956</u>	<u>\$ 2,264,767</u>
Total Long-term Obligations					<u>\$ 105,517,591</u>	<u>\$ 3,076,371</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, 2019

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, 2019.

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Direct Borrowings and Placements				
General Obligation Bonds	\$ 2,931,320	\$ -	\$ (330,480)	\$ 2,600,840
Unamortized Premium	160,352	-	(53,959)	106,393
Total Direct Borrowings and Placements	\$ 3,091,672	\$ -	\$ (384,439)	\$ 2,707,233
General Obligation Bonds	31,860,950	-	-	31,860,950
Capital Lease	239,728	-	(108,411)	131,317
Landfill Closure Liability	8,643,536	2,960,759	-	11,604,295
Net Pension Liability	1,299,244	486,824	(734,918)	1,051,150
Net OPEB Liabilities	233,729	21,967	(62,231)	193,465
Compensated Absences	125,171	85,493	(93,878)	116,786
Total	\$ 45,494,030	\$ 3,555,043	\$ (1,383,877)	\$ 47,665,196

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		Direct Borrowings and Placements	
	Principal	Interest	General Obligation Bonds Principal	Interest
2020	\$ -	\$ 1,422,391	\$ 696,600	\$ 56,195
2021	-	1,422,391	693,400	37,299
2022	-	1,422,391	604,520	21,594
2023	485,900	1,408,657	606,320	7,327
2024	520,300	1,380,217	-	-
2025-2029	5,172,450	6,178,657	-	-
2030-2034	6,120,000	5,003,557	-	-
2035-2039	11,969,100	3,840,140	-	-
2040-2043	7,593,200	604,902	-	-
Totals	\$ 31,860,950	\$ 22,683,303	\$ 2,600,840	\$ 122,415

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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
Direct Borrowings and Placements						
GO Bond	2.27-3.75%	10/1/2012	2023	\$ 2,550,000	\$ 1,215,000	\$ 360,000
GO Bond	1.92%	11/10/2016	2023	2,040,000	1,385,840	336,600
Total Direct Borrowings and Placements					<u>\$ 2,600,840</u>	<u>\$ 696,600</u>
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	4.68-4.88%	5/1/2014	2044	16,820,000	10,596,600	-
Total General Obligation Bonds					<u>\$ 31,860,950</u>	<u>\$ -</u>
Deferred Amount Bond Premium					\$ 106,393	\$ 53,978
Other Obligations						
Capital Lease	n/a	n/a	n/a	n/a	\$ 131,317	\$ 49,886
Landfill Closure Liability	n/a	n/a	n/a	n/a	11,604,295	-
Net Pension Liability	n/a	n/a	n/a	n/a	1,051,150	-
Net OPEB Liabilities	n/a	n/a	n/a	n/a	193,465	-
Compensated Absences	n/a	n/a	n/a	n/a	116,786	87,590
Total Other Obligations					<u>\$ 13,097,013</u>	<u>\$ 137,476</u>
Total Long-term Obligations					<u>\$ 47,665,196</u>	<u>\$ 888,054</u>

The following is a summary of long-term obligation transactions of the Component-Unit Industrial Development Authority for the year ended June 30, 2019:

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Revenue Bonds	<u>\$ 33,015,000</u>	<u>\$ -</u>	<u>\$ (880,000)</u>	<u>\$ 32,135,000</u>
Total	<u>\$ 33,015,000</u>	<u>\$ -</u>	<u>\$ (880,000)</u>	<u>\$ 32,135,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 9-Long-Term Obligations: (Continued)Primary Government - Business-type Activities Indebtedness: (Continued)

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
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	165,000	1,898,981
2025-2029	1,020,000	9,303,375
2030-2034	4,755,000	8,181,300
2035-2039	-	7,778,750
2040-2044	-	7,778,750
2045	24,500,000	777,875
Totals	<u>\$ 32,135,000</u>	<u>\$ 43,476,449</u>

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Business- type Activities	Amount Due with- in One Year
<u>Revenue Bonds:</u>							
Revenue Bond Series 2014A	6.75%	12/23/2014	2033	\$145,000-820,000 a+	\$ 6,355,000	\$ 4,655,000	\$ 935,000
Revenue Bond Series 2014B	5.00-6.35%	12/23/2014	2044	bp	27,500,000	27,480,000	-
Total Revenue Bonds						<u>\$ 32,135,000</u>	<u>\$ 935,000</u>
Total Long-Term Obligations						<u>\$ 32,135,000</u>	<u>\$ 935,000</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

The City's general obligation bonds are subject to the State Aid Intercept Program. Under terms of the program, the City state aid is redirected to bond holders to cure any event(s) of default.

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.

Benefit Structures

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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

Note 10-Pension Plan: (Continued)

Benefit Structures (Continued)

- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 10-Pension Plan: (Continued)

Contributions (Continued)

The City's contractually required employer contribution rate for the year ended June 30, 2019 was 16.69% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$2,144,623 and \$1,961,818 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

At June 30, 2019, the City reported a liability of \$19,394,748 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. 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, 2018 and 2017 was used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2018 and 2017, the City's proportion was 95.779% and 95.299%, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
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, 2019

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

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%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
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, 2019

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

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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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, 2019

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, 2018, the rate contributed by the employer for the City Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
City Net Pension Liability	\$ 31,928,754	\$ 19,394,748	\$ 8,879,431

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

For the year ended June 30, 2019, the City recognized pension expense of \$639,568. 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, 2019

Note 10-Pension Plan: (Continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

At June 30, 2019, 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	\$ -	\$ 1,428,722
Change in assumptions	93,498	-
Net difference between projected and actual earnings on pension plan investments	-	619,741
Change in proportion	158,634	166,937
Employer contributions subsequent to the measurement date	<u>2,144,623</u>	<u>-</u>
Total	\$ <u>2,396,755</u>	\$ <u>2,215,400</u>

\$2,144,623 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ (443,433)
2021	(573,917)
2022	(867,482)
2023	(78,436)
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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, 2018 (measurement date), the following employees were covered by the benefit terms:

	Primary Government
Total active employees with coverage	564
Total retirees with coverage	39
Total	603

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, 2019 was \$59,862.

Total OPEB Liability

The City's total OPEB liability was measured as of July 1, 2018. 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, 2019

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	6.00% for fiscal year end 2019, decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increases	2.50%
Discount Rate	3.62%

Mortality rates are based on RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2018.

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, 2018. The final equivalent single discount rate used for this year's valuation is 3.62% 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, 2018	\$ 3,053,138
Changes for the year:	
Service cost	100,569
Interest	111,200
Difference between expected and actual experience	(573,910)
Changes in assumptions	(110,338)
Benefit payments	(59,862)
Change in proportionate share	(26)
Net changes	(532,367)
Balances at June 30, 2019	\$ 2,520,771

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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 (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Rate		
1% Decrease (2.62%)	Current Discount (3.62%)	1% Increase (4.62%)
\$ 2,642,373	\$ 2,520,771	\$ 2,208,148

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 (5.00)%	Healthcare Cost Trend (6.00%)	1% Increase (7.00%)
\$ 2,202,399	\$ 2,520,771	\$ 2,662,794

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

For the year ended June 30, 2019, the City recognized OPEB expense in the amount of \$213,109. At June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 97,926
Change in assumptions	-	497,005
Contributions subsequent to the measurement date	59,368	-
Total	\$ 59,368	\$ 594,931

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 11-Other Postemployment Benefits-Health Insurance: (Continued)*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
(Continued)*

\$59,368 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, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future report periods as follows:

<u>Year Ended June 30</u>	
2019	\$(119,885)
2020	(119,885)
2021	(119,885)
2022	(110,393)
2023	(104,067)
Thereafter	(20,816)

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*

The Group Life Insurance (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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

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

Plan Description (Continued)

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI 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 GLI 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% ($1.31\% \times 60\%$) and the employer component was 0.52% ($1.31\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the City were \$67,864 and \$68,287 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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 GLI Program OPEB*

At June 30, 2019, the City reported a liability of \$1,048,785 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the City's proportion was 0.07210% as compared to 0.07785% at June 30, 2017. The Bristol Public Library participates in the City's GLI OPEB and represents 5.0103% of the above proportionate share.

For the year ended June 30, 2019, the City recognized GLI OPEB expense of \$12,452. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the 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	\$ 51,721	\$ 18,198
Changes in assumptions	-	44,059
Net difference between projected and actual earnings on OPEB plan investments	-	34,481
Change in proportionate share	-	102,484
Employer contributions subsequent to the measurement date	67,864	-
Total	\$ 119,585	\$ 199,222

\$67,864 reported as deferred outflows of resources related to the GLI OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2020	\$ (35,439)
2021	(35,439)
2022	(35,439)
2023	(25,859)
2024	(12,452)
Thereafter	(2,873)

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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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 - 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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.

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI 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 the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

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

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	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
City's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 1,370,604	\$ 1,048,785	\$ 787,307

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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. 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 described below:

Eligible Employees

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.

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

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$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; or 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.

The LODA program also provides health insurance benefits. 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. 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 LODA.

Contributions

The contribution requirements for the LODA 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 LODA Program for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 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 LODA Program from the entity were \$121,039 and \$96,453 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, the entity reported a liability of \$2,839,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was 0.90552% as compared to 0.90878% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$224,000. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 408,000	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	7,000
Change in assumptions	-	327,000
Change in proportion	-	25,000
Employer contributions subsequent to the measurement date	<u>121,039</u>	<u>-</u>
Total	<u>\$ 529,039</u>	<u>\$ 359,000</u>

\$121,039 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, 2020. 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>	
2020	\$ 4,000
2021	4,000
2022	4,000
2023	5,000
2024	6,000
Thereafter	26,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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%
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89%, 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 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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 LODA OPEB Liability

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

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 315,395
Plan Fiduciary Net Position	<u>1,889</u>
Employers' Net OPEB Liability (Asset)	<u>\$ 313,506</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%

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.

Note 13—Line of Duty Act (LODA) Program: (Continued)*Long-Term Expected Rate of Return*

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89% 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 3.89% 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 as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. 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 ended June 30, 2018, 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.

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 3.89%, 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 (2.89%) or one percentage point higher (4.89%) than the current rate:

	Discount Rate		
	1% Decrease (2.89%)	Current (3.89%)	1% Increase (4.89%)
City's proportionate share of the total LODA Net OPEB Liability	\$ 3,253,000	\$ 2,839,000	\$ 2,506,000

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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 Health Care Trend Rate*

Because the LODA 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	\$ 2,419,000	\$ 2,839,000	\$ 3,362,000

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14—Summary of OPEB Plans:

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
City Stand-Alone Plan (Note 11)	\$ 59,368	\$ 594,931	\$ 2,520,771	\$ 213,109
VRS OPEB Plans:				
Group Life Insurance Program (Note 12):	119,585	199,222	1,048,785	12,452
Line of Duty Act Program (Note 13)	529,039	359,000	2,839,000	224,000
Totals	\$ <u>707,992</u>	\$ <u>1,153,153</u>	\$ <u>6,408,556</u>	\$ <u>449,561</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 15-Capital Assets:

Capital asset activity for the year ended June 30, 2019 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 21,747,586	\$ -	\$ (2,404,194)	\$ 19,343,392
Construction in progress	19,300,408	6,812,833	(12,256,642)	13,856,599
Total capital assets not being depreciated	<u>\$ 41,047,994</u>	<u>\$ 6,812,833</u>	<u>\$ (14,660,836)</u>	<u>\$ 33,199,991</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 17,338,293	\$ 177,931	\$ (36,200)	\$ 17,480,024
Land Development Costs	480,000	-	-	480,000
Infrastructure	97,436,795	12,349,680	-	109,786,475
Library Assets	7,197,901	-	-	7,197,901
Machinery and equipment	13,057,838	2,272,079	(436,140)	14,893,777
Total capital assets being depreciated	<u>\$ 135,510,827</u>	<u>\$ 14,799,690</u>	<u>\$ (472,340)</u>	<u>\$ 149,838,177</u>
Accumulated depreciation:				
Buildings and improvements	\$ (8,808,239)	\$ (508,298)	\$ -	\$ (9,316,537)
Land Development Costs	(403,200)	(19,200)	-	(422,400)
Infrastructure	(67,120,637)	(1,877,883)	-	(68,998,520)
Library Assets	(2,819,724)	(122,521)	-	(2,942,245)
Machinery and equipment	(8,471,750)	(801,511)	392,523	(8,880,738)
Total accumulated depreciation	<u>\$ (87,623,550)</u>	<u>\$ (3,329,413)</u>	<u>\$ 392,523</u>	<u>\$ (90,560,440)</u>
Total capital assets being depreciated, net	<u>\$ 47,887,277</u>	<u>\$ 11,470,277</u>	<u>\$ (79,817)</u>	<u>\$ 59,277,737</u>
Governmental activities capital assets, net	<u>\$ 88,935,271</u>	<u>\$ 18,283,110</u>	<u>\$ (14,740,653)</u>	<u>\$ 92,477,728</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 15-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 802,062	\$ -	\$ -	\$ 802,062
Construction in progress	-	21,250	-	21,250
Total capital assets not being depreciated	<u>\$ 802,062</u>	<u>\$ 21,250</u>	<u>\$ -</u>	<u>\$ 823,312</u>
Capital assets, being depreciated:				
Land Development Costs	\$ 35,456,968	\$ -	\$ -	\$ 35,456,968
Machinery and equipment	5,986,386	-	(115,344)	5,871,042
Plant	1,315,187	-	-	1,315,187
Infrastructure	1,697,957	-	-	1,697,957
Total capital assets being depreciated	<u>\$ 44,456,498</u>	<u>\$ -</u>	<u>\$ (115,344)</u>	<u>\$ 44,341,154</u>
Accumulated depreciation:				
Land Development Costs	\$ (19,899,799)	\$ (1,140,007)	\$ -	\$ (21,039,806)
Machinery and equipment	(4,701,860)	(183,078)	102,179	(4,782,759)
Plant	(651,403)	(33,761)	-	(685,164)
Infrastructure	(354,697)	(334,042)	-	(688,739)
Total accumulated depreciation	<u>\$ (25,607,759)</u>	<u>\$ (1,690,888)</u>	<u>\$ 102,179</u>	<u>\$ (27,196,468)</u>
Total capital assets being depreciated, net	<u>\$ 18,848,739</u>	<u>\$ (1,690,888)</u>	<u>\$ (13,165)</u>	<u>\$ 17,144,686</u>
Business-type activities capital assets, net	<u>\$ 19,650,801</u>	<u>\$ (1,669,638)</u>	<u>\$ (13,165)</u>	<u>\$ 17,967,998</u>

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

Governmental activities:	
General government administration	\$ 134,494
Judicial administration	123,182
Public safety	549,319
Public works	2,276,369
Health and welfare	30,439
Parks, recreation, and culture	215,610
Total depreciation expense-governmental activities	<u>\$ 3,329,413</u>
Business type activities:	
Solid Waste Fund	<u>\$ 1,690,888</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 15-Capital Assets: (Continued)

Capital asset activity for the Industrial Development Authority for the year ended June 30, 2019 was as follows:

Discretely Presented Component Unit-Industrial Development Authority:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,418,040	\$ 914,421	\$ (914,421)	\$ 1,418,040
Construction in progress	16,516,926	-	(16,516,926)	-
Total capital assets not being depreciated	<u>\$ 17,934,966</u>	<u>\$ 914,421</u>	<u>\$ (17,431,347)</u>	<u>\$ 1,418,040</u>
Capital assets, being depreciated:				
Public Domain Infrastructure	-	16,516,926	-	16,516,926
Total capital assets being depreciated	<u>\$ -</u>	<u>\$ 16,516,926</u>	<u>\$ -</u>	<u>\$ 16,516,926</u>
Accumulated depreciation:				
Buildings and improvements	\$ -	\$ (660,676)	\$ -	\$ (660,676)
Total accumulated depreciation	<u>\$ -</u>	<u>\$ (660,676)</u>	<u>\$ -</u>	<u>\$ (660,676)</u>
Total capital assets being depreciated, net	<u>\$ -</u>	<u>\$ 15,856,250</u>	<u>\$ -</u>	<u>\$ 15,856,250</u>
Business-type activities capital assets, net	<u>\$ 17,934,966</u>	<u>\$ 16,770,671</u>	<u>\$ (17,431,347)</u>	<u>\$ 17,274,290</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 16-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, 2019, the City has the following capital leases:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Lease	Balance Governmental Activities	Balance Business-type Activities
Governmental						
Voting Machines	5.03%	07-14	08-19	\$ 67,510	\$ 12,676	\$ -
Fire Truck	3.65%	08-15	06-25	340,000	217,263	-
Vehicles	2.76%	08-15	06-20	403,767	84,326	-
Energy Project	3.17%	06-15	07-30	2,663,317	2,073,572	-
Vehicles	2.81%	06-16	06-21	298,125	123,009	-
Golf Carts	2.44%	08-16	08-20	208,000	58,170	-
Ladder Truck	4.09%	01-19	01-29	925,713	925,713	-
Street Sweeper	5.09%	10-18	12-21	236,436	200,396	-
Solid Waste						
Brush Truck	2.76%	08-15	06-20	\$ 136,896	\$ -	\$ 29,514
Energy Project	3.17%	06-15	07-30	76,467	-	59,536
Skid Steer Loader	2.81%	06-16	06-21	99,375	-	42,267
					<u>\$ 3,695,125</u>	<u>\$ 131,317</u>

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	\$ 5,001,944	\$ 307,263
Accumulated Depreciation	(1,057,376)	(120,106)
Total	<u>\$ 3,944,568</u>	<u>\$ 187,157</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 16-Capital Leases: (Continued)

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

Fiscal Year Ended	Governmental Activities	Business-type Activities
2020	\$ 457,322	\$ 52,063
2021	541,428	28,839
2022	424,963	6,493
2023	381,770	6,493
2024	381,770	6,493
2025-2029	1,745,243	32,464
2030-2031	452,448	12,985
Total minimum lease payments	\$ 4,384,944	\$ 145,830
Less: amount representing interest	(689,819)	(14,513)
Present value of minimum lease payments	<u>\$ 3,695,125</u>	<u>\$ 131,317</u>

Note 17-Operating Leases:

The City has operating leases for two pieces of equipment in the Solid Waste Disposal Fund. Future minimum lease payments as of June 30, 2019 are as follows:

Fiscal Year Ended	Business-type Activities	
	Landfill Compactor	Landfill Tractor
2020	\$ 164,345	\$ 100,708
2021	164,345	100,708
2022	82,173	100,708
2023	-	25,177
Total	<u>\$ 410,863</u>	<u>\$ 327,301</u>

Note 18-Landfill Closure and Post-Closure Care Costs:

The City owns and operates two landfills, compost and baling facilities, 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, while accepting trash.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 18-Landfill Closure and Post-Closure Care Costs: (Continued)

The estimated landfill closure and postclosure care cost liability for the old landfill is \$5,203,001 as of June 30, 2019, which is based on 100% usage (filled) of the landfill. 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 2021.

The estimated liability for landfill closure and postclosure care costs for the quarry balefill is \$6,279,749 as of June 30, 2019, which is based on 48.30% usage (filled) of the landfill. It is estimated that an additional \$6,721,802 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, 2019 are \$57,255 and \$28,485, respectively. It is estimated that an additional \$103,356 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 \$35,805 at June 30, 2019. 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 (\$18,429,453) 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, 2019. 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 19-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 20-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 21-Surety Bonds:

Primary Government:

<u>Fidelity & 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 22-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 \$97,920.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 22-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 23-Fund Balance:

Governmental Funds:	General Fund
Nonspendable:	
Inventories	\$ 119,478
Prepaid items	285,709
Total nonspendable balances	<u>\$ 405,187</u>
Restricted:	
Federal Sharing	\$ 162,651
Asset Forfeiture	101,197
Capital Projects	868,762
Total restricted balances	<u>\$ 1,132,610</u>
Assigned:	
Investigations-Police Department	\$ 18,820
Total assigned balances	<u>\$ 18,820</u>
Committed:	
Emergency Reserve	\$ 1,400,000
Debt Service Reserve	1,653,823
Total Committed	<u>\$ 3,053,823</u>

On June 12, 2019, City Council committed \$1,400,000 of General Fund monies to an Emergency Reserve account. These funds can be released from commitment by a super-majority (4/5ths) vote of City Council.

On June 12, 2019, City Council committed \$1,653,823 of General Fund monies and \$140,851 of Solid Waste Disposal Fund monies to a Debt Service Reserve account. These funds can be released from commitment by a majority vote of City Council.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 24-Litigation:

As of June 30, 2019, there were no matters of litigation involving the City which would materially affect the City's financial position should a court decision on pending matters not be favorable.

Note 25-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, 2019:

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, October 10, 2018. At June 30, the City's liability was \$1,168,972.

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 \$19,792.

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, or June 2029. The City's liability at June 30, was \$868,544.

The following list provides details of each agreement the IDA had as of June 30, 2019:

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 June 30, was \$10,831,912.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 26-Subsequent Events:

On July 29, 2019, the City of Bristol refunded its Series 2006B Bond and its Series 2007B Bond with a General Obligation Refunding Bond, Series 2019 in the amount of \$3,177,000 with an interest rate of 2.06%. Of the \$3,177,000 2019 Bond, \$838,000 is allocated to the 2006B Bond which had a principal balance of \$815,000 at June 30, 20119, and \$2,339,0000 is allocated to the 2007B Bond which had a principal balance of \$2,275,000 at June 30, 2019. The 2019 refunding resulted in a refunding loss of \$87,000 but will result in a total payment savings of \$339,723 over the life of the 2019 Bond which matures in fiscal year 2027.

Note 27-Adoption of Accounting Principles:

The City implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 28-Restatement of Prior Financial Statements:

The previously issued financial statements have been restated as following:

	Solid Waste Fund
Fund balance, as previously reported	\$ (20,307,459)
Adjustments:	
Depreciation for Landfill Deveopment Costs	(2,270,428)
Additional Receivable from BVU	147,164
Fund balance, as restated	<u>\$ (22,430,723)</u>

Note 29-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Note 29-Upcoming Pronouncements: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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

Management 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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 16,917,935	\$ 16,917,935	\$ 18,096,902	\$ 1,178,967
Other local taxes	13,520,790	13,585,790	14,928,744	1,342,954
Permits, privilege fees, and regulatory licenses	179,600	179,600	137,486	(42,114)
Fines and forfeitures	200,500	200,500	257,255	56,755
Revenue from the use of money and property	152,200	252,199	389,118	136,919
Charges for services	1,199,535	1,370,258	1,179,029	(191,229)
Miscellaneous	782,750	846,050	1,021,619	175,569
Recovered costs	291,660	350,884	890,990	540,106
Intergovernmental	28,579,842	31,872,117	24,757,376	(7,114,741)
Total revenues	\$ 61,824,812	\$ 65,575,333	\$ 61,658,519	\$ (3,916,814)
EXPENDITURES				
Current:				
General government administration	\$ 3,589,491	\$ 3,761,236	\$ 3,362,096	\$ 399,140
Judicial administration	1,418,228	1,905,921	1,675,642	230,279
Public safety	16,439,275	16,834,970	15,432,576	1,402,394
Public works	5,131,196	5,820,522	5,833,148	(12,626)
Health and welfare	8,290,567	8,350,567	7,801,390	549,177
Education	6,522,270	6,622,270	6,624,370	(2,100)
Parks, recreation, and cultural	2,705,588	2,804,945	2,994,958	(190,013)
Community development	2,905,263	4,162,298	3,465,180	697,118
Nondepartmental	524,134	582,184	505,113	77,071
Capital projects	10,298,363	11,898,363	5,488,638	6,409,725
Debt service:				
Principal retirement	1,530,052	1,589,717	865,417	724,300
Interest and other fiscal charges	2,849,105	2,789,440	2,876,388	(86,948)
Bond issuance costs	20,000	20,000	3,139	16,861
Total expenditures	\$ 62,223,532	\$ 67,142,433	\$ 56,928,055	\$ 10,214,378
Excess (deficiency) of revenues over (under) expenditures	\$ (398,720)	\$ (1,567,100)	\$ 4,730,464	\$ 6,297,564
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (567,480)	\$ (567,480)	\$ (567,480)	\$ -
Issuance of capital leases	-	-	1,162,149	1,162,149
Sale of capital assets	16,500	24,815	13,442	(11,373)
Total other financing sources (uses)	\$ (550,980)	\$ (542,665)	\$ 608,111	\$ 1,150,776
Net change in fund balances	\$ (949,700)	\$ (2,109,765)	\$ 5,338,575	\$ 7,448,340
Fund balances - beginning	949,700	2,109,765	15,575,057	13,465,292
Fund balances - ending	\$ -	\$ -	\$ 20,913,632	\$ 20,913,632

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 Measurement Dates of June 30, 2014 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)
Primary Government					
2018	95.78%	\$ 19,394,748	\$ 13,066,288	148.43%	82.04%
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 - Pension
For the Years Ended June 30, 2015 through June 30, 2019

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)
2019	\$ 2,196,350	\$ 2,144,623	\$ 51,727	\$ 13,159,678	16.30%
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 - Pension
For the Year Ended June 30, 2019

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:

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%

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%

City of Bristol, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Year Ended June 30, 2019

	2018	2017
Total OPEB liability		
Service cost	\$ 100,569	98,173
Interest	111,200	106,027
Changes in assumptions	(110,338)	-
Differences between expected and actual experience	(573,910)	-
Benefit payments	(59,862)	(59,861)
Change in proportionate share	(26)	-
Net change in total OPEB liability	\$ (532,367)	144,339
Total OPEB liability - beginning	3,053,138	2,908,799
Total OPEB liability - ending	<u>\$ 2,520,771</u>	<u>3,053,138</u>
Covered payroll	\$ 24,004,929	24,741,090
City's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	10.50%	12.34%

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, 2019

Valuation Date: 7/1/2018
Measurement Date: 7/1/2018

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
Discount Rate	3.62%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.00% in 2019 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-2018.

City of Bristol, Virginia
Schedule of City's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and 2017

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)
2018	0.0721%	\$ 1,048,785	\$ 13,132,182	7.99%	51.22%
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, 2010 through June 30, 2019

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)
2019	\$ 67,864	\$ 67,864	\$ -	\$ 13,051,231	0.52%
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%

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, 2019

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:

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 (LODA) Program
For the Measurement Dates of June 30, 2018 and 2017

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)
2018	0.9055% \$	2,839,000	N/A	N/A	0.60%
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. 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
Line of Duty Act (LODA) Program
For the Years Ended June 30, 2017 through June 30, 2019

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)
2019	\$ 121,039	\$ 121,039	\$ -	N/A	N/A
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 (LODA) Program
For the Year Ended June 30, 2019

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:

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ 556,267	\$ 285,348	\$ (270,919)
Total revenues	\$ -	\$ 556,267	\$ 285,348	\$ (270,919)
EXPENDITURES				
Community development	\$ -	\$ 556,267	\$ 280,044	\$ 276,223
Total expenditures	\$ -	\$ 556,267	\$ 280,044	\$ 276,223
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 5,304	\$ 5,304
Net change in fund balances	\$ -	\$ -	\$ 5,304	\$ 5,304
Fund balances - beginning	\$ -	\$ -	\$ (18,168)	\$ (18,168)
Fund balances - ending	\$ -	\$ -	\$ (12,864)	\$ (12,864)

City of Bristol, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019

<u>Agency Funds</u>				
	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 98,070	\$ 172,882	\$ 166,643	\$ 104,309
FSA	25,514	31,847	32,994	24,367
Total assets	<u>\$ 123,584</u>	<u>\$ 204,729</u>	<u>\$ 199,637</u>	<u>\$ 128,676</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 98,070	\$ 172,882	\$ 166,643	\$ 104,309
Amounts held for employees	25,514	31,847	32,994	24,367
Total liabilities	<u>\$ 123,584</u>	<u>\$ 204,729</u>	<u>\$ 199,637</u>	<u>\$ 128,676</u>

Supporting Schedules

City of Bristol, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
Page 1 of 4

<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	\$ 13,014,935	\$ 13,014,935	\$ 13,459,515	\$ 444,580
Real and personal public service corporation taxes	225,000	225,000	292,182	67,182
Personal property taxes	3,288,000	3,288,000	3,845,020	557,020
Other taxes	75,000	75,000	113,847	38,847
Penalties	150,000	150,000	188,374	38,374
Interest	165,000	165,000	197,964	32,964
Total general property taxes	\$ 16,917,935	\$ 16,917,935	\$ 18,096,902	\$ 1,178,967
Other local taxes:				
Local sales and use taxes	\$ 3,750,290	\$ 3,783,725	\$ 4,430,693	\$ 646,968
Consumers' utility taxes	150,000	150,000	169,807	19,807
Consumption taxes	72,000	72,000	80,999	8,999
Tobacco taxes	450,000	450,000	512,787	62,787
Business license taxes	1,249,500	1,249,500	1,327,635	78,135
Motor vehicle licenses	240,000	240,000	281,256	41,256
Bank stock taxes	350,000	350,000	401,879	51,879
Taxes on recordation and wills	150,000	150,000	180,814	30,814
Hotel and motel room taxes	1,250,000	1,262,300	1,417,096	154,796
Restaurant food taxes	5,749,000	5,768,265	6,015,143	246,878
Admissions taxes	110,000	110,000	110,635	635
Total other local taxes	\$ 13,520,790	\$ 13,585,790	\$ 14,928,744	\$ 1,342,954
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,200	\$ 1,200	\$ 1,940	\$ 740
Transfer fees	500	500	601	101
Charges for stormwater management	21,400	21,400	18,850	(2,550)
Zoning fees	6,500	6,500	6,988	488
Permits and other licenses	150,000	150,000	109,107	(40,893)
Total permits, privilege fees, and regulatory licenses	\$ 179,600	\$ 179,600	\$ 137,486	\$ (42,114)
Fines and forfeitures:				
Court fines and forfeitures	\$ 200,500	\$ 200,500	\$ 257,255	\$ 56,755
Revenue from use of money and property:				
Revenue from use of money	\$ 8,000	\$ 107,999	\$ 212,657	\$ 104,658
Revenue from use of property	144,200	144,200	176,461	32,261
Total revenue from use of money and property	\$ 152,200	\$ 252,199	\$ 389,118	\$ 136,919
Charges for services:				
Charges for law enforcement and traffic control	\$ 5,000	\$ 5,000	\$ 1,203	\$ (3,797)
Charges for courthouse maintenance	15,000	15,000	16,181	1,181
Charges for courtroom security	60,000	60,000	62,058	2,058
Charges for miscellaneous jail and inmate fees	12,000	80,823	65,458	(15,365)
Charges for Commonwealth's Attorney	4,000	4,000	4,282	282
Charges for rescue services	150,000	150,000	186,337	36,337
Charges for miscellaneous court	46,335	58,235	50,852	(7,383)
Charges for parks and recreation	26,000	26,000	18,652	(7,348)
Charges for bus tickets	44,000	44,000	43,384	(616)

City of Bristol, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
Page 2 of 4

<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 golf course	\$ 731,000	\$ 821,000	\$ 632,490	\$ (188,510)
Charges for law library	6,000	6,000	8,195	2,195
Other charges for services	100,200	100,200	89,937	(10,263)
Total charges for services	<u>\$ 1,199,535</u>	<u>\$ 1,370,258</u>	<u>\$ 1,179,029</u>	<u>\$ (191,229)</u>
Miscellaneous:				
Miscellaneous	\$ 160,750	\$ 224,050	\$ 402,948	\$ 178,898
Revenue sharing payments - BVUA	285,000	285,000	280,392	(4,608)
Payments in lieu of taxes	337,000	337,000	338,279	1,279
Total miscellaneous	<u>\$ 782,750</u>	<u>\$ 846,050</u>	<u>\$ 1,021,619</u>	<u>\$ 175,569</u>
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 20,662	\$ 20,662
CDBG recoveries	50,000	67,835	119,944	52,109
Other recovered costs	241,660	283,049	750,384	467,335
Total recovered costs	<u>\$ 291,660</u>	<u>\$ 350,884</u>	<u>\$ 890,990</u>	<u>\$ 540,106</u>
Total revenue from local sources	<u>\$ 33,244,970</u>	<u>\$ 33,703,216</u>	<u>\$ 36,901,143</u>	<u>\$ 3,197,927</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 25,000	\$ 25,000	\$ 23,522	\$ (1,478)
Mobile home titling tax	1,000	1,000	540	(460)
Motor vehicle rental tax	13,000	13,000	14,191	1,191
Communications tax	562,000	562,000	514,242	(47,758)
State tax on deeds	40,000	40,000	41,096	1,096
State sales tax	1,100,000	1,100,000	1,098,194	(1,806)
Personal property tax relief funds	723,990	723,990	723,990	-
Total noncategorical aid	<u>\$ 2,464,990</u>	<u>\$ 2,464,990</u>	<u>\$ 2,415,775</u>	<u>\$ (49,215)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 461,323	\$ 461,323	\$ 460,700	\$ (623)
Sheriff	2,051,502	2,051,502	1,983,837	(67,665)
Commissioner of revenue	122,558	122,558	115,088	(7,470)
Treasurer	91,300	91,300	89,651	(1,649)
Registrar/electoral board	37,030	37,030	37,500	470
Clerk of the Circuit Court	272,556	272,556	273,444	888
Other shared expenses	29,000	29,000	21,851	(7,149)
Total shared expenses	<u>\$ 3,065,269</u>	<u>\$ 3,065,269</u>	<u>\$ 2,982,071</u>	<u>\$ (83,198)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 2,292,196	\$ 2,292,196	\$ 1,969,601	\$ (322,595)
Comprehensive services act	1,448,299	1,448,299	1,377,001	(71,298)
Law enforcement 599 funds	998,000	998,000	1,035,088	37,088
Family preservation grant	19,569	19,569	-	(19,569)
Wireless E-911 payment state grant	80,000	80,000	84,149	4,149
Emergency services funds	30,000	117,534	117,441	(93)
VDOT grants	6,008,718	7,752,718	895,311	(6,857,407)

City of Bristol, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

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<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)				
Street and highway maintenance	\$ 3,880,000	\$ 4,180,000	\$ 3,907,356	\$ (272,644)
Mass transit funds	100,000	109,288	90,117	(19,171)
Metro planning organization	74,000	74,000	57,136	(16,864)
Fire program	230,414	232,521	252,688	20,167
4-for-life funds	14,000	14,000	13,271	(729)
Litter control grant	6,500	6,500	6,207	(293)
VA foundation for healthy youth	40,382	40,382	40,207	(175)
Victim witness funds	27,192	27,515	32,959	5,444
State contract jail beds	300,000	300,000	325,774	25,774
Tobacco region opportunity funds	-	327,524	276,024	(51,500)
Other categorical aid	13,000	143,136	92,934	(50,202)
Total other categorical aid	<u>\$ 15,562,270</u>	<u>\$ 18,163,182</u>	<u>\$ 10,573,264</u>	<u>\$ (7,589,918)</u>
Total categorical aid	<u>\$ 18,627,539</u>	<u>\$ 21,228,451</u>	<u>\$ 13,555,335</u>	<u>\$ (7,673,116)</u>
Total revenue from the Commonwealth	<u>\$ 21,092,529</u>	<u>\$ 23,693,441</u>	<u>\$ 15,971,110</u>	<u>\$ (7,722,331)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,823,387	\$ 2,823,387	\$ 2,855,580	\$ 32,193
Cops hiring program CHP grant	27,697	27,697	61,254	33,557
Selective enforcement grants	45,000	45,000	42,406	(2,594)
SHSP funds	102,721	204,721	142,186	(62,535)
Substance abuse and mental health services grant	70,738	70,738	62,359	(8,379)
V stop grant	21,771	21,771	21,771	-
UMTA funds	251,000	297,440	222,643	(74,797)
Victim witness funds	81,578	82,547	76,685	(5,862)
Bullet Proof Vest Grant	-	11,414	20,184	8,770
State homeland security grant	15,500	15,500	14,623	(877)
Justice assistance grant	4,500	4,500	-	(4,500)
QSCB interest	125,000	125,000	127,100	2,100
Special projects	196,515	196,515	-	(196,515)
Street and highway maintenance	2,892,130	2,892,130	4,772,836	1,880,706
Appalachian area development	-	530,540	356,285	(174,255)
Other federal categorical aid	829,776	829,776	10,354	(819,422)
Total categorical aid	<u>\$ 7,487,313</u>	<u>\$ 8,178,676</u>	<u>\$ 8,786,266</u>	<u>\$ 607,590</u>
Total revenue from the federal government	<u>\$ 7,487,313</u>	<u>\$ 8,178,676</u>	<u>\$ 8,786,266</u>	<u>\$ 607,590</u>
Total General Fund	<u>\$ 61,824,812</u>	<u>\$ 65,575,333</u>	<u>\$ 61,658,519</u>	<u>\$ (3,916,814)</u>

City of Bristol, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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>
Capital Projects Fund:				
CDBG Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Entitlement grants	\$ -	\$ 556,267	\$ 285,348	\$ (270,919)
Total categorical aid	\$ -	\$ 556,267	\$ 285,348	\$ (270,919)
Total revenue from the federal government	\$ -	\$ 556,267	\$ 285,348	\$ (270,919)
Total CDBG Fund	\$ -	\$ 556,267	\$ 285,348	\$ (270,919)
Total Primary Government	\$ 61,824,812	\$ 66,131,600	\$ 61,943,867	\$ (4,187,733)

City of Bristol, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

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<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	\$ 89,727	\$ 70,073	\$ 19,654
General and financial administration:				
City clerk	\$ 12,177	\$ 25,677	\$ 17,993	\$ 7,684
City manager	259,113	249,796	235,309	14,487
Human resources	160,123	160,123	169,084	(8,961)
Independent auditor	70,440	70,440	65,662	4,778
City attorney	75,000	75,000	39,303	35,697
Commissioner of revenue	331,321	331,321	276,120	55,201
Assessor	15,000	15,000	5,628	9,372
Treasurer	385,704	597,853	579,447	18,406
Finance	812,528	823,211	780,258	42,953
Purchasing	92,290	92,290	90,870	1,420
Health department	58,000	81,982	14,389	67,593
Retired benefits	142,000	142,000	97,218	44,782
Other	952,539	829,818	770,837	58,981
Total general and financial administration	\$ 3,366,235	\$ 3,494,511	\$ 3,142,118	\$ 352,393
Board of elections:				
Electoral board	\$ 175,777	\$ 176,998	\$ 149,905	\$ 27,093
Total board of elections	\$ 175,777	\$ 176,998	\$ 149,905	\$ 27,093
Total general government administration	\$ 3,589,491	\$ 3,761,236	\$ 3,362,096	\$ 399,140
Judicial administration:				
Courts:				
Circuit court	\$ 81,861	\$ 81,861	\$ 51,878	\$ 29,983
Drug Court	70,771	70,771	49,344	21,427
General district court	18,850	68,850	14,806	54,044
Juvenile and domestic relations court	3,200	439,601	256,008	183,593
Magistrate's office	1,000	1,000	823	177
Law library	1,800	1,800	559	1,241
Victim witness program	109,653	110,945	102,235	8,710
Clerk of the circuit court	428,444	428,444	421,135	7,309
Clerk of the juvenile and domestic relations court	14,150	14,150	9,810	4,340
Total courts	\$ 729,729	\$ 1,217,422	\$ 906,598	\$ 310,824
Commonwealth's attorney:				
Commonwealth's attorney	\$ 688,499	\$ 688,499	\$ 674,361	\$ 14,138
Commonwealth's attorney asset forfeiture	-	-	94,683	(94,683)
Total commonwealth's attorney	\$ 688,499	\$ 688,499	\$ 769,044	\$ (80,545)
Total judicial administration	\$ 1,418,228	\$ 1,905,921	\$ 1,675,642	\$ 230,279
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 5,853,144	\$ 6,047,893	\$ 5,388,570	\$ 659,323
Total law enforcement and traffic control	\$ 5,853,144	\$ 6,047,893	\$ 5,388,570	\$ 659,323
Fire and rescue services:				
Fire department	\$ 4,807,554	\$ 5,115,889	\$ 4,932,457	\$ 183,432
Total fire and rescue services	\$ 4,807,554	\$ 5,115,889	\$ 4,932,457	\$ 183,432
Correction and detention:				
City Sheriff & Jail	\$ 5,076,982	\$ 4,791,526	\$ 4,280,605	\$ 510,921
Appalachian Juvenile Commission	193,832	193,832	193,832	-
City Sheriff & Jail grants	8,550	9,150	5,607	3,543
Total correction and detention	\$ 5,279,364	\$ 4,994,508	\$ 4,480,044	\$ 514,464

City of Bristol, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 2
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<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)				
Inspections:				
Building inspector	\$ 170,057	\$ 175,057	\$ 169,000	\$ 6,057
Total inspections	\$ 170,057	\$ 175,057	\$ 169,000	\$ 6,057
Other protection:				
Animal control	\$ 163,226	\$ 314,960	\$ 264,743	\$ 50,217
Medical examiner	500	500	420	80
Emergency preparedness	37,430	37,430	32,428	5,002
Hazardous materials emergency - ERS	30,000	50,733	43,875	6,858
Line of duty act	98,000	98,000	121,039	(23,039)
Total other protection	\$ 329,156	\$ 501,623	\$ 462,505	\$ 39,118
Total public safety	\$ 16,439,275	\$ 16,834,970	\$ 15,432,576	\$ 1,402,394
Public works:				
Sanitation and waste removal:				
Solid waste disposal	\$ 375,000	\$ 375,000	\$ 390,678	\$ (15,678)
Total sanitation and waste removal	\$ 375,000	\$ 375,000	\$ 390,678	\$ (15,678)
Maintenance of highways, streets, bridges and sidewalks:				
Street and engineering divisions	\$ 999,931	\$ 1,189,257	\$ 1,151,554	\$ 37,703
VDOT reimbursed maintenance	2,694,426	2,994,426	3,562,182	(567,756)
Streetlights	29,400	29,400	27,139	2,261
Fleet maintenance	465,799	665,799	436,996	228,803
Total maintenance of highways, streets, bridges and sidewalks	\$ 4,189,556	\$ 4,878,882	\$ 5,177,871	\$ (298,989)
Maintenance of general buildings and grounds:				
General properties	\$ 535,440	\$ 535,440	\$ 240,526	\$ 294,914
Other city property	24,000	24,000	23,525	475
Municipal parking facilities	7,200	7,200	548	6,652
Total maintenance of general buildings and grounds	\$ 566,640	\$ 566,640	\$ 264,599	\$ 302,041
Total public works	\$ 5,131,196	\$ 5,820,522	\$ 5,833,148	\$ (12,626)
Health and welfare:				
Health:				
Supplement of local health department	\$ 404,858	\$ 404,858	\$ 404,858	\$ -
Mental health and mental retardation:				
Mental health services	\$ 165,414	\$ 165,414	\$ 124,062	\$ 41,352
Total mental health and mental retardation	\$ 165,414	\$ 165,414	\$ 124,062	\$ 41,352
Welfare:				
Welfare administration and programs	\$ 5,611,752	\$ 5,671,752	\$ 5,008,437	\$ 663,315
Comprehensive services act	2,108,543	2,108,543	2,264,033	(155,490)
Total welfare	\$ 7,720,295	\$ 7,780,295	\$ 7,272,470	\$ 507,825
Total health and welfare	\$ 8,290,567	\$ 8,350,567	\$ 7,801,390	\$ 549,177
Education:				
Educational:				
Contributions to community colleges	\$ 33,760	\$ 33,760	\$ 33,760	\$ -
Contribution to City School Board	6,488,510	6,588,510	6,590,610	(2,100)
Total education	\$ 6,522,270	\$ 6,622,270	\$ 6,624,370	\$ (2,100)

City of Bristol, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 2
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<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)				
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 850,425	\$ 857,230	\$ 723,644	\$ 133,586
Programming	700,850	703,402	628,150	75,252
Clear Creek golf course	431,971	521,971	920,671	(398,700)
Total parks and recreation	<u>\$ 1,983,246</u>	<u>\$ 2,082,603</u>	<u>\$ 2,272,465</u>	<u>\$ (189,862)</u>
Library:				
Library expenses	\$ 722,342	\$ 722,342	\$ 722,493	\$ (151)
Total parks, recreation, and cultural	<u>\$ 2,705,588</u>	<u>\$ 2,804,945</u>	<u>\$ 2,994,958</u>	<u>\$ (190,013)</u>
Community development:				
Planning and community development:				
Planning and community development	\$ 305,054	\$ 300,054	\$ 239,955	\$ 60,099
Tourism promotion program	70,000	70,000	70,000	-
Economic development	176,500	1,399,564	855,192	544,372
Mount Rogers PDC	15,384	15,384	15,384	-
Chamber of Commerce	4,546	4,546	4,546	-
Keep Bristol Beautiful committee	6,500	6,500	6,500	-
District 3 Governmental Coop	10,523	10,523	10,523	-
Office on Youth	45,902	45,902	39,574	6,328
Economic development activities	145,379	165,515	140,669	24,846
Family preservation	-	-	6,042	(6,042)
Code compliance	25,766	43,601	42,616	985
Non-city property management	22,174	23,174	8,859	14,315
Contribution to Industrial Development Authority	2,077,535	2,077,535	2,025,320	52,215
Total planning and community development	<u>\$ 2,905,263</u>	<u>\$ 4,162,298</u>	<u>\$ 3,465,180</u>	<u>\$ 697,118</u>
Total community development	<u>\$ 2,905,263</u>	<u>\$ 4,162,298</u>	<u>\$ 3,465,180</u>	<u>\$ 697,118</u>
Nondepartmental:				
Nondepartmental	\$ 524,134	\$ 582,184	\$ 505,113	\$ 77,071
Total nondepartmental	<u>\$ 524,134</u>	<u>\$ 582,184</u>	<u>\$ 505,113</u>	<u>\$ 77,071</u>
Capital outlay:				
Lee highway widening exit 7	\$ -	\$ 75,000	\$ 40,372	\$ 34,628
Exit 5 project	1,596,000	1,596,000	45,081	1,550,919
Lee highway widening phase 2	4,200,000	5,800,000	5,400,881	399,119
Drainage improvements	75,000	75,000	-	75,000
Other capital outlay	4,427,363	4,352,363	2,304	4,350,059
Total capital outlay	<u>\$ 10,298,363</u>	<u>\$ 11,898,363</u>	<u>\$ 5,488,638</u>	<u>\$ 6,409,725</u>
Debt service:				
Principal retirement	\$ 1,530,052	\$ 1,589,717	\$ 865,417	\$ 724,300
Interest and other fiscal charges	2,849,105	2,789,440	2,876,388	(86,948)
Other debt service	20,000	20,000	3,139	16,861
Total debt service	<u>\$ 4,399,157</u>	<u>\$ 4,399,157</u>	<u>\$ 3,744,944</u>	<u>\$ 654,213</u>
Total General Fund	<u>\$ 62,223,532</u>	<u>\$ 67,142,433</u>	<u>\$ 56,928,055</u>	<u>\$ 10,214,378</u>

City of Bristol, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 2
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<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>
Capital Projects Fund:				
CDBG Fund:				
Community development:				
Planning and community development:				
Administrative fees	\$ -	\$ 117,490	\$ 51,745	\$ 65,745
Demolition	-	70,693	-	70,693
Emergency Housing Rehab	-	49,321	87,863	(38,542)
Boys and Girls Club	-	3,000	2,250	750
Housing Maintenance Partnership	-	29,981	7,228	22,753
CASA (People Inc)	-	4,700	4,439	261
Fred Hayes Park	-	87,341	-	87,341
Highlands Community Services	-	12,500	13,596	(1,096)
Sidewalk improvements	-	109,354	40,505	68,849
Bristol Public Library	-	7,500	7,500	-
Family Promise of Bristol	-	2,993	-	2,993
Crisis Center	-	10,199	21,888	(11,689)
Crossroads Medical Mission	-	5,000	5,000	-
King's Mt Supportive Housing	-	5,475	5,270	205
Code Enforcement	-	40,720	32,760	7,960
Total planning and community development	\$ -	\$ 556,267	\$ 280,044	\$ 276,223
Total CDBG Fund	\$ -	\$ 556,267	\$ 280,044	\$ 276,223
Total Primary Government	\$ 62,223,532	\$ 67,698,700	\$ 57,208,099	\$ 10,490,601

Statistical Information

Statistical Section

This part of the annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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Financial Trends	
These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time.	122
Revenue Capacity	
These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	129
Debt Capacity	
These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.	133

Sources: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2004; schedules presenting government-wide information include information beginning in that year.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets										
Restricted	\$ 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	\$ 15,682,112
Unrestricted	1,614,580	935,441	779,252	2,029,871	1,149,693	2,376,424	990,054	461,041	394,934	263,848
	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)	(5,904,380)
Total governmental activities net position	\$ 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)	\$ 10,041,580
Business-type activities										
Net investment in capital assets										
Restricted	\$ 60,044,625	\$ 512,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,882,306)	\$ (11,240,766)	\$ (14,938,806)
Unrestricted	9,316	9,316	-	-	-	-	-	-	-	-
	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)	(10,432,176)
Total business-type activities net position	\$ 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)	\$ (25,370,982)
Primary government										
Net investment in capital assets	\$ 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	\$ 743,306
Restricted	1,623,896	964,757	779,252	2,029,871	1,149,693	2,376,424	990,054	461,041	394,934	263,848
Unrestricted	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)	(16,336,556)
Total primary government net position	\$ 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)	\$ (15,329,402)

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government administration	\$ 2,978,720	\$ 2,700,711	\$ 2,738,642	\$ 3,863,132	\$ 3,644,857	\$ 3,777,188	\$ 3,808,184	\$ 3,293,394	\$ 2,870,965	\$ 3,959,101
Judicial administration	1,509,552	1,597,660	1,315,755	1,446,663	1,403,143	1,416,373	1,542,808	1,489,258	1,546,585	1,521,639
Public safety	12,357,339	12,555,922	13,108,290	13,303,468	13,658,662	13,353,824	13,950,011	14,845,666	14,203,394	13,482,799
Public works	6,659,981	4,951,172	5,645,111	5,825,721	6,078,768	5,235,516	6,491,735	6,612,183	7,169,519	7,669,099
Health and welfare	5,495,954	5,625,680	5,997,666	6,188,984	6,340,817	6,895,092	7,398,856	7,493,980	7,796,803	7,679,441
Education	9,265,259	8,538,977	8,937,192	9,370,182	9,468,882	9,895,178	9,839,236	6,664,037	6,810,420	5,415,963
Parks, recreation and cultural	2,835,079	2,584,258	3,798,309	3,933,370	3,877,264	3,241,612	3,354,408	3,142,962	3,092,715	2,987,371
Community development	2,185,073	2,157,181	2,185,073	2,185,073	2,185,073	3,141,612	2,185,073	3,141,612	2,185,073	3,141,612
Total business-type activities	2,555,189	2,474,911	2,555,189	2,474,911	2,555,189	2,555,189	2,555,189	2,555,189	2,555,189	2,555,189
Interest on long-term debt	925,339	1,099,255	1,092,274	1,495,132	1,406,389	2,273,656	2,602,511	3,047,922	3,823,602	3,308,814
Total governmental activities expenses	\$ 45,446,668	\$ 44,978,220	\$ 45,556,798	\$ 48,692,780	\$ 51,508,430	\$ 52,028,072	\$ 52,151,495	\$ 51,648,395	\$ 55,338,448	\$ 49,230,040
Business-type activities:										
Electric	\$ 48,136,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water	3,179,182	-	-	-	-	-	-	-	-	-
Wastewater	3,116,913	-	-	-	-	-	-	-	-	-
OptiNet	19,236,343	-	-	-	-	-	-	-	-	-
Solid Waste Disposal	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	5,615,024
Golf Course	654,339	681,069	-	-	-	-	-	-	-	-
Capital grants and contributions	3,826,270	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 85,657,478	\$ 6,032,826	\$ 5,558,996	\$ 4,838,203	\$ 3,877,782	\$ 4,259,669	\$ 4,506,392	\$ 4,884,260	\$ 4,705,962	\$ 5,615,024
Total primary government program revenues	\$ 104,162,121	\$ 26,657,120	\$ 25,609,238	\$ 22,391,741	\$ 23,943,371	\$ 24,738,042	\$ 29,694,419	\$ 24,210,030	\$ 26,350,525	\$ 29,815,743
Net (expense) / revenue	\$ (26,942,025)	\$ (24,353,926)	\$ (25,506,516)	\$ (31,139,242)	\$ (31,442,841)	\$ (31,549,699)	\$ (26,963,468)	\$ (32,322,629)	\$ (33,693,885)	\$ (25,319,321)
Business-type activities	5,186,574	(2,104,381)	(1,294,397)	(1,961,263)	(2,323,641)	(1,628,854)	(1,640,651)	(1,152,370)	(3,377,532)	(3,559,139)
Total primary government net (expense)/revenue	\$ (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)	\$ (28,878,460)
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	\$ 316,195	\$ 280,751	\$ 273,817	\$ 477,548	\$ 393,855	\$ 187,115	\$ 134,641	\$ -	\$ -	\$ -
Judicial administration	279,718	332,140	348,572	341,793	316,409	292,519	266,659	53,309	55,074	63,930
Public safety	174,210	183,343	128,420	138,616	118,852	206,871	158,929	389,093	393,977	683,358
Parks, recreation and cultural	97,233	101,527	98,571	895,803	832,374	752,324	743,844	773,444	798,102	741,079
Other activities	34,769	39,865	44,620	46,345	32,640	56,943	69,234	5,875	7,727	6,988
Operating grants and contributions	13,868,952	16,737,399	14,065,443	14,277,719	15,647,934	13,884,225	15,316,508	15,920,827	16,155,264	16,919,063
Capital grants and contributions	3,730,705	2,947,622	4,189,662	1,370,963	2,722,801	5,091,895	8,385,503	2,111,361	4,157,571	5,707,886
Total governmental activities program revenues	\$ 18,504,643	\$ 20,624,294	\$ 20,050,242	\$ 17,553,538	\$ 20,065,589	\$ 20,478,373	\$ 25,188,027	\$ 19,325,770	\$ 21,644,563	\$ 24,000,719
Business-type activities:										
Charges for services:										
Electric	\$ 50,543,639	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water	3,179,182	-	-	-	-	-	-	-	-	-
Wastewater	3,116,913	-	-	-	-	-	-	-	-	-
OptiNet	19,236,343	5,351,757	5,558,996	4,838,203	3,877,782	4,259,669	4,506,392	4,884,260	4,705,962	5,615,024
Solid Waste Disposal	4,900,792	681,069	-	-	-	-	-	-	-	-
Golf Course	654,339	-	-	-	-	-	-	-	-	-
Capital grants and contributions	3,826,270	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 85,657,478	\$ 6,032,826	\$ 5,558,996	\$ 4,838,203	\$ 3,877,782	\$ 4,259,669	\$ 4,506,392	\$ 4,884,260	\$ 4,705,962	\$ 5,615,024
Total primary government program revenues	\$ 104,162,121	\$ 26,657,120	\$ 25,609,238	\$ 22,391,741	\$ 23,943,371	\$ 24,738,042	\$ 29,694,419	\$ 24,210,030	\$ 26,350,525	\$ 29,815,743
Net (expense) / revenue	\$ (26,942,025)	\$ (24,353,926)	\$ (25,506,516)	\$ (31,139,242)	\$ (31,442,841)	\$ (31,549,699)	\$ (26,963,468)	\$ (32,322,629)	\$ (33,693,885)	\$ (25,319,321)
Business-type activities	5,186,574	(2,104,381)	(1,294,397)	(1,961,263)	(2,323,641)	(1,628,854)	(1,640,651)	(1,152,370)	(3,377,532)	(3,559,139)
Total primary government net (expense)/revenue	\$ (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)	\$ (28,878,460)

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 17,838,482
Other taxes	11,446,989	11,722,627	12,419,037	12,427,340	12,316,335	13,264,747	13,663,419	13,637,649	14,273,183	14,321,446
Unrestricted grants and contributions	2,393,588	3,122,637	3,086,610	3,222,122	3,327,544	3,454,427	3,793,346	2,386,377	2,398,882	2,415,175
Unrestricted revenues from use of money and property	34,069	58,232	40,707	34,554	31,149	43,487	40,343	166,719	165,466	409,118
Miscellaneous	-	-	4,122	9,474	193,306	272,181	(515,679)	997,357	1,309,203	741,227
Gain (loss) on disposal of capital assets	29,343	(99,480)	414,997	(84,010)	77,968	14,641	28,388	-	-	-
Transfers	(1,352,839)	-	(2,932,331)	-	-	(986,243)	(22,605,369)	(785,408)	(886,680)	(567,480)
Special item-conveyance of property	-	-	-	-	-	(14,869,201)	1,425,049	-	-	-
Total governmental activities	\$ 25,204,263	\$ 28,422,213	\$ 26,630,319	\$ 29,442,776	\$ 30,326,957	\$ 17,140,576	\$ 13,202,568	\$ 34,726,239	\$ 34,648,022	\$ 35,798,568
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 110,037	\$ 2,094	\$ 2,028	\$ 582	\$ 99	\$ 95	\$ 407	\$ 6,977	\$ 2,867	\$ 3,449
Miscellaneous	-	-	28,423	-	-	462	-	22,339	9,267	47,951
Gain (loss) on disposal of capital assets	(105,585)	(19,154)	32,815	(8,725)	(5,102)	(11,123)	-	1,219	11,841	-
Transfers	1,352,839	-	2,932,331	-	-	986,243	22,605,369	785,408	886,680	567,480
Total business-type activities	\$ 1,357,291	\$ (17,060)	\$ 2,995,597	\$ (8,143)	\$ (5,003)	\$ 975,677	\$ 22,605,776	\$ 815,943	\$ 910,655	\$ 618,880
Total primary government	\$ 26,561,554	\$ 28,405,153	\$ 29,625,916	\$ 29,434,633	\$ 30,321,954	\$ 18,116,253	\$ 35,808,344	\$ 35,542,182	\$ 35,558,677	\$ 36,377,448
Change in Net Position	\$ (1,737,762)	\$ 4,068,287	\$ 1,123,803	\$ (1,696,466)	\$ (1,115,894)	\$ (14,409,123)	\$ (13,760,900)	\$ 2,403,614	\$ 954,137	\$ 10,439,247
Governmental activities	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)	(2,940,259)
Business-type activities	-	-	-	-	-	-	-	-	-	-
Total primary government	\$ 4,806,103	\$ 1,946,846	\$ 2,825,003	\$ (3,665,872)	\$ (3,444,538)	\$ (15,062,300)	\$ 7,204,225	\$ 2,067,187	\$ (1,512,740)	\$ 7,498,988

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, 2015, the Clear Creek Golf Course land 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Nonspendable	\$ -	\$ 20,641,868	\$ 18,228,985	\$ 19,835,179	\$ 22,661,237	\$ 22,642,183	\$ 521,732	\$ 707,275	\$ 693,895	\$ 405,187
Restricted/Reserved	20,656,132	955,441	779,252	2,029,871	1,149,693	2,376,424	990,054	3,828,772	688,350	1,132,610
Assigned	-	-	-	-	-	-	45,758	4,025	23,820	18,820
Committed	-	-	-	-	-	-	-	-	-	3,053,823
Unassigned/Unreserved	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	16,022,800
Total general fund	<u>\$ 23,786,881</u>	<u>\$ 26,653,440</u>	<u>\$ 24,804,025</u>	<u>\$ 27,114,175</u>	<u>\$ 23,533,310</u>	<u>\$ 31,114,900</u>	<u>\$ 8,906,075</u>	<u>\$ 12,840,300</u>	<u>\$ 15,575,057</u>	<u>\$ 20,633,240</u>
All other governmental funds										
Assigned	\$ -	\$ 17,157	\$ 8,356	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	(8,925)	-	-	-	-	(18,168)	(12,864)
Unreserved:										
Special revenue funds	18,364	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 18,364</u>	<u>\$ 17,157</u>	<u>\$ 8,356</u>	<u>\$ (8,925)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,168)</u>	<u>\$ (12,864)</u>

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues									
Taxes	\$ 25,730,352	\$ 26,334,737	\$ 27,619,746	\$ 27,436,595	\$ 29,117,698	\$ 30,511,538	\$ 31,860,324	\$ 32,046,941	\$ 32,858,205
Permits, privilege fees and regulatory licenses	104,035	69,455	48,089	69,535	169,671	130,317	175,884	125,243	137,486
Fines and forfeitures	222,367	228,566	212,516	228,285	144,190	144,190	150,338	216,163	257,255
Revenue from use of money and property	351,582	329,232	542,803	540,803	265,960	156,278	146,719	145,466	389,118
Charges for services	274,959	1,161,149	1,084,589	992,034	926,872	977,093	967,360	990,322	1,179,029
Miscellaneous	1,674,254	1,596,172	2,052,718	1,413,866	2,913,288	2,675,056	997,357	1,309,203	741,227
Recovered Costs	-	-	-	-	-	-	438,714	452,792	890,990
Intergovernmental	20,691,719	19,132,860	16,259,174	18,753,918	19,537,095	25,160,120	20,398,565	22,517,165	24,757,376
Total revenues	\$ 49,049,268	\$ 48,852,171	\$ 47,819,635	\$ 49,403,036	\$ 53,099,897	\$ 59,754,592	\$ 55,135,261	\$ 57,803,295	\$ 61,210,886
Expenditures									
General government administration	\$ 2,425,753	\$ 2,669,506	\$ 3,136,968	\$ 3,127,195	\$ 3,192,661	\$ 3,127,629	\$ 3,679,300	\$ 3,268,460	\$ 3,456,779
Judicial administration	1,485,763	1,453,743	1,379,353	1,284,285	1,322,111	1,492,193	1,473,001	1,520,878	1,580,959
Public safety	12,908,930	13,202,148	13,090,233	13,378,990	13,815,140	15,591,034	14,676,295	14,139,809	15,432,576
Public works	4,267,752	4,750,566	4,965,547	5,191,466	4,920,842	7,218,312	4,812,644	4,696,700	5,833,148
Health and welfare	5,635,487	6,016,795	6,198,340	6,359,553	6,953,676	7,400,902	7,447,964	7,752,125	7,801,390
Education	8,298,377	8,701,292	9,151,682	9,281,682	9,346,760	9,671,236	6,505,637	6,868,446	6,624,370
Parks, recreation and cultural	2,504,239	3,458,881	3,616,612	3,544,177	3,170,823	3,580,190	3,126,275	2,758,116	2,894,000
Community development	4,797,396	2,401,272	1,674,584	2,470,287	2,115,716	2,788,366	4,410,243	2,866,600	3,465,180
Transit	598,985	519,256	578,936	474,236	392,271	374,386	-	-	-
Nondepartmental	-	-	-	-	-	-	610,391	414,294	505,113
Capital projects	2,259,068	5,901,666	23,797,731	19,906,730	6,820,042	7,709,278	3,718,363	6,507,261	5,488,638
Debt service:									
Principal retirement	6,876,400	4,470,405	10,828,820	15,404,710	7,138,750	50,877,500	1,205,528	37,626,285	865,417
Bond issuance costs	-	-	-	-	-	-	127,015	658,107	3,139
Interest and other fiscal charges	923,095	1,007,191	1,699,310	2,127,968	2,126,011	2,936,887	2,855,623	2,607,751	2,876,388
Total expenditures	\$ 52,981,245	\$ 54,552,721	\$ 80,118,116	\$ 82,551,279	\$ 61,314,803	\$ 112,767,913	\$ 54,648,279	\$ 91,684,832	\$ 56,827,097
Excess (deficiency) of revenues over (under) expenditures	\$ (3,931,977)	\$ (5,700,550)	\$ (32,298,481)	\$ (33,148,243)	\$ (8,214,906)	\$ (53,013,321)	\$ 486,982	\$ (33,881,537)	\$ 4,383,589
Other financing sources (uses)									
Transfers out	-	(2,996,108)	-	-	(986,243)	(22,605,369)	(2,811,532)	(886,680)	\$ (567,480)
Issuance of debt	6,270,473	6,146,486	34,115,513	28,756,450	14,750,000	49,930,000	4,466,125	59,050,600	1,162,149
Sale of capital assets	16,421	20,791	55,112	130,139	1,493,937	44,407	33,640	87,043	(87,516)
Total other financing sources (uses)	\$ 6,308,362	\$ 3,842,334	\$ 34,591,350	\$ 29,576,303	\$ 15,796,496	\$ 30,804,496	\$ 3,714,357	\$ 36,489,702	\$ 507,153
Net change in fund balances	\$ 2,376,385	\$ (1,858,216)	\$ 2,292,869	\$ (3,571,940)	\$ 7,581,590	\$ (22,208,825)	\$ 4,201,339	\$ 2,608,165	\$ 4,890,742
Debt service as a percentage of noncapital expenditures	15.38%	11.26%	22.24%	27.99%	17.00%	51.22%	8.22%	47.24%	7.29%

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)

	Fiscal Year										% Change 2010-2019
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Revenues											
General Property Taxes	\$ 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	\$ 17,936,759	36.18%
Restaurant Meal Taxes	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	6,015,143	29.61%
Local Sales & Use Taxes	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	4,430,693	22.83%
Business License Taxes	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	1,327,635	23.18%
Lodging Taxes	936,836	914,244	926,754	1,011,142	992,389	1,099,052	1,186,427	1,252,539	1,368,400	1,417,096	51.26%
Bank Stock Taxes	465,464	514,730	408,863	446,719	489,100	450,157	384,303	345,315	437,918	401,879	-13.66%
Motor Vehicle License Tax	236,155	226,898	245,591	255,625	247,584	278,234	237,286	246,335	276,616	273,958	16.01%
Cigarette Taxes	187,063	176,058	170,956	154,988	149,521	346,317	426,930	530,684	465,120	512,787	174.13%
Consumer Utility Taxes	116,576	117,578	140,174	147,845	140,382	146,758	153,801	154,648	155,204	169,807	45.66%
Taxes on Recordation & Wills	95,511	106,531	123,771	131,753	124,456	185,565	175,229	156,898	235,294	180,814	89.31%
Admissions Tax (1)	-	-	-	-	-	99,969	127,527	112,905	113,621	110,635	100.00%
Electric Consumption Tax	85,474	86,213	78,815	80,679	81,467	79,959	75,235	72,174	74,704	80,999	-5.24%
Total Revenues	\$ 24,620,407	\$ 25,730,353	\$ 26,334,738	\$ 27,619,745	\$ 27,436,594	\$ 29,117,696	\$ 30,511,538	\$ 31,860,324	\$ 32,046,941	\$ 32,858,205	

(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
2019	\$ 1,186,847,670	\$ 1,186,847,670	1.00	\$ 20,527,522	\$ 20,527,522	1.00
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

Personal Property

Fiscal Year Ended	Personal Property			Machinery & Tools/Business Furn & Fixtures			Mobile Homes		
		Estimated Actual Value	Assessment Ratio		Estimated Actual Value	Assessment Ratio		Estimated Actual Value	Assessment Ratio
2019	\$ 96,799,208	\$ 96,799,208	1.00	\$ 25,355,759	\$ 84,519,196	0.30	\$ 1,018,400	\$ 1,018,400	1.00
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

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
2019	\$ 1.17	\$ 13,725,254	\$ 1.17	\$ 240,172
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

Personal Property					
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
2019	\$ 2.60	\$ 2,516,779	\$ 7.00	\$ 1,774,903	\$ 1.17 \$ 11,915
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

(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
2019	\$ 17,752,520	\$ 16,707,854	94.12%	\$ -	\$ 16,707,854	94.12%
2018	17,476,466	16,519,367	94.52%	660,252	17,179,619	98.30%
2017	17,644,188	16,448,984	93.23%	1,026,990	17,475,974	99.05%
2016	15,541,198	14,835,535	95.46%	595,106	15,430,641	99.29%
2015	14,734,816	14,162,206	96.11%	476,632	14,638,838	99.35%
2014	13,938,127	13,327,390	95.62%	530,609	13,857,999	99.43%
2013	14,091,815	13,394,107	95.05%	640,490	14,034,597	99.59%
2012	13,077,853	12,301,612	94.06%	718,818	13,020,430	99.56%
2011	13,090,199	12,252,114	93.60%	771,303	13,023,417	99.49%
2010	12,853,715	12,044,688	93.71%	726,542	12,771,230	99.36%

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 Ten Years Ago

Taxpayer	Description	Fiscal Year 2019				Fiscal Year 2010			
		Taxable Assessed Valuation	Rank	% of Total Taxable Assessed Value		Taxable Assessed Valuation	Rank	% of Total Taxable Assessed Value	
One Alpha Place LLC	Office Building	\$ 26,020,800	1	2.2%		\$ -		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%	
Lowe's Home Centers LLC	Retail	10,123,500	4	0.9%		-		0.0%	
Bristol HCP LLC	Assisted Living	8,790,300	5	0.7%		-		0.0%	
D&J Virginia Real Estate LLC	Hotel	8,703,500	6	0.7%		17,437,600	1	1.7%	
Bristol Hotel Master Landlord	Hotel	8,500,000	7	0.7%					
CFOC Bristol VA LLC	Hotel	8,373,700	8	0.7%		6,502,700	5	0.6%	
HD Development of MD	Retail	8,181,800	9	0.7%		8,629,900	3	0.8%	
Deborah Jean Limited	Movie Theater	7,859,400	10	0.7%		7,432,000	4	0.7%	
Bristol Mall Associates	Shopping Mall	-		0.0%		16,999,900	2	1.6%	
Yale Linden Associates LLC	Shopping Center	-		0.0%		5,836,000	6	0.6%	
Ventas Realty Limited Partnership	Shopping Center	-		0.0%		5,780,000	7	0.6%	
Ball Metal Beverage Container Corp.	Manufacturing	-		0.0%		5,733,000	8	0.6%	
Euclid Center PC	Shopping Center	-		0.0%		5,186,600	9	0.5%	
Pacific Capital Group LLC	Shopping Center	-		0.0%		4,897,000	10	0.5%	
Totals		107,329,270		9.1%		84,434,700		8.2%	

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				
2019	\$ 73,836,635	\$ -	\$ 3,695,125	\$ 34,461,790	\$ -	\$ 131,317	\$ 112,124,867	17.30%	6,803	
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	

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		
2019	\$ 108,298,425	\$ 108,298,425	9.12%	6,571
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

(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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 103,750,125	\$ 106,002,870	\$ 107,435,535	\$ 105,301,369	\$ 105,071,548	\$ 107,947,859	\$ 107,947,859	\$ 113,882,533	\$ 117,848,900	\$ 120,737,519
Total net debt applicable to limit	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	108,298,425
Legal debt margin	\$ 45,920,125	\$ 49,663,286	\$ 52,589,754	\$ 24,156,369	\$ 10,424,048	\$ 5,877,859	\$ 3,735,138	\$ 7,145,217	\$ 8,675,920	\$ 12,439,094
Total net debt applicable to the limit as a percentage of debt limit	55.74%	53.15%	53.62%	77.06%	90.08%	94.55%	96.54%	93.73%	92.64%	89.70%
Legal Debt Margin Calculation for Fiscal Year 2019										
Assessed value										\$ 1,207,375,190
Total assessed value										\$ 1,207,375,190
Debt limit (10% of total assessed value)										\$ 120,737,519
Net debt applicable to limit										108,298,425
Legal debt margin										\$ 12,439,094

Note: Includes General Real Estate and Public Service Corporation Real Estate

Table 13

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)
2019	16,482 EST	\$ 648,088,722 EST	\$ 39,321 EST	42.3 EST	2,129	3.9%
2018	17,160	674,748,360	39,321	42.0	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%

(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

Table 14

CITY OF BRISTOL, VIRGINIA
Principal Employers
Current Year and Ten Years Ago

Employer	Fiscal Year 2019			Fiscal Year 2010		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Electro Mechanical Corp	500	1	16.06%	600	2	14.18%
Bristol, Virginia Schools System	383	2	12.30%			
City of Bristol	366	3	11.76%	700	1	16.54%
Shearer's (formerly Moore's Snack Foods)	325	4	10.44%	215	11	5.08%
KVAT	300	5	9.64%			
VDOT (Commonwealth of Virginia)	278	6	8.93%	250	8	5.91%
Strongwell	250	7	8.03%	321	6	7.59%
United Parcel Service	200	8	6.42%	300	7	7.09%
Aerus (formerly Electrolux)	151	9	4.85%	227	9	5.37%
Lowe's	130	10	4.18%			
Cabela's	115	11	3.69%			
NHC Health Care	115	12	3.69%			
Office Max				500	3	11.82%
Sprint PCS				500	4	11.82%
US Solutions				400	5	9.45%
Ball Corp (formerly Reynold's Metal)				218	10	5.15%
Totals	<u>3,113</u>		<u>100.00%</u>	<u>4,231</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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	23	24	24	25	24	23	23	26	23	23
Judicial administration	16	16	17	15	15	16	17	18	18	17
Public safety	172	171	173	173	169	167	173	176	179	178
Public works	22	25	25	29	30	30	31	32	34	30
Solid waste	41	33	34	31	28	29	26	25	25	23
Health and welfare	39	41	41	42	44	43	42	43	40	40
Parks, recreation, and cultural	27	26	27	28	27	25	25	23	23	21
Library	22	21	24	22	21	23	29	22	22	21
Community development	7	7	7	6	9	10	9	8	8	6
Transit	9	10	8	7	7	6	6	7	7	7
Totals	378	374	380	378	374	372	381	380	379	366

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Judicial Administration										
Sheriff:										
Inmates Housed (Daily)	131	143	141	153	153	144	140	145	151	155
Inmate Transports	353	416	583	396	537	522	519	568	917	934
Courts Worked	661	625	583	641	651	598	609	563	541	576
Public Safety										
Police:										
Criminal Warrants	3,126	2,409	2,631	2,393	2,666	2,276	2,419	2,273	1,710	2,542
Parking Violations	611	343	154	141	105	85	114	70	156	61
Traffic Violations	5,244	6,084	5,994	5,712	5,181	4,584	4,674	4,646	4,513	5,055
Fire-Current:										
Fire Responses	173	169	157	129	118	88	95	109	108	108
EMS Responses	1,314	1,480	1,390	1,398	1,583	1,598	990	1,389	1,836	2,833
Hazmat Responses	79	83	67	62	60	50	42	46	37	11
Other Responses	803	798	901	945	847	786	555	669	599	626
Public Works										
Refuse Collected (tons per day)	32	31	29	28	27	28	28	28	28	29
Recyclables collected (tons per day)	13	11	7	13	13	11	10	11	10	11
Library										
Volumes in collection	165,858	178,331	169,312	169,175	164,175	165,534	162,271	172,688	175,930	179,797
Total Circulated	390,382	382,877	381,470	381,470	352,080	312,565	287,868	280,164	275,015	279,200

CITY OF BRISTOL, VIRGINIA
Capital Asset and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Law Enforcement Vehicles	76	69	70	63	66	64	67	67	60	61
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	49.67	49.63	52.07	54.73
Secondary Streets (lane miles)	208.55	210.49	210.49	210.49	210.49	210.49	207.43	214.96	218.00	219.64
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.

COMPLIANCE SECTION

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*

To the Honorable Members of
The City Council
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, 2019, 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 November 19, 2019.

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 [2019-001 and 2019-002].

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Blacksburg, Virginia
November 19, 2019

Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Members of
The City Council
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, 2019. 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, 2019.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of 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.



Blacksburg, Virginia
November 19, 2019

City of Bristol, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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:			
State Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118/0010119/00301 18/030019/0040118/004 0119/0050118/0050119	\$ 369,885
<i>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</i>			
Pass Through Payments:			
State Department of Social Services:			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	not available	\$ 62,359
Promoting Safe and Stable Families	93.556	0950117/0950118	19,945
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	0400118/0400119	371,925
Refugee and Entrant Assistance-State Administered Programs	93.566	0500118/0500119	223
Low-Income Home Energy Assistance	93.568	0600418/0600419	51,975
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118	385
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760118/0760119	57,480
Chafee Education and Training Vouchers Program	93.599	9160117/9160118	2,000
Adoption and Legal Guardianship Incentive Payments	93.603	1130116	272
Foster Care - Title IV-E	93.658	1100118/1100119	558,343
Adoption Assistance	93.659	1120118/1120119	556,988
Social Services Block Grant	93.667	1000118/1000119	433,191
Chafee Foster Care Independence Program	93.674	9150118	8,753
Children's Health Insurance Program	93.767	0540118/054119	8,894
Medicaid Cluster:			
Medical Assistance Program	93.778	1200118/1200119	415,321
Total Department of Health and Human Services			\$ 2,548,054
<i>DEPARTMENT OF HOMELAND SECURITY:</i>			
Pass Through Payments:			
State Department of Emergency Management:			
Emergency Management Performance Grants	97.042	112485/114363	\$ 14,623
Homeland Security Grant Program	97.067	112487/114373	142,186
Total Department of Homeland Security			\$ 156,809
<i>DEPARTMENT OF JUSTICE:</i>			
Direct Payments:			
Bulletproof Vest Partnership Program	16.607	not applicable	\$ 20,184
Equitable Sharing Program	16.922	not applicable	228,888

City of Bristol, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF JUSTICE: (Continued)</i>			
Pass Through Payments:			
State Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	CJS5651701	76,685
Violence Against Women Formula Grants	16.588	CJS7601601	21,771
Public Safety Partnership and Community Policing Grants	16.710	not available	61,254
Total Department of Justice			<u>\$ 408,782</u>
<i>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</i>			
Direct Payments:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	not available	<u>\$ 285,348</u>
<i>DEPARTMENT OF TRANSPORTATION:</i>			
Pass Through Payments:			
State Department of Rail and Transportation:			
Federal Transit Cluster:			
Federal Transit Formula Grants	20.507	VA90X527/VA90X513	\$ 166,794
Federal Transit Capital Investment Grants	20.500	VA90X406	55,849
Total Federal Transit Cluster			<u>222,643</u>
Virginia Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	not available	4,772,836
Alcohol Open Container Requirements	20.607	154 AL 18 58328/154 AL 19 59396	42,406
Total Department of Transportation			<u>\$ 5,037,885</u>
<i>APPALACHIAN REGIONAL COMMISSION:</i>			
Pass Through Payments:			
Department of Housing and Community Development:			
Appalachian Area Development	23.002	not available	<u>\$ 356,285</u>
Total Expenditures of Federal Awards			<u><u>\$ 9,163,048</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, 2019. 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.

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.

City of Bristol, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Notes to Schedule of Expenditures of Federal Awards (Continued)

Note C-Subrecipients

The City did not have any subrecipients for the year ended June 30, 2019.

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	\$ 8,786,266
Less: Equitable sharing program difference	218,534
Less: QSCB subsidy	(127,100)
CDBG Fund	<u>285,348</u>

Total primary government	<u>\$ 9,163,048</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 9,163,048</u></u>
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City of Bristol, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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?	No

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
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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
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

2019-001 -	Material Weakness
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, 2019

Section II - Financial Statement Findings (Continued)

2019-001 - 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.
Recommendation:	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. 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.
Management's Response:	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.
2019-002 - Material Weakness	
Criteria:	Identification of adjustments to the financial statements that were not detected by the City's internal controls.
Condition:	The City's financial statements required year end adjusting entries by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.
Cause of Condition:	During the closing process, the City failed to identify all year end accounting adjustments necessary for the accounts to be prepared in accordance with current reporting standards.
Effect of Condition:	There is a reasonable possibility that a misstatement of the City's financial statements will not be prevented or detected by the City's internal controls over financial reporting.

City of Bristol, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section II - Financial Statement Findings (Continued)

2019-002 -	Material Weakness
Recommendation:	In the future, the City's books should be reviewed and adjusted as necessary to comply with current reporting standards.
Management's Response:	The adjustments that were material to the financial statements for fiscal year 2019 were related to errors, one that occurred in fiscal year 1998 (1) and one related to information that contained a spreadsheet formula error (2). Regarding the 1998 error (1), current Finance staff relied on previous audited financial information and did not detect the error. Once detected, it was immediately corrected. Going forward, if errors are detected related to prior audited information, those errors will be immediately corrected by management. Management is responsible for all information provided to the auditors, including information prepared by consultants. Management will increase the procedures performed during the review process to detect material errors. After a review of year end procedures, management of the City believes that the 2019-002 finding was the result of 2 isolated errors, not a result of a deficient system. The City will continue to implement, review, and test controls that are in place to detect and correct errors in closing the year-end financial statements.

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

2018-001

Finding 2018-001 is recurring in fiscal year 2019 as 2019-001