



City of Bristol, Virginia

Annual Financial Report

For the Fiscal Year Ended June 30, 2017



CITY OF BRISTOL, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

CITY OF BRISTOL, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION

CITY OF BRISTOL, VIRGINIA

MEMBERS OF CITY COUNCIL

Archie Hubbard, Vice Mayor	Bill Hartley, Mayor	Doug Fleenor
Kevin Mumpower		Kevin Wingard

CITY OFFICIALS

City Manager	Tabitha Crowder
Chief Financial Officer	Tamrya Spradlin
City Attorney.....	Randall C. Eads
City Clerk.....	Pamela Venable
City Treasurer	Angel Harris
Commissioner of Revenue	Terry C. Frye
Clerk of Circuit Court.....	Kelly F. Duffy
City Sheriff	Jack Weisenburger
Commonwealth Attorney	Jerry Wolfe

INDUSTRIAL DEVELOPMENT AUTHORITY BOARD

	Paul Conco, Chair	
Kelly Robinson, Vice Chair		Don Ashley
R. Dean Tillson		Ted Ellis
William Lester		Diana Oxendine

SOCIAL SERVICES BOARD

	David Maples, Chairman	
Rev. W.A. Johnson, Vice Chairman		Ernie Sprouse
Kevin Wingard		Mabel Lamie

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bristol, Virginia, as of and for the year ended June 30, 2017, 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, 2017, 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 21 to the financial statements, in 2017, the City adopted new accounting guidance, GASB Statement No. 77 Tax Abatement Disclosures. 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 5-20, 88, and 89-92 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.

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.

Other Information (continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bristol, Virginia's internal control over financial reporting and compliance.

Polina, Fane, Cox Associates

Blacksburg, Virginia
December 26, 2017

City of Bristol Virginia
Management's Discussion and Analysis
Year Ended June 30, 2017

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, 2017. 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, 2017 resulting in a negative net position of \$14.1 million. Of this amount, (\$20.1 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 \$2.1 million during the current fiscal year. Of this amount an increase of \$2.4 million is related to government activities and a decrease of \$.3 million is attributed to business-type activities.
- As of the close of the current fiscal year, the City's governmental fund had an ending fund balance of \$12.8 million. Approximately 65% of this total amount, \$8.3 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, \$8.3 million or 15% of total general fund expenditures. This is a \$1 million increase over last year.
- The City's total debt increased by \$9.4 million during the current fiscal year. General Obligation Bonds (bonded debt) increased by \$5.5 million. Other Debt which is comprised of net pension liability, capital lease obligations, and compensated absences increased \$3.9 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 21 - 22 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 and the budgetary comparison statements can be found on pages 23 – 26, 88 and 93 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 27 - 31 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 33 - 87 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 88 - 92 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 \$14.1 million

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

An additional portion of the City's net position, \$.5 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 \$2.1 million from FY2016. The Summary of Net position and the Summary of Changes in Net Position contain FY2016 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	
	2016	2017	2016	2017	2016	2017
Current & Other Assets	\$ 26,945	\$ 28,050	\$ 730	\$ 2,440	\$ 27,675	\$ 30,490
Capital Assets	89,122	90,376	22,931	23,439	112,053	113,815
Total Assets	\$ 116,067	\$ 118,426	\$ 23,661	\$ 25,879	\$ 139,728	\$ 144,305
Deferred Outflows of Resources	\$ 2,362	\$ 4,406	\$ 1,263	\$ 922	\$ 3,625	\$ 5,328
Current & Other Liabilities	\$ 16,730	\$ 3,496	\$ 796	\$ 1,507	\$ 17,526	\$ 5,003
Long-Term Liabilities	95,914	105,221	41,188	42,879	137,102	148,100
Total Liabilities	\$ 112,644	\$ 108,717	\$ 41,984	\$ 44,386	\$ 154,628	\$ 153,103
Deferred Inflows of Resources	\$ 4,719	\$ 10,646	\$ 209	\$ 21	\$ 4,928	\$ 10,667
Invested in Capital Assets, Net of Related Debt	\$ 16,238	\$ 15,362	\$ -	\$ (9,883)	\$ 16,238	\$ 5,479
Restricted	\$ 990	461	-	-	990	461
Unrestricted	\$ (16,162)	(12,354)	(17,269)	(7,723)	(33,431)	(20,077)
Total Net Position	\$ 1,066	\$ 3,469	\$ (17,269)	\$ (17,606)	\$ (16,203)	\$ (14,137)

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	
	2016	2017	2016	2017	2016	2017
Revenues						
Program Revenue						
Charges for Services	\$ 1,486	\$ 1,294	\$ 4,506	\$ 4,884	\$ 5,992	\$ 6,178
Operating Grants & Contributions	15,317	15,921	-	-	15,317	15,921
Capital Grants & Contributions	8,386	2,111	-	-	8,386	2,111
General Revenues						
Property Taxes	16,994	18,343	-	-	16,994	18,343
Other Taxes	13,863	13,637	-	-	13,863	13,637
Grants & Contributions, Not Restricted	3,973	2,366	-	-	3,973	2,366
Gain (Loss) on Sale of Property	(516)	-	-	-	(516)	-
Other	69	1,164	1	30	70	1,194
Total Revenues	\$ 59,572	\$ 54,836	\$ 4,507	\$ 4,914	\$ 64,079	\$ 59,750
Expenses						
General Government	\$ 4,205	\$ 3,293	\$ -	\$ -	\$ 4,205	\$ 3,293
Judicial Administration	1,543	1,489	-	-	1,543	1,489
Public Safety	13,950	14,846	-	-	13,950	14,846
Public Works	6,492	6,612	-	-	6,492	6,612
Health and Welfare	7,399	7,494	-	-	7,399	7,494
Education	9,839	6,664	-	-	9,839	6,664
Parks, Recreation, & Cultural	3,354	3,143	-	-	3,354	3,143
Community Development	2,767	5,059	-	-	2,767	5,059
Interest on Long-Term Debt	2,602	3,048	-	-	2,602	3,048
Solid Waste Disposal	-	-	6,147	6,036	6,147	6,036
Total Expenses	\$ 52,151	\$ 51,648	\$ 6,147	\$ 6,036	\$ 58,298	\$ 57,684
Excess (Deficiency)						
Before Special Items & Transfers	\$ 7,421	\$ 3,188	\$ (1,640)	\$ (1,122)	\$ 5,781	\$ 2,066
Special Items & Transfers						
Conveyance of Property to IDA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Conveyance of Property from IDA	1,425	-	-	-	1,425	-
Transfers	(22,605)	(785)	22,605	785	-	-
Total Special Items & Transfers	\$ (21,180)	\$ (785)	\$ 22,605	\$ 785	\$ 1,425	\$ -
Change In Net Position	\$ (13,759)	\$ 2,403	\$ 20,965	\$ (337)	\$ 7,206	\$ 2,066
Net Position						
Beginning, as Restated	\$ 14,825	\$ 1,066	\$ (38,234)	\$ (17,269)	\$ (23,409)	\$ (16,203)
Ending	\$ 1,066	\$ 3,469	\$ (17,269)	\$ (17,606)	\$ (16,203)	\$ (14,137)

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 \$2.4 million during the current fiscal year.

Revenue highlights-Governmental Activities:

Revenues from governmental activities of \$54.8 million decreased 8% or \$4.7 million from FY2016. This decrease in revenues is mainly attributed to funding received for road improvements along Lee Highway at Exit 5 and Exit 7 for FY2016.

Program Revenues decreased \$5.9 million and includes the following revenue:

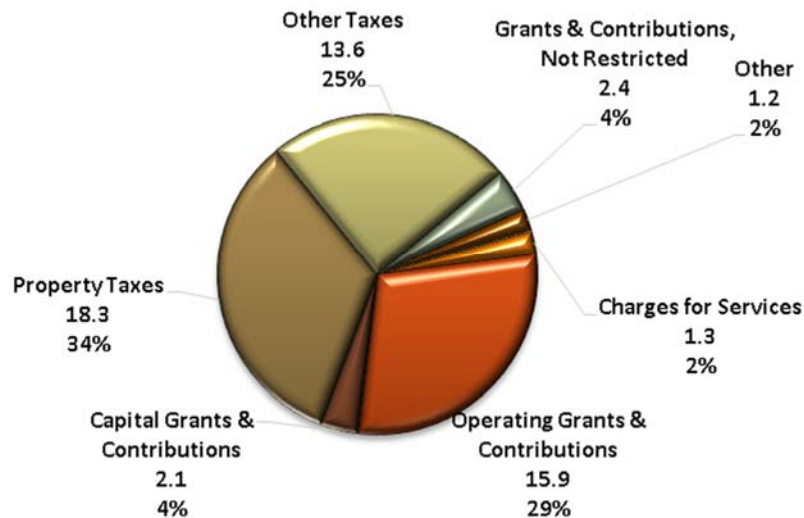
- Charges for services of \$1.3 million had a decrease of 13%.
- Operating grants and contributions totaled \$15.9 million and increased \$.6 million or 4%. This increase was primarily the result of one-time flow through funding.
- Capital grants and contributions totaled \$2.1 million and decreased \$6.2 million or 75%. This decrease is from funding received for road improvement projects in FY2016.

General Revenues increased \$1.1 million and includes the following revenues:

- Property taxes of \$18.3 million increased \$1.3 million or 8%. Property taxes are comprised mainly of real property and personal property. In FY2017, the real estate property tax rate increased from \$1.12 per \$100 of assessed valuation to \$1.19 per \$100 of assessed valuation. The increase in the tax rate and delinquent tax collections resulted in an increase in property tax revenue.
- Other taxes of \$13.6 million decreased \$.2 million or 1.6%. Other taxes are comprised primarily of revenues from local sales tax, restaurant/meals tax, lodging tax, business licenses, cigarette taxes and motor vehicle license taxes. In FY2017 the City experienced a slight decline in other taxes due to the closing of several businesses.
- Unrestricted grants and contributions totaled \$2.4 million and decreased \$1.6 million or 40%. Unrestricted grants and contributions are comprised primarily of state sales tax collections and payments received in lieu of taxes. The 40% decrease is due primarily to the reclassification of state sales tax remitted for education. In FY2017 the amount is reported on the School Board's financial statements.

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

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



Expenses highlights-Governmental Activities:

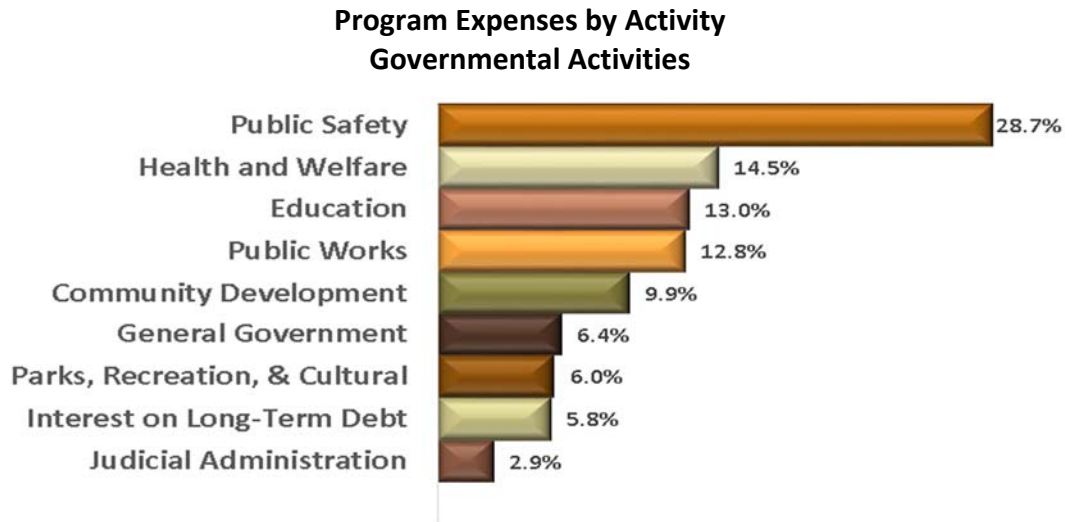
Expenses for governmental activities totaled \$51.6 million and decreased \$.5 million or 1% from last year.

Program Expenses include the following expenses:

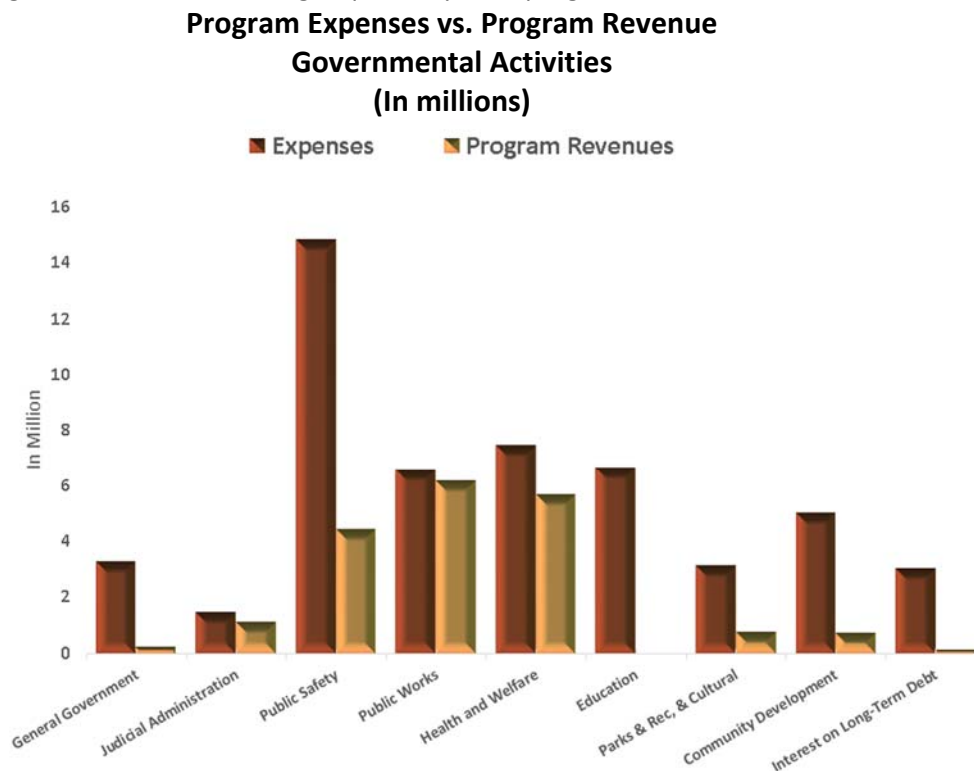
- General government expenses totaled \$3.3 million and decreased \$.9 million or 21% in FY2017.
- Judicial administration expenses totaled \$1.5 million and decreased \$.05 million or 3.5%.
- Public safety expenses totaled \$14.8 million and increased \$.8 million or 6.42%. Public safety is comprised of the police department, fire department, sheriff department and jail, inspections and animal control.
- Public works expenses totaled \$6.6 million and increased \$.12 million or 1.85%.
- Health and welfare expenses totaled \$7.5 million and increased \$.1 million or 1.3%. This increase is primarily due to the increase in residential placement expenses associated with the Comprehensive Services Act.
- Education expenses totaled \$6.7 million and decreased \$3.2 million or 32%. This decrease is primarily due to the school sales tax revenue for FY2017 being recorded by the School Board not the City of Bristol.

- Parks, recreation and cultural expenses totaled \$3.1 million and decreased \$.2 million or 6.3%.
- Community development expenses totaled \$5.1 million and increased \$2.3 million or 83% from FY2016. This increase is due to one-time state pass through funding.
- Interest and fiscal expenses totaled \$3 million and increased \$.4 million or 17%.

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 \$.8 million. During the current fiscal year the Governmental Activities recorded a transfer of \$.8 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 \$.3 million in the current fiscal year.

Revenue highlights-Business-Type Activities:

The Solid Waste Disposal fund operating revenues increased \$.4 million or 8.39% over the previous year.

Program revenues for the business-type funds totaled \$4.9 million of which 99% was Charges for Services.

Expenses highlights-Business-Type Activities:

The Solid Waste Disposal Fund expenses totaled \$6 million. This was a \$.1 million or 1.8% decrease from FY2016.

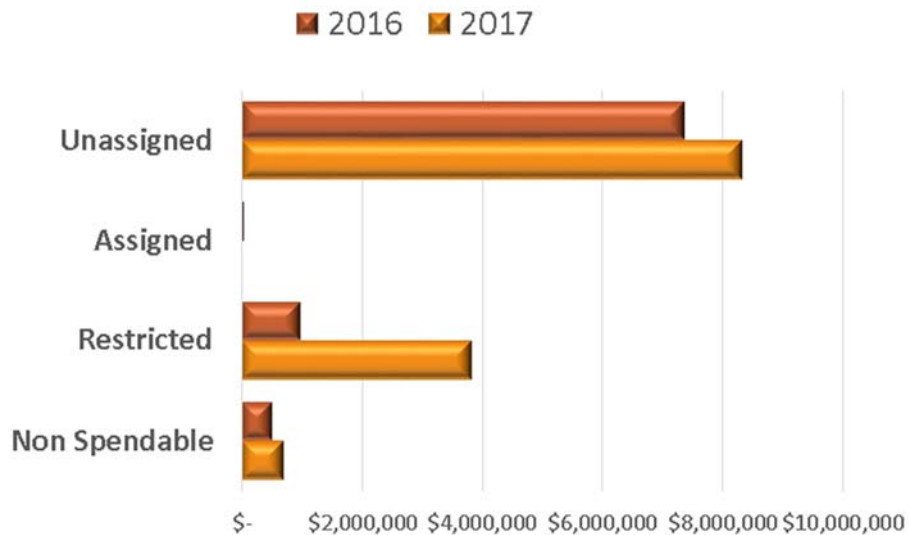
Fund Financial Analysis

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 \$12.8 million an increase of \$4.2 million in comparison with the prior year. Approximately 65% of this total amount, \$8.3 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 or assigned* to indicate that it is 1) not in spendable form (\$.7million), 2) restricted for a particular purposes (\$3.8 million), or 3) assigned for a particular purpose (\$.004 million).

**General Fund
Components of Fund Balance
June 30, 2016 and 2017**



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 \$8.3 million, while total fund balance reached \$12.8 million. As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 15.25% of the total general fund expenditures, while total fund balance represents 23.59% of the same amount for FY2017.

The fund balance of the City's general fund increased by \$4.2 million during the current fiscal year

General fund revenues totaled \$54.9 million and decreased 7.8% over FY2016. Local taxes including local sales taxes, restaurant/meal taxes, lodging taxes and business license taxes totaled \$13.6 and decreased by 1% as compared to last year indicating a stable local economy. General property taxes total \$18.2 million and increased 9.0% in FY2017. Funding from the Commonwealth of Virginia and the Federal Government funding totaled \$20 million and decreased 19%. This decrease is due to prior year revenue received from the Virginia Department of Transportation for highway projects that were completed in FY2016.

General fund expenditures totaled \$54.4 million and decreased 52% in comparison with last fiscal year. This decrease is associated with FY2016 refunding of bond anticipation notes, capital projects and the transfer to the Solid Waste Fund.

Governmental Funds-Other Governmental Funds

The Community Development Block Grant Fund (CDBG) is a governmental fund. As of June 30, 2017, the CDBG fund did not have a fund balance. The revenues received from the Federal Community Development Entitlement Grant totaled \$.2 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 \$17.6 million. This was a decrease of \$.3 million from FY2016. The Solid Waste Fund had an operating income of \$.5million and an overall change in net position of -\$.3 million. The Solid Waste Fund is involved in a competitive market and relies heavy on charges for services to cover operating expenses.

General Fund Budgetary Highlights

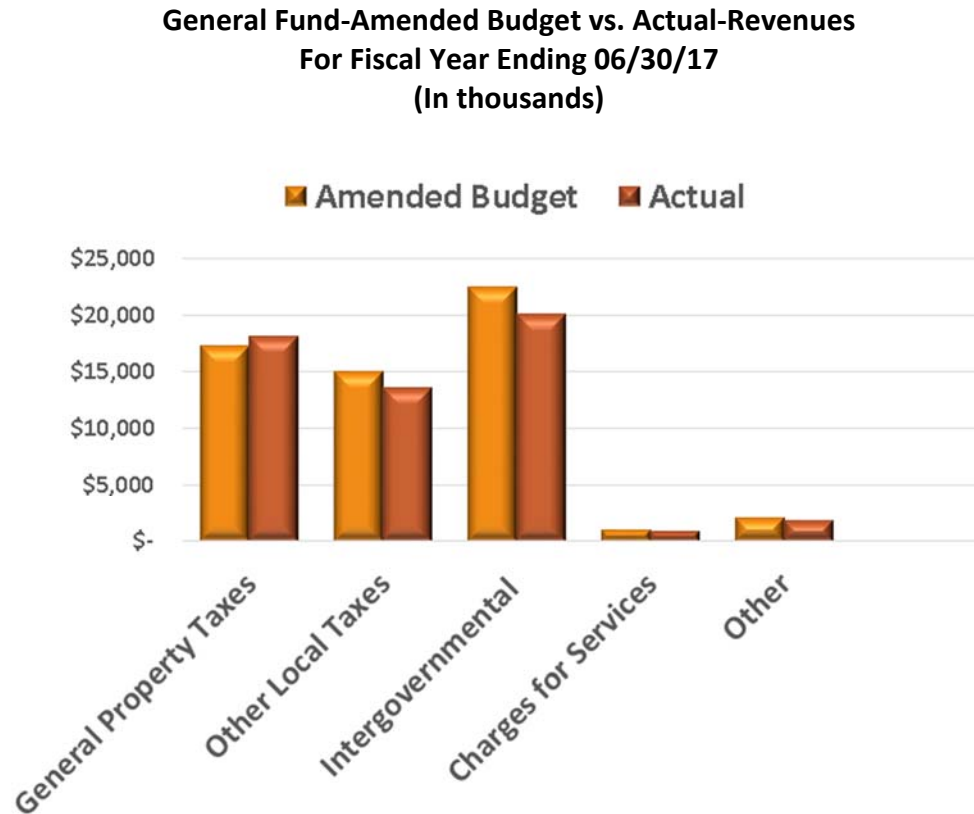
The following table provides budgetary and actual information for the general fund's revenues and expenditures.

City of Bristol, Virginia General Fund-Budget Comparison For Fiscal Year Ending June 30, 2017 (in thousands)					
	Original Budget	Amended Budget	Budget Increase/ (Decrease)	Actual	Variance Actual vs. Amended
Revenues					
Taxes	\$ 32,475	\$ 32,475	\$ -	\$ 31,860	\$ (615)
Intergovernmental	21,478	22,485	1,007	20,177	(2,308)
Other	3,023	3,204	181	2,876	(328)
Total Revenues	\$ 56,976	\$ 58,164	\$ 1,188	\$ 54,913	\$ (3,251)
Expenditures					
Expenditures	\$ 53,325	\$ 57,503	\$ 4,178	\$ 50,238	\$ 7,265
Debt Service	4,575	4,605	\$ 30	4,188	417
Total Expenditures	\$ 57,900	\$ 62,108	\$ 4,208	\$ 54,426	\$ 7,682
Other Financing Sources (Uses)					
Transfers	\$ (517)	\$ (517)	\$ -	\$ (785)	\$ (268)
Other	1,441	4,461	\$ 3,020	4,499	38
Total Other Financing Sources	\$ 924	\$ 3,944	\$ 3,020	\$ 3,714	\$ (230)
Change in Fund Balance	\$ -	\$ -	\$ -	\$ 4,201	\$ 4,201

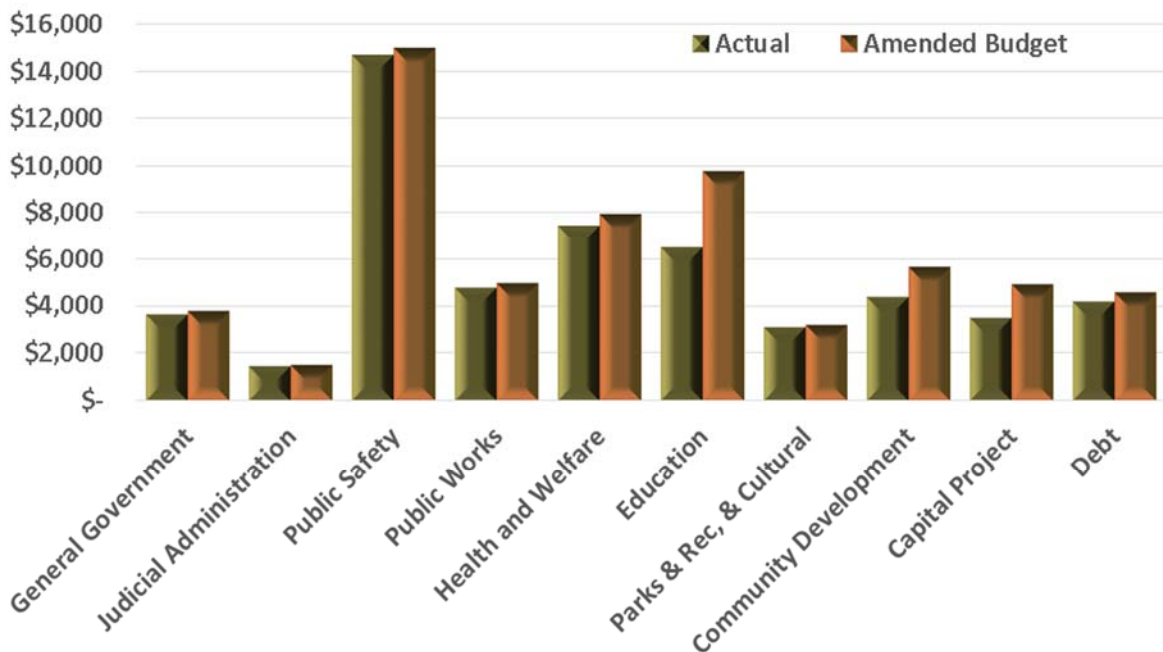
The difference between the original budget and the final amended budget was approximately an increase of \$4.2 million.

The changes from the original budget to the amended budget can be briefly summarized as follows: Additional capital projects, primarily funded from state revenues, were started after the beginning of FY2017.

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



**General Fund-Amended Budget vs. Actual-Expenditures
For Fiscal Year Ending 06/30/17
(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 \$3.2 million. This difference is attributed to the timing of state revenue relating to capital projects, a reclassification of state sales tax for the School Board, and a decrease in other local takes for FY2017.
- Actual expenditures were less than budgeted expenditures by approximately \$7.7 million. This difference is due to the reclassification of state sales tax for the School Board, reduction of capital projects primarily funded through state revenue and a significant variance in the contribution to the IDA, due primarily to revenues related to the Falls Project.
- Other financing sources were less than budgeted by approximately \$.2 million. This difference is primarily attributable to the sale of capital assets, which was originally budgeted in FY2017 and is currently expected to occur in FY2018.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$113.8 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 total increase in capital assets for the current fiscal year was 1.57%.

The following table shows the major categories of capital assets for June 30, 2016 and 2017.

City of Bristol, Virginia Capital Assets Net of Depreciation (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land & Improvements	\$ 26,159	\$ 25,807	\$ 802	\$ 802	\$ 26,961	\$ 26,609
Construction in Progress	19,557	22,869	-	1,668	19,557	24,537
Buildings & Improvements	9,835	9,189	733	699	10,568	9,888
Machinery and Equipment	4,272	4,435	1,500	1,404	5,772	5,839
Library Assets	4,657	4,515	-	-	4,657	4,515
Infrastructure	24,527	23,465	10	9	24,537	23,474
Land Development Costs	115	96	19,886	18,857	20,001	18,953
Total	\$ 89,122	\$ 90,376	\$ 22,931	\$ 23,439	\$ 112,053	\$ 113,815

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

- Additions to capital assets totaled \$6.3 million.
 - o Construction in Progress totaled \$5 million.
 - o Purchase of a machinery and equipment totaled \$1.3.
- Decreases in capital assets totaled \$1.5 million
- Total accumulated depreciation for FY2017 was \$107 million, with current year depreciation of \$3.9 million.

Additional information on the City's capital assets can be found in Note 11 of this report.

Debt Administration-Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$148 million. Of this amount, \$106.7 million or 72% 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, 2016 and 2017:

City of Bristol, Virginia Long-Term Debt Obligations As of June 30, 2016 and 2017 (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
General Obligations						
General Obligation Bonds	\$ 21,020	\$ 24,793	\$ 31,917	\$ 33,767	\$ 52,938	\$ 58,560
Bond Anticipation Notes	47,530	47,530	-	-	47,530	47,530
Bond Premiums	317	255	499	392	815	647
Total	\$ 68,867	\$ 72,578	\$ 32,416	\$ 34,159	\$ 101,283	\$ 106,737
Other Long-Term Debt						
Literary Fund Loans	\$ 480	\$ 240	\$ -	\$ -	\$ 480	\$ 240
Capital Lease Obligations	4,252	3,980	325	312	4,576	4,292
Net Pension Liability	18,997	23,340	1,333	1,637	20,330	24,977
Other Post Employment Benefits	1,109	1,273	-	-	1,109	1,273
Compensated Absences	1,629	1,710	151	124	1,780	1,834
Revenue Sharing Agreement	2,450	2,100	-	-	2,450	2,100
Landfill Postclosure Liability	-	-	6,692	6,646	6,692	6,646
Total	\$ 28,917	\$ 32,643	\$ 8,501	\$ 8,719	\$ 37,417	\$ 41,362
Total Long-Term Debt	\$ 97,784	\$ 105,221	\$ 40,917	\$ 42,878	\$ 138,700	\$ 148,099

The following is a summary of changes the City's long-term liabilities in FY2017:

- The City's total bonded debt increased by \$6 million due to the issuance of General Obligation Bonds, November 2016.
- Other long-term debt totaled \$16.3 million and is comprised of debt not bonded, capital lease obligations, long-term loans, notes payables, postclosure landfill liability and compensated absences, decreased \$.7 million or 4.0%.
- 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, 2017 was 24.9 million. Of this amount \$23.3 million was for the governmental activities and \$1.6 million for the business-type activities.
- The City maintains the states intercept rating of Aa1 from Moody's for general obligation debt. The underlying rating for the City is Baa2 from Moody's and A for Standard and Poor's.

Additional information on the City's long-term debt can be found in Note 8 of this report.

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 2017, the City of Bristol, Virginia's unemployment rate was 4.9%, compared to the State rate of 3.9% and the Federal rate of 4.5%.
- The City of Bristol plans to conduct a financial analysis of the Solid Waste Fund to identify economic factors that could reduce transfers from the general fund.

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, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 10,877,339	\$ 1,988,191	\$ 12,865,530	\$ 1,692,043	\$ 4,245
Investments	-	-	-	477,665	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,083,311	-	12,083,311	-	-
Accounts receivable	928,744	317,697	1,246,441	49,744	-
Due from component unit	577,582	-	577,582	-	-
Due from other governmental units	2,876,290	121,716	2,998,006	1,717,471	-
Due from primary government	-	-	-	-	59,170
Inventories	498,359	-	498,359	30,100	-
Prepaid items	208,916	12,090	221,006	-	-
Restricted assets:					
Cash and cash equivalents	-	-	-	1,343,875	5,396,730
Investments	-	-	-	288,073	1,386,190
Capital assets (net of accumulated depreciation):					
Land	25,806,789	802,062	26,608,851	273,242	1,418,040
Land development costs	96,000	18,856,852	18,952,852	-	-
Buildings and improvements	13,704,796	699,250	14,404,046	17,797,338	-
Machinery and equipment	4,434,392	1,403,574	5,837,966	3,503,093	-
Infrastructure and utility plants	23,465,432	9,137	23,474,569	-	-
Construction in progress	22,868,870	1,668,165	24,537,035	201,193	15,344,582
Total assets	\$ 118,426,820	\$ 25,878,734	\$ 144,305,554	\$ 27,373,837	\$ 23,608,957
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding, net	\$ 515,635	\$ 658,766	\$ 1,174,401	\$ -	\$ -
Pension contributions subsequent to measurement date	1,949,068	126,857	2,075,925	1,834,396	-
Items related to measurement of net pension liability	1,941,282	136,212	2,077,494	1,388,087	-
Total deferred outflows of resources	\$ 4,405,985	\$ 921,835	\$ 5,327,820	\$ 3,222,483	\$ -
LIABILITIES					
Accounts payable	\$ 2,081,359	\$ 801,934	\$ 2,883,293	\$ 1,154,822	\$ -
Wages payable	-	-	-	1,346,861	-
Advances from BVPS - Affiliated Entity	-	-	-	327,643	-
Pledge payable to BVPS - Affiliated Entity	-	-	-	187,500	-
Accrued interest payable	977,656	705,200	1,682,856	16,602	348,395
Due to primary government	-	-	-	577,582	-
Due to component unit	59,170	-	59,170	-	-
Unearned revenue	378,129	-	378,129	5,327	-
Long-term liabilities:					
Due within one year	3,066,879	754,705	3,821,584	228,722	820,000
Due in more than one year	102,154,259	42,123,602	144,277,861	26,296,149	33,015,000
Total liabilities	\$ 108,717,452	\$ 44,385,441	\$ 153,102,893	\$ 30,141,208	\$ 34,183,395
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-property taxes	\$ 10,347,989	\$ -	\$ 10,347,989	\$ -	\$ -
Items related to measurement of net pension liability	298,320	20,932	319,252	1,735,000	-
Total deferred inflows of resources	\$ 10,646,309	\$ 20,932	\$ 10,667,241	\$ 1,735,000	\$ -
NET POSITION					
Net investment in capital assets	\$ 15,361,661	\$ (9,882,306)	\$ 5,479,355	\$ 18,965,579	\$ (10,289,458)
Restricted	461,041	-	461,041	1,777,711	-
Unrestricted (deficit)	(12,353,658)	(7,723,498)	(20,077,156)	(22,023,178)	(284,980)
Total net position	\$ 3,469,044	\$ (17,605,804)	\$ (14,136,760)	\$ (1,279,888)	\$ (10,574,438)

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, 2017

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	\$ 3,293,394	\$ -	\$ 241,948	\$ -	\$ (3,051,446)	\$ -	\$ (3,051,446)
Judicial administration	1,489,258	53,309	1,085,295	-	(350,654)	-	(350,654)
Public safety	14,845,666	389,093	4,064,971	-	(10,391,602)	-	(10,391,602)
Public works	6,612,183	71,861	3,978,201	2,111,361	(450,760)	-	(450,760)
Health and welfare	7,493,980	-	5,678,528	-	(1,815,452)	-	(1,815,452)
Education	6,664,037	-	-	-	(6,664,037)	-	(6,664,037)
Parks, recreation, and cultural	3,142,962	773,444	-	-	(2,369,518)	-	(2,369,518)
Community development	5,058,993	5,875	745,201	-	(4,307,917)	-	(4,307,917)
Interest	3,047,922	-	126,683	-	(2,921,239)	-	(2,921,239)
Total governmental activities	\$ 51,648,395	\$ 1,293,582	\$ 15,920,827	\$ 2,111,361	\$ (32,322,625)	\$ -	\$ (32,322,625)
Business-type activities:							
Solid waste	\$ 6,036,630	\$ 4,884,260	\$ -	\$ -	\$ -	\$ (1,152,370)	\$ (1,152,370)
Total primary government	\$ 57,685,025	\$ 6,177,842	\$ 15,920,827	\$ 2,111,361	\$ (32,322,625)	\$ (1,152,370)	\$ (33,474,995)
COMPONENT UNITS:							
School Board	\$ 27,367,863	\$ 186,347	\$ 19,294,737	\$ -		\$ (7,886,779)	\$ (7,886,779)
IDA	\$ 2,759,808	\$ 301,270	\$ -	\$ -		-	(2,458,538)
Total component units	\$ 30,127,671	\$ 487,617	\$ 19,294,737	\$ -		\$ (7,886,779)	\$ (2,458,538)
General revenues:							
General property taxes					\$ 18,343,545	\$ -	\$ 18,343,545
Other local taxes:							
Local sales and use taxes					3,861,683	-	3,861,683
Consumers' utility taxes					154,648	-	154,648
Business license taxes					1,181,072	-	1,181,072
Motor vehicle taxes					246,335	-	246,335
Restaurant food taxes					5,743,673	-	5,743,673
Bank stock taxes					345,315	-	345,315
Hotel and motel room taxes					1,252,539	-	1,252,539
Tobacco taxes					530,684	-	530,684
Other local taxes					321,700	-	321,700
Unrestricted revenues from the use of money and property					6,977	173,696	154,684
Miscellaneous					997,357	22,339	475,227
Rental payments from the City of Bristol, Virginia School Board					-	-	225,420
Contributions from the City of Bristol, Virginia					-	-	6,471,877
Grants and contributions not restricted to specific programs					2,366,377	-	-
Gain on disposal of asset					-	1,219	-
Transfers					(785,408)	785,408	-
Total general revenues and transfers					\$ 34,726,239	\$ 815,943	\$ 35,542,182
Change in net position					\$ 2,403,614	\$ (336,427)	\$ 2,067,187
Net position - beginning, as restated					1,065,430	(17,269,377)	(16,203,947)
Net position - ending					\$ 3,469,044	\$ (17,605,804)	\$ (14,136,760)

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

City of Bristol, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>CDBG Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 10,877,339	\$ -	\$ 10,877,339
Receivables (net of allowance for uncollectibles):			
Taxes receivable	12,083,311	-	12,083,311
Accounts receivable	928,744	-	928,744
Due from component unit	577,582	-	577,582
Due from other governmental units	2,876,290	-	2,876,290
Inventories	498,359	-	498,359
Prepaid items	208,916	-	208,916
Total assets	<u>\$ 28,050,541</u>	<u>\$ -</u>	<u>\$ 28,050,541</u>
LIABILITIES			
Accounts payable	\$ 2,081,359	\$ -	\$ 2,081,359
Due to component unit	59,170	-	59,170
Unearned revenue	1,058,129	-	1,058,129
Total liabilities	<u>\$ 3,198,658</u>	<u>\$ -</u>	<u>\$ 3,198,658</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 12,011,583	\$ -	\$ 12,011,583
Total deferred inflows of resources	<u>\$ 12,011,583</u>	<u>\$ -</u>	<u>\$ 12,011,583</u>
FUND BALANCES			
Nonspendable	\$ 707,275	\$ -	\$ 707,275
Restricted (Note 19)	3,828,772	-	3,828,772
Assigned (Note 19)	4,025	-	4,025
Unassigned	8,300,228	-	8,300,228
Total fund balances	<u>\$ 12,840,300</u>	<u>\$ -</u>	<u>\$ 12,840,300</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,050,541</u>	<u>\$ -</u>	<u>\$ 28,050,541</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, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	12,840,300
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 25,806,789	
Buildings and improvements	13,704,796	
Improvements other than buildings	96,000	
Machinery and equipment	4,434,392	
Infrastructure	23,465,432	
Construction in progress	<u>22,868,870</u>	90,376,279

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

Unavailable revenue-property taxes	\$ 1,663,594	
Unavailable revenue-note receivable	<u>680,000</u>	2,343,594

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds		1,949,068
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Items related to measurement of the pension liability are considered to be deferred and will be amortized and recognized in pension expense over future years.

Deferred outflows	\$ 1,941,282	
Deferred inflows	<u>(298,320)</u>	1,642,962

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	\$ (24,792,650)	
General obligation bond anticipation notes	(47,530,000)	
Literary Loans	(240,000)	
Capital leases	(3,979,839)	
Accrued interest payable	(977,656)	
Unamortized bond premium	(255,495)	
Deferred amount on refunding	515,635	
Amount payable to Washington County	(2,100,000)	
Compensated absences	(1,709,492)	
Net OPEB obligation	(1,273,200)	
Net pension liability	<u>(23,340,462)</u>	\$ (105,683,159)

Net position of governmental activities	\$	<u><u>3,469,044</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 Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>	<u>CDBG</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 18,202,398	\$ -	\$ 18,202,398
Other local taxes	13,657,926	-	13,657,926
Permits, privilege fees, and regulatory licenses	175,884	-	175,884
Fines and forfeitures	150,338	-	150,338
Revenue from the use of money and property	146,719	-	146,719
Charges for services	967,360	-	967,360
Miscellaneous	997,357	-	997,357
Recovered costs	438,714	-	438,714
Intergovernmental	20,176,521	222,044	20,398,565
Total revenues	<u>\$ 54,913,217</u>	<u>\$ 222,044</u>	<u>\$ 55,135,261</u>
EXPENDITURES			
Current:			
General government administration	\$ 3,679,300	\$ -	\$ 3,679,300
Judicial administration	1,473,001	-	1,473,001
Public safety	14,676,295	-	14,676,295
Public works	4,812,644	-	4,812,644
Health and welfare	7,447,964	-	7,447,964
Education	6,505,637	-	6,505,637
Parks, recreation, and cultural	3,126,275	-	3,126,275
Community development	4,410,243	-	4,410,243
Nondepartmental	610,391	-	610,391
Capital projects	3,496,319	222,044	3,718,363
Debt service:			
Principal retirement	1,205,528	-	1,205,528
Interest and other fiscal charges	2,855,623	-	2,855,623
Bond issuance costs	127,015	-	127,015
Total expenditures	<u>\$ 54,426,235</u>	<u>\$ 222,044</u>	<u>\$ 54,648,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 486,982</u>	<u>\$ -</u>	<u>\$ 486,982</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (785,408)	\$ -	\$ (785,408)
Issuance of capital leases	506,125	-	506,125
Issuance of general obligation bonds	3,960,000	-	3,960,000
Sale of capital assets	33,640	-	33,640
Total other financing sources (uses)	<u>\$ 3,714,357</u>	<u>\$ -</u>	<u>\$ 3,714,357</u>
Net change in fund balances	\$ 4,201,339	\$ -	\$ 4,201,339
Fund balances - beginning, as restated	8,638,961	-	8,638,961
Fund balances - ending	<u>\$ 12,840,300</u>	<u>\$ -</u>	<u>\$ 12,840,300</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, 2017

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

Net change in fund balances - total governmental funds \$ 4,201,339

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 depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 4,421,810	
Reversion of capital assets to school board (net)	(153,600)	
Property conveyed to IDA	(352,189)	
Depreciation expense	<u>(2,602,733)</u>	1,313,288

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

Disposal of assets		(58,909)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 141,147	
Rehab loans	(162,429)	
Notes receivable	20,000	
Other	(20,277)	
Change in deferred inflows related to the measurement of the net pension liability	<u>2,316,977</u>	2,295,418

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Issuance of general obligation bonds	\$ (3,960,000)	
Issuance of capital leases	(506,125)	
Principal repayments:		
General obligation bonds	\$ 187,500	
Literary loans	240,000	
Capital lease	778,028	
Washington County	<u>350,000</u>	(2,910,597)

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	\$ 92,989	
Change in accrued interest payable	(13,595)	
Amortization of bond premium	60,954	
Change in deferred amount on refunding	(112,643)	
Change in net OPEB obligation	(163,800)	
Change in net pension liability	(4,343,188)	
Change in deferred outflows related to measurement of the net pension liability	1,941,282	
Change in deferred outflows related to pension payments subsequent to the measurement date	<u>101,076</u>	(2,436,925)

Change in net position of governmental activities		<u>\$ 2,403,614</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, 2017

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,988,191	\$ 4,245
Accounts receivable, net of allowance for uncollectibles	317,697	-
Due from other governmental units	121,716	-
Due from other funds	-	59,170
Prepaid items	12,090	-
Total current assets	<u>\$ 2,439,694</u>	<u>\$ 63,415</u>
Restricted cash and cash equivalents:		
Cash and cash equivalents	\$ -	\$ 5,396,730
Investments	-	1,386,190
Total restricted assets	<u>\$ -</u>	<u>\$ 6,782,920</u>
Total current assets	<u>\$ 2,439,694</u>	<u>\$ 6,846,335</u>
Noncurrent assets:		
Capital assets:		
Land	\$ 802,062	\$ 1,418,040
Land development costs	35,456,968	-
Buildings and systems	1,317,317	-
Machinery and equipment	5,939,406	-
Infrastructure	29,792	-
Construction in progress	1,668,165	15,344,582
Accumulated depreciation	(21,774,670)	-
Total capital assets	<u>\$ 23,439,040</u>	<u>\$ 16,762,622</u>
Total noncurrent assets	<u>\$ 23,439,040</u>	<u>\$ 16,762,622</u>
Total assets	<u>\$ 25,878,734</u>	<u>\$ 23,608,957</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding, net	\$ 658,766	\$ -
Pension contributions subsequent to measurement date	126,857	-
Items related to measurement of net pension liability	136,212	-
Total deferred outflows of resources	<u>\$ 921,835</u>	<u>\$ -</u>

City of Bristol, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 801,934	\$ -
Accrued interest payable	705,200	348,395
Compensated absences - current portion	92,806	-
Capital lease - current portion	93,267	-
Bonds payable - current portion	568,632	820,000
Total current liabilities	<u>\$ 2,261,839</u>	<u>\$ 1,168,395</u>
Noncurrent liabilities:		
Compensated absences - net of current portion	\$ 30,935	\$ -
Capital lease - net of current portion	218,662	-
Bonds payable - net of current portion	33,590,539	33,015,000
Landfill closure liability	6,645,753	-
Net pension liability	1,637,713	-
Total noncurrent liabilities	<u>\$ 42,123,602</u>	<u>\$ 33,015,000</u>
Total liabilities	<u>\$ 44,385,441</u>	<u>\$ 34,183,395</u>
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	\$ 20,932	\$ -
Total deferred inflows of resources	<u>\$ 20,932</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ (9,882,306)	\$ (10,289,458)
Unrestricted	(7,723,498)	(284,980)
Total net position	<u>\$ (17,605,804)</u>	<u>\$ (10,574,438)</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, 2017

	Enterprise Fund	Component Unit
	Solid Waste <u>Fund</u>	Industrial Development <u>Authority</u>
OPERATING REVENUES		
Disposal Operating Revenue:		
Solid waste - disposal fees	\$ 3,109,241	\$ -
Recycling income	51,228	-
Mulch/compost	40,765	-
Disposal transportation fees	83,950	-
Miscellaneous	10	-
Collections Operating Revenue:		
Waste collection fees	1,508,435	-
Garbage can fee - 2nd can	1,800	-
Dumpster permit fee	88,831	-
Cabela's guarantee payment	-	301,070
Miscellaneous	-	200
Total operating revenues	<u>\$ 4,884,260</u>	<u>\$ 301,270</u>
OPERATING EXPENSES		
Disposal Operational Expenses:		
Salaries and fringes	\$ 812,743	\$ -
Professional services	382,614	-
Utilities	350,526	-
Materials and supplies	336,036	-
Lease/rent of equipment	288,091	-
Maintenance and repairs	127,383	-
Education and training	3,186	-
Other	45,236	-
Refuse Collection Operational Expenses:		
Salaries and fringes	544,817	-
Professional services	32,441	-
Utilities	1,529	-
Materials and supplies	69,992	-
Maintenance and repairs	78,272	-
Education and training	657	-
Landfill postclosure care	(46,295)	-
IDA professional fees	-	154,050
IDA operating materials and supplies	-	29
IDA administrative	-	44,048

City of Bristol, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
OPERATING EXPENSES (continued)		
IDA miscellaneous	\$ -	\$ 2,156
Depreciation	1,294,526	-
Total operating expenses	\$ 4,321,754	\$ 200,283
Operating income (loss)	\$ 562,506	\$ 100,987
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 6,977	\$ 45,305
Bank service expense	(2,817)	-
Amortization	(70,641)	(4,238)
Debt service costs	(64,975)	-
Gain (loss) on disposal of surplus	1,219	-
Gain (loss) on investments	-	(12,980)
Interest expense	(1,576,443)	(2,133,154)
Other	22,339	-
Contributions from primary government:		
Economic development	-	146,398
Development of regional impact	-	2,070,588
Economic development	-	(409,153)
Total nonoperating revenues (expenses)	\$ (1,684,341)	\$ (297,234)
Income before transfers	\$ (1,121,835)	\$ (196,247)
Transfers in	785,408	-
Change in net position	\$ (336,427)	\$ (196,247)
Net position - beginning, as restated	(17,269,377)	(10,378,191)
Net position - ending	\$ (17,605,804)	\$ (10,574,438)

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, 2017

	Enterprise Fund	Component Unit
	Solid Waste Fund	Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 4,982,080	\$ 357,419
Payments to suppliers	(1,698,320)	(202,133)
Payments to employees	(1,411,907)	-
Net cash provided by (used for) by operating activities	<u>\$ 1,871,853</u>	<u>\$ 155,286</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from primary government	\$ -	\$ 2,216,986
Transfers from other funds	785,408	-
Net cash provided by (used for) by noncapital financing activities	<u>\$ 785,408</u>	<u>\$ 2,216,986</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (1,146,517)	\$ (385,775)
Proceeds from the sale of assets	47,131	-
Principal payments on bonds	(190,000)	(20,000)
Principal payments on lease obligations	(112,015)	-
Proceeds of capital lease	99,375	-
Proceeds from indebtedness	2,040,000	-
Interest expense	(1,568,977)	(2,134,712)
Debt service costs	(57,475)	-
Economic development	-	(409,153)
Other	19,522	-
Net cash provided by (used for) by capital and related financing activities	<u>\$ (868,956)</u>	<u>\$ (2,949,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Gain (loss) on investments	\$ -	\$ (17,218)
Interest received	6,977	45,305
Net cash provided by (used for) by investing activities	<u>\$ 6,977</u>	<u>\$ 28,087</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,795,282	\$ (549,281)
Cash and cash equivalents - beginning	192,909	7,336,446
Cash and cash equivalents - ending	<u>\$ 1,988,191</u>	<u>\$ 6,787,165</u>
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:		
Operating income (loss)	\$ 562,506	\$ 100,987
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 1,294,526	\$ -
(Increase) decrease in accounts receivable	97,820	-
(Increase) decrease in notes receivable	-	58,000
(Increase) decrease in due from other funds	-	(1,851)
(Increase) decrease in prepaid items	(12,090)	-
(Increase) decrease in deferred outflows of resources	(133,402)	-
Increase (decrease) in operating payables	29,734	(1,850)
Increase (decrease) in salaries and wages payable	(36,030)	-
Increase (decrease) in compensated absences	(27,088)	-
Increase (decrease) in landfill closure liability	(46,296)	-
Increase (decrease) in net pension liability	304,746	-
Increase (decrease) in deferred inflows of resources	(162,573)	-
Increase (decrease) in due to other funds	-	-
Total adjustments	<u>\$ 1,309,347</u>	<u>\$ 54,299</u>
Net cash provided by (used for) by operating activities	<u>\$ 1,871,853</u>	<u>\$ 155,286</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, 2017

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 103,001
Total assets	<u>\$ 103,001</u>
LIABILITIES	
Amounts held for social services clients	\$ 76,567
Amounts held for employees	26,434
Total liabilities	<u>\$ 103,001</u>

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

CITY OF BRISTOL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and cash equivalents

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

2. Investments

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

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

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

3. Receivables and payables

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

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property when payment is due. Real estate taxes are payable on June 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 \$725,706 at June 30, 2017. The allowance consists of delinquent taxes in the amount of \$298,410, delinquent business license fees in the amount of \$88,086, delinquent bank franchise taxes in the amount of \$23,409, other delinquent receivables in the amount of \$313,651, and delinquent solid waste fees of \$2,150.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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)

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.

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, 2017.

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:

Assets	Years
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 two 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.

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)

This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is comprised contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. It is also comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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 two 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 liability are reported as deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions, and the net difference between projected and actual earnings on pension plan investments. Deferred outflows of resources include pension contributions made after the pension liability measurement date and changes in the proportionate share(s) of pension liabilities for plans covering more than one entity. For more detailed information on these items, reference the pension note.

10. Compensated Absences

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

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

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

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Retirement Plan and the additions to/deductions from the City's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Long-term obligations

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

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

13. Net Position

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

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

The solid waste disposal fund has an accumulated deficit in net position of (\$17,605,804). 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.

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

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

13. Net Position (Continued)

Restricted net position for specified purposes represents certain deposits restricted for specified expenditures and resources that have restrictions to particular uses imposed by federal awarding agencies or by state legislation.

14. Net Position Flow Assumption

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

15. Inventories and Prepaid Items

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

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

16. Fund equity

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

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

16. Fund equity (Continued)

- 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.

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).

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

A. Budgetary information (Continued)

7. Appropriations lapse on June 30 for all City units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is part of the City's accounting system.

B. Excess of expenditures over appropriations

For the year ended June 30, 2017, City Council did not appropriate the entire budget for the School Board. As such, the School Board had expenditures in excess of Council appropriations.

C. Deficit fund equity

At June 30, 2017, the Solid Waste 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, 2017, the City's component unit Industrial Development Authority had SNAP investments in the amount of \$1,386,190.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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 SNAP were rated by Standard, as of June 30, 2017 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)	\$ 1,386,190

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully. SNAP is amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

Investment Type	Fair Value	Less than 1 yr
State Non-arbitrage Pool (SNAP)	\$ 1,386,190	\$ 1,386,190

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 4- 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	\$ 12,806,867	\$ -
Accounts	928,744	319,847
Gross Receivables	\$ 13,735,611	\$ 319,847
Less: Allowance for uncollectibles	(723,556)	(2,150)
Net Receivables	<u>13,012,055</u>	<u>317,697</u>

For fiscal year ended June 30, 2017, the City wrote off the receivables for the CDBG fund. The amount was \$162,429.

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

	Government-wide Statements 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.	\$ -	\$ 1,663,594
2nd half assessments due after June 30	10,199,810	10,199,810
Prepaid property taxes due after June 30 but paid in advance by taxpayers	148,179	148,179
Total deferred/unavailable revenue	<u>\$ 10,347,989</u>	<u>\$ 12,011,583</u>
Unearned Revenue		
Notes Receivable	\$ 78,129	\$ 758,129
BVU Authority	300,000	300,000
Total unearned revenue	<u>\$ 378,129</u>	<u>\$ 1,058,129</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 4-Receivables: (Continued)Notes Receivable

Two promissory notes were issued by the City in February 2007 to construct/renovate and 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 \$180,000 as of June 30, 2017. 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, 2017, the balance was \$80,000.

Note 5-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	\$ -	\$ 121,716
Other	2,255	-
<u>Commonwealth of Virginia:</u>		
Local sales tax	696,862	-
Local communication tax	94,071	-
Categorical aid-other	338,414	-
Non-categorical aid	896,742	-
Categorical aid-Virginia Public Assistance	161,019	-
Categorical aid-Comprehensive Services Act	334,344	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	257,647	-
Categorical aid-other	94,936	-
Total	<u>\$ 2,876,290</u>	<u>\$ 121,716</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 6-Interfund Transfers and Balances:

Interfund transfers for the year ended June 30, 2017, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 785,408
Solid Waste Disposal Fund	785,408	-
Total	<u>\$ 785,408</u>	<u>\$ 785,408</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 7-Component-Unit Contribution and Obligations:

Component unit contributions for the year ended June 30, 2017, consisted of the following:

Component Unit:	
School Board	\$ 6,471,877
IDA	2,216,986
Total	<u>\$ 8,688,863</u>

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

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ 577,582	\$ 59,170
Component Unit		
School Board	-	577,582
IDA	59,170	-
Totals	<u>\$ 636,752</u>	<u>\$ 636,752</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-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, 2017.

	Balance July 1, 2016, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
General Obligation Bonds	\$ 21,020,150	\$ 3,960,000	\$ (187,500)	\$ 24,792,650
Unamortized Premium	316,449	-	(60,954)	255,495
Bond Anticipation Note	47,530,000	-	-	47,530,000
Tax Anticipation Note	-	1,700,000	(1,700,000)	-
Literary Fund Loans	480,000	-	(240,000)	240,000
Capital Lease	4,251,742	506,125	(778,028)	3,979,839
Net OPEB Obligation	1,109,400	226,300	(62,500)	1,273,200
Compensated Absences	1,802,481	1,258,872	(1,351,861)	1,709,492
Net Pension Liability	18,997,274	8,205,859	(3,862,671)	23,340,462
Revenue sharing agreement	2,450,000	-	(350,000)	2,100,000
Total	<u>\$ 97,957,496</u>	<u>\$ 15,857,156</u>	<u>\$ (8,593,514)</u>	<u>\$ 105,221,138</u>

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		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2018	\$ 401,820	\$ 1,077,936	\$ 240,000	\$ 3,600
2019	718,020	1,065,451	-	-
2020	1,645,550	1,025,778	-	-
2021	1,724,300	963,487	-	-
2022	4,508,480	849,640	-	-
2023-2027	9,571,080	3,252,067	-	-
2028-2032	1,478,150	1,367,612	-	-
2033-2037	1,853,700	986,266	-	-
2038-2042	2,351,350	488,040	-	-
2043	540,200	26,405	-	-
Totals	<u>\$ 24,792,650</u>	<u>\$ 11,102,682</u>	<u>\$ 240,000</u>	<u>\$ 3,600</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Indebtedness: (Continued)

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

Year Ending June 30,	Bond Anticipation Notes	
	Principal	Interest
2018	\$ -	\$ 1,632,201
2019	-	1,632,201
2020	-	1,632,201
2021	40,030,000	953,650
2022	-	275,100
2023	7,500,000	137,550
Totals	<u>\$ 47,530,000</u>	<u>\$ 6,262,903</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Long-Term Obligations: (Continued)**Primary Government - Governmental Activities Indebtedness: (Continued)**

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
GO Bond	3.50-5.00%	12/1/2006	2027	3,675,000	\$ 2,095,000	\$ -
GO Bond	5.00-5.50%	10/1/2007	2018	3,245,000	62,000	62,000
GO Bond	4.00-4.25%	10/1/2007	2027	4,055,000	4,055,000	-
GO Bond	5.65%	10/1/2007	2024	12,050,000	1,491,000	-
GO Bond	2.00-5.00%	11/1/2010	2027	15,175,000	3,401,250	-
GO Bond	4.50%	6/1/2011	2027	3,000,000	1,875,000	187,500
GO Bond	2.82-4.83%	10/1/2012	2025	3,965,000	1,630,000	-
GO Bond	4.68-4.88%	5/1/2014	2043	16,820,000	6,223,400	-
GO Bond	1.92%	11/10/2016	2023	960,000	960,000	152,320
GO Bond	1.89%	11/10/2016	2022	3,000,000	3,000,000	-
Subtotal General Obligation Bonds					\$ 24,792,650	\$ 401,820
Bond Premium	n/a	n/a	n/a	n/a	\$ 255,495	\$ 60,954
Total GO Bonds					\$ 25,048,145	\$ 462,774
Bond Anticipation Notes						
Series 2015B	2.71%	8/1/2015	2016	30,000,000	\$ 30,000,000	\$ -
Series 2015C	3.00-3.67%	8/1/2015	2022	17,530,000	17,530,000	-
Total Bond Anticipation Notes					\$ 47,530,000	\$ -
Literary Fund Loans	3.00%	9/1/1997	2017	4,800,000	\$ 240,000	\$ 240,000
Other Obligations:						
Capital Leases	n/a	n/a	n/a	n/a	\$ 3,979,839	\$ 731,986
Net OPEB Obligation	n/a	n/a	n/a	n/a	1,273,200	-
Compensated Absences	n/a	n/a	n/a	n/a	1,709,492	1,282,119
Net Pension Liability	n/a	n/a	n/a	n/a	23,340,462	-
Revenue sharing agreement with Washington County (1)	n/a	n/a	n/a	n/a	2,100,000	350,000
Total Other Obligations					\$ 32,402,993	\$ 2,364,105
Total Long-term Obligations					\$ 105,221,138	\$ 3,066,879

(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, 2017, the City paid the County \$350,000 towards this liability, leaving a remaining balance of \$2,100,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Indebtedness: (Continued)Series 2011A General Obligation Bond

The City issued a \$3,000,000 Qualified School Construction Bond (QSCB) in June 2011 with an interest rate of 4.50% and maturity date of June 2027 for renovation of the school administrative building. The QSCB proceeds funded the \$2,940,000 Contribution Agreement to the Foundation in May 2012. The City has received a federal subsidy grant (expected to be close to 100%) for the interest portion of the bond. The Foundation agreed to manage the funds to assure compliance with all the terms of the City's obligations to the Virginia Public School Authority. In the initial tax credit period, the Foundation will make the principal payment of \$187,500 annually starting July 1, 2013 and will end when the related entities dissolve in 2017 (approximately five years) for a total of \$937,500. The Foundation's pledge payable is reported in long-term liabilities on the statement of net position.

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, 2017.

	Balance July 1, 2016, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
General Obligation Bonds	\$ 31,917,350	\$ 2,040,000	\$ (190,000)	\$ 33,767,350
Unamortized Premium	498,772	-	(106,951)	391,821
Capital Lease	324,570	99,375	(112,016)	311,929
Landfill Closure Liability	6,692,048	-	(46,295)	6,645,753
Net Pension Liability	1,332,967	575,775	(271,029)	1,637,713
Compensated Absences	150,829	86,034	(113,122)	123,741
Total	<u>\$ 40,916,536</u>	<u>\$ 2,801,184</u>	<u>\$ (839,413)</u>	<u>\$ 42,878,307</u>

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Long-Term Obligations: (Continued)Primary Government - Business-Type Activities Indebtedness: (Continued)

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2018	\$ 461,680	\$ 1,568,925
2019	415,480	1,557,788
2020	2,576,950	1,500,044
2021	2,723,200	1,391,010
2022	2,988,020	1,265,984
2023-2027	14,005,420	4,227,427
2028-2032	2,516,850	2,328,637
2033-2037	3,156,300	1,679,317
2038-2042	4,003,650	830,987
2043	919,800	44,960
Totals	<u>\$ 33,767,350</u>	<u>\$ 16,395,079</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Long-Term Obligations: (Continued)

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

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
General Obligation Bonds:						
GO Bond	5.00-5.50%	10/1/2007	2018	\$ 3,245,000	\$ 138,000	\$ 138,000
GO Bond	5.65%	10/1/2007	2024	12,050,000	9,159,000	-
GO Bond	2.00-3.00%	11/1/2010	2022	1,015,000	415,000	-
GO Bond	2.00-5.00%	11/1/2010	2027	15,175,000	10,203,750	-
GO Bond	2.27-3.75%	10/1/2012	2023	2,550,000	1,215,000	-
GO Bond	4.68-4.88%	5/1/2014	2044	16,820,000	10,596,600	-
GO Bond	1.92%	11/10/2016	2023	2,040,000	2,040,000	323,680
Subtotal General Obligation Bonds					\$ 33,767,350	\$ 461,680
Bond Premium					391,821	106,952
Total General Obligation Bonds					<u>\$ 34,159,171</u>	<u>\$ 568,632</u>
Other Obligations:						
Capital Lease	n/a	n/a	n/a	n/a	\$ 311,929	\$ 93,267
Landfill Closure Liability	n/a	n/a	n/a	n/a	6,645,753	-
Net Pension Liability	n/a	n/a	n/a	n/a	1,637,713	-
Compensated Absences	n/a	n/a	n/a	n/a	123,741	92,806
Total Other Obligations					<u>\$ 8,719,136</u>	<u>\$ 186,073</u>
Total Long-term Obligations					<u>\$ 42,878,307</u>	<u>\$ 754,705</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Long-Term Obligations: (Continued)

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

The following is a summary of long-term obligation transactions of the Component-Unit Industrial Development Authority for the year ended June 30, 2017:

	Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
Revenue Bonds	\$ 33,855,000	\$ -	\$ (20,000)	\$ 33,835,000
Total	\$ 33,855,000	\$ -	\$ (20,000)	\$ 33,835,000

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2018	\$ 820,000	\$ 2,106,037
2019	880,000	2,048,662
2020	935,000	1,987,406
2021	460,000	1,940,325
2022	145,000	1,919,906
2023-2027	895,000	9,432,468
2028-2032	4,215,000	8,703,231
2033-2037	985,000	7,858,231
2038-2042	-	7,778,750
2043-2045	24,500,000	3,889,375
Totals	\$ 33,835,000	\$ 47,664,391

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
Revenue Bonds:							
Revenue Bond Series 2014A	6.75%	12/23/2014	2033	\$145,000-820,000 a+	\$ 6,355,000	\$ 6,355,000	\$ 820,000
Revenue Bond Series 2014B	5.00-6.35%	12/23/2014	2044	bp	27,500,000	27,480,000	-
Total Revenue Bonds						\$ 33,835,000	\$ 820,000
Total Long-Term Obligations						\$ 33,835,000	\$ 820,000

(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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-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.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: - Political subdivision employees* - Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)**Plan Description (Continued)**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)**Plan Description (Continued)**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)**Plan Description (Continued)**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)***Plan Description (Continued)***

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Contributions

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

The City's contractually required contribution rate for the year ended June 30, 2017 was 16.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$2,075,925 and \$1,977,658 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

At June 30, 2017, the City reported a liability of \$24,978,175 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. 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, 2016 and 2015 was used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2016 and 2015, the City's proportion was 95.98%.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-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, 2015, 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, 2016.

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: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)**Actuarial Assumptions - General Employees (Continued)**

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

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-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>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-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 will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the 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		
	(6.00%)	(7.00%)	(8.00%)
City Net Pension Liability	37,563,888	24,978,175	14,435,018

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

For the year ended June 30, 2017, the City recognized pension expense of \$2,054,802. 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, 2017

Note 9-Pension Plan: (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

At June 30, 2017, 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	\$ -	\$ 319,252
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,077,494	-
Employer contributions subsequent to the measurement date	<u>2,075,925</u>	<u>-</u>
Total	\$ <u><u>4,153,419</u></u>	\$ <u><u>319,252</u></u>

\$2,075,925 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. 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>	
2018	\$ (307,677)
2019	(75,534)
2020	1,270,070
2021	871,383
Thereafter	-

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 10-Other Postemployment Benefits-Health Insurance:

From an accrual accounting perspective, the cost of postemployment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45, the City recognizes the cost of postemployment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability. As allowable by GASB Statement No. 45, the City calculates their OPEB obligation using an alternative approach and certain simplified assumptions.

A. Plan Description

The City, including the school board, administers a single-employer healthcare plan ("the Plan"). 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. The Plan does not issue a publicly available financial report.

B. Funding Policy

The City currently pays for post-retirement health care benefits on a pay-as-you-go basis. The City currently has 622 employees that are eligible for the program. For the City retirees the rates were as follows at June 30, 2017:

<u>Participants</u>	<u>Retiree portion of monthly premium</u>
Under 25 years of service	100% of employee premium
25-29 years of service	Receives \$100 monthly credit towards premium
30-34 years of service	Receives \$200 monthly credit towards premium
35+ years of service	Receives \$300 monthly credit towards premium
For all spouses	100% of employee's spousal premium

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 10-Other Postemployment Benefits-Health Insurance: (Continued)**C. Annual OPEB Cost and Net OPEB Obligation**

For 2017, the City's annual OPEB cost (expense) was \$226,300 and the ARC was \$226,800. The obligation calculation is as follows:

Annual required contribution	\$ 226,800
Interest on net OPEB obligation	47,200
Adjustment to annual required contribution	(47,700)
Annual OPEB cost (expense)	<u>\$ 226,300</u>
Contributions made	(62,500)
Increase in net OPEB obligation	<u>\$ 163,800</u>
Net OPEB obligation - beginning of year	1,109,400
Net OPEB obligation - ending of year	<u>\$ 1,273,200</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 226,300	28%	\$ 1,273,200
6/30/2016	272,300	48%	1,109,400
6/30/2015	263,000	41%	966,900

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2016 (the most recent valuation date), was as follows:

Actuarial accrued liability (AAL)	\$ 3,027,500
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 3,027,500
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 14,132,750
UAAL as a percentage of covered payroll	21.42%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 10-Other Postemployment Benefits-Health Insurance: (Continued)

E. Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016, the most recent actuarial valuation, the entry age normal actuarial cost method was used. Under this method, stable employer contributions are produced in amounts that increase at the same rate as the employer's payroll. The actuarial assumptions included: inflation at 2.50%, an investment rate of return at 4.25%, and a health care trend rate of 7.00% graded to 5.00%. The UAAL is being amortized as a level percentage on an open basis over the remaining amortization period, which at July 1, 2016, was 30 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 26,158,978	\$ -	\$ (352,189)	\$ 25,806,789
Construction in progress	19,557,245	3,311,625	-	22,868,870
Total capital assets not being depreciated	<u>\$ 45,716,223</u>	<u>\$ 3,311,625</u>	<u>\$ (352,189)</u>	<u>\$ 48,675,659</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 17,792,673	\$ 25,620	\$ (240,000)	\$ 17,578,293
Land Development Costs	480,000	-	-	480,000
Infrastructure	89,168,620	14,520	-	89,183,140
Library Assets	7,225,183	-	-	7,225,183
Machinery and equipment	12,254,815	1,070,045	(825,302)	12,499,558
Total capital assets being depreciated	<u>\$ 126,921,291</u>	<u>\$ 1,110,185</u>	<u>\$ (1,065,302)</u>	<u>\$ 126,966,174</u>
Accumulated depreciation:				
Buildings and improvements	\$ (7,958,030)	\$ (517,359)	\$ 86,400	\$ (8,388,989)
Land Development Costs	(364,800)	(19,200)	-	(384,000)
Infrastructure	(64,641,462)	(1,076,246)	-	(65,717,708)
Library Assets	(2,567,883)	(141,808)	-	(2,709,691)
Machinery and equipment	(7,983,439)	(848,120)	766,393	(8,065,166)
Total accumulated depreciation	<u>\$ (83,515,614)</u>	<u>\$ (2,602,733)</u>	<u>\$ 852,793</u>	<u>\$ (85,265,554)</u>
Total capital assets being depreciated, net	<u>\$ 43,405,677</u>	<u>\$ (1,492,548)</u>	<u>\$ (212,509)</u>	<u>\$ 41,700,620</u>
Governmental activities capital assets, net	<u>\$ 89,121,900</u>	<u>\$ 1,819,077</u>	<u>\$ (564,698)</u>	<u>\$ 90,376,279</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 11-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 802,062	\$ -	\$ -	\$ 802,062
Construction in progress	-	1,668,165	-	1,668,165
Total capital assets not being depreciated	<u>\$ 802,062</u>	<u>\$ 1,668,165</u>	<u>\$ -</u>	<u>\$ 2,470,227</u>
Capital assets, being depreciated:				
Land Development Costs	\$ 35,456,968	\$ -	\$ -	\$ 35,456,968
Machinery and equipment	5,853,862	179,981	(94,437)	5,939,406
Plant	1,317,317	-	-	1,317,317
Infrastructure	29,792	-	-	29,792
Total capital assets being depreciated	<u>\$ 42,657,939</u>	<u>\$ 179,981</u>	<u>\$ (94,437)</u>	<u>\$ 42,743,483</u>
Accumulated depreciation:				
Land Development Costs	\$ (15,570,563)	\$ (1,029,553)	\$ -	\$ (16,600,116)
Machinery and equipment	(4,353,541)	(230,816)	48,525	(4,535,832)
Plant	(584,319)	(33,748)	-	(618,067)
Infrastructure	(20,246)	(409)	-	(20,655)
Total accumulated depreciation	<u>\$ (20,528,669)</u>	<u>\$ (1,294,526)</u>	<u>\$ 48,525</u>	<u>\$ (21,774,670)</u>
Total capital assets being depreciated, net	<u>\$ 22,129,270</u>	<u>\$ (1,114,545)</u>	<u>\$ (45,912)</u>	<u>\$ 20,968,813</u>
Business-type activities capital assets, net	<u>\$ 22,931,332</u>	<u>\$ 553,620</u>	<u>\$ (45,912)</u>	<u>\$ 23,439,040</u>

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

Governmental activities:	
General government administration	\$ 50,038
Judicial administration	123,182
Public safety	628,484
Public works	1,415,127
Health and welfare	32,664
Education	4,800
Parks, recreation, and culture	340,468
Community Development	7,970
Total depreciation expense-governmental activities	<u><u>\$ 2,602,733</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 11-Capital Assets: (Continued)

Capital asset activity for the Industrial Development Authority for the year ended June 30, 2017 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	\$ -	\$ -	\$ 1,418,040
Construction in progress	14,958,807	385,775	-	15,344,582
Total capital assets not being depreciated	<u>\$ 16,376,847</u>	<u>\$ 385,775</u>	<u>\$ -</u>	<u>\$ 16,762,622</u>
Business-type activities capital assets, net	<u>\$ 16,376,847</u>	<u>\$ 385,775</u>	<u>\$ -</u>	<u>\$ 16,762,622</u>

Note 12-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, 2017, the City has the following capital leases:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Lease</u>	<u>Balance Governmental Activities</u>	<u>Balance Business-type Activities</u>
Governmental						
Fire Trucks	4.60%	09-07	01-18	\$ 1,400,899	\$ 172,799	\$ -
Vac Truck	1.99%	05-14	05-18	344,906	62,367	-
Police Vehicles	3.98%	11-13	07-18	151,502	32,247	-
Small Wheel Loader	3.20%	06-13	06-18	121,015	32,090	-
Voting Machines	5.03%	07-14	08-19	67,510	36,236	-
Public Safety and Other Vehicles	1.69%	11-14	06-19	447,151	182,129	-
Toro Mower	6.75%	10-14	10-17	9,500	864	-
Fire Truck	3.65%	08-15	06-25	340,000	280,035	-
Vehicles	2.76%	08-15	06-20	403,767	247,675	-
Energy Project	3.17%	06-15	07-30	2,663,317	2,526,056	-
Vehicles	2.81%	06-16	06-21	298,125	241,198	-
Golf Carts	2.44%	08-16	08-20	208,000	166,143	-
Solid Waste						
Garbage Truck	1.89%	02-14	02-19	228,124	\$ -	\$ 74,582
Brush Truck	2.76%	08-15	06-20	136,896	-	84,422
Energy Project	3.17%	06-15	07-30	76,467	-	72,526
Skid Steer Loader	2.81%	06-16	06-21	99,375	-	80,399
					<u>\$ 3,979,839</u>	<u>\$ 311,929</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 12-Capital Leases: (Continued)

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

	Governmental Activities	Business-type Activities
Machinery & Equipment	\$ 6,527,155	\$ 658,162
Accumulated Depreciation	(2,127,922)	(176,324)
Total	<u>\$ 4,399,233</u>	<u>\$ 481,838</u>

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

Fiscal Year Ended	Governmental Activities	Business-type Activities
2018	\$ 859,605	\$ 101,022
2019	618,373	89,059
2020	487,070	58,556
2021	340,399	27,882
2022	267,127	6,493
2023-2027	1,253,828	32,464
2028-2031	904,897	25,970
Total minimum lease payments	\$ 4,731,299	\$ 341,446
Less: amount representing interest	(751,460)	(29,517)
Present value of minimum lease payments	<u>\$ 3,979,839</u>	<u>\$ 311,929</u>

Note 13-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, 2017 are as follows:

Fiscal Year Ended	Business-type Activities
2018	\$ 190,781
2019	164,345
2020	164,345
2021	164,345
2022	82,173
Total	<u>\$ 765,989</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 14-Landfill Closure and Post-Closure Care Costs:

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

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

The estimated landfill closure and postclosure care cost liability for the old landfill is \$2,060,629 as of June 30, 2017, which is based on 48% usage (filled) of the landfill. It is estimated that an additional \$1,287,893 will be recognized as closure and postclosure care expenses between the date of the statement of net position and the date the landfill is currently expected to be filled to capacity (the year 2020). The City is mining waste from the old landfill, baling it, and placing it in the quarry balefill. The old landfill is expected to remain open until its mandated closure date in 2020.

The estimated liability for landfill closure and postclosure care costs for the quarry balefill is \$4,368,650 as of June 30, 2017, which is based on 44.86% usage (filled) of the landfill. It is estimated that an additional \$5,369,758 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, 2017 are \$123,410 and \$93,064, respectively. It is estimated that an additional \$286,726 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.

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 (\$14,534,585) 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, 2017. However, the actual costs of closure will be paid out at the time of closure of each facility and postclosure will be paid out in the thirty years following the closure of each facility. The actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 14-Landfill Closure and Post-Closure Care Costs: (Continued)

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

Note 15-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 16-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 17-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:	
Kelly F. Duffy, Clerk of Circuit Court	\$ 645,000
Angel Harris, Treasurer	500,000
Terry C. Frye, Commissioner of Revenue	3,000
Jack Weisenburger, Sheriff	30,000

Note 18-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 \$152,199.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 18-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 19-Restricted and Assigned Fund Balance:

Governmental Funds:	General Fund
Nonspendable:	
Inventories	\$ 498,359
Prepaid items	208,916
Total nonspendable balances	<u>\$ 707,275</u>
Restricted:	
Federal Sharing	\$ 345,389
Asset Forfeiture	115,652
Capital Projects	3,367,731
Total restricted balances	<u>\$ 3,828,772</u>
Assigned:	
Investigations-Police Department	\$ 4,025
Total assigned balances	<u>\$ 4,025</u>

Note 20-Litigation:

At June 30, 2017, there were two matters of litigation involving the City for which could materially affect the City's financial position should any court decisions on pending matters not be favorable to the City.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 20-Litigation: (Continued)

The first matter of litigation is with Atlas Honda and Crabtree Buick. The nature of the litigation concerns the taking of a portion of the property adjacent to Lee Highway for the purpose of widening Lee Highway. This was done in conjunction with the Falls development to allow for an improved traffic flow. To date, Atlas Honda and Crabtree Buick have had an expert prepare an appraisal of the loss each business has suffered by the taking of the property and loss of income due to the road construction. The parties have attempted to mediate the claims which was unsuccessful. The City has now hired an expert to review the appraisals and make its own assessment of the loss suffered by each business. The City expects the expert opinions to be completed by February 2018. The City will vigorously fight the businesses demands for compensation, unless the City's expert agrees with the business owner's expert witness. If at all possible, the City will attempt to reach an out of court settlement. The City, in all likelihood, will owe each business at least \$500,000.

The second matter of litigation is Deborah Whitaker v. City of Bristol & Birthplace of Country Music, Inc. The nature of the litigation stems from the Plaintiff falling/tripping over a barrier at the Rhythm and Roots Music Festival in Bristol, Virginia on or about September 19, 2015. The case was filed on June 23, 2017, and the case is in the civil discovery phase at this time. The City is cooperating with outside legal counsel throughout this case. The City will vigorously defend the case. The Birthplace of Country Music, Inc. previously agreed to indemnify the City of any liability in the event the City was named a party to litigation involving an incident at the Rhythm and Roots Music Festival. The Birthplace of Country Music, Inc. is honoring this agreement, defending the lawsuit and will be responsible for all costs associated with this claim.

Note 21-Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures

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

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 21-Adoption of Accounting Principles: (Continued)

The following list provides details of each agreement the City had as of June 30, 2017:

- Home Depot USA, Inc. - 1% of annual taxable sales, maximum of \$250,000. Maximum total amount per agreement is \$1,500,000. As of June 30, 2017, the City's amount payable per the terms of the agreement was \$7,699.
- Bristol Hotels, Inc. - 3.5% of total reported gross lodging receipts, for a maximum payment of \$380,000. The agreement expires on 04/01/2020. The City's liability at 06/30/2017 was \$191,245.
- 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.
- The Southern Churn, LLC - 3.5% of annual sales of meals. Expires 3 years from official grand opening, 08/15/2014. City's liability at 06/30/2017 was \$770.
- 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 \$70,886.
- Hotel Bristol, LLC - 50% of local sales tax. The total per the agreement is \$1,200,000. The agreement expires six years from the official grand opening, which must be by 06/30/2018.
- Burger Bar, LLC - 3.5% of total food sales, for a maximum of \$26,000. The agreement is dated 07/14/2015 and expires 5 years from the opening date, or 10/1/2020. The City's liability at June 30, 2017 was \$22,830.
- 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.

Note 22-Restatement of Fund Balance and Net Position:

	Fund Balance	Net Position	
	General Fund	Governmental Activities	Business-type Activities
Beginning balance, July 1, 2016, as previously stated	\$ 8,906,075	3,079,001	(17,561,883)
Correction to prepaid taxes	(138,641)	(138,641)	-
Correction to state sales tax	(472,532)	(472,532)	-
Correction to state and federal funds	344,059	344,059	-
Correction to interest payable	-	(88,961)	-
Correction to accrued leave	-	(173,588)	-
Correction to deferred property taxes	-	180,307	-
Items related to debt	-	(2,535,700)	85,700
Items related to pension	-	871,494	206,809
Rounding	-	(9)	(3)
Beginning balance, July 1, 2016, as restated	\$ <u>8,638,961</u>	<u>1,065,430</u>	<u>(17,269,377)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 23-Upcoming Pronouncements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

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

Statement No. 86, *Certain Debt Extinguishment Issues*, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 23-Upcoming Pronouncements: (Continued)

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

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 17,350,000	\$ 17,350,000	\$ 18,202,398	\$ 852,398
Other local taxes	15,125,000	15,125,000	13,657,926	(1,467,074)
Permits, privilege fees, and regulatory licenses	166,200	166,200	175,884	9,684
Fines and forfeitures	122,000	122,000	150,338	28,338
Revenue from the use of money and property	168,772	168,772	146,719	(22,053)
Charges for services	1,066,700	1,066,700	967,360	(99,340)
Miscellaneous	1,238,600	1,342,438	997,357	(345,081)
Recovered costs	261,160	338,386	438,714	100,328
Intergovernmental	21,478,059	22,484,842	20,176,521	(2,308,321)
Total revenues	\$ 56,976,491	\$ 58,164,338	\$ 54,913,217	\$ (3,251,121)
EXPENDITURES				
Current:				
General government administration	\$ 3,782,295	\$ 3,808,736	\$ 3,679,300	\$ 129,436
Judicial administration	1,500,645	1,514,164	1,473,001	41,163
Public safety	14,753,474	14,967,642	14,676,295	291,347
Public works	4,869,754	5,013,340	4,812,644	200,696
Health and welfare	7,962,972	7,962,972	7,447,964	515,008
Education	9,769,204	9,769,204	6,505,637	3,263,567
Parks, recreation, and cultural	3,226,068	3,233,164	3,126,275	106,889
Community development	5,222,097	5,705,223	4,410,243	1,294,980
Nondepartmental	591,305	591,305	610,391	(19,086)
Capital projects	1,647,220	4,937,698	3,496,319	1,441,379
Debt service:				
Principal retirement	1,878,484	1,823,284	1,205,528	617,756
Interest and other fiscal charges	2,637,613	2,637,613	2,855,623	(218,010)
Bond issuance costs	59,680	144,202	127,015	17,187
Total expenditures	\$ 57,900,811	\$ 62,108,547	\$ 54,426,235	\$ 7,682,312
Excess (deficiency) of revenues over (under) expenditures	\$ (924,320)	\$ (3,944,209)	\$ 486,982	\$ 4,431,191
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 140,000	\$ 140,000	\$ -	\$ (140,000)
Transfers out	(656,680)	(656,680)	(785,408)	(128,728)
Issuance of capital leases	-	-	506,125	506,125
Issuance of general obligation bonds	600,000	3,600,000	3,960,000	360,000
Sale of capital assets	841,000	860,889	33,640	(827,249)
Total other financing sources (uses)	\$ 924,320	\$ 3,944,209	\$ 3,714,357	\$ (229,852)
Net change in fund balances	\$ -	\$ -	\$ 4,201,339	\$ 4,201,339
Fund balances - beginning, as restated	-	-	8,638,961	8,638,961
Fund balances - ending	\$ -	\$ -	\$ 12,840,300	\$ 12,840,300

Note: GAAP serves as the budgetary basis of accounting

City of Bristol, Virginia
Schedule of Employer's Proportionate Share of the Net Pension Liability
For the Years Ended June 30, 2015 through June 30, 2017

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					
2016	95.98%	\$ 24,978,175	\$ 13,791,202	181.12%	76.40%
2015	95.98%	20,330,242	13,183,487	154.21%	80.41%
2014	95.98%	18,668,266	12,555,570	148.69%	81.76%

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

City of Bristol, Virginia
Schedule of Employer Contributions
For the Years Ended June 30, 2008 through June 30, 2017

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

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

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

City of Bristol, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

City of Bristol, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2017

Primary Government
City Postemployment Health Insurance Plan

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
6/30/2016	\$ -	\$ 3,027,500	\$ 3,027,500	0.00%	\$ 14,132,750	21.42%
6/30/2014	-	6,780,300	6,780,300	0.00%	26,312,500	25.77%
6/30/2012	-	7,035,600	7,035,600	0.00%	27,115,600	25.95%

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 234,571	\$ 234,571	\$ 222,044	\$ (12,527)
Total revenues	\$ 234,571	\$ 234,571	\$ 222,044	\$ (12,527)
EXPENDITURES				
Community development	\$ 234,571	\$ 234,571	\$ 222,044	\$ 12,527
Total expenditures	\$ 234,571	\$ 234,571	\$ 222,044	\$ 12,527
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

City of Bristol, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	<u>Agency Funds</u>			
	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 51,316	\$ 166,145	\$ 140,894	\$ 76,567
FSA	25,161	29,982	28,709	26,434
Total assets	<u>\$ 76,477</u>	<u>\$ 196,127</u>	<u>\$ 169,603</u>	<u>\$ 103,001</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 51,316	\$ 166,145	\$ 140,894	\$ 76,567
Amounts held for employees	25,161	29,982	28,709	26,434
Total liabilities	<u>\$ 76,477</u>	<u>\$ 196,127</u>	<u>\$ 169,603</u>	<u>\$ 103,001</u>

Supporting Schedules

City of Bristol, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,900,000	\$ 12,900,000	\$ 13,831,850	\$ 931,850
Real and personal public service corporation taxes	215,000	215,000	227,758	12,758
Personal property taxes	3,885,000	3,885,000	3,627,334	(257,666)
Other taxes	50,000	50,000	99,474	49,474
Penalties	120,000	120,000	201,161	81,161
Interest	180,000	180,000	214,821	34,821
Total general property taxes	<u>\$ 17,350,000</u>	<u>\$ 17,350,000</u>	<u>\$ 18,202,398</u>	<u>\$ 852,398</u>
Other local taxes:				
Local sales and use taxes	\$ 4,225,000	\$ 4,225,000	\$ 3,861,683	\$ (363,317)
Consumers' utility taxes	150,000	150,000	154,648	4,648
Consumption taxes	80,000	80,000	72,174	(7,826)
Tobacco taxes	310,000	310,000	530,684	220,684
Business license taxes	1,320,000	1,320,000	1,181,072	(138,928)
Motor vehicle licenses	250,000	250,000	246,335	(3,665)
Bank stock taxes	400,000	400,000	345,315	(54,685)
Taxes on recordation and wills	140,000	140,000	156,898	16,898
Hotel and motel room taxes	1,270,000	1,270,000	1,252,539	(17,461)
Restaurant food taxes	6,830,000	6,830,000	5,743,673	(1,086,327)
Admissions taxes	150,000	150,000	112,905	(37,095)
Total other local taxes	<u>\$ 15,125,000</u>	<u>\$ 15,125,000</u>	<u>\$ 13,657,926</u>	<u>\$ (1,467,074)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,200	\$ 1,200	\$ 895	\$ (305)
Transfer fees	500	500	616	116
Charges for stormwater management	8,000	8,000	11,090	3,090
Zoning fees	6,500	6,500	5,875	(625)
Permits and other licenses	150,000	150,000	157,408	7,408
Total permits, privilege fees, and regulatory licenses	<u>\$ 166,200</u>	<u>\$ 166,200</u>	<u>\$ 175,884</u>	<u>\$ 9,684</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 122,000</u>	<u>\$ 122,000</u>	<u>\$ 150,338</u>	<u>\$ 28,338</u>
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 5,774	\$ 5,774
Revenue from use of property	168,772	168,772	140,945	(27,827)
Total revenue from use of money and property	<u>\$ 168,772</u>	<u>\$ 168,772</u>	<u>\$ 146,719</u>	<u>\$ (22,053)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 4,000	\$ 4,000	\$ 3,897	\$ (103)
Charges for courthouse maintenance	16,000	16,000	15,463	(537)
Charges for courtroom security	70,000	70,000	65,910	(4,090)

City of Bristol, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for miscellaneous jail and inmate fees	\$ 13,000	\$ 13,000	\$ 10,645	\$ (2,355)
Charges for Commonwealth's Attorney	4,000	4,000	4,803	803
Charges for miscellaneous court	33,000	33,000	40,830	7,830
Charges for parks and recreation	33,500	33,500	22,724	(10,776)
Charges for bus tickets	51,000	51,000	45,308	(5,692)
Charges for golf course	749,000	749,000	654,005	(94,995)
Charges for law library	6,000	6,000	7,060	1,060
Other charges for services	87,200	87,200	96,715	9,515
Total charges for services	\$ 1,066,700	\$ 1,066,700	\$ 967,360	\$ (99,340)
Miscellaneous:				
Miscellaneous	\$ 422,600	\$ 526,438	\$ 530,601	\$ 4,163
Revenue sharing payments - BVUV	350,000	350,000	100,000	(250,000)
Revenue sharing payments - Optinet	96,000	96,000	-	(96,000)
Payments in lieu of taxes	370,000	370,000	366,756	(3,244)
Total miscellaneous	\$ 1,238,600	\$ 1,342,438	\$ 997,357	\$ (345,081)
Recovered costs:				
Insurance recoveries	\$ 1,000	\$ 2,803	\$ 1,803	\$ (1,000)
Other recovered costs	260,160	335,583	436,911	101,328
Total recovered costs	\$ 261,160	\$ 338,386	\$ 438,714	\$ 100,328
Total revenue from local sources	\$ 35,498,432	\$ 35,679,496	\$ 34,736,696	\$ (942,800)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 25,000	\$ 25,000	\$ 23,632	\$ (1,368)
Mobile home titling tax	5,000	5,000	75	(4,925)
Motor vehicle rental tax	13,000	13,000	10,713	(2,287)
Communications tax	588,000	588,000	572,204	(15,796)
State tax on deeds	40,000	40,000	39,403	(597)
State sales tax	3,754,434	3,754,434	996,360	(2,758,074)
Personal property tax relief funds	723,990	723,990	723,990	-
Total noncategorical aid	\$ 5,149,424	\$ 5,149,424	\$ 2,366,377	\$ (2,783,047)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 455,967	\$ 455,967	\$ 450,838	\$ (5,129)
Sheriff	2,006,960	2,006,960	1,939,014	(67,946)
Commissioner of revenue	121,143	121,143	117,482	(3,661)
Treasurer	82,039	82,039	87,436	5,397
Registrar/electoral board	36,000	36,000	37,030	1,030
Clerk of the Circuit Court	264,229	267,729	272,852	5,123
Other shared expenses	31,000	34,218	31,206	(3,012)
Total shared expenses	\$ 2,997,338	\$ 3,004,056	\$ 2,935,858	\$ (68,198)

City of Bristol, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<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)				
Other categorical aid:				
Public assistance and welfare administration	\$ 2,010,827	\$ 2,010,827	\$ 1,855,586	\$ (155,241)
Comprehensive services act	1,448,299	1,448,299	946,762	(501,537)
Law enforcement 599 funds	998,000	998,000	998,156	156
Family preservation grant	23,157	23,157	23,157	-
School resource officer grant	30,000	30,000	34,785	4,785
Wireless E-911 payment state grant	80,000	80,000	88,871	8,871
Asset forfeiture funds	-	-	7,042	7,042
Emergency services funds	16,000	39,071	26,751	(12,320)
Computer aided dispatch grant	150,000	150,000	139,077	(10,923)
VDOT grants	806,972	1,181,972	1,993,799	811,827
Street and highway maintenance	3,509,943	3,509,943	3,553,311	43,368
Mass transit funds	103,500	103,500	117,624	14,124
Metro planning organization	76,478	76,478	52,466	(24,012)
Fire program	51,000	94,077	100,954	6,877
PSAP grants	-	52,000	2,763	(49,237)
4-for-life funds	14,000	14,000	13,019	(981)
Litter control grant	6,500	6,500	6,192	(308)
VA foundation for healthy youth	40,458	40,458	37,368	(3,090)
Victim witness funds	108,770	108,770	27,192	(81,578)
State contract jail beds	285,000	285,000	370,346	85,346
Tobacco region opportunity funds	-	500,000	500,000	-
Other categorical aid	29,000	35,917	58,034	22,117
Total other categorical aid	\$ 9,787,904	\$ 10,787,969	\$ 10,953,255	\$ 165,286
Total categorical aid	\$ 12,785,242	\$ 13,792,025	\$ 13,889,113	\$ 97,088
Total revenue from the Commonwealth	\$ 17,934,666	\$ 18,941,449	\$ 16,255,490	\$ (2,685,959)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,636,698	\$ 2,636,698	\$ 2,838,812	\$ 202,114
Cops hiring program CHP grant	-	125,000	144,430	19,430
Selective enforcement grants	47,500	47,500	49,177	1,677
SHSP funds	125,000	-	68,462	68,462
Substance abuse and mental health services grant	234,676	234,676	214,712	(19,964)
Federal emergency management	15,500	15,500	-	(15,500)
V stop grant	21,771	21,771	21,771	-
UMTA funds	287,000	287,000	248,608	(38,392)
Victim witness funds	-	-	81,578	81,578
Justice assistance grant	-	-	9,236	9,236
QSCB interest	-	-	126,683	126,683
Special projects	175,248	175,248	-	(175,248)
Street and highway maintenance	-	-	117,562	117,562
Total categorical aid	\$ 3,543,393	\$ 3,543,393	\$ 3,921,031	\$ 377,638

City of Bristol, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Total revenue from the federal government	\$ 3,543,393	\$ 3,543,393	\$ 3,921,031	\$ 377,638
Total General Fund	\$ 56,976,491	\$ 58,164,338	\$ 54,913,217	\$ (3,251,121)
Capital Projects Fund:				
CDBG Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Entitlement grants	\$ 234,571	\$ 234,571	\$ 222,044	\$ (12,527)
Total categorical aid	\$ 234,571	\$ 234,571	\$ 222,044	\$ (12,527)
Total revenue from the federal government	\$ 234,571	\$ 234,571	\$ 222,044	\$ (12,527)
Total CDBG Fund	\$ 234,571	\$ 234,571	\$ 222,044	\$ (12,527)
Total Primary Government	\$ 57,211,062	\$ 58,398,909	\$ 55,135,261	\$ (3,263,648)

City of Bristol, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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:				
General government administration:				
Legislative:				
City Council	\$ 50,367	\$ 50,367	\$ 46,166	\$ 4,201
General and financial administration:				
City clerk	\$ 13,434	\$ 13,434	\$ 11,913	\$ 1,521
City manager	265,457	265,457	371,743	(106,286)
Human resources	157,831	157,831	160,806	(2,975)
Independent auditor	58,800	58,800	49,300	9,500
City attorney	169,518	169,518	154,406	15,112
Commissioner of revenue	357,202	357,202	361,441	(4,239)
Assessor	145,000	145,000	164,490	(19,490)
Treasurer	366,784	366,784	344,995	21,789
Finance	672,566	693,415	653,737	39,678
Purchasing	95,588	95,588	101,293	(5,705)
Health department	58,000	58,000	57,555	445
Retired benefits	160,000	160,000	147,363	12,637
Other	1,040,058	1,040,058	884,916	155,142
Total general and financial administration	\$ 3,560,238	\$ 3,581,087	\$ 3,463,958	\$ 117,129
Board of elections:				
Electoral board	\$ 171,690	\$ 177,282	\$ 169,176	\$ 8,106
Total board of elections	\$ 171,690	\$ 177,282	\$ 169,176	\$ 8,106
Total general government administration	\$ 3,782,295	\$ 3,808,736	\$ 3,679,300	\$ 129,436
Judicial administration:				
Courts:				
Circuit court	\$ 64,456	\$ 64,456	\$ 81,279	\$ (16,823)
Drug Court	234,676	234,676	193,895	40,781
General district court	19,350	19,350	17,246	2,104
Juvenile and domestic relations court	2,800	2,800	2,687	113
Magistrate's office	1,250	1,250	837	413
Law library	1,800	1,800	529	1,271
Victim witness program	108,770	108,770	105,695	3,075
Clerk of the circuit court	396,676	407,093	395,446	11,647
Clerk of the juvenile and domestic relations court	12,800	12,800	10,419	2,381
Total courts	\$ 842,578	\$ 852,995	\$ 808,033	\$ 44,962
Commonwealth's attorney:				
Commonwealth's attorney	\$ 658,067	\$ 661,169	\$ 664,968	\$ (3,799)
Total judicial administration	\$ 1,500,645	\$ 1,514,164	\$ 1,473,001	\$ 41,163
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 5,928,944	\$ 6,008,193	\$ 5,967,031	\$ 41,162
Total law enforcement and traffic control	\$ 5,928,944	\$ 6,008,193	\$ 5,967,031	\$ 41,162

City of Bristol, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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)				
Fire and rescue services:				
Fire department	\$ 3,873,823	\$ 3,949,434	\$ 3,547,079	\$ 402,355
Total fire and rescue services	\$ 3,873,823	\$ 3,949,434	\$ 3,547,079	\$ 402,355
Correction and detention:				
City Sheriff & Jail	\$ 4,358,432	\$ 4,409,265	\$ 4,567,014	\$ (157,749)
Appalachian Juvenile Commission	202,972	202,972	202,972	-
City Sheriff & Jail grants	9,000	9,000	7,125	1,875
Total correction and detention	\$ 4,570,404	\$ 4,621,237	\$ 4,777,111	\$ (155,874)
Inspections:				
Building inspector	\$ 166,742	\$ 166,742	\$ 173,515	\$ (6,773)
Total inspections	\$ 166,742	\$ 166,742	\$ 173,515	\$ (6,773)
Other protection:				
Animal control	\$ 65,901	\$ 65,901	\$ 57,482	\$ 8,419
Medical examiner	500	500	180	320
Emergency preparedness	31,710	31,710	32,177	(467)
SWVA emergency medical service	2,450	2,450	2,450	-
Hazardous materials emergency - ERS	15,000	23,475	21,257	2,218
Line of duty act	98,000	98,000	98,013	(13)
Total other protection	\$ 213,561	\$ 222,036	\$ 211,559	\$ 10,477
Total public safety	\$ 14,753,474	\$ 14,967,642	\$ 14,676,295	\$ 291,347
Public works:				
Sanitation and waste removal:				
Solid waste disposal	\$ 400,000	\$ 400,000	\$ 369,394	\$ 30,606
Total sanitation and waste removal	\$ 400,000	\$ 400,000	\$ 369,394	\$ 30,606
Maintenance of highways, streets, bridges and sidewalks:				
Street and engineering divisions	\$ 942,083	\$ 1,073,689	\$ 789,982	\$ 283,707
VDOT reimbursed maintenance	2,644,152	2,651,632	3,019,137	(367,505)
Streetlights	29,460	29,460	31,715	(2,255)
Fleet maintenance	318,985	320,485	301,876	18,609
Total maintenance of highways, streets, bridges and sidewalks	\$ 3,934,680	\$ 4,075,266	\$ 4,142,710	\$ (67,444)
Maintenance of general buildings and grounds:				
General properties	\$ 508,874	\$ 510,874	\$ 269,982	\$ 240,892
Other city property	19,000	19,000	22,557	(3,557)
Municipal parking facilities	7,200	8,200	8,001	199
Total maintenance of general buildings and grounds	\$ 535,074	\$ 538,074	\$ 300,540	\$ 237,534
Total public works	\$ 4,869,754	\$ 5,013,340	\$ 4,812,644	\$ 200,696
Health and welfare:				
Health:				
Supplement of local health department	\$ 389,142	\$ 389,142	\$ 389,142	\$ -

City of Bristol, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 2
Page 3 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Mental health services	\$ 161,339	\$ 161,339	\$ 161,339	\$ -
Total mental health and mental retardation	\$ 161,339	\$ 161,339	\$ 161,339	\$ -
Welfare:				
Welfare administration and programs	\$ 5,303,948	\$ 5,303,948	\$ 5,028,963	\$ 274,985
Comprehensive services act	2,108,543	2,108,543	1,868,520	240,023
Total welfare	\$ 7,412,491	\$ 7,412,491	\$ 6,897,483	\$ 515,008
Total health and welfare	\$ 7,962,972	\$ 7,962,972	\$ 7,447,964	\$ 515,008
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 33,760	\$ 33,760	\$ 33,760	\$ -
Contribution to City School Board	9,735,444	9,735,444	6,471,877	3,263,567
Total education	\$ 9,769,204	\$ 9,769,204	\$ 6,505,637	\$ 3,263,567
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 1,028,382	\$ 1,035,440	\$ 916,164	\$ 119,276
Programming	692,388	692,388	682,931	9,457
Clear Creek golf course	782,956	782,994	849,410	(66,416)
Total parks and recreation	\$ 2,503,726	\$ 2,510,822	\$ 2,448,505	\$ 62,317
Library:				
Library expenses	\$ 722,342	\$ 722,342	\$ 677,770	\$ 44,572
Total parks, recreation, and cultural	\$ 3,226,068	\$ 3,233,164	\$ 3,126,275	\$ 106,889
Community development:				
Planning and community development:				
Planning and community development	\$ 432,987	\$ 419,771	\$ 360,926	\$ 58,845
Tourism promotion program	334,500	334,500	283,740	50,760
Economic development	396,603	896,603	1,024,317	(127,714)
Mount Rogers PDC	15,187	15,187	15,178	9
Chamber of Commerce	12,235	12,235	51,370	(39,135)
Keep Bristol Beautiful committee	-	-	1,625	(1,625)
VA's @Corridor	119,309	119,309	116,436	2,873
District 3 Governmental Coop	10,166	10,166	10,166	-
Office on Youth	99,231	99,231	62,884	36,347
Economic development activities	287,229	223,571	150,954	72,617
Foreign trade zone	16,957	16,957	16,930	27
Family preservation	25,171	25,171	24,936	235
Code compliance	65,045	65,045	66,192	(1,147)
Non-city property management	21,977	21,977	7,603	14,374
Contribution to Industrial Development Authority	3,385,500	3,445,500	2,216,986	1,228,514
Total planning and community development	\$ 5,222,097	\$ 5,705,223	\$ 4,410,243	\$ 1,294,980
Total community development	\$ 5,222,097	\$ 5,705,223	\$ 4,410,243	\$ 1,294,980

City of Bristol, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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)				
Nondepartmental:				
Nondepartmental	\$ 591,305	\$ 591,305	610,391	\$ (19,086)
Total nondepartmental	\$ 591,305	\$ 591,305	\$ 610,391	\$ (19,086)
Capital outlay:				
Lee highway widening exit 7	\$ -	\$ -	\$ 1,331,350	\$ (1,331,350)
Exit 5 project	600,000	3,515,478	1,505,467	2,010,011
Flood damage red program	-	-	140,900	(140,900)
Moore street sidewalks	377,500	377,500	168,791	208,709
Drainage improvements	125,000	125,000	8,392	116,608
Martin Luther King paving	-	375,000	341,419	33,581
Other capital outlay	544,720	544,720	-	544,720
Total capital outlay	\$ 1,647,220	\$ 4,937,698	\$ 3,496,319	\$ 1,441,379
Debt service:				
Principal retirement	\$ 1,878,484	\$ 1,823,284	\$ 1,205,528	\$ 617,756
Interest and other fiscal charges	2,637,613	2,637,613	2,855,623	(218,010)
Bond issuance costs	59,680	144,202	127,015	17,187
Total debt service	\$ 4,575,777	\$ 4,605,099	\$ 4,188,166	\$ 416,933
Total General Fund	\$ 57,900,811	\$ 62,108,547	\$ 54,426,235	\$ 7,682,312
Capital Projects Fund:				
CDBG Fund:				
Community development:				
Planning and community development:				
Administrative fees	\$ 46,914	\$ 46,914	\$ 46,914	\$ -
Demolition	-	-	35,603	(35,603)
Emergency Housing Rehab	20,000	20,000	15,174	4,826
Boys and Girls Club	-	-	5,175	(5,175)
Housing Maintenance Partnership	7,157	7,157	6,187	970
CASA (People Inc)	4,000	4,000	4,250	(250)
Fred Hayes Park	50,000	50,000	-	50,000
Highlands Community Services	8,000	8,000	5,991	2,009
Sidewalk improvements	50,000	50,000	64,383	(14,383)
Bristol Public Library	10,000	10,000	7,489	2,511
Family Promise of Bristol	3,000	3,000	3,000	-
Crisis Center	10,500	10,500	1,126	9,374
Van Pelt ADA Improvements	15,000	15,000	17,252	(2,252)
Crossroads Medical Mission	5,000	5,000	5,000	-
King's Mt Supportive Housing	5,000	5,000	4,500	500
Total planning and community development	\$ 234,571	\$ 234,571	\$ 222,044	\$ 12,527
Total CDBG Fund	\$ 234,571	\$ 234,571	\$ 222,044	\$ 12,527
Total Primary Government	\$ 58,135,382	\$ 62,343,118	\$ 54,648,279	\$ 7,694,839

Statistical Information

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 23,694,648	\$ 29,915,337	\$ 29,401,065	\$ 30,777,836	\$ 33,995,609	\$ 27,983,924	\$ 30,780,027	\$ 8,717,208	\$ 16,237,546	\$ 15,361,661
Restricted	2,842,539	2,073,182	1,614,580	955,441	779,252	2,029,871	1,149,693	2,376,424	990,054	461,041
Unrestricted	26,693,206	23,274,681	22,824,118	26,663,740	24,745,959	24,072,734	21,040,925	5,746,269	(14,148,599)	(12,353,658)
Total governmental activities net position	\$ 53,230,393	\$ 55,263,200	\$ 53,839,763	\$ 58,397,017	\$ 59,520,820	\$ 54,086,529	\$ 52,970,645	\$ 16,839,901	\$ 3,079,001	\$ 3,469,044
Business-type activities										
Net investment in capital assets	\$ 51,272,867	\$ 54,845,271	\$ 60,044,625	\$ 512,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,882,306)
Restricted	17,176	10,322	9,316	9,316	-	-	-	-	-	-
Unrestricted	(855,858)	(806,746)	538,771	(33,531,585)	(31,308,522)	(33,867,453)	(36,310,290)	(38,527,008)	(17,561,883)	(7,723,498)
Total business-type activities net position	\$ 50,434,185	\$ 54,048,847	\$ 60,592,712	\$ (33,009,722)	\$ (31,308,522)	\$ (33,867,453)	\$ (36,310,290)	\$ (38,527,008)	\$ (17,561,883)	\$ (17,605,804)
Primary government										
Net investment in capital assets	\$ 74,967,515	\$ 84,760,608	\$ 89,445,690	\$ 31,290,383	\$ 33,995,609	\$ 27,983,924	\$ 30,780,027	\$ 8,717,208	\$ 16,237,546	\$ 5,479,355
Restricted	2,859,715	2,083,504	1,623,896	964,757	779,252	2,029,871	1,149,693	2,376,424	990,054	461,041
Unrestricted	25,837,348	22,467,935	23,362,889	(6,867,845)	(6,562,563)	(9,794,719)	(15,269,365)	(32,780,739)	(31,710,482)	(20,077,156)
Total primary government net position	\$ 103,664,578	\$ 109,312,047	\$ 114,432,475	\$ 25,387,295	\$ 28,212,298	\$ 20,219,076	\$ 16,660,355	\$ (21,687,107)	\$ (14,482,882)	\$ (14,136,760)

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government administration	\$ 2,802,250	\$ 2,661,457	\$ 2,978,720	\$ 2,700,711	\$ 2,738,642	\$ 3,863,132	\$ 3,644,857	\$ 3,577,188	\$ 3,808,184	\$ 3,293,394
Judicial administration	1,157,293	1,296,392	1,509,552	1,597,660	1,315,755	1,446,663	1,403,143	1,416,373	1,542,808	1,489,258
Public safety	12,319,196	12,896,808	12,357,339	12,555,922	13,108,290	13,303,468	13,658,662	13,353,824	13,950,011	14,845,666
Public works	6,462,708	6,353,187	6,659,981	4,951,172	5,645,111	5,825,721	6,078,768	5,735,516	6,491,735	6,612,183
Health and welfare	6,229,012	5,645,470	5,495,954	5,625,680	5,997,666	6,188,984	6,340,817	6,985,092	7,398,856	7,493,980
Education	8,996,957	9,307,322	9,265,259	8,548,977	8,937,192	9,370,182	9,468,882	9,495,178	9,839,236	6,664,037
Parks, recreation and cultural	2,813,305	2,882,840	2,835,079	2,784,258	3,798,309	3,933,370	3,817,264	3,241,612	3,354,408	3,142,962
Community development	1,474,618	1,692,851	2,867,133	4,609,396	2,378,139	2,791,217	5,182,711	5,533,853	2,766,734	5,058,993
Transit	534,060	552,299	552,312	555,189	545,380	474,911	506,937	415,780	397,012	-
Nondepartmental	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	939,447	1,156,243	925,339	1,049,255	1,092,274	1,495,132	1,406,389	2,273,656	2,602,511	3,047,922
Total governmental activities expenses	\$ 43,728,846	\$ 44,444,869	\$ 45,446,668	\$ 44,978,220	\$ 45,556,758	\$ 48,692,780	\$ 51,508,430	\$ 52,028,072	\$ 52,151,495	\$ 51,648,395
Business-type activities:										
Electric	\$ 43,059,795	\$ 51,968,590	\$ 48,136,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water	2,752,272	3,021,749	3,167,214	-	-	-	-	-	-	-
Wastewater	2,993,874	3,123,505	3,198,095	-	-	-	-	-	-	-
OptiNet	14,227,775	16,476,305	17,622,508	-	-	-	-	-	-	-
Solid Waste Disposal	6,718,162	7,020,171	7,252,392	7,117,767	6,853,393	6,799,466	6,201,423	5,888,523	6,147,043	6,036,630
Golf Course	1,129,135	1,117,334	1,093,885	1,019,440	-	-	-	-	-	-
Total business-type activities expenses	70,881,013	82,727,654	80,470,904	8,137,207	6,853,393	6,799,466	6,201,423	5,888,523	6,147,043	6,036,630
Total primary government expenses	\$ 114,609,859	\$ 127,172,523	\$ 125,917,572	\$ 53,115,427	\$ 52,410,151	\$ 55,492,246	\$ 57,709,853	\$ 57,916,595	\$ 58,298,538	\$ 57,685,025
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	\$ 257,859	\$ 277,958	\$ 316,195	\$ 280,751	\$ 273,817	\$ 477,548	\$ 393,855	\$ 187,115	\$ 134,641	\$ -
Judicial administration	250,633	230,806	279,718	332,140	348,572	341,793	316,409	292,519	266,659	53,309
Public safety	473,704	274,435	174,210	183,343	128,420	138,616	118,852	206,871	158,929	389,093
Public works	882,538	547	2,861	1,647	1,137	4,751	724	6,481	21,564	71,861
Parks, recreation and cultural	98,123	91,769	97,233	101,527	998,571	895,803	832,374	752,324	834,989	773,444
Other activities	37,804	39,318	34,769	39,865	44,620	46,345	32,640	56,943	69,234	5,875
Operating grants and contributions	14,337,295	13,325,110	13,868,952	16,737,399	14,065,443	14,277,719	15,647,934	13,884,225	15,316,508	15,920,827
Capital grants and contributions	1,565,583	2,656,318	3,730,705	2,947,622	4,189,662	1,370,963	2,722,801	5,091,895	8,385,503	2,111,361
Total governmental activities program revenues	\$ 17,903,539	\$ 16,896,261	\$ 18,504,643	\$ 20,624,294	\$ 20,050,242	\$ 17,553,538	\$ 20,065,589	\$ 20,478,373	\$ 25,188,027	\$ 19,325,770
Business-type activities:										
Charges for services:										
Electric	\$ 46,489,221	\$ 54,844,870	\$ 50,543,639	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water	3,337,032	3,530,035	3,179,182	-	-	-	-	-	-	-
Wastewater	3,329,804	3,197,360	3,316,913	-	-	-	-	-	-	-
OptiNet	14,525,312	17,234,687	19,236,343	-	-	-	-	-	-	-
Solid Waste Disposal	4,311,968	4,755,432	4,900,792	5,351,757	5,558,996	4,838,203	3,877,782	4,259,669	4,506,392	4,884,260
Golf Course	750,047	695,125	654,339	681,069	-	-	-	-	-	-
Capital grants and contributions	5,648,768	2,341,810	3,826,270	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 78,392,152	\$ 86,599,319	\$ 85,657,478	\$ 6,032,826	\$ 5,558,996	\$ 4,838,203	\$ 3,877,782	\$ 4,259,669	\$ 4,506,392	\$ 4,884,260
Total primary government program revenues	\$ 96,295,691	\$ 103,495,580	\$ 104,162,121	\$ 26,657,120	\$ 25,609,238	\$ 22,391,741	\$ 23,943,371	\$ 24,738,042	\$ 29,694,419	\$ 24,210,030
Net (expense) / revenue	\$ (25,825,307)	\$ (27,548,608)	\$ (26,942,025)	\$ (24,353,926)	\$ (25,506,516)	\$ (31,139,242)	\$ (31,442,841)	\$ (31,549,699)	\$ (26,963,468)	\$ (32,322,625)
Governmental activities	7,511,139	3,871,665	5,186,574	(2,104,381)	(1,294,397)	(1,961,263)	(2,323,641)	(1,628,854)	(1,640,651)	(1,152,370)
Business-type activities	(18,314,168)	(23,676,943)	(21,755,451)	(26,458,307)	(26,800,913)	(33,100,505)	(33,766,482)	(33,178,553)	(28,604,119)	(33,474,995)
Total primary government net (expense)/revenue										

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 13,392,015	\$ 12,686,832	\$ 12,651,353	\$ 13,427,997	\$ 13,597,177	\$ 13,833,296	\$ 14,380,655	\$ 15,946,537	\$ 16,993,071	\$ 18,343,545
Other taxes	12,046,825	11,613,383	11,448,949	11,722,627	12,419,037	12,427,340	12,316,335	13,264,747	13,863,419	13,637,649
Unrestricted grants and contributions	2,333,394	2,262,805	2,393,388	3,312,837	3,086,610	3,222,122	3,327,544	3,454,427	3,973,346	2,366,377
Unrestricted revenues from use of money and property	214,667	125,736	34,069	58,232	40,707	34,554	31,149	43,487	40,343	166,719
Miscellaneous	-	-	-	-	4,122	9,474	193,306	272,181	(515,679)	997,357
Gain (Loss) on disposal of capital assets:	(27,853)	(2,343,748)	29,343	(99,480)	414,997	(84,010)	-	14,641	28,388	-
Transfers	350,000	458,300	(1,352,839)	-	(2,932,331)	-	-	(986,243)	(22,605,369)	(785,408)
Special item-conveyance of property	-	-	-	-	-	-	-	(14,869,201)	1,425,049	-
Total governmental activities	\$ 28,309,048	\$ 24,803,308	\$ 25,204,263	\$ 28,422,213	\$ 26,630,319	\$ 29,442,776	\$ 30,326,957	\$ 17,140,576	\$ 13,202,568	\$ 34,726,239
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 524,052	\$ 175,516	\$ 110,037	\$ 2,094	\$ 2,028	\$ 582	\$ 99	\$ 95	\$ 407	\$ 6,977
Miscellaneous	-	-	-	-	28,423	-	-	462	-	22,339
Gain (Loss) on disposal of capital assets	17,048	25,781	(105,585)	(19,154)	32,815	(8,725)	(5,102)	(11,123)	-	1,219
Transfers	(350,000)	(458,300)	1,352,839	-	2,932,331	-	-	986,243	22,605,369	785,408
Total business-type activities	\$ 191,100	\$ (257,003)	\$ 1,357,291	\$ (17,060)	\$ 2,995,597	\$ (8,143)	\$ (5,003)	\$ 975,677	\$ 22,605,776	\$ 815,943
Total primary government	\$ 28,500,148	\$ 24,546,305	\$ 26,561,554	\$ 28,405,153	\$ 29,625,916	\$ 29,434,633	\$ 30,321,954	\$ 18,116,253	\$ 35,808,344	\$ 35,542,182
Change in Net Position										
Governmental activities	\$ 2,483,741	\$ (2,745,300)	\$ (1,737,762)	\$ 4,068,287	\$ 1,123,803	\$ (1,696,466)	\$ (1,115,884)	\$ (14,409,123)	\$ (13,760,900)	\$ 2,403,614
Business-type activities	7,702,239	3,614,662	6,543,865	(2,121,441)	1,701,200	(1,969,406)	(2,328,644)	(653,177)	20,965,125	(336,427)
Total primary government	\$ 10,185,980	\$ 869,362	\$ 4,806,103	\$ 1,946,846	\$ 2,825,003	\$ (3,665,872)	\$ (3,444,528)	\$ (15,062,300)	\$ 7,204,225	\$ 2,067,187

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

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 20,641,868	\$ 18,228,985	\$ 19,835,179	\$ 22,661,237	\$ 22,642,183	\$ 521,732	\$ 707,275
Restricted/Reserved	17,445,721	19,727,559	20,656,132	955,441	779,252	2,029,871	1,149,693	2,376,424	990,054	3,828,772
Assigned	-	-	-	-	-	-	-	-	45,758	4,025
Unassigned/Unreserved	8,715,759	4,714,935	3,130,749	5,056,131	5,795,788	5,249,125	(277,620)	6,096,293	7,348,531	8,300,228
Total general fund	\$ 26,161,480	\$ 24,442,494	\$ 23,786,881	\$ 26,653,440	\$ 24,804,025	\$ 27,114,175	\$ 23,533,310	\$ 31,114,900	\$ 8,906,075	\$ 12,840,300
All other governmental funds										
Assigned	\$ -	\$ -	\$ -	\$ 17,157	\$ 8,356	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted/Reserved	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(8,925)	-	-	-	-
Unreserved:										
Special revenue funds	87,935	24,532	18,364	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 87,935	\$ 24,532	\$ 18,364	\$ 17,157	\$ 8,356	\$ (8,925)	\$ -	\$ -	\$ -	\$ -

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 26,309,728	\$ 24,918,957	\$ 24,620,177	\$ 25,730,352	\$ 26,334,737	\$ 27,619,746	\$ 27,436,595	\$ 29,117,698	\$ 30,511,538	\$ 31,860,324
Permits, privilege fees and regulatory licenses	55,367	43,601	31,359	104,035	69,455	48,089	69,535	169,671	130,317	175,884
Fines and forfeitures	148,419	134,421	175,137	222,367	228,566	212,516	196,285	169,313	140,190	150,338
Revenue from use of money and property	536,400	409,244	360,088	351,582	329,232	540,803	540,803	265,960	156,278	146,719
Charges for services	1,273,679	400,203	332,728	274,959	1,161,149	1,084,589	992,034	926,872	977,093	967,360
Miscellaneous	595,798	388,716	972,769	1,674,254	1,596,172	2,052,718	1,413,866	2,913,288	2,675,056	997,357
Recovered Costs										438,714
Intergovernmental	17,071,694	16,829,007	18,532,759	20,691,719	19,132,860	16,259,174	18,753,918	19,537,095	25,160,120	20,398,565
Total revenues	\$ 45,991,085	\$ 43,124,149	\$ 45,025,017	\$ 49,049,268	\$ 48,852,171	\$ 47,819,635	\$ 49,403,036	\$ 53,099,897	\$ 59,754,592	\$ 55,135,261
Expenditures										
General government administration	\$ 2,854,121	\$ 2,556,942	\$ 2,587,737	\$ 2,425,753	\$ 2,669,506	\$ 3,136,968	\$ 3,127,195	\$ 3,192,661	\$ 3,127,629	\$ 3,679,300
Judicial administration	1,127,182	1,271,989	1,401,759	1,485,763	1,453,743	1,379,353	1,284,285	1,322,111	1,492,193	1,473,001
Public safety	12,041,017	12,511,555	12,199,613	12,908,930	13,202,148	13,090,233	13,378,990	13,815,140	15,591,034	14,676,295
Public works	4,193,526	4,033,008	4,136,424	4,267,752	4,750,566	4,965,547	5,191,466	4,820,842	7,218,312	4,812,644
Health and welfare	6,222,774	5,623,301	5,507,342	5,635,487	6,016,795	6,198,340	6,359,553	6,953,676	7,400,902	7,447,964
Education	8,690,721	9,009,699	8,976,766	8,298,377	8,701,292	9,151,682	9,281,682	9,346,760	9,671,236	6,505,637
Parks, recreation and cultural	2,484,434	2,849,361	2,514,823	2,504,239	3,498,881	3,616,612	3,544,177	3,170,823	3,980,190	3,126,275
Community development	1,474,618	1,692,851	2,867,133	4,797,396	2,401,272	1,674,584	2,470,287	2,115,716	2,788,366	4,410,243
Transit	520,894	623,487	520,962	598,985	519,256	578,936	474,236	392,271	374,386	-
Nondepartmental	-	-	-	-	-	-	-	-	-	610,391
Capital projects	1,183,154	3,343,054	2,024,195	2,259,068	5,901,666	23,797,731	19,906,730	6,820,042	7,709,278	3,718,363
Debt service:										
Principal retirement	5,436,521	1,282,171	7,354,194	6,876,400	4,470,405	10,828,820	15,404,710	7,138,750	50,877,500	1,205,528
Bond issuance costs	-	-	-	-	-	-	-	-	-	127,015
Interest and other fiscal charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 46,960,358	\$ 45,781,190	\$ 51,070,334	\$ 52,981,245	\$ 54,552,721	\$ 80,118,116	\$ 82,551,279	\$ 61,314,803	\$ 112,767,913	\$ 54,648,279
Excess (deficiency) of revenues over (under) expenditures	\$ (969,273)	\$ (2,657,041)	\$ (6,045,317)	\$ (3,931,977)	\$ (5,700,550)	\$ (32,298,481)	\$ (33,148,243)	\$ (8,214,906)	\$ (53,013,321)	\$ 486,982
Other financing sources (uses)										
Transfers in	\$ 350,000	\$ 809,023	\$ -	\$ -	\$ (2,996,108)	\$ -	\$ -	\$ -	\$ (22,605,369)	\$ 2,026,124
Transfers out	-	-	(1,352,839)	-	6,146,486	34,115,513	28,756,450	14,750,000	49,930,000	(2,811,532)
Insurance of debt	6,747,950	-	6,630,569	6,270,473	6,161,165	9,474	193,306	14,641	28,388	4,466,125
Insurance recoveries	-	-	-	21,468	671,165	411,251	496,408	524,161	3,407,070	-
Capital leases	1,400,899	-	-	-	-	55,112	130,139	1,493,937	44,407	-
Sale of capital assets	78,891	65,630	105,806	16,421	20,791	34,591,350	29,576,303	15,796,496	30,804,496	33,640
Total other financing sources (uses)	\$ 8,577,740	\$ 874,653	\$ 5,383,536	\$ 6,308,362	\$ 3,842,334	\$ 34,591,350	\$ 29,576,303	\$ 15,796,496	\$ 30,804,496	\$ 3,714,357
Net change in fund balances	\$ 7,608,467	\$ (1,782,388)	\$ (661,781)	\$ 2,376,385	\$ (1,858,216)	\$ 2,292,869	\$ (3,571,940)	\$ 7,581,590	\$ (22,208,825)	\$ 4,201,339
Debt service as a percentage of noncapital expenditures	13.47%	5.34%	16.99%	15.38%	11.26%	22.24%	27.99%	17.00%	51.22%	8.22%

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 2008-2017
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Revenues											
General Property Taxes	\$ 14,262,903	\$ 13,305,574	\$ 13,171,228	\$ 14,007,725	\$ 13,915,700	\$ 15,192,406	\$ 15,120,260	\$ 15,852,951	\$ 16,648,119	\$ 18,202,398	27.62%
Restaurant Meal Taxes	4,749,634	4,827,397	4,641,053	4,830,690	5,055,094	5,349,403	5,226,248	5,749,073	5,624,278	5,743,673	20.93%
Local Sales & Use Taxes	4,055,614	3,654,218	3,607,230	3,626,112	3,968,672	3,690,245	3,661,560	3,651,226	4,048,832	3,861,683	-4.78%
Business License Taxes	1,192,924	1,122,829	1,077,817	1,123,574	1,300,348	1,158,940	1,203,627	1,178,435	1,423,571	1,181,072	-0.99%
Lodging Taxes	919,496	930,582	936,836	914,244	926,754	1,011,142	992,389	1,099,052	1,186,427	1,252,539	36.22%
Bank Stock Taxes	342,595	352,064	465,464	514,730	408,863	446,719	489,100	450,157	384,303	345,315	0.79%
Motor Vehicle License Tax	227,755	237,869	236,155	226,898	245,591	255,625	247,584	278,234	237,286	246,335	8.16%
Cigarette Taxes	153,216	170,830	187,063	176,058	170,956	154,988	149,521	346,317	426,930	530,684	246.36%
Consumer Utility Taxes	116,576	113,337	116,576	117,578	140,174	147,845	140,382	146,758	153,801	154,648	32.66%
Taxes on Recordation & Wills	201,120	116,235	95,511	106,531	123,771	131,753	124,456	185,565	175,229	156,898	-21.99%
Admissions Tax (1)	-	-	-	-	-	-	-	99,969	127,527	112,905	100.00%
Electric Consumption Tax	87,895	88,020	85,474	86,213	78,815	80,679	81,467	79,959	75,235	72,174	-17.89%
Total Revenues	\$ 26,309,728	\$ 24,918,955	\$ 24,620,407	\$ 25,730,353	\$ 26,334,738	\$ 27,619,745	\$ 27,436,594	\$ 29,117,696	\$ 30,511,538	\$ 31,860,324	

(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
2017	\$ 1,119,683,562	\$ 1,119,683,562	1.00	\$ 19,139,332	\$ 19,139,332	1.00
2016	1,060,336,824	1,060,336,824	1.00	19,141,769	19,141,769	1.00
2015	1,031,933,300	1,031,933,300	1.00	18,782,178	18,782,178	1.00
2014	1,034,599,500	1,034,599,500	1.00	18,414,192	18,414,192	1.00
2013	1,055,629,250	1,055,329,250	1.00	19,026,098	19,026,098	1.00
2012	1,042,579,914	1,042,579,914	1.00	17,498,045	17,495,045	1.00
2011	1,037,501,250	1,037,501,250	1.00	15,943,605	15,943,605	1.00
2010	1,032,776,250	1,032,776,250	1.00	15,373,438	15,373,438	1.00
2009	932,366,500	932,366,500	1.00	15,573,204	15,573,204	1.00
2008	918,459,200	918,459,200	1.00	14,250,641	14,250,641	1.00

Fiscal Year Ended	Personal Property			Machinery & Tools/Business Furn & Fixtures		
	Personal Property	Estimated Actual Value	Assessment Ratio	Estimated Actual Value	Assessment Ratio	Assessment Ratio
2017	\$ 98,420,988	\$ 98,420,988	1.00	\$ 28,808,328	\$ 96,027,760	0.30
2016	92,816,997	92,816,997	1.00	28,454,655	94,848,850	0.30
2015	26,968,568	89,895,227	0.30	29,368,709	97,895,697	0.30
2014	27,434,272	91,447,573	0.30	26,420,298	88,067,660	0.30
2013	26,901,534	89,671,780	0.30	28,792,186	95,973,953	0.30
2012	25,058,921	83,529,737	0.30	25,145,091	83,816,970	0.30
2011	24,357,820	81,192,733	0.30	26,158,706	87,195,687	0.30
2010	21,432,377	71,441,257	0.30	25,980,636	86,602,120	0.30
2009	25,118,747	83,729,157	0.30	26,077,432	86,924,773	0.30
2008	24,786,435	82,621,450	0.30	26,472,034	88,240,113	0.30

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
2017	\$	12,993,566	\$	227,758
2016	1.19	11,809,738	1.12	214,388
2015	1.12	10,988,079	1.07	200,969
2014	1.07	10,402,111	1.01	185,983
2013	1.01	10,408,457	0.99	188,358
2012	0.99	9,771,098	0.94	164,453
2011	0.94	9,752,512	0.94	149,870
2010	0.94	9,708,097	0.94	144,510
2009	1.05	9,789,848	1.05	163,519
2008	1.05	9,643,822	1.05	149,632

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Fiscal Year Ended	Personal Property			
	Personal Property		Machine & Tools/Business Furniture & Fixtures	
	Direct Tax Rate (1)	Levy (2) (3)	Direct Tax Rate (1)	Levy
2017	\$	2,102,101	\$	2,016,583
2016	2.60	1,513,689	7.00	1,991,826
2015	2.10	1,479,346	7.00	2,055,810
2014	2.10	1,487,305	7.00	1,849,420
2013	2.10	1,465,915	7.00	2,015,452
2012	2.10	1,369,345	7.00	1,760,157
2011	2.10	1,342,997	7.00	1,831,109
2010	2.10	1,168,043	7.00	1,818,644
2009	2.10	1,304,138	7.00	1,825,420
2008	2.10	1,263,846	7.00	1,853,042

(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

Table 8

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
2017	\$ 17,644,188	\$ 16,448,984	93.23%	\$ -	\$ 16,448,984	93.23%
2016	15,541,198	14,835,535	95.46%	225,459	15,060,994	96.91%
2015	14,734,816	14,162,206	96.11%	339,486	14,501,692	98.42%
2014	13,938,127	13,327,390	95.62%	510,968	13,838,358	99.28%
2013	14,091,815	13,394,107	95.05%	626,818	14,020,925	99.50%
2012	13,077,853	12,301,612	94.06%	672,476	12,974,088	99.21%
2011	13,090,199	12,252,114	93.60%	719,068	12,971,182	99.09%
2010	12,853,715	12,044,688	93.71%	670,893	12,715,581	98.93%
2009	13,098,625	12,345,860	94.25%	571,368	12,917,228	98.62%
2008	12,926,146	12,344,254	95.50%	368,024	12,712,278	98.35%

Source: Commissioner of Revenue, City Treasurer's office

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

Table 9

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

Taxpayer	Description	Fiscal Year 2017				Fiscal Year 2008			
		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	2.3%		\$ -		0.0%	
Virginia Intermont College	College	10,617,500	2	0.9%		-		0.0%	
Cabela's Wholesale Inc.	Retail	10,158,770	3	0.9%		-		0.0%	
Lowes Home Centers LLC	Retail	10,123,500	4	0.9%		-		0.0%	
D&J Virginia Real Estate LLC	Hotel	8,653,500	5	0.8%		16,798,700	2	1.8%	
Apple Nine SPE Bristol	Hotel	8,373,700	6	0.7%		7,093,900	4	0.8%	
HD Development of MD	Retail	8,181,800	7	0.7%		8,255,800	3	0.9%	
Deбора Jean Limited	Movie Theater	7,859,400	8	0.7%		6,943,700	5	0.7%	
Bristol Hotels Inc.	Hotel	7,725,400	9	0.7%		-		0.0%	
BLC Bristol-GC LLC	Assisted Living	7,291,500	10	0.6%		-		0.0%	
BACM 2006 5 Gate City Hwy LLC	Shopping Mall	-		0.0%		22,162,400	1	2.4%	
Bristol Plaza	Shopping Mall	-		0.0%		5,448,800	6	0.6%	
Pacific Capital Group	Shopping Mall	-		0.0%		5,339,600	7	0.6%	
Ball Metal Beverage Container Corp.	Manufacturing	-		0.0%		4,923,300	8	0.5%	
Yale Linden Associates LLC	Shopping Mall	-		0.0%		4,715,000	9	0.5%	
Boise Cascade Office Products	Office Building	-		0.0%		4,587,600	10	0.5%	
Totals		105,005,870		9.2%		86,268,800		9.3%	

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		Capital Leases	General		Capital Leases				
	Obligation Bonds (1)	Literary Loans		Obligation Bonds (1)	Revenue Bonds (1) (4)					
2017	\$ 72,578,145	\$ 240,000	\$ 3,979,839	\$ 34,159,171	\$ -	\$ 311,929	\$ 111,269,084	16.02%	6,297	
2016	68,780,899	480,000	4,251,733	32,501,822	-	324,570	106,339,024	15.31%	6,018	
2015	69,549,353	720,000	1,411,911	32,783,774	-	234,067	104,699,105	14.56%	5,940	
2014	61,759,056	960,000	1,336,405	33,079,476	-	376,627	97,511,564	13.83%	5,512	
2013	22,713,193	1,200,000	1,139,435	33,984,762	-	262,948	59,300,338	8.61%	3,345	
2012	23,424,864	1,440,000	1,033,533	32,918,845	-	377,572	59,194,814	8.29%	3,344	
2011	18,135,688	1,680,000	1,061,158	36,682,748	-	366,539	57,926,133	8.68%	3,258	
2010	18,243,183	1,920,000	1,187,274	36,470,819	46,560,500	397,603	104,779,379	17.03%	5,875	
2009	18,655,980	2,172,387	1,307,841	37,788,681	47,585,500	235,702	107,746,091	17.35%	6,013	
2008	19,390,196	2,432,820	1,400,899	38,929,584	48,095,500	101,655	110,350,654	16.51%	6,248	

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	<u>General Bonded Debt Outstanding</u>		Percentage of Actual Taxable Value of Real Property (2)	Per Capita (3)
	General Obligation Bonds (1)	Total		
2017	\$ 106,737,316	\$ 106,737,316	9.53%	6,041
2016	101,282,721	101,282,721	9.55%	5,732
2015	102,333,127	102,333,127	9.92%	5,806
2014	94,838,532	94,838,532	9.17%	5,361
2013	56,697,955	56,697,955	5.37%	3,198
2012	56,343,709	56,343,709	5.40%	3,183
2011	54,818,436	54,818,436	5.28%	3,083
2010	54,714,002	54,714,002	5.30%	3,068
2009	56,444,661	56,444,661	6.05%	3,150
2008	58,319,780	58,319,780	6.35%	3,302

(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

CITY OF BRISTOL, VIRGINIA
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 91,845,920	\$ 9,323,665	\$ 103,750,125	\$ 106,002,870	\$ 107,435,535	\$ 105,301,369	\$ 105,071,548	\$ 107,947,859	\$ 107,947,859	\$ 111,968,356
Total net debt applicable to limit	62,287,820	59,952,387	57,830,000	56,339,584	57,607,500	81,145,000	94,647,500	102,070,000	104,212,721	106,737,316
Legal debt margin	\$ 29,558,100	\$ (50,628,722)	\$ 45,920,125	\$ 49,663,286	\$ 52,589,754	\$ 24,156,369	\$ 10,424,048	\$ 5,877,859	\$ 3,735,138	\$ 5,231,040
Total net debt applicable to the limit as a percentage of debt limit	67.82%	643.01%	55.74%	53.15%	53.62%	77.06%	90.08%	94.55%	96.54%	95.33%
Legal Debt Margin Calculation for Fiscal Year 2017										
Assessed value										\$ 1,119,683,562
Total assessed value										\$ 1,119,683,562
Debt limit (10% of total assessed value)										\$ 111,968,356
Net debt applicable to limit										106,737,316
Legal debt margin										\$ 5,231,040

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)
2017	17,669 est	694,762,749 est	39,321 est	42.9 est	2,171	4.9%
2016	17,669	694,762,749	39,321	42.9	2,193	5.2%
2015	17,625	718,870,875	40,787	42.6	2,182	5.9%
2014	17,690	705,229,540	39,866	41.6	2,207	7.0%
2013	17,728	689,069,632	38,869	41.7	2,232	7.4%
2012	17,702	714,346,508	40,354	50.8	2,265	7.8%
2011	17,780	667,656,780	37,551	41.1	2,276	8.6%
2010	17,835	615,271,830	34,498	41.0	2,244	8.8%
2009	17,919	621,072,540	34,660	43.2	2,265	9.8%
2008	17,663	668,314,931	37,837	n/a	2,272	5.8%

(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 Nine Years Ago

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Electro Mechanical Corp	625	1	21.19%	400	4	10.74%
Bristol, Virginia Schools System	391	2	13.26%	338	6	9.07%
City of Bristol	380	3	12.89%	362	5	9.72%
Shearer's (formerly Moore's Snack Foods)	330	4	11.19%	150		4.03%
KVAT	300	5	10.17%			
Strongwell	250	6	8.48%	450	3	12.08%
VDOT (Commonwealth of Virginia)	234	7	7.93%	300	7	8.05%
Aerus (formerly Electrolux)	173	8	5.87%	125		3.36%
Lowe's	136	9	4.61%			
Cabela's	130	10	4.41%			
Office Max				500	1	13.42%
Sprint PCS				500	2	13.42%
Ball Corp (formerly Reynolds Metal)				200	8	5.37%
Virginia Intermont College				200	9	5.37%
US Solutions				200	10	5.37%
Totals	<u>2,949</u>		<u>100.00%</u>	<u>3,725</u>		<u>100.00%</u>

Source: Community Development & Planning

Table 15

CITY OF BRISTOL, VIRGINIA
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	27	23	23	24	24	25	24	23	23	26
Judicial administration	15	16	16	16	17	15	15	16	17	18
Public safety	172	173	172	171	173	173	169	167	173	176
Public works	21	23	22	25	25	29	30	30	31	32
Solid waste	46	45	41	33	34	31	28	29	26	25
Health and welfare	41	39	39	41	41	42	44	43	42	43
Parks, recreation, and cultural	27	26	27	26	27	28	27	25	25	23
Library	27	24	22	21	24	22	21	23	29	22
Community development	8	9	7	7	7	6	9	10	9	8
Transit	10	9	9	10	8	7	7	6	6	7
Totals	394	387	378	374	380	378	374	372	381	380

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,

Table 16

CITY OF BRISTOL, VIRGINIA
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Judicial Administration										
Sheriff:										
Inmates Housed (Daily)	136	126	131	143	141	153	153	144	140	145
Inmate Transports	1,095	512	353	416	583	396	537	522	519	568
Courts Worked	615	628	661	625	583	641	651	598	609	563
Public Safety										
Police:										
Criminal Warrants	2,954	2,978	3,126	2,409	2,631	2,393	2,666	2,276	2,419	2,273
Parking Violations	776	500	611	343	154	141	105	85	114	70
Traffic Violations	3,738	3,803	5,244	6,084	5,994	5,712	5,181	4,584	4,674	4,646
Fire-Current:										
Fire Responses	183	183	173	169	157	129	118	88	95	109
EMS Responses	1,091	1,123	1,314	1,480	1,390	1,398	1,583	1,598	990	1,389
Hazmat Responses	112	97	79	83	67	62	60	50	42	46
Other Responses	776	907	803	798	901	945	847	786	555	669
Public Works										
Refuse Collected (tons per day)	33	33	32	31	29	28	27	28	28	28
Recyclables collected (tons per day)	8	10	13	11	7	13	13	11	10	11
Library										
Volumes in collection	159,547	164,494	165,858	178,331	169,312	169,175	164,175	165,534	162,271	172,688
Total Circulated	340,937	371,697	390,382	382,877	381,470	381,470	352,080	312,565	287,868	280,164

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Law Enforcement Vehicles	79	73	76	69	70	63	66	64	67	67
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public works										
Primary Streets (lane miles)	48.80	50.64	50.64	50.64	50.64	50.64	50.64	50.64	49.67	49.63
Secondary Streets (lane miles)	208.23	208.23	208.55	210.49	210.49	210.49	210.49	210.49	207.43	214.96
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

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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
City Council of the
City of Bristol, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bristol, Virginia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Bristol, Virginia's basic financial statements and have issued our report thereon dated December 26, 2017.

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 were not 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 [2017-001, 2017-002].

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items [2017-003].

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
December 26, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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
City Council of the
City of Bristol, Virginia**

Report on Compliance for Each Major Federal Program

We have audited the City of Bristol, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Bristol, Virginia's major federal programs for the year ended June 30, 2017. 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, 2017.

Report on Internal Control over Compliance

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

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

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

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



Blacksburg, Virginia
December 26, 2017

City of Bristol, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF AGRICULTURE:</i>			
Pass Through Payments:			
<i>State Department of Social Services:</i>			
		0010116/0010117/003	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0117/0040116/004011 7/0050116/0050117	\$ 359,615
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596	0060115	31,251
Total Department of Agriculture			<u>\$ 390,866</u>
<i>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</i>			
Pass Through Payments:			
<i>State Department of Social Services:</i>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	not available	\$ 214,712
Promoting Safe and Stable Families	93.556	0950115/0950116	17,912
Temporary Assistance for Needy Families	93.558	0400116/0400117	397,749
Refugee and Entrant Assistance-State Administered Programs	93.566	0500116/0500117	1,189
Low-Income Home Energy Assistance	93.568	0600416/0600417	39,378
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116	650
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116/0760117	57,445
Chafee Education and Training Vouchers Program	93.599	9160115	733
Adoption and Legal Guardianship Incentive Payments	93.603	1130114/1130115	1,952
Foster Care - Title IV-E	93.658	1100116/1100117	603,620
Adoption Assistance	93.659	1120116/1120117	438,251
Social Services Block Grant	93.667	1000116/1000117	409,472
Chafee Foster Care Independence Program	93.674	9150116/9150117	8,665
Children's Health Insurance Program	93.767	0540116/054117	14,751
Medical Assistance Program	93.778	1200116/1200117	456,179
Total Department of Health and Human Services			<u>\$ 2,662,658</u>
<i>DEPARTMENT OF HOMELAND SECURITY:</i>			
Pass Through Payments:			
<i>State Department of Emergency Management:</i>			
Homeland Security Grant Program	97.067	DEM6270500	\$ 68,462
Total Department of Homeland Security			<u>\$ 68,462</u>
<i>DEPARTMENT OF JUSTICE:</i>			
Pass Through Payments:			
<i>State Department of Criminal Justice Services:</i>			
Crime Victim Assistance	16.575	CJS86015	\$ 81,578
Violence Against Women Formula Grants	16.588	CJS8651601/CJS86515	21,771
Edward Byrne Memorial Justice Assistance Grant Program	16.738	not available	9,236
Public Safety Partnership and Community Policing Grants	16.710	not available	144,430
Total Department of Justice			<u>\$ 257,015</u>

City of Bristol, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</i>			
Direct Payments:			
Community Development Block Grants/Entitlement Grants	14.218	not available	\$ 222,044
Total Department of Housing and Urban Development			\$ 222,044
<i>DEPARTMENT OF TRANSPORTATION:</i>			
Pass Through Payments:			
<i>State Department of Rail and Transportation:</i>			
Federal Transit Formula Grants	20.507	VA90X527/VA90X513	\$ 174,488
Federal Transit Capital Investment Grants	20.500	VA90X406	74,120
<i>Virginia Department of Transportation:</i>			
Highway Planning and Construction	20.205	not available	117,562
		154 AL 16 56368/	
Alcohol Open Container Requirements	20.607	K8 17 57329	49,177
Total Department of Transportation			\$ 415,347
Total Expenditures of Federal Awards			\$ 4,016,392

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 grant activity of the City of Bristol, Virginia under programs of the federal government for the year ended June 30, 2017. 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.

Note C-Subrecipients

The City did not have any subrecipients for the year ended June 30, 2017.

Note D-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	\$ 3,921,031
Less: QSCB subsidy	(126,683)
CDBG Fund	222,044
Total primary government	\$ 4,016,392

City of Bristol, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
93.658	Foster Care - Title IV-E
93.778	Medical Assistance Program
93.659	Adoption Assistance
93.558	Temporary Assistance to Needy Families

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

City of Bristol, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section II - Financial Statement Findings

2017-001

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.
Cause of Condition:	Rates charged are not sufficient to cover costs.
Effect of Condition:	The Solid Waste Disposal Fund has received continuous advances and transfers from the General Fund to subsidize its activity.
Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, 2007-001.
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. In accordance with <i>Governmental Accounting Standards Board</i> No. 34, only amounts that will be repaid within one year should be recorded as receivable and payable between funds. Continued efforts to monitor these results and implementation of changes should be maintained to make proprietary funds self-sufficient.
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.

2017-002

Criteria:	Per Statement on Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The City does not have proper controls in place to detect and correct errors in closing their year end financial statements.

City of Bristol, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section II - Financial Statement Findings (Continued)

2017-002 (Continued)	
Effect of Condition:	There is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal controls over financial reporting.
Recommendation:	The City should review the auditors' proposed audit adjustments for 2017 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The City will review the auditors' proposed audit adjustments for 2017 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.
2017-003	
Criteria:	The <u>Code of Virginia</u> requires that an appropriation exist prior to the expenditure of funds.
Condition:	The budgeting process for the City of Bristol, Virginia Council did not include the School Board's state and federal revenue or expenditures so those funds were technically not appropriated.
Cause of Condition:	The School Board's state and federal revenue or expenditures were not appropriated as an oversight in the annual budgeting process.
Effect of Condition:	The School Board expended funds that were not appropriated.
Recommendation:	The City Council should appropriate the entire School Board budget and the School Board should implement procedures to monitor expenditures against that amount.
Management's Response:	The budgeting process for the City Council did not include the School Board's state and federal revenue or expenditures so those funds were technically not appropriated. This process has already been remedied for fiscal year 2018.

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

There were no prior findings related to federal programs.