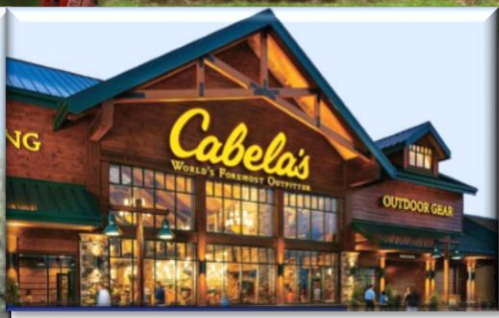




City of Bristol, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016



CITY OF BRISTOL, VIRGINIA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

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SECTION I
INTRODUCTORY SECTION

**CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2016**

MEMBERS OF CITY COUNCIL

Mayor
Vice Mayor

Archie Hubbard
William Hartley
Jim Steele
Guy Odum
Catherine Brillhart

CITY OFFICIALS

City Manager
Chief Financial Officer
City Clerk
City Treasurer
City Attorney
Commissioner of Revenue
Clerk of Circuit Court
City Sheriff
Commonwealth Attorney

Tabitha Crowder
Kim Orfield
Pamela Venable
Angel Harris
Pete Curcio
Terry Frye
Kelly Duffy
Jack Weisenburger
Jerry Wolfe

INDUSTRIAL DEVELOPMENT AUTHORITY BOARD

Chairman
Vice-Chairman

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

**CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2016**

SCHOOL BOARD MEMBERS

Chair
Vice-Chair

Randy Alvis
Tyrone Foster
Randall J. White
Steve Fletcher
Ronald Cameron

SCHOOL OFFICIALS

Interim Superintendent of Schools
Clerk of the School Board
Deputy Clerk of the School Board

Gary Ritchie
Tammy M. Jones, CPA
Stephanie Austin



City of Bristol, Virginia

February 10, 2017

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

We are pleased to present the City of Bristol, Virginia (City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016 in accordance with Section 7.02(C) of the Bristol, Virginia City Charter. The Charter requires the City to prepare an annual financial report in accordance with Generally Accepted Accounting Principles (GAAP) of municipal accounting and applicable government laws. The Charter also requires that an audit firm of independent certified public accountants express an opinion on the financial report. This report was prepared by the City's Department of Finance.

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

The City engaged Blackburn, Childers, and Steagall, PLC, a firm of Certified Public Accountants, to independently audit the City's financial statements. The goal of the audit is to provide reasonable assurance that the financial statements found herein are free from material misstatement. Tests of the City's internal control structure and of its compliance with applicable laws and regulations were conducted.

The CAFR is presented in the following three sections:

1. *Introductory Section* – This section is unaudited and includes this letter of transmittal and a list of the City's principal officials;
2. *Financial Section* – This section includes the independent auditor's report on the basic financial statements, Management's Discussion and Analysis (MD&A), which is unaudited supplementary information required by the Governmental Accounting Standards Board (GASB), basic financial statements, notes to the basic financial statements, and other unaudited required supplementary information;

3. *Statistical Section* – This section is unaudited and includes selected financial and demographic information generally presented in a multi-year comparative basis.

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

Profile of the Government

The City of Bristol, Virginia was founded in 1856 and has grown to become the principal center of commerce located along Interstate 81 in the southern highlands of Southwest Virginia. The Virginia-Tennessee State Line bisects the principal business street and commercial center of the twin cities of Bristol, Virginia and Bristol, Tennessee. Each of the Cities is independent of the other in governmental administration and operation. Bristol, Virginia, encompassing 13.17 square miles, is geographically located north of the State Line, is adjacent to Washington County, and services a population of 17,625.

The City government is organized under the Council-Manager form of government. The governing body, a Council elected at-large to staggered 4-year terms by the voters, makes policies for proper administration of the City. The Council is composed of five members. The Mayor and Vice-Mayor are chosen by majority vote of all members of Council from its own members. Council appoints a City Manager to act as administrative head of the City. The City Manager serves at the pleasure of the Council, carries out its policies, and directs business procedures.

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

Annually, the Council passes an appropriation ordinance based upon the budget submitted by the City Manager, as amended by City Council. This ordinance sets the tax rates for the ensuing fiscal year that are necessary to secure the amount needed to carry out the provisions of the budget.

Local Economy

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

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

A variety of unique entertainment and sporting events draw thousands of tourists to Bristol each year and bolster its reputation as a hub for community activities. Rhythm & Roots, held annually in September, is one of the largest music festivals in the South. Sporting events include NASCAR races at the nearby Bristol Motor Speedway and rookie league baseball featuring the Bristol Pirates, a team associated with the Pittsburgh Pirates. The Smithsonian-affiliated Birthplace of Country Music Museum, a 24,000 square foot museum, is located in the City's historic downtown district. These attractions are projected to increase the number of visitors in the downtown area, which currently hosts over 300,000 visitors annually.

Located adjacent to Interstate 81, Bristol, Virginia has three interchanges providing access to businesses, neighborhoods, industrial areas, and downtown. The City is currently working on a 1.5 million square foot commercial development at Exit 5 of I-81 known as "The Falls". This development, designed to be a development of regional impact, is in close proximity to Exit 7 which is already developed with retail, lodging, and restaurants. This pattern of development will allow the exits to blend together to form one large unified commercial area.

Bristol has significant community development needs. Approximately 62% of the total housing stock in Bristol is 50 years or older, and many houses are in need of rehabilitation. Over one quarter of all homes in the City are multi-family units. The City has been working on housing rehabilitation, as well as blight reduction, through its Community Development Block Grant program. The City has several older neighborhoods that are designated historic districts.

The median household income in Bristol is \$33,616 with 22% of the population falling below the poverty level. The employment base is approximately 23% accommodation and food services; 17% retail trade; 16% manufacturing; and 8% health care and social assistance. The unemployment rate for 2015 was 5.9% as compared to 7.0% in 2014.

The City offers substantial educational advantages in comparison with other cities of similar size or location. The City School System is operated under the jurisdiction of the Bristol, Virginia School Board, and is comprised of six schools. There are seven colleges and universities in the general vicinity of the City. A recent economic setback was the closing of Virginia Intermont College in May 2014, resulting in a vacant educational facility in an older neighborhood.

In addition to Interstate 81, Bristol is served by the main line of the Norfolk-Southern Railroad – the railway being the main reason for the founding of the City in 1856 – and the Tri-Cities Regional Airport in nearby Blountville, Tennessee. The City operates numerous parks, including the 400 acre Sugar Hollow Park on the northeastern edge of the City, and the Randolph Park complex with football stadium and state champion high school/minor league baseball park.

Long-Term Planning

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

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

In March 2016, the City of Bristol, Virginia instituted a Capital Improvement Program (CIP). The CIP is a formal mechanism for decision making, links the budgeting process to the City's long range planning, and is a financial management tool. The Capital Improvement Program consists of two (2) components, the capital plan and the capital budget. The plan is a listing of capital items that the locality anticipates undertaking within the next five (5) years. The plan is used in preparing the annual budget and approved by Council during the annual budget process.

Currently the City is in the process of preparing a new comprehensive plan. This plan will provide direction in the areas of land use, transportation, infrastructure, housing, community services, and economic development for the community. The goals and objectives set forth in the plan, are developed through engagement and input from citizens. The comprehensive plan will be implemented by amendments to the appropriate development ordinances, the capital improvement program, as well as other related programs and ordinances. The intent of this planning effort is to be a catalyst to jump start a new future for the City and to generate excitement about the City's development and will be an effective means to achieve renewed community vitality, well-being, and pride; and serves the citizens and its representatives for many years to come.

Financial Policies

On February 10, 2015, the Bristol, Virginia City Council approved a bond compliance policy. The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to maintain fund balance reserves sufficient to fund all cash flows of the City, to provide financial reserves for unanticipated or emergency expenditures and/or revenue shortfalls, and to provide funds for all existing expenses. Per the policy the City Council shall budget an amount each year toward rebuilding the Unassigned Fund Balance until the balance, at a minimum, reaches 12% of annual budgeted operating revenues.

Awards and Acknowledgements

In 1998, the U.S. Congress officially recognized Bristol as the Birthplace of Country Music due to recording sessions held in 1927 that are deemed “the single most important event in the history of county music.” In 2002, the Library of Congress ranked these recording sessions among the 50 most significant sound recording events of all time.

In 2016, Bristol was voted “Shop on Main’s Most Charming Town” by *Shop on Main* and the “*Small Town, Big Deal*” television show. “Bristol is a unique town, straddling the line between Tennessee and Virginia”.

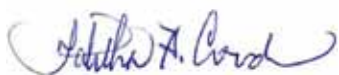
In 2016, AARP listed Bristol to be one of the “10 Great Places to Live on Less than \$40K”. Bristol was described as “ideal for those who like outdoors or music or both.”

The City was presented a Gold Level Stairway to Success Award by the Virginia Municipal League in October 2016. The City of Bristol, Virginia was recognized for working in conjunction with Bristol, Virginia Public Schools and local officials to offer programs and activities that enhance the early childhood experience.

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

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

Respectfully submitted,



Tabitha H. Crowder
City Manager



Kim L. Orfield
Chief Financial Officer

SECTION II
FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Bristol, Virginia (the City), as of and for the fiscal year ended June 30, 2016, 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 *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 aggregate discretely presented component units, and each major fund of the City as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Community Development Block Grant Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, sufficient appropriate audit evidence was not able to be obtained for the net capital assets of CPC OptiNet, a division of BVU Authority, a discretely presented component unit. The net capital assets represent 3.7% and 2.9% of the net capital assets and total assets, respectively, of the aggregate discretely presented component units. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 27 and the schedule of changes in the City's net pension liability and related ratios, schedule of employer contributions, notes to required supplementary information, and analysis of funding progress for other post-employment benefits on pages 106 through 109 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

February 10, 2017

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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 for the fiscal year ended June 30, 2016. We encourage readers to read 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, 2016 resulting in a negative net position of \$14.5 million. Of this amount, (\$31.7 million) represents unrestricted net position. Unrestricted net position shows a negative balance primary due to liabilities recorded in the statement of net position that will not be paid with immediate funds.
- The City's total net position increased by \$7.2 million during the current fiscal year. Of this amount a decrease of \$13.8 million is related to governmental activities and an increase of \$21.0 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 \$8.9 million. Approximately 83% of this total amount, \$7.3 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 \$7.3 million or 6.5% of total general fund expenditures. This is a \$1.3 million increase over last year.
- The City's total debt increased by \$3.5 million during the current fiscal year. General Obligation Bonds (bonded debt) decreased \$1.0 million. Other Debt which is comprised of net pension liability, capital lease obligations, and compensated absences increased \$4.5 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 Fund 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 three legally separate component units in this report, Bristol Virginia School Board (School Board), Bristol Virginia Utility Authority (BVUA) 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 Boards for BVUA and IDA; as such, exclusion could cause the City's financial statements to be misleading. Complete financial statements for the School Board, BVUA and IDA can be obtained from their Finance Departments.

The government-wide financial statements can be found on pages 28 - 31 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 32 - 39 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 40 - 44 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 45 - 105 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 106 - 109 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 for resulting in a negative net position of \$14.5 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, \$1.0 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 Projects, and other Special Project Funds.

The City's total net position increased by \$7.2 million from FY2015. Current year activities included a transfer between the governmental activities and business-type activities in the amount of \$22.6 million to reflect an interfund loan that was determined to be uncollectible.

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	
	2015	2016	2015	2016	2015	2016
Current & Other Assets	\$ 48,277	\$ 26,945	\$ 809	\$ 730	\$ 49,086	\$ 27,675
Capital Assets	79,658	89,122	24,002	22,931	103,660	112,053
Total Assets	\$ 127,935	\$ 116,067	\$ 24,811	\$ 23,661	\$ 152,746	\$ 139,728
Deferred Outflows of Resources	\$ 2,465	\$ 2,362	\$ 1,147	\$ 970	\$ 3,612	\$ 3,332
Current & Other Liabilities	\$ 16,104	\$ 16,730	\$ 22,915	\$ 796	\$ 39,019	\$ 17,526
Long-Term Liabilities	92,419	95,914	41,181	41,188	133,600	137,102
Total Liabilities	\$ 108,523	\$ 112,644	\$ 64,096	\$ 41,984	\$ 172,619	\$ 154,628
Deferred Inflows of Resources	\$ 5,037	\$ 2,706	\$ 389	\$ 209	\$ 5,426	\$ 2,915
Invested in Capital Assets, Net of Related Debt	\$ 8,717	\$ 16,238	\$ -	\$ -	\$ 8,717	\$ 16,238
Restricted	2,377	990	-	-	2,377	990
Unrestricted	5,746	(14,149)	(38,527)	(17,562)	(32,781)	(31,711)
Total Net Position	\$ 16,840	\$ 3,079	\$ (38,527)	\$ (17,562)	\$ (21,687)	\$ (14,483)

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	
	2015	2016	2015	2016	2015	2016
Revenues						
Program Revenue						
Charges for Services	\$ 1,502	\$ 1,486	\$ 4,260	\$ 4,506	\$ 5,762	\$ 5,992
Operating Grants & Contributions	13,884	15,317	-	-	13,884	15,317
Capital Grants & Contributions	5,092	8,386	-	-	5,092	8,386
General Revenues						
Property Taxes	15,947	16,993	-	-	15,947	16,993
Other Taxes	13,265	13,863	-	-	13,265	13,863
Grants & Contributions, Not Restricted	3,454	3,973	-	-	3,454	3,973
Gain (Loss) on Sale of Property	272	(516)	(11)	-	261	(516)
Other	58	69	-	1	58	70
Total Revenues	\$ 53,474	\$ 59,571	\$ 4,249	\$ 4,507	\$ 57,723	\$ 64,078
Expenses						
General Government	\$ 3,577	\$ 3,808	\$ -	\$ -	\$ 3,577	\$ 3,808
Judicial Administration	1,416	1,543	-	-	1,416	1,543
Public Safety	13,354	13,950	-	-	13,354	13,950
Public Works	5,735	6,492	-	-	5,735	6,492
Health and Welfare	6,985	7,399	-	-	6,985	7,399
Education	9,495	9,839	-	-	9,495	9,839
Parks, Recreation, & Cultural	3,242	3,354	-	-	3,242	3,354
Community Development	5,534	2,767	-	-	5,534	2,767
Transit	416	397	-	-	416	397
Interest on Long-Term Debt	2,274	2,603	-	-	2,274	2,603
Solid Waste Disposal	-	-	5,888	6,147	5,888	6,147
Total Expenses	\$ 52,028	\$ 52,152	\$ 5,888	\$ 6,147	\$ 57,916	\$ 58,299
Excess (Deficiency)						
Before Special Items & Transfers	\$ 1,446	\$ 7,419	\$ (1,639)	\$ (1,640)	\$ (193)	\$ 5,779
Special Items & Transfers						
Conveyance of Property to IDA	\$ (14,869)	\$ -	\$ -	\$ -	\$ (14,869)	\$ -
Conveyance of Property from IDA	-	1,425	-	-	-	1,425
Transfers	(986)	(22,605)	986	22,605	-	-
Total Special Items & Transfers	\$ (15,855)	\$ (21,180)	\$ 986	\$ 22,605	\$ (14,869)	\$ 1,425
Change In Net Position	\$ (14,409)	\$ (13,761)	\$ (653)	\$ 20,965	\$ (15,062)	\$ 7,204
Net Position						
Beginning, as Restated	\$ 31,249	\$ 16,840	\$ (37,874)	\$ (38,527)	\$ (6,625)	\$ (21,687)
Ending	\$ 16,840	\$ 3,079	\$ (38,527)	\$ (17,562)	\$ (21,687)	\$ (14,483)

Governmental Activities-Statement of Activities-Overview

The City's governmental activities are comprised of the general fund and the community development block grant fund. Governmental activities decreased the City's net position by \$13.8 million during the current fiscal year.

Revenue highlights-Governmental Activities

Revenues from governmental activities of \$59.6 million increased 11% or \$6.1 million from FY2015. This increase in revenues is mainly attributed to funding received for road improvements along Lee Highway at Exit 5 and Exit 7.

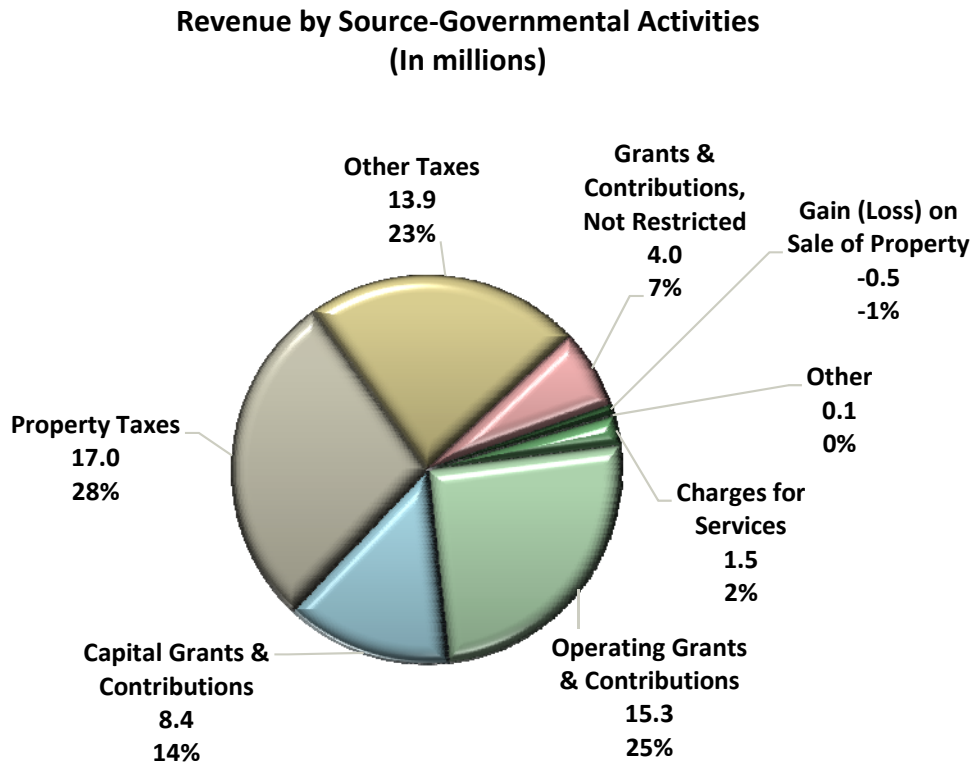
Program Revenues increased \$4.7 million and includes the following revenue:

- Charges for services of \$1.5 million had a decrease of 1%. This decrease is attributed to no longer receiving funds from leases of property.
- Operating grants and contributions totaled \$15.3 million and increased \$1.4 million or 10%. This increase was the result of funding from the state for one-time paving projects, additional funds for increased CSA and welfare expenses, and grant funds for drug court and public safety.
- Capital grants and contributions totaled \$8.4 million and increased \$3.3 million or 65%. This increase is from funding received for road improvement projects.

General Revenues increased \$1.6 million and includes the following revenues:

- Property taxes of \$17.0 million increased \$1.0 million or 7%. Property taxes are comprised mainly of real property and personal property. In FY2016, the real estate property tax rate increased from \$1.07 per \$100 of assessed valuation to \$1.12 per \$100 of assessed valuation. The increase in the tax rate and delinquent tax collections resulted in the increase in property taxes.
- Other taxes of \$13.8 million increased \$0.6 million or 5%. 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 FY2016 the City began receiving revenues from phase 1 of "The Falls" retail development resulting in a \$0.6 million increase in local sales taxes, restaurant/meals taxes and business license taxes as compared with FY15.
- Unrestricted grants and contributions totaled \$4.0 million and increased \$.5 million or 15%. Unrestricted grants and contributions are comprised primarily of state sales tax collections and payments received in lieu of taxes. The 15% increase is due to the state sales tax remitted to the City for "The Falls" project.
- Investment earnings, gain/ (loss) on sale of assets, and other revenues resulted in a decrease in revenues of \$.5 million in the current year. This decrease is primarily due to the conveyance of property from the former Mendota Trail Project to a non-profit entity, Mountain Heritage, who is currently working to establish the trail. The City acquired this property in 2003 and 2007.

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



Expenses highlights-Governmental Activities

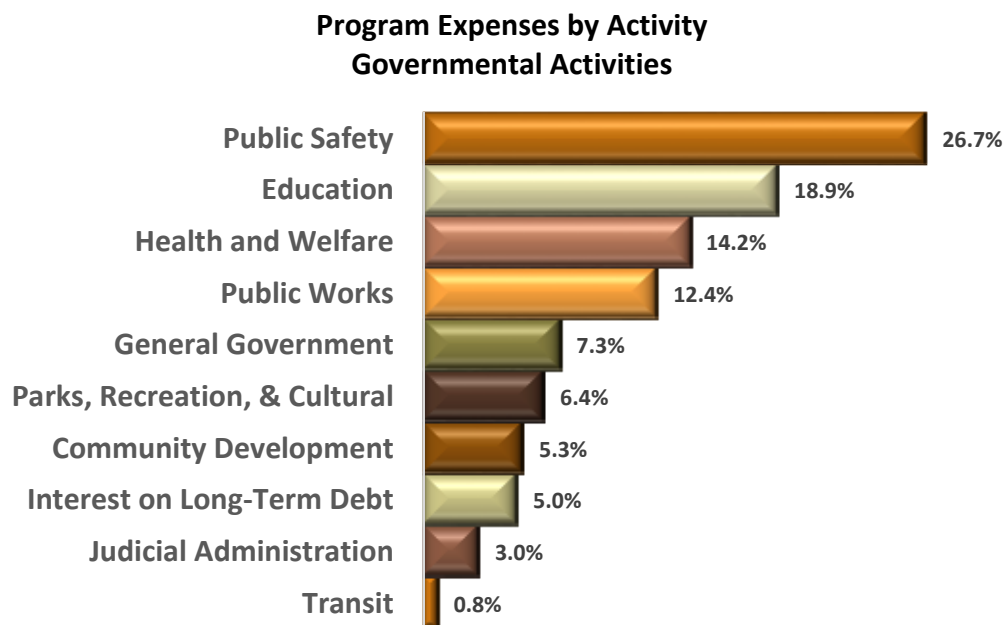
Expenses for governmental activities totaled \$52.1 million and increased \$.1 million or .2% over last year.

Program Expenses include the following expenses:

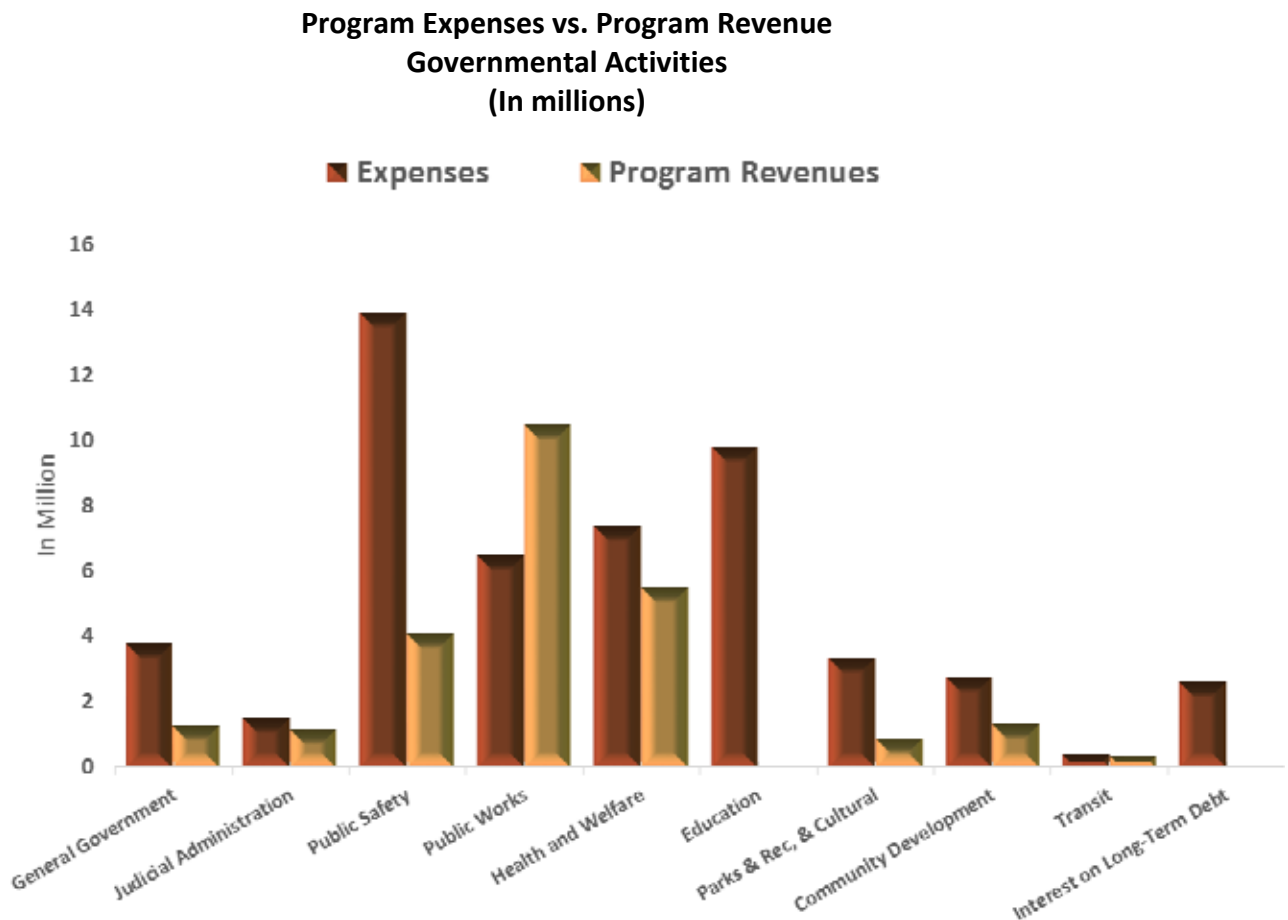
- General government expenses totaled \$3.8 million and increased \$.2 million or 6% in FY2016.
- Judicial administration expenses totaled \$1.5 million and increased \$.1 million or 9%. This increase is attributed to a full year of expenses for the Drug Court Grant.
- Public safety expenses totaled \$14.0 million and increased \$.6 million or 5%. Public safety is comprised of the police department, fire department, sheriff department and jail, inspections and animal control. Several factors attributed to the \$.6 million increase including the cost for inmate housing and the hiring of school resource officers.
- Public works expenses totaled \$6.5 million and increased \$.7 million or 13%. This increase is attributed to one-time paving projects on two major thoroughfares within the City funded by the State.

- Health and welfare expenses totaled \$7.4 million and increased \$.4 million or 6%. This increase is primarily due to the increase in residential placement expenses associated with the Comprehensive Services Act.
- Education expenses totaled \$9.8 million and increased \$.3 million or 4%.
- Parks, recreation and cultural expenses totaled \$3.3 million and increased \$.1 million or 3%.
- Community development expenses totaled \$2.8 million and decreased \$2.7 million or 50% from FY2015. This decrease is attributed to project expenses related to “The Falls” retail development that were recognized in FY2015.
- Transit expenses totaled \$.4 million and decreased \$.02 million or 5%. This decrease is associated with lower personnel expenses.
- Interest and fiscal expenses totaled \$2.6 million and increased \$.3 million or 15%. The majority of this increase is attributed to the issuance costs for the Series 2015B and 2015C Taxable Obligation Refunding notes.

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

Special Items and Transfers decreased the Governmental Activities net position by \$21.1 million. During the current fiscal year the Governmental Activities recorded a transfer of \$22.6 million to the Business-Type Activities. This transfer was the result of an interfund loan made overtime to the Solid Waste Disposal Fund from the General Fund that was determined to be uncollectible. General Accounting Standards Board (GASB) Statement No. 34 states that *if repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.*

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 increased \$21.0 million in the current fiscal year. This increase is attributed to an interfund loan from Governmental Activities that was determined to be uncollectible and had to be recognized as a transfer to the Solid Waste Disposal Fund.

Revenue highlights-Business-Type Activities:

The Solid Waste Disposal fund operating revenues increased \$.2 million or 5.8% over the previous year.

Program revenues for the business-type funds totaled \$4.5 million of which 99% was Charges for Services.

Expenses highlights-Business-Type Activities:

The Solid Waste Disposal Fund expenses totaled \$6.1 million. This was a \$.3 million or 4.4% increase from FY2015.

The Solid Waste Disposal Fund's operating expenses totaled \$4.5 million. Non-operating expenses consisting primarily of interest expense totaled \$1.6 million.

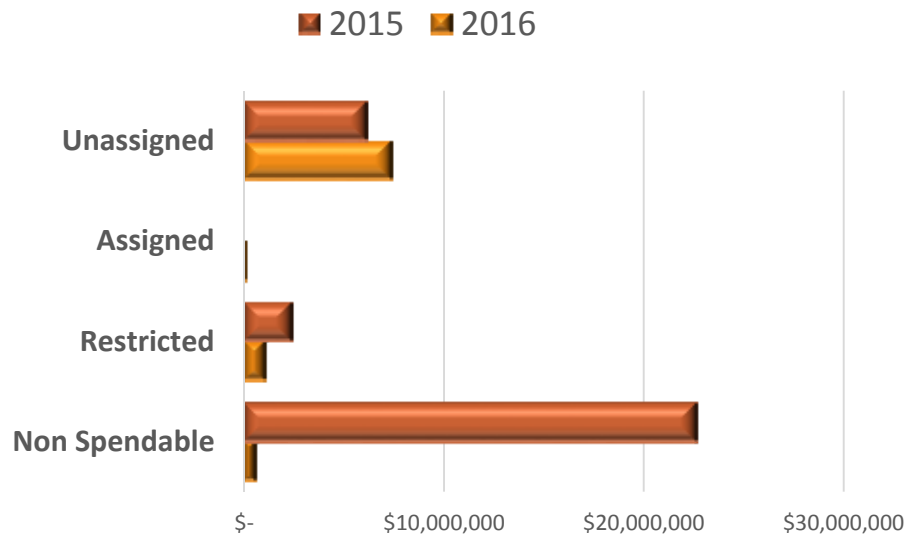
Fund Financial Analysis

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 \$8.9 million a decrease of \$22.2 million in comparison with the prior year. Approximately 83% of this total amount, \$7.3 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 (\$.5 million), 2) restricted for a particular purposes (\$1.0 million), or 3) assigned for a particular purpose (\$.04 million).

**General Fund
Components of Fund Balance
June 30, 2015 and 2016**



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 \$7.3 million, while total fund balance reached \$8.9 million. As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 6.5% of the total general fund expenditures, while total fund balance represents 7.9% of the same amount for FY2016.

The fund balance of the City's general fund decreased by \$22.2 million during the current fiscal year. As discussed earlier in connection with the governmental activities, this decrease was due to a transfer to the solid waste disposal fund for an interfund loan of \$22.1 million that was determined to be uncollectible. General Accounting Standards Board (GASB) Statement No. 34 states that *if repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.*

General fund revenues totaled \$59.6 million and increased 13% over FY2015. Local taxes including local sales taxes, restaurant/meal taxes, lodging taxes and business license taxes totaled \$13.9 and increased by 5% as compared to last year indicating a growing local economy. General property taxes total \$16.6 million and increased 5.0% in FY2016. Funding from the Commonwealth of Virginia and the Federal Government funding totaled \$25.0 million and increased 29.3%. This increase is from revenue received from the Virginia Department of Transportation for highway widening projects and grants for public safety and drug court programs.

General fund expenses totaled \$113 million and increased 84% in comparison with last fiscal year. This increase is associated with the refunding of bond anticipation notes, capital projects and public safety expenses.

Governmental Funds-Other Governmental Funds

The Community Development Block Grant Fund (CDBG) is a governmental fund. As of June 30, 2016, 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 fund is comprised of the Solid Waste Disposal Fund.

Net position of the proprietary fund, Solid Waste Disposal, totaled a negative \$17.6 million. This was an increase of \$21.0 million from FY2015. The Solid Waste Disposal Fund had an operating loss of \$.03 million and an overall loss of \$1.6 million. The Solid Waste Disposal Fund is involved in a competitive market and relies heavily on charges for services to cover operating expenses.

General Fund Budgetary Highlights

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

City of Bristol, Virginia General Fund-Budget Comparison For Fiscal Year Ending June 30, 2016 (in thousands)					
	Original Budget	Amended Budget	Budget Increase/ (Decrease)	Actual	Variance Actual vs. Amended
Revenues					
Taxes	\$ 31,705	\$ 31,705	\$ -	\$ 30,512	\$ (1,193)
Intergovernmental	25,106	25,317	211	24,992	(325)
Other	3,015	4,208	1,193	4,082	(126)
Total Revenues	\$ 59,826	\$ 61,230	\$ 1,404	\$ 59,586	\$ (1,644)
Expenditures					
Expenditures	\$ 60,256	\$ 111,642	\$ 51,386	\$ 112,600	\$ (958)
Transfers	677	677	-	22,605	(21,928)
Reserve	905	905	-	-	905
Total Expenditures	\$ 61,838	\$ 113,224	\$ 51,386	\$ 135,205	\$ (21,981)
Other Financing					
Debt Financing	\$ 1,970	\$ 51,900	\$ 49,930	\$ 53,337	\$ 1,437
Other	42	94	52	73	(21)
Total Other Financing Sources	\$ 2,012	\$ 51,994	\$ 49,982	\$ 53,410	\$ 1,416
Change in Fund Balance	\$ -	\$ -	\$ -	\$ (22,209)	\$ (22,209)

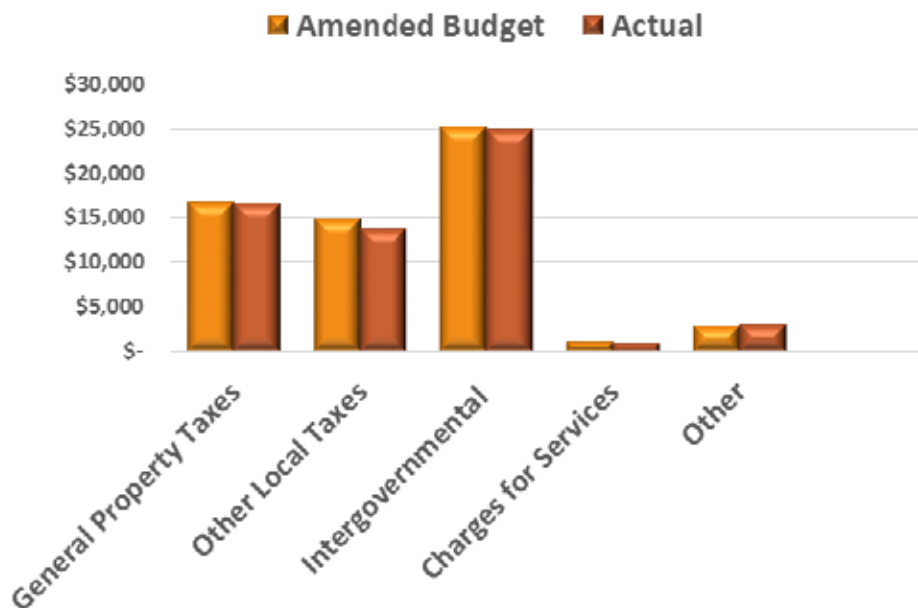
The difference between the original budget and the final amended budget was approximately an increase of \$51.3 million.

The changes from the original budget to the amended budget can be briefly summarized as follows:

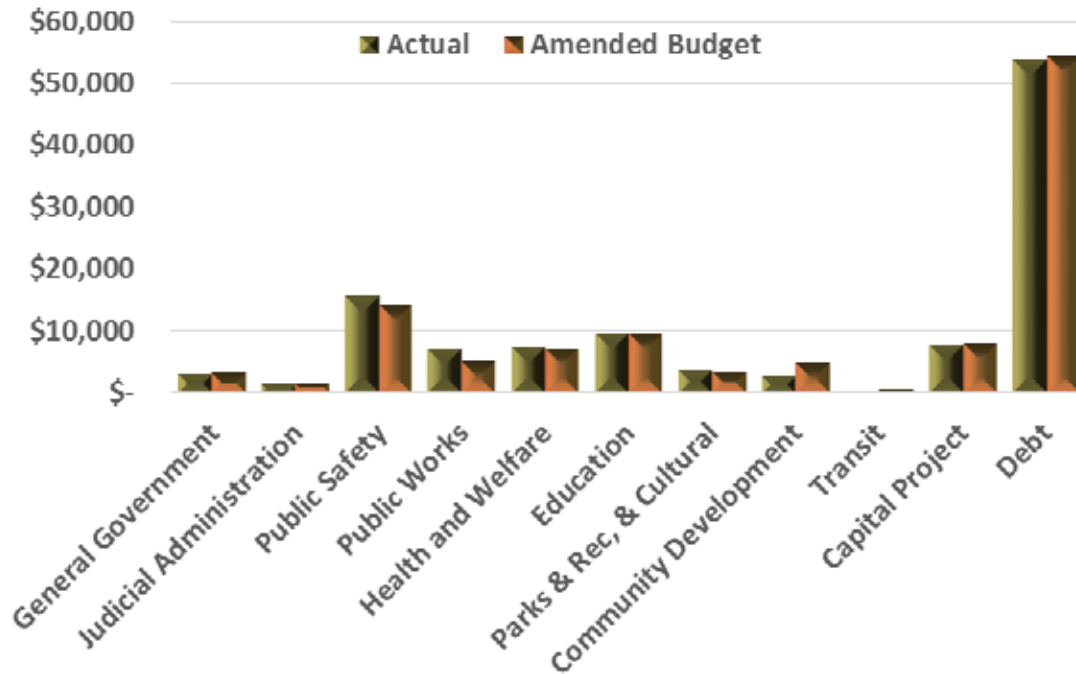
- The budget was increased \$47.5 million for the refunding of Bond Anticipation Notes in August 2015.
- The budget was increased for an appropriation of an aggregate total of Tax Anticipation Notes in the amount of \$2.4 million. The appropriation was approved with the original budget ordinance.
- The budget was increased approximately \$.2 million for grants and recovered costs related to public safety expenditures.

The following tables show the difference between final amended budget and actual results for the general fund.

General Fund-Amended Budget vs. Actual-Revenues
For Fiscal Year Ending 06/30/16
(In thousands)



**General Fund-Amended Budget vs. Actual-Expenditures
For Fiscal Year Ending 06/30/16
(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 \$1.6 million. This difference is attributed to the budgeting of revenues from six businesses in Phase 1 of “The Falls” retail development project. In FY16 revenues generated from this project were from four businesses.
- Actual expenditures were more than budgeted expenditures by approximately \$21.9 million. This difference is due to the transfer to solid waste disposal fund for an uncollectible interfund loan.
- Other financing sources were more than budgeted by approximately \$1.4 million. This difference is primarily attributable to the refunding of Bond Anticipation Notes in August 2015.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$112 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 8%.

The following table shows the major categories of capital assets for June 30, 2015 and 2016.

City of Bristol, Virginia Capital Assets Net of Depreciation (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land & Improvements	\$ 26,641	\$ 26,159	\$ 802	\$ 802	\$ 27,443	\$ 26,961
Construction in Progress	10,738	19,557	-	-	10,738	19,557
Buildings & Improvements	7,688	9,858	-	-	7,688	9,858
Machinery and Equipment	4,132	4,272	1,555	1,500	5,687	5,772
Library Assets	4,721	4,634	-	-	4,721	4,634
Infrastructure	25,604	24,527	10	10	25,614	24,537
Land Development Costs	134	115	20,868	19,886	21,002	20,001
Plant in Service	-	-	767	733	767	733
Total	\$ 79,658	\$ 89,122	\$ 24,002	\$ 22,931	\$ 103,660	\$ 112,053

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

- Additions to capital assets totaled \$11.4 million.
 - Construction in Progress for road construction totaled \$7.4 million
 - Energy improvements to various buildings totaled \$2.7 million.
 - Purchase of a fire truck and other equipment totaled \$1.2 million.
- Decreases in capital assets totaled \$1.1 million.
 - Land from the former Mendota Trail Project was conveyed to a non-profit entity who is currently working to establish the trail totaled \$.5 million.
 - Equipment removed from service totaled \$.6 million.
- Total accumulated depreciation for FY2016 was \$3.7 million.

Additional information on the City's capital assets can be found in Note IV on pages 62 - 66 of this report.

Debt Administration-Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$137 million. Of this amount, \$101 million or 74% 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-type activities as of June 30, 2015 and 2016.

City of Bristol, Virginia Long-Term Debt Obligations As of June 30, 2015 and 2016 (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
General Obligations						
General Obligation Bonds	\$ 21,122	\$ 20,934	\$ 32,178	\$ 32,003	\$ 53,300	\$ 52,937
Bond Anticipation Notes	48,050	47,530	-	-	48,050	47,530
Bond Premiums	377	317	606	499	983	816
Total	\$ 69,549	\$ 68,781	\$ 32,784	\$ 32,502	\$ 102,333	\$ 101,283
Other Long-Term Debt						
Literary Fund Loans	\$ 720	\$ 480	\$ -	\$ -	\$ 720	\$ 480
Capital Lease Obligations	1,412	4,252	234	325	1,646	4,577
Net Pension Liability	18,056	19,663	1,395	1,518	19,451	21,181
Other Post Employment Benefits	967	1,109	-	-	967	1,109
Compensated Absences	1,715	1,629	141	151	1,856	1,780
Landfill Postclosure Liability	-	-	6,627	6,692	6,627	6,692
Total	\$ 22,870	\$ 27,133	\$ 8,397	\$ 8,686	\$ 31,267	\$ 35,819
Total Long-Term Debt	\$ 92,419	\$ 95,914	\$ 41,181	\$ 41,188	\$ 133,600	\$ 137,102

The following is a summary of changes the City's long-term liabilities in FY2016:

- The City's total bonded debt decreased by \$1.0 million due to the refunding of Bond Anticipation Notes. In August 2015 the City issued Taxable General Obligation Refunding Note, Series 2015B in the amount of \$30.0 million and Taxable General Obligation Refunding Note, Series 2015C in the amount of \$17.5 million. These bonds were used to refund Series 2012A, B and C Bond Anticipation Notes in the amount of \$25.0 million, Series 2013 Bond Anticipation Note of \$10.0 million, Series 2014A and B Bond Anticipation Notes of \$11.0 million, and Series 2015A Bond Anticipation Note of \$2.05 million

- Other long-term debt totaled \$14.6 million and is comprised of debt not bonded, capital lease obligations, long-term loans, notes payables, postclosure landfill liability and compensated absences; a total increase of \$2.8 million or 24%. This increase is from a capital lease for energy saving improvements made to various facilities.
- 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, 2016 was \$21.2 million. Of this amount \$19.7 million was for the governmental activities and \$1.5 million for the business-type activities.
- The City maintains the states intercept rating of A3 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 IV on pages 71 - 75 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 City will be undergoing a general reassessment of all real property located within the City limits in 2016. The new property values will be used for the 2017 real estate tax levies.
- 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 Virginia'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.
- The adoption and implementation of the new Comprehensive Plan in the areas of land use, transportation, infrastructure, housing, community services, and economic development for the community.
- Economic trends and their impact on sales tax revenue and restaurant/meals taxes.
- For the month of June 2016, the City of Bristol, Virginia's unemployment rate was 5.4%, compared to the State's 4.0% and Federal rate of 4.8%.

Requests for Information

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

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	School Board	BVU Authority	Industrial Development Authority
ASSETS						
Cash and Cash Equivalents	\$ 6,838,478	192,909	7,031,387	1,181,863	25,192,152	4,074
Investments	-	-	-	544,384	-	-
Receivables, Net of Allowance	14,631,550	435,545	15,067,095	-	7,051,070	-
Notes Receivable	760,000	-	760,000	-	623,505	58,000
Other Receivables	-	-	-	645	298,223	-
Due from Component Units	78,202	101,688	179,890	-	-	-
Due from Primary Government	-	-	-	-	-	57,319
Due from Other Governmental Units	3,379,998	-	3,379,998	1,150,439	2,174,282	-
Due from Others	-	-	-	131,601	-	-
Prepays	-	-	-	-	938,622	-
Inventories, Net of Allowance	84,189	-	84,189	48,919	2,788,415	-
Residential Lots for Sale	437,543	-	437,543	-	-	-
Other Current Assets	-	-	-	-	44,324	-
Restricted Assets						
Cash and Cash Equivalents	735,135	-	735,135	659,901	3,197,506	2,900,153
Investments	-	-	-	270,618	-	4,432,219
Net Pension Asset	-	-	-	-	1,730,000	-
Capital Assets, Net	89,121,900	22,931,332	112,053,232	22,271,951	155,466,998	16,376,847
TOTAL ASSETS	116,066,995	23,661,474	139,728,469	26,260,321	199,505,097	23,828,612
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Refunding, Net	628,278	836,359	1,464,637	-	5,083,861	-
Contributions Subsequent to Pension Measurement Date	1,733,657	134,097	1,867,754	1,889,983	497,444	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,361,935	970,456	3,332,391	1,889,983	5,581,305	0
LIABILITIES						
Accounts Payable and Accrued Liabilities	2,762,748	63,071	2,825,819	404,244	5,596,132	351,803
Accrued Payroll and Related Liabilities	707,671	36,030	743,701	1,242,543	281,765	-
Accrued Interest Payable	875,100	697,731	1,572,831	-	414,614	-
Due to Primary Government	-	-	-	327,644	237,209	-
Unearned Revenue	12,334,444	-	12,334,444	11,938	1,430,718	-
Customer Deposits Payable	-	-	-	-	1,602,673	-
Assets Held in Agency Capacity	49,311	-	49,311	-	-	-
Long-Term Liabilities						
Due Within One Year	1,932,650	368,735	2,301,385	437,563	2,323,801	-
Due in More Than One Year	93,981,645	40,818,913	134,800,558	24,392,478	43,049,602	33,855,000
TOTAL LIABILITIES	112,643,569	41,984,480	154,628,049	26,816,410	54,936,514	34,206,803

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	School Board	BVU Authority	Industrial Development Authority
DEFERRED INFLOWS OF RESOURCES						
Difference between Expected and Actual Experience	471,361	36,459	507,820	-	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,234,999	172,874	2,407,873	2,509,023	129,000	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,706,360	209,333	2,915,693	2,509,023	129,000	0
NET POSITION						
Net Investment in Capital Assets	16,237,546	-	16,237,546	14,922,499	118,453,883	-
Restricted For						
Commonwealth Attorney	451,364	-	451,364	-	-	-
Capital Projects	283,772	-	283,772	1,120,263	-	-
Grants	-	-	-	210,995	-	-
Dental Trust Fund	80,000	-	80,000	-	-	-
Asset Forfeiture	99,335	-	99,335	-	-	-
Fire Program Funds	75,583	-	75,583	-	-	-
Net Pension Asset	-	-	-	-	1,730,000	-
Unrestricted	(14,148,599)	(17,561,883)	(31,710,482)	(17,428,886)	29,837,005	(10,378,191)
TOTAL NET POSITION	\$ 3,079,001	(17,561,883)	(14,482,882)	(1,175,129)	150,020,888	(10,378,191)

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION								
Functions/Programs	Expenses	PROGRAM REVENUES			Primary Government			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	BVU Authority	Industrial Development Authority
Primary Government										
Governmental Activities										
General Government	\$ 3,808,184	134,641	1,155,143	-	(2,518,400)	-	(2,518,400)	-	-	-
Judicial Administration	1,542,808	266,659	905,846	-	(370,303)	-	(370,303)	-	-	-
Public Safety	13,950,011	158,929	2,899,016	1,060,653	(9,831,413)	-	(9,831,413)	-	-	-
Public Works	6,491,735	21,564	4,212,478	6,265,519	4,007,826	-	4,007,826	-	-	-
Health and Welfare	7,398,856	-	5,535,021	-	(1,863,835)	-	(1,863,835)	-	-	-
Education	9,839,236	-	-	-	(9,839,236)	-	(9,839,236)	-	-	-
Parks, Recreation, and Cultural	3,354,408	834,989	4,796	59,331	(2,455,292)	-	(2,455,292)	-	-	-
Community Development	2,766,734	8,253	324,193	1,000,000	(1,434,288)	-	(1,434,288)	-	-	-
Transit	397,012	60,981	280,015	-	(56,016)	-	(56,016)	-	-	-
Interest on Long-Term Debt	2,602,511	-	-	-	(2,602,511)	-	(2,602,511)	-	-	-
Total Governmental Activities	52,151,495	1,486,016	15,316,508	8,385,503	(26,963,468)	0	(26,963,468)	0	0	0
Business-Type Activities										
Solid Waste Disposal	6,147,043	4,506,392	-	-	-	(1,640,651)	(1,640,651)	-	-	-
Total Business-Type Activities	6,147,043	4,506,392	0	0	0	(1,640,651)	(1,640,651)	0	0	0
Total Primary Government	\$ 58,298,538	5,992,408	15,316,508	8,385,503	(26,963,468)	(1,640,651)	(28,604,119)	0	0	0

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION								
		PROGRAM REVENUES			Primary Government			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	BVU Authority	Industrial Development Authority
Component Units										
School Board	\$ 26,281,542	433,477	10,144,200	128,840				(15,575,025)	-	-
BVU Authority	85,195,127	85,839,562	-	-				-	644,435	-
Industrial Development Authority	20,929,171	-	-	-				-	-	(20,929,171)
Total Component Units	<u>\$132,405,840</u>	<u>86,273,039</u>	<u>10,144,200</u>	<u>128,840</u>				<u>(15,575,025)</u>	<u>644,435</u>	<u>(20,929,171)</u>
General Revenues										
Property Taxes					16,993,071	-	16,993,071	-	-	-
Other Taxes					13,863,419	-	13,863,419	-	-	-
State Aid					-	-	-	6,194,782	-	-
Payments from Primary Government					-	-	-	9,795,876	-	1,301,501
Grants and Contributions Not Restricted to Specific Programs					3,973,346	-	3,973,346	-	-	-
Unrestricted Investment Earnings					40,343	407	40,750	(1,458)	56,193	61,793
Gain (Loss) on Sale of Property					(515,679)	-	(515,679)	9,075	87,639	(924,734)
Insurance Recoveries					28,388	-	28,388	8,263	-	-
Other					-	-	-	234,035	-	110
Special Item - Conveyance of Property from IDA					1,425,049	-	1,425,049	-	-	(1,425,049)
Transfers					(22,605,369)	22,605,369	-	-	-	-
Total General Revenues, Special Item, and Transfers					<u>13,202,568</u>	<u>22,605,776</u>	<u>35,808,344</u>	<u>16,240,573</u>	<u>143,832</u>	<u>(986,379)</u>
Change in Net Position					<u>(13,760,900)</u>	<u>20,965,125</u>	<u>7,204,225</u>	<u>665,548</u>	<u>788,267</u>	<u>(21,915,550)</u>
Net Position, Beginning					16,839,901	(38,527,008)	(21,687,107)	(1,840,677)	141,573,514	11,887,312
Restatement					-	-	-	-	7,659,107	(349,953)
Net Position, Beginning - Restated					<u>16,839,901</u>	<u>(38,527,008)</u>	<u>(21,687,107)</u>	<u>(1,840,677)</u>	<u>149,232,621</u>	<u>11,537,359</u>
Net Position, Ending					<u>\$ 3,079,001</u>	<u>(17,561,883)</u>	<u>(14,482,882)</u>	<u>(1,175,129)</u>	<u>150,020,888</u>	<u>(10,378,191)</u>

See accompanying notes to the financial statements.

**CITY OF BRISTOL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 6,838,478	-	6,838,478
Cash and Cash Equivalents, Restricted	735,135	-	735,135
Receivables, Net of Allowance	14,469,121	162,429	14,631,550
Due from Component Units	78,202	-	78,202
Due from Other Governmental Units	3,367,457	12,541	3,379,998
Inventories	84,189	-	84,189
Residential Lots for Sale	437,543	-	437,543
Notes Receivable	760,000	-	760,000
TOTAL ASSETS	\$ 26,770,125	174,970	26,945,095
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 2,750,207	12,541	2,762,748
Accrued Payroll and Related Liabilities	707,671	-	707,671
Unearned Revenue	12,334,444	-	12,334,444
Assets Held in Agency Capacity	49,311	-	49,311
TOTAL LIABILITIES	15,841,633	12,541	15,854,174
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	2,022,417	162,429	2,184,846
FUND BALANCES			
Nonspendable			
Inventories	84,189	-	84,189
Residential Lots for Sale	437,543	-	437,543
Restricted For			
Commonwealth Attorney	451,364	-	451,364
Capital Projects	283,772	-	283,772
Dental Trust Fund	80,000	-	80,000
Asset Forfeiture	99,335	-	99,335
Fire Program Funds	75,583	-	75,583
Assigned For			
Tree and Shrub Funds	35,208	-	35,208
Investigative Funds	10,550	-	10,550
Unassigned	7,348,531	-	7,348,531
TOTAL FUND BALANCES	8,906,075	0	8,906,075
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 26,770,125	174,970	26,945,095

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016

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

Fund Balances - Total Governmental Funds	\$ 8,906,075
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	89,121,900
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	2,184,846
Interest on long-term debt is not accrued in the funds as in the government-wide statements.	(875,100)
Long-term liabilities, including bonds payable and related premiums, capital leases, net pension liability, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(96,258,720)</u>
Net Position of Governmental Activities	<u><u>\$ 3,079,001</u></u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
REVENUES			
General Property Taxes	\$ 16,648,119	-	16,648,119
Other Local Taxes	13,863,419	-	13,863,419
Intergovernmental	24,992,168	167,952	25,160,120
Charges for Services	977,093	-	977,093
Revenue from Use of Property	135,935	-	135,935
Permits, Privilege Fees, and Regulatory Licenses	130,317	-	130,317
Fines and Forfeitures	144,190	-	144,190
Investment Earnings	20,343	-	20,343
Other	2,675,056	-	2,675,056
TOTAL REVENUES	59,586,640	167,952	59,754,592
EXPENDITURES			
Current			
General Government	3,127,629	-	3,127,629
Judicial Administration	1,492,193	-	1,492,193
Public Safety	15,591,034	-	15,591,034
Public Works	7,218,312	-	7,218,312
Health and Welfare	7,400,902	-	7,400,902
Education	9,671,236	-	9,671,236
Parks, Recreation, and Cultural	3,580,190	-	3,580,190
Community Development			
Economic Development	1,563,225	167,952	1,731,177
Development of Regional Impact	1,057,189	-	1,057,189
Transit	374,386	-	374,386
Capital Projects	7,709,278	-	7,709,278
Debt Service			
Principal Retirement	50,877,500	-	50,877,500
Interest and Fiscal Charges	2,440,476	-	2,440,476
Bond Issue Costs	496,411	-	496,411
TOTAL EXPENDITURES	112,599,961	167,952	112,767,913
Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,013,321)	0	(53,013,321)

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(22,605,369)	-	(22,605,369)
Bond Anticipation Notes Issued	47,530,000	-	47,530,000
Tax Anticipation Note Issued	2,400,000	-	2,400,000
Capital Lease	3,407,070	-	3,407,070
Insurance Recoveries	28,388	-	28,388
Sale of Capital Assets	44,407	-	44,407
TOTAL OTHER FINANCING SOURCES (USES)	30,804,496	0	30,804,496
Net Change in Fund Balances	(22,208,825)	-	(22,208,825)
FUND BALANCES, JULY 1, 2015	31,114,900	-	31,114,900
FUND BALANCES, JUNE 30, 2016	\$ 8,906,075	0	8,906,075

See accompanying notes to the financial statements.

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 Fiscal Year Ended June 30, 2016

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

Net Change in Fund Balances - Total Governmental Funds	\$ (22,208,825)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets, \$11,111,126 exceed depreciation (\$2,412,671) in the current period.	8,698,455
The net effect of various transactions involving capital assets (i.e., contributions and sales) is to increase net position.	924,294
Recognition of the allocation of capital assets to the discretely presented component unit - School Board equal to the debt service payment net of accumulated depreciation.	(158,400)
Revenues in the funds are recorded when they provide current financial resources to the government; while in the Statement of Activities, those revenues were recorded at the time when they were considered earned.	361,845
The change in accrued interest expense reported in the Statement of Activities does not require the use of current financial resources. Therefore, it is not reported as an expenditure in the governmental funds.	(110,346)
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.	(51,689)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position.	(1,892,322)
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.	676,088
Change in Net Position of Governmental Activities	<u><u>\$ (13,760,900)</u></u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
General Property Taxes	\$ 16,778,990	16,778,990	16,648,119	(130,871)
Other Local Taxes	14,926,400	14,926,400	13,863,419	(1,062,981)
Intergovernmental	25,105,801	25,317,489	24,992,168	(325,321)
Charges for Services	1,172,500	1,175,000	977,093	(197,907)
Revenue from Use of Property Permits, Privilege Fees, and	155,820	155,820	135,935	(19,885)
Regulatory Licenses	157,176	158,742	130,317	(28,425)
Fines and Forfeitures	202,000	202,000	144,190	(57,810)
Investment Earnings	-	-	20,343	20,343
Other	1,327,100	2,515,490	2,675,056	159,566
TOTAL REVENUES	59,825,787	61,229,931	59,586,640	(1,643,291)
EXPENDITURES				
Current				
General Government	3,344,896	3,348,396	3,127,629	220,767
Judicial Administration	1,485,666	1,504,648	1,492,193	12,455
Public Safety	14,036,314	14,281,947	15,591,034	(1,309,087)
Public Works	5,060,974	5,109,701	7,218,312	(2,108,611)
Health and Welfare	7,210,731	7,210,731	7,400,902	(190,171)
Education	9,671,236	9,671,236	9,671,236	-
Parks, Recreation, and Cultural Community Development	3,388,806	3,448,903	3,580,190	(131,287)
Economic Development	1,667,075	1,746,022	1,563,225	182,797
Development of Regional Impact	3,170,000	3,170,000	1,057,189	2,112,811
Transit	563,751	563,751	374,386	189,365
Capital Projects	7,980,000	7,980,000	7,709,278	270,722
Debt Service				
Principal Retirement	1,332,873	51,782,873	50,877,500	905,373
Interest and Fiscal Charges	2,241,975	2,241,975	2,440,476	(198,501)
Bond Issue Costs	6,500	486,500	496,411	(9,911)
TOTAL EXPENDITURES	61,160,797	112,546,683	112,599,961	(53,278)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,335,010)	(51,316,752)	(53,013,321)	(1,696,569)

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(676,990)	(676,990)	(22,605,369)	(21,928,379)
Bond Anticipation Notes Issued	1,970,000	49,500,000	47,530,000	(1,970,000)
Tax Anticipation Notes Issued	-	2,400,000	2,400,000	-
Capital Lease	-	-	3,407,070	3,407,070
Insurance Recoveries	1,000	25,222	28,388	3,166
Sale of Capital Assets	41,000	68,520	44,407	(24,113)
TOTAL OTHER FINANCING SOURCES (USES)	1,335,010	51,316,752	30,804,496	(20,512,256)
Net Change in Fund Balance	-	-	(22,208,825)	(22,208,825)
FUND BALANCE, JULY 1, 2015	-	-	31,114,900	31,114,900
FUND BALANCE, JUNE 30, 2016	\$ 0	0	8,906,075	8,906,075

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Intergovernmental Revenue	\$ -	453,628	167,952	(285,676)
TOTAL REVENUES	0	453,628	167,952	(285,676)
EXPENDITURES				
Current				
Community Development	-	453,628	167,952	285,676
TOTAL EXPENDITURES	0	453,628	167,952	285,676
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
FUND BALANCE, JULY 1, 2015	-	-	-	-
FUND BALANCE, JUNE 30, 2016	\$ 0	0	0	0

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

	Business-Type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 192,909	192,909
Accounts Receivable	435,545	435,545
Due from Component Units	101,688	101,688
Total Current Assets	730,142	730,142
Noncurrent Assets		
Capital Assets, Net	22,931,332	22,931,332
TOTAL ASSETS	23,661,474	23,661,474
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding, Net	836,359	836,359
Contributions Subsequent to Pension Measurement Date	134,097	134,097
TOTAL DEFERRED OUTFLOWS OF RESOURCES	970,456	970,456

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

	Business-Type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	63,071	63,071
Accrued Payroll and Related Liabilities	36,030	36,030
Accrued Interest Payable	697,731	697,731
Bonds and Leases Payable	279,510	279,510
Compensated Absences Payable	89,225	89,225
Total Current Liabilities	<u>1,165,567</u>	<u>1,165,567</u>
Long-Term Liabilities		
Compensated Absences Payable	61,604	61,604
Bonds and Leases Payable, Net of Unamortized Bond Premium	32,546,882	32,546,882
Landfill Closure Costs	6,692,049	6,692,049
Net Pension Liability	1,518,378	1,518,378
Total Long-Term Liabilities	<u>40,818,913</u>	<u>40,818,913</u>
TOTAL LIABILITIES	<u>41,984,480</u>	<u>41,984,480</u>
DEFERRED INFLOWS OF RESOURCES		
Difference between Expected and Actual Experience	36,459	36,459
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>172,874</u>	<u>172,874</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>209,333</u>	<u>209,333</u>
NET POSITION		
Unrestricted	<u>(17,561,883)</u>	<u>(17,561,883)</u>
TOTAL NET POSITION	<u><u>\$ (17,561,883)</u></u>	<u><u>(17,561,883)</u></u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
OPERATING REVENUES		
Charges for Services, Net Sales	\$ 4,461,605 44,787	4,461,605 44,787
TOTAL OPERATING REVENUES	4,506,392	4,506,392
OPERATING EXPENSES		
Landfill Closure and Post Closure Care	64,694	64,694
Administrative and General	3,125,685	3,125,685
Depreciation	1,341,400	1,341,400
TOTAL OPERATING EXPENSES	4,531,779	4,531,779
Operating Income (Loss)	(25,387)	(25,387)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	407	407
Interest Expense	(1,722,216)	(1,722,216)
Amortization of Bond Premium	106,952	106,952
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,614,857)	(1,614,857)
Income (Loss) Before Transfers	(1,640,244)	(1,640,244)
TRANSFERS IN	22,605,369	22,605,369
Change in Net Position	20,965,125	20,965,125
NET POSITION, JULY 1, 2015	(38,527,008)	(38,527,008)
NET POSITION, JUNE 30, 2016	\$ (17,561,883)	(17,561,883)

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 4,567,301	4,567,301
Payments to Suppliers	(1,727,416)	(1,727,416)
Payments to Employees	(1,441,718)	(1,441,718)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,398,167	1,398,167
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from Other Funds	484,638	484,638
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	484,638	484,638
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(56,977)	(56,977)
Principal Paid on Capital Debt	(297,860)	(297,860)
Interest Paid on Capital Debt	(1,545,932)	(1,545,932)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(1,900,769)	(1,900,769)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	407	407
NET CASH PROVIDED BY INVESTING ACTIVITIES	407	407
Net Increase in Cash and Cash Equivalents	(17,557)	(17,557)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	210,466	210,466
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 192,909	192,909

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (25,387)	(25,387)
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by (Used for) Operating Activities:		
Depreciation Expense	1,341,400	1,341,400
(Increase) Decrease in Net Accounts Receivable	74,081	74,081
(Increase) Decrease in Due from Component Units	(13,172)	(13,172)
(Increase) Decrease in Deferred Outflows of Resources	(945)	(945)
Increase (Decrease) in Accounts Payable	(4,304)	(4,304)
Increase (Decrease) in Accrued Payroll and Related Liabilities	8,396	8,396
Increase (Decrease) in Landfill Closure Costs	64,695	64,695
Increase (Decrease) in Compensated Absences Payable	9,313	9,313
Increase (Decrease) in Net Pension Liability	123,801	123,801
Increase (Decrease) in Deferred Inflows of Resources	(179,711)	(179,711)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,398,167</u>	<u>1,398,167</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Asset Acquisitions Financed through Capital Leases	<u>\$ 213,363</u>	<u>213,363</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Primary Government

The City of Bristol, Virginia (the City) was founded in 1890. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Council consists of a mayor, vice mayor and three other Council members. The City is not part of a county and has taxing powers subject to state-wide restrictions and limits. The City is the primary government of the reporting entity.

The City provides a full range of municipal services including police and fire, sanitation, health and social services, public improvements, planning and zoning, general administrative services, economic development, education, landfill, emergency 911 communications, and recreational services.

Discretely Presented Component Units

The City of Bristol, Virginia School Board (the School Board) is a legally separate entity, which operates elementary schools, a middle school, and a high school for students residing in the City. The citizens elect School Board members. The City Council must approve the issuance of bonded debt, therefore, the City reports the School Board as a discretely presented component unit. Complete financial statements of the City of Bristol, Virginia School Board may be obtained at 220 Lee Street, Bristol, Virginia 24201.

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's administrative office at 220 Lee Street, Bristol, Virginia 24201. 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 governed by a Board of Directors appointed by the City Council and due to their close relationship, the City reports the IDA as a discretely presented component unit. The IDA is authorized to acquire, own, lease and dispose of properties to the extent that such activities foster and stimulate industrial development. Complete financial statements of the IDA may be obtained at City Hall, 300 Lee Street, Bristol, Virginia 24201.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

BVU Authority (BVU) was created from the separately managed and financed division of the City of Bristol, Virginia, formerly known as Bristol Virginia Utilities, by an act of the General Assembly of the Commonwealth of Virginia. BVU provides electric, water, wastewater, and OptiNet services to Bristol, Virginia. BVU also has an agreement with Cumberland Plateau Company, Inc. (CPC) and Cumberland Plateau Planning District Commission (CPPDC) that formed CPC OptiNet to construct, maintain and operate the fiber optic system in the CPC/CPPDC four county area. The activity, including the capital assets and related accumulated depreciation, was not previously included in BVU's financial statements. The Virginia Auditor of Public Accounts (APA), as required by legislation of the Virginia General Assembly, conducted an audit of BVU and issued their report subsequent to year end in October 2016. In accordance with the APA's audit recommendation, the CPC OptiNet activity is included as another division of BVU in the current fiscal year. Sufficient appropriate audit evidence was not able to be obtained for the capital assets and related accumulated depreciation of CPC OptiNet.

For the current fiscal year, the City appoints a voting majority of BVU's Board (two City Council members and three other members); therefore, BVU is reported as a discretely presented component unit. Complete financial statements may be obtained from BVU Authority at 15022 Lee Highway, Bristol, Virginia 24202.

The following entities are excluded from the accompanying financial statements:

Joint Ventures

Jointly-Owned Wastewater Facility

BVU, in conjunction with the City of Bristol, Tennessee, established a jointly-owned wastewater facility located in Bristol, Tennessee. The two are joint equitable owners of the facility. A six member Sewer Oversight Committee has advisory authority with respect to the facility. Each equitable owner appoints three members to the Oversight Committee. Refer to Note V.F for additional information.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Joint Ventures (Continued)

Jointly-Owned Public Library

The City, along with the City of Bristol, Tennessee, established a jointly-owned public library 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 \$722,472 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

Jointly-Governed Regional Airport

The City, in conjunction with Bristol, Tennessee, Kingsport, Tennessee, Johnson City, Tennessee, Washington County, Tennessee, and Sullivan County, Tennessee jointly govern the Regional Airport 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.

Highlands Juvenile Detention Center

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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Related Organizations (Continued)

Bristol Redevelopment and Housing Authority

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.

Other Boards and Commissions

The City Council appoints certain members of various boards and commissions, which are advisory in nature; however, the City Council is not financially accountable for these organizations.

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.

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*.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the enterprise fund are reported as separate columns in the fund financial statements.

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

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenues and receivables when billed, net of allowances of uncollectible amounts. Real and personal property taxes recorded at June 30, and received within the first 60 days after fiscal year end are included in tax revenues, with the related amount reduced from deferred revenues. Sales and utility taxes, which are collected by the Commonwealth or utility companies and subsequently remitted to the City, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or two months preceding receipt by the City. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting of federal, state and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general-purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include (1) accumulated unpaid vacation leave, sick leave, and other employee amounts, which are recorded as compensated absences, are recognized when paid, and (2) principal and interest payments on general long-term debt, both of which are recognized when paid.

The City reports two major governmental funds:

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

The *community development block grant fund* accounts for funds received and expended under the federal Community Development Entitlement Grant.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary fund:

The *solid waste disposal fund* accounts for the operations of the landfill and waste collection system.

As a 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 proprietary fund 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 solid waste disposal fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

The City'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.

Investments for the School Board and IDA, discretely presented component units, are reported at fair value.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

2. Receivables and Payables

The two major sources of property taxes are described below:

Real Estate

The City levies real estate taxes on all real estate within its boundaries, except that exempted by statute, at a rate enacted by City Council on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of the City of Bristol, Virginia. Public utility property is assessed by the Commonwealth. The tax rate is \$1.12 per \$100 of assessed value. For the 2016 tax year, the real estate and public utility property tax rate is \$1.19 per \$100 assessed value.

Property taxes are levied as of January 1 on property assessed as of the same date. The tax levy is divided into two billings: The first billing, mailed in June is one-half of the estimate of the current year's levy based on the prior year's taxes. The remaining one-half is adjusted to the current year's actual levy and mailed in October. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Property taxes recognized as receivable before the period of revenue recognition have been reported as unearned revenues.

Personal Property

The City levies personal property taxes on motor vehicles, boats, aircraft, mobile homes and tangible business property. Personal property is assessed each year as of January 1, with payment due the following December 5. The personal property tax rate, excluding machinery and tools, is \$2.10 per \$100 assessed value with a 100% assessed ratio. For the 2016 tax year, the personal property tax rate, excluding machinery and tools, is \$2.60 per \$100 assessed value with a 100% assessed ratio.

Rehabilitation Loans

Rehabilitation loans were made by the Community Development Block Grant Fund in prior fiscal years in conjunction with the Department of Housing and Urban Development to qualifying low-income homeowners to stimulate renovation of urban neighborhoods.

Allowance for Uncollectible Accounts

The City and BVU provide an allowance for uncollectible accounts using historical collection data and specific account analysis. Trade and property tax receivables are shown net of allowances for uncollectible accounts.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

3. Inventories and Prepaids

Inventory of governmental fund types is recorded at cost (determined on a first-in, first-out basis) 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 recorded as an expenditure at the time of consumption. Governmental fund type inventories are offset by fund balance reserves, which indicate 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 the government-wide financial statements and on the fund level for the proprietary fund, as applicable. The payments are being recorded as expenditures on the fund level for the governmental funds.

4. Restricted Assets

Restricted cash and cash equivalents and investments of the City and School Board consist primarily of funds restricted by Commonwealth or other legislation for specified purposes and unspent bond proceeds.

Restricted cash and cash equivalents for BVU consist primarily of customer deposits, reserve accounts related to revenue and refunding bonds, and amounts for the costs of improvements.

Restricted cash and cash equivalents and investments for IDA are funds from the revenue bond issue for capital projects.

5. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City and IDA as assets with an initial, individual cost of more than \$5,000 and for BVU of more than \$1,000, and an estimated useful life in excess of one and three years, respectively. Capital assets are defined by the School Board as assets with an initial, individual cost of more than \$1,000, with the exception of textbooks, library books and certain technological equipment which are considered a capital asset regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Landfill development costs are depreciated based on percentage of capacity filled. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives.

Utility Systems	25-50 years
Golf Course	25 years
Buildings	8-50 years
Equipment, Machinery and Vehicles	3-25 years
Public Domain Infrastructure	20-25 years
Fiber	25 years

Capitalization of Interest

BVU capitalizes interest costs incurred on funds used to construct property, plant, and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$277,412 in fiscal year 2016.

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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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. There are two items that qualify for reporting in this category. The City and BVU have deferred loss on bond refunding that is reported in the government-wide and proprietary fund statements of net position and is a result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City, BVU and School Board report contributions subsequent to the pension measurement date which are equivalent to the pension contributions made to VRS during the fiscal year ended June 30, 2016, and will be recognized as an (addition) reduction to the net pension liability (asset) in the following measurement period.

In addition to liabilities, the statement of net 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 one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from various sources: property taxes not collected within 60 days of fiscal year end and funds received in advance for services to be provided subsequent to fiscal year end, including membership fees to Clear Creek Golf Course. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. There are two other types of items that are reported in the government-wide and proprietary fund statements of net position by the City, BVU and School Board as deferred inflows for the fiscal year ended June 30, 2016. One is the net difference between projected and actual earnings on pension plan investments which is recognized as deferred inflows of resources and amortized over a fixed five-year period. The other is the difference between actual and projected experience related to the pension plans.

7. Compensated Absences

The City, BVU, and the School Board have policies which allow for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds when the leave is due and payable.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

8. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other 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 straight-line 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, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Net Position

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

10. Fund Balance

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2016 by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

10. Fund Balance (Continued)

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts can be assigned by the City Council.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the general fund.

When expenditures are incurred for purposes for which both restricted and unrestricted resources are available, the City considers restricted funds to have been spent first, unless legal requirements disallow it or components of unrestricted funds will be lost if not utilized. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

11. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

12. Post-Employment Benefits Other Than Pensions (OPEB)

GASB Statement No. 45, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. The cost of post-employment health care benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The City recognizes the cost of post-employment healthcare in the fiscal year when the employee services are received, reports the accumulated liability from prior fiscal years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior fiscal years will be phased in over 30 years, commencing with the 2009 liability. The OPEB disclosure is documented in Note V.A.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

13. Pension

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. 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 VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds balance sheet includes reconciliation between *fund balances-total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable and related premiums, capital leases, net pension liability, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(96,258,720) difference are as follows:

Bonds Payable	\$ (20,934,450)
Less: Deferred charge on refunding (net of amortization of \$112,643 recorded as interest expense)	628,278
Add: Bond premium (net of amortization of \$60,954)	(316,449)
Bond Anticipation Notes	(47,530,000)
Literary Fund Loans	(480,000)
Capital Lease Obligations	(4,251,733)
Other Post-Employment Benefits	(1,109,400)
Net Pension Liability	(19,663,370)
Deferred Outflows Related to Pensions	1,733,657
Deferred Inflows Related to Pensions	(2,706,360)
Compensated Absences	<u>(1,628,893)</u>
Net adjustment to reduce <i>fund balances-total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u><u>\$ (96,258,720)</u></u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

**NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net change in fund balances-total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "The net effect of various transactions involving capital assets (i.e., contributions and sales) is to increase net position." The details of this \$924,294 difference are as follows:

Donations of capital assets received increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$ 59,331
Transfer of capital assets from IDA.	1,425,049
The statement of activities reports an adjustment to expenses arising from the disposal of capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.	<u>(560,086)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 924,294</u>

Another element of that reconciliation states that "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". The details of this \$(51,689) difference are as follows:

Deferred Charges on Refunding Amortization	\$ (112,643)
Bond Premiums Amortization	<u>60,954</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i> .	<u>\$ (51,689)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The City's budget is presented in accordance with accounting principles generally accepted in the United States of America. The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to City Council a proposed operating and capital budget for the fiscal year commencing the following July 1, which includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Appropriations for each fund can be revised only by City Council. The City Manager is authorized to transfer amounts within general government departments.
5. Formal budgetary integration is employed as a management control device for the general fund.
6. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30.
8. All budgetary data presented is the revised budget as of June 30.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision 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).

The City has not formally adopted deposit and investment policies that limit allowable deposits or investments.

B. Receivables

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

	Primary Government			Component Unit
		Community Development	Solid Waste	BVU
	General	Block Grant	Disposal	Authority
Receivables				
Taxes	\$ 14,023,700	-	-	-
Accounts	995,686	-	435,545	7,467,515
Rehabilitation Loans	-	187,429	-	-
Gross Receivables	15,019,386	187,429	435,545	7,467,515
Less: Allowance for Uncollectibles	(550,265)	(25,000)	-	(416,445)
Net Receivables	<u>\$ 14,469,121</u>	<u>162,429</u>	<u>435,545</u>	<u>7,051,070</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Receivables			
Taxes for Ensuing Fiscal Year	\$ -	11,829,294	11,829,294
Taxes Not Collected during Period of Availability	1,342,140	-	1,342,140
Rehabilitation Loans	162,429	-	162,429
Notes Receivable	660,000	105,150	765,150
BVU Authority	-	400,000	400,000
Other	20,277	-	20,277
	<u>\$ 2,184,846</u>	<u>12,334,444</u>	<u>14,519,290</u>

Receivable on Property Sales

During fiscal year 2015, the City transferred a building to the IDA for economic development purposes. Subsequent to the receipt of the property, the IDA sold the building to a start-up business as part of an economic performance agreement. The business signed a note receivable in the amount of \$80,000. The note is due in monthly payments ranging from \$1,000 to \$2,000 and a final lump sum payment of \$22,000 due in December 2017. All monthly payments on the note are paid to the IDA and remitted to the City as they are collected. The outstanding balance on this note was \$58,000 at June 30, 2016. Future maturities for the fiscal years ended June 30: 2017 - \$20,500 and 2018 - \$37,500.

Notes Receivable

Two promissory notes were issued by the City in February 2007 to construct/renovate an old school (Douglas) into housing. The notes are for \$350,000 and \$150,000, respectively. Both notes have an interest rate of 4.00% and have a 31-year term. Accrued interest was \$160,000 as of June 30, 2016. 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. However, if certain criteria are met, the note is forgiven over 5 years, therefore the balance is recorded as deferred revenue.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 26,640,606	-	498,815	17,187	26,158,978
Construction in Progress	10,738,313	7,411,070	-	1,407,862	19,557,245
Total Capital Assets, Not Depreciated	37,378,919	7,411,070	498,815	1,425,049	45,716,223
Capital Assets, Being Depreciated					
Buildings and Improvements	15,504,130	2,675,621	-	(240,000)	17,939,751
Land Development Costs	480,000	-	-	-	480,000
Machinery and Equipment	11,819,236	1,024,435	588,856	-	12,254,815
Library Assets	7,018,774	59,331	-	-	7,078,105
Public Domain Infrastructure	89,168,620	-	-	-	89,168,620
Total Capital Assets, Being Depreciated	123,990,760	3,759,387	588,856	(240,000)	126,921,291
Less Accumulated Depreciation For					
Buildings and Improvements	7,816,234	347,299	-	(81,600)	8,081,933
Land Development Costs	345,600	19,200	-	-	364,800
Machinery and Equipment	7,687,642	823,382	527,585	-	7,983,439
Library Assets	2,297,436	146,544	-	-	2,443,980
Public Domain Infrastructure	63,565,216	1,076,246	-	-	64,641,462
Total Accumulated Depreciation	81,712,128	2,412,671	527,585	(81,600)	83,515,614
Total Capital Assets, Being Depreciated, Net	42,278,632	1,346,716	61,271	(158,400)	43,405,677
Governmental Activities Capital Assets, Net	\$ 79,657,551	8,757,786	560,086	1,266,649	89,121,900

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Primary Government (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Depreciated				
Land	\$ 802,062	-	-	802,062
Total Capital Assets, Not Depreciated	<u>802,062</u>	<u>0</u>	<u>0</u>	<u>802,062</u>
Capital Assets, Being Depreciated				
Land Development Costs	35,410,806	46,162	-	35,456,968
Infrastructure	29,792	-	-	29,792
Plant in Service	1,317,317	-	-	1,317,317
Machinery and Equipment	5,629,684	224,178	-	5,853,862
Total Capital Assets, Being Depreciated	<u>42,387,599</u>	<u>270,340</u>	<u>0</u>	<u>42,657,939</u>
Less Accumulated Depreciation For				
Land Development Costs	14,543,017	1,027,546	-	15,570,563
Infrastructure	19,837	409	-	20,246
Plant in Service	550,473	33,846	-	584,319
Machinery and Equipment	4,073,942	279,599	-	4,353,541
Total Accumulated Depreciation	<u>19,187,269</u>	<u>1,341,400</u>	<u>0</u>	<u>20,528,669</u>
Total Capital Assets, Being Depreciated, Net	<u>23,200,330</u>	<u>(1,071,060)</u>	<u>0</u>	<u>22,129,270</u>
Business-Type Activities Capital Assets, Net	<u>\$ 24,002,392</u>	<u>(1,071,060)</u>	<u>0</u>	<u>22,931,332</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Primary Government (Continued)

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

Governmental Activities	
General Government	\$ 44,157
Judicial Administration	123,182
Public Safety	585,151
Public Works	1,237,464
Health and Welfare	31,416
Education	9,600
Parks, Recreation, and Cultural	343,428
Community Development	7,970
Transit	30,303
Total Depreciation Expense, Governmental Activities	<u><u>\$ 2,412,671</u></u>

At June 30, 2016, the City had uncompleted construction contracts with remaining commitments related to the Exit 5 project, Exit 7 construction, and Lee Highway widening.

Discretely Presented Component Units

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

Industrial Development Authority

<u>Industrial Development Authority</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers/ Adjustments</u>	<u>Ending Balance</u>
Capital Assets, Not Depreciated					
Land	\$ 2,359,961	-	924,734	(17,187)	1,418,040
Construction in Progress	<u>14,431,868</u>	<u>526,939</u>	<u>-</u>	<u>-</u>	<u>14,958,807</u>
IDA Capital Assets, Not Depreciated	<u><u>\$ 16,791,829</u></u>	<u><u>526,939</u></u>	<u><u>924,734</u></u>	<u><u>(17,187)</u></u>	<u><u>16,376,847</u></u>

The IDA transferred construction in progress to the City related the Exit 5 project.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Discretely Presented Component Units (Continued)

School Board

School Board	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 273,242	-	-	-	273,242
Total Capital Assets, Not Depreciated	273,242	0	0	0	273,242
Capital Assets, Being Depreciated					
Buildings and Improvements	33,326,965	64,734	-	240,000	33,631,699
Furniture and Fixtures	10,424,251	1,026,929	(408,111)	21,338	11,064,407
Transportation Equipment	2,255,197	146,563	(335,839)	-	2,065,921
Total Capital Assets, Being Depreciated	46,006,413	1,238,226	(743,950)	261,338	46,762,027
Less Accumulated Depreciation For					
Buildings and Improvements	(14,503,515)	(745,952)	-	(81,600)	(15,331,067)
Furniture and Fixtures	(7,357,942)	(846,252)	400,442	(247)	(7,803,999)
Transportation Equipment	(1,822,302)	(141,789)	335,839	-	(1,628,252)
Total Accumulated Depreciation	(23,683,759)	(1,733,993)	736,281	(81,847)	(24,763,318)
Total Capital Assets, Being Depreciated, Net	22,322,654	(495,767)	(7,669)	179,491	21,998,709
School Board Capital Assets, Net	\$ 22,595,896	(495,767)	(7,669)	179,491	22,271,951

The capital assets for the School Board also include the capital assets of its component unit, the Foundation, in the amount of \$4,974,471, net of accumulated depreciation of \$623,531.

School capital assets and related debt incurred by the City on behalf of the School Board have been reported with the City for financial statement purposes as required by the *Code of Virginia*. The table below shows the assets with related debt that are included in the above City governmental activities capital assets and have been netted out of the School Board capital assets.

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings and Improvements	\$ 720,000	-	(240,000)	480,000
Accumulated Depreciation	(244,800)	(9,600)	81,600	(172,800)
	\$ 475,200	(9,600)	(158,400)	307,200

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Discretely Presented Component Units (Continued)

BVU Authority

BVU Authority	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 1,568,878	-	(26,491)	-	1,542,387
Construction in progress	5,713,115	6,044,996	(9,239,156)	-	2,518,955
Total Capital Assets, Not Depreciated	7,281,993	6,044,996	(9,265,647)	0	4,061,342
Capital Assets, Being Depreciated					
Distribution System	51,483,011	1,365,963	(256,088)	-	52,592,886
General Plant	51,221,331	1,225,914	(6,770)	181,778	52,622,253
Fiber	125,836,508	7,063,615	(460,426)	(329,065)	132,110,632
Buildings	14,468,462	887,347	(20,000)	-	15,335,809
Equipment, Furniture and Fixtures	7,215,535	865,429	(1,602)	21,191	8,100,553
Transportation Equipment	5,393,996	1,087,696	(754,948)	-	5,726,744
CPC Buildings, Equipment, and Fiber	10,519,716	-	-	-	10,519,716
Total Capital Assets, Being Depreciated	266,138,559	12,495,964	(1,499,834)	(126,096)	277,008,593
Less Accumulated Depreciation For					
Distribution System	(24,754,028)	(1,565,396)	236,442	-	(26,082,982)
General Plant	(29,721,283)	(1,260,436)	49,180	-	(30,932,539)
Fiber	(45,928,023)	(8,156,134)	231,319	340,233	(53,512,605)
Buildings	(2,999,955)	(434,804)	6,626	-	(3,428,133)
Equipment, Furniture and Fixtures	(4,896,564)	(541,937)	-	-	(5,438,501)
Transportation Equipment	(3,003,037)	(642,890)	586,812	54,926	(3,004,189)
CPC Buildings, Equipment, and Fiber	(2,709,072)	(494,916)	-	-	(3,203,988)
Total Accumulated Depreciation	(114,011,962)	(13,096,513)	1,110,379	395,159	(125,602,937)
Total Capital Assets, Being Depreciated, Net	152,126,597	(600,549)	(389,455)	269,063	151,405,656
BVU Authority Capital Assets, Net	\$ 159,408,590	5,444,447	(9,655,102)	269,063	155,466,998

BVU Authority received contributions in aid of construction of \$685,624 for fiscal year 2016. This amount is reported as a reduction in costs of the related assets.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers

Activities 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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Further, certain activity occurs during the fiscal year involving transfers of resources between funds. In the financial statements these amounts are reported as transfers in/out. The general fund recorded a transfer of \$22,605,369 during the fiscal year ended June 30, 2016 to the solid waste disposal fund. Of the total transfer, \$22,159,717 was the amount payable by the solid waste disposal fund to the general fund that was determined to be uncollectible.

E. Due To/From Component Units and Other Governmental Units

Amounts due between the primary government and discretely presented component units are as follows:

Receivable Entity	Payable Entity	Amount
Primary Government - General Fund	Industrial Development Authority	\$ 58,000
Industrial Development Authority	Primary Government - General Fund	115,319
Primary Government - General Fund	BVU Authority	135,521
Primary Government - Solid Waste Disposal Fund	BVU Authority	101,688

The due to primary government for the School Board includes advances of \$327,644 that are due from the Foundation to the School Board at December 31, 2015.

The City receives tax equivalent payments related to electric system property from BVU which are determined by an agreement between the entities. The amount for the fiscal year ended June 30, 2016 was \$350,000. In addition, based on the BVU Authority Transition agreement, BVU will pay the City an in-lieu of tax payment related to non-electric division property of \$100,000 per year for ten years. The entire amount was paid by BVU in fiscal year 2011; therefore, \$100,000 was recognized in the current year and the remaining \$400,000 is considered unearned revenue as of June 30, 2016 as disclosed in Note IV.B. The City also receives an in-lieu of tax payment related to BVU OptiNet property. The amount was \$96,213 for the fiscal year ended June 30, 2016. The total revenue from BVU recorded in the statement of revenues, expenditures, and changes in fund balances for the fiscal year ended June 30, 2016 was \$546,213.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Due To/From Component Units and Other Governmental Units (Continued)

Amounts due from other governmental units are as follows:

	Governmental Activities	Component Units	
		School Board	BVU Authority
Commonwealth of Virginia			
State Sales Tax	\$ 472,532	-	-
Welfare Grants	135,925	-	-
Comprehensive Service Grants	393,888	-	-
Categorical Aid Shared Expenses	250,269	-	-
VDOT Reimbursement	1,521,888	-	-
School Grants	-	717,283	-
Other	113,700	-	-
Federal Government			
School Grants	-	433,156	-
Welfare Grants	176,781	-	-
Other Grant Funds	133,141	-	-
Other	5,693	-	-
Other			
Bristol, Tennessee (Joint Sewerage System)	-	-	2,239,400
Other	176,181	-	179,523
Total Due from Other Governmental Units	<u>\$ 3,379,998</u>	<u>1,150,439</u>	<u>2,418,923</u>

F. Leases

City as Lessor

The City owns the School Board's Central Office and receives \$187,500 annually in lease income.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

Capital Leases

As of June 30, 2016, the City has the following capital leases:

	Interest Rates	Issue Date	Final Maturity Date	Original Lease	Governmental Activities	Business- Type Activities
Governmental						
Fire Trucks	4.60%	09-07	01-18	\$ 1,400,899	\$ 337,997	-
Golf Carts	3.50%	07-12	07-16	267,490	5,964	-
Mower	1.80%	08-12	08-16	22,746	501	-
Vac Truck	1.99%	05-14	05-18	344,906	135,590	-
Police Vehicles	3.98%	11-13	07-18	151,502	93,093	-
Small Wheel Loader	3.20%	06-13	06-18	121,015	56,855	-
Voting Machines	5.03%	07-14	08-19	67,510	47,176	-
Public Safety and Other Vehicles	1.69%	11-14	06-19	447,151	270,903	-
Toro Mower	6.75%	10-14	10-17	9,500	4,436	-
Fire Truck	3.65%	08-15	06-25	340,000	309,796	-
Vehicles	2.76%	08-15	06-20	403,767	326,115	-
Energy Project	3.17%	06-15	07-30	2,663,317	2,663,307	-
Solid Waste						
Garbage Truck	1.89%	02-14	02-19	228,124	-	124,343
Garbage Truck	3.24%	01-12	01-17	122,755	-	13,191
Brush Truck	2.76%	08-15	06-20	136,896	-	110,569
Energy Project	3.17%	06-15	07-30	76,467	-	76,467
					<u>\$ 4,251,733</u>	<u>324,570</u>

The primary government includes assets recorded under capital lease with a cost of \$6,113,481 and accumulated amortization of \$1,174,825. The business-type activities includes assets recorded under capital lease obligations with a cost of \$564,262 and accumulated amortization of \$110,136. Amortization expense is included in depreciation expense.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

Fiscal Year Ended June 30	Governmental Activities	Business-Type Activities
2017	\$ 800,108	97,505
2018	778,908	84,756
2019	513,872	68,827
2020	370,779	37,751
2021	269,562	8,933
2022-2026	1,305,431	32,464
2027-2031	1,131,891	31,680
Total Minimum Lease Payments	5,170,551	361,916
Less: Interest	(918,818)	(37,346)
Present Value of Payments	<u>\$ 4,251,733</u>	<u>324,570</u>

Operating Leases

The City has operating leases for three pieces of equipment in the Solid Waste Disposal Fund. Future minimum lease payments as of June 30, 2016 are as follows:

Fiscal Year Ended June 30	Business-Type Activities
2017	\$ 151,547
2018	60,016
	<u>\$ 211,563</u>

Discretely Presented Component Unit - BVU Authority

OptiNet leases network fiber optic cable to others. The leases are non-cancelable operating leases with terms of ten to thirty years. The lease terms required the entire lease amount to be paid on acceptance of the fiber. The total lease amount received is approximately \$1,639,530 as of June 30, 2016.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the primary government:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 21,121,950	-	(187,500)	20,934,450	187,500
Bond Premiums	377,403	-	(60,954)	316,449	-
Tax Anticipation Note	-	2,400,000	(2,400,000)	-	-
Bond Anticipation Notes	48,050,000	47,530,000	(48,050,000)	47,530,000	-
Literary Fund Loans	720,000	-	(240,000)	480,000	240,000
Capital Lease Obligations	1,411,911	3,407,070	(567,248)	4,251,733	647,918
Total Bonds and Leases Payable	71,681,264	53,337,070	(51,505,702)	73,512,632	1,075,418
Other Post-Employment Benefits	966,900	272,300	(129,800)	1,109,400	-
Net Pension Liability	18,055,586	1,607,784	-	19,663,370	-
Compensated Absences	1,715,068	816,409	(902,584)	1,628,893	857,232
Governmental Activities, Long-Term Liabilities	\$ 92,418,818	56,033,563	(52,538,086)	95,914,295	1,932,650
Business-Type Activities					
General Obligation Bonds	\$ 32,178,050	-	(175,000)	32,003,050	190,000
Bond Premiums	605,724	-	(106,952)	498,772	-
Capital Lease Obligations	234,067	213,363	(122,860)	324,570	89,510
Total Bonds and Leases Payable	33,017,841	213,363	(404,812)	32,826,392	279,510
Landfill Closure Liability	6,627,354	64,695	-	6,692,049	-
Net Pension Liability	1,394,577	123,801	-	1,518,378	-
Compensated Absences	141,516	93,029	(83,716)	150,829	89,225
Business-Type Activities, Long-Term Liabilities	\$ 41,181,288	494,888	(488,528)	41,187,648	368,735

Changes in the deferred loss on refunding for the fiscal year ended June 30, 2016 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities	\$ (740,921)	-	112,643	(628,278)
Business-Type Activities	(1,013,952)	-	177,593	(836,359)
Total Primary Government	\$ (1,754,873)	0	290,236	(1,464,637)

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (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.

Series 2015B and Series 2015C Taxable General Obligation Refunding Notes

Taxable General Obligation Refunding Note, Series 2015B was issued by the City in the amount of \$30,000,000 on August 5, 2015 with an interest rate of 3.52%. The Taxable General Obligation Refunding Note, Series 2015C was issued by the City on August 27, 2015 in the amount of \$10,030,000 with an interest rate of 3.00% and \$7,500,000 with an interest rate of 3.67%. These bonds were used to refund Series 2012A, B and C Bond Anticipation Notes in the amount of \$25,000,000, Series 2013 Bond Anticipation Note of \$10,000,000, Series 2014A and B Bond Anticipation Notes of \$11,000,000, and Series 2015A Bond Anticipation Note of \$2,050,000. The notes were issued for development of the Exit 5 project and to finance the costs of issuance. Interest only will be paid on the bonds beginning in fiscal year 2016 until the principal payment is due for Series 2015B in September 2020 and for Series 2015C in October 2020 and October 2022, respectively.

Defeasance of Debt

The City defeased certain general obligation bonds by placing the proceeds in an irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2016, \$7,890,000 of bonds are considered defeased. The deferred costs are being amortized over the life of the new bonds as a component of interest expense.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

The annual requirements to amortize long-term debt and related interest are as follows:

Fiscal Year Ended June 30	Governmental Activities			
	General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2017	\$ 187,500	867,748	240,000	10,800
2018	249,500	866,043	240,000	3,600
2019	562,500	856,513	-	-
2020	1,487,150	819,853	-	-
2021	1,562,700	760,634	-	-
2022-2026	8,378,650	2,917,374	-	-
2027-2031	3,490,250	1,456,764	-	-
2032-2036	1,751,250	1,059,655	-	-
2037-2041	2,220,200	591,291	-	-
2042-2043	1,044,750	77,177	-	-
	<u>\$ 20,934,450</u>	<u>10,273,052</u>	<u>480,000</u>	<u>14,400</u>

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Bond Anticipation Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ -	1,632,200	190,000	1,542,852
2018	-	1,632,200	138,000	1,536,088
2019	-	1,632,200	85,000	1,531,230
2020	-	1,632,200	2,240,350	1,479,890
2021	40,030,000	953,650	2,379,800	1,377,385
2022-2026	7,500,000	412,650	13,493,850	4,915,832
2027-2031	-	-	4,787,250	2,504,716
2032-2036	-	-	3,033,750	1,835,328
2037-2041	-	-	3,844,800	1,024,192
2042-2043	-	-	1,810,250	133,741
	<u>\$ 47,530,000</u>	<u>7,895,100</u>	<u>32,003,050</u>	<u>17,881,254</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

General Obligation Bonds	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Governmental Activities	Business-Type Activities
Public Improvement 2006B Series	3.50 - 5.00%	12-06	07-26	\$ 3,675,000	\$ 2,095,000	-
Taxable Re-Structuring 2007A Series	5.00-5.50	10-07	07-17	3,245,000	62,000	138,000
Public Improvement 2007B Series	4.00-4.25	10-07	07-26	4,055,000	4,055,000	-
Taxable General Obligation 2007C Series	5.653	10-07	07-23	12,050,000	1,491,000	9,159,000
Gen Obligation Refunding Bonds 2010 Series	2.00-3.00	11-10	07-21	1,015,000	-	415,000
Gen Obligation Refunding Bonds 2010 Series	2.00-5.00	11-10	07-26	15,175,000	3,382,500	10,222,500
2011 Qualified School Construction Bond	4.50	06-11	06-27	3,000,000	2,062,500	-
Public Improvement 2012C Non-AMT Series	2.82-4.83	10-12	10-24	3,965,000	1,630,000	-
Public Improvement 2012C AMT Series	2.27-3.75	10-12	10-22	2,550,000	-	1,405,000
Gen Obligation Refunding Bonds 2014 Series	4.68-4.88	05-14	01-43	16,820,000	6,156,450	10,663,550
					<u>\$ 20,934,450</u>	<u>32,003,050</u>
Other Long-Term Debt						
Literary Fund Loans - VA Middle School	3.00%	09-97	09-17	\$ 4,800,000	<u>\$ 480,000</u>	<u>-</u>
Bond Anticipation Note 2015B Series	2.71	08-15	09-16	\$ 30,000,000	\$ 30,000,000	-
Bond Anticipation Note 2015C Series	3.00 - 3.67	08-15	10-22	17,530,000	<u>17,530,000</u>	<u>-</u>
					<u>\$ 47,530,000</u>	<u>0</u>

At June 30, 2016, 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.

Component Unit - IDA

The following is a summary of changes in long-term liabilities for the IDA:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented Component Unit - IDA Revenue Bonds	<u>\$ 33,855,000</u>	<u>-</u>	<u>-</u>	<u>33,855,000</u>	<u>-</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Component Unit - School Board

The following is a summary of changes in long-term liabilities for the School Board:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented					
Component Unit - School Board					
Compensated Absences	\$ 372,443	112,829	(121,517)	363,755	60,838
Other Post-Employment Benefits	242,500	246,000	(208,100)	280,400	-
Net Pension Liability	20,843,473	-	(31,099)	20,812,374	-
Foundation Pledge Payable	562,500	-	(187,500)	375,000	187,500
Energy Performance Lease	3,182,463	-	(183,951)	2,998,512	189,225
School Board, Long-Term Liabilities	<u>\$ 25,203,379</u>	<u>358,829</u>	<u>(732,167)</u>	<u>24,830,041</u>	<u>437,563</u>

Component Unit - BVU

Changes in long-term liabilities for BVU for the fiscal year ended June 30, 2016 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented					
Component Unit - BVU Authority					
Revenue and Refunding Bonds	\$ 39,610,000	-	(1,375,000)	38,235,000	1,445,000
Bond Premiums	2,173,275	-	(118,006)	2,055,269	-
VRA Loans	1,917,210	-	(110,503)	1,806,707	114,067
SERCAP Loan	214,826	-	(214,826)	-	-
Retirement Benefits Payable	3,659	-	(3,659)	-	-
Other Post-Employment Benefits	1,529,700	342,300	(88,800)	1,783,200	-
Compensated Absences	1,623,945	690,339	(821,057)	1,493,227	764,734
BVU, Long-Term Liabilities	<u>\$ 47,072,615</u>	<u>1,032,639</u>	<u>(2,731,851)</u>	<u>45,373,403</u>	<u>2,323,801</u>

Changes in the deferred loss on refunding for the fiscal year ended June 30, 2016 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Discretely Presented				
Component Unit - BVU	<u>\$ (5,446,994)</u>	<u>-</u>	<u>363,133</u>	<u>(5,083,861)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. 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 \$2,330,837 as of June 30, 2016, which is based on 55.00% usage (filled) of the landfill. It is estimated that an additional \$1,907,048 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 \$4,158,771 as of June 30, 2016, which is based on 43.26% usage (filled) of the landfill. It is estimated that an additional \$5,454,662 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, 2016 are \$110,571 and \$91,870, respectively. It is estimated that an additional \$294,302 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 (\$14,348,061) 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, 2016. 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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Landfill Closure and Post-Closure Care Costs (Continued)

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.

I. Net Position

The solid waste disposal fund has an accumulated deficit in net position of (\$17,561,883). The City is currently funding the operating losses out of the general fund; however, it continues to monitor the operations of the landfill and is exploring opportunities to produce operating surpluses in future fiscal years to reduce the deficit.

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

NOTE V - OTHER INFORMATION

A. Other Post-Employment Health Care Benefits (OPEB)

Plan Description

The City, including the School Board, and BVU administer single-employer defined benefit healthcare plans (the Plan). The plans provide healthcare insurance for eligible retirees and their spouses through the City's and BVU's group health insurance plans, which cover both active and retired members. Retirees are allowed to continue on health and dental insurance until they reach the age of 65. If the retiree has their spouse covered on the insurance plan, the insurance continues until the spouse reaches the age of 65. The policy rate goes from employee/spouse rates to a single member rate once one of the individuals reaches the age of 65.

A retired employee, who is participating in the employer's medical program is eligible to elect post-employment coverage if: (a) eligible for immediate retirement benefits under the Virginia Retirement System (VRS) (age 50 with 10 years of total service), or (b) permanently, totally disabled and injured in the line of duty and is eligible for immediate disability retirement benefits under VRS.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

A. Other Post-Employment Health Care Benefits (OPEB) (Continued)

Plan Description (Continued)

For the City and School Board, the medical coverage for retirees is as follows:

- Under 25 years of service-retiree pays 100% of employee premium
- 25-29 years of service-retiree receives \$100 monthly credit toward employee premium
- 30-34 years of service-retiree receives \$200 monthly credit toward employee premium
- 35+ years of service-retiree receives \$300 monthly credit toward employee premium
- For all spouses, the retiree pays 100% of the employee's spousal premium.

For BVU, if the retiree has completed 30 years of service, BVU pays the entire health insurance premium. If the retiree has less than 20 years of service, they must pay the entire health insurance premium. If years of service are between 20 and 30 years, BVU pays a portion of insurance based on years of service. The amount paid by BVU is 3.00% per year of service. All retirees pay 100% of dental insurance premium.

Funding Policy

The contribution requirements of plan members and the City and School Board are based on pay-as-you-go financing requirements with the risk shared equally among the participants. BVU contributes the net claims paid during the fiscal year.

Annual OPEB Cost and Net OPEB Obligation

The City's and BVU's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each fiscal year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the City's OPEB obligation.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

A. Other Post-Employment Health Care Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

	City	School Board	Total
Annual Required Contribution (ARC)	\$ 272,800	246,200	519,000
Interest on Net OPEB Pension Obligation (NPO)	41,100	10,300	51,400
Adjustment to Annual Required Contribution	(41,600)	(10,500)	(52,100)
Annual OPEB Cost (Expense)	272,300	246,000	518,300
Contributions Made	(129,800)	(208,100)	(337,900)
Increase (Decrease) in Net OPEB	142,500	37,900	180,400
Net OPEB Obligation - Beginning of Fiscal Year	966,900	242,500	1,209,400
Net OPEB Obligation - End of Fiscal Year	<u>\$ 1,109,400</u>	<u>280,400</u>	<u>1,389,800</u>

The following table shows the components of BVU's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in BVU's OPEB obligation.

	BVU
Annual Required Contribution (ARC)	\$ 343,100
Interest on Net OPEB Pension Obligation (NPO)	65,000
Adjustment to Annual Required Contribution	(65,800)
Annual OPEB Cost (Expense)	342,300
Contributions Made	(88,800)
Increase (Decrease) in Net OPEB	253,500
Net OPEB Obligation - Beginning of Fiscal Year	1,529,700
Net OPEB Obligation - End of Fiscal Year	<u>\$ 1,783,200</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

A. Other Post-Employment Health Care Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

For the City and School Board, the annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year and each of the two preceding fiscal years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 518,300	65.2%	\$ 1,389,800
June 30, 2015	503,300	53.9%	1,209,400
June 30, 2014	520,000	68.2%	977,400

For BVU, the annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year and each of the two preceding fiscal years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 342,300	25.9%	\$ 1,783,200
June 30, 2015	329,000	32.1%	1,529,700
June 30, 2014	369,000	33.3%	1,306,300

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the Plan was not funded. For the City, the actuarial accrued liability for benefits was \$6,780,300. The covered payroll was \$26,312,500, and the ratio of the UAAL to the covered payroll was 25.77%. For BVU, the actuarial accrued liability for benefits was \$4,141,100. The covered payroll was \$7,453,700, and the ratio of the UAAL to the covered payroll was 55.56%.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

A. Other Post-Employment Health Care Benefits (OPEB) (Continued)

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into 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 analysis of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The entry age normal cost method is used to determine the plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year.

Under these methods, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts.

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Liabilities and costs shown are net of any retiree contributions.

In the July 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.25% investment rate of return and medical and dental trend rate of 8.00% for pre-Medicare coverage, decreasing at a rate of 0.50% per fiscal year until an ultimate rate of 5.00% is reached. The UAAL is being amortized as a level percentage over 30 years.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan

Plan Description

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

The System administers three different benefit structures for covered employees in both the standard VRS Retirement Plan and the Teachers Retirement Plan – 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:

VRS PLAN 1	VRS 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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

		• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
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.	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.	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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.	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. 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 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 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 will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund.	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 will be paying the full 5% by 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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

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.		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.
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 Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

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 Contribution 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.
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CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

		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. 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 See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1. <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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

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 Defined Benefit Component: 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. Defined Contribution Component: Not applicable.
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 Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

		<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. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

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%. Eligibility: 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. Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:	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%. Eligibility: Same as Plan 1. Exceptions to COLA Effective Dates: 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. Eligibility: Same as Plan 1 and Plan 2. Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.
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CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

• 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.		
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CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

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 Plan 2 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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	323
Inactive members:	
Vested inactive members	51
Non-vested inactive members	128
Inactive members active elsewhere in VRS	<u>188</u>
Total inactive members	367
Active members	348
Total Covered Employees	<u><u>1,038</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. 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 5.00% 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 fiscal year ended June 30, 2016 was 14.34% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the City was 17.92%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$1,867,754 and \$1,857,208 for the fiscal years ended June 30, 2016 and June 30, 2015, respectively.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Net Pension Liability

The City's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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, 2014, 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, 2015.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.

Mortality rates: 14.00% 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 were set back 2 years.

Post-Retirement:

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

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 were 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, 2014 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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

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, 2014, 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, 2015.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.

Mortality rates: 60.00% of deaths are assumed to be service related.

Largest 10 –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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

All Others (Non 10 Largest) – 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, 2014 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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. 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:

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. 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's 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.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2014	\$ 106,620,669	87,170,506	19,450,163
Changes for the Fiscal Year:			
Service Cost	1,752,429	-	1,752,429
Interest	7,228,114	-	7,228,114
Difference Between Expected and Actual Experience	(779,382)	-	(779,382)
Contributions - Employer	-	1,962,653	(1,962,653)
Contributions - Employees	-	683,785	(683,785)
Net Investment Income	-	3,880,297	(3,880,297)
Benefit Payments, Including Refunds of Employee Contributions	(6,723,799)	(6,723,799)	-
Administrative Expense	-	(56,348)	56,348
Other Changes	-	(811)	811
Net Changes	1,477,362	(254,223)	1,731,585
Balance at June 30, 2015	\$ 108,098,031	86,916,283	21,181,748

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Sensitivity 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.

	<u>(6.00%)</u>	<u>Rate (7.00%)</u>	<u>(8.00%)</u>
City's Net Pension Liability	\$ 34,291,714	\$ 21,181,748	\$ 10,215,682

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

For the year ended June 30, 2016, the City recognized pension expense of \$1,183,931. At June 30, 2016, 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	\$ -	507,820
Net difference between projected and actual earnings on pension plan investments	1,662,334	4,070,207
Employer contributions subsequent to the measurement date	1,867,754	-
Total	<u>\$ 3,530,088</u>	<u>4,578,027</u>

\$1,867,754 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 year ended June 30, 2017. 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:

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

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

<u>Year ended June 30</u>	
2017	\$ (1,212,759)
2018	(1,177,455)
2019	(941,199)
2020	415,720
2021	0
Thereafter	0

Payables to the Pension Plan

At June 30, 2016, the City reported a payable of \$182,105 for the June 2016 contributions to the pension plan required for the fiscal year ended June 30, 2016.

C. Deferred Compensation Plan

The City has a deferred compensation plan in accordance with Section 457(b) of the Internal Revenue Code. The funds are owned by the employees of the City and cannot be used to satisfy any claims of the creditors of the City.

D. Service Contracts

In September 2006, BVU entered into an agreement with the Tennessee Valley Authority for the purchase of wholesale power for distribution. This contract began on January 1, 2008 and will end December 31, 2027. For the fiscal year ended June 30, 2016, \$38,583,259 was expensed under this contract.

E. Risk Management

Workman's Compensation

Workman's Compensation Insurance is provided through the Virginia Municipal Self-Insurance Association for the City. Benefits are those afforded through the Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates and claims experience.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

E. Risk Management (Continued)

General Liability and Other

The City provides general liability, machinery, property and other insurance through policies with the Virginia Municipal Liability Pool. General and business automobile liability has a \$2,000,000 aggregate limit. Machinery coverage and property insurance are covered as per statement of values. Police professional liability and public officials' liability with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia.

Healthcare

Healthcare Insurance coverage is provided to the City's employees through a policy with Local Choice/Anthem, which is a Commonwealth of Virginia pooled plan. Partial premiums are withheld from the employee's earnings and remaining premiums are paid by the City. Retired employees and dependents of employees of the City are also covered by the program provided they pay a premium to the provider.

There were no significant reductions in insurance coverage from the prior fiscal year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

F. Jointly-Owned Wastewater Facility

In 1979, the City of Bristol, Virginia and the City of Bristol, Tennessee entered into a contract for operation of a jointly-owned wastewater facility. The City of Bristol, Virginia's ownership interest in the facility moved to BVU upon its creation. The two are joint equitable owners in the facility, with ownership percentages determined by usage. Usage is determined by a cost-sharing formula included in the contract. The share of future principal payments is determined annually to reflect usage of the facility by each of the two cities during the fiscal year. BVU's share of debt applicable to the facility at June 30, 2016 was approximately 45.00%. The plant's operating expenses are allocated between the two cities based on usage.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

F. Jointly-Owned Wastewater Facility (Continued)

Audits of the facility are performed each fiscal year. At that time, amounts due to or from each are determined based on the annual expenses allocated to each and the contributions made by each.

BVU's portion of the Joint Sewerage System is included in the statement of net position as follows:

Due from other governmental units:

Contributions in Excess of Allocated Capital Outlays	\$ 1,941,742
Due from Joint Sewerage System	<u>297,658</u>
	<u><u>\$ 2,239,400</u></u>

Due from Joint Sewerage System consisted of the following:

Contributions to Joint Wastewater	\$ 1,734,968
Other Income	<u>4,568</u>
Total Contributions and Other Income	<u>1,739,536</u>
Expenditures - BVU's portion	<u>(1,441,878)</u>
	<u><u>\$ 297,658</u></u>

Capital assets of the Joint Sewerage System reported in the Wastewater Fund are as follows:

Land	\$ 181,015
Construction in Progress	184,304
Equipment, Treatment, and Composting Plant	15,296,033
Accumulated Depreciation	<u>(10,328,197)</u>
Net Capital Assets	<u><u>\$ 5,333,155</u></u>

G. Revenue Sharing Agreement

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 were approximately \$107,217.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

H. Commitments and Contingencies

Special Purpose Grants

Special purpose grants are subject to audit to determine compliance with their requirements. City officials believe that if any refunds are required, they will be immaterial.

Litigation and Regulatory Issues

Various claims and lawsuits are pending against the City. In the opinion of City management, after consulting with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

The City also had unresolved Certificate of Takes as of June 30, 2016 related to condemnation actions for the widening of Lee Highway at Exit 5. Three of these were finalized in October 2016 resulting in payment of \$230,007 by the City. There are two others that are unresolved and in the opinion of legal counsel, may result in exposure not to exceed \$500,000 for each. The City will be entitled to reimbursement of 50% of the amount by Virginia Department of Transportation.

I. Economic Dependency

The City receives a substantial amount of its revenue and support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the City's programs and activities.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE V - OTHER INFORMATION (CONTINUED)

J. Subsequent Events

In July 2016, the City entered into a capital lease for 65 golf carts in the amount of \$208,000 at an interest rate of 2.44%. Another lease was also entered into in July 2016 for various vehicles in the amount of \$397,500.

In September 2016, the City approved issuance of General Obligation Bonds, Series 2016A and Series 2016B in the amount of \$3,000,000 each. The Series 2016A bond was approved for various capital improvements. The Series 2016B bond was approved for development of The Falls project.

K. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* were early implemented for the year ended June 30, 2016. GASB Statement No. 82 modified the definition of covered employee payroll to be the payroll on which contributions to a pension plan are based. As a result of implementing the provisions of GASB Statement No. 82, the City presented the employer's covered payroll as the total pensionable payroll for employees covered under the pension plan. There was no effect on the financial statements.

CITY OF BRISTOL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 1,752,429	1,813,180
Interest	7,228,114	7,054,477
Changes in Benefit Terms	-	-
Changes of Assumptions	-	-
Differences between Expected and Actual Experience	(779,382)	-
Benefit Payments, including Refunds of Employee Contributions	(6,723,799)	(6,050,450)
Net Change in Total Pension Liability	<u>1,477,362</u>	<u>2,817,207</u>
Total Pension Liability - Beginning	<u>106,620,669</u>	<u>103,803,462</u>
Total Pension Liability - Ending (a)	<u><u>\$ 108,098,031</u></u>	<u><u>106,620,669</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 1,962,653	1,643,046
Contributions - Employee	683,785	719,822
Net Investment Income	3,880,297	12,164,744
Benefit Payments, including Refunds of Employee Contributions	(6,723,799)	(6,050,450)
Administrative Expense	(56,348)	(68,025)
Other	(811)	642
Net Change in Plan Fiduciary Net Position	<u>(254,223)</u>	<u>8,409,779</u>
Plan Fiduciary Net Position - Beginning	<u>87,170,506</u>	<u>78,760,727</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 86,916,283</u></u>	<u><u>87,170,506</u></u>
 City's Net Pension Liability - Ending (a) - (b)	<u><u>\$ 21,181,748</u></u>	<u><u>19,450,163</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.41%	81.76%
 Covered Payroll	\$ 13,567,578	13,081,444
 City's Net Pension Liability as a Percentage of Covered Payroll	156.12%	148.69%

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2015 through 2016

<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2016	\$ 1,867,754	\$ 1,867,754	\$ -	\$ 14,363,620	13.00%
2015	1,857,208	1,857,208	-	13,567,578	13.69%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future years until 10 years of information is available.

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

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 was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are 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

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
June 30, 2016

City and School Board

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 6,780,300	\$ 6,780,300	0.00%	\$26,312,500	25.77%
July 1, 2012	-	7,035,600	7,035,600	0.00%	27,115,600	25.95%
July 1, 2010	-	5,692,600	5,692,600	0.00%	25,883,600	21.99%

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Program Title	Pass-Through Identifying Number	Pass-Through Grantor (Commonwealth of Virginia)	Pass-Through to Subrecipients	Federal CFDA Number	Federal Expenditures
<u>Department of Agriculture</u>					
State Administrative Matching Grant for Food Stamp Program	{1}	Department of Social Services	\$ -	10.561	\$ 329,275
<u>Department of Health and Human Services</u>					
Family Preservation and Support	{1}	Department of Social Services	-	93.556	17,368
Temporary Assistance to Needy Families	{1}	Department of Social Services	-	93.558	390,974
Refugee and Entrant Assistance - State Administered Programs	{1}	Department of Social Services	-	93.566	366
Low-Income Home Energy Assistance	{1}	Department of Social Services	-	93.568	37,515
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	{1}	Department of Social Services	-	93.596	50,824
Chafee Education and Training Vouchers Program	{1}	Department of Social Services	-	93.599	2,254
Child Welfare Services - State Grants	{1}	Department of Social Services	-	93.645	1,725
Foster Care - Title IV-E	{1}	Department of Social Services	-	93.658	585,867
Adoption Assistance	{1}	Department of Social Services	-	93.659	354,046
Social Services Block Grant	{1}	Department of Social Services	-	93.667	230,871
Independent Living	{1}	Department of Social Services	-	93.674	10,337
State Children's Insurance Program	{1}	Department of Social Services	-	93.767	13,407
Medical Assistance Program	{1}	Department of Social Services	-	93.778	411,716
Other Social Services	{1}	Department of Social Services	-	93.999	16,958
Veritas Drug Court Treatment Enhancement	1H79T1025048-01	Depart. of Criminal Justice Services	-	93.243	199,052
<u>Department of Housing and Urban Development</u>					
Community Development Block Grant - Entitlement Grants	N/A	N/A	67,513	14.218	167,952
<u>Department of Homeland Security</u>					
Emergency Management Performance Grants	6886	Depart. of Emergency Management	-	97.042	15,500
2015 State Homeland Security Program Grant	15VA-HSGP-0443	Depart. of Emergency Management	-	97.067	13,117
2015 State Homeland Security Program Grant	15VA-HSGP-0465	Depart. of Emergency Management	-	97.067	5,778
<u>Department of Justice</u>					
Violence Against Women Formula Grants	16-U9215VA15	Depart. of Criminal Justice Services	-	16.588	32,657
Cops Hiring Program (COPS)	2015-UM-WX-0117	Depart. of Criminal Justice Services	-	16.710	50,660
Byrne Justice Assistance Grant	16-G1213LO15	Depart. of Criminal Justice Services	-	16.738	4,561
<u>Department of Transportation</u>					
Transit Operating Assistance Grant	VA90X513	Department of Transportation	-	20.507	157,190
Selective Enforcement - Alcohol	154AL-2016-56368-6568	Department of Transportation	-	20.607	65,012
Highway Planning and Construction	99380	Department of Transportation	-	20.205	3,937,650
Metro Planning Organization	{1}	City of Bristol, Tennessee	-	20.505	35,971
Metro Planning Organization	106029/107695	Department of Transportation	-	20.505	22,832
Total Federal Award Expenditures			<u>\$ 67,513</u>		<u>\$ 7,161,435</u>

{1} - Not available

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Bristol, Virginia under programs of the federal government for the fiscal year ended June 30, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

B. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 - PROGRAM INCOME

In accordance with terms of the Community Development Block Grant Program, program income was used to reduce the amount of federal funds used in conjunction with the program's objective.

See Independent Auditors' Report.

SECTION III
STATISTICAL SECTION
(UNAUDITED)

Statistical Section

(unaudited)

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

	Page
<u>Financial Trends</u>	112
These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time.	
<u>Revenue Capacity</u>	118
These schedules contain information to help the reader assess the City's most significant local revenue sources.	
<u>Debt Capacity</u>	123
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<u>Demographic and Economic Information</u>	126
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<u>Operating Information</u>	128
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Table 1

CITY OF BRISTOL, VIRGINIA
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities										
Net Investment in Capital Assets	\$ 16,237,546	\$ 8,717,208	\$ 30,780,027	\$ 27,983,924	\$ 33,995,609	\$ 30,777,836	\$ 29,401,065	\$ 29,915,337	\$ 23,694,648	\$ 28,512,940
Restricted	990,054	2,376,424	1,149,693	2,029,871	779,252	955,441	1,614,580	2,073,182	2,842,539	-
Unrestricted	(14,148,599)	5,746,269	21,040,925	24,072,734	24,745,959	26,663,740	22,824,118	23,274,681	26,693,206	22,233,712
Total Governmental Activities Net Position	\$ 3,079,001	\$ 16,839,901	\$ 52,970,645	\$ 54,086,529	\$ 59,520,820	\$ 58,397,017	\$ 53,839,763	\$ 55,263,200	\$ 53,230,393	\$ 50,746,652
Business-Type Activities										
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 512,547	\$ 60,044,625	\$ 54,845,271	\$ 51,272,867	\$ 42,606,561
Restricted	-	-	-	-	-	9,316	9,316	10,322	17,176	14,814
Unrestricted	(17,561,883)	(38,527,008)	(36,310,290)	(33,867,453)	(31,308,522)	(33,531,585)	538,771	(806,746)	(855,858)	97,397
Total Business-Type Activities Net Position	\$ (17,561,883)	\$ (38,527,008)	\$ (36,310,290)	\$ (33,867,453)	\$ (31,308,522)	\$ (33,009,722)	\$ 60,592,712	\$ 54,048,847	\$ 50,434,185	\$ 42,718,772
Primary Government										
Net Investment in Capital Assets	\$ 16,237,546	\$ 8,717,208	\$ 30,780,027	\$ 27,983,924	\$ 33,995,609	\$ 31,290,383	\$ 89,445,690	\$ 84,760,608	\$ 74,967,515	\$ 71,119,501
Restricted	990,054	2,376,424	1,149,693	2,029,871	779,252	964,757	1,623,896	2,083,504	2,859,715	14,814
Unrestricted	(31,710,482)	(32,780,739)	(15,269,365)	(9,794,719)	(6,562,563)	(6,867,845)	23,362,889	22,467,935	25,837,348	22,331,109
Total Primary Government Net Position	\$ (14,482,882)	\$ (21,687,107)	\$ 16,660,355	\$ 20,219,076	\$ 28,212,298	\$ 25,387,295	\$ 114,432,475	\$ 109,312,047	\$ 103,664,578	\$ 93,465,424

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.

As of July 1, 2011, the Clear Creek Golf Course fund was transferred to the General fund.

See Independent Auditors' Report.

Table 2

**CITY OF BRISTOL, VIRGINIA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
EXPENSES										
Governmental Activities										
General Government	\$ 3,808,184	\$ 3,577,188	\$ 3,644,857	\$ 3,863,132	\$ 2,738,642	\$ 2,700,711	\$ 2,978,720	\$ 2,661,457	\$ 2,802,250	\$ 3,054,842
Judicial Administration	1,542,808	1,416,373	1,403,143	1,446,663	1,315,755	1,597,660	1,509,552	1,296,392	1,157,293	1,143,616
Public Safety	13,950,011	13,353,824	13,658,662	13,303,468	13,108,290	12,555,922	12,357,339	12,896,808	12,319,196	12,203,912
Public Works	6,491,735	5,735,516	6,078,768	5,825,721	5,645,111	4,951,172	6,659,981	6,353,187	6,462,708	5,920,702
Health and Welfare	7,398,856	6,985,092	6,340,817	6,188,984	5,997,666	5,625,680	5,495,954	5,645,470	6,229,012	5,202,426
Education	9,839,236	9,495,178	9,468,882	9,370,182	8,937,192	8,548,977	9,265,259	9,307,322	8,996,957	8,338,635
Parks, Recreation, and Cultural	3,354,408	3,241,612	3,817,264	3,933,370	3,798,309	2,784,258	2,835,079	2,882,840	2,813,305	2,717,968
Community Development	2,766,734	5,533,853	5,182,711	2,791,217	2,378,139	4,609,396	2,867,133	1,692,851	1,474,618	2,593,211
Transit	397,012	415,780	506,937	474,911	545,380	555,189	552,312	552,299	534,060	502,415
Interest on Long-Term Debt	2,602,511	2,273,656	1,406,389	1,495,132	1,092,274	1,049,255	925,339	1,156,243	939,447	873,403
Total Governmental Activities Expenses	<u>\$ 52,151,495</u>	<u>\$ 52,028,072</u>	<u>\$ 51,508,430</u>	<u>\$ 48,692,780</u>	<u>\$ 45,556,758</u>	<u>\$ 44,978,220</u>	<u>\$ 45,446,668</u>	<u>\$ 44,444,869</u>	<u>\$ 43,728,846</u>	<u>\$ 42,551,130</u>
Business-Type Activities										
Electric	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,136,810	\$ 51,968,590	\$ 43,059,795	\$ 37,947,763
Water	-	-	-	-	-	-	3,167,214	3,021,749	2,752,272	2,696,045
Wastewater	-	-	-	-	-	-	3,198,095	3,123,505	2,993,874	3,075,293
OptiNet	-	-	-	-	-	-	17,622,508	16,476,305	14,227,775	11,806,290
Solid Waste Disposal	6,147,043	5,888,523	6,201,423	6,799,466	6,853,393	7,117,767	7,252,392	7,020,171	6,718,162	7,199,284
Golf Course	-	-	-	-	-	1,019,440	1,093,885	1,117,334	1,129,135	1,186,216
Total Business-type Activities Expenses	<u>\$ 6,147,043</u>	<u>\$ 5,888,523</u>	<u>\$ 6,201,423</u>	<u>\$ 6,799,466</u>	<u>\$ 6,853,393</u>	<u>\$ 8,137,207</u>	<u>\$ 80,470,904</u>	<u>\$ 82,727,654</u>	<u>\$ 70,881,013</u>	<u>\$ 63,910,891</u>
Total Primary Government Expenses	<u>\$ 58,298,538</u>	<u>\$ 57,916,595</u>	<u>\$ 57,709,853</u>	<u>\$ 55,492,246</u>	<u>\$ 52,410,151</u>	<u>\$ 53,115,427</u>	<u>\$ 125,917,572</u>	<u>\$ 127,172,523</u>	<u>\$ 114,609,859</u>	<u>\$ 106,462,021</u>
PROGRAM REVENUES										
Governmental Activities										
Charges for Services										
General Government	\$ 134,641	\$ 187,115	\$ 393,855	\$ 477,548	\$ 273,817	\$ 280,751	\$ 316,195	\$ 277,958	\$ 257,859	\$ 261,452
Judicial Administration	266,659	292,519	316,409	341,793	348,572	332,140	279,718	230,806	250,633	214,632
Public Safety	158,929	206,871	118,852	138,616	128,420	183,343	174,210	274,435	473,704	708,593
Public Works	21,564	6,481	724	4,751	1,137	1,647	2,861	547	882,538	733,494
Parks, Recreation, and Cultural	834,989	752,324	832,374	895,803	998,571	101,527	97,233	91,769	98,123	103,223
Other Activities	69,234	56,943	32,640	46,345	44,620	39,865	34,769	39,318	37,804	41,145
Operating Grants and Contributions	15,316,508	13,884,225	15,647,934	14,277,719	14,065,443	16,737,399	13,868,952	13,325,110	14,337,295	12,670,217
Capital Grants and Contributions	8,385,503	5,091,895	2,722,801	1,370,963	4,189,662	2,947,622	3,730,705	2,656,318	1,565,583	4,549,390
Total Governmental Activities Program Revenues	<u>25,188,027</u>	<u>20,478,373</u>	<u>20,065,589</u>	<u>17,553,538</u>	<u>20,050,242</u>	<u>20,624,294</u>	<u>18,504,643</u>	<u>16,896,261</u>	<u>17,903,539</u>	<u>19,282,146</u>

(Continued)

Table 2

CITY OF BRISTOL, VIRGINIA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Business-Type Activities										
Charges for Services										
Electric	-	-	-	-	-	-	50,543,639	54,844,870	46,489,221	39,857,424
Water	-	-	-	-	-	-	3,179,182	3,530,035	3,337,032	3,341,488
Wastewater	-	-	-	-	-	-	3,316,913	3,197,360	3,329,804	3,264,167
OptiNet	-	-	-	-	-	-	19,236,343	17,234,687	14,525,312	10,973,174
Solid Waste Disposal	4,506,392	4,259,669	3,877,782	4,838,203	5,558,996	5,351,757	4,900,792	4,755,432	4,311,968	4,254,511
Golf Course	-	-	-	-	-	681,069	654,339	695,125	750,047	748,699
Capital Grants and Contributions	-	-	-	-	-	-	3,826,270	2,341,810	5,648,768	1,180,429
Total Business-Type Activities Program Revenues	<u>4,506,392</u>	<u>4,259,669</u>	<u>3,877,782</u>	<u>4,838,203</u>	<u>5,558,996</u>	<u>6,032,826</u>	<u>85,657,478</u>	<u>86,599,319</u>	<u>78,392,152</u>	<u>63,619,892</u>
Total Primary Government Program Revenues	<u>\$ 29,694,419</u>	<u>\$ 24,738,042</u>	<u>\$ 23,943,371</u>	<u>\$ 22,391,741</u>	<u>\$ 25,609,238</u>	<u>\$ 26,657,120</u>	<u>\$ 104,162,121</u>	<u>\$ 103,495,580</u>	<u>\$ 96,295,691</u>	<u>\$ 82,902,038</u>
NET (EXPENSE)/REVENUE										
Governmental Activities	\$ (26,963,468)	\$ (31,549,699)	\$ (31,442,841)	\$ (31,139,242)	\$ (25,506,516)	\$ (24,353,926)	\$ (26,942,025)	\$ (27,548,608)	\$ (25,825,307)	\$ (23,268,984)
Business-Type Activities	<u>(1,640,651)</u>	<u>(1,628,854)</u>	<u>(2,323,641)</u>	<u>(1,961,263)</u>	<u>(1,294,397)</u>	<u>(2,104,381)</u>	<u>5,186,574</u>	<u>3,871,665</u>	<u>7,511,139</u>	<u>(290,999)</u>
Total Primary Government Net (Expense)/Revenue	<u>\$ (28,604,119)</u>	<u>\$ (33,178,553)</u>	<u>\$ (33,766,482)</u>	<u>\$ (33,100,505)</u>	<u>\$ (26,800,913)</u>	<u>\$ (26,458,307)</u>	<u>\$ (21,755,451)</u>	<u>\$ (23,676,943)</u>	<u>\$ (18,314,168)</u>	<u>\$ (23,559,983)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental Activities										
Taxes										
Property Taxes	\$ 16,993,071	\$ 15,946,537	\$ 14,380,655	\$ 13,833,296	\$ 13,597,177	\$ 13,427,997	\$ 12,651,353	\$ 12,686,832	\$ 13,392,015	\$ 16,359,843
Other Taxes	13,863,419	13,264,747	12,316,335	12,427,340	12,419,037	11,722,627	11,448,949	11,613,383	12,046,825	11,690,941
Grants and Contributions Not Restricted	3,973,346	3,454,427	3,327,544	3,222,122	3,086,610	3,312,837	2,393,388	2,262,805	2,333,394	2,352,125
Investment Earnings	40,343	43,487	31,149	34,554	40,707	58,232	34,069	125,736	214,667	187,409
Gain (Loss) on Sale of Property	(515,679)	272,181	77,968	(84,010)	4,122	(99,480)	29,343	(2,343,748)	(27,853)	117,601
Other	28,388	14,641	193,306	9,474	414,997	-	-	-	-	-
Transfers	(22,605,369)	(986,243)	-	-	(2,932,331)	-	(1,352,839)	458,300	350,000	350,000
Special Item-Conveyance of Property	1,425,049	(14,869,201)	-	-	-	-	-	-	-	-
Total Governmental Activities	<u>13,202,568</u>	<u>17,140,576</u>	<u>30,326,957</u>	<u>29,442,776</u>	<u>26,630,319</u>	<u>28,422,213</u>	<u>25,204,263</u>	<u>24,803,308</u>	<u>28,309,048</u>	<u>31,057,919</u>
Business-Type Activities										
Investment Earnings	407	95	99	582	2,028	2,094	110,037	175,516	524,052	697,018
Gain (Loss) on Sale of Property	-	(11,123)	(5,102)	(8,725)	32,815	(19,154)	(105,585)	25,781	17,048	(1,692)
Other	-	462	-	-	28,423	-	-	-	-	-
Transfers	22,605,369	986,243	-	-	2,932,331	-	1,352,839	(458,300)	(350,000)	(350,000)
Total Business-Type Activities	<u>22,605,776</u>	<u>975,677</u>	<u>(5,003)</u>	<u>(8,143)</u>	<u>2,995,597</u>	<u>(17,060)</u>	<u>1,357,291</u>	<u>(257,003)</u>	<u>191,100</u>	<u>345,326</u>
Total Primary Government	<u>\$ 35,808,344</u>	<u>\$ 18,116,253</u>	<u>\$ 30,321,954</u>	<u>\$ 29,434,633</u>	<u>\$ 29,625,916</u>	<u>\$ 28,405,153</u>	<u>\$ 26,561,554</u>	<u>\$ 24,546,305</u>	<u>\$ 28,500,148</u>	<u>\$ 31,403,245</u>

(Continued)

Table 2

**CITY OF BRISTOL, VIRGINIA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
CHANGE IN NET POSITION										
Governmental Activities	\$ (13,760,900)	\$ (14,409,123)	\$ (1,115,884)	\$ (1,696,466)	\$ 1,123,803	\$ 4,068,287	\$ (1,737,762)	\$ (2,745,300)	\$ 2,483,741	\$ 7,788,935
Business-Type Activities	20,965,125	(653,177)	(2,328,644)	(1,969,406)	1,701,200	(2,121,441)	6,543,865	3,614,662	7,702,239	54,327
Total Primary Government	<u>\$ 7,204,225</u>	<u>\$ (15,062,300)</u>	<u>\$ (3,444,528)</u>	<u>\$ (3,665,872)</u>	<u>\$ 2,825,003</u>	<u>\$ 1,946,846</u>	<u>\$ 4,806,103</u>	<u>\$ 869,362</u>	<u>\$ 10,185,980</u>	<u>\$ 7,843,262</u>

Note:

The Change in Net Position is for current activities only. Prior Period Adjustments are not reflected.

As of July 1, 2011, the Clear Creek Golf Course fund was transferred to the General fund.

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.

See Independent Auditors' Report.

Table 3

CITY OF BRISTOL, VIRGINIA
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Nonspendable	\$ 521,732	\$ 22,642,183	\$ 22,661,237	\$ 19,835,179	\$ 18,228,985	\$ 20,641,868	\$ -	\$ -	\$ -	\$ -
Restricted	990,054	2,376,424	1,149,693	2,029,871	779,252	955,441	-	-	-	-
Assigned For	45,758	-	-	-	-	-	-	-	-	-
Unassigned	7,348,531	6,096,293	(277,620)	5,249,125	5,795,788	5,056,131	-	-	-	-
Reserved	-	-	-	-	-	-	20,656,132	19,727,559	17,445,721	11,292,989
Unreserved	-	-	-	-	-	-	3,130,749	4,714,935	8,715,759	7,938,332
Total General Fund	<u>\$ 8,906,075</u>	<u>\$ 31,114,900</u>	<u>\$ 23,533,310</u>	<u>\$ 27,114,175</u>	<u>\$ 24,804,025</u>	<u>\$ 26,653,440</u>	<u>\$ 23,786,881</u>	<u>\$ 24,442,494</u>	<u>\$ 26,161,480</u>	<u>\$ 19,231,321</u>
All Other Governmental Funds										
Assigned	\$ -	\$ -	\$ -	\$ -	\$ 8,356	\$ 17,157	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	(8,925)	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, Reported in:	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-	-	18,364	24,532	87,935	9,627
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,925)</u>	<u>\$ 8,356</u>	<u>\$ 17,157</u>	<u>\$ 18,364</u>	<u>\$ 24,532</u>	<u>\$ 87,935</u>	<u>\$ 9,627</u>

Note:

The presentation of fund balance was changed to conform with GASB 54 beginning with fiscal year 2011.

See Independent Auditors' Report.

Table 4

CITY OF BRISTOL, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
REVENUES										
Taxes	\$ 30,511,538	\$ 29,117,698	\$ 27,436,595	\$ 27,619,746	\$ 26,334,737	\$ 25,730,352	\$ 24,620,177	\$ 24,918,957	\$ 26,309,728	\$ 28,220,221
Permits, Privilege Fees, and Licenses	130,317	169,671	69,535	48,089	69,455	104,035	31,359	43,601	55,367	88,032
Fines and Forfeitures	144,190	169,313	196,285	212,516	228,566	222,367	175,137	134,421	148,419	146,528
Investment Earnings	156,278	265,960	540,803	542,803	329,232	351,582	360,088	409,244	536,400	523,313
Charges for Services	977,093	926,872	992,034	1,084,589	1,161,149	274,959	332,728	400,203	1,273,679	1,116,025
Other	2,675,056	2,913,288	1,413,866	2,052,718	1,596,172	1,674,254	972,769	388,716	595,798	627,169
Intergovernmental	25,160,120	19,537,095	18,753,918	16,259,174	19,132,860	20,691,719	18,532,759	16,829,007	17,071,694	16,971,145
Total Revenues	<u>\$ 59,754,592</u>	<u>\$ 53,099,897</u>	<u>\$ 49,403,036</u>	<u>\$ 47,819,635</u>	<u>\$ 48,852,171</u>	<u>\$ 49,049,268</u>	<u>\$ 45,025,017</u>	<u>\$ 43,124,149</u>	<u>\$ 45,991,085</u>	<u>\$ 47,692,433</u>
EXPENDITURES										
General Government	\$ 3,127,629	\$ 3,192,661	\$ 3,127,195	\$ 3,136,968	\$ 2,669,506	\$ 2,425,753	\$ 2,587,737	\$ 2,556,942	\$ 2,854,121	\$ 2,949,908
Judicial Administration	1,492,193	1,322,111	1,284,285	1,379,353	1,453,743	1,485,763	1,401,759	1,271,989	1,127,182	1,120,914
Public Safety	15,591,034	13,815,140	13,378,990	13,090,233	13,202,148	12,908,930	12,199,613	12,511,555	12,041,017	12,854,163
Public Works	7,218,312	4,920,842	5,191,466	4,965,547	4,750,566	4,267,752	4,136,424	4,033,008	4,193,526	3,866,181
Health and Welfare	7,400,902	6,953,676	6,359,553	6,198,340	6,016,795	5,635,487	5,507,342	5,623,301	6,222,774	5,201,697
Education	9,671,236	9,346,760	9,281,682	9,151,682	8,701,292	8,298,377	8,976,766	9,009,699	8,690,721	8,019,557
Parks, Recreation, and Cultural	3,580,190	3,170,823	3,544,177	3,616,612	3,458,881	2,504,239	2,514,823	2,849,361	2,484,434	2,420,945
Community Development	2,788,366	2,115,716	2,470,287	1,674,584	2,401,272	4,797,396	2,867,133	1,692,851	1,474,618	2,593,211
Transit	374,386	392,271	474,236	578,936	519,256	598,985	520,962	623,487	520,894	477,949
Capital Projects	7,709,278	6,820,042	19,906,730	23,797,731	5,901,666	2,259,068	2,024,195	3,343,054	1,183,154	2,915,828
Debt Service:										
Principal	50,877,500	7,138,750	15,404,710	10,828,820	4,470,405	6,876,400	7,354,194	1,282,171	5,436,521	3,959,810
Interest and Bond Issue Costs	2,936,887	2,126,011	2,127,968	1,699,310	1,007,191	923,095	979,386	983,772	731,396	756,711
Total Expenditures	<u>\$ 112,767,913</u>	<u>\$ 61,314,803</u>	<u>\$ 82,551,279</u>	<u>\$ 80,118,116</u>	<u>\$ 54,552,721</u>	<u>\$ 52,981,245</u>	<u>\$ 51,070,334</u>	<u>\$ 45,781,190</u>	<u>\$ 46,960,358</u>	<u>\$ 47,136,874</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (53,013,321)	\$ (8,214,906)	\$ (33,148,243)	\$ (32,298,481)	\$ (5,700,550)	\$ (3,931,977)	\$ (6,045,317)	\$ (2,657,041)	\$ (969,273)	\$ 555,559
OTHER FINANCING SOURCES (USES)										
Proceeds from Borrowing	\$ 49,930,000	\$ 14,750,000	\$ 28,756,450	\$ 34,115,513	\$ 6,146,486	\$ 6,270,473	\$ 6,630,569	\$ -	\$ 6,747,950	\$ 7,422,000
Sale of Capital Assets	44,407	1,493,937	130,139	55,112	20,791	16,421	105,806	65,630	78,891	2,151,267
Insurance Recoveries	28,388	14,641	193,306	9,474	671,165	21,468	-	-	-	-
Capital Lease	3,407,070	524,161	496,408	411,251	-	-	-	-	1,400,899	-
Transfers In	-	-	-	-	(2,996,108)	-	-	809,023	350,000	350,000
Transfers Out	(22,605,369)	(986,243)	-	-	-	-	(1,352,839)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 30,804,496</u>	<u>\$ 15,796,496</u>	<u>\$ 29,576,303</u>	<u>\$ 34,591,350</u>	<u>\$ 3,842,334</u>	<u>\$ 6,308,362</u>	<u>\$ 5,383,536</u>	<u>\$ 874,653</u>	<u>\$ 8,577,740</u>	<u>\$ 9,923,267</u>
Net Change in Fund Balances	<u>\$ (22,208,825)</u>	<u>\$ 7,581,590</u>	<u>\$ (3,571,940)</u>	<u>\$ 2,292,869</u>	<u>\$ (1,858,216)</u>	<u>\$ 2,376,385</u>	<u>\$ (661,781)</u>	<u>\$ (1,782,388)</u>	<u>\$ 7,608,467</u>	<u>\$ 10,478,826</u>
Debt Service as a Percentage of Noncapital Expenditures	51.22%	17.00%	27.99%	22.24%	11.26%	15.38%	16.99%	5.34%	13.47%	10.67%

See Independent Auditors' Report.

Table 5

CITY OF BRISTOL, VIRGINIA
LOCAL TAX REVENUES BY SOURCE FOR GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year										% Change 2007-2016
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	
REVENUES											
General Property Taxes	\$ 16,648,119	\$ 15,852,951	\$ 15,120,260	\$ 15,192,406	\$ 13,915,700	\$ 14,007,725	\$ 13,171,228	\$ 13,305,574	\$ 14,262,903	\$ 16,529,280	0.72%
Restaurant Meal Taxes	5,624,278	5,749,073	5,226,248	5,349,403	5,055,094	4,830,690	4,641,053	4,827,397	4,749,634	4,241,370	32.61%
Local Sales & Use Taxes	4,048,832	3,651,226	3,661,560	3,690,245	3,968,672	3,626,112	3,607,230	3,654,218	4,055,614	4,003,013	1.14%
Business License Taxes	1,423,571	1,178,435	1,203,627	1,158,940	1,300,348	1,123,574	1,077,817	1,122,829	1,192,924	1,174,680	21.19%
Lodging Taxes	1,186,427	1,099,052	992,389	1,011,142	926,754	914,244	936,836	930,582	919,496	815,264	45.53%
Bank Stock Taxes	384,303	450,157	489,100	446,719	408,863	514,730	465,464	352,064	342,595	278,170	38.15%
Motor Vehicle License Tax	237,286	278,234	247,584	255,625	245,591	226,898	236,155	237,869	227,755	13,425	1667.49%
Cigarette Taxes	426,930	346,317	149,521	154,988	170,956	176,058	187,063	170,830	153,216	134,976	216.30%
Consumer Utility Taxes	153,801	146,758	140,382	147,845	140,174	117,578	116,576	113,337	116,576	221,041	-30.42%
Taxes on Recordation & Wills	175,229	185,565	124,456	131,753	123,771	106,531	95,511	116,235	201,120	221,739	-20.98%
Admissions Tax ⁽¹⁾	127,527	99,969	-	-	-	-	-	-	-	-	100.00%
Electric Consumption Tax	75,235	79,959	81,467	80,679	78,815	86,213	85,474	88,020	87,895	88,159	-14.66%
Total Revenues	<u>\$ 30,511,538</u>	<u>\$ 29,117,696</u>	<u>\$ 27,436,594</u>	<u>\$ 27,619,745</u>	<u>\$ 26,334,738</u>	<u>\$ 25,730,353</u>	<u>\$ 24,620,407</u>	<u>\$ 24,918,955</u>	<u>\$ 26,309,728</u>	<u>\$ 27,721,117</u>	<u>10.07%</u>

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

See Independent Auditors' Report.

Table 6

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
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	1,055,329,250	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	17,495,045	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
2007	903,055,000	903,055,000	1.00	15,937,554	15,937,554	1.00

Fiscal Year Ended	Personal Property								
	Personal Property ^{(3) (4)}	Estimated Actual Value	Assessment Ratio	Machinery & Tools/ Business			Mobile		
				Furn & Fixtures	Estimated Actual Value	Assessment Ratio	Homes	Estimated Actual Value	Assessment Ratio
2016	\$ 92,816,997	\$ 92,816,997	1.00	\$ 28,454,655	\$ 94,848,850	0.30	\$ 1,550,826	\$ 1,550,826	1.00
2015	26,968,568	89,895,227	0.30	29,368,709	97,895,697	0.30	1,505,142	1,505,142	1.00
2014	27,434,272	91,447,573	0.30	26,420,298	88,067,660	0.30	1,495,279	1,495,279	1.00
2013	26,901,534	89,671,780	0.30	28,792,186	95,973,953	0.30	1,534,142	1,534,142	1.00
2012	25,058,921	83,529,737	0.30	25,145,091	83,816,970	0.30	1,458,625	1,458,625	1.00
2011	24,357,820	81,192,733	0.30	26,158,706	87,195,687	0.30	1,468,048	1,468,048	1.00
2010	21,432,377	71,441,257	0.30	25,980,636	86,602,120	0.30	1,377,046	1,377,046	1.00
2009	25,118,747	83,729,157	0.30	26,077,432	86,924,773	0.30	1,279,636	1,279,636	1.00
2008	24,786,435	82,621,450	0.30	26,472,034	88,240,113	0.30	991,762	991,762	1.00
2007	24,609,871	82,032,903	0.30	31,199,795	103,999,317	0.30	1,031,866	1,031,866	1.00

(1) Assessed values are established by the State Corporation Commission

Note: Reassessments occur every four years

Source: Commissioner of Revenue

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
PROPERTY TAX RATES AND TAX LEVIES
Last Ten Fiscal Years

Fiscal Year Ended	Real Property		Public Service Corporation	
	Direct		Direct	
	Tax Rate (1)	Levy	Tax Rate (1)	Levy
2016	1.12	\$ 11,809,738	1.12	\$ 214,388
2015	1.07	10,988,079	1.07	200,969
2014	1.01	10,402,111	1.01	185,983
2013	0.99	10,408,457	0.99	188,358
2012	0.94	9,770,098	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
2007	1.05	9,482,078	1.05	167,344

Fiscal Year Ended	Personal Property					
	Personal Property		Machine & Tools/Business Furniture & Fixtures		Mobile Homes	
	Direct Tax Rate (1)	Levy (2) (3)	Direct Tax Rate (1)	Levy	Direct Tax Rate (1)	Levy
2016	2.10	\$ 1,513,689	1.80	\$ 1,991,826	1.12	\$ 11,557
2015	2.10	1,479,346	2.10	2,055,810	1.07	10,612
2014	2.10	1,487,305	2.10	1,849,420	1.01	13,308
2013	2.10	1,465,915	2.10	2,015,452	0.99	13,633
2012	2.10	1,369,345	2.10	1,760,157	0.94	13,800
2011	2.10	1,342,997	2.10	1,831,109	0.94	13,711
2010	2.10	1,168,043	2.10	1,818,644	0.94	14,421
2009	2.10	1,304,138	2.10	1,825,420	1.05	15,700
2008	2.10	1,263,846	2.10	1,853,042	1.05	15,804
2007	2.10	1,050,082	2.10	1,871,988	1.05	16,284

(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.

Source: Commissioner of Revenue

See Independent Auditors' Report.

Table 8

CITY OF BRISTOL, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended	Total Tax Levy for	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Adjusted Levy		Amount	Percentage of Levy
2016	\$ 15,541,198	\$ 14,835,535	95.46%	\$ -	\$ 14,835,535	95.46%
2015	14,734,816	14,162,206	96.11%	297,466	14,459,672	98.13%
2014	13,938,127	13,327,390	95.62%	431,898	13,759,288	98.72%
2013	14,091,815	13,394,107	95.05%	576,547	13,970,654	99.14%
2012	13,077,853	12,301,612	94.06%	639,909	12,941,521	98.96%
2011	13,090,199	12,252,114	93.60%	695,426	12,947,540	98.91%
2010	12,853,715	12,044,688	93.71%	661,746	12,706,434	98.85%
2009	13,098,625	12,345,860	94.25%	568,760	12,914,620	98.60%
2008	12,926,146	12,344,254	95.50%	367,043	12,711,297	98.34%
2007	12,587,776	11,645,307	92.51%	755,446	12,400,753	98.51%

Note: Beginning fiscal year 2000, the Commonwealth of Virginia began directly reimbursing localities a percentage of certain personal property taxes. These reimbursements have been excluded from the above information.

See Independent Auditors' Report.

Table 9

CITY OF BRISTOL, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	Description	2016			2007		
		Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
One Alpha Place LLC	Office Building	\$ 17,547,000	1	1.7%	\$ -		0.0%
BACM 2006 5 Gate City Hwy LLC	Shopping Mall	16,871,900	2	1.6%	22,162,400	1	2.5%
Lowes Home Centers LLC	Retail	14,055,700	3	1.3%	-		0.0%
Cabela's Wholesale Inc.	Retail	12,347,900	4	1.2%	-		0.0%
Virginia Intermont College	College	11,603,500	5	1.1%	-		0.0%
D&J Virginia Real Estate LLC	Hotel	9,078,400	6	0.9%	16,798,700	2	1.9%
HD Development of MD	Retail	8,392,900	7	0.8%	8,255,800	3	0.9%
Debora Jean Limited	Movie Theater	7,287,900	8	0.7%	6,943,700	5	0.8%
BLC Bristol-GC LLC	Assisted Living	6,895,900	9	0.7%	-		0.0%
Apple Nine SPE Bristol	Hotel	6,502,700	10	0.6%	7,093,900	4	0.8%
Bristol Plaza	Shopping Center	-		0.0%	5,448,800	6	0.6%
Pacific Capital Group	Shopping Center	-		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 Center	-		0.0%	4,715,000	9	0.5%
Boise Cascade Office Products	Office Building	-		0.0%	4,587,600	10	0.5%
		<u>\$ 110,583,800</u>		<u>10.4%</u>	<u>\$ 86,268,800</u>		<u>9.6%</u>

Source: Commissioner of Revenue

See Independent Auditors' Report.

Table 10

CITY OF BRISTOL, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities			Total Primary Government	Percentage of Personal Income (3)	Per Capita (3)
	General Obligation Bonds (1)	Literary Loans	Capital Leases	General Obligation Bonds (1)	Revenue Bonds (1) (4)	Capital Leases			
2016	\$ 68,780,899	\$ 480,000	\$ 4,251,733	\$ 32,501,822	\$ -	\$ 324,570	\$ 106,339,024	14.79%	\$ 6,033
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
2007	16,153,622	2,703,820	-	2,601,893	48,950,000	155,545	70,564,880	11.74%	4,049

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.

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Real Property (2)	Per Capita (3)
	General Obligation Bonds (1)	Total		
2016	\$ 101,282,721	\$ 101,282,721	9.55%	\$ 5,747
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
2007	18,755,515	18,755,515	2.08%	1,076

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

(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 income and population data.

See Independent Auditors' Report.

Table 12

**CITY OF BRISTOL, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

		Fiscal Year									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Legal Debt Margin											
Debt Limit		\$ 107,947,859	\$ 107,947,859	\$ 105,071,548	\$ 105,301,369	\$ 107,435,535	\$ 106,002,870	\$ 103,750,125	\$ 93,236,650	\$ 91,845,920	\$ 87,476,830
Total Net Debt Applicable to Limit		104,212,721	102,070,000	94,647,500	81,145,000	57,607,500	56,339,584	57,830,000	59,952,387	62,287,820	59,894,556
Legal Debt Margin		<u>\$ 3,735,138</u>	<u>\$ 5,877,859</u>	<u>\$ 10,424,048</u>	<u>\$ 24,156,369</u>	<u>\$ 49,828,035</u>	<u>\$ 49,663,286</u>	<u>\$ 45,920,125</u>	<u>\$ 33,284,263</u>	<u>\$ 29,558,100</u>	<u>\$ 27,582,274</u>
Total net debt applicable to the limit as a percentage of debt limit		96.54%	94.55%	90.08%	77.06%	53.62%	53.15%	55.74%	64.30%	67.82%	68.47%
Legal Debt Margin Calculation for Fiscal Year 2016											
Assessed Value	Real Estate	\$ 1,060,336,824									
	PSC	<u>19,141,769</u>									
		\$ 1,079,478,593									
Debt Limit (10% of assessed value)		\$ 107,947,859									
Less Debt Applicable to Limit:											
General Obligation Bonds		\$ (101,282,721)									
Other Long-Term Obligations		<u>(2,930,000)</u>									
Legal Debt Margin		<u>\$ 3,735,138</u>									

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

See Independent Auditors' Report.

Table 13

**CITY OF BRISTOL, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Fiscal Year	Population ⁽¹⁾⁽²⁾	Personal Income	Per Capita Income ⁽³⁾	Median Age	Public School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2016	17,625 est	718,870,875 est	40,787 est	42.6 est	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%
2007	17,426	600,831,054	34,479	n/a	2,308	4.7%

(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 included preschool enrollment

(5) Source: Virginia Employment Commission

See Independent Auditors' Report.

Table 14

**CITY OF BRISTOL, VIRGINIA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

<u>EMPLOYER</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Principal Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Principal Employment</u>
Electro Mechanical Corp.	480	1	18.91%	400	4	9.94%
City of Bristol	381	2	15.01%	362	5	8.99%
Bristol, Virginia Schools System	348	3	13.71%	338	6	8.40%
Shearer's (formerly Moore's Snack Foods)	325	4	12.81%	150	12	3.73%
Strongwell Corp	261	5	10.28%	450	3	11.18%
Commonwealth of Virginia (VDOT)	243	6	9.57%	300	7	7.45%
United Parcel Service	207	7	8.16%	300	8	7.45%
Cabela's	160	8	6.30%			0.00%
Aerus (formerly Electrolux)	133	9	5.24%	125	13	3.11%
Office Max			0.00%	500	1	12.42%
Sprint PCS			0.00%	500	2	12.42%
Ball Corp (formerly Reynolds Metal)			0.00%	200	9	4.97%
US Solutions			0.00%	200	10	4.97%
Virginia Intermont College			0.00%	200	11	4.97%
	<u>2,538</u>		<u>100.00%</u>	<u>4,025</u>		<u>100.00%</u>

Source: Community Development & Planning

See Independent Auditors' Report.

Table 15

CITY OF BRISTOL, VIRGINIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>FUNCTION/PROGRAM</u>	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government	23	23	24	25	24	24	23	23	27	30
Judicial Government	17	16	15	15	17	16	16	16	15	31
Public Safety	173	167	169	173	173	171	172	173	172	161
Public Works	31	30	30	29	25	25	22	23	21	34
Solid Waste	26	29	28	31	34	33	41	45	46	41
Health and Welfare	42	43	44	42	41	41	39	39	41	41
Parks, Recreation, and Cultural	20	20	22	22	21	21	22	21	22	22
Clear Creek Golf Course	5	5	5	6	6	5	5	5	5	4
Library	29	23	21	22	24	21	22	24	27	22
Community Development	9	10	9	6	7	7	7	9	8	10
Transit	6	6	7	7	8	10	9	9	10	9
Water	-	-	-	-	-	-	6	6	6	6
Sewer	-	-	-	-	-	-	8	8	8	7
OptiNet	-	-	-	-	-	-	99	106	102	31
Electric	-	-	-	-	-	-	79	71	70	66
Total	381	372	374	378	380	374	570	578	580	515

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.

See Independent Auditors' Report.

Table 16

CITY OF BRISTOL, VIRGINIA
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>Judicial Administration</u>										
Sheriff										
Inmates Housed (Daily)	140	144	153	153	141	143	131	126	136	147
Inmate Transports	519	522	537	396	583	416	353	512	1,095	1,095
Courts Worked	609	598	651	641	583	625	661	628	615	584
<u>Public Safety</u>										
Police										
Criminal Warrants	2,419	2,276	2,666	2,393	2,631	2,409	3,126	2,978	2,954	2,852
Parking Violations	114	85	105	141	154	343	611	500	776	649
Traffic Violations	4,674	4,584	5,181	5,712	5,994	6,084	5,244	3,803	3,738	4,319
Fire-Current										
Fire Responses	95	88	118	129	157	169	173	183	183	174
EMS Responses	990	1,598	1,583	1,398	1,390	1,480	1,314	1,123	1,091	988
Hazmat Responses	42	50	60	62	67	83	79	97	112	79
Other Responses	555	786	847	945	901	798	803	907	776	741
<u>Public Works</u>										
Refuse Collected (tons per day)	28	28	27	28	29	31	32	33	33	33
Recyclables collected (tons per day)	10	11	13	13	7	11	13	10	8	13
<u>Library</u>										
Volumes in collection	162,271	165,534	164,175	169,175	169,312	178,331	165,858	164,494	159,547	144,558
Total Circulated	287,868	312,565	352,080	381,470	372,108	382,877	390,382	371,697	340,937	359,248

See Independent Auditors' Report.

Table 17

CITY OF BRISTOL, VIRGINIA
CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>Function/Program</u>	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>Public Safety</u>										
Law Enforcement Vehicles	67	64	66	63	70	69	76	73	79	80
Fire Stations	3	3	3	3	3	3	3	3	3	3
<u>Public Works</u>										
Primary Streets (lane miles)	49.67	50.64	50.64	50.64	50.64	50.64	50.64	50.64	48.80	49.00
Secondary Streets (lane miles)	207.43	210.49	210.49	210.49	210.49	210.49	208.55	208.23	208.23	208.00
<u>Parks, Recreation, and Cultural</u>										
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

See Independent Auditors' Report.

SECTION IV
INTERNAL CONTROL AND
COMPLIANCE SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Members of City Council
City of Bristol, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Bristol, Virginia (the City), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 a material weakness and significant deficiencies.

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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2007-001.

City of Bristol, Virginia
Independent Auditors' Report on
Internal Control over Financial Reporting
and on Compliance and Other Matters

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2016-001, 2016-002, and 2016-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 2016-001, 2016-002, and 2016-003.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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.

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

February 10, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Members of City Council
City of Bristol, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Bristol, Virginia's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the City of Bristol, Virginia School Board (the School Board), a discretely presented component unit, which received \$3,342,059 in federal awards which are not included in the schedule of expenditures of federal awards during the fiscal year ended June 30, 2016. Our audit, described below, did not include the operations of the School Board because a separate report was issued.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, 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's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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 fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

February 10, 2017

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

1. The auditors’ report expresses an unmodified opinion on the governmental activities, business-type activities, the aggregate discretely presented component units, and each major fund.
2. One material weakness and three significant deficiencies were disclosed during the audit of the financial statements.
3. Three instances of noncompliance material to the basic financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the audit.
5. The auditors’ report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs include:

Highway Planning and Construction	20.205
Veritas Drug Court Treatment Enhancement	93.243
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The City was determined to not be a low-risk auditee.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

2007-001 Material Weakness - Fund Deficit (Repeated from 6/30/07 report)

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.

Criteria: Proprietary funds are required to maintain a positive net position.

Effect: The Solid Waste Disposal Fund has received continuous advances and transfers from the General Fund to subsidize its activity.

Recommendation: Management and City Council have implemented some operational changes to the Solid Waste Disposal Fund over the last few fiscal years in order to see an increase in operational efficiency. Also, transfers have been budgeted and made from the General Fund during the last two fiscal years instead of continuing to increase the advances to the Solid Waste Disposal Fund which management determined would not be possible to repay and was adjusted to transfer of resources in the current fiscal year. In accordance with *Governmental Accounting Standards Board* 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 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.

2016-001 Significant Deficiency – Tax Exoneration Forms

Condition: While support is obtained and retained for tax exoneration, a form indicating approval is not completed and retained by the Commissioner of Revenue's office.

Criteria: The Code of Virginia, Section 58.1-3981 requires tax exoneration to be certified by the Commissioner of Revenue. From the Virginia Auditor of Public Account's *Specifications for Counties, Cities, and Towns* (APA Audit SPECS), "when property values are revised downward or when mistakes come to the commissioner of revenue's attention, the commissioner corrects his assessment books and completes an exoneration (abatement) form to correct the error. The commissioner forwards the approved exoneration form to the treasurer who writes off the taxes".

Effect: There is not documentation of proper approval of all tax exoneration adjustments.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (CONTINUED)

2016-001 Significant Deficiency – Tax Exoneration Forms (Continued)

Recommendation: A tax exoneration form should be completed, approved, and retained by the commissioner of revenue for all tax adjustments.

Management Response: In the past, a daily report of Exonerations has been generated by the Chief Deputy Commissioner and has been transmitted to the City Treasurer. In the future, there will be a daily report printed off by the Commissioner for each individual exoneration which shall be signed off by him or by his Chief Deputy and forwarded to the Treasurer on a daily basis.

2016-002 Significant Deficiency – Department of Social Services Program Access

Condition: For the Department of Social Services, there were several employees that had access to different computer applications in the system than what was indicated on their current access request form on file. Also, the access did not appear to be reviewed in the last year.

Criteria: The APA Audit SPECS states that “each local security officer should be annually reviewing all employees’ access to each application with employees’ supervisors to ensure that the access is properly aligned with job responsibilities” and this access should be reviewed within the last year.

Effect: Employees may have unauthorized access to computer applications.

Recommendation: The access request forms should be updated for each employee when any changes in access to computer applications are made and these forms should be reviewed annually for all employees to determine access is still properly aligned with employees’ job responsibilities.

Management Response: The Local Security Officer conducted an internal audit of all employees, comparing completed access forms to the access granted in each system. Missing, out of date or incorrect forms were updated following the chain of approval. The Administrative Services Manager conducted training with all supervisors on relevant access privilege approval and proper form completion. The Local Security Officer will conduct a review and report its completion to the Administrative Services Manager by June 1 each year to verify access privileges for each information system and every role based access system.

2016-003 Significant Deficiency – Department of Social Services Access Termination

Condition: For most employees that were terminated during the year at the Department of Social Services (DSS), the email documenting their termination of access privileges was not available since emails are only retained for a short period of time based on DSS policy.

Criteria: The APA Audit SPECS states that when a user leaves, their access privileges must be immediately removed from all systems they were authorized to use within three working days of employment termination.

**CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS (CONTINUED)

2016-003 Significant Deficiency – Department of Social Services Access Termination (Continued)

Effect: Documentation to support the termination of employees' access is not available.

Recommendation: The email or documentation of the termination of the employees' access should be saved and retained for audit evidence.

Management Response: In order to retain documentation of the termination of access upon an employee's separation, DSS has begun using the Employee Separation Checklist. The Checklist will be initiated by supervisors on the last day of employment and forwarded to the Local Security Officer. The Local Security Officer will complete the Checklist, revoke all access within 72 hours and print the confirmation. The completed Checklist and confirmation will be given to the Administrative Services Manager to be retained in the employee's personnel file.

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AUDIT

None Reported

SECTION IV - PRIOR FISCAL YEAR FINDINGS AND QUESTIONED COSTS IMPLEMENTED

None Reported