



CITY OF BRISTOL, VIRGINIA

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

CITY OF BRISTOL, VIRGINIA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014

CITY OF BRISTOL, VIRGINIA
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June 30, 2014

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SECTION I
INTRODUCTORY SECTION

**CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2014**

MEMBERS OF CITY COUNCIL

Mayor
Vice Mayor

Guy Odum
Catherine Brillhart
Jim Steele
Don Ashley
Ed Harlow

CITY OFFICIALS

City Manager
Assistant City Manager
City Clerk, Comptroller
City Treasurer
City Attorney
Commissioner of Revenue
Clerk of Circuit Court
City Sheriff
Commonwealth Attorney

Tabitha Crowder
Andrew Trivette
Steve Allen
Angel Harris
Pete Curcio
Terry Frye
Kelly Duffy
Jack Weisenburger
Jerry A. Wolfe

INDUSTRIAL DEVELOPMENT AUTHORITY BOARD

Chairman
Vice-Chairman

Douglas Weberling
John Sanslow
Dr. David Fletcher
Deborah Wagner
Harry Williams
Jim Clifton

**CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2014**

SCHOOL BOARD MEMBERS

Chair
Vice-Chair

Tyrone Foster
Beth Rhinehart
Randall J. White
Andy Alvis
Ronald Cameron

SCHOOL OFFICIALS

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

Dr. Mark Lineburg
Tammy M. Jones, CPA
Stephanie Austin

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, 2014, 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 and 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 of Bristol, Virginia as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and analyses of funding progress for defined benefit pension plan and other post-employment benefits on pages 6 through 14 and 88 through 89 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 of Bristol, Virginia's basic financial statements. The introductory section, Industrial Development Authority (IDA) discretely presented component unit statements, and other supplemental information 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

City of Bristol, Virginia
Independent Auditors' Report

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

The introductory and other supplemental information 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 November 26, 2014, on our consideration of the City of Bristol, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bristol, Virginia's internal control over financial reporting and compliance.

Blackburn, Childers & Steagall, PC
BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 26, 2014

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the 2014 fiscal year by \$16,774,548 (*net position*). Of this amount, \$21,040,925 of the Governmental Activities (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$3,444,528 during the current fiscal year. Of this amount \$1,115,884 is attributable to governmental activities and \$2,328,644 is from business-type activities.
- As of the close of the current fiscal year, the City's general fund had an ending fund balance of \$23,533,310.
- The City's total debt increased by \$13,175,509 during the current fiscal year. General Obligation Bonds (bonded debt) increased \$13,140,577. Other Debt which is comprised of capital lease obligations, long term loans, notes payables, and compensated absences increased \$34,932. During the fiscal year the City issued \$15,000,000 in Bond Anticipation Notes for the construction of "The Falls" project. It is anticipated that "The Falls" will be a development of regional impact.

Overview of the Financial Statements

This discussion and analysis is 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 in addition to the basic financial statements themselves.

Government-wide Financial Statements - *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.

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Overview of the Financial Statements (Continued)

Statement of Net Position - presents 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 the whether the financial position of the City is improving or deteriorating.

Statement of Activities - presents information showing how the government'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 in this statement for some items that will 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 are reported here, including general government, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, community development and transit. Property taxes, other local taxes, and federal and state grants finance most of these activities.
- **Business-type activities** - The City's Solid Waste Disposal enterprise is reported here as the City charges fees for services to customers.
- **Component Units** - The City includes three legally separate component units in this report, Bristol Virginia School Board (the School Board), BVU Authority (BVU), and the Industrial Development Authority. 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 BVU and IDA; as such, exclusion could cause the City's financial statements to be misleading. Complete financial statements for the School Board and BVU can be obtained from their Finance Departments. Financial information for the Industrial Development Authority is included in this report.

The government-wide financial statements can be found on pages 15 - 18 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 - Most of the City's basic services are included in governmental funds. Fund based financial statements focus on how resources flow into and out of those funds and the balances left at year-end that are available for future spending. 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.

**CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Overview of the Financial Statements (Continued)

Governmental Funds (Continued)

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, the general fund and the community development block grant fund (CDBG). Information for each fund is presented 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 fund. A budgetary comparison statement has been provided for the general fund and community development block grant fund.

The basic governmental fund financial statements and the budgetary comparison statements can be found on pages 19 - 26 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 uses an enterprise fund to account for its solid waste disposal fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste disposal fund, which is considered to be a major fund.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 - 87 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 88 - 89 of this report.

The statements referred to earlier in connection with the Industrial Development Authority, a discretely presented component unit, are presented immediately following the required supplementary information. These statements can be found on pages 90 - 91 of this report.

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Government-Wide Financial Analysis

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, total assets and deferred outflows of resources exceeded total liabilities by \$16,774,548 at the close of the most recent fiscal year.

By far the largest portion of the City's net position reflects its 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; consequently, 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, \$1,149,693 represents resources that are subject to external restrictions on how they may be used. These resources are comprised of Commonwealth Attorney Federal Sharing Revenue, unspent General Obligation Bond Money issued for "The Falls" project and funds from the Dental Fund. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors. The City's net position decreased by \$3,444,528 in the current fiscal year.

The City's Net Position
(in thousands 000's)

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and Other Assets	\$ 41,006	40,976	483	664	41,489	41,640
Capital Assets	77,627	93,982	25,883	24,875	103,510	118,857
Total Assets	<u>118,633</u>	<u>134,958</u>	<u>26,366</u>	<u>25,539</u>	<u>144,999</u>	<u>160,497</u>
Deferred Outflows of Resources	410	854	739	1,191	1,149	2,045
Long-Term Liabilities Outstanding	52,566	66,567	40,955	40,129	93,521	106,696
Other Liabilities	12,391	16,274	20,017	22,797	32,408	39,071
Total Liabilities	<u>64,957</u>	<u>82,841</u>	<u>60,972</u>	<u>62,926</u>	<u>125,929</u>	<u>145,767</u>
Net Position						
Net Investment in Capital Assets	27,984	30,780	-	-	27,984	30,780
Restricted	642	1,150	-	-	642	1,150
Unrestricted	25,460	21,041	(33,867)	(36,196)	(8,407)	(15,155)
Total Net Position	<u>\$ 54,086</u>	<u>52,971</u>	<u>(33,867)</u>	<u>(36,196)</u>	<u>20,219</u>	<u>16,775</u>

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Government-Wide Financial Analysis (Continued)

	The City's Changes in Net Position (in thousands 000's)					
	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues						
Program Revenue						
Charges for Services	\$ 1,905	1,695	4,838	3,878	6,743	5,573
Operating Grants and Contributions	14,278	15,648	-	-	14,278	15,648
Capital Grants and Contributions	1,371	2,723	-	-	1,371	2,723
General Revenues						
Property Taxes	13,833	14,381	-	-	13,833	14,381
Other Taxes	12,427	12,316	-	-	12,427	12,316
Grants and Contributions						
Not Restricted	3,222	3,327	-	-	3,222	3,327
Unrestricted Investment Earnings	35	31	1	-	36	31
Gain (Loss) on Sale of Property	(84)	78	(9)	(5)	(93)	73
Other	9	194	-	-	9	194
Total Revenues	<u>46,996</u>	<u>50,393</u>	<u>4,830</u>	<u>3,873</u>	<u>51,826</u>	<u>54,266</u>
Expenses						
General Government	3,863	3,645	-	-	3,863	3,645
Judicial Administration	1,447	1,403	-	-	1,447	1,403
Public Safety	13,304	13,658	-	-	13,304	13,658
Public Works	5,826	6,079	-	-	5,826	6,079
Health and Welfare	6,189	6,341	-	-	6,189	6,341
Education	9,370	9,469	-	-	9,370	9,469
Parks, Recreation, and Cultural	3,933	3,817	-	-	3,933	3,817
Community Development	2,791	5,183	-	-	2,791	5,183
Transit	475	507	-	-	475	507
Interest on Long-Term Debt	1,495	1,406	-	-	1,495	1,406
Solid Waste Disposal	-	-	6,799	6,202	6,799	6,202
Total Expenses	<u>48,693</u>	<u>51,508</u>	<u>6,799</u>	<u>6,202</u>	<u>55,492</u>	<u>57,710</u>
Change in Net Position	(1,697)	(1,115)	(1,969)	(2,329)	(3,666)	(3,444)
Net Position -- July 1, as Restated	<u>55,783</u>	<u>54,086</u>	<u>(31,898)</u>	<u>(33,867)</u>	<u>23,885</u>	<u>20,219</u>
Net Position -- June 30	<u>\$ 54,086</u>	<u>52,971</u>	<u>(33,867)</u>	<u>(36,196)</u>	<u>20,219</u>	<u>16,775</u>

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Government-Wide Financial Analysis (Continued)

Governmental Activities. Governmental activities decreased the City's net position by \$1,115,884 during the current fiscal year. Revenues from governmental activities totaled \$50,392,546. This was an increase of \$3,396,232 over last year. Operating Grants and Contributions (31%), Property taxes (29%), and Other Local Taxes (24%) were the major sources of revenues. The increase in revenues is mainly attributed to funding received from the Virginia Department of Transportation for the widening of Lee Highway at Exit 7 and pass-thru grants received from the Virginia Tobacco Commission.

Expenses for governmental activities totaled \$51,508,430. This is a \$2,815,650 increase over last year. Public safety (27%), education (18%), health and welfare (12%), public works (12%), community development (10%) comprise the major expenses for the City. The increase in expenses is attributed to costs associated with community development, public safety, and public works.

Business-type Activities. Net position of the business-type activities decreased an overall \$2,328,644 from the prior year. The following highlights the activities that impacted this net change:

- The Solid Waste Disposal fund operating revenues decreased \$960,421 over the previous year.
- The Solid Waste Disposal fund operating expenses decreased \$741,055 in comparison with the previous year.
- The Solid Waste Disposal fund non-operating expenses such as interest expense (\$1,479,268) and bond issue costs (\$345,025) contributed to an overall loss.

Program revenues for the business-type funds totaled \$3,877,782 of which 99% was Charges for Services. Expenses totaled \$6,201,423.

Component Units. The School Board's total net position decreased by \$474,224. This decrease is attributable to the decrease in current year funding in basically of all areas of revenue for this fiscal year, including the reduction of federal and state funding and reduction in food service revenues which have been attributed to new federal school lunch guidelines. BVU Authority increased its net position by \$5,561,281 in FY 14. Of this approximately, \$2,076,000 was from the Virginia Tobacco Commission and the U.S. Department of Commerce for fiber optic expansion in Southwest Virginia. As a result of the construction in progress at the "The Falls", the Industrial Development Authority net position increased by \$1,170,092.

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Financial Analysis of the Government's Funds

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 spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,533,310 a decrease of \$3,571,940 in comparison with the prior year. At year end the Governmental Fund did not have an *unassigned fund balance* because it was made up of *nonspendable, restricted or assigned balances*. These classifications indicate that the fund balance is not available for new spending because it primarily represents advances to other funds which are not expected to be collected in the near term.

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 \$(277,620), while total fund balance reached \$23,533,310. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 34% of total general fund expenditures.

The fund balance of the City's general fund decreased by \$3,580,865 during the current fiscal year. This decrease is primarily due to the under collection of Real Estate Taxes, Local Sales Taxes, and Restaurant/M meal Taxes. Also the accrual of project expenses for "The Falls" in the amount of \$2,441,970 resulted in a decrease to fund balance because the revenues were received in FY2015.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the proprietary fund, Solid Waste Disposal, amounted to (\$36,196,097). This was a decrease of \$2,328,644 as compared with a decrease of \$1,969,406 in fiscal year 2013. Overall the Solid Waste Disposal Fund had an operating loss of \$618,420. This was a result of the loss of several landfill customer contracts and a competitive market.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was approximately an increase of \$20,500,000 which can be briefly summarized as follows:

**CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

General Fund Budgetary Highlights (Continued)

- The budget was increased for an appropriation of an aggregate total of Tax Anticipation Notes in the amount of \$5,000,000. The appropriation was approved with the original budget ordinance but was not added until June 2014.
- The budget was increased for the issuance of General Obligation Bonds in the amount of \$15,000,000 to be used for the development of "The Falls" project.
- The budget was increased approximately \$340,000 for grants received from the Virginia Tobacco Commission that were pass thru monies for economic development.

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 \$6,300,000. This difference is attributed to the budgeting of several capital projects (Intergovernmental Funds) that did not get started in 2013-2014. Also as noted above the collection of Real Estate Taxes, Local Sales Taxes, and Restaurant/M meal Taxes was less than budgeted.
- Actual expenditures were more than budgeted expenditures by approximately \$8,000,000. The primary difference for actual expenses being more than budget is the inclusion of expenditures related to the refunding of multiple bonds that were not included in the budget. See Note III "Excess of Expenditures over Appropriations".
- Other financing sources were more than budgeted by approximately \$9,300,000. This difference is primarily attributable to the inclusion of financing sources related to the refunding of multiple bonds.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$118,856,595 (net of accumulated depreciation). This total is comprised of land, buildings, machinery and equipment, and infrastructure. The total increase in the City's capital assets for the current fiscal year was \$15,346,733 or 14.83%.

Major capital asset events during the current fiscal year included the following:

- Construction in Progress increased for site development for "The Falls" project in the amount of \$15,341,526.

Additional information on the City's capital assets can be found in Note IV on pages 47- 51 of this report.

**CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Capital Asset and Debt Administration (Continued)

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$106,696,440. Of this amount, \$94,838,532 (89%) comprises debt backed by the full faith and credit of the government.

- The City's total bonded debt increased by \$13,140,577. Other long-term debt which is comprised of debt not bonded, capital lease obligations, long-term loans, notes payables, and compensated absences increased \$34,932.
- The City maintains the states intercept rating of A1 from Moody's for general obligation debt. The underlying rating for the City is A3 from Moody's and A for Standard and Poor's.

Additional information on the City's long-term debt can be found in Note IV on pages 56 - 62 of this report.

Economic Factors Impacting Next Year's Budget

- Phase I of the "The Falls" Project will be completed in next year's budget along with the start of Phase II. The entire "Falls" project which consists of four phases has been determined to be a "Development of Regional Impact" (DRI) due to its ability to generate \$5 million in sales annually, attract 1 million visitors and the expectation to create 2,000 permanent jobs.
- Concerns of state funding and how it will impact local government.
- Employee costs including health care, retirement and compensation.
- The production and marketing of landfill methane gas at the Solid Waste Disposal Facility.

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 Comptroller's Office, City of Bristol, Virginia (276)645-7287.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	BVU Authority	Industrial Development Authority
ASSETS						
Cash and Cash Equivalents	\$ 2,000,041	187,765	2,187,806	1,937,983	18,418,083	4,186
Investments	-	-	-	482,650	-	-
Receivables, Net of Allowance	12,346,351	389,275	12,735,626	298,040	7,392,368	64,315
Notes Receivable	620,000	-	620,000	-	478,829	-
Other Receivables	-	-	-	-	400,547	-
Due from Component Units	-	87,504	87,504	-	-	-
Due from Primary Government	-	-	-	-	-	147,472
Due from Other Governments	2,174,808	-	2,174,808	1,048,249	2,613,333	-
Due from Others	-	-	-	37,920	-	-
Internal Balances	22,120,731	(22,120,731)	-	-	-	-
Prepays	-	-	-	-	935,793	-
Inventories	102,963	-	102,963	33,633	4,443,733	-
Residential Lots for Sale	437,543	-	437,543	-	-	-
Other Current Assets	-	-	-	-	42,824	-
Restricted Assets						
Cash and Cash Equivalents	1,174,017	-	1,174,017	428,617	1,441,146	-
Investments	-	-	-	266,078	1,557,293	-
Notes Receivable	-	-	-	-	514,094	-
Capital Assets, Net	93,981,924	24,874,671	118,856,595	22,735,415	152,597,343	1,771,087
TOTAL ASSETS	134,958,378	3,418,484	138,376,862	27,268,585	190,835,386	1,987,060
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Refunding, Net	853,564	1,191,545	2,045,109	-	5,810,127	-
LIABILITIES						
Accounts Payable and Accrued Liabilities	4,176,354	77,374	4,253,728	826,621	6,579,827	211,787
Accrued Payroll and Related Liabilities	691,944	50,339	742,283	1,574,585	241,202	-
Accrued Interest Payable	608,933	548,665	1,157,598	-	447,654	-
Due to Component Units	40,545	-	40,545	-	-	-
Due to Primary Government	-	-	-	409,861	112,213	-
Due to Other Governmental Units	-	-	-	-	1,317	-
Unearned Revenue	10,694,736	-	10,694,736	6,826	1,560,446	-
Potential Development Credits	-	-	-	-	37,000	-
Customer Deposits Payable	-	-	-	-	1,441,146	-
Assets Held in Agency Capacity	62,092	-	62,092	-	-	-
Long-Term Liabilities						
Due Within One Year	1,708,642	422,442	2,131,084	249,435	2,171,537	-
Due in More Than One Year	64,858,051	39,707,306	104,565,357	3,835,261	46,254,046	-
TOTAL LIABILITIES	82,841,297	40,806,126	123,647,423	6,902,589	58,846,388	211,787

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	BVU Authority	Industrial Development Authority
NET POSITION						
Net Investment in Capital Assets	30,780,027	-	30,780,027	15,255,071	112,939,156	-
Restricted For						
Commonwealth Attorney	590,963	-	590,963	-	-	-
Capital Projects	478,730	-	478,730	1,096,266	-	-
Dental Fund	80,000	-	80,000	-	-	-
Unrestricted	21,040,925	(36,196,097)	(15,155,172)	4,014,659	24,859,969	1,775,273
TOTAL NET POSITION	\$ 52,970,645	(36,196,097)	16,774,548	20,365,996	137,799,125	1,775,273

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION								
		PROGRAM REVENUES			Primary Government			Component Units		
Functions/Programs	Expenses	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	\$ 3,644,857	393,855	1,928,966	-	(1,322,036)	-	(1,322,036)	-	-	-
Judicial Administration	1,403,143	316,409	814,567	-	(272,167)	-	(272,167)	-	-	-
Public Safety	13,658,662	118,852	2,944,854	970,415	(9,624,541)	-	(9,624,541)	-	-	-
Public Works	6,078,768	724	4,254,945	1,699,823	(123,276)	-	(123,276)	-	-	-
Health and Welfare	6,340,817	-	4,739,053	-	(1,601,764)	-	(1,601,764)	-	-	-
Education	9,468,882	-	-	-	(9,468,882)	-	(9,468,882)	-	-	-
Parks, Recreation, and Cultural	3,817,264	832,374	2,676	42,563	(2,939,651)	-	(2,939,651)	-	-	-
Community Development	5,182,711	1,476	576,219	10,000	(4,595,016)	-	(4,595,016)	-	-	-
Transit	506,937	31,164	386,654	-	(89,119)	-	(89,119)	-	-	-
Interest on Long-Term Debt	1,406,389	-	-	-	(1,406,389)	-	(1,406,389)	-	-	-
Total Governmental Activities	51,508,430	1,694,854	15,647,934	2,722,801	(31,442,841)	0	(31,442,841)	0	0	0
Business-type Activities										
Solid Waste Disposal	6,201,423	3,877,782	-	-	-	(2,323,641)	(2,323,641)	-	-	-
Total Business-type Activities	6,201,423	3,877,782	0	0	0	(2,323,641)	(2,323,641)	0	0	0
Total Primary Government	\$ 57,709,853	5,572,636	15,647,934	2,722,801	(31,442,841)	(2,323,641)	(33,766,482)	0	0	0

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

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	\$ 27,287,910	583,340	10,211,471	138,872				(16,354,227)	-	-
BVU Authority	80,460,639	84,070,710	-	2,076,268				-	5,686,339	-
Industrial Development Authority	1,167,856	-	-	-				-	-	(1,167,856)
Total Component Units	<u>\$108,916,405</u>	<u>84,654,050</u>	<u>10,211,471</u>	<u>2,215,140</u>				<u>(16,354,227)</u>	<u>5,686,339</u>	<u>(1,167,856)</u>
General Revenues										
Property Taxes					14,380,655	-	14,380,655	-	-	-
Other Taxes					12,316,335	-	12,316,335	-	-	-
State Aid					-	-	-	6,297,882	-	-
Payments from Primary Government					-	-	-	9,381,000	-	2,085,698
Grants and Contributions Not Restricted to Specific Programs					3,327,544	-	3,327,544	-	-	-
Unrestricted Investment Earnings					31,149	99	31,248	47,755	86,004	152,250
Gain (Loss) on Sale of Property					77,968	(5,102)	72,866	17,019	34,065	-
Insurance Recoveries					193,306	-	193,306	-	-	-
Other					-	-	-	136,347	(245,127)	100,000
Total General Revenues					<u>30,326,957</u>	<u>(5,003)</u>	<u>30,321,954</u>	<u>15,880,003</u>	<u>(125,058)</u>	<u>2,337,948</u>
Change in Net Position					<u>(1,115,884)</u>	<u>(2,328,644)</u>	<u>(3,444,528)</u>	<u>(474,224)</u>	<u>5,561,281</u>	<u>1,170,092</u>
Net Position, Beginning					54,086,529	(33,867,453)	20,219,076	20,840,220	132,958,688	605,181
Prior Period Adjustment					-	-	-	-	(720,844)	-
Net Position, Beginning - Restated					<u>54,086,529</u>	<u>(33,867,453)</u>	<u>20,219,076</u>	<u>20,840,220</u>	<u>132,237,844</u>	<u>605,181</u>
Net Position, Ending					<u>\$ 52,970,645</u>	<u>(36,196,097)</u>	<u>16,774,548</u>	<u>20,365,996</u>	<u>137,799,125</u>	<u>1,775,273</u>

See accompanying notes to the financial statements.

**CITY OF BRISTOL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,000,041	-	2,000,041
Cash and Cash Equivalents, Restricted	1,174,017	-	1,174,017
Receivables, Net	12,183,922	162,429	12,346,351
Due from Other Governmental Units	2,174,808	-	2,174,808
Inventories	102,963	-	102,963
Residential Lots for Sale	437,543	-	437,543
Advances to Other Funds	22,120,731	-	22,120,731
Notes Receivable	620,000	-	620,000
TOTAL ASSETS	\$ 40,814,025	162,429	40,976,454
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 4,176,354	-	4,176,354
Accrued Payroll and Related Liabilities	691,944	-	691,944
Due to Component Units	40,545	-	40,545
Unearned Revenue	10,694,736	-	10,694,736
Assets Held in Agency Capacity	62,092	-	62,092
TOTAL LIABILITIES	15,665,671	0	15,665,671
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	1,615,044	162,429	1,777,473
FUND BALANCES			
Nonspendable			
Inventories	102,963	-	102,963
Residential Lots for Sale	437,543	-	437,543
Advances to Other Funds	22,120,731	-	22,120,731
Restricted For			
Commonwealth Attorney	590,963	-	590,963
Capital Projects	478,730	-	478,730
Dental Trust Fund	80,000	-	80,000
Unassigned	(277,620)	-	(277,620)
TOTAL FUND BALANCES	23,533,310	0	23,533,310
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 40,814,025	162,429	40,976,454

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, 2014

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

Fund Balances - Total Governmental Funds	\$ 23,533,310
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	93,981,924
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	1,777,473
Interest on long-term debt is not accrued in the funds as in the government-wide statements.	(608,933)
Long-term liabilities, including bonds payable and related premiums, capital leases, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(65,713,129)</u>
Net Position of Governmental Activities	<u><u>\$ 52,970,645</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, 2014

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
REVENUES			
General Property Taxes	\$ 15,120,260	-	15,120,260
Other Local Taxes	12,316,335	-	12,316,335
Intergovernmental	18,536,059	217,859	18,753,918
Charges for Services	992,034	-	992,034
Revenue from Use of Property	529,654	-	529,654
Permits, Privilege Fees, and Regulatory Licenses	69,535	-	69,535
Fines and Forfeitures	196,285	-	196,285
Investment Earnings	11,149	-	11,149
Other	1,413,866	-	1,413,866
TOTAL REVENUES	49,185,177	217,859	49,403,036
EXPENDITURES			
Current			
General Government	3,127,195	-	3,127,195
Judicial Administration	1,284,285	-	1,284,285
Public Safety	13,378,990	-	13,378,990
Public Works	5,191,466	-	5,191,466
Health and Welfare	6,359,553	-	6,359,553
Education	9,281,682	-	9,281,682
Parks, Recreation, and Cultural	3,544,177	-	3,544,177
Community Development	2,261,353	208,934	2,470,287
Transit	474,236	-	474,236
Capital Projects	19,906,730	-	19,906,730
Debt Service			
Principal Retirement	15,404,710	-	15,404,710
Interest and Fiscal Charges	1,896,466	-	1,896,466
Bond Issue Costs	231,502	-	231,502
TOTAL EXPENDITURES	82,342,345	208,934	82,551,279
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,157,168)	8,925	(33,148,243)

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Bond Anticipation Notes Issued	15,000,000	-	15,000,000
Tax Anticipation Notes Issued	7,600,000	-	7,600,000
Refunding Bonds Issued	6,156,450	-	6,156,450
Capital Lease	496,408	-	496,408
Insurance Recoveries	193,306	-	193,306
Sale of Capital Assets	130,139	-	130,139
TOTAL OTHER FINANCING SOURCES (USES)	29,576,303	0	29,576,303
Net Change in Fund Balances	(3,580,865)	8,925	(3,571,940)
FUND BALANCES, JULY 1, 2013	27,114,175	(8,925)	27,105,250
FUND BALANCES, JUNE 30, 2014	\$ 23,533,310	0	23,533,310

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, 2014

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

Net Change in Fund Balances - Total Governmental Funds	\$ (3,571,940)
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, \$17,800,502 exceed depreciation (\$2,274,024) in the current period.	15,526,478
The net effect of various transactions involving capital assets (contributions and sales) is to decrease net position.	996,678
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.	(168,000)
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.	(330,613)
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.	(11,852)
Governmental funds report the effect of premiums, discounts, and similar items similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	811,207
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.	(14,370,270)
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.	2,428
Change in Net Position of Governmental Activities	<u><u>\$ (1,115,884)</u></u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
General Property Taxes	\$ 15,543,990	15,543,990	15,120,260	(423,730)
Other Local Taxes	13,940,000	13,940,000	12,316,335	(1,623,665)
Intergovernmental	22,822,409	23,032,409	18,536,059	(4,496,350)
Charges for Services	1,145,000	1,145,000	992,034	(152,966)
Revenue from Use of Property	309,920	309,920	529,654	219,734
Permits, Privilege Fees, and				
Regulatory Licenses	77,500	77,500	69,535	(7,965)
Fines and Forfeitures	231,079	231,079	196,285	(34,794)
Investment Earnings	12,000	12,000	11,149	(851)
Other	1,243,173	1,252,236	1,413,866	161,630
TOTAL REVENUES	55,325,071	55,544,134	49,185,177	(6,358,957)
EXPENDITURES				
Current				
General Government	2,982,818	2,982,818	3,127,195	(144,377)
Judicial Administration	1,195,330	1,195,330	1,284,285	(88,955)
Public Safety	13,135,617	13,160,454	13,378,990	(218,536)
Public Works	4,758,633	4,923,145	5,191,466	(268,321)
Health and Welfare	7,198,096	7,198,096	6,359,553	838,543
Education	9,259,682	9,281,682	9,281,682	-
Parks, Recreation, and Cultural	3,505,025	3,515,842	3,544,177	(28,335)
Community Development	1,390,257	1,730,257	2,261,353	(531,096)
Transit	535,091	535,091	474,236	60,855
Capital Projects	6,114,000	21,114,000	19,906,730	1,207,270
Debt Service				
Principal Retirement	1,263,400	6,263,400	15,404,710	(9,141,310)
Interest and Fiscal Charges	1,643,601	1,643,601	1,896,466	(252,865)
Bond Issue Costs	6,500	6,500	231,502	(225,002)
TOTAL EXPENDITURES	52,988,050	73,550,216	82,342,345	(8,792,129)
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	2,337,021	(18,006,082)	(33,157,168)	(15,151,086)

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
OTHER FINANCING SOURCES (USES)				
Transfers In/Out	(2,338,021)	(2,338,021)	-	2,338,021
Bond Anticipation Notes Issued	-	15,000,000	15,000,000	-
Tax Anticipation Notes Issued	-	5,000,000	7,600,000	2,600,000
Refunding Bonds Issued	-	-	6,156,450	6,156,450
Capital Lease	-	-	496,408	496,408
Insurance Recoveries	-	174,636	193,306	18,670
Sale of Capital Assets	1,000	119,467	130,139	10,672
TOTAL OTHER FINANCING SOURCES (USES)	(2,337,021)	17,956,082	29,576,303	11,620,221
Net Change in Fund Balance	-	(50,000)	(3,580,865)	(3,530,865)
FUND BALANCE, JULY 1, 2013	-	-	27,114,175	27,114,175
FUND BALANCE, JUNE 30, 2014	\$ 0	(50,000)	23,533,310	23,583,310

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Intergovernmental Revenue	\$ -	390,921	217,859	(173,062)
TOTAL REVENUES	0	390,921	217,859	(173,062)
EXPENDITURES				
Current				
Community Development	-	390,921	208,934	181,987
TOTAL EXPENDITURES	0	390,921	208,934	181,987
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	8,925	8,925
FUND BALANCE, JULY 1, 2013	-	-	(8,925)	(8,925)
FUND BALANCE, JUNE 30, 2014	\$ 0	0	0	0

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	Business-type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 187,765	187,765
Accounts Receivable, Net	389,275	389,275
Due from Component Units	87,504	87,504
Total Current Assets	664,544	664,544
Noncurrent Assets		
Capital Assets, Net	24,874,671	24,874,671
TOTAL ASSETS	25,539,215	25,539,215
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding, Net	1,191,545	1,191,545
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	77,374	77,374
Accrued Payroll and Related Liabilities	50,339	50,339
Accrued Interest Payable	548,665	548,665
Bonds and Leases Payable	331,319	331,319
Compensated Absences Payable	91,123	91,123
Total Current Liabilities	1,098,820	1,098,820
Long-Term Liabilities		
Advances from Other Funds	22,120,731	22,120,731
Compensated Absences Payable	54,852	54,852
Bonds and Leases Payable, Net of Unamortized Bond Premium	33,124,784	33,124,784
Landfill Closure Costs	6,527,670	6,527,670
Total Long-Term Liabilities	61,828,037	61,828,037
TOTAL LIABILITIES	62,926,857	62,926,857
NET POSITION		
Unrestricted	(36,196,097)	(36,196,097)
TOTAL NET POSITION	\$ (36,196,097)	(36,196,097)

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014

	Business-type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
OPERATING REVENUES		
Charges for Services, Net	\$ 3,835,522	3,835,522
Sales	42,260	42,260
TOTAL OPERATING REVENUES	3,877,782	3,877,782
OPERATING EXPENSES		
Landfill Closure and Post Closure Care	10,074	10,074
Administrative and General	3,168,961	3,168,961
Depreciation	1,317,167	1,317,167
TOTAL OPERATING EXPENSES	4,496,202	4,496,202
Operating Income (Loss)	(618,420)	(618,420)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	99	99
Interest Expense	(1,479,268)	(1,479,268)
Amortization of Bond Premium	119,072	119,072
Bond Issue Costs	(345,025)	(345,025)
Gain (Loss) on Disposal of Assets	(5,102)	(5,102)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,710,224)	(1,710,224)
Change in Net Position	(2,328,644)	(2,328,644)
NET POSITION, JULY 1, 2013	(33,867,453)	(33,867,453)
NET POSITION, JUNE 30, 2014	\$ (36,196,097)	(36,196,097)

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014

	Business-type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 3,802,619	3,802,619
Payments to Suppliers	(1,670,428)	(1,670,428)
Payments to Employees	(1,506,176)	(1,506,176)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	626,015	626,015
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Equipment	9,275	9,275
Bond Issue Costs	(345,025)	(345,025)
Purchase of Capital Assets	(94,996)	(94,996)
Net Proceeds from Bond Debt	1,205,800	1,205,800
Principal Paid on Capital Debt	(1,991,046)	(1,991,046)
Interest Paid on Capital Debt	(2,166,370)	(2,166,370)
Interfund Loan Receipts	2,862,341	2,862,341
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(520,021)	(520,021)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	99	99
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	99	99
Net Increase (Decrease) in Cash and Cash Equivalents	106,093	106,093
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	81,672	81,672
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 187,765	187,765

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014

	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)	\$ (618,420)	(618,420)
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by (Used for) Operating Activities:		
Depreciation Expense	1,317,167	1,317,167
(Increase) Decrease in Net Receivables	(69,481)	(69,481)
(Increase) Decrease in Due from Component Units	(5,682)	(5,682)
Increase (Decrease) in Accounts Payable	8,736	8,736
Increase (Decrease) in Accrued Liabilities	10,074	10,074
Increase (Decrease) in Accrued Payroll and Related Liabilities	26,983	26,983
Increase (Decrease) in Compensated Absences Payable	(43,362)	(43,362)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 626,015</u>	<u>626,015</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Asset Acquisitions Financed through Capital Leases	<u>\$ 228,124</u>	<u>228,124</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 approves the School Board's operational and capital budgets, and must approve the issuance of bonded debt. Based on these facts, 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 fiscal year end is December 31. However, the year end is treated consistently each year for reporting in the School Board's financial statements.

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. 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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

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.

The following entities are excluded from the accompanying financial statements:

Joint Venture

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.E for additional information.

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 \$694,968 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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Related Organizations (Continued)

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 City Council; however, City Council is not financially accountable for the Commission.

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 City Council; however, City Council is not financially accountable for BRHA.

Other Boards and Commissions

City Council appoints certain members of various boards and commissions, which are advisory in nature; however, 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. 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, 2014

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, 2014

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 or Equity

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 BVU, discretely presented component units, are reported at fair value.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (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 \$1.01 per \$100 of assessed value. For the 2014 tax year, the real estate and public utility property tax rate is \$1.07 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 tax rate is \$7.00 per \$100 assessed value multiplied by 30% of the property's assessed value.

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 provides 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, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (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 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. The payments are being recorded as expenditures on the fund level for the governmental funds.

4. Restricted Assets

Restricted cash and cash equivalents 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.

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 BVU as assets with an initial, individual cost of more than \$5,000 and \$1,000, respectively, 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, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (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 assets 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 \$219,548 in fiscal year 2014.

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, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (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. The City and BVU only have one item that qualifies for reporting in this category. It is the deferred loss on bond refunding reported in the government-wide and proprietary fund statements of net position. Deferred bond refunding costs 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.

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.

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.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the 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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Long-Term Obligations (Continued)

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 Equity

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, 2014 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, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Equity (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 fund balance is available, the City considers restricted funds to have been spent first, unless legal requirements disallow it or 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. Other Post-Employment Benefits 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, 2014

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-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, 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 \$(65,713,129) difference are as follows:

Bonds Payable	\$ (21,320,700)
Less: Deferred charge on refunding (net of amortization of \$66,403 recorded as interest expense)	853,564
Add: Bond premium (net of amortization of \$60,954)	(438,356)
Bond Anticipation Notes	(40,000,000)
Literary Fund Loans	(960,000)
Capital Lease Obligations	(1,336,405)
Other Post-Employment Benefits	(812,100)
Compensated Absences	<u>(1,699,132)</u>
 Net adjustment to reduce <i>fund balances-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	 <u>\$ (65,713,129)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

**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 fund 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 decrease net position." The details of this \$996,678 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.	\$ 1,048,849
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>(52,171)</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>\$ 996,678</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 \$811,207 difference are as follows:

Deferred Charges on Refunding Amortization	\$ (296,066)
Deferred Charges on Refunding	739,836
Bond Premiums Amortization	<u>367,437</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>\$ 811,207</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2014, expenditures exceeded appropriations in the general fund by \$8,792,129 due to the refunding of multiple bonds not being included in the budget. However, bond proceeds for the same refunding were also not budgeted.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

All cash of the City and IDA 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).

Neither the City nor IDA has any 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 Units		
	General	Community Development Block Grant	Solid Waste Disposal	School Board	BVU Authority	Industrial Development Authority
Receivables						
Taxes	\$ 12,082,367	-	-	-	-	-
Accounts	1,309,433	-	393,730	298,040	7,811,214	-
Rehabilitation Loans	-	187,429	-	-	-	-
Property Sale	-	-	-	-	-	64,315
Gross Receivables	13,391,800	187,429	393,730	298,040	7,811,214	64,315
Less: Allowance for Uncollectibles	(1,207,878)	(25,000)	(4,455)	-	(418,846)	-
Net Receivables	<u>\$ 12,183,922</u>	<u>162,429</u>	<u>389,275</u>	<u>298,040</u>	<u>7,392,368</u>	<u>64,315</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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	\$ -	10,094,736	10,094,736
Taxes Not Collected during Period of Availability	897,046	-	897,046
Due from Component Unit	64,315	-	64,315
Rehabilitation Loans	162,429	-	162,429
Notes Receivable	620,000	-	620,000
BVU Authority	-	600,000	600,000
Other	33,683	-	33,683
	<u>\$ 1,777,473</u>	<u>10,694,736</u>	<u>12,472,209</u>

Receivable on Property Sales

During fiscal year 2005, the City transferred \$1,450,000 to the IDA to fund the purchase of land and building. Subsequent to the acquisition of the property, the IDA began leasing the property under a capital lease (as discussed in Note IV.F) with all monthly lease payments to be remitted to the City as they are collected, resulting in an amount due from the IDA. The remaining interfund balance of \$64,315 has been deferred as unavailable in the general fund.

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 \$120,000 as of June 30, 2014. All accrued interest and principal is due in one balloon payment at maturity.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 32,303,668	981,704	10,000	-	33,275,372
Construction in Progress	989,579	15,464,931	-	(21,151)	16,433,359
Total Capital Assets, Not Depreciated	33,293,247	16,446,635	10,000	(21,151)	49,708,731
Capital Assets, Being Depreciated					
Buildings and Improvements	16,604,521	100,320	-	(240,000)	16,464,841
Land Development Costs	480,000	-	-	-	480,000
Machinery and Equipment	11,045,834	691,681	348,618	-	11,388,897
Library Assets	6,934,065	42,563	-	-	6,976,628
Public Domain Infrastructure	87,492,850	1,568,152	-	21,151	89,082,153
Total Capital Assets, Being Depreciated	122,557,270	2,402,716	348,618	(218,849)	124,392,519
Less Accumulated Depreciation For					
Buildings and Improvements	7,428,235	352,466	-	(52,800)	7,727,901
Land Development Costs	307,200	19,200	-	-	326,400
Machinery and Equipment	7,027,443	709,945	306,447	-	7,430,941
Library Assets	1,986,066	159,048	-	-	2,145,114
Public Domain Infrastructure	61,474,805	1,014,165	-	-	62,488,970
Total Accumulated Depreciation	78,223,749	2,254,824	306,447	(52,800)	80,119,326
Total Capital Assets, Being Depreciated, Net	44,333,521	147,892	42,171	(166,049)	44,273,193
Governmental Activities Capital Assets, Net	\$ 77,626,768	16,594,527	52,171	(187,200)	93,981,924

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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	34,846,553	94,996	-	34,941,549
Infrastructure	29,792	-	-	29,792
Plant in Service	1,317,317	-	-	1,317,317
Machinery and Equipment	5,910,781	228,124	143,726	5,995,179
Total Capital Assets, Being Depreciated	<u>42,104,443</u>	<u>323,120</u>	<u>143,726</u>	<u>42,283,837</u>
Less Accumulated Depreciation For				
Land Development Costs	12,520,287	1,011,365	-	13,531,652
Infrastructure	19,019	409	-	19,428
Plant in Service	482,781	33,846	-	516,627
Machinery and Equipment	4,001,324	271,547	129,350	4,143,521
Total Accumulated Depreciation	<u>17,023,411</u>	<u>1,317,167</u>	<u>129,350</u>	<u>18,211,228</u>
Total Capital Assets, Being Depreciated, Net	<u>25,081,032</u>	<u>(994,047)</u>	<u>14,376</u>	<u>24,072,609</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 25,883,094</u></u>	<u><u>(994,047)</u></u>	<u><u>14,376</u></u>	<u><u>24,874,671</u></u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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	\$ 138,983
Judicial Administration	118,858
Public Safety	461,948
Public Works	1,134,261
Health and Welfare	23,767
Education	19,200
Parks, Recreations and Cultural	344,306
Transit	32,701
Total Depreciation Expense, Governmental Activities	<u>\$ 2,274,024</u>

At June 30, 2014, the City had uncompleted construction contracts related to the Exit 5 project. The remaining commitment on these construction contracts was approximately \$2,724,004.

Discretely Presented Component Units

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

Industrial Development Authority

<u>Industrial Development Authority</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Depreciated				
Construction in Progress	\$ 600,995	1,170,092	-	1,771,087
Total Capital Assets, Not Depreciated	<u>\$ 600,995</u>	<u>1,170,092</u>	<u>0</u>	<u>1,771,087</u>

The City contributed \$1,170,092 to the IDA from the bond anticipation notes issued for construction in progress related to the Exit 5 project.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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
Construction in Progress	-	2,806,254	-	-	2,806,254
Total Capital Assets, Not Depreciated	273,242	2,806,254	0	0	3,079,496
Capital Assets, Being Depreciated					
Buildings and Improvements	29,353,854	28,161	-	240,000	29,622,015
Furniture and Fixtures	9,714,898	462,614	243,183	-	9,934,329
Transportation Equipment	2,187,196	154,670	101,709	-	2,240,157
Total Capital Assets, Being Depreciated	41,255,948	645,445	344,892	240,000	41,796,501
Less Accumulated Depreciation For					
Buildings and Improvements	12,971,392	688,874	-	52,800	13,713,066
Furniture and Fixtures	6,133,856	862,277	242,624	-	6,753,509
Transportation Equipment	1,592,261	183,455	101,709	-	1,674,007
Total Accumulated Depreciation	20,697,509	1,734,606	344,333	52,800	22,140,582
Total Capital Assets, Being Depreciated, Net	20,558,439	(1,089,161)	559	187,200	19,655,919
School Board Capital Assets, Net	\$ 20,831,681	1,717,093	559	187,200	22,735,415

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 \$300,381.

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	\$ 1,200,000	-	(240,000)	960,000
Accumulated Depreciation	(360,000)	(19,200)	72,000	(307,200)
	\$ 840,000	(19,200)	(168,000)	652,800

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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	Ending Balance
Capital Assets, Not Depreciated				
Land	\$ 1,226,839	-	-	1,226,839
Construction in progress	30,357,477	3,648,803	1,269,360	32,736,920
Total Capital Assets, Not Depreciated	31,584,316	3,648,803	1,269,360	33,963,759
Capital Assets, Being Depreciated				
Distribution System	50,333,712	502,255	308,672	50,527,295
General Plant	64,252,097	2,282,075	66,691	66,467,481
Equipment	54,029,143	4,441,714	1,138,773	57,332,084
Buildings	2,119,882	226,608	-	2,346,490
Fiber	41,781,820	1,500,522	54,939	43,227,403
Furniture and Fixtures	52,964	-	-	52,964
Transportation Equipment	608,959	290,295	73,064	826,190
Total Capital Assets, Being Depreciated	213,178,577	9,243,469	1,642,139	220,779,907
Less Accumulated Depreciation For				
Distribution System	22,379,278	1,424,870	308,137	23,496,011
General Plant	33,817,937	1,776,913	35,592	35,559,258
Equipment	37,245,421	6,321,540	505,663	43,061,298
Transportation Equipment	25,340	4,416	-	29,756
Total Accumulated Depreciation	93,467,976	9,527,739	849,392	102,146,323
Total Capital Assets, Being Depreciated, Net	119,710,601	(284,270)	792,747	118,633,584
BVU Authority Capital Assets, Net	\$ 151,294,917	3,364,533	2,062,107	152,597,343

BVU Authority received contributions in aid of construction of \$338,473 for 2014. This amount is reported as a reduction in costs of the related assets.

Idle property in the amount of \$24,175 was held at June 30, 2014 for BVU Authority.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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." The general fund has advanced \$22,120,731 as of June 30, 2014 to the solid waste disposal fund. The advances to the solid waste disposal fund from the general fund represent payments made on behalf of that fund that are to be reimbursed. Fund balance has been classified as nonspendable for this amount as payment is not expected in the near term.

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	\$ 64,315
Industrial Development Authority	Primary Government - General Fund	211,787
Primary Government - General Fund	School Board	82,218
Primary Government - General Fund	BVU Authority	24,709
Primary Government - Solid Waste Disposal Fund	BVU Authority	87,504

The due to primary government for the School Board includes advances of \$327,643 that are due from the Foundation to the School Board at December 31, 2013.

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, 2014 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 \$600,000 is considered unearned revenue as of June 30, 2014 as disclosed in Note IV.B. Beginning in fiscal year 2014, the City received an additional \$100,000 in-lieu of tax payment related to BVU OptiNet property. The total revenue from BVU recorded in the statement of revenues, expenditures, and changes in fund balance for the fiscal year ended June 30, 2014 was \$550,000.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 and Local Sales Tax	\$ 427,779	-	-
Welfare Grants	126,690	-	-
Comprehensive Service Grants	320,618	-	-
Categorical Aid Shared Expenses	227,307	-	-
VDOT Reimbursement	406,516	-	-
School Grants	-	455,623	-
Other	126,588	-	-
Federal Government			
School Grants	-	592,626	-
Welfare Grants	163,601	-	-
Department of Transportation Grants	188,898	-	-
Other	95,970	-	-
Other			
Bristol, Tennessee (Joint Sewerage System)	-	-	1,800,701
Other	90,841	-	812,632
Total Due from Other Governments	<u>\$ 2,174,808</u>	<u>1,048,249</u>	<u>2,613,333</u>

F. Leases

City as Lessor

IDA - On December 10, 2004, the IDA entered into a lease agreement with another party to lease certain property for a term of 10 years. The annual rental is one tenth of \$1,450,000, the determined price of the premises, payable in advance monthly installments, plus 10%. The percentage applied to the rental amount is to be adjusted downward from 10% to 5% as the tenant meets specified employment levels. The tenant has an option to purchase the property at the end of the lease term for \$1. The option to purchase may be exercised at any time during the term of the lease with specified written notice. The purchase price on the early option is \$12,083 times the number of months remaining in the lease term.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

City as Lessor (Continued)

The aggregate minimum future lease payments to be received based on the lowest percentage factor of 5% are \$67,531. Future payments are to be received as follows:

Fiscal Year Ended June 30	
2015	\$ 67,531
Total	\$ 67,531

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

Capital Leases

As of June 30, 2014, 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	\$ 646,909	-
Golf Carts	3.50%	07-12	07-16	267,490	143,977	-
Mower	1.80%	08-12	06-16	22,746	11,975	-
Vac Truck	1.99%	05-14	05-18	344,906	277,970	-
Police Vehicles	3.98%	11-13	07-18	151,502	151,502	-
Small Wheel Loader	3.20%	06-13	06-18	121,015	104,072	-
Solid Waste						
Excavator	4.00%	12-10	01-16	202,354	-	68,497
Skid Steer Loader	5.55%	12-11	12-14	67,713	-	12,102
Skid Steer Loader	4.90%	12-11	12-14	47,263	-	18,581
Garbage Truck	1.89%	02-14	02-19	228,124	-	213,577
Garbage Truck	3.24%	01-12	01-17	122,755	-	63,870
					<u>\$ 1,336,405</u>	<u>376,627</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014, are as follows:

Fiscal Year Ended June 30	Governmental Activities	Business-Type Activities
2015	\$ 393,654	150,530
2016	393,919	119,277
2017	321,857	61,599
2018	303,318	47,851
2019	39,896	31,900
Total Minimum Lease Payments	1,452,644	411,157
Less: Interest	(116,239)	(34,530)
Present Value of Payments	<u>\$ 1,336,405</u>	<u>376,627</u>

The equipment category of the primary government includes assets recorded under capital lease with a cost of \$2,349,132 and accumulated amortization of \$788,630. The equipment category of the business-type activities includes assets recorded under capital lease obligations with a cost of \$774,412 and accumulated amortization of \$101,536. Amortization expense is included in depreciation expense.

Operating Leases

The City has operating leases for two pieces of equipment in the Solid Waste Disposal Fund. Future minimum lease payments as of June 30, 2014 are as follows:

Fiscal Year Ended June 30	Business-Type Activities
2015	\$ 185,634
2016	185,634
2017	61,523
	<u>\$ 432,791</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

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. Receipts under these agreements have totaled approximately \$1,639,530 as of June 30, 2014.

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
Government Activities					
General Obligation Bonds	\$ 21,907,400	6,156,450	(6,743,150)	21,320,700	198,750
Bond Premiums	805,793	-	(367,437)	438,356	-
Tax Anticipation Note	-	7,600,000	(7,600,000)	-	-
Bond Anticipation Notes	25,000,000	15,000,000	-	40,000,000	-
Literary Fund Loans	1,200,000	-	(240,000)	960,000	240,000
Capital Lease Obligations	1,139,435	496,408	(299,438)	1,336,405	348,063
Other Post-Employment Benefits	689,100	123,000	-	812,100	-
Compensated Absences	1,824,560	864,449	(989,877)	1,699,132	921,829
Governmental Activities, Long-Term Liabilities	<u>\$ 52,566,288</u>	<u>30,240,307</u>	<u>(16,239,902)</u>	<u>66,566,693</u>	<u>1,708,642</u>
Business-Type Activities					
General Obligation Bonds	\$ 33,037,600	10,663,550	(11,334,350)	32,366,800	188,750
Bond Premiums	947,162	-	(234,486)	712,676	-
Capital Lease Obligations	262,949	228,124	(114,446)	376,627	142,569
Landfill Closure Liability	6,517,596	10,074	-	6,527,670	-
Compensated Absences	189,337	47,761	(91,123)	145,975	91,123
Business-Type Activities, Long-Term Liabilities	<u>\$ 40,954,644</u>	<u>10,949,509</u>	<u>(11,774,405)</u>	<u>40,129,748</u>	<u>422,442</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Changes in the deferred loss on refunding for the fiscal year ended June 30, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities	\$ (409,794)	(739,836)	296,066	(853,564)
Business-Type Activities	(738,998)	(521,304)	68,757	(1,191,545)
Total Primary Government	<u>\$ (1,148,792)</u>	<u>(1,261,140)</u>	<u>364,823</u>	<u>(2,045,109)</u>

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 2013 and Series 2014 Bond Anticipation Notes

General Obligation Taxable Bond Anticipation Notes, Series 2013 was issued by the City in the amount of \$10,000,000 on October 18, 2013 with an interest rate of 2.43%. The General Obligation Taxable Bond Anticipation Notes, Series 2014 was issued by the City in the amount of \$5,000,000 on March 31, 2014 with an interest rate of 2.43%. The Series 2013 and 2014 bonds were issued for development of the Exit 5 project and finance the costs of issuance. Interest only will be paid on the bonds beginning in fiscal year 2014 until the principal payment is due for Series 2013 in October 2015 and for Series 2014 in April 2016.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Series 2014 Taxable General Obligation Public Improvement Refunding Bonds

Taxable General Obligation Public Improvement Refunding Bonds, Series 2014 was issued by the City in the amount of \$16,820,000 on May 22, 2014. The bonds were issued to refund certain maturities of the General Obligation Public Improvement Bonds, Series 2006B, Taxable General Obligation Public Improvement Bonds, Series 2006C, Taxable General Obligation Refunding Bonds, Series 2007A, Taxable General Obligation Public Improvement Refunding Bonds, Series 2007C, General Obligation Refunding Bonds, Series 2009, General Obligation Public Improvement and Refunding Bonds, Series 2010, the General Obligation Public Improvement Revenue and Refunding Bond, Series 2012A, and General Obligation Public Improvement Refunding Bond, Series 2012B and to pay the costs of the issuance of the Bonds. The refunding was used to current refund the Series 2009 Bonds in the amount of \$1,555,000 and accrued interest on that debt in the amount of \$15,583. The remaining issues listed above in the amount of \$13,435,000 were advance refunded with the Series 2014 funds of \$14,699,854 being placed in escrow for the defeased bonds. Also, included in the Series 2014 issue was \$549,563 of bond issue costs which have been expensed. The interest rate is variable and will average 4.88%. Interest payments began September 2014 and principal payments will begin June 2028. The bonds were issued to provide a cost savings from the refunding and provided a net present value gain of \$1,635,592. The deferred costs of the bonds which were advanced refunded are being amortized over the shorter of the life of the new bonds or the bonds which were refunded as a component of interest expense. The total of the deferred costs was \$1,464,424.

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, 2014, \$13,435,000 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, 2014

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
2015	\$ 198,750	763,285	240,000	25,200
2016	187,500	867,748	240,000	18,000
2017	187,500	867,748	240,000	10,800
2018	249,500	866,043	240,000	3,600
2019	562,500	856,513	-	-
2020-2024	7,308,500	3,525,200	-	-
2025-2029	7,014,750	1,900,588	-	-
2030-2034	1,599,600	1,214,093	-	-
2035-2039	2,013,700	793,058	-	-
2040-2043	1,998,400	249,809	-	-
	<u>\$ 21,320,700</u>	<u>11,904,086</u>	<u>960,000</u>	<u>57,600</u>

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Bond Anticipation Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	\$ -	1,106,838	188,750	1,374,133
2016	30,000,000	749,500	175,000	1,549,164
2017	10,000,000	135,500	190,000	1,542,852
2018	-	-	138,000	1,536,088
2019	-	-	85,000	1,531,230
2020-2024	-	-	12,924,000	6,213,386
2025-2029	-	-	8,947,750	3,148,583
2030-2034	-	-	2,770,400	2,102,768
2035-2039	-	-	3,486,300	1,373,546
2040-2043	-	-	3,461,600	432,801
	<u>\$ 40,000,000</u>	<u>1,991,838</u>	<u>32,366,800</u>	<u>20,804,550</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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	5.00-5.5	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	3,393,750	10,256,250
2011 Qualified School Construction Bond	4.50	06-11	06-27	3,000,000	2,437,500	-
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	-	1,735,000
Gen Obligation Refunding Bonds 2014 Series	4.68-4.88	05-14	01-43	16,820,000	6,156,450	10,663,550
					<u>\$ 21,320,700</u>	<u>32,366,800</u>
Other Long-Term Debt						
Literary Fund Loans - VA Middle School	3.00%	09-97	09-17	\$ 4,800,000	\$ 960,000	-
Bond Anticipation Note 2012A Series	2.71	08-12	09-16	\$ 7,408,850	\$ 7,408,850	-
Bond Anticipation Note 2012B Series	3.14	08-12	09-15	15,000,000	15,000,000	-
Bond Anticipation Note 2012C Series	2.71	11-12	09-16	2,591,150	2,591,150	-
Bond Anticipation Note 2013 Series	2.43	10-13	10-15	10,000,000	10,000,000	-
Bond Anticipation Note 2014 Series	2.43	03-14	04-16	5,000,000	5,000,000	-
					<u>\$ 40,000,000</u>	<u>0</u>

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	\$ 391,454	66,827	(95,139)	363,142	61,935
Other Post-Employment Benefits	122,900	42,400	-	165,300	-
Energy Performance Lease	-	2,806,254	-	2,806,254	-
Foundation Pledge Payable	937,500	(187,500)	-	750,000	187,500
School Board, Long-Term Liabilities	<u>\$ 1,451,854</u>	<u>2,727,981</u>	<u>(95,139)</u>	<u>4,084,696</u>	<u>249,435</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Component Unit - BVU

Changes in long-term liabilities for the fiscal year ended June 30, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented					
Component Unit - BVU Authority					
Revenue and Refunding Bonds	\$ 42,185,000	-	(1,255,000)	40,930,000	1,320,000
Bond Premiums	2,409,287	-	(118,006)	2,291,281	-
VRA Loans	2,127,964	-	(103,704)	2,024,260	107,049
SERCAP Loan	-	226,000	(3,227)	222,773	7,947
Retirement Benefits Payable	53,939	-	(38,849)	15,090	-
Other Post-Employment Benefits	1,060,300	369,000	(122,962)	1,306,338	-
Compensated Absences	1,623,921	747,097	(735,177)	1,635,841	736,541
	<u>\$ 49,460,411</u>	<u>1,342,097</u>	<u>(2,376,925)</u>	<u>48,425,583</u>	<u>2,171,537</u>
BVU, Long-Term Liabilities	<u>\$ 49,460,411</u>	<u>1,342,097</u>	<u>(2,376,925)</u>	<u>48,425,583</u>	<u>2,171,537</u>

Changes in the deferred loss on refunding for the fiscal year ended June 30, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Discretely Presented				
Component Unit - BVU	<u>\$ (6,173,260)</u>	<u>-</u>	<u>363,133</u>	<u>(5,810,127)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Component Unit - BVU (Continued)

The debt service requirements for BVU's bonds and notes are as follows:

Fiscal Year Ended June 30	Discretely Presented Component Unit					
	BVU Authority					
	Virginia Resources Authority Loans		Revenue and Refunding Bonds		SERCAP Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 107,049	63,927	1,320,000	2,163,991	7,947	7,977
2016	110,503	60,474	1,375,000	2,105,266	8,241	7,683
2017	114,067	56,909	1,445,000	2,041,866	8,546	7,378
2018	117,747	53,229	1,515,000	1,972,916	8,863	7,062
2019	121,544	49,432	1,595,000	1,895,166	9,191	6,734
2020-2024	669,122	185,761	9,190,000	8,192,615	179,985	29,231
2025-2029	784,228	70,655	11,035,000	5,605,028	-	-
2030-2034	-	-	13,455,000	2,058,181	-	-
	<u>\$ 2,024,260</u>	<u>540,387</u>	<u>40,930,000</u>	<u>26,035,029</u>	<u>222,773</u>	<u>66,065</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Amount Outstanding
Series 2010 Revenue and Refunding Bonds	2.35 - 6.14%	10-10	10-33	\$ 44,545,000	\$ 40,930,000
VRA RLF Loans	3.20	09-08	04-29	2,466,068	2,024,260
SERCAP Note Payable	3.64	12-13	02-24	226,000	222,773
					<u>\$ 43,177,033</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, a compost facility. 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 \$2,689,709 as of June 30, 2014, which is based on 65.00% usage (filled) of the landfill. It is estimated that an additional \$1,241,404 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 \$3,751,936 as of June 30, 2014, which is based on 39.97% usage (filled) of the landfill. It is estimated that an additional \$5,634,945 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 2043).

The estimated liability from landfill closure and postclosure care costs of the compost facility as of June 30, 2014 is \$86,024. It is estimated that an additional \$309,307 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 (\$13,920,226) 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, 2014. 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, 2014

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 (\$36,196,097). 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 covers 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, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

A. Other Post-Employment Health Care Benefits (OPEB) (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, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

	<u>City</u>	<u>School Board</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 260,400	259,600	520,000
Interest on Net OPEB Pension Obligation (NPO)	5,400	5,300	10,700
Adjustment to Annual Required Contribution	(5,400)	(5,300)	(10,700)
Annual OPEB Cost (Expense)	260,400	259,600	520,000
Contributions Made	(137,400)	(217,200)	(354,600)
Increase (Decrease) in Net OPEB			
Pension Obligation	123,000	42,400	165,400
Net OPEB Obligation - Beginning of Fiscal Year	689,100	122,900	812,000
Net OPEB Obligation - End of Fiscal Year	<u>\$ 812,100</u>	<u>165,300</u>	<u>977,400</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.

	<u>BVU</u>
Annual Required Contribution (ARC)	\$ 369,500
Interest on Net OPEB Pension Obligation (NPO)	45,100
Adjustment to Annual Required Contribution	(45,600)
Annual OPEB Cost (Expense)	369,000
Contributions Made	(122,962)
Increase (Decrease) in Net OPEB	246,038
Net OPEB Obligation - Beginning of Fiscal Year	1,060,300
Net OPEB Obligation - End of Fiscal Year	<u>\$ 1,306,338</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 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, 2014	\$ 520,000	68.2%	\$ 977,400
June 30, 2013	505,900	59.1%	812,000
June 30, 2012	461,500	76.6%	604,900

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, 2014	\$ 369,000	33.3%	\$ 1,306,338
June 30, 2013	351,700	17.5%	1,060,300
June 30, 2012	375,700	28.7%	770,300

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the Plan was not funded. For the City, the actuarial accrued liability for benefits was \$7,035,600. The covered payroll was \$27,115,600, and the ratio of the UAAL to the covered payroll was 25.90%. For BVU, the actuarial accrued liability for benefits was \$3,701,100. The covered payroll was \$8,290,100, and the ratio of the UAAL to the covered payroll was 44.64%.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 June 30, 2012 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 9.00% 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, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan

Plan Description

The City and BVU contribute to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by VRS. In addition, professional and non-professional employees of the School Board are covered by VRS.

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their Plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has a different eligibility and benefit structure as set out in the table below:

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
About VRS Plan 1 VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About VRS Plan 2 VRS 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 VRS 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 VRS Plan 1 and VRS 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, 2014

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 VRS 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 VRS Plan 1 members who opted in was July 1, 2014.	Eligible Members Employees are in VRS 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 VRS 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: • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014 • Members in VRS Plan 1 or VRS 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, 2014

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 VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.	The Hybrid Retirement Plan's effective date for eligible VRS 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 VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.	*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • 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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.
Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.	Retirement Contributions Same as VRS Plan 1.	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, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.		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 VRS 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, 2014

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 VRS 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. VRS Plan 1 or VRS 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, 2014

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 VRS Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS 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, 2014

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 VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.	Service Retirement Multiplier Same as VRS 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.	Service Retirement Multiplier The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2. <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, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at 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 Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are eligible for an unreduced retirement benefit at 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 <u>Defined Benefit Component:</u> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. <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, 2014**

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 VRS Plan 1. Exceptions to COLA Effective Dates: Same as VRS Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as VRS Plan 2. <u>Defined Contribution Component:</u> Not applicable. Eligibility: Same as VRS Plan 1 and VRS Plan 2. Exceptions to COLA Effective Dates: Same as VRS Plan 1 and VRS Plan 2.
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**CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

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, 2014

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. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. 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. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS 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. State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or 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.	Purchase of Prior Service Same as VRS Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as VRS Plan 1. <u>Defined Contribution Component:</u> Not applicable.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

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.		
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The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/pdf/Publications/2013-Annual-Report.pdf> or by writing to VRS's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended June 30, 2014 was 16.66% (11.66% plus 5.00% member contribution) of annual covered payroll. The School Board's contribution rate for the fiscal year ended June 30, 2014 was 14.38% (9.38% plus 5.00% member contribution) of annual covered payroll. BVU's contribution rate for the fiscal year ended June 30, 2014 was 14.54% of annual covered payroll.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Annual Pension Cost

For the fiscal year ended June 30, 2014, the City's and the School Board's annual pension cost of \$2,360,988 and \$50,691, respectively, were equal to their required and actual contributions. For the fiscal year ended June 30, 2014, BVU's annual pension cost of \$785,303 for VRS was equal to the required and actual contributions.

Three-Year Trend Information for the City

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 2,360,988	100%	\$ -
June 30, 2013	2,376,516	100%	-
June 30, 2012	2,214,303	100%	-

Three-Year Trend Information for the School Board

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 50,691	100%	\$ -
June 30, 2013	50,489	100%	-
June 30, 2012	50,045	100%	-

Three-Year Trend Information for BVU Authority

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 785,303	100%	\$ -
June 30, 2013	827,620	100%	-
June 30, 2012	832,048	100%	-

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Annual Pension Cost

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases of 3.75% to 5.60% per year for local general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%.

The actuarial value of the City, School Board and BVU's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of the short-term volatility in the market value of assets over a five-year period. The City, School Board and BVU's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the City's plan was 72.14% funded. The actuarial accrued liability for benefits was \$103,803,462, and the actuarial value of assets was \$74,884,226, resulting in an unfunded actuarial accrued liability (UAAL) of \$28,919,236. The covered payroll (annual payroll of active employees covered by the plan) was \$14,314,297, and the ratio of the UAAL to the covered payroll was 202.03%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 82.95% funded. The actuarial accrued liability for benefits was \$2,684,082, and the actuarial value of assets was \$2,226,509, resulting in an unfunded actuarial accrued liability (UAAL) of \$457,573. The covered payroll (annual payroll of active employees covered by the plan) was \$348,975, and the ratio of the UAAL to the covered payroll was 131.12%.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Funded Status and Funding Progress (Continued)

As of June 30, 2013, the most recent actuarial valuation date, BVU's plan was 129.68% funded. The actuarial accrued liability for benefits was \$2,987,145, and the actuarial value of assets was \$3,873,873, resulting in an overfunded actuarial accrued liability (UAAL) of \$886,728. The covered payroll (annual payroll of active employees covered by the plan) was \$7,749,557, and ratio of the UAAL to the covered payroll was (11.44%).

The analysis of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

C. Service Contracts

In September 2006, the Authority 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, 2014, \$40,717,621 was expensed under this contract.

D. Risk Management

Workmen's Compensation

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

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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

D. Risk Management (Continued)

Healthcare

Healthcare Insurance coverage is provided to the City's employees through a policy with Local Choice/Anthem, which is a State 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.

Dental

The City maintains a Dental Assistance Plan, which reimburses eligible employees at a rate of 50% of dental expenses per covered individual not to exceed \$750 per fiscal year. Claims incurred but not reported are included in liabilities of the trust and are based on actual claims received subsequent to fiscal year end. Claims are required to be turned in for reimbursement within 90 days of payment or are otherwise denied.

Reconciliation of claim liabilities is as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Balance, July 1	\$ 3,919	6,573	4,216
Claims Incurred	120,312	108,548	27,747
Claims Paid	<u>117,658</u>	<u>110,905</u>	<u>33,536</u>
Balance, June 30	<u>\$ 6,573</u>	<u>4,216</u>	<u>(1,573)</u>

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.

E. 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 yearly to reflect usage of the facility by each of the two cities during the year. BVU's share of debt applicable to the facility at June 30, 2014 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, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

E. 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 yearly expenses allocated to each and the contributions made by each.

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

Due from other governmental units:

Contributions in Excess of Allocated Capital Outlays	\$ 1,596,096
Due from Joint Sewerage System	<u>204,605</u>
	<u><u>\$ 1,800,701</u></u>

Due from Joint Sewerage System consisted of the following:

Contributions to Joint Wastewater	\$ 1,472,629
Other Income	<u>1,923</u>
Total Contributions and Other Income	1,474,552
Expenditures - The Authority's portion	<u>(1,269,947)</u>
	<u><u>\$ 204,605</u></u>

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

Land	\$ 181,015
Equipment, Treatment, and Composting Plant	15,397,093
Accumulated Depreciation	<u>(10,149,411)</u>
Net Capital Assets	<u><u>\$ 5,428,697</u></u>

F. 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 \$157,908.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

G. 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.

Economic Development Performance Agreement

In April 2010, the City entered into an agreement with a Company to pay from its Economic Development Funds. The City received \$1,000,000 as Governor's Development Opportunity Fund grant and remitted it to the Company during the fiscal year ended June 30, 2011. The City transferred land to the Company and will make a local match of \$1,166,444 which will be paid in increments of \$116,644 over 10 years which began during the fiscal year ended June 30, 2013.

The Company has constructed a building in the City of Bristol, Virginia where it will locate its corporate headquarters, employees, and corporate operations. All payments are expressly subject to the Company achieving certain milestones on capital investment and employment obligations through the end of the payment period.

H. 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, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

I. Subsequent Events

In September 2014, the City approved the issuance of taxable General Obligation Note Series 2014B, not to exceed \$6 million, related to The Falls project.

In October 2014, the IDA approved the issuance of taxable Revenue Bonds, Series 2014A and tax exempt Revenue Bonds, Series 2014B. On November 24, 2014, the bond purchasing agreement was signed for issuance of \$6,355,000 in Taxable Revenue Bonds, Series 2014A and \$27,500,000 in Tax Exempt Revenue Bonds, Series 2014B.

J. Prior Period Adjustment

Discretely Presented Component Units

During the fiscal year ended June 30, 2014, BVU implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which required restatement of the bond issuance costs. Under this statement, all future bond issuance costs, other than the cost of insurance, will be expensed in the fiscal year the cost is incurred. Under prior statements, the bond issuance costs had been amortized, and therefore, the remaining bond issuance costs of \$720,844 were written off to the unrestricted net position.

CITY OF BRISTOL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2014

City Employees - Pension Plan

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)				
June 30, 2013	\$ 74,884,226	\$ 103,803,462	\$ 28,919,236	72.14%	\$ 14,314,297	202.03%
June 30, 2012	74,594,071	103,942,007	29,347,936	71.77%	13,722,566	213.87%
June 30, 2011	76,700,176	99,723,361	23,023,185	76.91%	13,824,803	166.54%

Component Unit - City of Bristol, Virginia School Board - Pension Plan

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)				
June 30, 2013	\$ 2,226,509	\$ 2,684,082	\$ 457,573	82.95%	\$ 348,975	131.12%
June 30, 2012	2,230,622	2,679,151	448,529	83.26%	367,833	121.94%
June 30, 2011	2,313,685	2,815,819	502,134	82.17%	350,356	143.32%

Component Unit - BVU Authority - Pension Plan

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)				
June 30, 2013	\$ 3,873,873	\$ 2,987,145	\$ (886,728)	129.68%	\$ 7,749,557	(11.44%)
June 30, 2012	2,608,343	2,033,918	(574,425)	128.24%	7,740,084	(7.42%)
June 30, 2011	1,366,492	1,411,185	44,693	96.83%	8,910,312	0.50%

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
June 30, 2014

City and School Board - Other Post-Employment Benefits

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)				
June 30, 2012	\$ -	\$ 7,035,600	\$ 7,035,600	0.00%	\$27,115,600	25.90%
June 30, 2010	-	5,692,600	5,692,600	0.00%	25,883,600	22.00%
June 30, 2008	-	5,084,800	5,084,800	0.00%	28,051,700	18.10%

Component Unit - BVU Authority - Other Post-Employment Benefits

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)				
June 30, 2012	\$ -	\$ 3,701,100	\$ 3,701,100	0.00%	\$ 8,290,100	44.64%
June 30, 2010	-	3,410,200	3,410,200	0.00%	8,654,000	39.40%
June 30, 2008	-	2,459,100	2,459,100	0.00%	9,823,000	25.00%

See Independent Auditors' Report.

**CITY OF BRISTOL, VIRGINIA
BALANCE SHEET
INDUSTRIAL DEVELOPMENT AUTHORITY
DISCRETELY PRESENTED COMPONENT UNIT
June 30, 2014**

ASSETS	
Cash	\$ 4,186
Receivables	64,315
Due From Primary Government	<u>147,472</u>
 TOTAL ASSETS	 <u><u>\$ 215,973</u></u>
 LIABILITIES	
Accounts Payable	<u>\$ 211,787</u>
 FUND BALANCE	
Unassigned	<u>4,186</u>
 TOTAL FUND BALANCE	 <u>4,186</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 215,973</u></u>

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

Fund Balance	\$ 4,186
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	<u>1,771,087</u>
Net Position of Industrial Development Authority	<u><u>\$ 1,775,273</u></u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
INDUSTRIAL DEVELOPMENT AUTHORITY
DISCRETELY PRESENTED COMPONENT UNIT
For the Fiscal Year Ended June 30, 2014

REVENUES	
Intergovernmental	
City of Bristol, Virginia	\$ 2,085,698
Investment Earnings	152,250
Other	<u>100,000</u>
TOTAL REVENUES	<u>2,337,948</u>
EXPENDITURES	
Economic Development	<u>2,337,948</u>
Net Change in Fund Balance	-
FUND BALANCE, JULY 1, 2013	<u>4,186</u>
FUND BALANCE, JUNE 30, 2014	<u><u>\$ 4,186</u></u>

Amounts reported in the Statement of Activities are different because:

Net Change in Fund Balance	\$ -
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over the useful lives. This is the amount by which capital outlays exceeded depreciation expense in the current period.	1,170,092
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.	(145,000)
Expenditures are reported in the funds when they require the use of current financial resources while in the statement of activities those expenses are recorded when incurred.	<u>145,000</u>
Change in Net Position	<u><u>\$ 1,170,092</u></u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Program Title	Pass-Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<u>Department of Agriculture</u>			
State Administrative Matching Grant for Food Stamp Program	Department of Social Services	10.561	\$ 338,694
<u>Department of Health and Human Services</u>			
Family Preservation and Support	Department of Social Services	93.556	15,402
Temporary Assistance to Needy Families	Department of Social Services	93.558	422,449
Refugee and Entrant Assistance - State Administered Programs	Department of Social Services	93.566	2,043
Low-Income Home Energy Assistance	Department of Social Services	93.568	34,987
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Social Services	93.596	50,357
Chafee Education and Training Vouchers Program	Department of Social Services	93.599	3,077
Child Welfare Services - State Grants	Department of Social Services	93.645	2,515
Foster Care - Title IV-E	Department of Social Services	93.658	560,618
Adoption Assistance	Department of Social Services	93.659	232,808
Social Services Block Grant	Department of Social Services	93.667	247,805
Independent Living	Department of Social Services	93.674	8,328
State Children's Insurance Program	Department of Social Services	93.767	10,252
Medical Assistance Program	Department of Social Services	93.778	272,319
Other Program	Department of Social Services	93.999	45,060
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant - Entitlement Grants	N/A	14.218	208,935
<u>Department of Homeland Security</u>			
Emergency Management Performance Grants	Department of Emergency Management	97.042	15,500
Emergency Preparedness	Department of Emergency Management	97.999	49,340
2012 Heavy Tactical Rescue Team Equipment, Exercise and Training Grant	Department of Criminal Justice Services	97.067	3,395
State Homeland Security Program Grant	Department of Criminal Justice Services	97.067	50,000
2012 EOC Establishment			
2012 Haz-Mat Team Equipment, Exercise and Training Grant	Department of Criminal Justice Services	97.067	24,900
2011 Haz-Mat Team Equipment, Exercise and Training Grant	Department of Emergency Management	97.073	1,566
<u>Department of Justice</u>			
Violence Against Women Formula Grants	Department of Criminal Justice Services	16.588	10,886
Vest Grant	Department of Criminal Justice Services	16.607	2,230
Drug Court Discretionary Grant Program	N/A	16.585	16,020
<u>Department of Transportation</u>			
Drive Hammered Get Nailed	Department of Transportation	20.600	26,083
Transit Operating Assistance Grant	Department of Transportation	20.507	269,008
Total Federal Award Expenditures			<u>\$ 2,924,577</u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
NOTES TO SCHEDULE OF FEDERAL AWARDS
June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICY

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting as promulgated by U.S. generally accepted accounting principles.

NOTE 2 - SUBGRANTEES

The federal expenditures for the Community Development Block Grant Program include grants to subrecipients as follows:

Adult Learning Lab	\$ 26,500
Believe in Bristol	13,875
Children's Advocacy Center	3,129
Court Appointed Special Advocates	1,000
Crossroads Medical Mission	2,275
Family Promise of Bristol	2,750
King Mountain Permanent Housing	<u>2,600</u>
	<u>\$ 52,129</u>

NOTE 3 - 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
OTHER SUPPLEMENTAL INFORMATION SECTION
(UNAUDITED)

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities										
Net Investment in Capital Assets	\$ 30,780,027	27,983,924	33,995,609	30,777,836	29,401,065	29,915,337	23,694,648	28,512,940	13,804,929	10,555,902
Restricted	1,149,693	2,029,871	779,252	955,441	1,614,580	2,073,182	2,842,539	-	119,144	335,787
Unrestricted	21,040,925	24,072,734	24,745,959	26,663,740	22,824,118	23,274,681	26,693,206	22,233,712	11,079,991	13,999,679
Total Governmental Activities Net Position	\$ 52,970,645	54,086,529	59,520,820	58,397,017	53,839,763	55,263,200	53,230,393	50,746,652	25,004,064	24,891,368
Business-type Activities										
Net Investment in Capital Assets	\$ -	-	-	512,547	60,044,625	54,845,271	51,272,867	42,606,561	52,758,724	43,849,657
Restricted	-	-	-	9,316	9,316	10,322	17,176	14,814	9,374	9,374
Unrestricted	(36,196,097)	(33,867,453)	(31,308,522)	(33,531,585)	538,771	(806,746)	(855,858)	97,397	(10,103,653)	(6,521,057)
Total Business-type Activities Net Position	\$ (36,196,097)	(33,867,453)	(31,308,522)	(33,009,722)	60,592,712	54,048,847	50,434,185	42,718,772	42,664,445	37,337,974
Primary Government										
Net Investment in Capital Assets	\$ 30,780,027	27,983,924	33,995,609	31,290,383	89,445,690	84,760,608	74,967,515	71,119,501	66,563,653	54,405,559
Restricted	1,149,693	2,029,871	779,252	964,757	1,623,896	2,083,504	2,859,715	14,814	128,518	345,161
Unrestricted	(15,155,172)	(9,794,719)	(6,562,563)	(6,867,845)	23,362,889	22,467,935	25,837,348	22,331,109	976,338	7,478,622
Total Primary Government Net Position	\$ 16,774,548	20,219,076	28,212,298	25,387,295	114,432,475	109,312,047	103,664,578	93,465,424	67,668,509	62,229,342

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.

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
EXPENSES										
Governmental Activities										
General Government	\$ 3,644,857	3,863,132	2,738,642	2,700,711	2,978,720	2,661,457	2,802,250	3,054,842	2,601,267	2,427,473
Judicial Administration	1,403,143	1,446,663	1,315,755	1,597,660	1,509,552	1,296,392	1,157,293	1,143,616	1,069,265	957,804
Public Safety	13,658,662	13,303,468	13,108,290	12,555,922	12,357,339	12,896,808	12,319,196	12,203,912	12,289,639	11,592,580
Public Works	6,078,768	5,825,721	5,645,111	4,951,172	6,659,981	6,353,187	6,462,708	5,920,702	3,629,910	3,617,194
Health and Welfare	6,340,817	6,188,984	5,997,666	5,625,680	5,495,954	5,645,470	6,229,012	5,202,426	5,918,891	4,900,033
Education	9,468,882	9,370,182	8,937,192	8,548,977	9,265,259	9,307,322	8,996,957	8,338,635	9,200,388	8,541,575
Parks, Recreation, and Cultural	3,817,264	3,933,370	3,798,309	2,784,258	2,835,079	2,882,840	2,813,305	2,717,968	2,810,812	2,549,563
Community Development	5,182,711	2,791,217	2,378,139	4,609,396	2,867,133	1,692,851	1,474,618	2,593,211	1,630,732	3,850,009
Transit	506,937	474,911	545,380	555,189	552,312	552,299	534,060	502,415	521,312	657,059
Interest on Long-Term Debt	1,406,389	1,495,132	1,092,274	1,049,255	925,339	1,156,243	939,447	873,403	754,571	677,586
Total Governmental Activities Expenses	51,508,430	48,692,780	45,556,758	44,978,220	45,446,668	44,444,869	43,728,846	42,551,130	40,426,787	39,770,876
Business-type Activities										
Electric	-	-	-	-	48,136,810	51,968,590	43,059,795	37,947,763	37,996,520	29,674,864
Water	-	-	-	-	3,167,214	3,021,749	2,752,272	2,696,045	2,542,253	2,582,115
Wastewater	-	-	-	-	3,198,095	3,123,505	2,993,874	3,075,293	3,033,617	3,061,934
OptiNet	-	-	-	-	17,622,508	16,476,305	14,227,775	11,806,290	10,732,027	10,200,551
Solid Waste Disposal	6,201,423	6,799,466	6,853,393	7,117,767	7,252,392	7,020,171	6,718,162	7,199,284	7,009,844	7,071,098
Golf Course	-	-	-	1,019,440	1,093,885	1,117,334	1,129,135	1,186,216	1,266,691	1,170,971
Total Business-type Activities Expenses	6,201,423	6,799,466	6,853,393	8,137,207	80,470,904	82,727,654	70,881,013	63,910,891	62,580,952	53,761,533
Total Primary Government Expenses	\$ 57,709,853	55,492,246	52,410,151	53,115,427	125,917,572	127,172,523	114,609,859	106,462,021	103,007,739	93,532,409

(Continued)

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
PROGRAM REVENUES										
Governmental Activities										
Charges for Services										
General Government	\$ 393,855	477,548	273,817	280,751	316,195	277,958	257,859	261,452	165,907	202,410
Judicial Administration	316,409	341,793	348,572	332,140	279,718	230,806	250,633	214,632	258,272	275,919
Public Safety	118,852	138,616	128,420	183,343	174,210	274,435	473,704	708,593	759,331	729,335
Public Works	724	4,751	1,137	1,647	2,861	547	882,538	733,494	853,049	625,035
Health and Welfare	-	-	-	-	-	-	-	-	118,140	122,273
Parks, Recreation, and Cultural	832,374	895,803	998,571	101,527	97,233	91,769	98,123	103,223	114,107	108,966
Other Activities	32,640	46,345	44,620	39,865	34,769	39,318	37,804	41,145	36,831	38,829
Operating Grants and Contributions	15,647,934	14,277,719	14,065,443	16,737,399	13,868,952	13,325,110	14,337,295	12,670,217	11,487,441	10,672,859
Capital Grants and Contributions	2,722,801	1,370,963	4,189,662	2,947,622	3,730,705	2,656,318	1,565,583	4,549,390	1,798,859	490,464
Total Governmental Activities Program Revenues	<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>	<u>15,591,937</u>	<u>13,266,090</u>
Business-type Activities										
Charges for Services										
Electric	-	-	-	-	50,543,639	54,844,870	46,489,221	39,857,424	39,870,170	34,258,137
Water	-	-	-	-	3,179,182	3,530,035	3,337,032	3,341,488	3,191,277	2,932,032
Wastewater	-	-	-	-	3,316,913	3,197,360	3,329,804	3,264,167	3,287,249	3,177,476
OptiNet	-	-	-	-	19,236,343	17,234,687	14,525,312	10,973,174	8,633,285	7,272,254
Solid Waste Disposal	3,877,782	4,838,203	5,558,996	5,351,757	4,900,792	4,755,432	4,311,968	4,254,511	4,155,851	4,278,408
Golf Course	-	-	-	681,069	654,339	695,125	750,047	748,699	734,213	796,174
Capital Grants and Contributions	-	-	-	-	3,826,270	2,341,810	5,648,768	1,180,429	7,263,779	2,809,297
Total Business-type Activities Program Revenues	<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>	<u>67,135,824</u>	<u>55,523,778</u>
Total Primary Government Program Revenues	<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>	<u>82,727,761</u>	<u>68,789,868</u>
NET (EXPENSE)/REVENUE										
Governmental Activities	\$ (31,442,841)	(31,139,242)	(25,506,516)	(24,353,926)	(26,942,025)	(27,548,608)	(25,825,307)	(23,268,984)	(24,834,850)	(26,504,786)
Business-type Activities	<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>	<u>4,554,872</u>	<u>1,762,245</u>
Total Primary Government Net (Expense)/Revenue	<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>	<u>(20,279,978)</u>	<u>(24,742,541)</u>

(Continued)

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
GENERAL REVENUES AND OTHER CHANGES										
IN NET POSITION										
Governmental Activities										
Taxes										
Property Taxes	\$ 14,380,655	13,833,296	13,597,177	13,427,997	12,651,353	12,686,832	13,392,015	16,359,843	11,222,394	9,932,616
Other Taxes	12,316,335	12,427,340	12,419,037	11,722,627	11,448,949	11,613,383	12,046,825	11,690,941	10,494,811	10,365,709
Payments from Primary Government	-	-	-	-	-	-	-	-	14,016	1,808,068
Grants and Contributions Not Restricted	3,327,544	3,222,122	3,086,610	3,312,837	2,393,388	2,262,805	2,333,394	2,352,125	3,007,102	3,852,074
Investment Earnings	31,149	34,554	40,707	58,232	34,069	125,736	214,667	187,409	108,697	97,677
Gain (Loss) on Sale of Property	77,968	(84,010)	4,122	(99,480)	29,343	(2,343,748)	(27,853)	117,601	(152,889)	8,693
Other	193,306	9,474	414,997	-	-	-	-	-	21,572	8,568
Transfers	-	-	(2,932,331)	-	(1,352,839)	458,300	350,000	350,000	350,000	1,117,500
Total Governmental Activities	<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>	<u>25,065,703</u>	<u>27,190,905</u>
Business-type Activities										
Investment Earnings	99	582	2,028	2,094	110,037	175,516	524,052	697,018	1,454,416	1,050,095
Gain (Loss) on Sale of Property	(5,102)	(8,725)	32,815	(19,154)	(105,585)	25,781	17,048	(1,692)	(406)	(58,692)
Other	-	-	28,423	-	-	-	-	-	-	-
Transfers	-	-	2,932,331	-	1,352,839	(458,300)	(350,000)	(350,000)	(350,000)	(1,117,500)
Total Business-type Activities	<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>	<u>1,104,010</u>	<u>(126,097)</u>
Total Primary Government	<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>	<u>26,169,713</u>	<u>27,064,808</u>
CHANGE IN NET POSITION										
Governmental Activities	\$ (1,115,884)	(1,696,466)	1,123,803	4,557,254	(1,423,437)	2,032,807	2,483,741	7,788,935	230,853	686,119
Business-type Activities	<u>(2,328,644)</u>	<u>(1,969,406)</u>	<u>1,701,200</u>	<u>(2,121,441)</u>	<u>6,543,865</u>	<u>3,614,662</u>	<u>7,702,239</u>	<u>54,327</u>	<u>5,658,882</u>	<u>1,636,148</u>
Total Primary Government	<u>\$ (3,444,528)</u>	<u>(3,665,872)</u>	<u>2,825,003</u>	<u>2,435,813</u>	<u>5,120,428</u>	<u>5,647,469</u>	<u>10,185,980</u>	<u>7,843,262</u>	<u>5,889,735</u>	<u>2,322,267</u>

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.

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Nonspendable	\$ 22,661,237	19,835,179	18,228,985	20,641,868	-	-	-	-	-	-
Restricted	1,149,693	2,029,871	779,252	955,441	-	-	-	-	-	-
Unassigned	(277,620)	5,249,125	5,795,788	5,056,131	-	-	-	-	-	-
Reserved	-	-	-	-	20,656,132	19,727,559	17,445,721	11,292,989	7,883,336	3,302,676
Unreserved	-	-	-	-	3,130,749	4,714,935	8,715,759	7,938,332	787,983	7,795,789
Total General Fund	<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>	<u>8,671,319</u>	<u>11,098,465</u>
All Other Governmental Funds										
Assigned	\$ -	-	8,356	17,157	-	-	-	-	-	-
Unassigned	-	(8,925)	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	27,870	-
Unreserved, Reported in:	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	-	-	-	-	18,364	24,532	87,935	9,627	(26,385)	28,317
Total All Other Governmental Funds	<u>\$ 0</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>	<u>1,485</u>	<u>28,317</u>

See Independent Auditors' Report.

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
REVENUES										
Taxes	\$ 27,436,595	27,619,746	26,334,737	25,730,352	24,620,177	24,918,957	26,309,728	28,220,221	21,752,273	20,298,325
Permits, Privilege Fees, and Licenses	69,535	48,089	69,455	104,035	31,359	43,601	55,367	88,032	86,288	93,415
Fines and Forfeitures	196,285	212,516	228,566	222,367	175,137	134,421	148,419	146,528	186,976	214,507
Investment Earnings	540,803	542,803	329,232	351,582	360,088	409,244	536,400	523,313	489,918	267,281
Charges for Services	992,034	1,084,589	1,161,149	274,959	332,728	400,203	1,273,679	1,116,025	1,430,179	1,287,715
Other	1,413,866	2,052,718	1,596,172	1,674,254	972,769	388,716	595,798	627,169	350,328	534,222
Intergovernmental	18,753,918	16,259,174	19,132,860	20,691,719	18,532,759	16,829,007	17,071,694	16,971,145	15,403,804	15,058,282
Total Revenues	49,403,036	47,819,635	48,852,171	49,049,268	45,025,017	43,124,149	45,991,085	47,692,433	39,699,766	37,753,747
EXPENDITURES										
General Government	3,127,195	3,136,968	2,669,506	2,425,753	2,587,737	2,556,942	2,854,121	2,949,908	2,500,908	2,299,735
Judicial Administration	1,284,285	1,379,353	1,453,743	1,485,763	1,401,759	1,271,989	1,127,182	1,120,914	1,039,768	955,437
Public Safety	13,378,990	13,090,233	13,202,148	12,908,930	12,199,613	12,511,555	12,041,017	12,854,163	12,295,870	11,646,734
Public Works	5,191,466	4,965,547	4,750,566	4,267,752	4,136,424	4,033,008	4,193,526	3,866,181	3,990,794	4,143,388
Health and Welfare	6,359,553	6,198,340	6,016,795	5,635,487	5,507,342	5,623,301	6,222,774	5,201,697	5,911,003	4,907,608
Education	9,281,682	9,151,682	8,701,292	8,298,377	8,976,766	9,009,699	8,690,721	8,019,557	8,868,472	8,196,819
Parks, Recreation, and Cultural	3,544,177	3,616,612	3,458,881	2,504,239	2,514,823	2,849,361	2,484,434	2,420,945	2,736,703	2,521,567
Community Development	2,470,287	1,674,584	2,401,272	4,797,396	2,867,133	1,692,851	1,474,618	2,593,211	1,600,291	3,847,048
Transit	474,236	578,936	519,256	598,985	520,962	623,487	520,894	477,949	528,463	628,542
Capital Projects	19,906,730	23,797,731	5,901,666	2,259,068	2,024,195	3,343,054	1,183,154	2,915,828	1,903,490	3,323,348
Debt Service:										
Principal	15,404,710	10,828,820	4,470,405	6,876,400	7,354,194	1,282,171	5,436,521	3,959,810	1,574,531	1,116,698
Interest and Bond Issue Costs	2,127,968	1,699,310	1,007,191	923,095	979,386	983,772	731,396	756,711	734,986	707,047
Total Expenditures	82,551,279	80,118,116	54,552,721	52,981,245	51,070,334	45,781,190	46,960,358	47,136,874	43,685,279	44,293,971
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,148,243)	(32,298,481)	(5,700,550)	(3,931,977)	(6,045,317)	(2,657,041)	(969,273)	555,559	(3,985,513)	(6,540,224)
OTHER FINANCING SOURCES (USES)										
Proceeds from Borrowing	28,756,450	34,115,513	6,146,486	6,270,473	6,630,569	-	6,747,950	7,422,000	724,750	2,321,500
Payments to Bond Escrow Agents	-	-	-	-	-	-	-	-	-	(2,302,887)
Sale of Capital Assets	130,139	55,112	20,791	16,421	105,806	65,630	78,891	2,151,267	418,349	436,522
Insurance Recoveries	193,306	9,474	671,165	21,468	-	-	-	-	38,436	-
Capital Lease	496,408	411,251	-	-	-	-	1,400,899	-	-	-
Transfers In	-	-	(2,996,108)	-	-	809,023	350,000	350,000	350,000	1,291,004
Transfers Out	-	-	-	-	(1,352,839)	-	-	-	-	(173,504)
TOTAL OTHER FINANCING SOURCES (USES)	29,576,303	34,591,350	3,842,334	6,308,362	5,383,536	874,653	8,577,740	9,923,267	1,531,535	1,572,635
Net Change in Fund Balances	\$ (3,571,940)	2,292,869	(1,858,216)	2,376,385	(661,781)	(1,782,388)	7,608,467	10,478,826	(2,453,978)	(4,967,589)
Debt Service as a Percentage of Noncapital Expenditures	27.99%	22.24%	11.26%	15.38%	16.99%	5.34%	13.47%	10.67%	5.53%	4.45%

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Estate (1)	Personal Property (2)	Machinery and Tools (2)	Public Service Corporation (3)	Mobile Homes (4)	Total Assessed Value	Tax Rate (per \$100)	
							Real Estate	Personal Property
2014	\$ 1,031,933,300	43,791,409	12,545,868	18,782,178	991,762	1,108,044,517	1.07%	7.00%
2013	1,034,599,500	41,924,567	11,930,403	18,795,922	1,279,636	1,108,530,028	0.99%	7.00%
2012	1,055,329,250	43,626,984	12,067,951	19,026,098	1,377,046	1,131,427,329	0.94%	7.00%
2011	1,042,533,650	49,163,845	12,137,866	17,495,045	1,468,048	1,122,798,454	0.94%	7.00%
2010	1,037,501,250	36,755,193	10,657,820	15,375,438	1,534,142	1,101,823,843	0.94%	7.00%
2009	932,366,500	40,381,108	10,815,071	15,573,204	1,495,279	1,000,631,162	1.05%	7.00%
2008	918,459,200	38,417,934	12,790,535	14,250,641	1,505,142	985,423,452	1.05%	7.00%
2007	874,768,300	35,898,923	17,593,513	19,560,928	1,664,016	949,485,680	0.98%	6.00%
2006	767,041,575	34,747,388	17,859,218	16,764,883	*	836,413,064	0.98%	6.00%
2005	754,670,575	36,732,886	18,095,654	18,955,042	*	828,454,157	0.98%	6.00%

* - Not available

(1) Assessed at 100% of fair market value

(2) Vehicles are assessed at average trade as determined by the National Automobile Dealers Association (NADA); other personal property for which there is no industry guide is assessed at 11% of there original cost and then depreciated 10% per year.

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

(4) Assessed values are based upon a depreciation schedule; included in personal property total for year 1999-2005.

Note: Reassessments occur every four years

Source: Commissioner of Revenue

See Independent Auditors' Report.

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

<u>Taxpayer</u>	2014			2005		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Johnson Sugar Hollow LLC (Alpha)	\$ 17,547,000	1	20.0%	\$ -		0.0%
Bristol Mall Associates	16,871,900	2	19.2%	22,162,400	1	26.9%
D&J Virginia Real Estate LLC (Holiday Inn)	9,078,400	3	10.3%	16,798,700	2	20.4%
HD Development of MD (Home Depot)	8,392,900	4	9.6%	-		0.0%
Debora Jean Limited (Tinseltown)	7,287,900	5	8.3%	6,943,700	4	8.4%
BLC Bristol-GC LLC (Brookdale Assisted Living)	6,895,900	6	7.8%	-		0.0%
Apple Nine SPE Bristol (Marriott)	6,502,700	7	7.4%	7,093,900	3	8.6%
Ball Metal Beverage Container Corp.	5,733,000	8	6.5%	4,923,300	7	6.0%
Yale Bristol VA LLC (Bonham Road Strip Center)	5,007,100	9	5.7%	-		0.0%
Pacific Capital Group (Post Office/Food Lion)	4,552,900	10	5.2%	5,339,600	6	6.5%
Bristol Brass & Copper (Bristol Plaza)	-		0.0%	5,448,800	5	6.6%
Bristol Commons	-		0.0%	4,715,000	8	5.7%
Boise Cascade Office Products	-		0.0%	4,587,600	9	5.6%
Electrolux LLC	-		0.0%	4,483,700	10	5.4%
	<u>\$ 87,869,700</u>		<u>100.0%</u>	<u>\$ 82,496,700</u>		<u>100.0%</u>

Source: Commissioner of Revenue

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	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
2014	\$ 13,937,773	\$ 13,327,035	95.62%	\$ -	\$ 13,327,035	95.62%
2013	14,091,943	13,394,232	95.05%	338,004	13,732,236	97.45%
2012	13,724,757	12,948,516	94.34%	517,444	13,465,960	98.11%
2011	13,721,770	12,883,684	93.89%	657,180	13,540,864	98.68%
2010	13,454,389	12,645,361	93.99%	645,847	13,291,208	98.79%
2009	13,552,799	12,800,034	94.45%	568,760	13,368,794	98.64%
2008	13,397,350	12,815,457	95.66%	367,043	13,182,500	98.40%
2007	12,294,395	11,351,927	92.33%	755,446	12,107,373	98.48%
2006	11,769,692	11,281,140	95.85%	300,926	11,582,066	98.41%
2005	10,748,059	10,370,212	96.48%	206,204	10,576,416	98.40%

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.

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Legal Debt Margin										
Debt Limit	\$ 105,071,548	105,301,369	107,435,535	106,002,870	103,750,125	93,236,650	91,845,920	87,476,830	76,704,158	75,467,058
Total Net Debt Applicable to Limit	94,647,500	81,145,000	57,607,500	56,339,584	57,830,000	59,952,387	62,287,820	59,894,556	61,713,861	51,753,727
Legal Debt Margin	<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>	<u>14,990,297</u>	<u>23,713,331</u>

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed Value	Real Estate	\$ 1,031,933,300
	PSC	<u>18,782,178</u>
Assessed Value Total		\$ 1,050,715,478
Debt Limit (10% of assessed value)		105,071,548
Less Debt Applicable to Limit:		
General Obligation Bonds		(93,687,500)
Other Long-Term Obligations		<u>(960,000)</u>
Legal Debt Margin		<u>\$ 10,424,048</u>

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

See Independent Auditors' Report.

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

Fiscal Year	General Obligation Bonds					Other Governmental Activities	
	Governmental General Obligation Bonds	Business-Type General Obligation Bonds	Total General Obligation Bonds	Percentage of Actual Value of Taxable Property	Per Capita	Notes Payable	Other Debt
2014	\$ 61,320,700	32,366,800	93,687,500	8.46%	5,403	-	960,000
2013	46,907,400	33,037,600	79,945,000	7.21%	4,610	-	1,200,000
2012	23,389,548	32,777,952	56,167,500	4.96%	3,165	-	1,440,000
2011	17,961,234	36,698,350	54,659,584	4.87%	3,074	-	1,680,000
2010	18,394,451	37,515,549	55,910,000	5.07%	3,135	-	1,920,000
2009	18,786,751	38,993,249	57,780,000	5.77%	3,240	-	2,172,387
2008	19,534,789	40,320,211	59,855,000	6.07%	3,432	-	2,432,820
2007	16,277,411	40,913,325	57,190,736	6.02%	3,287	-	2,703,820
2006	12,345,291	41,868,500	54,213,791	6.48%	3,116	2,775,000	2,974,820
2005	12,710,937	39,042,790	51,753,727	6.25%	2,974	211,500	3,247,455

Fiscal Year	Business-Type Activities			Total Debt		
	Revenue Bonds	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
2014	\$ -	-	376,627	95,024,127	*	5,480
2013	-	-	262,948	81,407,948	*	4,695
2012	-	-	377,572	57,985,072	*	3,267
2011	-	-	366,539	56,706,123	*	3,189
2010	46,560,500	-	397,603	104,788,103	*	5,875
2009	47,585,500	-	235,702	107,773,589	*	6,180
2008	48,095,500	-	101,655	110,484,975	*	6,350
2007	48,950,000	-	155,545	109,000,101	*	6,264
2006	50,310,000	-	201,497	110,475,108	*	6,349
2005	50,870,000	50,000	166,236	106,298,918	*	6,109

* Not available

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.

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

(1) See the Schedule of Demographic and Economic Statistics for household income and population data.

See Independent Auditors' Report.

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (3)</u>	<u>Public School Enrollment</u>	<u>Unemployment Rate</u>
2014	17,341	*	2,207	8.7%
2013	17,341	36,881	2,232	8.2%
2012	17,747	35,373	2,265	8.3%
2011	17,783	32,056	2,276	8.8%
2010	17,854	31,540	2,244	9.2%
2009	17,516	32,506	2,265	10.5%
2008	17,429	32,075	2,272	5.9%
2007	17,571	30,895	2,308	5.2%
2006	17,425	29,880	2,302	4.8%
2005	17,479	27,657	2,295	5.3%
2004	17,433	25,982	2,324	6.0%

*Not available

(1) Population, school enrollment and unemployment figures are based on fiscal years ending June 30. Per Capita Income is as of December 31.

(2) Population is based on figures available from the U.S. Census Bureau

(3) Source: Bureau of Economic Analysis US Dept of Commerce
combined with Washington County

See Independent Auditors' Report.

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

<u>EMPLOYER</u>	<u>2014</u>			<u>2009</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>
City of Bristol	720	1	19.48%	700	1	17.16%
Commonwealth of Virginia (VDOT)	608	2	16.45%	250	8	6.13%
Electro Mechanical Corp.	550	3	14.88%	600	2	14.71%
Shearer's (formerly Moore's Snack Foods)	310	4	8.39%	200	10	4.90%
Strongwell Corp	300	5	8.11%	400	5	9.81%
Office Max	296	6	8.01%	500	3	12.26%
Alpha Natural Resources	262	7	7.09%			
United Parcel Service	243	8	6.57%	300	7	7.35%
Ball Corp (formerly Reynolds Metal)	241	9	6.52%	235	9	5.76%
Aerus (formerly Electrolux)	167	10	4.52%			0.00%
Sprint PCS	0		0.00%	500	4	12.26%
US Solutions	0		0.00%	394	6	9.66%
	<u>3,697</u>		<u>100.00%</u>	<u>4,079</u>		<u>100.00%</u>

Source: Community Development & Planning

See Independent Auditors' Report.

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

FUNCTION/PROGRAM	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government	24	25	24	24	23	23	27	30	32	32
Judicial Government	15	15	17	16	16	16	15	31	19	16
Public Safety	169	173	173	171	172	173	172	161	188	187
Public Works	30	29	25	25	22	23	21	34	41	42
Solid Waste	28	31	34	33	41	45	46	41	45	45
Health and Welfare	44	42	41	41	39	39	41	41	41	39
Parks, Recreation, and Cultural	22	22	21	21	22	21	22	22	22	21
Clear Creek Golf Course	5	6	6	5	5	5	5	4	5	7
Library	21	22	24	21	22	24	27	22	32	27
Community Development	9	6	7	7	7	9	8	10	11	11
Transit	7	7	8	10	9	9	10	9	9	9
Water	-	-	-	-	6	6	6	6	6	*
Sewer	-	-	-	-	8	8	8	7	7	*
OptiNet	-	-	-	-	99	106	102	31	31	*
Electric	-	-	-	-	79	71	70	66	64	*
Total	374	378	380	374	570	578	580	515	553	436

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.

* Comparable information was not available for prior years.

See Independent Auditors' Report.

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

<u>Function/Program</u>	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>Judicial Administration</u>										
Sheriff										
Inmates Housed (Daily)	153	153	141	143	131	126	136	147	144	118
Inmate Transports	537	396	583	416	353	512	1,095	1,095	1,063	901
Courts Worked	651	641	583	625	661	628	615	584	452	448
<u>Public Safety</u>										
Police										
Criminal Warrants	2,666	2,393	2,631	2,409	3,126	2,978	2,954	2,852	2,655	2,567
Parking Violations	105	141	154	343	611	500	776	649	798	1,707
Traffic Violations	5,181	5,712	5,994	6,084	5,244	3,803	3,738	4,319	8,091	9,101
Fire										
Fire Responses	120	139	175	169	171	183	197	175	128	148
EMS Responses	1,620	1,431	1,489	1,523	1,410	1,262	1,264	998	1,019	1,128
Hazmat Responses	63	57	74	83	80	97	88	79	78	80
Other Responses	843	944	808	751	780	768	513	537	573	460
<u>Public Works</u>										
Refuse Collected (tons per day)	27	28	29	31	32	33	33	33	34	36
Recyclables collected (tons per day)	13	13	7	11	13	10	8	13	17	20
<u>Library</u>										
Volumes in collection	164,175	169,175	169,312	178,331	165,858	164,494	159,547	144,558	149,100	146,350
Total Circulated	352,080	381,470	372,108	382,877	390,382	371,697	340,937	359,248	340,900	302,900

See Independent Auditors' Report.

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

<u>Function/Program</u>	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>Public Safety</u>										
Law Enforcement Vehicles	66	63	70	69	76	73	79	80	94	95
Fire Stations	3	3	3	3	3	3	3	3	3	3
<u>Public Works</u>										
Primary Streets (lane miles)	50.64	50.64	50.64	50.64	50.64	50.64	48.80	49.00	48.00	48.00
Secondary Streets (lane miles)	210.49	210.49	210.49	210.49	208.55	208.23	208.23	208.00	204.00	202.00
<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	17

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 and 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 26, 2014.

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 a significant deficiency.

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 deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2012-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, PLLC
Johnson City, Tennessee

November 26, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2014. 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) and BVU Authority (BVU), discretely presented component units, which received \$3,586,660 and \$969,339, respectively, in federal awards which are not included in the schedule during the fiscal year ended June 30, 2014. Our audit, described below, did not include the operations of the School Board and BVU because a separate report was issued.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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, 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 26, 2014

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014

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 one significant deficiency were disclosed during the audit of the financial statements.
3. No 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 Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

Temporary Assistance to Needy Families	93.558
Foster Care – Title IV-E	93.658
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City was determined to be a low-risk auditee.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014

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.

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

Effect: The Solid Waste Disposal Fund has received continuous advances from the General Fund resulting in significant interfund balances consuming almost all of the unassigned fund balance of the General Fund.

Recommendation: Management and City Council have implemented some operational changes to the Solid Waste Disposal Fund during the current fiscal year in order to see an increase in operational efficiency in the next fiscal year. Continued efforts to monitor these results and implementation of changes should be maintained to make this proprietary fund self-sufficient and to repay the General Fund for the advances.

Management Response: Management and City Council are aware of the operations at the Solid Waste Disposal Facility. In the past few fiscal years, changes have been made to streamline operations and increase efficiency. As a response to the competitive market, the City has engaged a marketing consultant that is helping the City redefine their customer base and develop strategies to increase their revenue. The City is still in process of pursuing the collection of the methane gas that will be converted to energy. This process is slated to begin in 2015.

2012-001 Significant Deficiency - Purchasing (Repeated from 6/30/12 report with changes)

Condition: During the review of purchase cards, we noted several purchases that did not have proper approval for payment or supporting documentation. In the review of cash disbursements, there were instances of purchase orders not issued or issued after the purchase.

Criteria: The Virginia Public Procurement Act and the City's purchasing policies require proper approval for payment, purchase orders to be obtained before purchase with proper approval, and supporting documents for all purchase cards and cash disbursements.

Effect: The City is not in compliance with the Virginia Public Procurement Act and City purchasing policies.

Recommendation: While the City has made improvements to increase the strength of purchasing procedures, continued efforts to monitor the results and implementation of changes should be maintained to strengthen internal controls related to purchase cards and cash disbursements. As part of the continued effort to make improvements, a purchasing procedures workshop was held city-wide with all departments after fiscal year end.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (CONTINUED)

2012-001 Significant Deficiency - Purchasing (Repeated from 6/30/12 report with changes) (Continued)

Management Response: Management is in agreement with the recommendations. In October 2014 the City conducted an agency-wide purchasing protocol meeting. This meeting was made up of department heads, supervisors and support staff. Purchasing policies were reviewed and the importance of adhering to procedures. The City will continue to look for ways to educate and train staff in regards to the City policies and will develop internal controls that will help ensure that policies are followed.

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

None Reported

SECTION IV – PRIOR FISCAL YEAR FINDINGS AND QUESTIONED COSTS IMPLEMENTED

13-1 Significant Deficiency - Conflicts of Interest