

City of Bristol, Virginia

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2015



CITY OF BRISTOL, VIRGINIA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

CITY OF BRISTOL, VIRGINIA
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SECTION I
INTRODUCTORY SECTION

**CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2015**

MEMBERS OF CITY COUNCIL

Mayor
Vice Mayor

Catherine Brillhart
Archie Hubbard
Jim Steele
Guy Odum
William Hartley

CITY OFFICIALS

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

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

INDUSTRIAL DEVELOPMENT AUTHORITY BOARD

Chairman
Vice-Chairman

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

**CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2015**

SCHOOL BOARD MEMBERS

Chair
Vice-Chair

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

SCHOOL OFFICIALS

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

Rex Gearhart
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, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note I to the financial statements, in fiscal year 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 22 and the schedule of changes in the City's net pension liability and related ratios, schedule of employer contributions, notes to required supplementary information and analysis of funding progress for other post-employment benefits on pages 100 through 103 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 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.

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

The introductory and 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 30, 2015, 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, PLC
Johnson City, Tennessee

November 30, 2015

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2015. We encourage readers to read the information presented here in conjunction with the basic audited financial statements.

Financial Highlights

- The total assets and deferred outflows of resources for the Governmental Activities of the City exceeded its total liabilities and deferred inflows of resources at June 30, 2015 by \$16.8 million (*net position*). Of this amount \$5.7 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total liabilities and deferred inflows of resources exceeded the total assets and deferred outflows of resources for the Business-Type Activities by \$38.5 million (net position).
- The City's total net position decreased by \$15.0 million during the current fiscal year. Of this amount \$14.4 million is related to governmental activities and \$.6 million is attributed to business-type activities.
- The implementation of *GASB 68-Accounting and Financial Reporting for Pensions* resulted in prior period adjustments reducing the net position of the City by \$23.4 million. The objective of GASB 68 was to improve the reporting by state and local governments for pensions. The information which was previously reported in the notes to the financial statements is now recognized on the government-wide financial statements.
- As of the close of the current fiscal year, the City's governmental fund had an ending fund balance of \$31.1 million. Approximately 20% of this total amount, \$6.1 million is classified as unassigned fund balance and is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6.1 million or 12% of total general fund revenues. This is a \$6.4 million increase over last year.
- The City's total debt (not including the implementation of *GASB 68-Accounting and Financial Reporting for Pensions*) increased by \$7.45 million during the current fiscal year. General Obligation Bonds (bonded debt) increased \$7.49 million. Other Debt which is comprised of capital lease obligations, long term loans, notes payables, and compensated absences decreased \$.04 million. During the fiscal year the City issued \$8.05 million in General Obligation Taxable Bond Anticipation Notes. Six million was for construction costs related to "The Falls" project and \$2.05 million was for other capital projects.

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 on a long term basis using the full accrual basis of accounting, which is the method used by most private-sector enterprises.

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 including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, community development and transit are reported here. The majority of these activities are supported by property taxes, other local taxes, and federal and state grants.
- Business-type activities - The City's Solid Waste Disposal Enterprise is reported as a business-type activity. The City charges a fee to customers to fund all or most of the cost of services provided by these activities.
- Component Units - The City includes three legally separate component units in this report, Bristol Virginia School Board (the School Board), Bristol Virginia Utility 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, BVU and the Industrial Development Authority can be obtained from their Finance Departments.

The government-wide financial statements can be found on pages 23 - 26 of this report.

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

Governmental Funds – Governmental funds report most of the City’s basic services. 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.

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 and 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 27 - 34 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 35 - 39 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 40 - 99 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 100 - 103 of this report.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City at the close of the most recent fiscal year, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$16.8 million for the governmental activities. The total liabilities and deferred inflows of resources exceeded the total assets and deferred outflows of resources for the business-type activities by \$38.5 million.

The largest portion of the City's net position was the investment in capital assets (e.g., land, buildings, plant in service, machinery, and equipment); less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; 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, \$2.4 million represents resources that are subject to external restrictions on how they may be used. These resources are comprised of Commonwealth Attorney Federal Sharing Revenue, unspent General Obligation Bond Money issued for capital projects and funds from the Dental Fund.

The remaining balance, *unrestricted net position*, may be used to meet the government's ongoing obligations to citizens and creditors. The governmental activities unrestricted net position was \$5.74 million at the end of the fiscal year.

The City's total net position decreased by \$38.5 million from FY2014. Current year activities, including the conveyance of capital assets to the IDA, decreased the net position by \$15.1 million and a prior period adjustment for the implementation of *GASB 68-Accounting and Financial Reporting for Pensions* reduce the net position by \$23.4 million.

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

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Current & Other Assets	\$ 40,976	\$ 48,277	\$ 664	\$ 809	\$ 41,640	\$ 49,086
Capital Assets	93,982	79,658	24,875	24,002	118,857	103,660
Total Assets	134,958	127,935	25,539	24,811	160,497	152,746
Deferred Outflows of Resources	\$ 854	\$ 2,465	\$ 1,191	\$ 1,147	\$ 2,045	\$ 3,612
Current & other liabilities	\$ 16,274	\$ 16,104	\$ 22,797	\$ 22,915	\$ 39,071	\$ 39,019
Long-Term liabilities outstanding	66,567	92,419	40,129	41,181	106,696	133,600
Total Liabilities	82,841	108,523	62,926	64,096	145,767	172,619
Deferred Inflows of Resources	\$ -	\$ 5,037	\$ -	\$ 389	\$ -	\$ 5,426
Net Investment in Capital Assets (Net of Related Debt)	\$ 30,780	\$ 8,717	\$ -	\$ -	\$ 30,780	\$ 8,717
Restricted	1,150	2,377	-	-	1,150	2,377
Unrestricted	21,041	5,746	(36,196)	(38,527)	(15,155)	(32,781)
Total Net Position	\$ 52,971	\$ 16,840	\$ (36,196)	\$ (38,527)	\$ 16,775	\$ (21,687)

Statement of Activities

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

Summary of Changes in Net Position (in thousands 000's)							
	Governmental Activities		Business-Type Activities		Total		
	2014	2015	2014	2015	2014	2015	
Revenues							
Program Revenues							
Charges for Services	\$ 1,695	\$ 1,502	\$ 3,878	\$ 4,260	\$ 5,573	\$ 5,762	
Operating Grants & Contributions	15,648	13,884	-	-	15,648	13,884	
Capital Grants & Contributions	2,723	5,092	-	-	2,723	5,092	
General Revenues					-	-	
Property Taxes	14,381	15,947	-	-	14,381	15,947	
Other Taxes	12,316	13,265	-	-	12,316	13,265	
Grants & Contribution					-	-	
Not Restricted	3,327	3,454	-	-	3,327	3,454	
Gain (Loss) on Sale of Property	78	272	(5)	(11)	73	261	
Other	225	58	-	-	225	58	
Total Revenues	\$ 50,393	\$ 53,474	\$ 3,873	\$ 4,249	\$ 54,266	\$ 57,723	
Expenses							
General Gov't Administration	\$ 3,645	\$ 3,577	\$ -	\$ -	\$ 3,645	\$ 3,577	
Judicial Administration	1,403	1,416	-	-	1,403	1,416	
Public Safety	13,658	13,354	-	-	13,658	13,354	
Public Works	6,079	5,735	-	-	6,079	5,735	
Health & Welfare	6,341	6,985	-	-	6,341	6,985	
Education	9,469	9,495	-	-	9,469	9,495	
Parks, Recreations & Cultural	3,817	3,242	-	-	3,817	3,242	
Community Development	5,183	5,534	-	-	5,183	5,534	
Transit	507	416	-	-	507	416	
Interest & Other Fiscal Charges	1,406	2,274	-	-	1,406	2,274	
Solid Waste Disposal	-	-	6,202	5,888	6,202	5,888	
Total Expenses	\$ 51,508	\$ 52,028	\$ 6,202	\$ 5,888	\$ 57,710	\$ 57,916	
Excess (Deficiency)							
Before Special Item & Transfers	\$ (1,115)	\$ 1,446	\$ (2,329)	\$ (1,639)	\$ (3,444)	\$ (193)	
Special Items & Transfers							
Special Item-Conveyance of Property to IDA	\$ -	\$ (14,869)	\$ -	\$ -	\$ -	\$ (14,869)	
Transfers	-	(986)	-	986	-	-	
Change in Net Position	\$ (1,115)	\$ (14,409)	\$ (2,329)	\$ (653)	\$ (3,444)	\$ (15,062)	
Net Position - Beginning, as Restated	\$ 54,086	\$ 31,249	\$ (33,867)	\$ (37,874)	\$ 20,219	\$ (6,625)	
Net Position - Ending	\$ 52,971	\$ 16,840	\$ (36,196)	\$ (38,527)	\$ 16,775	\$ (21,687)	

Governmental Activities-Statement of Activities-Overview

The City's governmental activities are comprised of the general fund and the community development and block grant fund. Governmental activities decreased the City's net position by \$14.4 million during the current fiscal year.

A prior period adjustment decreasing the governmental activities net position by \$21.7 million was made for the implementation of *GASB 68-Accounting and Financial Reporting for Pensions*. The primary objective of GASB 68 was to improve reporting by state and local governments for pensions. The statement establishes new standards for measuring and recognizing liabilities and expenditures.

Revenue highlights-Governmental Activities:

Revenues from governmental activities of \$53.4 million increased 6% or \$3.1 million from FY2014. This increase in revenues is mainly attributed to funding received to fund the following capital projects: the widening of Lee Highway at Exit 7 and Exit 5 and "The Falls" retail development.

Program Revenues increased \$.4 million and includes the following revenue:

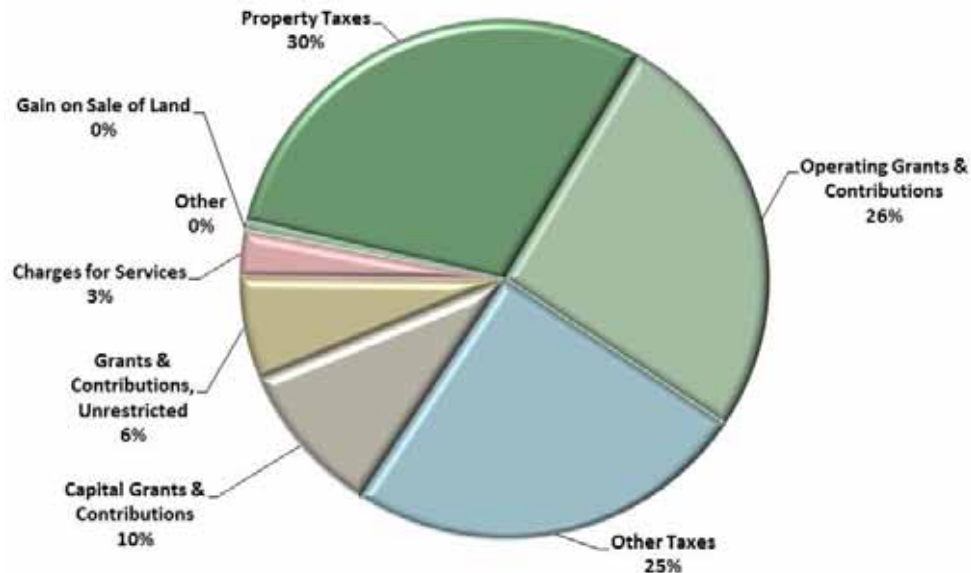
- Charges for services of \$1.5 million had an overall decrease of \$.19 million or 11.36%. This decrease is mainly attributed to no longer receiving funds from leases of property at Exit 5.
- Operating grants and contributions totaled \$13.9 million and decreased \$1.7 million or 11.27%. This decrease was the result of one-time grant funds received in FY14.
- Capital grants and contributions totaled \$5.1 million and increased \$2.3 million or 87%. This increase is from funding received for capital projects including the widening of Lee Highway and "The Falls" retail project.

General Revenues increased \$2.68 million and includes the following revenues:

- Property taxes of \$15.9 million increased \$1.57 million or 10.89%. Property taxes are comprised mainly of real property and personal property. In FY2015, the real estate property tax rate increased from \$1.07 per \$100 of assessed valuation to \$1.12 per \$100 of assessed valuation. The increase in the tax rate, delinquent tax collections and PPTRA monies received from the state all resulted in the 10.89% increase in property taxes.
- Other taxes of \$13.2 million increased \$.95 million or 7.7%. Other taxes are comprised primarily of revenues from local sales tax, restaurant/meals tax, lodging tax, business licenses, cigarette taxes and motor vehicle license taxes. In FY15 the City increased the local cigarette tax from four cents (.04) to eleven cents (.11). Meal tax collections increased \$.4 million from FY2014. Both of these increases attributed to the overall increase of other taxes.
- Unrestricted grants and contributions totaled \$3.4 million and increased \$.13 million or 3.81%. Unrestricted grants and contributions are comprised primarily of state sales tax collections and payments received in lieu of taxes.
- Investment earnings, gain on sale of assets and other revenues totaled \$.3 million and increased \$.03 million or 9.0%.

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

Revenue by Source-Governmental Activities



Expenses highlights-Governmental Activities:

Expenses for governmental activities totaled \$66.9 million. Of this amount \$14.9 was a special item related to the conveyance of capital assets to the Industrial Development Authority for "The Falls" retail project. Program expenses totaled \$52.0 million and increased \$.52 million or 1% over last year.

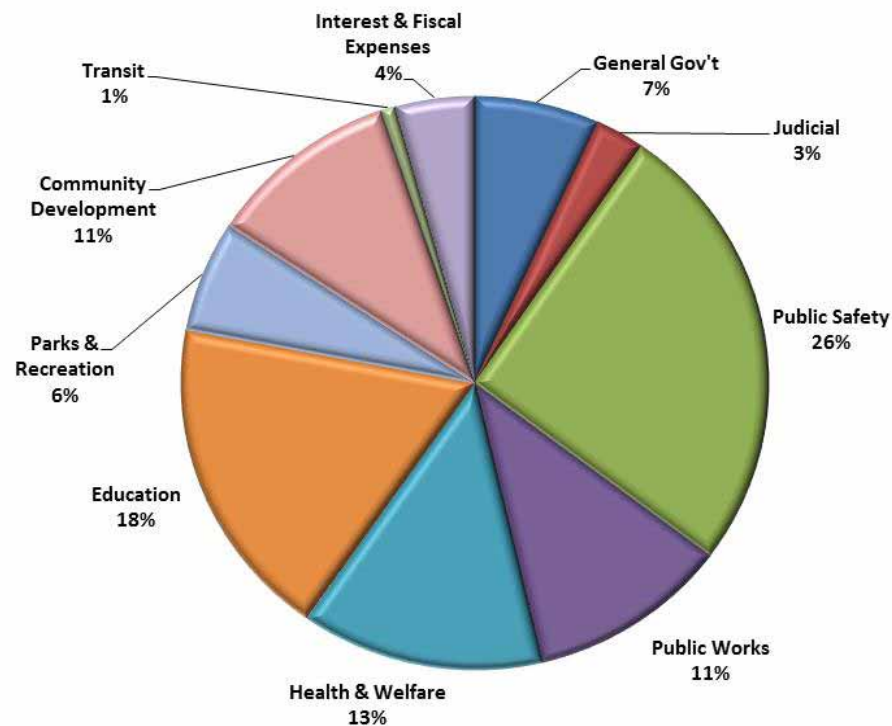
Program Expenses include the following expenses:

- General government expenses totaled \$3.6 million and decreased \$.07 million or 1.95% in FY2015.
- Judicial administration expenses totaled \$1.4 million and increased \$.01 million or .94%
- Public safety expenses totaled \$13.4 million and decreased \$.30 million or 2.20%. Public safety is comprised of the police department, fire department, sheriff department and jail, inspections and animal control. Several factors attributed to the \$.3 million decrease including personnel vacancies and one-time grants expenses recognized in FY14.
- Public works expenses totaled \$5.7 million and decreased \$.34 million or 5.65%. This decrease is attributed lower personnel expenses and a one-time renovation project in FY2014.
- Health and welfare expenses totaled \$7.0 million and increased \$.64 million or 10.16%. This increase is primarily due to the increase in residential placement expenses associated with Comprehensive Services Act.

- Education expenses totaled \$9.5 million and increased \$.02 million or .28%
- Parks, recreation and cultural expenses totaled \$3.2 million and decreased \$.57 million or 15.08%. This decrease is attributed to vacancy savings and decreased depreciation and fixed asset expenses.
- Community development expenses totaled \$5.5 million and increased \$.35 million or 6.78% from FY2014. This increase is attributed to construction in progress expenses related to “The Falls” retail development project.
- Transit expenses totaled \$.4 million and decreased \$.09 million or 17.98%. This decrease is associated with lower utility and personnel expenses.
- Interest and fiscal expenses totaled \$2.3 million and increased \$.87 million or 61.67%. The majority of this increase is attributed to the recognition of deferred losses on premiums in FY2014.

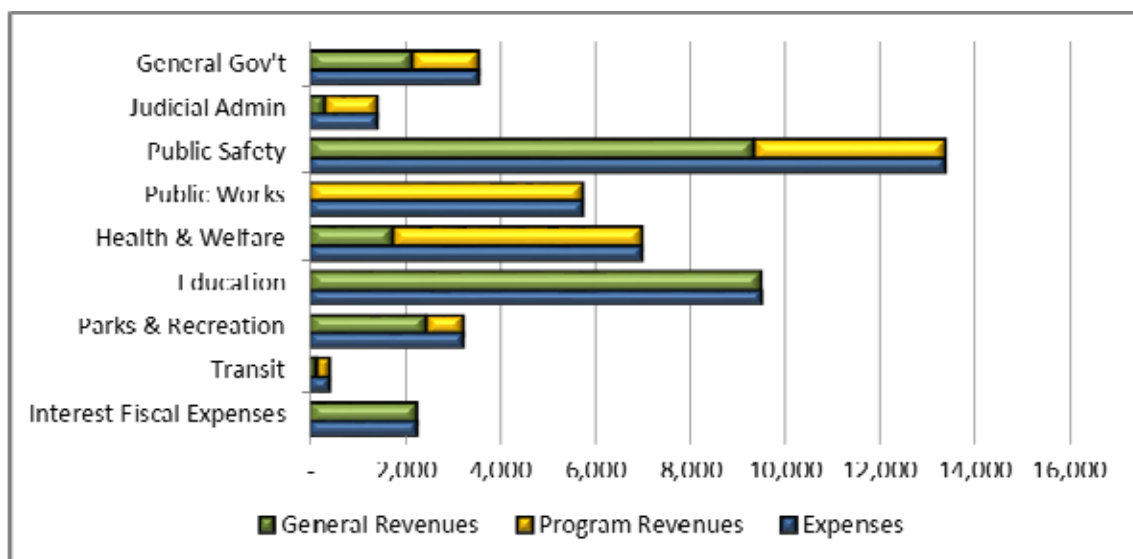
The following chart reflects the governmental activities distribution of expenses by activity.

Program Expenses by Activity-Governmental Activities



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

**Program Expenses Program Revenues-Governmental Activities
(in millions)**



Business-Type Activities-Statement of Activities-Overview

The City's business-type activities are comprised of the Solid Waste Disposal Fund. The Solid Waste Disposal net position decreased \$.65 million in the current fiscal year.

A prior period adjustment decreasing the governmental activities net position by \$1.68 million was made for the implementation of *GASB 68-Accounting and Financial Reporting for Pensions*. The primary objective of GASB 68 was to improve reporting by state and local governments for pensions. The statement establishes new standards for measuring and recognizing liabilities and expenditures.

Revenue highlights-Business-Type Activities:

The Solid Waste Disposal fund operating revenues increased \$.38 million or 9.7% over the previous year.

Program revenues for the business-type funds totaled \$4.2 million of which 99% was Charges for Services.

Expenses highlights-Business-Type Activities:

The Solid Waste Disposal Fund expenses totaled \$5.9 million. This was a \$.30 million or 5.05% decrease from FY2014.

The Solid Waste Disposal fund's non-operating expenses such as interest expense (\$1.7 million) and loss on disposal of assets (\$.01 million) contributed to an overall loss.

Fund Financial Analysis

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows and outflows, of *spendable* resources, as well as balances of spendable resources available at year end. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for 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 \$31 million an increase of \$7.6 million in comparison with the prior year. Approximately 19.6% of this total amount, \$6.1 million constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is shown as *nonspendable, restricted or assigned* to indicate that it is not available for new spending because primarily it represents advances to other funds which are not expected to be collected in the near term.

Governmental Funds-General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6.1 million, while total fund balance reached \$31 million. As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund revenues. For FY2015 unassigned fund balance of \$6.1 million represents 11.5% of the total general fund revenues.

The fund balance of the City's general fund increased by \$7.6 million during the current fiscal year. This increase is primarily due to a reimbursement received for project expenses related to the "The Falls" retail development. The City also received \$1.5 million for the sale of land and buildings. General Property Taxes, Other Local Taxes and Intergovernmental Funds increased 4.85%, 7.70% and 4.32% respectively.

Proprietary Funds-Solid Waste Disposal Fund

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary fund is comprised of the Solid Waste Disposal Fund

Net position of the proprietary fund, Solid Waste Disposal, amounted to negative \$38.5 million. This was a decrease of \$2.3 million from FY2014. Overall the Solid Waste Disposal Fund had an operating loss of \$.04 million as compared to an operation loss of \$.60 million in last fiscal year. The Solid Waste Disposal Fund is involved in a competitive market and relies heavy on charges for services to cover operating expenses.

General Fund Budgetary Highlights

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

General Fund For Fiscal Year Ended June 30, 2015					
	Original Budget	Amended Budget	Budget Increase/ (Decrease)	Actual	Variance Actual vs. Amended
Revenues					
Taxes	\$ 29,308,990	\$ 29,733,990	\$ 425,000	\$ 29,117,698	\$ (616,292)
Intergovernmental	21,885,190	22,300,120	414,930	19,336,511	(2,963,609)
Other	3,018,830	3,030,601	11,771	4,445,104	1,414,503
Total Revenues	54,213,010	55,064,711	851,701	52,899,313	(2,165,398)
Expenditures					
Expenditures	\$ 52,998,515	\$ 66,236,678	\$ 13,238,163	\$ 61,114,219	\$ (5,122,459)
Transfers	879,245	1,054,245	175,000	986,243	(68,002)
Reserve	512,250	707,250	195,000	-	(707,250)
Total Expenditures	54,390,010	67,998,173	13,608,163	62,100,462	(5,897,711)
Other Financing Sources					
Debt Financing	\$ -	\$ 12,000,000	\$ 12,000,000	\$ 14,750,000	\$ 2,750,000
Other	177,000	933,462	756,462	2,032,739	1,099,277
Total Other Financing Sources	177,000	12,933,462	12,756,462	16,782,739	3,849,277
Change in Fund Balance	\$ -	\$ -	\$ -	\$ 7,581,590	\$ 7,581,590

The difference between the original budget and the final amended budget was approximately an increase of \$13.6 million.

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

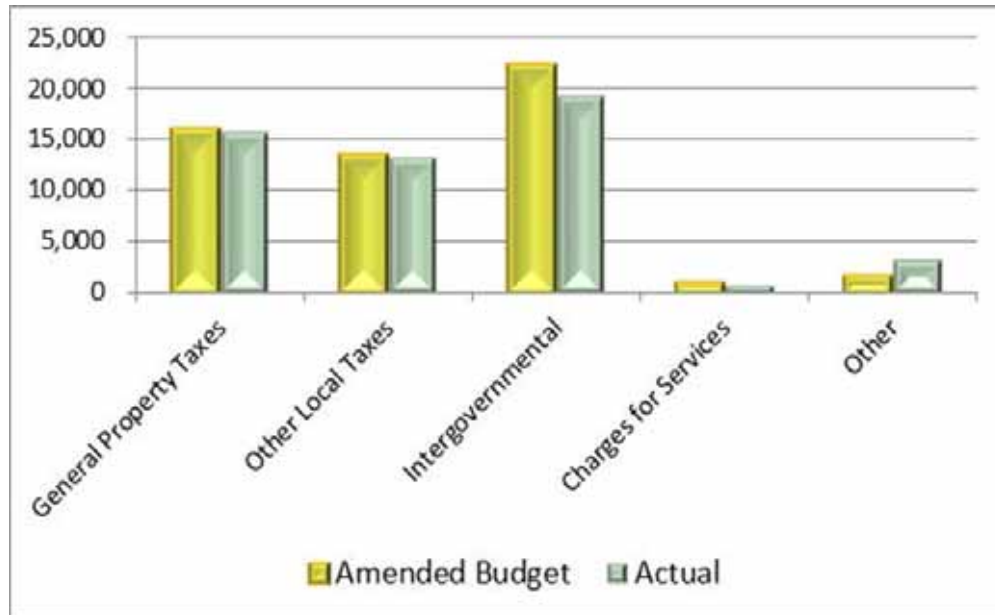
- The budget was increased for an appropriation of an aggregate total of Tax Anticipation Notes in the amount of \$6.0 million. The appropriation was approved with the original budget ordinance.
- The budget was increased for the issuance of General Obligation Taxable Bond Anticipation Notes in the amount of \$6.0 million to be used for constructions expenses related to “The Falls” retail development.
- The budget was increased approximately \$295,000 for a grant received from the Substance Abuse and Mental Health Services Administration in order to fund a drug court program.
- The budget was increased approximately \$375,000 to incorporate the following changes:
 - an increase in real estate taxes
 - a decrease in the amount budgeted for cigarette taxes
 - a decrease in the trash collection fee
 - increase funding to the reserve

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

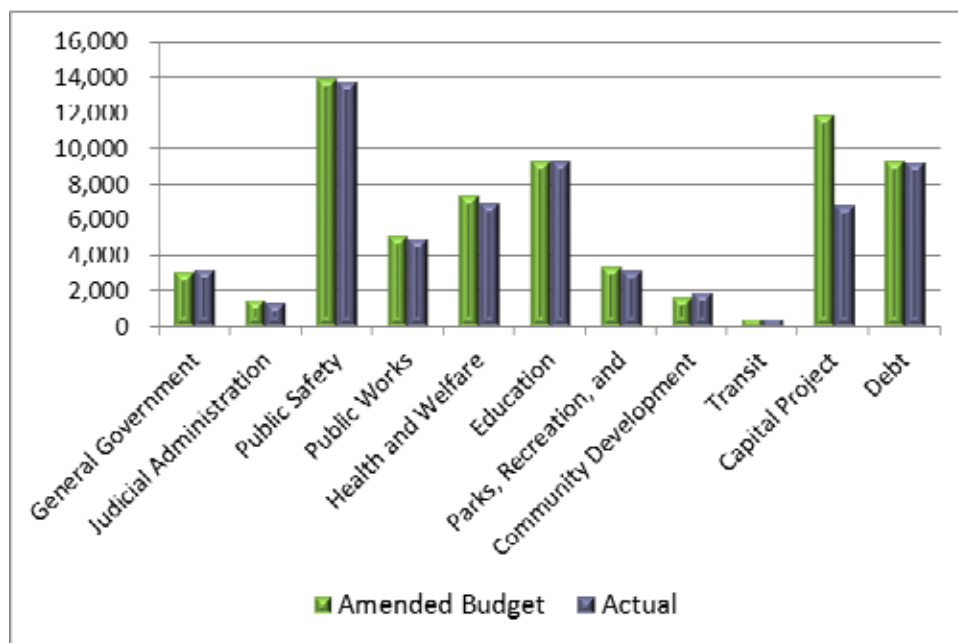
- Actual revenues were less than budgeted revenues by approximately \$2.1 million. This difference is attributed to the budgeting of several capital projects (Intergovernmental Funds) that did not start until mid-year.
- Actual expenditures were less than budgeted expenditures by approximately \$5.8 million. The primary difference for actual expenses being less than budget is several capital projects were not started until mid-year.
- Other financing sources were more than budgeted by approximately \$3.9 million. This difference is primarily attributable to the issuance of a \$2.05 million bond anticipation note to fund a portion of the Lee Highway widening capital project at Exit 5.

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

General Fund-Amended Budget vs. Actual-Revenues
For Fiscal Year Ending 06/30/15
(in thousands)



General Fund-Amended Budget vs. Actual-Expenditures
For Fiscal Year Ending 06/30/15
(in thousands)



Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$103 million (net of accumulated depreciation).

The following table shows the major categories of capital assets for June 30, 2014 and 2015.

	Capital Assets Net of Depreciation					
	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Land & Improvements	\$ 33,275,372	\$ 26,640,606	\$ 802,062	\$ 802,062	\$ 34,077,434	\$ 27,442,668
Construction in Progress	16,433,359	10,738,313	-	-	16,433,359	10,738,313
Building & Improvements	8,736,940	7,687,896	-	-	8,736,940	7,687,896
Machinery & Equipment	3,957,956	4,131,594	1,851,658	1,555,742	5,809,614	5,687,336
Library Assets	4,831,514	4,721,338	-	-	4,831,514	4,721,338
Infrastructure	26,593,183	25,603,404	10,364	9,955	26,603,547	25,613,359
Land Development Costs	153,600	134,400	21,409,897	20,867,789	21,563,497	21,002,189
Plant In Service	-	-	800,690	766,844	800,690	766,844
Total	\$ 93,981,924	\$ 79,657,551	\$ 24,874,671	\$ 24,002,392	\$ 118,856,595	\$ 103,659,943

The following is a summary of changes in total capital assets in FY2015:

- Additions to capital assets totaled \$4.7 million. Additions included construction in progress \$3.1 million, machinery and equipment \$1.0 million and other capital assets of \$.6 million.
- Decreases in capital assets totaled \$2.2 million. Land and buildings decreased \$1.3 million and machinery and equipment decreased \$.9 million.
- Total accumulated depreciation for FY2015 was \$2.6 million.
- In FY2015 the City conveyed \$14.9 million in capital assets to the IDA related to "The Falls" retail development. This transfer was made up of \$6.1 million in land and \$8.8 million in construction in progress.

Additional information on the City's capital assets can be found in Note IV on pages 56 - 60 of this report.

Debt Administration - Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$133.6 million. Of this amount, \$102.3 million or 77% comprises debt backed by the full faith and credit of the government.

The following table shows the long-term debt balances for the governmental and business activities as of June 30, 2014 and 2015.

Long-Term Debt Obligations As of June 30, 2014 and 2015							
	Governmental Activities		Business-Type Activities		Total		
	2014	2015	2014	2015	2014	2015	
General Obligation							
General Obligation Bonds	\$ 21,320	\$ 21,122	\$ 32,367	\$ 32,178	\$ 53,687	\$ 53,300	
Bond Anticipation Notes	40,000	48,050	-	-	40,000	48,050	
Bond Premiums	438	377	713	606	1,151	983	
Total	61,758	69,549	33,080	32,784	94,838	102,333	
Other Long-Term Debt							
Literary Fund Loans	960	720	-	-	960	720	
Capital Lease Obligations	1,337	1,412	376	234	1,713	1,646	
Net Pension Liability	23,247	18,056	1,796	1,395	25,043	19,451	
Other Post Employment Benefits	812	967	-	-	812	967	
Compensated Absences	1,699	1,715	146	142	1,845	1,857	
Landfill Postclosure Liability	-	-	6,528	6,627	6,528	6,627	
Total	28,055	22,870	8,846	8,398	36,901	31,268	
Total Long-Term Debt	\$ 89,813	\$ 92,419	\$ 41,926	\$ 41,182	\$ 131,739	\$ 133,601	

The following is a summary of changes the City's long-term liabilities in FY2015:

- The City's total bonded debt increased by \$8.05 million. In September 2014, the City issued a General Obligation Taxable Bond Anticipation Note, Series 2014B for \$6,000,000. This issue was for the construction expenses of "The Falls" retail project. In May 2015 the City issued a General Obligation Taxable Bond Anticipation Note Series 2015C for \$2.05 million for other capital project costs.
- The City's bonded debt decreased by \$.5 million.
- Other long-term debt which is comprised of debt not bonded, capital lease obligations, long-term loans, notes payables, and compensated absences decreased \$.04 million.
- The implementation of *GASB 68-Accounting and Financial Reporting for Pensions* required state and local government to establish new standards for measuring and recognizing pension liability and expenditures. The impact as of June 30, 2015 was the recognition of net pension liability of \$18 million for the governmental activities and \$1.4 million for the business-type activities.
- The City maintains the states intercept rating of A3 from Moody's for general obligation debt. The underlying rating for the City is Baa2 from Moody's and A for Standard and Poor's.

Additional information on the City's long-term debt can be found in Note IV on pages 65 - 69 of this report.

Economic Factors Impacting Next Year's Budget

- “The Falls” retail development project will continue to be an economic factor for the City. Phase I of “The Falls” will be completed in the next fiscal year. The entire “Falls” project which consists of four phases and 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. The completion of Phase I of “The Falls” will result in sales tax revenues and “additional revenues” generated from Phase I to be passed from the City to the Industrial Development Authority for repayment of debt.
- The Commonwealth of Virginia’s strategies regarding state funding and how these strategies will impact the local governments.
- Personnel costs make up approximately 30% of the City of Bristol, Virginia’s budget. Increases in salary and fringe benefit costs, including health care, retirement and worker’s compensation expenses will have a major impact on the City’s budget.
- The production and marketing of landfill methane gas at the Solid Waste Disposal Facility should be operational in FY2016.
- Economic trends and their impact on sales tax revenue and restaurant/meals taxes.
- For the month of June 2015, the City’s unemployment rate was 5.9%, compared to the State’s 5.0% and the Federal rate of 5.5%.

Requests for Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Bristol, Virginia (276) 645-7358.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	School Board	BVU Authority	Industrial Development Authority
ASSETS						
Cash and Cash Equivalents	\$ 5,876,819	210,466	6,087,285	1,473,682	20,087,615	5,066
Investments	-	-	-	553,025	-	-
Receivables, Net of Allowance	12,809,714	509,626	13,319,340	-	7,385,332	-
Notes Receivable	740,000	-	740,000	-	337,032	151,000
Other Receivables	-	-	-	-	135,828	-
Due from Component Units	154,051	88,516	242,567	-	-	-
Due from Other Governmental Units	3,470,906	-	3,470,906	1,088,389	2,661,898	-
Due from Others	-	-	-	75,634	-	-
Internal Balances	22,120,731	(22,120,731)	-	-	-	-
Prepays	-	-	-	-	1,230,751	-
Inventories, Net of Allowance	83,909	-	83,909	41,443	4,137,360	-
Residential Lots for Sale	437,543	-	437,543	-	-	-
Other Current Assets	-	-	-	-	42,669	-
Restricted Assets						
Cash and Cash Equivalents	2,583,386	-	2,583,386	657,403	3,113,326	22,820,566
Investments	-	-	-	266,078	-	6,548,966
Notes Receivable	-	-	-	-	473,743	-
Net Pension Asset	-	-	-	-	1,823,000	-
Capital Assets, Net	79,657,551	24,002,392	103,659,943	22,595,896	151,597,946	16,791,829
TOTAL ASSETS	127,934,610	2,690,269	130,624,879	26,751,550	193,026,500	46,317,427
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Refunding, Net	740,921	1,013,952	1,754,873	-	5,446,994	-
Contributions Subsequent to Pension Measurement Date	1,724,056	133,152	1,857,208	2,016,652	565,450	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,464,977	1,147,104	3,612,081	2,016,652	6,012,444	0
LIABILITIES						
Accounts Payable and Accrued Liabilities	3,450,627	67,375	3,518,002	286,128	6,235,594	533,862
Accrued Payroll and Related Liabilities	656,448	27,634	684,082	1,469,786	264,266	-
Accrued Interest Payable	764,754	699,040	1,463,794	-	433,086	-
Due to Primary Government	-	-	-	422,361	106,596	41,253
Unearned Revenue	11,173,366	-	11,173,366	5,837	1,501,537	-
Customer Deposits Payable	-	-	-	-	1,527,736	-
Assets Held in Agency Capacity	58,717	-	58,717	-	-	-
Long-Term Liabilities						
Due Within One Year	33,767,545	349,298	34,116,843	415,321	2,296,833	-
Due in More Than One Year	58,651,273	40,831,990	99,483,263	24,788,058	44,775,782	33,855,000
TOTAL LIABILITIES	108,522,730	41,975,337	150,498,067	27,387,491	57,141,430	34,430,115

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	School Board	BVU Authority	Industrial Development Authority
DEFERRED INFLOWS OF RESOURCES						
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,036,956	389,044	5,426,000	3,221,388	324,000	-
NET POSITION						
Net Investment in Capital Assets	8,717,208	-	8,717,208	14,908,370	113,129,629	-
Restricted For						
Commonwealth Attorney	525,468	-	525,468	-	-	-
Capital Projects	1,770,956	-	1,770,956	1,273,634	-	11,887,312
Grants	-	-	-	35,370	-	-
Dental Fund	80,000	-	80,000	-	-	-
Unrestricted	5,746,269	(38,527,008)	(32,780,739)	(18,058,051)	28,443,885	-
TOTAL NET POSITION	<u>\$ 16,839,901</u>	<u>(38,527,008)</u>	<u>(21,687,107)</u>	<u>(1,840,677)</u>	<u>141,573,514</u>	<u>11,887,312</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION								
Functions/Programs	Expenses	PROGRAM REVENUES			Primary Government			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	BVU Authority	Industrial Development Authority
Primary Government										
Governmental Activities										
General Government	\$ 3,577,188	187,115	1,233,757	-	(2,156,316)	-	(2,156,316)	-	-	-
Judicial Administration	1,416,373	292,519	815,436	-	(308,418)	-	(308,418)	-	-	-
Public Safety	13,353,824	206,871	2,683,928	1,140,158	(9,322,867)	-	(9,322,867)	-	-	-
Public Works	5,735,516	6,481	3,282,234	3,909,591	1,462,790	-	1,462,790	-	-	-
Health and Welfare	6,985,092	-	5,238,377	-	(1,746,715)	-	(1,746,715)	-	-	-
Education	9,495,178	-	-	-	(9,495,178)	-	(9,495,178)	-	-	-
Parks, Recreation, and Cultural	3,241,612	752,324	-	42,146	(2,447,142)	-	(2,447,142)	-	-	-
Community Development	5,533,853	5,745	402,477	-	(5,125,631)	-	(5,125,631)	-	-	-
Transit	415,780	51,198	228,016	-	(136,566)	-	(136,566)	-	-	-
Interest on Long-Term Debt	2,273,656	-	-	-	(2,273,656)	-	(2,273,656)	-	-	-
Total Governmental Activities	52,028,072	1,502,253	13,884,225	5,091,895	(31,549,699)	0	(31,549,699)	0	0	0
Business-Type Activities										
Solid Waste Disposal	5,888,523	4,259,669	-	-	-	(1,628,854)	(1,628,854)	-	-	-
Total Business-Type Activities	5,888,523	4,259,669	0	0	0	(1,628,854)	(1,628,854)	0	0	0
Total Primary Government	\$ 57,916,595	5,761,922	13,884,225	5,091,895	(31,549,699)	(1,628,854)	(33,178,553)	0	0	0

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION								
Functions/Programs	Expenses	PROGRAM REVENUES			Primary Government			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	BVU Authority	Industrial Development Authority
Component Units										
School Board	\$ 26,060,217	579,329	9,524,438	148,187				(15,808,263)	-	-
BVU Authority	81,505,919	83,252,893	-	381,314				-	2,128,288	-
Industrial Development Authority	5,125,425	67,531	-	-				-	-	(5,057,894)
Total Component Units	<u>\$112,691,561</u>	<u>83,899,753</u>	<u>9,524,438</u>	<u>529,501</u>				<u>(15,808,263)</u>	<u>2,128,288</u>	<u>(5,057,894)</u>
General Revenues										
Property Taxes					15,946,537	-	15,946,537	-	-	-
Other Taxes					13,264,747	-	13,264,747	-	-	-
State Aid					-	-	-	6,269,224	-	-
Payments from Primary Government					-	-	-	9,476,200	-	3,969,741
Grants and Contributions Not Restricted to Specific Programs					3,454,427	-	3,454,427	-	-	-
Unrestricted Investment Earnings					43,487	95	43,582	32,920	91,563	23,050
Gain (Loss) on Sale of Property					272,181	(11,123)	261,058	1,771	(49,335)	(3,692,059)
Insurance Recoveries					14,641	462	15,103	1,345	-	-
Other					-	-	-	192,469	(245,127)	-
Special Item - Conveyance of Property to IDA					(14,869,201)	-	(14,869,201)	-	-	14,869,201
Transfers					(986,243)	986,243	-	-	-	-
Total General Revenues, Special Item, and Transfers					<u>17,140,576</u>	<u>975,677</u>	<u>18,116,253</u>	<u>15,973,929</u>	<u>(202,899)</u>	<u>15,169,933</u>
Change in Net Position					<u>(14,409,123)</u>	<u>(653,177)</u>	<u>(15,062,300)</u>	<u>165,666</u>	<u>1,925,389</u>	<u>10,112,039</u>
Net Position, Beginning					52,970,645	(36,196,097)	16,774,548	20,365,996	137,799,125	1,775,273
Restatement					(21,721,621)	(1,677,734)	(23,399,355)	(22,372,339)	1,849,000	-
Net Position, Beginning - Restated					<u>31,249,024</u>	<u>(37,873,831)</u>	<u>(6,624,807)</u>	<u>(2,006,343)</u>	<u>139,648,125</u>	<u>1,775,273</u>
Net Position, Ending					<u>\$ 16,839,901</u>	<u>(38,527,008)</u>	<u>(21,687,107)</u>	<u>(1,840,677)</u>	<u>141,573,514</u>	<u>11,887,312</u>

See accompanying notes to the financial statements.

**CITY OF BRISTOL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 5,876,819	-	5,876,819
Cash and Cash Equivalents, Restricted	2,583,386	-	2,583,386
Receivables, Net of Allowance	12,647,285	162,429	12,809,714
Due from Component Units	154,051	-	154,051
Due from Other Governmental Units	3,452,908	17,998	3,470,906
Inventories	83,909	-	83,909
Residential Lots for Sale	437,543	-	437,543
Advances to Other Funds	22,120,731	-	22,120,731
Notes Receivable	740,000	-	740,000
TOTAL ASSETS	\$ 48,096,632	180,427	48,277,059
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 3,432,629	17,998	3,450,627
Accrued Payroll and Related Liabilities	656,448	-	656,448
Unearned Revenue	11,173,366	-	11,173,366
Assets Held in Agency Capacity	58,717	-	58,717
TOTAL LIABILITIES	15,321,160	17,998	15,339,158
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	1,660,572	162,429	1,823,001
FUND BALANCES			
Nonspendable			
Inventories	83,909	-	83,909
Residential Lots for Sale	437,543	-	437,543
Advances to Other Funds	22,120,731	-	22,120,731
Restricted For			
Commonwealth Attorney	525,468	-	525,468
Capital Projects	1,770,956	-	1,770,956
Dental Trust Fund	80,000	-	80,000
Unassigned	6,096,293	-	6,096,293
TOTAL FUND BALANCES	31,114,900	0	31,114,900
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 48,096,632	180,427	48,277,059

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, 2015

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

Fund Balances - Total Governmental Funds	\$ 31,114,900
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	79,657,551
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	1,823,001
Interest on long-term debt is not accrued in the funds as in the government-wide statements.	(764,754)
Long-term liabilities, including bonds payable and related premiums, capital leases, net pension liability, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(94,990,797)</u>
Net Position of Governmental Activities	<u><u>\$ 16,839,901</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, 2015

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
REVENUES			
General Property Taxes	\$ 15,852,951	-	15,852,951
Other Local Taxes	13,264,747	-	13,264,747
Intergovernmental	19,336,511	200,584	19,537,095
Charges for Services	926,872	-	926,872
Revenue from Use of Property	242,473	-	242,473
Permits, Privilege Fees, and Regulatory Licenses	169,671	-	169,671
Fines and Forfeitures	169,313	-	169,313
Investment Earnings	23,487	-	23,487
Other	2,913,288	-	2,913,288
TOTAL REVENUES	52,899,313	200,584	53,099,897
EXPENDITURES			
Current			
General Government	3,192,661	-	3,192,661
Judicial Administration	1,322,111	-	1,322,111
Public Safety	13,815,140	-	13,815,140
Public Works	4,920,842	-	4,920,842
Health and Welfare	6,953,676	-	6,953,676
Education	9,346,760	-	9,346,760
Parks, Recreation, and Cultural	3,170,823	-	3,170,823
Community Development	1,915,132	200,584	2,115,716
Transit	392,271	-	392,271
Capital Projects	6,820,042	-	6,820,042
Debt Service			
Principal Retirement	7,138,750	-	7,138,750
Interest and Fiscal Charges	2,066,145	-	2,066,145
Bond Issue Costs	59,866	-	59,866
TOTAL EXPENDITURES	61,114,219	200,584	61,314,803
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,214,906)	0	(8,214,906)

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers In/Out	(986,243)	-	(986,243)
Bond Anticipation Notes Issued	8,050,000	-	8,050,000
Tax Anticipation Note Issued	6,700,000	-	6,700,000
Capital Lease	524,161	-	524,161
Insurance Recoveries	14,641	-	14,641
Sale of Capital Assets	1,493,937	-	1,493,937
TOTAL OTHER FINANCING SOURCES (USES)	15,796,496	0	15,796,496
Net Change in Fund Balances	7,581,590	-	7,581,590
FUND BALANCES, JULY 1, 2014	23,533,310	-	23,533,310
FUND BALANCES, JUNE 30, 2015	\$ 31,114,900	0	31,114,900

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, 2015

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

Net Change in Fund Balances - Total Governmental Funds	\$ 7,581,590
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, \$4,202,740 exceed depreciation (\$2,344,284) in the current period.	1,858,456
The net effect of various transactions involving capital assets (i.e., contributions and sales) is to decrease net position.	(16,048,811)
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.	(134,018)
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.	45,528
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.	(155,821)
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.	(51,690)
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.	(7,686,756)
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.	182,399
Change in Net Position of Governmental Activities	<u><u>\$ (14,409,123)</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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
General Property Taxes	\$ 15,233,990	16,133,990	15,852,951	(281,039)
Other Local Taxes	14,075,000	13,600,000	13,264,747	(335,253)
Intergovernmental	21,885,190	22,300,120	19,336,511	(2,963,609)
Charges for Services	1,188,000	1,168,360	926,872	(241,488)
Revenue from Use of Property	233,545	233,545	242,473	8,928
Permits, Privilege Fees, and				
Regulatory Licenses	147,500	140,500	169,671	29,171
Fines and Forfeitures	251,000	241,000	169,313	(71,687)
Investment Earnings	-	-	23,487	23,487
Other	1,198,785	1,247,196	2,913,288	1,666,092
TOTAL REVENUES	54,213,010	55,064,711	52,899,313	(2,165,398)
EXPENDITURES				
Current				
General Government	3,086,654	3,064,904	3,192,661	(127,757)
Judicial Administration	1,189,485	1,488,982	1,322,111	166,871
Public Safety	13,867,525	13,935,414	13,815,140	120,274
Public Works	5,080,505	5,088,922	4,920,842	168,080
Health and Welfare	7,388,963	7,388,963	6,953,676	435,287
Education	9,346,760	9,346,760	9,346,760	-
Parks, Recreation, and Cultural	3,301,298	3,358,979	3,170,823	188,156
Community Development	1,501,610	1,606,239	1,915,132	(308,893)
Transit	442,554	442,554	392,271	50,283
Capital Projects	5,186,000	11,907,800	6,820,042	5,087,758
Debt Service				
Principal Retirement	1,187,602	7,382,602	7,138,750	243,852
Interest and Fiscal Charges	1,925,309	1,925,309	2,066,145	(140,836)
Bond Issue Costs	6,500	6,500	59,866	(53,366)
TOTAL EXPENDITURES	53,510,765	66,943,928	61,114,219	5,829,709
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	702,245	(11,879,217)	(8,214,906)	3,664,311

(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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
OTHER FINANCING SOURCES (USES)				
Transfers In/Out	(879,245)	(1,054,245)	(986,243)	68,002
Bond Anticipation Notes Issued	-	6,000,000	8,050,000	2,050,000
Tax Anticipation Notes Issued	-	6,000,000	6,700,000	700,000
Capital Lease	-	-	524,161	524,161
Insurance Recoveries	1,000	10,932	14,641	3,709
Sale of Capital Assets	176,000	922,530	1,493,937	571,407
TOTAL OTHER FINANCING SOURCES (USES)	(702,245)	11,879,217	15,796,496	3,917,279
Net Change in Fund Balance	-	-	7,581,590	7,581,590
FUND BALANCE, JULY 1, 2014	-	-	23,533,310	23,533,310
FUND BALANCE, JUNE 30, 2015	\$ 0	0	31,114,900	31,114,900

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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Intergovernmental Revenue	\$ -	234,745	200,584	(34,161)
TOTAL REVENUES	0	234,745	200,584	(34,161)
EXPENDITURES				
Current				
Community Development	-	234,745	200,584	34,161
TOTAL EXPENDITURES	0	234,745	200,584	34,161
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
FUND BALANCE, JULY 1, 2014	-	-	-	-
FUND BALANCE, JUNE 30, 2015	\$ 0	0	0	0

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	Business-Type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 210,466	210,466
Accounts Receivable, Net of Allowance	509,626	509,626
Due from Component Units	88,516	88,516
Total Current Assets	808,608	808,608
Noncurrent Assets		
Capital Assets, Net	24,002,392	24,002,392
TOTAL ASSETS	24,811,000	24,811,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding, Net	1,013,952	1,013,952
Contributions Subsequent to Pension Measurement Date	133,152	133,152
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,147,104	1,147,104

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	Business-Type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	67,375	67,375
Accrued Payroll and Related Liabilities	27,634	27,634
Accrued Interest Payable	699,040	699,040
Bonds and Leases Payable	271,532	271,532
Compensated Absences Payable	77,766	77,766
Total Current Liabilities	<u>1,143,347</u>	<u>1,143,347</u>
Long-Term Liabilities		
Advances from Other Funds	22,120,731	22,120,731
Compensated Absences Payable	63,750	63,750
Bonds and Leases Payable, Net of Unamortized Bond Premium	32,746,309	32,746,309
Landfill Closure Costs	6,627,354	6,627,354
Net Pension Liability	1,394,577	1,394,577
Total Long-Term Liabilities	<u>62,952,721</u>	<u>62,952,721</u>
TOTAL LIABILITIES	<u>64,096,068</u>	<u>64,096,068</u>
DEFERRED INFLOWS OF RESOURCES		
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>389,044</u>	<u>389,044</u>
NET POSITION		
Unrestricted	<u>(38,527,008)</u>	<u>(38,527,008)</u>
TOTAL NET POSITION	<u><u>\$ (38,527,008)</u></u>	<u><u>(38,527,008)</u></u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
OPERATING REVENUES		
Charges for Services, Net	\$ 4,221,384	4,221,384
Sales	38,285	38,285
TOTAL OPERATING REVENUES	4,259,669	4,259,669
OPERATING EXPENSES		
Landfill Closure and Post Closure Care	99,685	99,685
Administrative and General	2,889,552	2,889,552
Depreciation	1,306,242	1,306,242
TOTAL OPERATING EXPENSES	4,295,479	4,295,479
Operating Income (Loss)	(35,810)	(35,810)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	95	95
Interest Expense	(1,699,996)	(1,699,996)
Amortization of Bond Premium	106,952	106,952
Gain (Loss) on Disposal of Assets	(11,123)	(11,123)
Insurance Recoveries	462	462
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,603,610)	(1,603,610)
Income (Loss) Before Transfers	(1,639,420)	(1,639,420)
TRANSFERS IN	986,243	986,243
Change in Net Position	(653,177)	(653,177)
NET POSITION, JULY 1, 2014	(36,196,097)	(36,196,097)
Restatement	(1,677,734)	(1,677,734)
NET POSITION, JULY 1, 2014, RESTATED	(37,873,831)	(37,873,831)
NET POSITION, JUNE 30, 2015	\$ (38,527,008)	(38,527,008)

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 4,138,305	4,138,305
Payments to Suppliers	(1,549,567)	(1,549,567)
Payments to Employees	(1,404,413)	(1,404,413)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,184,325	1,184,325
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from Other Funds	986,243	986,243
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	986,243	986,243
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Equipment	25,571	25,571
Insurance Recovery Proceeds	462	462
Purchase of Capital Assets	(470,657)	(470,657)
Principal Paid on Capital Debt	(331,310)	(331,310)
Interest Paid on Capital Debt	(1,372,028)	(1,372,028)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(2,147,962)	(2,147,962)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	95	95
NET CASH PROVIDED BY INVESTING ACTIVITIES	95	95
Net Increase in Cash and Cash Equivalents	22,701	22,701
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	187,765	187,765
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 210,466	210,466

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2015

	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)	\$ (35,810)	(35,810)
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by (Used for) Operating Activities:		
Depreciation Expense	1,306,242	1,306,242
(Increase) Decrease in Net Accounts Receivable	(120,351)	(120,351)
(Increase) Decrease in Due from Component Units	(1,012)	(1,012)
(Increase) Decrease in Deferred Outflows	(133,152)	(133,152)
Increase (Decrease) in Accounts Payable	(10,000)	(10,000)
Increase (Decrease) in Accrued Payroll and Related Liabilities	(22,705)	(22,705)
Increase (Decrease) in Landfill Closure Costs	99,685	99,685
Increase (Decrease) in Compensated Absences Payable	(4,459)	(4,459)
Increase (Decrease) in Net Pension Liability	105,887	105,887
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,184,325</u>	<u>1,184,325</u>
DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Implementation of GASB Statement No. 68 for Pension	<u>\$ 1,677,734</u>	<u>1,677,734</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Primary Government

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

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

Discretely Presented Component Units

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

Bristol Virginia Public Schools Education Foundation (the Foundation), a Virginia non-stock corporation, is an independent community-based organization, formed for charitable and educational purposes, as defined under 501(c)(3) of the Internal Revenue Code of 1986. Based on the Foundation's relationship with the School Board, it is reported as a discretely presented component unit of the School Board. The Foundation issues separate audited combined financial statements and may be obtained from the School Board's administrative office at 220 Lee Street, Bristol, Virginia 24201. The combined financial statements include the Foundation and six other entities that are related through common ownership and/or control. The Foundation's 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, 2015

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. Complete financial statements of the IDA may be obtained at City Hall, 300 Lee Street, Bristol, Virginia 24201.

The following entities are excluded from the accompanying financial statements:

Joint Ventures

Jointly-Owned Wastewater Facility

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

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 \$687,328 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, 2015

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

Other Boards and Commissions

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary fund:

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the solid waste disposal fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Deposits and Investments

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

The two major sources of property taxes are described below:

Real Estate

The City levies real estate taxes on all real estate within its boundaries, except that exempted by statute, at a rate enacted by City Council on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of the City of Bristol, Virginia. Public utility property is assessed by the Commonwealth. The tax rate is \$1.07 per \$100 of assessed value. For the 2015 tax year, the real estate and public utility property tax rate is \$1.12 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. For the 2015 tax year, the personal property tax rate, excluding machinery and tools, is \$2.10 per \$100 assessed value with a 100% assessed ratio.

Rehabilitation Loans

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

Allowance for Uncollectible Accounts

The City and BVU 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, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories and Prepaids

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

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

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

5. Capital Assets

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

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

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

Capitalization of Interest

BVU capitalizes interest costs incurred on funds used to construct property, plant, and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$242,202 in fiscal year 2015.

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, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. There are two items that qualify for reporting in this category. The City and BVU have deferred loss on bond refunding that is reported in the government-wide and proprietary fund statements of net position and is a result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City, BVU and School Board report contributions subsequent to the pension measurement date which are equivalent to the pension contributions made to VRS during the year ended June 30, 2015, and will be recognized as an addition reduction (addition) to the net pension liability (asset) in the following measurement period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from various sources: property taxes not collected within 60 days of fiscal year end and funds received in advance for services to be provided subsequent to fiscal year end, including membership fees to Clear Creek Golf Course. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. There is one other type of item that is reported in the government-wide and proprietary fund statements of net position by the City, BVU and School Board as deferred inflows for the fiscal year ended June 30, 2015. The net difference between projected and actual earnings on pension plan investments of each entity's agent multiple-employer defined pension plan and the School Board's cost-sharing pension plan is recognized as deferred inflows of resources and is amortized over a fixed five-year period.

7. Compensated Absences

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Long-Term Obligations

In the government-wide 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Net Position

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

10. Fund Balance

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

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2015 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, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance (Continued)

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

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

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

11. Estimates

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

12. 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, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Pensions

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

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

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

The governmental funds balance sheet includes reconciliation between *fund balances-total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable and related premiums, capital leases, net pension liability, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(94,990,797) difference are as follows:

Bonds Payable	\$ (21,121,950)
Less: Deferred charge on refunding (net of amortization of \$112,643 recorded as interest expense)	740,921
Add: Bond premium (net of amortization of \$60,953)	(377,403)
Bond Anticipation Notes	(48,050,000)
Literary Fund Loans	(720,000)
Capital Lease Obligations	(1,411,911)
Other Post-Employment Benefits	(966,900)
Net Pension Liability	(18,055,586)
Deferred Outflows Related to Pensions	1,724,056
Deferred Inflows Related to Pensions	(5,036,956)
Compensated Absences	<u>(1,715,068)</u>
 Net adjustment to reduce <i>fund balances-total governmental funds</i> to arrive at <i>net position of governmental activities</i>	 <u>\$ (94,990,797)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

**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 \$(16,048,811) 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.	\$ 42,146
Transfer of capital assets to IDA.	(14,869,201)
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>(1,221,756)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (16,048,811)</u>

Another element of that reconciliation states that “Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this \$(51,690) difference are as follows:

Deferred Charges on Refunding Amortization	\$ (112,643)
Bond Premiums Amortization	<u>60,953</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i> .	<u>\$ (51,690)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

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

B. Receivables

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

	Primary Government			Component Units	
		Community Development	Solid Waste	BVU	Industrial
	General	Block Grant	Disposal	Authority	Development Authority
Receivables					
Taxes	\$ 12,394,173	-	-	-	-
Accounts	1,370,295	-	518,213	7,745,788	-
Rehabilitation Loans	-	187,429	-	-	-
Property Sale	-	-	-	-	151,000
Gross Receivables	13,764,468	187,429	518,213	7,745,788	151,000
Less: Allowance for Uncollectibles	(1,117,183)	(25,000)	(8,587)	(360,456)	-
Net Receivables	<u>\$ 12,647,285</u>	<u>162,429</u>	<u>509,626</u>	<u>7,385,332</u>	<u>151,000</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	\$ -	10,573,366	10,573,366
Taxes Not Collected during Period of Availability	1,000,667	-	1,000,667
Rehabilitation Loans	162,429	-	162,429
Notes Receivable	640,000	100,000	740,000
BVU Authority	-	500,000	500,000
Other	19,905	-	19,905
	<u>\$ 1,823,001</u>	<u>11,173,366</u>	<u>12,996,367</u>

Receivable on Property Sales

During fiscal year 2015, the City transferred two buildings to the IDA for economic development purposes. Subsequent to the receipt of the property, the IDA sold the buildings to two start-up businesses as part of economic performance agreements. Each business signed a note receivable in the amount of \$80,000 for a combined total receivable of \$160,000. One note is due in full in August 2015. The remaining note is due in monthly payments ranging from \$1,000 to \$2,000 and a final lump sum payment of \$22,000 due in December 2017. All monthly payments on the notes are paid to the IDA and remitted to the City as they are collected. The outstanding balance on these notes was \$151,000 at June 30, 2015. Future maturities for the fiscal years ended June 30: 2016 - \$94,500, 2017 - \$20,500, and 2018 - \$36,000.

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 \$140,000 as of June 30, 2015. All accrued interest and principal is due in one balloon payment at maturity.

As part of an economic performance agreement, a note receivable was issued in fiscal year 2015 to a business for a sale of property. However, if certain criteria are met, the note is forgiven over 5 years, therefore the balance is recorded as deferred revenue.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 33,275,372	-	582,746	(6,052,020)	26,640,606
Construction in Progress	16,433,359	3,131,816	9,681	(8,817,181)	10,738,313
Total Capital Assets, Not Depreciated	49,708,731	3,131,816	592,427	(14,869,201)	37,378,919
Capital Assets, Being Depreciated					
Buildings and Improvements	16,464,841	27,750	777,643	(210,818)	15,504,130
Land Development Costs	480,000	-	-	-	480,000
Machinery and Equipment	11,388,897	956,707	526,368	-	11,819,236
Library Assets	6,976,628	42,146	-	-	7,018,774
Public Domain Infrastructure	89,082,153	86,467	-	-	89,168,620
Total Capital Assets, Being Depreciated	124,392,519	1,113,070	1,304,011	(210,818)	123,990,760
Less Accumulated Depreciation For					
Buildings and Improvements	7,727,901	368,531	203,398	(76,800)	7,816,234
Land Development Costs	326,400	19,200	-	-	345,600
Machinery and Equipment	7,430,941	727,985	471,284	-	7,687,642
Library Assets	2,145,114	152,322	-	-	2,297,436
Public Domain Infrastructure	62,488,970	1,076,246	-	-	63,565,216
Total Accumulated Depreciation	80,119,326	2,344,284	674,682	(76,800)	81,712,128
Total Capital Assets, Being Depreciated, Net	44,273,193	(1,231,214)	629,329	(134,018)	42,278,632
Governmental Activities Capital Assets, Net	\$ 93,981,924	1,900,602	1,221,756	(15,003,219)	79,657,551

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	802,062	0	0	802,062
Capital Assets, Being Depreciated				
Land Development Costs	34,941,549	469,257	-	35,410,806
Infrastructure	29,792	-	-	29,792
Plant in Service	1,317,317	-	-	1,317,317
Machinery and Equipment	5,995,179	1,400	366,895	5,629,684
Total Capital Assets, Being Depreciated	42,283,837	470,657	366,895	42,387,599
Less Accumulated Depreciation For				
Land Development Costs	13,531,652	1,011,365	-	14,543,017
Infrastructure	19,428	409	-	19,837
Plant in Service	516,627	33,846	-	550,473
Machinery and Equipment	4,143,521	260,622	330,201	4,073,942
Total Accumulated Depreciation	18,211,228	1,306,242	330,201	19,187,269
Total Capital Assets, Being Depreciated, Net	24,072,609	(835,585)	36,694	23,200,330
Business-Type Activities Capital Assets, Net	\$ 24,874,671	(835,585)	36,694	24,002,392

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	\$ 147,400
Judicial Administration	118,858
Public Safety	446,473
Public Works	1,221,966
Health and Welfare	31,416
Education	14,400
Parks, Recreations and Cultural	333,468
Transit	30,303
Total Depreciation Expense, Governmental Activities	<u>\$ 2,344,284</u>

At June 30, 2015, the City had uncompleted construction contracts with remaining commitments related to the Exit 5 project (\$1,418,534), Exit 7 construction (\$2,490,778) and Lee Highway widening (\$4,872,939).

Discretely Presented Component Units

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

Industrial Development Authority

<u>Industrial Development Authority</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers/ Adjustments</u>	<u>Ending Balance</u>
Capital Assets, Not Depreciated					
Land	\$ -	-	3,692,059	6,052,020	2,359,961
Construction in Progress	<u>1,771,087</u>	<u>3,843,600</u>	<u>-</u>	<u>8,817,181</u>	<u>14,431,868</u>
IDA Capital Assets, Not Depreciated	<u>\$ 1,771,087</u>	<u>3,843,600</u>	<u>3,692,059</u>	<u>14,869,201</u>	<u>16,791,829</u>

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	3,079,496	0	(2,806,254)	0	273,242
Capital Assets, Being Depreciated					
Buildings and Improvements	29,622,015	3,464,950	-	240,000	33,326,965
Furniture and Fixtures	9,934,329	769,760	(279,838)	-	10,424,251
Transportation Equipment	2,240,157	34,540	(19,500)	-	2,255,197
Total Capital Assets, Being Depreciated	41,796,501	4,269,250	(299,338)	240,000	46,006,413
Less Accumulated Depreciation For					
Buildings and Improvements	(13,713,066)	(728,049)	-	(62,400)	(14,503,515)
Furniture and Fixtures	(6,753,509)	(868,850)	264,417	-	(7,357,942)
Transportation Equipment	(1,674,007)	(167,795)	19,500	-	(1,822,302)
Total Accumulated Depreciation	(22,140,582)	(1,764,694)	283,917	(62,400)	(23,683,759)
Total Capital Assets, Being Depreciated, Net	19,655,919	2,504,556	(15,421)	177,600	22,322,654
School Board Capital Assets, Net	\$ 22,735,415	2,504,556	(2,821,675)	177,600	22,595,896

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 \$469,408.

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	\$ 960,000	-	(240,000)	720,000
Accumulated Depreciation	(307,200)	(14,400)	76,800	(244,800)
	\$ 652,800	(14,400)	(163,200)	475,200

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Discretely Presented Component Units (Continued)

BVU Authority

BVU Authority	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 1,568,878	-	-	-	1,568,878
Construction in progress	32,736,920	1,122,045	(28,145,850)	-	5,713,115
Total Capital Assets, Not Depreciated	34,305,798	1,122,045	(28,145,850)	0	7,281,993
Capital Assets, Being Depreciated					
Distribution System	50,527,294	1,297,221	(325,258)	(16,246)	51,483,011
General Plant	50,549,921	675,577	-	(4,167)	51,221,331
Fiber	94,845,543	31,796,935	(770,410)	(35,560)	125,836,508
Buildings	12,676,267	1,795,398	-	(3,203)	14,468,462
Equipment, Furniture and Fixtures	6,832,220	436,644	(46,871)	(6,458)	7,215,535
Transportation Equipment	5,006,625	693,177	(295,811)	(9,995)	5,393,996
Total Capital Assets, Being Depreciated	220,437,870	36,694,952	(1,438,350)	(75,629)	255,618,843
Less Accumulated Depreciation For					
Distribution System	(23,496,012)	(1,515,803)	257,787	-	(24,754,028)
General Plant	(28,533,866)	(1,237,430)	50,013	-	(29,721,283)
Fiber	(40,148,104)	(7,216,100)	611,395	824,786	(45,928,023)
Buildings	(2,740,578)	(259,377)	-	-	(2,999,955)
Equipment, Furniture and Fixtures	(4,525,955)	(417,480)	46,871	-	(4,896,564)
Transportation Equipment	(2,701,809)	(530,342)	229,114	-	(3,003,037)
Total Accumulated Depreciation	(102,146,324)	(11,176,532)	1,195,180	824,786	(111,302,890)
Total Capital Assets, Being Depreciated, Net	118,291,546	25,518,420	(243,170)	749,157	144,315,953
BVU Authority Capital Assets, Net	\$ 152,597,344	26,640,465	(28,389,020)	749,157	151,597,946

BVU Authority received contributions in aid of construction of \$851,769 for fiscal year 2015. 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, 2015 for BVU Authority.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015 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	\$ 152,000
Industrial Development Authority	Primary Government - General Fund	110,747
Primary Government - General Fund	School Board	94,718
Primary Government - General Fund	BVU Authority	18,080
Primary Government - Solid Waste Disposal Fund	BVU Authority	88,516

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, 2014.

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, 2015 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 \$500,000 is considered unearned revenue as of June 30, 2015 as disclosed in Note IV.B. The City also receives an in-lieu of tax payment related to BVU OptiNet property. The amount was \$57,540 for the fiscal year ended June 30, 2015. The total revenue from BVU recorded in the statement of revenues, expenditures, and changes in fund balances for the fiscal year ended June 30, 2015 was \$507,540.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	\$ 473,312	-	-
Welfare Grants	134,115	-	-
Comprehensive Service Grants	448,069	-	-
Categorical Aid Shared Expenses	239,942	-	-
VDOT Reimbursement	1,561,791	-	-
School Grants	-	624,559	-
Other	115,373	-	-
Federal Government			
School Grants	-	463,830	-
Welfare Grants	183,010	-	-
Department of Transportation Grants	89,056	-	-
Other	136,816	-	-
Other			
Bristol, Tennessee (Joint Sewerage System)	-	-	2,030,773
Other	89,422	-	631,125
Total Due from Other Governmental Units	<u>\$ 3,470,906</u>	<u>1,088,389</u>	<u>2,661,898</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases

City as Lessor

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

Capital Leases

As of June 30, 2015, 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	\$ 495,927	-
Golf Carts	3.50%	07-12	07-16	267,490	76,176	-
Mower	1.80%	08-12	08-16	22,746	6,408	-
Vac Truck	1.99%	05-14	05-18	344,906	207,488	-
Police Vehicles	3.98%	11-13	07-18	151,502	121,784	-
Small Wheel Loader	3.20%	06-13	06-18	121,015	80,841	-
Voting Machines	5.03%	07-14	08-19	67,510	57,592	-
Public Safety and Other Vehicles	1.69%	11-14	06-19	447,151	358,185	-
Toro Mower	6.75%	10-14	10-17	9,500	7,510	-
Solid Waste						
Excavator	4.00%	12-10	01-16	202,354	-	25,745
Garbage Truck	1.89%	02-14	02-19	228,124	-	169,382
Garbage Truck	3.24%	01-12	01-17	122,755	-	38,940
					<u>\$ 1,411,911</u>	<u>234,067</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, are as follows:

Fiscal Year <u>Ended June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2016	\$ 514,926	145,022
2017	444,568	61,598
2018	422,086	47,851
2019	156,987	31,899
2020	<u>14,629</u>	<u>-</u>
Total Minimum Lease Payments	1,553,196	286,370
Less: Interest	<u>(141,285)</u>	<u>(52,303)</u>
Present Value of Payments	<u><u>\$ 1,411,911</u></u>	<u><u>234,067</u></u>

The equipment category of the primary government includes assets recorded under capital lease with a cost of \$2,773,571 and accumulated amortization of \$808,542. The equipment category of the business-type activities includes assets recorded under capital lease obligations with a cost of \$553,253 and accumulated amortization of \$138,302. Amortization expense is included in depreciation expense.

Operating Leases

The City has operating leases for three pieces of equipment in the Solid Waste Disposal Fund. Future minimum lease payments as of June 30, 2015 are as follows:

Fiscal Year <u>Ended June 30</u>	<u>Business-Type Activities</u>
2016	\$ 275,658
2017	151,547
2018	<u>60,016</u>
	<u><u>\$ 487,221</u></u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015.

G. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 21,320,700	-	(198,750)	21,121,950	187,500
Bond Premiums	438,356	-	(60,953)	377,403	-
Tax Anticipation Note	-	6,700,000	(6,700,000)	-	-
Bond Anticipation Notes	40,000,000	8,050,000	-	48,050,000	32,050,000
Literary Fund Loans	960,000	-	(240,000)	720,000	240,000
Capital Lease Obligations	1,336,577	524,161	(448,827)	1,411,911	459,899
Total Bonds and Leases Payable	64,055,633	15,274,161	(7,648,530)	71,681,264	32,937,399
Other Post-Employment Benefits	812,100	154,800	-	966,900	-
Net Pension Liability	23,247,171	8,294,994	(13,486,578)	18,055,586	-
Compensated Absences	1,699,132	838,369	(822,433)	1,715,068	830,146
Governmental Activities, Long-Term Liabilities	\$ 89,814,036	24,562,324	(21,957,541)	92,418,818	33,767,545
Business-Type Activities					
General Obligation Bonds	\$ 32,366,800	-	(188,750)	32,178,050	175,000
Bond Premiums	712,676	-	(106,952)	605,724	-
Capital Lease Obligations	376,627	-	(142,560)	234,067	96,532
Total Bonds and Leases Payable	33,456,103	0	(438,262)	33,017,841	271,532
Landfill Closure Liability	6,527,670	99,684	-	6,627,354	-
Net Pension Liability	1,795,564	640,688	(1,041,676)	1,394,577	-
Compensated Absences	145,975	75,757	(80,216)	141,516	77,766
Business-Type Activities, Long-Term Liabilities	\$ 41,925,312	816,129	(1,560,154)	41,181,288	349,298

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities	\$ (853,564)	-	112,643	(740,921)
Business-Type Activities	(1,191,545)	-	177,593	(1,013,952)
Total Primary Government	<u>\$ (2,045,109)</u>	<u>0</u>	<u>290,236</u>	<u>(1,754,873)</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 2014B and Series 2015A Bond Anticipation Notes

General Obligation Taxable Bond Anticipation Notes, Series 2014B was issued by the City in the amount of \$6,000,000 on September 29, 2014 with an interest rate of 2.30%. The General Obligation Taxable Bond Anticipation Notes, Series 2015A was issued by the City in the amount of \$2,050,000 on May 28, 2015 with an interest rate of 2.32%. The Series 2014B and 2015A bonds were issued for development of the Exit 5 project and to finance the costs of issuance. Interest only will be paid on the bonds beginning in fiscal year 2015 until the principal payment is due for Series 2014B in October 2016 and for Series 2015A in March 2016.

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, 2015, \$10,760,000 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, 2015

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
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	1,487,150	819,853	-	-
2021-2025	7,673,850	3,232,567	-	-
2026-2030	5,453,400	1,644,538	-	-
2031-2035	1,673,100	1,139,034	-	-
2036-2040	2,114,100	694,628	-	-
2041-2043	1,533,350	152,127	-	-
	<u>\$ 21,121,950</u>	<u>11,140,800</u>	<u>720,000</u>	<u>32,400</u>

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Bond Anticipation Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 32,050,000	452,170	175,000	1,549,164
2017	16,000,000	204,500	190,000	1,542,852
2018	-	-	138,000	1,536,088
2019	-	-	85,000	1,531,230
2020	-	-	2,240,350	1,479,890
2021-2025	-	-	13,218,650	5,573,703
2026-2030	-	-	6,916,600	2,777,988
2031-2035	-	-	2,896,900	1,972,769
2036-2040	-	-	3,660,900	1,203,136
2041-2043	-	-	2,656,650	263,599
	<u>\$ 48,050,000</u>	<u>656,670</u>	<u>32,178,050</u>	<u>19,430,418</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

General Obligation Bonds	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Governmental Activities	Business-Type Activities
Public Improvement 2006B Series	3.50 - 5.00%	12-06	07-26	\$ 3,675,000	\$ 2,095,000	-
Taxable Re-Structuring 2007A Series	5.00-5.50	10-07	07-17	3,245,000	62,000	138,000
Public Improvement 2007B Series	4.00-4.25	10-07	07-26	4,055,000	4,055,000	-
Taxable General Obligation 2007C Series	5.653	10-07	07-23	12,050,000	1,491,000	9,159,000
Gen Obligation Refunding Bonds 2010 Series	2.00-3.00	11-10	07-21	1,015,000	-	415,000
Gen Obligation Refunding Bonds 2010 Series	2.00-5.00	11-10	07-26	15,175,000	3,382,500	10,222,500
2011 Qualified School Construction Bond	4.50	06-11	06-27	3,000,000	2,250,000	-
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	-	1,580,000
Gen Obligation Refunding Bonds 2014 Series	4.68-4.88	05-14	01-43	16,820,000	6,156,450	10,663,550
					<u>\$ 21,121,950</u>	<u>32,178,050</u>
Other Long-Term Debt						
Literary Fund Loans - VA Middle School	3.00%	09-97	09-17	\$ 4,800,000	<u>\$ 720,000</u>	<u>-</u>
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 2014A Series	2.43	03-14	04-16	5,000,000	5,000,000	-
Bond Anticipation Note 2014B Series	2.30	09-14	10-16	6,000,000	6,000,000	-
Bond Anticipation Note 2015A Series	2.32	05-15	03-16	2,050,000	2,050,000	-
					<u>\$ 48,050,000</u>	<u>0</u>

At June 30, 2015, there is a Voluntary Settlement agreement between the City and Washington County, Virginia (the County) for the City to pay \$350,000 annually to the County for seven years beginning within nine months after a County retailer closes its business for a total of \$2,450,000.

Component Unit - IDA

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Component Unit - School Board

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented					
Component Unit - School Board					
Compensated Absences	\$ 363,142	136,014	(126,713)	372,443	43,871
Other Post-Employment Benefits	165,300	77,200	-	242,500	-
Net Pension Liability	23,867,315	207,705	(3,231,547)	20,843,473	-
Foundation Pledge Payable	750,000	-	(187,500)	562,500	187,500
Energy Performance Lease	2,806,254	441,218	(65,009)	3,182,463	183,950
School Board, Long-Term Liabilities	<u>\$ 27,952,011</u>	<u>862,137</u>	<u>(3,610,769)</u>	<u>25,203,379</u>	<u>415,321</u>

Component Unit - BVU

Changes in long-term liabilities for BVU for the fiscal year ended June 30, 2015 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented					
Component Unit - BVU Authority					
Revenue and Refunding Bonds	\$ 40,930,000	-	(1,320,000)	39,610,000	1,375,000
Bond Premiums	2,291,281	-	(118,006)	2,173,275	-
VRA Loans	2,024,260	-	(107,050)	1,917,210	110,503
SERCAP Loan	222,773	-	(7,947)	214,826	8,241
Retirement Benefits Payable	15,090	-	(11,431)	3,659	-
Other Post-Employment Benefits	1,306,300	329,000	(105,600)	1,529,700	-
Compensated Absences	1,635,841	798,965	(810,861)	1,623,945	803,089
BVU, Long-Term Liabilities	<u>\$ 48,425,545</u>	<u>1,127,965</u>	<u>(2,480,895)</u>	<u>47,072,615</u>	<u>2,296,833</u>

Changes in the deferred loss on refunding for the fiscal year ended June 30, 2015 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Discretely Presented				
Component Unit - BVU	<u>\$ (5,810,127)</u>	<u>-</u>	<u>363,133</u>	<u>(5,446,994)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Landfill Closure and Post-Closure Care Costs

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

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

The estimated landfill closure and postclosure care cost liability for the old landfill is \$2,520,050 as of June 30, 2015, which is based on 60.00% usage (filled) of the landfill. It is estimated that an additional \$1,680,034 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 \$3,917,784 as of June 30, 2015, which is based on 41.12% usage (filled) of the landfill. It is estimated that an additional \$5,609,900 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 and tire shredder as of June 30, 2015 are \$98,469 and \$91,051, respectively. It is estimated that an additional \$302,792 will be recognized for the compost facility as closure expense between the date of the statement of net position and the date the facility is expected to be closed.

It should be recognized that the formula for closure/postclosure costs are based on a prescribed formula established by the Department of Environmental Quality without regard to regions or cost differentials across the State. The estimated total current cost of the landfill closure and postclosure care (\$14,220,080) 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, 2015. 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, 2015

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 (\$38,527,008). The City is currently funding the operating losses out of the general fund; however, it continues to monitor the operations of the landfill and is exploring opportunities to produce operating surpluses in future fiscal years to reduce the deficit.

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

NOTE V - OTHER INFORMATION

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

Plan Description

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

	City	School Board	Total
Annual Required Contribution (ARC)	\$ 263,500	240,400	503,900
Interest on Net OPEB Pension Obligation (NPO)	34,500	7,000	41,500
Adjustment to Annual Required Contribution	(35,000)	(7,100)	(42,100)
Annual OPEB Cost (Expense)	263,000	240,300	503,300
Contributions Made	(108,200)	(163,100)	(271,300)
Increase (Decrease) in Net OPEB	154,800	77,200	232,000
Net OPEB Obligation - Beginning of Fiscal Year	812,100	165,300	977,400
Net OPEB Obligation - End of Fiscal Year	<u>\$ 966,900</u>	<u>242,500</u>	<u>1,209,400</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.

	BVU
Annual Required Contribution (ARC)	\$ 329,700
Interest on Net OPEB Pension Obligation (NPO)	55,500
Adjustment to Annual Required Contribution	(56,200)
Annual OPEB Cost (Expense)	329,000
Contributions Made	(105,600)
Increase (Decrease) in Net OPEB	223,400
Net OPEB Obligation - Beginning of Fiscal Year	1,306,300
Net OPEB Obligation - End of Fiscal Year	<u>\$ 1,529,700</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 503,300	53.9%	\$ 1,209,400
June 30, 2014	520,000	68.2%	977,400
June 30, 2013	505,900	59.1%	812,000

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, 2015	\$ 329,000	32.1%	\$ 1,529,700
June 30, 2014	369,000	33.3%	1,306,300
June 30, 2013	351,700	17.5%	1,060,300

Funded Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the Plan was not funded. For the City, the actuarial accrued liability for benefits was \$6,780,300. The covered payroll was \$26,312,500, and the ratio of the UAAL to the covered payroll was 25.77%. For BVU, the actuarial accrued liability for benefits was \$4,141,100. The covered payroll was \$7,453,700, and the ratio of the UAAL to the covered payroll was 55.56%.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan

Plan Description

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

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

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • 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, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

		<ul style="list-style-type: none"> • 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund.</p>	<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions</p> <p>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.</p>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

<p>The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>		<p>Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>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.</p> <p><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.</p>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><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.</p> <p>Members are always 100% vested in the contributions that they make.</p>
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CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

		<p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><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.</p>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

<p>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%.</p> <p>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.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p>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:</p>	<p>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%.</p> <p>Eligibility: Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>
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CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

<ul style="list-style-type: none">• 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, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p>Defined Contribution Component: Not applicable.</p>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	305
Inactive members:	
Vested inactive members	58
Non-vested inactive members	122
Inactive members active elsewhere in VRS	<u>196</u>
Total inactive members	376
Active members	358
Total Covered Employees	<u><u>1,039</u></u>

Contributions

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

The City's contractually required contribution rate for the year ended June 30, 2015 was 6.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$1,857,208 and \$1,643,046 for the years ended June 30, 2015 and June 30, 2014, respectively.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Net Pension Liability

The City's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: 14.00% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

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

Largest 10 –LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the City's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2013	\$ 103,803,462	78,760,727	25,042,735
Changes for the Fiscal Year:			
Service Cost	1,813,180	-	1,813,180
Interest	7,054,477	-	7,054,477
Contributions - Employer	-	1,643,046	(1,643,046)
Contributions - Employees	-	719,822	(719,822)
Net Investment Income	-	12,164,744	(12,164,744)
Benefit Payments, Including Refunds of Employee Contributions	(6,050,450)	(6,050,450)	-
Administrative Expense	-	(68,025)	68,025
Other Changes	-	642	(642)
Net Changes	2,817,207	8,409,779	(5,592,572)
Balance at June 30, 2014	\$ 106,620,669	87,170,506	19,450,163

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	<u>(6.00%)</u>	<u>Rate (7.00%)</u>	<u>(8.00%)</u>
City's Net Pension Liability	\$ 32,513,226	\$ 19,450,163	\$ 8,532,211

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

For the year ended June 30, 2015, the City recognized pension expense of \$350,715. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	-
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,426,000
Employer contributions subsequent to the measurement date	1,857,208	-
Total	<u>\$ 1,857,208</u>	<u>5,426,000</u>

\$1,857,208 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

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

<u>Year ended June 30</u>	
2016	\$ (1,356,500)
2017	(1,356,500)
2018	(1,356,500)
2019	(1,356,500)
Thereafter	0

Payables to the Pension Plan

At June 30, 2015, the City reported a payable of \$184,937 for the June 2015 contributions to the pension plan required for the fiscal year ended June 30, 2015.

C. Deferred Compensation Plan

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

D. Service Contracts

In September 2006, 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, 2015, \$40,695,776 was expensed under this contract.

E. Risk Management

Workman's Compensation

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

E. Risk Management (Continued)

General Liability and Other

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

Healthcare

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

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

F. Jointly-Owned Wastewater Facility

In 1979, the City of Bristol, Virginia and the City of Bristol, Tennessee entered into a contract for operation of a jointly-owned wastewater facility. The City of Bristol, Virginia's ownership interest in the facility moved to BVU upon its creation. The two are joint equitable owners in the facility, with ownership percentages determined by usage. Usage is determined by a cost-sharing formula included in the contract. The share of future principal payments is determined annually to reflect usage of the facility by each of the two cities during the fiscal year. BVU's share of debt applicable to the facility at June 30, 2015 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, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

F. Jointly-Owned Wastewater Facility (Continued)

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

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

Due from other governmental units:

Contributions in Excess of Allocated Capital Outlays	\$ 1,770,331
Due from Joint Sewerage System	<u>260,642</u>
	<u><u>\$ 2,030,973</u></u>

Due from Joint Sewerage System consisted of the following:

Contributions to Joint Wastewater	\$ 1,542,419
Other Income	<u>1,863</u>
Total Contributions and Other Income	1,544,282
Expenditures - The Authority's portion	<u>(1,283,640)</u>
	<u><u>\$ 260,642</u></u>

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

Land	\$ 181,015
Construction in Progress	119,831
Equipment, Treatment, and Composting Plant	15,178,729
Accumulated Depreciation	<u>(10,108,758)</u>
Net Capital Assets	<u><u>\$ 5,370,817</u></u>

G. Revenue Sharing Agreement

Effective December 31, 1998, the City entered into an agreement with Washington County, Virginia, whereby the City pays a share of real estate, personal property and machinery and tools tax revenues derived from certain areas. Payments are to be 60% of the related tax for years 1-5, 40% for 6-10 years and 25% for years 11 and beyond. Amounts paid to Washington County during the fiscal year were approximately \$121,665.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

H. Commitments and Contingencies

Special Purpose Grants

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

Litigation and Regulatory Issues

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

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.

I. Economic Dependency

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

J. Subsequent Events

In August 2015, the City issued Series 2015C taxable general obligation refunding notes in the amount of \$17,530,000. These notes were issued to refund all or a portion of the Series 2012A taxable general obligation note, Series 2012B taxable general obligation note and Series 2012C taxable general obligation note.

Also in August 2015, the City issued Series 2015B taxable general obligation refunding note in the amount of \$30,000,000 to refund the various bond anticipation notes.

K. Restatement

During the fiscal year ended June 30, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* which recognized the initial establishment of a net pension liability at July 1, 2013. Accordingly, the City restated its financial statements for the fiscal year ended June 30, 2014. The effect of the restatement was to decrease the City's net position by \$23,399,355.

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

	2014
Total Pension Liability	
Service Cost	\$ 1,813,180
Interest	7,054,477
Changes of Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes in Assumptions	-
Benefit Payments, including Refunds of Employee Contributions	(6,050,450)
Net Change in Total Pension Liability	2,817,207
Total Pension Liability - Beginning	103,803,462
Total Pension Liability - Ending (a)	\$ 106,620,669
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,643,046
Contributions - Employee	719,822
Net Investment Income	12,164,744
Benefit Payments, including Refunds of Employee Contributions	(6,050,450)
Administrative Expense	(68,025)
Other	642
Net Change in Plan Fiduciary Net Position	8,409,779
Plan Fiduciary Net Position - Beginning	78,760,727
Plan Fiduciary Net Position - Ending (b)	\$ 87,170,506
 City's Net Pension Liability - Ending (a) - (b)	\$ 19,450,163
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.76%
 Covered-Employee Payroll	\$ 13,081,444
 City's Net Pension Liability as a Percentage of Covered-Employee Payroll	148.69%

See Independent Auditors' Report.

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

Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 1,857,208	\$ 1,857,208	\$ -	\$ 12,211,722	15.21%

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

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

Changes of Benefit Terms

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
June 30, 2015

City and School Board

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2014	\$ -	\$ 6,780,300	\$ 6,780,300	0.00%	\$26,312,500	25.77%
June 30, 2012	-	7,035,600	7,035,600	0.00%	27,115,600	25.95%
June 30, 2010	-	5,692,600	5,692,600	0.00%	25,883,600	21.99%

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

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	\$ 330,701
Community Facilities Grants	N/A	10.766	25,000
<u>Department of Health and Human Services</u>			
Family Preservation and Support	Department of Social Services	93.556	26,802
Temporary Assistance to Needy Families	Department of Social Services	93.558	403,412
Refugee and Entrant Assistance - State Administered Programs	Department of Social Services	93.566	554
Low-Income Home Energy Assistance	Department of Social Services	93.568	38,815
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Social Services	93.596	52,450
Chafee Education and Training Vouchers Program	Department of Social Services	93.599	1,193
Adoption Incentive Payments	Department of Social Services	93.603	1,945
Child Welfare Services - State Grants	Department of Social Services	93.645	2,361
Foster Care - Title IV-E	Department of Social Services	93.658	557,741
Adoption Assistance	Department of Social Services	93.659	290,037
Social Services Block Grant	Department of Social Services	93.667	237,870
Independent Living	Department of Social Services	93.674	10,261
State Children's Insurance Program	Department of Social Services	93.767	11,074
Medical Assistance Program	Department of Social Services	93.778	375,607
Veritas Drug Court Treatment Enhancement	Department of Criminal Justice Services	93.243	41,440
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant - Entitlement Grants	N/A	14.218	200,584
<u>Department of Homeland Security</u>			
Emergency Management Performance Grants	Department of Emergency Management	97.042	15,500
2013 State Homeland Security Program Grant	Department of Emergency Management	97.067	45,660
State Homeland Security Program Grant	Department of Emergency Management	97.067	21,605
<u>Department of Justice</u>			
Violence Against Women Formula Grants	Department of Criminal Justice Services	16.588	21,771
<u>Department of Transportation</u>			
Selective Enforcement - Alcohol	Department of Transportation	20.607	53,423
Drive Hammered Get Nailed	Department of Transportation	20.600	7,021
Highway Planning and Construction	Department of Transportation	20.205	1,512,599
Metro Planning Organization	City of Bristol, Tennessee	20.205	33,359
Metro Planning Organization	Department of Transportation	20.205	26,650
Transit Operating Assistance Grant	Department of Transportation	20.507	132,632
Total Federal Award Expenditures			<u>\$ 4,478,067</u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
NOTES TO SCHEDULE OF FEDERAL AWARDS
June 30, 2015

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	\$ 18,000
Believe in Bristol	27,375
Bristol Faith in Action	8,000
Children's Advocacy Center	7,120
Crossroads Medical Mission	<u>3,000</u>
	<u>\$ 63,495</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)

Other Supplemental Information

(unaudited)

This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the overall financial health of the City of Bristol, Virginia. This information has not been audited by the independent auditor.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time.

Table 1	Net Position by Component
Table 2	Changes in Net Position
Table 3	Fund Balances of Governmental Funds
Table 4	Changes in Fund Balances of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's significant local operating revenues.

Table 5	Local Tax Revenues by Source for Governmental Funds
Table 6	Assessed Value and Estimated Actual Value of Taxable Property
Table 7	Principal Property Taxpayers
Table 8	Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional Debt in the future.

Table 9	Legal Debt Margin Information
Table 10	Ratios of Outstanding Debt by Type

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Table 11	Demographic and Economic Statistics
Table 12	Principal Employers
Table 13	Full-Time Equivalent City Government Employees by Function/Program

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Table 14	Operating Indicators by Function
Table 15	Capital Asset and Infrastructure Statistics by Function/Program

Table 1

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Activities										
Net Investment in Capital Assets	\$ 8,717,208	30,780,027	27,983,924	33,995,609	30,777,836	29,401,065	29,915,337	23,694,648	28,512,940	13,804,929
Restricted	2,376,424	1,149,693	2,029,871	779,252	955,441	1,614,580	2,073,182	2,842,539	-	119,144
Unrestricted	5,746,269	21,040,925	24,072,734	24,745,959	26,663,740	22,824,118	23,274,681	26,693,206	22,233,712	11,079,991
Total Governmental Activities Net Position	<u>\$ 16,839,901</u>	<u>52,970,645</u>	<u>54,086,529</u>	<u>59,520,820</u>	<u>58,397,017</u>	<u>53,839,763</u>	<u>55,263,200</u>	<u>53,230,393</u>	<u>50,746,652</u>	<u>25,004,064</u>
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
Restricted	-	-	-	-	9,316	9,316	10,322	17,176	14,814	9,374
Unrestricted	(38,527,008)	(36,310,290)	(33,867,453)	(31,308,522)	(33,531,585)	538,771	(806,746)	(855,858)	97,397	(10,103,653)
Total Business-Type Activities Net Position	<u>\$ (38,527,008)</u>	<u>(36,310,290)</u>	<u>(33,867,453)</u>	<u>(31,308,522)</u>	<u>(33,009,722)</u>	<u>60,592,712</u>	<u>54,048,847</u>	<u>50,434,185</u>	<u>42,718,772</u>	<u>42,664,445</u>
Primary Government										
Net Investment in Capital Assets	\$ 8,717,208	30,780,027	27,983,924	33,995,609	31,290,383	89,445,690	84,760,608	74,967,515	71,119,501	66,563,653
Restricted	2,376,424	1,149,693	2,029,871	779,252	964,757	1,623,896	2,083,504	2,859,715	14,814	128,518
Unrestricted	(32,780,739)	(15,269,365)	(9,794,719)	(6,562,563)	(6,867,845)	23,362,889	22,467,935	25,837,348	22,331,109	976,338
Total Primary Government Net Position	<u>\$ (21,687,107)</u>	<u>16,660,355</u>	<u>20,219,076</u>	<u>28,212,298</u>	<u>25,387,295</u>	<u>114,432,475</u>	<u>109,312,047</u>	<u>103,664,578</u>	<u>93,465,424</u>	<u>67,668,509</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.

Table 2

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
EXPENSES										
Governmental Activities										
General Government	\$ 3,577,188	3,644,857	3,863,132	2,738,642	2,700,711	2,978,720	2,661,457	2,802,250	3,054,842	2,601,267
Judicial Administration	1,416,373	1,403,143	1,446,663	1,315,755	1,597,660	1,509,552	1,296,392	1,157,293	1,143,616	1,069,265
Public Safety	13,353,824	13,658,662	13,303,468	13,108,290	12,555,922	12,357,339	12,896,808	12,319,196	12,203,912	12,289,639
Public Works	5,735,516	6,078,768	5,825,721	5,645,111	4,951,172	6,659,981	6,353,187	6,462,708	5,920,702	3,629,910
Health and Welfare	6,985,092	6,340,817	6,188,984	5,997,666	5,625,680	5,495,954	5,645,470	6,229,012	5,202,426	5,918,891
Education	9,495,178	9,468,882	9,370,182	8,937,192	8,548,977	9,265,259	9,307,322	8,996,957	8,338,635	9,200,388
Parks, Recreation, and Cultural	3,241,612	3,817,264	3,933,370	3,798,309	2,784,258	2,835,079	2,882,840	2,813,305	2,717,968	2,810,812
Community Development	5,533,853	5,182,711	2,791,217	2,378,139	4,609,396	2,867,133	1,692,851	1,474,618	2,593,211	1,630,732
Transit	415,780	506,937	474,911	545,380	555,189	552,312	552,299	534,060	502,415	521,312
Interest on Long-Term Debt	2,273,656	1,406,389	1,495,132	1,092,274	1,049,255	925,339	1,156,243	939,447	873,403	754,571
Total Governmental Activities Expenses	<u>52,028,072</u>	<u>51,508,430</u>	<u>48,692,780</u>	<u>45,556,758</u>	<u>44,978,220</u>	<u>45,446,668</u>	<u>44,444,869</u>	<u>43,728,846</u>	<u>42,551,130</u>	<u>40,426,787</u>
Business-Type Activities										
Electric	-	-	-	-	-	48,136,810	51,968,590	43,059,795	37,947,763	37,996,520
Water	-	-	-	-	-	3,167,214	3,021,749	2,752,272	2,696,045	2,542,253
Wastewater	-	-	-	-	-	3,198,095	3,123,505	2,993,874	3,075,293	3,033,617
OptiNet	-	-	-	-	-	17,622,508	16,476,305	14,227,775	11,806,290	10,732,027
Solid Waste Disposal	5,888,523	6,201,423	6,799,466	6,853,393	7,117,767	7,252,392	7,020,171	6,718,162	7,199,284	7,009,844
Golf Course	-	-	-	-	1,019,440	1,093,885	1,117,334	1,129,135	1,186,216	1,266,691
Total Business-type Activities Expenses	<u>5,888,523</u>	<u>6,201,423</u>	<u>6,799,466</u>	<u>6,853,393</u>	<u>8,137,207</u>	<u>80,470,904</u>	<u>82,727,654</u>	<u>70,881,013</u>	<u>63,910,891</u>	<u>62,580,952</u>
Total Primary Government Expenses	<u>\$ 57,916,595</u>	<u>57,709,853</u>	<u>55,492,246</u>	<u>52,410,151</u>	<u>53,115,427</u>	<u>125,917,572</u>	<u>127,172,523</u>	<u>114,609,859</u>	<u>106,462,021</u>	<u>103,007,739</u>

(Continued)

Table 2

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
PROGRAM REVENUES										
Governmental Activities										
Charges for Services										
General Government	\$ 187,115	393,855	477,548	273,817	280,751	316,195	277,958	257,859	261,452	165,907
Judicial Administration	292,519	316,409	341,793	348,572	332,140	279,718	230,806	250,633	214,632	258,272
Public Safety	206,871	118,852	138,616	128,420	183,343	174,210	274,435	473,704	708,593	759,331
Public Works	6,481	724	4,751	1,137	1,647	2,861	547	882,538	733,494	853,049
Health and Welfare	-	-	-	-	-	-	-	-	-	118,140
Parks, Recreation, and Cultural	752,324	832,374	895,803	998,571	101,527	97,233	91,769	98,123	103,223	114,107
Other Activities	56,943	32,640	46,345	44,620	39,865	34,769	39,318	37,804	41,145	36,831
Operating Grants and Contributions	13,884,225	15,647,934	14,277,719	14,065,443	16,737,399	13,868,952	13,325,110	14,337,295	12,670,217	11,487,441
Capital Grants and Contributions	5,091,895	2,722,801	1,370,963	4,189,662	2,947,622	3,730,705	2,656,318	1,565,583	4,549,390	1,798,859
Total Governmental Activities Program Revenues	20,478,373	20,065,589	17,553,538	20,050,242	20,624,294	18,504,643	16,896,261	17,903,539	19,282,146	15,591,937
Business-Type Activities										
Charges for Services										
Electric	-	-	-	-	-	50,543,639	54,844,870	46,489,221	39,857,424	39,870,170
Water	-	-	-	-	-	3,179,182	3,530,035	3,337,032	3,341,488	3,191,277
Wastewater	-	-	-	-	-	3,316,913	3,197,360	3,329,804	3,264,167	3,287,249
OptiNet	-	-	-	-	-	19,236,343	17,234,687	14,525,312	10,973,174	8,633,285
Solid Waste Disposal	4,259,669	3,877,782	4,838,203	5,558,996	5,351,757	4,900,792	4,755,432	4,311,968	4,254,511	4,155,851
Golf Course	-	-	-	-	681,069	654,339	695,125	750,047	748,699	734,213
Capital Grants and Contributions	-	-	-	-	-	3,826,270	2,341,810	5,648,768	1,180,429	7,263,779
Total Business-Type Activities Program Revenues	4,259,669	3,877,782	4,838,203	5,558,996	6,032,826	85,657,478	86,599,319	78,392,152	63,619,892	67,135,824
Total Primary Government Program Revenues	\$ 24,738,042	23,943,371	22,391,741	25,609,238	26,657,120	104,162,121	103,495,580	96,295,691	82,902,038	82,727,761
NET (EXPENSE)/REVENUE										
Governmental Activities	\$ (31,549,699)	(31,442,841)	(31,139,242)	(25,506,516)	(24,353,926)	(26,942,025)	(27,548,608)	(25,825,307)	(23,268,984)	(24,834,850)
Business-Type Activities	(1,628,854)	(2,323,641)	(1,961,263)	(1,294,397)	(2,104,381)	5,186,574	3,871,665	7,511,139	(290,999)	4,554,872
Total Primary Government Net (Expense)/Revenue	\$ (33,178,553)	(33,766,482)	(33,100,505)	(26,800,913)	(26,458,307)	(21,755,451)	(23,676,943)	(18,314,168)	(23,559,983)	(20,279,978)

(Continued)

Table 2

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GENERAL REVENUES AND OTHER CHANGES										
IN NET POSITION										
Governmental Activities										
Taxes										
Property Taxes	\$ 15,946,537	14,380,655	13,833,296	13,597,177	13,427,997	12,651,353	12,686,832	13,392,015	16,359,843	11,222,394
Other Taxes	13,264,747	12,316,335	12,427,340	12,419,037	11,722,627	11,448,949	11,613,383	12,046,825	11,690,941	10,494,811
Payments from Primary Government	-	-	-	-	-	-	-	-	-	14,016
Grants and Contributions Not Restricted	3,454,427	3,327,544	3,222,122	3,086,610	3,312,837	2,393,388	2,262,805	2,333,394	2,352,125	3,007,102
Investment Earnings	43,487	31,149	34,554	40,707	58,232	34,069	125,736	214,667	187,409	108,697
Gain (Loss) on Sale of Property	272,181	77,968	(84,010)	4,122	(99,480)	29,343	(2,343,748)	(27,853)	117,601	(152,889)
Other	14,641	193,306	9,474	414,997	-	-	-	-	-	21,572
Transfers	(986,243)	-	-	(2,932,331)	-	(1,352,839)	458,300	350,000	350,000	350,000
Special Item-Conveyance of Property	(14,869,201)	-	-	-	-	-	-	-	-	-
Total Governmental Activities	<u>17,140,576</u>	<u>30,326,957</u>	<u>29,442,776</u>	<u>26,630,319</u>	<u>28,422,213</u>	<u>25,204,263</u>	<u>24,803,308</u>	<u>28,309,048</u>	<u>31,057,919</u>	<u>25,065,703</u>
Business-Type Activities										
Investment Earnings	95	99	582	2,028	2,094	110,037	175,516	524,052	697,018	1,454,416
Gain (Loss) on Sale of Property	(11,123)	(5,102)	(8,725)	32,815	(19,154)	(105,585)	25,781	17,048	(1,692)	(406)
Other	462	-	-	28,423	-	-	-	-	-	-
Transfers	986,243	-	-	2,932,331	-	1,352,839	(458,300)	(350,000)	(350,000)	(350,000)
Total Business-Type Activities	<u>975,677</u>	<u>(5,003)</u>	<u>(8,143)</u>	<u>2,995,597</u>	<u>(17,060)</u>	<u>1,357,291</u>	<u>(257,003)</u>	<u>191,100</u>	<u>345,326</u>	<u>1,104,010</u>
Total Primary Government	<u>\$ 18,116,253</u>	<u>30,321,954</u>	<u>29,434,633</u>	<u>29,625,916</u>	<u>28,405,153</u>	<u>26,561,554</u>	<u>24,546,305</u>	<u>28,500,148</u>	<u>31,403,245</u>	<u>26,169,713</u>
CHANGE IN NET POSITION										
Governmental Activities	\$ (14,409,123)	(1,115,884)	\$ (1,696,466)	\$ 1,123,803	\$ 4,068,287	\$ (1,737,762)	\$ (2,745,300)	\$ 2,483,741	\$ 7,788,935	\$ 230,853
Business-Type Activities	<u>(653,177)</u>	<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>
Total Primary Government	<u>\$ (15,062,300)</u>	<u>(3,444,528)</u>	<u>(3,665,872)</u>	<u>2,825,003</u>	<u>1,946,846</u>	<u>4,806,103</u>	<u>869,362</u>	<u>10,185,980</u>	<u>7,843,262</u>	<u>5,889,735</u>

Note:

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

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

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

See Independent Auditors' Report.

Table 3

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Nonspendable	\$ 22,642,183	22,661,237	19,835,179	18,228,985	20,641,868	-	-	-	-	-
Restricted	2,376,424	1,149,693	2,029,871	779,252	955,441	-	-	-	-	-
Unassigned	6,096,293	(277,620)	5,249,125	5,795,788	5,056,131	-	-	-	-	-
Reserved	-	-	-	-	-	20,656,132	19,727,559	17,445,721	11,292,989	7,883,336
Unreserved	-	-	-	-	-	3,130,749	4,714,935	8,715,759	7,938,332	787,983
Total General Fund	<u>\$ 31,114,900</u>	<u>23,533,310</u>	<u>27,114,175</u>	<u>24,804,025</u>	<u>26,653,440</u>	<u>23,786,881</u>	<u>24,442,494</u>	<u>26,161,480</u>	<u>19,231,321</u>	<u>8,671,319</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)
Total All Other Governmental Funds	<u>\$ 0</u>	<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>

Note:

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

See Independent Auditors' Report.

Table 4

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES										
Taxes	\$ 29,117,698	27,436,595	27,619,746	26,334,737	25,730,352	24,620,177	24,918,957	26,309,728	28,220,221	21,752,273
Permits, Privilege Fees, and Licenses	169,671	69,535	48,089	69,455	104,035	31,359	43,601	55,367	88,032	86,288
Fines and Forfeitures	169,313	196,285	212,516	228,566	222,367	175,137	134,421	148,419	146,528	186,976
Investment Earnings	265,960	540,803	542,803	329,232	351,582	360,088	409,244	536,400	523,313	489,918
Charges for Services	926,872	992,034	1,084,589	1,161,149	274,959	332,728	400,203	1,273,679	1,116,025	1,430,179
Other	2,913,288	1,413,866	2,052,718	1,596,172	1,674,254	972,769	388,716	595,798	627,169	350,328
Intergovernmental	19,537,095	18,753,918	16,259,174	19,132,860	20,691,719	18,532,759	16,829,007	17,071,694	16,971,145	15,403,804
Total Revenues	53,099,897	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
EXPENDITURES										
General Government	3,192,661	3,127,195	3,136,968	2,669,506	2,425,753	2,587,737	2,556,942	2,854,121	2,949,908	2,500,908
Judicial Administration	1,322,111	1,284,285	1,379,353	1,453,743	1,485,763	1,401,759	1,271,989	1,127,182	1,120,914	1,039,768
Public Safety	13,815,140	13,378,990	13,090,233	13,202,148	12,908,930	12,199,613	12,511,555	12,041,017	12,854,163	12,295,870
Public Works	4,920,842	5,191,466	4,965,547	4,750,566	4,267,752	4,136,424	4,033,008	4,193,526	3,866,181	3,990,794
Health and Welfare	6,953,676	6,359,553	6,198,340	6,016,795	5,635,487	5,507,342	5,623,301	6,222,774	5,201,697	5,911,003
Education	9,346,760	9,281,682	9,151,682	8,701,292	8,298,377	8,976,766	9,009,699	8,690,721	8,019,557	8,868,472
Parks, Recreation, and Cultural	3,170,823	3,544,177	3,616,612	3,458,881	2,504,239	2,514,823	2,849,361	2,484,434	2,420,945	2,736,703
Community Development	2,115,716	2,470,287	1,674,584	2,401,272	4,797,396	2,867,133	1,692,851	1,474,618	2,593,211	1,600,291
Transit	392,271	474,236	578,936	519,256	598,985	520,962	623,487	520,894	477,949	528,463
Capital Projects	6,820,042	19,906,730	23,797,731	5,901,666	2,259,068	2,024,195	3,343,054	1,183,154	2,915,828	1,903,490
Debt Service:										
Principal	7,138,750	15,404,710	10,828,820	4,470,405	6,876,400	7,354,194	1,282,171	5,436,521	3,959,810	1,574,531
Interest and Bond Issue Costs	2,126,011	2,127,968	1,699,310	1,007,191	923,095	979,386	983,772	731,396	756,711	734,986
Total Expenditures	61,314,803	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
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,214,906)	(33,148,243)	(32,298,481)	(5,700,550)	(3,931,977)	(6,045,317)	(2,657,041)	(969,273)	555,559	(3,985,513)
OTHER FINANCING SOURCES (USES)										
Proceeds from Borrowing	14,750,000	28,756,450	34,115,513	6,146,486	6,270,473	6,630,569	-	6,747,950	7,422,000	724,750
Sale of Capital Assets	1,493,937	130,139	55,112	20,791	16,421	105,806	65,630	78,891	2,151,267	418,349
Insurance Recoveries	14,641	193,306	9,474	671,165	21,468	-	-	-	-	38,436
Capital Lease	524,161	496,408	411,251	-	-	-	-	1,400,899	-	-
Transfers In	-	-	-	(2,996,108)	-	-	809,023	350,000	350,000	350,000
Transfers Out	(986,243)	-	-	-	-	(1,352,839)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	15,796,496	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
Net Change in Fund Balances	\$ 7,581,590	(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)
Debt Service as a Percentage of Noncapital Expenditures	17.00%	27.99%	22.24%	11.26%	15.38%	16.99%	5.34%	13.47%	10.67%	5.53%

See Independent Auditors' Report.

Table 5

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES										
General Property Taxes	\$ 15,852,951	15,120,260	15,192,406	13,915,700	14,007,725	13,171,228	13,305,574	14,262,903	16,529,280	12,001,461
Restaurant Meal Taxes	5,749,073	5,226,248	5,349,403	5,055,094	4,830,690	4,641,053	4,827,397	4,749,634	4,241,370	3,628,713
Local Sales & Use Taxes	3,651,226	3,661,560	3,690,245	3,968,672	3,626,112	3,607,230	3,654,218	4,055,614	4,003,013	3,604,530
Business License Taxes	1,178,435	1,203,627	1,158,940	1,300,348	1,123,574	1,077,817	1,122,829	1,192,924	1,174,680	1,156,862
Lodging Taxes	1,099,052	992,389	1,011,142	926,754	914,244	936,836	930,582	919,496	815,264	567,335
Bank Stock Taxes	450,157	489,100	446,719	408,863	514,730	465,464	352,064	342,595	278,170	279,727
Motor Vehicle License Tax	278,234	247,584	255,625	245,591	226,898	236,155	237,869	227,755	13,425	195,122
Cigarette Taxes	346,317	149,521	154,988	170,956	176,058	187,063	170,830	153,216	134,976	119,802
Consumer Utility Taxes	146,758	140,382	147,845	140,174	117,578	116,576	113,337	116,576	221,041	299,814
Taxes on Recordation & Wills	185,565	124,456	131,753	123,771	106,531	95,511	116,235	201,120	221,739	163,042
Admissions Tax (1)	99,969	-	-	-	-	-	-	-	-	-
Electric Consumption Tax	79,959	81,467	80,679	78,815	86,213	85,474	88,020	87,895	88,159	93,971
Total Revenues	<u>\$ 29,117,696</u>	<u>27,436,594</u>	<u>27,619,745</u>	<u>26,334,738</u>	<u>25,730,353</u>	<u>24,620,407</u>	<u>24,918,955</u>	<u>26,309,728</u>	<u>27,721,117</u>	<u>22,110,379</u>

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

See Independent Auditors' Report.

Table 6

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

Fiscal Year Ended June 30	Real Estate ⁽¹⁾	Personal Property ^{(2) (3)}	Machinery and Tools ^{(2) (3)}	Public Service Corporation ⁽⁴⁾	Mobile Homes ⁽⁵⁾	Total Assessed Value	Tax Rate (per \$100)	
							Real Estate	Personal Property
2015	\$ 1,060,336,824	109,107,201	12,164,451	19,141,769	1,031,866	1,201,782,111	1.12%	2.10%
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	1.01%	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%

* - Not available

(1) Assessed at 100% of fair market value

(2) Beginning in 2015 the assessment ratio for personal property changed from 30% to 100%. The tax rate for personal property became 2.10%. The Machinery & Tools assessment ratio stayed at 11% and the tax rate remained at 7%.

(3) 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.

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

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

Note: Reassessments occur every four years

Source: Commissioner of Revenue

See Independent Auditors' Report.

Table 7

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

<u>Taxpayer</u>	2015			2006		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Johnson Sugar Hollow LLC (Alpha)	\$ 17,547,000	1	15.9%	\$ -		0.0%
Bristol Mall Associates	16,871,900	2	15.3%	22,162,400	1	24.4%
Virginia Intermont College	11,603,500	3	10.5%	-		0.0%
D&J Virginia Real Estate LLC (Holiday Inn)	9,078,400	4	8.2%	16,798,700	2	18.5%
HD Development of MD (Home Depot)	8,392,900	5	7.6%	8,255,800	3	9.1%
Debora Jean Limited (Tinseltown)	7,287,900	6	6.6%	6,943,700	5	7.7%
BLC Bristol-GC LLC (Brookdale Assisted Living)	6,895,900	7	6.2%	-		0.0%
Apple Nine SPE Bristol (Marriott)	6,502,700	8	5.9%	7,093,900	4	7.8%
Ball Metal Beverage Container Corp.	5,733,000	9	5.2%	4,923,300	8	5.4%
Cabela's Wholesale Inc.	5,670,000	10	5.1%	-		0.0%
Bristol Hotels Inc	5,234,100	11	4.7%	-		0.0%
Yale Bristol VA LLC (Bonham Road Strip Center)	5,007,100	12	4.5%	-		0.0%
Pacific Capital Group (Post Office/Food Lion)	4,628,600	13	4.2%	5,339,600	7	5.9%
Bristol Brass & Copper (Bristol Plaza)	-		0.0%	5,448,800	6	6.0%
Bristol Commons	-		0.0%	4,715,000	9	5.2%
Boise Cascade Office Products	-		0.0%	4,587,600	10	5.1%
Aerus	-		0.0%	4,483,700	11	4.9%
	<u>\$ 110,453,000</u>		<u>100.0%</u>	<u>\$ 90,752,500</u>		<u>100.0%</u>

Source: Commissioner of Revenue

See Independent Auditors' Report.

Table 8

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

Fiscal Year Ended 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
2015	\$ 14,734,815	\$ 14,162,206	96.11%	\$ -	\$ 14,162,206	96.11%
2014	13,937,773	13,327,035	95.62%	296,408	13,623,443	97.74%
2013	14,091,943	13,394,232	95.05%	506,538	13,900,770	98.64%
2012	13,724,757	12,948,516	94.34%	623,062	13,571,578	98.88%
2011	13,721,770	12,883,684	93.89%	685,727	13,569,411	98.89%
2010	13,454,389	12,645,361	93.99%	661,746	13,307,107	98.91%
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%

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									
	2015	2013	2013	2012	2011	2010	2009	2008	2007	2006
Legal Debt Margin										
Debt Limit	\$ 107,947,859	105,071,548	105,301,369	107,435,535	106,002,870	103,750,125	93,236,650	91,845,920	87,476,830	76,704,158
Total Net Debt Applicable to Limit	102,070,000	94,647,500	81,145,000	57,607,500	56,339,584	57,830,000	59,952,387	62,287,820	59,894,556	61,713,861
Legal Debt Margin	<u>\$ 5,877,859</u>	<u>10,424,048</u>	<u>24,156,369</u>	<u>49,828,035</u>	<u>49,663,286</u>	<u>45,920,125</u>	<u>33,284,263</u>	<u>29,558,100</u>	<u>27,582,274</u>	<u>14,990,297</u>

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed Value	Real Estate	\$ 1,060,336,824
	PSC	<u>19,141,769</u>
		\$ 1,079,478,593
Debt Limit (10% of assessed value)	\$	107,947,859
Less Debt Applicable to Limit:		
General Obligation Bonds	\$	(101,350,000)
Other Long-Term Obligations		<u>(720,000)</u>
Legal Debt Margin	<u>\$</u>	<u>5,877,859</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
2015	\$ 69,171,950	\$ 32,178,050	\$ 101,350,000	8.43%	5,845	-	\$ 720,000
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

Fiscal Year	Business-Type Activities			Total Debt		
	Revenue Bonds	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
2015	\$ -	\$ -	\$ 234,067	\$ 102,304,067	*	5,900
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	50,511,497	*	6,349

* 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**

Fiscal Year	Population ⁽¹⁾⁽²⁾	Per Capita Personal Income ⁽³⁾	Public School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2015	*	*	2,182	5.9%
2014	17,690	*	2,207	7.0%
2013	17,728	37,018	2,232	7.4%
2012	17,702	37,070	2,265	7.8%
2011	17,780	35,304	2,276	8.6%
2010	17,835	32,106	2,244	8.8%
2009	17,919	31,630	2,265	9.8%
2008	17,663	32,133	2,272	5.8%
2007	17,426	30,325	2,308	4.7%
2006	17,340	29,565	2,302	5.0%

*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 Weldon Cooper Center for Public Service

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

(4) Source: Bristol Virginia School System; does not included preschool enrollment

(5) Source: Virginia Employment Commission

See Independent Auditors' Report.

Table 12

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

<u>EMPLOYER</u>	<u>2015</u>			<u>2006</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	21.75%	600	1	16.44%
Electro Mechanical Corp.	528	2	15.95%	400	4	10.96%
Commonwealth of Virginia (VDOT)	365	3	11.03%	300	7	8.22%
Shearer's (formerly Moore's Snack Foods)	327	4	9.88%	200	9	5.48%
Strongwell Corp	300	5	9.06%	350	5	9.59%
United Parcel Service	266	6	8.04%	300	6	8.22%
Alpha Natural Resources	226	7	6.83%			
Ball Corp (formerly Reynolds Metal)	215	8	6.50%	300	8	8.22%
Office Max	209	9	6.31%	500	3	13.70%
Aerus (formerly Electrolux)	154	10	4.65%			0.00%
Sprint PCS	0		0.00%	500	2	13.70%
US Solutions	0		0.00%	200	10	5.48%
	<u>3,310</u>		<u>100.00%</u>	<u>3,650</u>		<u>100.00%</u>

Source: Community Development & Planning

See Independent Auditors' Report.

Table 13

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

FUNCTION/PROGRAM	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government	23	24	25	24	24	23	23	27	30	32
Judicial Government	16	15	15	17	16	16	16	15	31	19
Public Safety	167	169	173	173	171	172	173	172	161	188
Public Works	30	30	29	25	25	22	23	21	34	41
Solid Waste	29	28	31	34	33	41	45	46	41	45
Health and Welfare	43	44	42	41	41	39	39	41	41	41
Parks, Recreation, and Cultural	20	22	22	21	21	22	21	22	22	22
Clear Creek Golf Course	5	5	6	6	5	5	5	5	4	5
Library	23	21	22	24	21	22	24	27	22	32
Community Development	10	9	6	7	7	7	9	8	10	11
Transit	6	7	7	8	10	9	9	10	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	372	374	378	380	374	570	578	580	515	553

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.

Table 14

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

Function/Program	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>Judicial Administration</u>										
Sheriff										
Inmates Housed (Daily)	144	153	153	141	143	131	126	136	147	144
Inmate Transports	522	537	396	583	416	353	512	1,095	1,095	1,063
Courts Worked	598	651	641	583	625	661	628	615	584	452
<u>Public Safety</u>										
Police										
Criminal Warrants	2,276	2,666	2,393	2,631	2,409	3,126	2,978	2,954	2,852	2,655
Parking Violations	85	105	141	154	343	611	500	776	649	798
Traffic Violations	4,584	5,181	5,712	5,994	6,084	5,244	3,803	3,738	4,319	8,091
Fire-Current										
Fire Responses	88	118	129	157	169	173	183	183	174	151
EMS Responses	1,598	1,583	1,398	1,390	1,480	1,314	1,123	1,091	988	909
Hazmat Responses	50	60	62	67	83	79	97	112	79	81
Other Responses	786	847	945	901	798	803	907	776	741	805
<u>Public Works</u>										
Refuse Collected (tons per day)	28	27	28	29	31	32	33	33	33	34
Recyclables collected (tons per day)	11	13	13	7	11	13	10	8	13	17
<u>Library</u>										
Volumes in collection	165,534	164,175	169,175	169,312	178,331	165,858	164,494	159,547	144,558	149,100
Total Circulated	312,565	352,080	381,470	372,108	382,877	390,382	371,697	340,937	359,248	340,900

See Independent Auditors' Report.

Table 15

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

<u>Function/Program</u>	Fiscal Year									
	2014	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>Public Safety</u>										
Law Enforcement Vehicles	64	66	63	70	69	76	73	79	80	94
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	50.64	48.80	49.00	48.00
Secondary Streets (lane miles)	210.49	210.49	210.49	210.49	210.49	208.55	208.23	208.23	208.00	204.00
<u>Parks, Recreation, and Cultural</u>										
Community Center	1	1	1	1	1	1	1	1	1	1
Parks/Athletic Fields	18	18	18	18	18	18	18	18	18	18

See Independent Auditors' Report.

SECTION IV
INTERNAL CONTROL AND
COMPLIANCE SECTION

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

Honorable Members of City Council
City of Bristol, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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, 2015, 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 30, 2015.

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 a certain deficiency in internal control that we consider to be a material weakness.

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

Compliance and Other Matters

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

The City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 30, 2015

**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, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the City of Bristol, Virginia School Board (the School Board), a discretely presented component unit, which received \$3,348,712 in federal awards which are not included in the schedule during the fiscal year ended June 30, 2015. Our audit, described below, did not include the operations of the School Board because a separate report was issued.

Management's Responsibility

Management is responsible for compliance with 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, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 30, 2015

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015

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 was 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
Medical Assistance Program	93.778
Highway Planning and Construction	20.205
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City was determined to not be a low-risk auditee.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015

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 the City Council remain focused on the operations of the Solid Waste Disposal Fund. Since 2011 the Solid Waste Disposal expenses have decreased 17% while increasing efficiency. The Solid Waste Disposal Fund operates in a competitive market. In FY16 collection rates were increased after a review of similar services provided by other vendors around the area. The City has employed a marketing consultant to enhance its customer base and increase revenue. The collection of the methane gas that will be converted to energy is expected to begin in Dec 2015 which will bring additional revenues to the Solid Waste Disposal Fund.

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

None Reported

SECTION IV – PRIOR FISCAL YEAR FINDINGS AND QUESTIONED COSTS IMPLEMENTED

2012-001 Significant Deficiency - Purchasing