



CITY OF BRISTOL, VIRGINIA

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

CITY OF BRISTOL, VIRGINIA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2013

CITY OF BRISTOL, VIRGINIA
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SECTION I
INTRODUCTORY SECTION

**CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2013**

MEMBERS OF CITY COUNCIL

Mayor
Vice Mayor

Jim Steele
Guy Odum
Ed Harlow
Don Ashley
Catherine Brillhart

CITY OFFICIALS

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

Dewey Cashwell
Tabitha Crowder
Andrew Trivette
Steve Allen
Angel Harris
Pete Curcio
Terry Frye
Terry Rohr
Jack Weisenburger
Jerry A. Wolfe

INDUSTRIAL DEVELOPMENT AUTHORITY BOARD

Chairman
Vice-Chairman

Harry J. Williams
Dr. David Fletcher
Jim Clifton
Faith Esposito
Deborah Wagner
John Sanslow

**CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2013**

SCHOOL BOARD MEMBERS

Chair
Vice-Chair

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

SCHOOL OFFICIALS

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

Dr. Mark Lineburg
Tammy M. Jones, CPA
Cathy Moss

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, 2013, 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.

Basis for Qualified Opinion

The financial statements of BVU Authority (BVU) had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units referred to above do not include amounts for BVU, which should be included to conform with accounting principles generally accepted in the United States of America, as described in Note I.A. Since BVU's financial statements are not included, the effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable. Revenue from BVU represents 0.9% of the General Fund revenues, as described in Note IV.E.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the City, as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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, and each major fund of the City of Bristol, Virginia as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Community Development Block Grant Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note I.D to the financial statements, in fiscal year 2013, the City adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 and analysis of funding progress for defined benefit pension plan and other post-employment benefits on pages 7 through 15 and 72 through 73 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bristol, Virginia's basic financial statements. The introductory section, Industrial Development Authority (IDA) discretely presented component unit statements, and other supplemental information section are presented for purposes of additional analysis and are not a required part of the 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 IDA discretely presented component unit statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the IDA discretely presented component unit statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014 on our consideration of the City of Bristol, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

City of Bristol, Virginia
Independent Auditors' Report

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 and Steagall, PLC
BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

March 10, 2014

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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, 2013.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the 2013 fiscal year by \$20,219,076 (*net position*). Of this amount, \$24,072,724 of the Governmental Activities (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$3,665,872 during the current fiscal year. Of this amount \$1,696,466 is attributable to governmental activities and \$1,969,406 is from business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,105,250. Approximately 19% of this total amount, \$5,240,200, is available for spending at the government's discretion (unassigned fund balance) which is a decrease of 10% over last year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,249,125 or 7% of total general fund expenditures.
- The City's total debt increased by \$24,710,044 during the current fiscal year. General Obligation Bonds (bonded debt) increased \$24,460,757. Other Debt which is comprised of capital lease obligations, long term loans, notes payables, and compensated absences increased \$249,287. In September 2012 the City issued \$25,000,000 in Bond Anticipation Notes for the construction of "The Falls" project. It is anticipated that "The Falls" will be a development of regional impact.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements - *Government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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.

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Overview of the Financial Statements (Continued)

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.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, community development and transit. The business-type activity of the City is comprised of the solid waste disposal enterprise.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate School Board and Industrial Development Authority for which the City is financially accountable. Financial information for the School Board is reported separately from the financial information presented for the primary government itself. Complete financial statements for the School Board can be obtained from the Finance Department, Bristol Virginia Public Schools, (276) 821-5600. Financial information for the Industrial Development Authority is included in this report.

The government-wide financial statements can be found on pages 16 - 19 of this report.

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

Governmental Funds - are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term* inflows and outflows of *spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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.

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Overview of the Financial Statements (Continued)

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 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and community development block grant fund, which are considered to be major funds.

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 20 - 27 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 28 - 31 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 32 - 71 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 72 - 73 of this report.

The statements referred to earlier in connection with discretely presented component units are presented immediately following the required supplementary information. The discretely presented component unit statements can be found on pages 74 - 75 of this report.

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets and deferred outflows of resources exceeded total liabilities by \$20,219,076 at the close of the most recent fiscal year.

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

An additional portion of the City's net position, \$2,029,871, represents resources that are subject to external restrictions on how they may be used. These resources are comprised of Commonwealth Attorney Federal Sharing Revenue and unspent General Obligation Bond Money issued for "The Falls" project. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors. The City's net position decreased by \$3,665,872 in the current fiscal year. This is comprised of a decrease in net position from governmental activities of \$1,696,466 and a decrease in net position from business-type activities of \$1,969,406. Net position was also decreased by \$4,327,350 as a result of a prior period adjustment.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and Other Assets	\$ 41,133	41,006	1,331	483	42,464	41,489
Capital Assets	59,894	77,627	25,631	25,883	85,525	103,510
Total Assets	<u>101,027</u>	<u>118,633</u>	<u>26,962</u>	<u>26,366</u>	<u>127,989</u>	<u>144,999</u>
Deferred Outflows of Resources	-	410	-	739	-	1,149
Long-Term Liabilities Outstanding	27,599	52,566	39,772	40,955	67,371	93,521
Other Liabilities	13,907	12,391	18,499	20,017	32,406	32,408
Total Liabilities	<u>41,506</u>	<u>64,957</u>	<u>58,271</u>	<u>60,972</u>	<u>99,777</u>	<u>125,929</u>
Net Position						
Net Investment in Capital Assets	33,996	27,984	-	-	33,996	27,984
Restricted	779	2,030	-	-	779	2,030
Unrestricted	24,746	24,072	(31,309)	(33,867)	(6,563)	(9,795)
Total Net Position	<u>\$ 59,521</u>	<u>54,086</u>	<u>(31,309)</u>	<u>(33,867)</u>	<u>28,212</u>	<u>20,219</u>

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Government-Wide Financial Analysis (Continued)

The City's Changes in Net Position (in thousands 000's)						
	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues						
Program Revenue						
Charges for Services	\$ 1,795	1,905	5,559	4,838	7,354	6,743
Operating Grants and Contributions	14,065	14,278	-	-	14,065	14,278
Capital Grants and Contributions	4,190	1,371	-	-	4,190	1,371
General Revenues						
Property Taxes	13,597	13,833	-	-	13,597	13,833
Other Taxes	12,419	12,427	-	-	12,419	12,427
Grants and Contributions						
Not Restricted	3,087	3,222	-	-	3,087	3,222
Unrestricted Investment Earnings	41	35	2	1	43	36
Gain (Loss) on Sale of Property	4	(84)	33	(9)	37	(93)
Other	415	9	28	-	443	9
Total Revenues	<u>49,613</u>	<u>46,996</u>	<u>5,622</u>	<u>4,830</u>	<u>55,235</u>	<u>51,826</u>
Expenses						
General Government						
Administration	2,739	3,863	-	-	2,739	3,863
Judicial Administration	1,316	1,447	-	-	1,316	1,447
Public Safety	13,108	13,304	-	-	13,108	13,304
Public Works	5,645	5,826	-	-	5,645	5,826
Health and Welfare	5,998	6,189	-	-	5,998	6,189
Education	8,937	9,370	-	-	8,937	9,370
Parks, Recreation, and Cultural	3,798	3,933	-	-	3,798	3,933
Community Development	2,378	2,791	-	-	2,378	2,791
Transit	546	475	-	-	546	475
Interest on Long-Term Debt	1,092	1,495	-	-	1,092	1,495
Solid Waste Disposal	-	-	6,854	6,799	6,854	6,799
Total Expenses	<u>45,557</u>	<u>48,693</u>	<u>6,854</u>	<u>6,799</u>	<u>52,411</u>	<u>55,492</u>
Excess (Deficiency) Before Transfers	4,056	(1,697)	(1,232)	(1,969)	2,824	(3,666)
Transfers	(2,932)	-	2,932	-	-	-
Change in Net Position	1,124	(1,697)	1,700	(1,969)	2,824	(3,666)
Net Position -- July 1, as Restated	58,397	55,783	(33,009)	(31,898)	25,388	23,885
Net Position -- June 30	<u>\$ 59,521</u>	<u>54,086</u>	<u>(31,309)</u>	<u>(33,867)</u>	<u>28,212</u>	<u>20,219</u>

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Government-Wide Financial Analysis (Continued)

Governmental Activities. Governmental activities decreased the City's net position by \$5,434,291. Of this amount current year activities resulted in a decreased of \$1,696,466. A prior period adjustment was made decreasing net position by \$3,737,825. This amount is the result of the reclassification of capital assets and a new requirement by GASB 65 that expenses bond issue costs when incurred.

Revenues from governmental activities totaled \$46,996,314. This was a decrease of \$2,616,578 over last year. Operating Grants and Contributions (30%), Property taxes (29%), and Other Local Taxes (26%) were the major sources of revenues. The decrease in revenues is mainly attributed to funding received from the Virginia Department of Transportation for Bonham Road Project that was completed in 2011-2012.

Expenses for governmental activities totaled \$48,692,780. This is a \$3,136,022 increase over last year. Public safety (27%), education (19%), health and welfare (13%), public works (12%) for 71 percent of total governmental expenses. The increase in expenses is attributed to costs associated with economic development, personnel costs, education and the inclusion of bond issue costs.

Business-type Activities. Net position of the business-type activities decreased an overall \$2,558,931 from the prior year. Of this amount current year activities resulted in a decrease of \$1,969,406. A prior period adjustment resulting from GASB 65 decreased net position by \$589,525. The following highlights the activities that impacted this net change:

- The Solid Waste Disposal fund operating revenues decreased \$720,793 over the previous year.
- The Solid Waste Disposal fund operating expenses increased \$70,902 in comparison with the previous year.
- The Solid Waste Disposal fund's non-operating expenses such as interest expense (\$1,571,766) and bond issue costs (\$97,829) contributed to an overall loss.

Program revenues for the business-type funds totaled \$4,838,785 of which 99% was Charges for Services. Expenses totaled \$6,808,191.

Component Unit. The School Board's total net position increased by \$4,639,767 in the current year. This increase is attributable to the increase in current year funding, primarily related to major insurance recoveries received during the year, and the inclusion of Bristol Virginia Public Schools Foundation (\$4,223,807 of the increase). As a result of the construction in progress at the "The Falls", the Industrial Development Authority net position increased by \$600,995.

**CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows and outflows, of *spendable* resources, as well as balances of spendable resources available at year end. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,105,250 an increase of \$2,292,869 in comparison with the prior year. Approximately 19% of this total amount, \$5,240,200 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.

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 \$5,249,125, while total fund balance reached \$27,114,175. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 7% of total general fund expenditures, while total fund balance represents 34% of that same amount.

The fund balance of the City's general fund increased by \$2,310,150 during the current fiscal year. This increase is primarily due to a balance in General Obligation Bond Money issued for the development of "The Falls", recognition of bond premiums and the receipt of tax credits.

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

Net position of the proprietary fund, Solid Waste Disposal, amounted to (\$33,867,453). This was a decrease of \$1,969,406 as compared with a decrease of \$1,231,131 in fiscal year 2012.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was approximately an increase of \$28,500,000 which can be briefly summarized as follows:

**CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

General Fund Budgetary Highlights (Continued)

- The budget was increased for an appropriation of an aggregate total of Tax Anticipation Notes in the amount of \$3,000,000. The appropriation was approved with the original budget ordinance but was not added until June 2013.
- The budget was increased for the issuance of General Obligation Bonds in the amount of \$25,000,000 to be used for the development of "The Falls" project.
- The budget was increased approximately \$500,000 for road improvements and public safety grants from the Commonwealth of Virginia.

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

- Actual revenues were less than budgeted revenues by approximately \$3,800,000. This difference is attributed to the budgeting of several capital projects that did not get started in 2012-2013.
- Actual expenditures were more than budgeted expenditures by approximately \$1,300,000. The primary difference for actual expenses being more than budget is the inclusion of expenditures related to the refunding of debt.
- Other financing sources were more than budgeted by approximately \$7,300,000. This difference is primarily attributable to the inclusion of financing sources related to the refunding of debt.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$103,509,863 (net of accumulated depreciation). This total is comprised of land, buildings, machinery and equipment, and infrastructure. The total increase in the City's capital assets for the current fiscal year was \$17,984,232 or 21.03%.

**CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Capital Asset and Debt Administration (Continued)

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

- Land purchased for the development of "The Falls" project amounted to \$21,756,506.
- The renovation costs associated with the Central Office Administrative Building for the Bristol Public Schools was reclassified and is no longer recorded on the City's asset listing. This resulted in a decrease of \$3,000,000.
- The expenses associated with the Bristol Flood Control Project were reclassified and deleted from construction in progress. This decreased fixed assets by \$331,223.

Additional information on the City's capital assets can be found in Note IV on pages 48- 51 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$93,520,931. Of this amount, \$81,697,955 (87%) comprises debt backed by the full faith and credit of the government.

- The City's total bonded debt increased by \$24,460,757. Other long-term debt which is comprised of debt not bonded, capital lease obligations, long-term loans, notes payables, and compensated absences increased \$249,287.
- The City maintains the states intercept rating of Aa3 from Moody's for general obligation debt. The underlying rating for the city is A1 from Moody's and A for Standard and Poor's.

Additional information on the City's long-term debt can be found in Note IV on pages 56 - 59 of this report.

Economic Factors Impacting Next Year's Budget

- "The Falls" Development of regional impact which includes the completion of Phase I and the start of Phase II.
- Concerns of state funding and how it will impact local government.
- Employee costs including health care, retirement and compensation.
- Retail development at the Exit 5 and its impact on local taxes including meals and sales taxes in fiscal year 2013-2014.
- The production and marketing of landfill methane gas at the Solid Waste Disposal Facility

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller's Office, City of Bristol, Virginia (276) 645-7287.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
ASSETS					
Cash and Cash Equivalents	\$ 4,581,056	81,672	4,662,728	1,759,625	4,186
Investments	-	-	-	113,679	-
Receivables, Net of Allowance	11,972,582	319,794	12,292,376	909,787	209,315
Notes Receivable	600,000	-	600,000	-	-
Due from Component Units	326,483	81,822	408,305	-	-
Due from Primary Government	-	-	-	-	-
Due from Other Governments	1,644,288	-	1,644,288	1,453,941	-
Due from Others	-	-	-	16,255	-
Internal Balances	19,258,390	(19,258,390)	-	-	-
Prepays	-	-	-	-	-
Inventories	106,649	-	106,649	24,802	-
Residential Lots for Sale	470,140	-	470,140	-	-
Other Current Assets	-	-	-	-	-
Restricted Assets					
Cash and Cash Equivalents	2,046,961	-	2,046,961	477,980	-
Investments	-	-	-	264,133	-
Capital Assets, Net	77,626,768	25,883,095	103,509,863	20,831,681	600,995
TOTAL ASSETS	118,633,317	7,107,993	125,741,310	25,851,883	814,496
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Loss on Refunding, Net	409,794	738,998	1,148,792	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	409,794	738,998	1,148,792	0	0
LIABILITIES					
Accounts Payable and Accrued Liabilities	1,107,062	68,639	1,175,701	1,371,978	-
Accrued Payroll and Related Liabilities	514,968	23,356	538,324	1,471,023	-
Accrued Interest Payable	597,081	667,806	1,264,887	-	-
Due to Primary Government	-	-	-	710,070	209,315
Due to Other Governmental Units	-	-	-	-	-
Unearned Revenue	10,105,728	-	10,105,728	6,738	-
Potential Development Credits	-	-	-	-	-
Customer Deposits Payable	-	-	-	-	-
Assets Held in Agency Capacity	65,455	-	65,455	-	-
Retirement Benefits Payable	-	-	-	-	-
Long-Term Liabilities					
Due Within One Year	2,734,469	2,105,634	4,840,103	216,708	-
Due in More Than One Year	49,831,819	38,849,009	88,680,828	1,235,146	-
TOTAL LIABILITIES	64,956,582	41,714,444	106,671,026	5,011,663	209,315

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
NET POSITION					
Net Investment in Capital Assets	27,983,934	-	27,983,934	15,964,721	-
Restricted For					
Commonwealth Attorney	641,909	-	641,909	-	-
Capital Projects	1,387,962	-	1,387,962	3,393,884	-
Unrestricted	24,072,724	(33,867,453)	(9,794,729)	1,481,615	605,181
TOTAL NET POSITION	<u>\$ 54,086,529</u>	<u>(33,867,453)</u>	<u>20,219,076</u>	<u>20,840,220</u>	<u>605,181</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

		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	Industrial Development Authority
Primary Government									
Governmental Activities									
General Government	\$ 3,863,132	477,548	2,419,356	-	(966,228)	-	(966,228)	-	-
Judicial Administration	1,446,663	341,793	766,404	-	(338,466)	-	(338,466)	-	-
Public Safety	13,303,468	138,616	2,741,991	1,014,774	(9,408,087)	-	(9,408,087)	-	-
Public Works	5,825,721	4,751	3,163,504	149,800	(2,507,666)	-	(2,507,666)	-	-
Health and Welfare	6,188,984	-	4,611,502	-	(1,577,482)	-	(1,577,482)	-	-
Education	9,370,182	-	-	-	(9,370,182)	-	(9,370,182)	-	-
Parks, Recreation, and Cultural	3,933,370	895,803	3,897	54,615	(2,979,055)	-	(2,979,055)	-	-
Community Development	2,791,217	757	271,717	17,500	(2,501,243)	-	(2,501,243)	-	-
Transit	474,911	45,588	299,348	134,274	4,299	-	4,299	-	-
Interest on Long-Term Debt	1,495,132	-	-	-	(1,495,132)	-	(1,495,132)	-	-
Total Governmental Activities	48,692,780	1,904,856	14,277,719	1,370,963	(31,139,242)	0	(31,139,242)	0	0
Business-type Activities									
Solid Waste Disposal	6,799,466	4,838,203	-	-	-	(1,961,263)	(1,961,263)	-	-
Total Business-type Activities	6,799,466	4,838,203	0	0	0	(1,961,263)	(1,961,263)	0	0
Total Primary Government	\$ 55,492,246	6,743,059	14,277,719	1,370,963	(31,139,242)	(1,961,263)	(33,100,505)	0	0

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

					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	Industrial Development Authority
Component Units									
School Board	\$ 28,126,274	534,622	10,487,886	5,362,760				(11,741,006)	-
Industrial Development Authority	383,018	-	-	-				-	(383,018)
Total Component Units	<u>\$ 28,509,292</u>	<u>534,622</u>	<u>10,487,886</u>	<u>5,362,760</u>				<u>(11,741,006)</u>	<u>(383,018)</u>
General Revenues									
Property Taxes					13,833,296	-	13,833,296	-	-
Other Taxes					12,427,340	-	12,427,340	-	-
State Aid					-	-	-	6,394,797	-
Payments from Primary Government					-	-	-	9,299,500	831,763
Grants and Contributions Not Restricted to Specific Programs					3,222,122	-	3,222,122	-	-
Unrestricted Investment Earnings					34,554	582	35,136	12,606	152,250
Gain (Loss) on Sale of Property					(84,010)	(8,725)	(92,735)	(36,434)	-
Insurance Recoveries					9,474	-	9,474	(59,443)	-
Other					-	-	-	769,747	-
Total General Revenues and Transfers					<u>29,442,776</u>	<u>(8,143)</u>	<u>29,434,633</u>	<u>16,380,773</u>	<u>984,013</u>
Change in Net Position					<u>(1,696,466)</u>	<u>(1,969,406)</u>	<u>(3,665,872)</u>	<u>4,639,767</u>	<u>600,995</u>
Net Position, Beginning					59,520,820	(31,308,522)	28,212,298	16,551,558	4,186
Prior Period Adjustments					(3,737,825)	(589,525)	(4,327,350)	(351,105)	-
Net Position, Beginning - Restated					<u>55,782,995</u>	<u>(31,898,047)</u>	<u>23,884,948</u>	<u>16,200,453</u>	<u>4,186</u>
Net Position, Ending					<u>\$ 54,086,529</u>	<u>(33,867,453)</u>	<u>20,219,076</u>	<u>20,840,220</u>	<u>605,181</u>

See accompanying notes to the financial statements.

**CITY OF BRISTOL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 4,587,306	(6,250)	4,581,056
Cash and Cash Equivalents, Restricted	2,046,961	-	2,046,961
Receivables, Net	11,810,153	162,429	11,972,582
Due from Component Units	326,483	-	326,483
Due from Other Governmental Units	1,644,288	-	1,644,288
Inventories	106,649	-	106,649
Residential Lots for Sale	470,140	-	470,140
Advances to Other Funds	19,258,390	-	19,258,390
Notes Receivable	600,000	-	600,000
TOTAL ASSETS	\$ 40,850,370	156,179	41,006,549
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 1,104,387	2,675	1,107,062
Accrued Payroll and Related Liabilities	514,968	-	514,968
Unearned Revenue	10,105,728	-	10,105,728
Assets Held in Agency Capacity	65,455	-	65,455
TOTAL LIABILITIES	11,790,538	2,675	11,793,213
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	1,945,657	162,429	2,108,086
TOTAL DEFERRED INFLOWS OF RESOURCES	1,945,657	162,429	2,108,086
FUND BALANCES			
Nonspendable			
Inventories	106,649	-	106,649
Residential Lots for Sale	470,140	-	470,140
Advances to Other Funds	19,258,390	-	19,258,390
Restricted For			
Commonwealth Attorney	641,909	-	641,909
Capital Projects	1,387,962	-	1,387,962
Unassigned	5,249,125	(8,925)	5,240,200
TOTAL FUND BALANCES	27,114,175	(8,925)	27,105,250
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 40,850,370	156,179	41,006,549

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, 2013

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

Fund Balances - Total Governmental Funds	\$ 27,105,250
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	77,626,768
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	2,108,086
Interest on long-term debt is not accrued in the funds as in the government-wide statements.	(597,081)
Long-term liabilities, including bonds payable and related premiums, capital leases, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(52,156,494)</u>
Net Position of Governmental Activities	<u><u>\$ 54,086,529</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, 2013

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
REVENUES			
General Property Taxes	\$ 15,192,406	-	15,192,406
Other Local Taxes	12,427,340	-	12,427,340
Intergovernmental	16,019,554	239,620	16,259,174
Charges for Services	1,084,589	-	1,084,589
Revenue from Use of Property	528,249	-	528,249
Permits, Privilege Fees, and Regulatory Licenses	48,089	-	48,089
Fines and Forfeitures	212,516	-	212,516
Investment Earnings	14,534	20	14,554
Other	2,051,878	840	2,052,718
TOTAL REVENUES	47,579,155	240,480	47,819,635
EXPENDITURES			
Current			
General Government	3,136,968	-	3,136,968
Judicial Administration	1,379,353	-	1,379,353
Public Safety	13,090,233	-	13,090,233
Public Works	4,965,547	-	4,965,547
Health and Welfare	6,198,340	-	6,198,340
Education	9,151,682	-	9,151,682
Parks, Recreation, and Cultural	3,616,612	-	3,616,612
Community Development	1,416,823	257,761	1,674,584
Transit	578,936	-	578,936
Capital Projects	23,797,731	-	23,797,731
Debt Service			
Principal Retirement	10,828,820	-	10,828,820
Interest and Fiscal Charges	1,357,806	-	1,357,806
Bond Issue Costs	341,504	-	341,504
TOTAL EXPENDITURES	79,860,355	257,761	80,118,116
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,281,200)	(17,281)	(32,298,481)

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Bond Anticipation Notes Issued	25,000,000	-	25,000,000
Tax Anticipation Notes Issued	4,550,000	-	4,550,000
Refunding Bonds Issued	3,965,000	-	3,965,000
Premium on Refunding Bonds Issued	600,513	-	600,513
Capital Lease	411,251	-	411,251
Insurance Recoveries	9,474	-	9,474
Sale of Capital Assets	55,112	-	55,112
	<u>34,591,350</u>	<u>0</u>	<u>34,591,350</u>
TOTAL OTHER FINANCING SOURCES (USES)			
Net Change in Fund Balances	2,310,150	(17,281)	2,292,869
FUND BALANCES, JULY 1, 2012	<u>24,804,025</u>	<u>8,356</u>	<u>24,812,381</u>
FUND BALANCES, JUNE 30, 2013	<u>\$ 27,114,175</u>	<u>(8,925)</u>	<u>27,105,250</u>

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, 2013

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

Net Change in Fund Balances - Total Governmental Funds	\$ 2,292,869
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, \$23,753,450 exceed depreciation (\$2,427,958) in the current period.	21,325,492
The net effect of various transactions involving capital assets (contributions and sales) is to decrease net position.	(67,007)
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.	(194,500)
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.	(820,900)
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.	(221,435)
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.	(360,683)
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.	(23,383,754)
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.	<u>(266,548)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,696,466)</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
General Property Taxes	\$ 15,484,290	15,484,290	15,192,406	(291,884)
Other Local Taxes	13,772,000	13,772,000	12,427,340	(1,344,660)
Intergovernmental	18,691,542	19,076,050	16,019,554	(3,056,496)
Charges for Services	1,127,000	1,134,328	1,084,589	(49,739)
Revenue from Use of Property	333,500	333,500	528,249	194,749
Permits, Privilege Fees, and				
Regulatory Licenses	77,000	77,000	48,089	(28,911)
Fines and Forfeitures	255,000	255,000	212,516	(42,484)
Investment Earnings	12,000	12,000	14,534	2,534
Other	1,176,003	1,212,811	2,051,878	839,067
TOTAL REVENUES	50,928,335	51,356,979	47,579,155	(3,777,824)
EXPENDITURES				
Current				
General Government	2,910,985	2,910,985	3,136,968	(225,983)
Judicial Administration	1,337,405	1,337,405	1,379,353	(41,948)
Public Safety	12,960,558	13,135,481	13,090,233	45,248
Public Works	4,544,135	4,626,676	4,965,547	(338,871)
Health and Welfare	6,200,080	6,200,080	6,198,340	1,740
Education	9,151,682	9,151,682	9,151,682	-
Parks, Recreation, and Cultural	3,519,712	3,523,685	3,616,612	(92,927)
Community Development	1,465,774	1,465,774	1,416,823	48,951
Transit	681,935	682,824	578,936	103,888
Capital Projects	3,318,995	28,568,995	23,797,731	4,771,264
Debt Service				
Principal Retirement	2,483,800	5,483,800	10,828,820	(5,345,020)
Interest and Fiscal Charges	1,480,463	1,480,463	1,357,806	122,657
Bond Issue Costs	5,000	5,000	341,504	(336,504)
TOTAL EXPENDITURES	50,060,524	78,572,850	79,860,355	(1,287,505)
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	867,811	(27,215,871)	(32,281,200)	(5,065,329)

(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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
OTHER FINANCING SOURCES (USES)				
Transfers In/Out	(867,811)	(812,811)	-	812,811
Bond Anticipation Notes Issued	-	25,000,000	25,000,000	-
Tax Anticipation Notes Issued	-	3,000,000	4,550,000	1,550,000
Refunding Bonds Issued	-	-	3,965,000	3,965,000
Premium on Refunding Bonds Issued	-	-	600,513	600,513
Capital Lease	-	-	411,251	411,251
Insurance Recoveries	-	-	9,474	9,474
Sale of Capital Assets	-	24,902	55,112	30,210
TOTAL OTHER FINANCING SOURCES (USES)	(867,811)	27,212,091	34,591,350	7,379,259
Net Change in Fund Balances	-	(3,780)	2,310,150	2,313,930
FUND BALANCES, JULY 1, 2012	-	-	24,804,025	24,804,025
FUND BALANCES, JUNE 30, 2013	\$ 0	(3,780)	27,114,175	27,117,955

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Intergovernmental Revenue	\$ 252,767	252,767	239,620	(13,147)
Investment Earnings	-	-	20	20
Other	-	-	840	840
TOTAL REVENUES	252,767	252,767	240,480	(12,287)
EXPENDITURES				
Current				
Community Development	252,767	252,767	257,761	(4,994)
TOTAL EXPENDITURES	252,767	252,767	257,761	(4,994)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(17,281)	(17,281)
FUND BALANCES, JULY 1, 2012	-	-	8,356	8,356
FUND BALANCES, JUNE 30, 2013	\$ 0	0	(8,925)	(8,925)

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

	Business-type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 81,672	81,672
Accounts Receivable, Net	319,794	319,794
Due from Component Units	81,822	81,822
Total Current Assets	483,288	483,288
Noncurrent Assets		
Capital Assets, Net	25,883,095	25,883,095
TOTAL ASSETS	26,366,383	26,366,383
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding, Net	738,998	738,998
TOTAL DEFERRED OUTFLOWS OF RESOURCES	738,998	738,998
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	68,639	68,639
Accrued Interest Payable	667,806	667,806
Accrued Payroll and Related Liabilities	23,356	23,356
Bonds and Leases Payable	1,988,899	1,988,899
Compensated Absences Payable	116,735	116,735
Total Current Liabilities	2,865,435	2,865,435
Long-Term Liabilities		
Advances from Other Funds	19,258,390	19,258,390
Compensated Absences Payable	72,602	72,602
Bonds and Leases Payable, Net of Unamortized Bond Premium	32,258,811	32,258,811
Landfill Closure Costs	6,517,596	6,517,596
Total Long-Term Liabilities	58,107,399	58,107,399
TOTAL LIABILITIES	60,972,834	60,972,834
NET POSITION		
Unrestricted	(33,867,453)	(33,867,453)
TOTAL NET POSITION	\$ (33,867,453)	(33,867,453)

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
OPERATING REVENUES		
Charges for Services, Net Sales	\$ 4,791,175 47,028	4,791,175 47,028
TOTAL OPERATING REVENUES	4,838,203	4,838,203
OPERATING EXPENSES		
Landfill Closure and Post Closure Care	227,769	227,769
Administrative and General	3,692,591	3,692,591
Depreciation	1,316,897	1,316,897
TOTAL OPERATING EXPENSES	5,237,257	5,237,257
Operating Income (Loss)	(399,054)	(399,054)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	582	582
Interest Expense	(1,571,766)	(1,571,766)
Bond Issue Costs	(97,829)	(97,829)
Amortization of Bond Premium	107,386	107,386
Gain (Loss) on Disposal of Assets	(8,725)	(8,725)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,570,352)	(1,570,352)
Change in Net Position	(1,969,406)	(1,969,406)
NET POSITION, JULY 1, 2012	(31,308,522)	(31,308,522)
Prior Period Adjustment	(589,525)	(589,525)
NET POSITION, JULY 1, 2012, RESTATED	(31,898,047)	(31,898,047)
NET POSITION, JUNE 30, 2013	\$ (33,867,453)	(33,867,453)

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 4,946,010	4,946,010
Payments to Suppliers	(1,962,533)	(1,962,533)
Payments to Employees	(1,786,366)	(1,786,366)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	1,197,111	1,197,111
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Equipment	46,186	46,186
Purchase of Capital Assets	(1,623,279)	(1,623,279)
Net Proceeds from Bond Debt	1,541,676	1,541,676
Principal Paid on Capital Debt	(1,319,009)	(1,319,009)
Interest Paid on Capital Debt	(1,492,876)	(1,492,876)
Interfund Loan Receipts	1,597,427	1,597,427
Other Payments	(97,829)	(97,829)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(1,347,704)	(1,347,704)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	583	583
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	583	583
Net Increase (Decrease) in Cash and Cash Equivalents	(150,010)	(150,010)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	231,682	231,682
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 81,672	81,672

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2013

	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)	\$ (399,054)	(399,054)
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by (Used for) Operating Activities:		
Depreciation Expense	1,316,897	1,316,897
(Increase) Decrease in Net Receivables	106,747	106,747
(Increase) Decrease in Due from Component Units	1,060	1,060
Increase (Decrease) in Accounts Payable	(57,895)	(57,895)
Increase (Decrease) in Accrued Liabilities	227,769	227,769
Increase (Decrease) in Accrued Payroll and Related Liabilities	(2,105)	(2,105)
Increase (Decrease) in Compensated Absences Payable	3,692	3,692
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,197,111</u>	<u>1,197,111</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Primary Government

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

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

Discretely Presented Component Units

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

Bristol Virginia Public Schools Education Foundation (the Foundation), a Virginia non-stock corporation, is an independent community-based organization, formed for charitable and educational purposes, as defined under 501(c)(3) of the Internal Revenue Code of 1986. Based on the Foundation's relationship with the School Board, it is reported as a discretely presented component unit of the School Board. The Foundation issues separate audited combined financial statements and may be obtained from the School Board's administrative office at 220 Lee Street, Bristol, Virginia 24201. The combined financial statements include the Foundation and six other entities that are related through common ownership and/or control. The Foundation's fiscal year end is December 31. However, the year end is treated consistently each year for reporting in the School Board's financial statements.

The 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 15550 Lee Highway, Bristol, Virginia 24202.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Industrial Development Authority (the IDA) of the City was established to promote industry and develop trade within the City. The IDA is governed by a Board of Directors appointed by the City Council and due to their close relationship, the City reports the IDA as a discretely presented component unit. The IDA is authorized to acquire, own, lease and dispose of properties to the extent that such activities foster and stimulate industrial development.

The following entities are excluded from the accompanying financial statements:

Joint Venture

Jointly Owned 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 \$677,174 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, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Related Organizations (Continued)

Highlands Juvenile Detention Center

The Highlands Juvenile Detention Center Commission (the Commission) was organized in 1984 and is a jointly governed organization by the City, the counties of Washington, Smyth, Lee, Dickenson, Tazewell, Wise, Russell, Buchanan and Scott and the City of Norton. One member of the commission board is appointed by City Council; however, City Council is not financially accountable for the Commission.

Bristol Redevelopment and Housing Authority

Under the Code of Virginia, the Commonwealth of Virginia (Commonwealth) created in each city and county a redevelopment and housing authority which is a separate political Sub-Board of the Commonwealth. The Bristol Redevelopment and Housing Authority (the BRHA) owns and operates federal and state-assisted housing projects for low income families and administers urban development projects. Commissioners of the BRHA are appointed by City Council; however, City Council is not financially accountable for BRHA.

Other Boards and Commissions

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

B. Government-Wide and Fund Financial Statements

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 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 State 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, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary fund:

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

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

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

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

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

1. Deposits and Investments

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

The two major sources of property taxes are described below:

Real Estate

The City levies real estate taxes on all real estate within its boundaries, except that exempted by statute, at a rate enacted by City Council on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of the City of Bristol, Virginia. Public utility property is assessed by the Commonwealth. The tax rate is \$1.01 per \$100 of assessed value as of June 30, 2013.

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

Personal Property

The City levies personal property taxes on motor vehicles, boats, aircraft, mobile homes and tangible business property. Personal property is assessed each year as of January 1, with payment due the following December 5. The tax rate is \$7.00 per \$100 assessed value multiplied by 30% of the property's assessed value.

Rehabilitation Loans

Rehabilitation loans were made by the Community Development Block Grant Fund in prior 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 provides an allowance for uncollectible accounts using historical collection data and specific account analysis. Property tax receivables are shown net of allowances for uncollectible accounts.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories and Prepaids

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements and on the fund level for the proprietary funds. 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 primary government consist primarily of funds restricted by state or other legislation for specified purposes and unspent bond proceeds.

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 as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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.

Golf Course	25 years
Buildings	8-50 years
Equipment, Machinery and Vehicles	3-25 years

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.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred loss on bond refunding reported in the government-wide and proprietary fund statements of net position. Deferred bond refunding costs result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Deferred Outflows/Inflows of Resources (Continued)

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, *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 year end, including membership fees to Clear Creek golf course. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Compensated Absences

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

8. Long-Term Obligations

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

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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Net Position

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

10. Fund Equity

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

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2013 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.

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

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability. The OPEB disclosure is documented in Note V.A.

13. Accounting Changes

In the fiscal year ended June 30, 2013, the City implemented the provisions of two new Governmental Accounting Standards Board (GASB) Statements. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, collectively recognized certain elements of the financial statements as a consumption of net assets by the entity that are applicable to a future reporting period. These financial elements are distinct from assets and liabilities.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

The governmental funds balance sheet includes reconciliation between *fund balances-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable and related premiums, capital leases, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$(52,156,494) difference are as follows:

Bonds Payable	\$ (21,907,400)
Less: Deferred charge on refunding (net of amortization of \$54,268 recorded as interest expense)	409,794
Add: Bond premium (net of amortization of \$86,710)	(805,793)
Bond Anticipation Notes	(25,000,000)
Literary Fund Loans	(1,200,000)
Capital Lease Obligations	(1,139,435)
Other Post-Employment Benefits	(689,100)
Compensated Absences	<u>(1,824,560)</u>
 Net adjustment to reduce <i>fund balances-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	 <u>\$ (52,156,494)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

**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 changes in fund balances-total governmental funds* and *changes 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 \$(67,007) 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.	\$ 72,115
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>(139,122)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (67,007)</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 \$(360,683) difference are as follows:

Deferred Charges on Refunding Amortization	\$ (170,697)
Deferred Charges on Refunding	323,817
Bond Premiums	(600,513)
Bond Premiums Amortization	<u>86,710</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u>\$ (360,683)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2013, expenditures exceeded appropriations in the general fund by \$1,287,505 due to the refunding of Series 2002 and 2003 bonds not being included in the budget. However, bond proceeds for the same refunding were also not budgeted. The community development block grant fund expenditures also exceeded appropriations by \$4,994.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

Neither the City nor IDA has any formally adopted deposit and investment policies that limit allowable deposits or investments.

B. Receivables

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

	Primary Government			Component Units	
	Community			Industrial	
	General	Development Block Grant	Solid Waste Disposal	School Board	Development Authority
Receivables					
Taxes	\$ 11,629,831	-	-	-	-
Accounts	971,228	-	319,794	3,245	-
Energy Conservation					
Loans	-	-	-	-	-
Rehabilitation Loans	-	187,429	-	-	-
Historical Tax Credits	-	-	-	906,542	-
Property Sale	-	-	-	-	209,315
Gross Receivables	12,601,059	187,429	319,794	909,787	209,315
Less: Allowance for Uncollectibles	(790,906)	(25,000)	-	-	-
Net Total Receivables	<u>\$ 11,810,153</u>	<u>162,429</u>	<u>319,794</u>	<u>909,787</u>	<u>209,315</u>

The Foundation has a receivable of \$906,542 at December 31, 2012 for historical tax credits related to the Central Office renovation project. The Foundation agreed to contribute 50% of the net excess funds received as a result of the tax credit transactions to the City. In April 2013, subsequent to the Foundation's year end, the Foundation contributed \$400,500 to the City.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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	\$ -	9,405,728	9,405,728
Taxes Not Collected during Period of Availability	1,095,966	-	1,095,966
Due from Component Unit	209,315	-	209,315
Rehabilitation Loans	162,429	-	162,429
Notes Receivable	600,000	-	600,000
Bristol Utilities Board	-	700,000	700,000
Other	40,376	-	40,376
	<u>\$ 2,108,086</u>	<u>10,105,728</u>	<u>12,213,814</u>

Receivable on Property Sales

During fiscal year 2005, the City transferred \$1,450,000 to the IDA to fund the purchase of land and building. Subsequent to the acquisition of the property, the IDA began leasing the property under a capital lease (as discussed in Note IV.F) with all monthly lease payments to be remitted to the City as they are collected, resulting in an amount due from the IDA. The remaining interfund balance of \$209,315 has been deferred as unavailable in the general fund.

Notes Receivable

Two promissory notes were issued by the City in February 2007 to construct/renovate an old school (Douglas) into housing. The notes are for \$350,000 and \$150,000, respectively. Both notes have an interest rate of 4.00% and have a 31 year term. Accrued interest was \$100,000 as of June 30, 2013. All accrued interest and principal is due in one balloon payment at maturity.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 10,585,426	21,774,006	55,764	-	32,303,668
Construction in Progress	396,210	924,592	-	(331,223)	989,579
Total Capital Assets, Not Depreciated	10,981,636	22,698,598	55,764	(331,223)	33,293,247
Capital Assets, Being Depreciated					
Buildings and Improvements	19,782,108	97,413	-	(3,275,000)	16,604,521
Land Development Costs	480,000	-	-	-	480,000
Machinery and Equipment	10,873,320	974,939	802,425	-	11,045,834
Library Assets	6,879,450	54,615	-	-	6,934,065
Public Domain Infrastructure	87,492,850	-	-	-	87,492,850
Total Capital Assets, Being Depreciated	125,507,728	1,126,967	802,425	(3,275,000)	122,557,270
Less Accumulated Depreciation For					
Buildings and Improvements	7,136,190	372,545	-	(80,500)	7,428,235
Land Development Costs	288,000	19,200	-	-	307,200
Machinery and Equipment	6,966,403	780,107	719,067	-	7,027,443
Library Assets	1,753,362	232,704	-	-	1,986,066
Public Domain Infrastructure	60,451,403	1,023,402	-	-	61,474,805
Total Accumulated Depreciation	76,595,358	2,427,958	719,067	(80,500)	78,223,749
Total Capital Assets, Being Depreciated, Net	48,912,370	(1,300,991)	83,358	(3,194,500)	44,333,521
Governmental Activities Capital Assets, Net	\$ 59,894,006	21,397,607	139,122	(3,525,723)	77,626,768

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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	33,402,903	1,443,651	-	34,846,554
Infrastructure	29,792	-	-	29,792
Plant in Service	1,570,369	-	253,052	1,317,317
Machinery and Equipment	6,068,850	179,627	337,696	5,910,781
Total Capital Assets, Being Depreciated	41,071,914	1,623,278	590,748	42,104,444
Less Accumulated Depreciation For				
Land Development Costs	11,512,088	1,008,199	-	12,520,287
Infrastructure	15,297	3,722	-	19,019
Plant in Service	684,483	33,846	235,548	482,781
Machinery and Equipment	4,030,483	271,130	300,289	4,001,324
Total Accumulated Depreciation	16,242,351	1,316,897	535,837	17,023,411
Total Capital Assets, Being Depreciated, Net	24,829,563	306,381	54,911	25,081,033
Business-Type Activities Capital Assets, Net	\$ 25,631,625	306,381	54,911	25,883,095

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 Administration	\$ 131,226
Judicial Administration	118,858
Public Safety	483,363
Public Works	1,123,793
Health and Welfare	25,020
Education	24,000
Parks, Recreations and Cultural	484,383
Transit	37,315
Total Depreciation Expense, Governmental Activities	<u><u>\$ 2,427,958</u></u>

Discretely Presented Component Units

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

Industrial Development Authority

<u>Industrial Development Authority</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Depreciated				
Land	\$ -	335,857	335,857	-
Construction in Progress	-	600,995	-	600,995
Total Capital Assets, Not Depreciated	<u><u>\$ 0</u></u>	<u><u>936,852</u></u>	<u><u>335,857</u></u>	<u><u>600,995</u></u>

The City contributed \$600,995 to the IDA from the bond anticipation notes issued for construction in progress related to the Exit 5 project. The City also conveyed land of \$335,857 to the IDA, which in turn conveyed the land to an entity also related to the Exit 5 project.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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	118,897	-	-	(118,897)	-
Total Capital Assets, Not Depreciated	392,139	0	0	(118,897)	273,242
Capital Assets, Being Depreciated					
Buildings and Improvements	23,806,469	5,377,931	39,012	208,466	29,353,854
Furniture and Fixtures	9,006,140	1,377,406	537,791	(130,857)	9,714,898
Transportation Equipment	2,085,645	134,621	33,070	-	2,187,196
Total Capital Assets, Being Depreciated	34,898,254	6,889,958	609,873	77,609	41,255,948
Less Accumulated Depreciation For					
Buildings and Improvements	12,032,203	622,116	7,175	324,248	12,971,392
Furniture and Fixtures	5,829,698	823,664	514,314	(5,192)	6,133,856
Transportation Equipment	1,451,252	173,240	32,231	-	1,592,261
Total Accumulated Depreciation	19,313,153	1,619,020	553,720	319,056	20,697,509
Total Capital Assets, Being Depreciated, Net	15,585,101	5,270,938	56,153	(241,447)	20,558,439
School Board Capital Assets, Net	\$ 15,977,240	5,270,938	56,153	(360,344)	20,831,681

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 \$107,511.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings and Improvements	\$ 1,445,820	-	(275,000)	1,170,820
Accumulated Depreciation	(416,500)	(24,000)	80,500	(360,000)
	\$ 1,029,320	(24,000)	(194,500)	810,820

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 \$19,258,390 as of June 30, 2013 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:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government - General Fund	Industrial Development Authority	\$ 209,315
Primary Government - General Fund	School Board	100,118
Primary Government - General Fund	BVU Authority	17,050
Primary Government - Solid Waste Disposal Fund	BVU Authority	81,822

The due to primary government for the School Board includes advances of \$617,362 that are due from the Foundation to the School Board at December 31, 2012. The advances were repaid by the Foundation and related companies in April 2013, therefore is shown as revenue from others in the School Board for the fiscal year ended June 30, 2013. There is also \$7,410 due from the School Board to the Foundation at December 31, 2012.

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, 2013 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 \$700,000 is considered unearned revenue as of June 30, 2013 as disclosed in Note IV.B. The total revenue from BVU recorded in the statement of activities for the fiscal year ended June 30, 2013 was \$450,000. Beginning in fiscal year 2014, the City will also receive an additional \$100,000 in-lieu of tax payment related to BVU OptiNet property.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 Unit School Board
Commonwealth of Virginia		
State and Local Sales Tax	\$ 395,921	-
Welfare Grants	119,378	-
Comprehensive Service Grants	208,785	-
Categorical Aid Shared Expenses	222,528	-
VDOT Reimbursement	98,643	-
School Grants	-	842,086
Other	110,566	-
Federal Government		
School Grants	-	611,855
Welfare Grants	139,571	-
Department of Transportation Grants	81,777	-
Other	176,165	-
Other		
Bristol, Tennessee (Joint Sewerage System)	-	-
Other	90,954	-
Total Due from Other Governments	<u>\$ 1,644,288</u>	<u>1,453,941</u>

F. Leases

City as Lessor

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

City as Lessor (Continued)

The aggregate minimum future lease payments to be received based on the lowest percentage factor of 5% are \$219,781. Future payments are to be received as follows:

Fiscal Year Ended June 30	
2014	\$ 152,250
2015	<u>67,531</u>
Total	<u><u>\$ 219,781</u></u>

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

Capital Leases

As of June 30, 2013, 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	\$ 791,249	-
Golf Carts	3.50%	07-12	07-16	267,490	209,450	-
Mower	1.80%	08-12	06-16	22,746	17,721	-
Small Wheel Loader	3.20%	06-13	06-18	121,015	121,015	-
Solid Waste						
Excavator	4.00%	12-10	01-16	202,354	-	109,583
Skid Steer Loader	5.55%	12-11	12-14	67,713	-	35,322
Skid Steer Loader	4.90%	12-11	12-14	47,263	-	30,038
Garbage Truck	3.24%	01-12	01-17	122,755	-	88,005
					<u><u>\$ 1,139,435</u></u>	<u><u>262,948</u></u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013, are as follows:

Fiscal Year Ended June 30	Governmental Activities	Business-Type Activities
2014	\$ 284,749	108,654
2015	284,750	102,679
2016	284,914	71,426
2017	212,953	13,749
2018	206,975	-
Total Minimum Lease Payments	1,274,341	296,508
Less: Interest	(134,906)	(33,560)
Present Value of Payments	<u>\$ 1,139,435</u>	<u>262,948</u>

The equipment category of the primary government includes assets recorded under capital lease with a cost of \$1,545,420 and accumulated amortization of \$702,958. The equipment category of the business-type activities includes assets recorded under capital lease obligations with a cost of \$546,288 and accumulated amortization of \$101,536. 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, 2013 are as follows:

Fiscal Year Ended June 30	Business-Type Activities
2014	\$ 84,731
2015	45,876
2016	45,876
2017	38,230
	<u>\$ 214,713</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government Activities					
General Obligation Bonds	\$ 23,389,548	3,965,000	(5,447,148)	21,907,400	1,198,500
Bond Premiums	291,990	600,513	(86,710)	805,793	-
Tax Anticipation Note	-	4,550,000	(4,550,000)	-	-
Bond Anticipation Notes	-	25,000,000	-	25,000,000	-
Literary Fund Loans	1,440,000	-	(240,000)	1,200,000	240,000
Capital Lease Obligations	1,033,533	411,251	(305,349)	1,139,435	238,240
Other Post-Employment Benefits	546,349	142,751	-	689,100	-
Compensated Absences	1,700,763	1,109,758	(985,961)	1,824,560	1,057,729
Governmental Activities, Long-Term Liabilities	<u>\$ 28,402,183</u>	<u>35,779,273</u>	<u>(11,615,168)</u>	<u>52,566,288</u>	<u>2,734,469</u>
Business-Type Activities					
General Obligation Bonds	\$ 32,777,952	1,555,000	(1,295,352)	33,037,600	1,889,000
Bond Premiums	777,708	255,066	(85,612)	947,162	-
Capital Lease Obligations	377,572	-	(114,624)	262,948	99,899
Landfill Closure Liability	6,289,827	227,769	-	6,517,596	-
Compensated Absences	185,645	120,427	(116,735)	189,337	116,735
Business-Type Activities, Long-Term Liabilities	<u>\$ 40,408,704</u>	<u>2,158,262</u>	<u>(1,612,323)</u>	<u>40,954,643</u>	<u>2,105,634</u>

Changes in the deferred loss on refunding for the fiscal year ended June 30, 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Government Activities				
Deferred Loss On Refunding	<u>\$ (256,674)</u>	<u>(323,817)</u>	<u>170,697</u>	<u>(409,794)</u>
Business-Type Activities				
Deferred Loss On Refunding	<u>\$ (636,815)</u>	<u>(199,197)</u>	<u>97,014</u>	<u>(738,998)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Series 2011A General Obligation Bond

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

Series 2012A and 2012B General Obligation Public Improvement Revenue and Refunding Bonds

General Obligation Public Improvement Revenue and Refunding Bonds, Series 2012A and General Obligation Public Improvement Refunding Bonds, Series 2012B were issued by the City in the amounts of \$4,105,000 and \$3,965,000, respectively, on October 25, 2012. The bonds have a tax-exempt and taxable portion. The taxable portion of the issue is \$2,550,000 and the remainder of the bond issue was issued as tax-exempt bonds. The bonds were issued to refund certain maturities of the \$6,795,000 General Obligation Public Improvement Bonds, Series 2002 and \$9,615,000 General Obligation Public Improvement Bonds, Series 2003A. Included in the issuance was \$1,600,000 of new debt to finance certain capital improvements related to landfill operations. The interest rate is variable and not to exceed 3.75%. Principal and interest payments begin October 2013. As a result of the refunding, the remaining debt was fully refunded with \$7,136,294. The bonds were issued to provide a cost savings from the refunding and provided a net present value gain of \$1,052,756. The deferred costs of the bonds which were advanced refunded are being amortized over the shorter of the life of the new bonds or the bonds which were refunded as a component of interest expense.

Series 2012A, 2012B and 2012C Bond Anticipation Notes

General Obligation Taxable Bond Anticipation Notes, Series 2012A and 2012B were originally issued by the City in the amount of \$10,000,000 and \$15,000,000, respectively, on August 29, 2012. Part of Series 2012A was prepaid without penalty and re-issued as Series 2012C on November 29, 2012 in the amount of \$2,591,150. The Series 2012A and 2012C bond interest rates are fixed at 2.71% and were issued to purchase land for the Exit 5 project and finance the costs of issuance. The Series 2012B bond interest rate is fixed at 3.14% and was issued to purchase land for the Exit 5 project and finance the costs of issuance. Interest only will be paid on the bonds beginning in March 2013 until the principal payment is due for Series 2012B in September 2015 and for Series 2012A and 2012C in September 2016.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

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, 2013, \$6,945,000 of bonds are considered defeased. The deferred costs are being amortized over the life of the new bonds as a component of interest expense.

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
2014	\$ 1,198,500	827,557	240,000	36,000
2015	1,530,550	787,992	240,000	28,800
2016	1,194,600	742,556	240,000	21,600
2017	1,241,000	695,284	240,000	14,400
2018	1,326,150	642,177	240,000	7,200
2019-2023	7,441,550	2,337,371	-	-
2024-2028	7,975,050	725,874	-	-
	<u>\$ 21,907,400</u>	<u>6,758,811</u>	<u>1,200,000</u>	<u>108,000</u>

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Bond Anticipation Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	\$ -	742,000	1,889,000	1,499,093
2015	-	742,000	1,631,950	1,439,327
2016	15,000,000	506,500	2,137,900	1,359,656
2017	10,000,000	135,500	2,316,500	1,260,367
2018	-	-	1,906,350	1,161,609
2019-2023	-	-	12,200,950	4,262,217
2024-2027	-	-	10,954,950	1,063,177
	<u>\$ 25,000,000</u>	<u>2,126,000</u>	<u>33,037,600</u>	<u>12,045,446</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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	\$ 3,065,000	-
Public Improvement 2006C Series	5.00	12-06	07-16	6,090,000	1,427,700	3,737,300
Taxable Re-Structuring 2007A Series	5.00-5.5	10-07	07-17	3,245,000	897,450	1,997,550
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	1,687,000	10,363,000
Gen Obligation Refunding Bonds 2009 Series	3.25	02-09	02-19	1,755,000	594,000	1,061,000
Gen Obligation Refunding Bonds 2010 Series	2.00-3.00	11-10	07-21	1,015,000	-	925,000
Gen Obligation Refunding Bonds 2010 Series	2.00-5.00	11-10	07-26	15,175,000	3,591,250	10,848,750
2011 Qualified School Construction Bond	4.50	06-11	06-27	3,000,000	2,625,000	-
Public Improvement 2012C Non-AMT Series	2.82-4.83	10-12	10-24	3,965,000	3,965,000	-
Public Improvement 2012C AMT Series	2.27-3.75	10-12	10-22	2,550,000	-	2,550,000
Public Improvement 2012 Series	2.28-3.75	10-12	10-16	1,555,000	-	1,555,000
					<u>\$ 21,907,400</u>	<u>33,037,600</u>
Other Long-Term Debt						
Literary Fund Loans - VA Middle School	3.00%	09-97	09-17	\$ 4,800,000	<u>\$ 1,200,000</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	<u>2,591,150</u>	<u>-</u>
					<u>\$ 25,000,000</u>	<u>0</u>

Component Unit - School Board

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented					
Component Unit - School Board					
Compensated Absences	\$ 413,743	101,429	(123,718)	391,454	29,208
Other Post-Employment Benefits	58,600	64,300	-	122,900	-
Foundation Pledge Payable	-	937,500	-	937,500	187,500
School Board, Long-Term Liabilities	<u>\$ 472,343</u>	<u>1,103,229</u>	<u>(123,718)</u>	<u>1,451,854</u>	<u>216,708</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Landfill Closure and Post-Closure Care Costs

The City owns and operates two landfills, a compost facility, a wood incinerator 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 balance sheet date.

The estimated landfill closure and postclosure care cost liability for the old landfill is \$2,775,000 as of June 30, 2013, which is based on 68.00% usage (filled) of the landfill. It is estimated that an additional \$1,305,882 will be recognized as closure and postclosure care expenses between the date of the balance sheet 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 \$3,555,721 as of June 30, 2013, which is based on 38.41% usage (filled) of the landfill. It is estimated that an additional \$5,701,558 will be recognized as closure and postclosure care expenses between the date of the balance sheet 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, wood incinerator and the tire shredder as of June 30, 2013 are \$73,998, \$24,401, and \$88,476, respectively. It is estimated that an additional \$315,875 will be recognized for the compost facility as closure expense between the date of the balance sheet and the date the facility is expected to be closed.

It should be recognized that the formula for closure/postclosure costs are based on a prescribed formula established by the Department of Environmental Quality without regard to regions or cost differentials across the State. The estimated total current cost of the landfill closure and postclosure care (\$13,840,912) 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, 2013. 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, 2013

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 (\$33,867,453). 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 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. Post-Employment Health Care Benefits (OPEB)

Plan Description

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE V - OTHER INFORMATION (CONTINUED)

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

For the City and School Board, the medical coverage for retirees is as follows: (1) the retiree pays 100% of the employee premium if retired with less than 25 years of service, (2) the retiree pays the employee premium less \$100 monthly credit if retired with 25 or more years of service but less than 30 years of service, (3) the retiree pays the employee premium less \$200 monthly credit if retired with 30 or more years of service but less than 35 years of service or (4) the retiree pays the employee premium less \$300 monthly credit if retired with 35 or more years of service. For all spouses, the retiree pays 100% of the employee's spousal 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.

Annual OPEB Cost and Net OPEB Obligation

The City's other postemployment 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 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	School Board	Total
Annual Required Contribution (ARC)	\$ 251,900	254,300	506,200
Interest on Net OPEB Pension Obligation (NPO)	5,200	5,200	10,400
Adjustment to Annual Required Contribution	(5,500)	(5,200)	(10,700)
Annual OPEB Cost (Expense)	251,600	254,300	505,900
Contributions Made	(108,800)	(190,000)	(298,800)
Increase (Decrease) in Net OPEB Pension Obligation	142,800	64,300	207,100
Net OPEB Obligation - Beginning of Fiscal Year	546,300	58,600	604,900
Net OPEB Obligation - End of Fiscal Year	\$ 689,100	122,900	812,000

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE V - OTHER INFORMATION (CONTINUED)

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013, 2012 and 2011 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, 2013	\$ 505,900	59.1%	\$ 812,000
June 30, 2012	461,500	76.6%	604,900
June 30, 2011	452,900	82.0%	497,124

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$7,035,600. The covered payroll was \$27,115,600, and the ratio of the UAAL to the covered payroll was 25.90%.

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 schedule 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.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE V - OTHER INFORMATION (CONTINUED)

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

Actuarial Methods and Assumptions (Continued)

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

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

In the June 30, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.25% investment rate of return and medical and dental trend rate of 9.00% for pre-Medicare coverage, decreasing at a rate of 0.5% per year until an ultimate rate of 5.0% is reached. The UAAL is being amortized as a level percentage over 30 years.

B. Pension Plan

Plan Description

The City contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the System). In addition, professional and non-professional employees of the School Board are covered by VRS. Professional employees participate in a VRS statewide teacher cost-sharing pool, and non-professional employees participate as a separate group in the agent multiple-employer retirement system.

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/pdf/Publications/2012-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation to the VRS. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended June 30, 2013 was 16.46% of annual covered payroll (including the employee share of 5.00% paid by the employer). The School Board's contribution rate for the fiscal year ended June 30, 2013 was 14.38% of annual covered payroll (including the 5.00% employee contribution).

For the three fiscal years ended June 30, 2013, 2012, and 2011, total employer and employee contributions made to the VRS state-wide teacher pool for professional employees by the School Board were \$2,042,206, \$1,320,592, and \$1,042,839, respectively, and represented 16.66%, 11.33%, and 8.93%, of annual covered payroll, respectively, and 100% of required contributions for 2013, 2012 and 2011.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Annual Pension Cost - City and School Board

For the fiscal year ended June 30, 2013, the City's and the School Board's annual pension cost of \$2,376,516 and \$50,489, respectively, were equal to their required and actual contributions. The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 members and 2.25% per year for Plan 2 members. Both the investment rate of return and projected salary increases also include an inflation component of 2.50%. The actuarial value of the City's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of the short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Three-Year Trend Information for the City

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 2,376,516	100%	\$ -
June 30, 2012	2,214,303	100%	-
June 30, 2011	2,233,529	100%	-

Three-Year Trend Information for the School Board

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 50,489	100%	\$ -
June 30, 2012	50,045	100%	-
June 30, 2011	43,787	100%	-

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Funded Status and Funding Progress - City and School Board

As of June 30, 2012, the most recent actuarial valuation date, the City's plan was 71.77% funded. The actuarial accrued liability for benefits was \$103,942,007, and the actuarial value of assets was \$74,594,071, resulting in an unfunded actuarial accrued liability (UAAL) of \$29,347,936. The covered payroll (annual payroll of active employees covered by the plan) was \$13,722,566, and the ratio of the UAAL to the covered payroll was 213.87%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's plan was 83.26% funded. The actuarial accrued liability for benefits was \$2,679,151, and the actuarial value of assets was \$2,230,622, resulting in an unfunded actuarial accrued liability (UAAL) of \$448,529. The covered payroll (annual payroll of active employees covered by the plan) was \$367,833, and the ratio of the UAAL to the covered payroll was 121.94%.

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

C. Risk Management

Workmen's Compensation

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

General Liability and Other

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE V - OTHER INFORMATION (CONTINUED)

C. Risk Management (Continued)

Healthcare

Healthcare insurance coverage is provided to City employees through policies with United Healthcare River Valley. Partial premiums are withheld from the employee's earnings and remaining premiums are paid by the City. Retired employees and dependents of employees of the City are also covered by the program provided they pay a premium to the provider.

Dental

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

Reconciliation of claim liabilities is as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Balance, July 1	\$ 6,789	3,919	6,573
Claims Incurred	108,486	120,312	108,548
Claims Paid	<u>111,356</u>	<u>117,658</u>	<u>110,905</u>
Balance, June 30	<u>\$ 3,919</u>	<u>6,573</u>	<u>4,216</u>

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

E. Revenue Sharing Agreement

Washington County

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 \$144,862.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE V - OTHER INFORMATION (CONTINUED)

F. Commitments and Contingencies

The City has agreed to pay its pro rata share of 10% of principal and interest on revenue bonds issued by Sullivan County, Tennessee, for the jointly owned Regional Airport in the event that the Airport revenues are insufficient to meet debt obligations. The City's management does not feel that any default is likely. In November 2012, the Owners of the Tri-Cities Regional Airport TN/VA took the action necessary to create the Tri-Cities Airport Authority. The Authority will be responsible for issuing its own debt.

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 beginning in the current year.

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.

G. 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, 2013

NOTE V - OTHER INFORMATION (CONTINUED)

H. Subsequent Events

The City approved the issuance and sale of taxable General Obligation Note Series 2013, not to exceed \$10 million on October 8, 2013 related to The Falls project. On February 25, 2014, the City approved the issuance and sale of a taxable General Obligation Note, not to exceed \$5 million, for the same project.

The City approved the issuance and sale of taxable General Obligation Public Improvement Refunding Bonds, Series 2014 on February 25, 2014.

I. Prior Period Adjustments

Primary Government

A prior period adjustment at the government-wide level of \$3,000,000 was necessary to remove the Central Office renovation capital asset recorded in prior fiscal years. The capital asset is recorded by the lessee, Central Warehouse Building, as leasehold improvements; therefore, they should not be recorded by the School Board.

Also, a prior period adjustment of \$331,223 at the government-wide level was necessary for a project that was incorrectly capitalized as construction in progress in the prior years.

During the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 65 which required restatement of the bond issuance costs. Under this statement, all future bond issuance costs, other than the cost of insurance, will be expensed in the fiscal year the cost is incurred. Under prior statements, the bond issuance costs had been amortized, and therefore, the remaining bond issuance costs of \$406,602 in the governmental activities and \$589,525 in the solid waste disposal fund were written off to the unrestricted net position.

Discretely Presented Component Units

For the School Board, a prior period adjustment at the government-wide level of \$351,105 was necessary to remove the Central Office renovation capital asset recorded in prior fiscal years. The capital asset is recorded by a related entity, Central Warehouse Building, as leasehold improvements; therefore, they should not be recorded by the School Board.

CITY OF BRISTOL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2013

City Employees - Pension Plan

	(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, 2012	\$ 74,594,071	\$ 103,942,007	\$ 29,347,936	71.77%	\$ 13,722,566	213.87%
June 30, 2011	76,700,176	99,723,361	23,023,185	76.91%	13,824,803	166.54%
June 30, 2010	77,002,838	102,996,280	25,993,442	74.76%	22,355,474	116.27%

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

	(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, 2012	\$ 2,230,622	\$ 2,679,151	\$ 448,529	83.26%	\$ 367,833	121.94%
June 30, 2011	2,313,685	2,815,819	502,134	82.17%	350,356	143.32%
June 30, 2010	2,368,412	2,936,997	568,585	80.64%	361,980	157.08%

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
June 30, 2013

City and School Board - Other Post-Employment Benefits

	(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, 2012	\$ -	\$ 7,035,600	\$ 7,035,600	0.00%	\$27,115,600	25.90%
June 30, 2010	-	5,692,600	5,692,600	0.00%	25,883,600	22.00%
June 30, 2008	-	5,084,800	5,084,800	0.00%	28,051,700	18.10%

See Independent Auditors' Report.

**CITY OF BRISTOL, VIRGINIA
BALANCE SHEET
INDUSTRIAL DEVELOPMENT AUTHORITY
DISCRETELY PRESENTED COMPONENT UNIT
June 30, 2013**

ASSETS	
Cash	\$ 4,186
Receivables	<u>209,315</u>
 TOTAL ASSETS	 <u><u>\$ 213,501</u></u>
 LIABILITIES	
Due to Primary Government	<u>\$ 209,315</u>
 TOTAL LIABILITIES	 <u>209,315</u>
 FUND BALANCE	
Unassigned	<u>4,186</u>
 TOTAL FUND BALANCE	 <u>4,186</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 213,501</u></u>

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

Fund Balance	\$ 4,186
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	<u>600,995</u>
Net Position of Industrial Development Authority	<u><u>\$ 605,181</u></u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
INDUSTRIAL DEVELOPMENT AUTHORITY
DISCRETELY PRESENTED COMPONENT UNIT
For the Fiscal Year Ended June 30, 2013

REVENUES	
Intergovernmental	
City of Bristol, Virginia	\$ 831,763
Investment Earnings	152,250
	<u>984,013</u>
TOTAL REVENUES	<u>984,013</u>
EXPENDITURES	
Economic Development	984,013
	<u>984,013</u>
TOTAL EXPENDITURES	<u>984,013</u>
Net Change in Fund Balance	-
FUND BALANCE, JULY 1, 2012	<u>4,186</u>
FUND BALANCE, JUNE 30, 2013	<u><u>\$ 4,186</u></u>

Amounts reported in the Statement of Activities are different because:

Net Change in Fund Balance	\$ -
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over the useful lives. This is the amount by which capital outlays exceeded depreciation expense in the current period.	936,852
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The net effect of various transactions involving capital assets (contributions and sales) is to decrease net position.	(335,857)
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Revenues in the funds are recorded when they provide current financial resources to the government while in the statement of activities, those revenues were recorded at the time when they were considered earned.	(145,000)
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Expenditures are reported in the funds when they require the use of current financial resources while in the statement of activities those expenses are recorded when incurred.	<u>145,000</u>
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Change in Net Position	<u><u>\$ 600,995</u></u>
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See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

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	\$ 358,107
<u>Department of Health and Human Services</u>			
Family Preservation and Support	Department of Social Services	93.556	18,203
Temporary Assistance to Needy Families	Department of Social Services	93.558	407,107
Refugee and Entrant Assistance - State Administered Programs	Department of Social Services	93.566	1,317
Low-Income Home Energy Assistance	Department of Social Services	93.568	35,141
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Social Services	93.596	58,584
Chafee Education and Training Vouchers Program	Department of Social Services	93.599	2,108
Child Welfare Services - State Grants	Department of Social Services	93.645	2,087
Foster Care - Title IV-E	Department of Social Services	93.658	578,120
Adoption Assistance	Department of Social Services	93.659	161,822
Social Services Block Grant	Department of Social Services	93.667	265,956
Independent Living	Department of Social Services	93.674	5,866
State Children's Insurance Program	Department of Social Services	93.767	8,732
Medical Assistance Program	Department of Social Services	93.778	210,493
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant - Entitlement Grants	N/A	14.218	255,086
<u>Department of Homeland Security</u>			
Emergency Management Performance Grants	Department of Emergency Management	97.042	31,000
Assistance to Firefighters Wellness Grant	Department of Emergency Management	97.044	20,700
2011 Haz-Mat Team Equipment, Exercise and Training Grant	Department of Emergency Management	97.073	32,434
2011 Heavy Tactical Rescue Team Equipment, Exercise and Training Grant	Department of Emergency Management	97.073	50,000
2010 Haz-Mat Team Equipment, Exercise and Training Grant	Department of Emergency Management	97.073	45,719
2010 Heavy Tactical Rescue Team Equipment, Exercise and Training Grant	Department of Emergency Management	97.073	59,941
2009 Heavy Tactical Rescue Team Equipment, Exercise and Training Grant	Department of Emergency Management	97.073	73,553
2009 Interoperable Communications Unit	Department of Emergency Management	97.073	23,471
State Homeland Security Program Grant	Department of Criminal Justice Services	97.067	4,442
Crime Records Information Sharing Network Expansion			
State Homeland Security Program Grant	Department of Emergency Management	97.067	22,000
CBRNE Recon Equipment Project			
State Homeland Security Program Grant	Department of Emergency Management	97.073	6,500
Information Sharing - LINX System			

(Continued)

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Program Title	Pass-Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<u>Department of Justice</u>			
Violence Against Women Formula Grants	Department of Criminal Justice Services	16.588	21,771
Edward Byrne Memorial Justice Assistance Grant Program - Digital Cameras for Patrol Officers	Department of Criminal Justice Services	16.738	5,542
Vest Grant	Department of Criminal Justice Services	16.607	8,087
Drug Court Discretionary Grant Program - 2010	N/A	16.585	142,033
<u>Department of Transportation</u>			
Drive Hammered Get Nailed	Department of Transportation	20.600	26,473
Selective Enforcement Grant - Alcohol	Department of Transportation	20.600	23,381
Metro Planning Organization (Section 5303)	City of Bristol, Tennessee	20.514	28,288
Transit Operating Assistance Grant	Department of Transportation	20.507	205,231
Transit Capital Assistance Grant	Department of Transportation	20.500	113,073
Total Federal Award Expenditures			<u>\$ 3,312,368</u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
NOTES TO SCHEDULE OF FEDERAL AWARDS
June 30, 2013

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:

Believe in Bristol	\$ 35,500
Bristol Housing and Redevelopment	7,572
Children's Advocacy Center	5,000
Crossroads Medical Mission	5,000
D.A.R.E.	2,000
King Mountain Permanent Housing	5,000
Patricia Freedman Literacy Academy	<u>20,915</u>
	<u>\$ 80,987</u>

NOTE 3 - PROGRAM INCOME

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

See Independent Auditors' Report.

SECTION III
OTHER SUPPLEMENTAL INFORMATION SECTION
(UNAUDITED)

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
Net Investment in Capital Assets	\$ 27,983,924	33,995,609	30,777,836	29,401,065	29,915,337	23,694,648	28,512,940	13,804,929	10,555,902	6,094,345
Restricted	2,029,871	779,252	955,441	1,614,580	2,073,182	2,842,539	-	119,144	335,787	362,658
Unrestricted	24,072,734	24,745,959	26,663,740	22,824,118	23,274,681	26,693,206	22,233,712	11,079,991	13,999,679	17,748,246
Total Governmental Activities Net Position	<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>	<u>24,891,368</u>	<u>24,205,249</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	43,849,657	34,322,730
Restricted	-	-	9,316	9,316	10,322	17,176	14,814	9,374	9,374	9,374
Unrestricted	(33,867,453)	(31,308,522)	(33,531,585)	538,771	(806,746)	(855,858)	97,397	(10,103,653)	(6,521,057)	1,369,722
Total Business-type Activities Net Position	<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>	<u>37,337,974</u>	<u>35,701,826</u>
Primary Government										
Net Investment in Capital Assets	\$ 27,983,924	33,995,609	31,290,383	89,445,690	84,760,608	74,967,515	71,119,501	66,563,653	54,405,559	40,417,075
Restricted	2,029,871	779,252	964,757	1,623,896	2,083,504	2,859,715	14,814	128,518	345,161	372,032
Unrestricted	(9,794,719)	(6,562,563)	(6,867,845)	23,362,889	22,467,935	25,837,348	22,331,109	976,338	7,478,622	19,117,968
Total Primary Government Net Position	<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>	<u>62,229,342</u>	<u>59,907,075</u>

Note:

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

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

See Independent Auditors' Report.

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
EXPENSES										
Governmental Activities										
General Government	\$ 3,863,132	2,738,642	2,700,711	2,978,720	2,661,457	2,802,250	3,054,842	2,601,267	2,427,473	2,389,899
Judicial Administration	1,446,663	1,315,755	1,597,660	1,509,552	1,296,392	1,157,293	1,143,616	1,069,265	957,804	841,884
Public Safety	13,303,468	13,108,290	12,555,922	12,357,339	12,896,808	12,319,196	12,203,912	12,289,639	11,592,580	10,904,991
Public Works	5,825,721	5,645,111	4,951,172	6,659,981	6,353,187	6,462,708	5,920,702	3,629,910	3,617,194	3,466,809
Health and Welfare	6,188,984	5,997,666	5,625,680	5,495,954	5,645,470	6,229,012	5,202,426	5,918,891	4,900,033	4,487,386
Education	9,370,182	8,937,192	8,548,977	9,265,259	9,307,322	8,996,957	8,338,635	9,200,388	8,541,575	9,503,133
Parks, Recreation, and Cultural	3,933,370	3,798,309	2,784,258	2,835,079	2,882,840	2,813,305	2,717,968	2,810,812	2,549,563	2,380,739
Community Development	2,791,217	2,378,139	4,609,396	2,867,133	1,692,851	1,474,618	2,593,211	1,630,732	3,850,009	3,613,557
Transit	474,911	545,380	555,189	552,312	552,299	534,060	502,415	521,312	657,059	489,900
Interest on Long-Term Debt	1,495,132	1,092,274	1,049,255	925,339	1,156,243	939,447	873,403	754,571	677,586	643,352
Total Governmental Activities Expenses	<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>	<u>39,770,876</u>	<u>38,721,650</u>
Business-type Activities										
Electric	-	-	-	48,136,810	51,968,590	43,059,795	37,947,763	37,996,520	29,674,864	22,877,316
Water	-	-	-	3,167,214	3,021,749	2,752,272	2,696,045	2,542,253	2,582,115	2,758,274
Wastewater	-	-	-	3,198,095	3,123,505	2,993,874	3,075,293	3,033,617	3,061,934	3,167,805
OptiNet	-	-	-	17,622,508	16,476,305	14,227,775	11,806,290	10,732,027	10,200,551	8,068,127
Solid Waste Disposal	6,799,466	6,853,393	7,117,767	7,252,392	7,020,171	6,718,162	7,199,284	7,009,844	7,071,098	7,140,610
Golf Course	-	-	1,019,440	1,093,885	1,117,334	1,129,135	1,186,216	1,266,691	1,170,971	1,111,281
Total Business-type Activities Expenses	<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>	<u>53,761,533</u>	<u>45,123,413</u>
Total Primary Government Expenses	<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>	<u>93,532,409</u>	<u>83,845,063</u>

(Continued)

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
PROGRAM REVENUES										
Governmental Activities										
Charges for Services										
General Government	\$ 477,548	273,817	280,751	316,195	277,958	257,859	261,452	165,907	202,410	156,240
Judicial Administration	341,793	348,572	332,140	279,718	230,806	250,633	214,632	258,272	275,919	314,482
Public Safety	138,616	128,420	183,343	174,210	274,435	473,704	708,593	759,331	729,335	807,140
Public Works	4,751	1,137	1,647	2,861	547	882,538	733,494	853,049	625,035	546,176
Health and Welfare	-	-	-	-	-	-	-	118,140	122,273	126,710
Parks, Recreation, and Cultural	895,803	998,571	101,527	97,233	91,769	98,123	103,223	114,107	108,966	108,142
Other Activities	46,345	44,620	39,865	34,769	39,318	37,804	41,145	36,831	38,829	43,001
Operating Grants and Contributions	14,277,719	14,065,443	16,737,399	13,868,952	13,325,110	14,337,295	12,670,217	11,487,441	10,672,859	9,661,849
Capital Grants and Contributions	1,370,963	4,189,662	2,947,622	3,730,705	2,656,318	1,565,583	4,549,390	1,798,859	490,464	353,992
Total Governmental Activities Program Revenues	<u>17,553,538</u>	<u>20,050,242</u>	<u>20,624,294</u>	<u>18,504,643</u>	<u>16,896,261</u>	<u>17,903,539</u>	<u>19,282,146</u>	<u>15,591,937</u>	<u>13,266,090</u>	<u>12,117,732</u>
Business-type Activities										
Charges for Services										
Electric	-	-	-	50,543,639	54,844,870	46,489,221	39,857,424	39,870,170	34,258,137	27,903,957
Water	-	-	-	3,179,182	3,530,035	3,337,032	3,341,488	3,191,277	2,932,032	2,627,925
Wastewater	-	-	-	3,316,913	3,197,360	3,329,804	3,264,167	3,287,249	3,177,476	3,492,236
OptiNet	-	-	-	19,236,343	17,234,687	14,525,312	10,973,174	8,633,285	7,272,254	4,654,103
Solid Waste Disposal	4,838,203	5,558,996	5,351,757	4,900,792	4,755,432	4,311,968	4,254,511	4,155,851	4,278,408	4,404,205
Golf Course	-	-	681,069	654,339	695,125	750,047	748,699	734,213	796,174	842,672
Capital Grants and Contributions	-	-	-	3,826,270	2,341,810	5,648,768	1,180,429	7,263,779	2,809,297	1,128,919
Total Business-type Activities Program Revenues	<u>4,838,203</u>	<u>5,558,996</u>	<u>6,032,826</u>	<u>85,657,478</u>	<u>86,599,319</u>	<u>78,392,152</u>	<u>63,619,892</u>	<u>67,135,824</u>	<u>55,523,778</u>	<u>45,054,017</u>
Total Primary Government Program Revenues	<u>\$ 22,391,741</u>	<u>25,609,238</u>	<u>26,657,120</u>	<u>104,162,121</u>	<u>103,495,580</u>	<u>96,295,691</u>	<u>82,902,038</u>	<u>82,727,761</u>	<u>68,789,868</u>	<u>57,171,749</u>
NET (EXPENSE)/REVENUE										
Governmental Activities	\$ (31,139,242)	(25,506,516)	(24,353,926)	(26,942,025)	(27,548,608)	(25,825,307)	(23,268,984)	(24,834,850)	(26,504,786)	(26,603,918)
Business-type Activities	<u>(1,961,263)</u>	<u>(1,294,397)</u>	<u>(2,104,381)</u>	<u>5,186,574</u>	<u>3,871,665</u>	<u>7,511,139</u>	<u>(290,999)</u>	<u>4,554,872</u>	<u>1,762,245</u>	<u>(69,396)</u>
Total Primary Government Net (Expense)/Revenue	<u>\$ (33,100,505)</u>	<u>(26,800,913)</u>	<u>(26,458,307)</u>	<u>(21,755,451)</u>	<u>(23,676,943)</u>	<u>(18,314,168)</u>	<u>(23,559,983)</u>	<u>(20,279,978)</u>	<u>(24,742,541)</u>	<u>(26,673,314)</u>

(Continued)

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental Activities										
Taxes										
Property Taxes	\$ 13,833,296	13,597,177	13,427,997	12,651,353	12,686,832	13,392,015	16,359,843	11,222,394	9,932,616	10,094,587
Other Taxes	12,427,340	12,419,037	11,722,627	11,448,949	11,613,383	12,046,825	11,690,941	10,494,811	10,365,709	9,697,950
Payments from Primary Government	-	-	-	-	-	-	-	14,016	1,808,068	2,777,778
Grants and Contributions Not Restricted	3,222,122	3,086,610	3,312,837	2,393,388	2,262,805	2,333,394	2,352,125	3,007,102	3,852,074	2,635,195
Investment Earnings	34,554	40,707	58,232	34,069	125,736	214,667	187,409	108,697	97,677	7,266
Gain (Loss) on Sale of Property	(84,010)	4,122	(99,480)	29,343	(2,343,748)	(27,853)	117,601	(152,889)	8,693	(27,003)
Other	9,474	414,997	-	-	-	-	-	21,572	8,568	30,985
Transfers	-	(2,932,331)	-	(1,352,839)	458,300	350,000	350,000	350,000	1,117,500	3,581,484
Total Governmental Activities	<u>29,442,776</u>	<u>26,630,319</u>	<u>28,422,213</u>	<u>25,204,263</u>	<u>24,803,308</u>	<u>28,309,048</u>	<u>31,057,919</u>	<u>25,065,703</u>	<u>27,190,905</u>	<u>28,798,242</u>
Business-type Activities										
Investment Earnings	582	2,028	2,094	110,037	175,516	524,052	697,018	1,454,416	1,050,095	766,991
Gain (Loss) on Sale of Property	(8,725)	32,815	(19,154)	(105,585)	25,781	17,048	(1,692)	(406)	(58,692)	(31,329)
Other	-	28,423	-	-	-	-	-	-	-	-
Transfers	-	2,932,331	-	1,352,839	(458,300)	(350,000)	(350,000)	(350,000)	(1,117,500)	(3,581,484)
Total Business-type Activities	<u>(8,143)</u>	<u>2,995,597</u>	<u>(17,060)</u>	<u>1,357,291</u>	<u>(257,003)</u>	<u>191,100</u>	<u>345,326</u>	<u>1,104,010</u>	<u>(126,097)</u>	<u>(2,845,822)</u>
Total Primary Government	<u>\$ 29,434,633</u>	<u>29,625,916</u>	<u>28,405,153</u>	<u>26,561,554</u>	<u>24,546,305</u>	<u>28,500,148</u>	<u>31,403,245</u>	<u>26,169,713</u>	<u>27,064,808</u>	<u>25,952,420</u>
CHANGE IN NET POSITION										
Governmental Activities	\$ (1,696,466)	1,123,803	4,557,254	(1,423,437)	2,032,807	2,483,741	7,788,935	230,853	686,119	2,194,324
Business-type Activities	<u>(1,969,406)</u>	<u>1,701,200</u>	<u>(2,121,441)</u>	<u>6,543,865</u>	<u>3,614,662</u>	<u>7,702,239</u>	<u>54,327</u>	<u>5,658,882</u>	<u>1,636,148</u>	<u>(2,915,218)</u>
Total Primary Government	<u>\$ (3,665,872)</u>	<u>2,825,003</u>	<u>2,435,813</u>	<u>5,120,428</u>	<u>5,647,469</u>	<u>10,185,980</u>	<u>7,843,262</u>	<u>5,889,735</u>	<u>2,322,267</u>	<u>(720,894)</u>

Note:

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

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

See Independent Auditors' Report.

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Nonspendable	\$ 19,835,179	18,228,985	20,641,868	-	-	-	-	-	-	-
Restricted	2,029,871	779,252	955,441	-	-	-	-	-	-	-
Unassigned	5,249,125	5,795,788	5,056,131	-	-	-	-	-	-	-
Reserved	-	-	-	20,656,132	19,727,559	17,445,721	11,292,989	7,883,336	3,302,676	6,904,013
Unreserved	-	-	-	3,130,749	4,714,935	8,715,759	7,938,332	787,983	7,795,789	9,179,187
Total General Fund	<u>\$ 27,114,175</u>	<u>24,804,025</u>	<u>26,653,440</u>	<u>23,786,881</u>	<u>24,442,494</u>	<u>26,161,480</u>	<u>19,231,321</u>	<u>8,671,319</u>	<u>11,098,465</u>	<u>16,083,200</u>
All Other Governmental Funds										
Assigned	\$ -	8,356	17,157	-	-	-	-	-	-	-
Unassigned	(8,925)	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	27,870	-	-
Unreserved, Reported in:	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	-	-	-	18,364	24,532	87,935	9,627	(26,385)	28,317	11,171
Total All Other Governmental Funds	<u>\$ (8,925)</u>	<u>8,356</u>	<u>17,157</u>	<u>18,364</u>	<u>24,532</u>	<u>87,935</u>	<u>9,627</u>	<u>1,485</u>	<u>28,317</u>	<u>11,171</u>

Note:

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

See Independent Auditors' Report.

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
REVENUES										
Taxes	\$ 27,619,746	26,334,737	25,730,352	24,620,177	24,918,957	26,309,728	28,220,221	21,752,273	20,298,325	19,727,411
Permits, Privilege Fees, and Licenses	48,089	69,455	104,035	31,359	43,601	55,367	88,032	86,288	93,415	74,017
Fines and Forfeitures	212,516	228,566	222,367	175,137	134,421	148,419	146,528	186,976	214,507	247,654
Investment Earnings	542,803	329,232	351,582	360,088	409,244	536,400	523,313	489,918	267,281	168,309
Charges for Services	1,084,589	1,161,149	274,959	332,728	400,203	1,273,679	1,116,025	1,430,179	1,287,715	1,307,061
Other	2,052,718	1,596,172	1,674,254	972,769	388,716	595,798	627,169	350,328	534,222	509,655
Intergovernmental	16,259,174	19,132,860	20,691,719	18,532,759	16,829,007	17,071,694	16,971,145	15,403,804	15,058,282	12,487,916
Total Revenues	47,819,635	48,852,171	49,049,268	45,025,017	43,124,149	45,991,085	47,692,433	39,699,766	37,753,747	34,522,023
EXPENDITURES										
General Government	3,136,968	2,669,506	2,425,753	2,587,737	2,556,942	2,854,121	2,949,908	2,500,908	2,299,735	2,285,132
Judicial Administration	1,379,353	1,453,743	1,485,763	1,401,759	1,271,989	1,127,182	1,120,914	1,039,768	955,437	815,370
Public Safety	13,090,233	13,202,148	12,908,930	12,199,613	12,511,555	12,041,017	12,854,163	12,295,870	11,646,734	10,895,628
Public Works	4,965,547	4,750,566	4,267,752	4,136,424	4,033,008	4,193,526	3,866,181	3,990,794	4,143,388	4,012,670
Health and Welfare	6,198,340	6,016,795	5,635,487	5,507,342	5,623,301	6,222,774	5,201,697	5,911,003	4,907,608	4,462,085
Education	9,151,682	8,701,292	8,298,377	8,976,766	9,009,699	8,690,721	8,019,557	8,868,472	8,196,819	9,145,537
Parks, Recreation, and Cultural	3,616,612	3,458,881	2,504,239	2,514,823	2,849,361	2,484,434	2,420,945	2,736,703	2,521,567	2,311,299
Community Development	1,674,584	2,401,272	4,797,396	2,867,133	1,692,851	1,474,618	2,593,211	1,600,291	3,847,048	6,083,691
Transit	578,936	519,256	598,985	520,962	623,487	520,894	477,949	528,463	628,542	511,667
Capital Projects	23,797,731	5,901,666	2,259,068	2,024,195	3,343,054	1,183,154	2,915,828	1,903,490	3,323,348	1,052,674
Debt Service:										
Principal	10,828,820	4,470,405	6,876,400	7,354,194	1,282,171	5,436,521	3,959,810	1,574,531	1,116,698	585,883
Interest and Bond Issue Costs	1,699,310	1,007,191	923,095	979,386	983,772	731,396	756,711	734,986	707,047	616,466
Total Expenditures	80,118,116	54,552,721	52,981,245	51,070,334	45,781,190	46,960,358	47,136,874	43,685,279	44,293,971	42,778,102
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,298,481)	(5,700,550)	(3,931,977)	(6,045,317)	(2,657,041)	(969,273)	555,559	(3,985,513)	(6,540,224)	(8,256,079)
OTHER FINANCING SOURCES (USES)										
Proceeds from Borrowing	34,115,513	6,146,486	6,270,473	6,630,569	-	6,747,950	7,422,000	724,750	2,321,500	4,475,000
Payments to Bond Escrow Agents	-	-	-	-	-	-	-	-	(2,302,887)	-
Sale of Capital Assets	55,112	20,791	16,421	105,806	65,630	78,891	2,151,267	418,349	436,522	34,455
Insurance Recoveries	9,474	671,165	21,468	-	-	-	-	38,436	-	-
Capital Lease	411,251	-	-	-	-	1,400,899	-	-	-	-
Transfers In	-	(2,996,108)	-	-	809,023	350,000	350,000	350,000	1,291,004	3,863,484
Transfers Out	-	-	-	(1,352,839)	-	-	-	-	(173,504)	(282,000)
TOTAL OTHER FINANCING SOURCES (USES)	34,591,350	3,842,334	6,308,362	5,383,536	874,653	8,577,740	9,923,267	1,531,535	1,572,635	8,090,939
Net Change in Fund Balances	\$ 2,292,869	(1,858,216)	2,376,385	(661,781)	(1,782,388)	7,608,467	10,478,826	(2,453,978)	(4,967,589)	(165,140)
Debt Service as a Percentage of Noncapital Expenditures	22.24%	11.26%	15.38%	16.99%	5.34%	13.47%	10.67%	5.53%	4.45%	2.88%

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Real Estate (1)	Personal Property (2)	Machinery and Tools (2)	Public Service Corporation (3)	Mobile Homes (4)	Total Assessed Value	Tax Rate (per \$100)	
							Real Estate	Personal Property
2013	\$ 1,034,599,500	41,924,567	11,930,403	18,414,192	1,279,636	1,108,148,298	0.99%	7.00%
2012	1,055,329,250	43,626,984	12,067,951	19,026,098	1,377,046	1,131,427,329	0.94%	7.00%
2011	1,042,533,650	49,163,845	12,137,866	17,495,045	1,468,048	1,122,798,454	0.94%	7.00%
2010	1,037,501,250	36,755,193	10,657,820	15,375,438	1,534,142	1,101,823,843	0.94%	7.00%
2009	932,366,500	40,381,108	10,815,071	15,573,204	1,495,279	1,000,631,162	1.05%	7.00%
2008	918,459,200	38,417,934	12,790,535	14,250,641	1,505,142	985,423,452	1.05%	7.00%
2007	874,768,300	35,898,923	17,593,513	19,560,928	1,664,016	949,485,680	0.98%	6.00%
2006	767,041,575	34,747,388	17,859,218	16,764,883	*	836,413,064	0.98%	6.00%
2005	754,670,575	36,732,886	18,095,654	18,955,042	*	828,454,157	0.98%	6.00%
2004	738,938,475	36,048,456	15,856,600	20,181,818	*	811,025,349	0.98%	6.00%

* - Not available

(1) Assessed at 100% of fair market value

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

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

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

Note: Reassessments occur every four years

Source: Commissioner of Revenue

See Independent Auditors' Report.

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

<u>Taxpayer</u>	2013			2004		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Johnson Sugar Hollow LLC (Alpha)	\$ 17,547,000	1	20.0%	\$ -		0.0%
Bristol Mall Associates	16,871,900	2	19.2%	21,335,200	1	26.8%
D&J Virginia Real Estate LLC (Holiday Inn)	9,078,400	3	10.3%	16,668,000	2	21.0%
HD Development of MD (Home Depot)	8,392,900	4	9.6%	-		0.0%
Debora Jean Limited (Tinseltown)	7,287,900	5	8.3%	6,591,300	4	8.3%
BLC Bristol-GC LLC (Brookdale Assisted Living)	6,895,900	6	7.8%	-		0.0%
Apple Nine SPE Bristol (Marriott)	6,502,700	7	7.4%	-		0.0%
Ball Metal Beverage Container Corp.	5,733,000	8	6.5%	4,890,900	7	6.1%
Yale Bristol VA LLC (Bonham Road Strip Center)	5,007,100	9	5.7%	-		0.0%
Pacific Capital Group (Post Office/Food Lion)	4,552,900	10	5.2%	-		0.0%
Electrolux LLC	-		0.0%	7,067,200	3	8.9%
Bristol Brass & Copper	-		0.0%	5,660,500	5	7.1%
C&J Bristol Plaza	-		0.0%	5,423,400	6	6.8%
Liberty Place Associates	-		0.0%	4,447,800	8	5.6%
The United Company	-		0.0%	3,794,500	9	4.8%
Bristol Associates	-		0.0%	3,658,600	10	4.6%
	<u>\$ 87,869,700</u>		<u>100.0%</u>	<u>\$ 79,537,400</u>		<u>100.0%</u>

Source: Commissioner of Revenue

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Adjusted Levy		Amount	Percentage of Levy
2013	\$ 14,091,943	\$ 13,394,232	95.05%	\$ -	\$ 13,394,232	95.05%
2012	13,724,757	12,948,516	94.34%	298,549	13,247,065	96.52%
2011	13,721,770	12,883,684	93.89%	515,133	13,398,817	97.65%
2010	13,454,389	12,645,361	93.99%	583,473	13,228,834	98.32%
2009	13,552,799	12,800,034	94.45%	558,308	13,358,342	98.57%
2008	13,397,350	12,815,457	95.66%	367,043	13,182,500	98.40%
2007	12,294,395	11,351,927	92.33%	755,446	12,107,373	98.48%
2006	11,769,692	11,281,140	95.85%	300,926	11,582,066	98.41%
2005	10,748,059	10,370,212	96.48%	206,204	10,576,416	98.40%
2004	9,962,418	9,551,491	95.88%	229,390	9,780,881	98.18%

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Legal Debt Margin										
Debt Limit	\$ 105,301,369	107,435,535	106,002,870	103,750,125	93,236,650	91,845,920	87,476,830	76,704,158	75,467,058	73,893,848
Total Net Debt Applicable to Limit	81,145,000	57,607,500	56,339,584	57,830,000	59,952,387	62,287,820	59,894,556	61,713,861	51,753,727	42,985,000
Legal Debt Margin	<u>\$ 24,156,369</u>	<u>49,828,035</u>	<u>49,663,286</u>	<u>45,920,125</u>	<u>33,284,263</u>	<u>29,558,100</u>	<u>27,582,274</u>	<u>14,990,297</u>	<u>23,713,331</u>	<u>30,908,848</u>

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed Value	\$ 1,053,013,692
Debt Limit (10% of assessed value)	105,301,369
Less Debt Applicable to Limit:	
General Obligation Bonds	(79,945,000)
Other Long-Term Obligations	<u>(1,200,000)</u>
Legal Debt Margin	<u>\$ 24,156,369</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
2013	\$ 46,907,400	33,037,600	79,945,000	7.21%	4,526	-	1,200,000
2012	23,389,548	32,777,952	56,167,500	4.96%	3,164	-	1,440,000
2011	17,961,234	36,698,350	54,659,584	4.87%	3,090	-	1,680,000
2010	18,394,451	37,515,549	55,910,000	4.98%	3,192	-	1,920,000
2009	18,786,751	38,993,249	57,780,000	5.24%	3,299	-	2,172,387
2008	19,534,789	40,320,211	59,855,000	5.98%	3,432	-	2,432,820
2007	16,277,411	40,913,325	57,190,736	5.80%	3,287	-	2,703,820
2006	12,345,291	41,868,500	54,213,791	5.71%	3,116	2,775,000	2,974,820
2005	12,710,937	39,042,790	51,753,727	6.19%	2,974	211,500	3,247,455
2004	13,315,000	29,670,000	42,985,000	5.19%	2,485	2,654,000	3,516,820

Fiscal Year	Business-Type Activities			Total Debt		
	Revenue Bonds	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
2013	\$ -	-	262,948	81,407,948	*	4,609
2012	-	-	377,572	57,985,072	*	3,267
2011	-	-	366,539	56,706,123	*	3,206
2010	46,560,500	-	397,603	104,788,103	*	5,982
2009	47,585,500	-	235,702	107,773,589	*	6,153
2008	48,095,500	-	101,655	110,484,975	*	6,336
2007	48,950,000	-	155,545	109,000,101	*	6,264
2006	50,310,000	-	201,497	110,475,108	*	6,349
2005	50,870,000	50,000	166,236	106,298,918	*	6,109
2004	51,350,000	100,000	286,728	100,892,548	22.02%	5,832

* Not available

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

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

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

See Independent Auditors' Report.

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (3)</u>	<u>Public School Enrollment</u>	<u>Unemployment Rate</u>
2013	17,662	*	2,232	8.2%
2012	17,750	*	2,265	8.3%
2011	17,753	33,851	2,276	8.8%
2010	17,849	32,084	2,244	9.2%
2009	17,516	32,506	2,265	10.5%
2008	17,429	32,454	2,272	5.9%
2007	17,571	30,895	2,308	5.2%
2006	17,425	29,880	2,302	4.8%
2005	17,479	27,657	2,295	5.3%
2004	17,433	25,982	2,324	6.0%

*Not available

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

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

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

See Independent Auditors' Report.

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

<u>EMPLOYER</u>	<u>2013</u>			<u>2008</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	721	1	18.20%	700	1	17.39%
Electro Mechanical Corp.	620	2	15.65%	400	5	9.94%
Commonwealth of Virginia	601	3	15.17%	300	7	7.45%
Office Max	400	4	10.10%	500	3	12.42%
Strongwell Corp	300	5	7.57%	450	4	11.18%
Alpha Natural Resources	276	6	6.97%			
Shearer's (formerly Moore's Snack Foods)	248	7	6.26%	150	11	3.73%
United Parcel Service	243	8	6.13%	300	6	7.45%
Ball Corp (formerly Reynolds Metal)	227	9	5.73%	200	8	4.97%
Aerus (formerly Electrolux)	168	10	4.24%	125	12	3.11%
Virginia Intermont College	157	11	3.96%	200	9	4.97%
Sprint PCS	0		0.00%	500	2	12.42%
US Solutions	0		0.00%	200	10	4.97%
	<u>3,961</u>		<u>100.00%</u>	<u>4,025</u>		<u>100.00%</u>

Source: Community Development & Planning

See Independent Auditors' Report.

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

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

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

* Comparable information was not available for prior years.

See Independent Auditors' Report.

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

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

See Independent Auditors' Report.

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

<u>Function/Program</u>	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>Public Safety</u>									
Law Enforcement Vehicles	63	70	69	76	73	79	80	94	95
Fire Stations	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	48.80	49.00	48.00	48.00
Secondary Streets (lane miles)	210.49	210.49	210.49	208.55	208.23	208.23	208.00	204.00	202.00
<u>Parks, Recreation, and Cultural</u>									
Community Center	1	1	1	1	1	1	1	1	1
Parks/Athletic Fields	18	18	18	18	18	18	18	18	17

See Independent Auditors' Report.

SECTION IV
INTERNAL CONTROL AND
COMPLIANCE SECTION

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

Honorable Members of City Council
City of Bristol
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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 10, 2014. Our report on the City's financial statements was qualified because the financial statements of BVU Authority, a discretely presented component unit, were not available from other auditors as of the date of this report. However, this report would not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

City of Bristol, Virginia
Independent Auditors' Report on
Internal Control over Financial Reporting

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: 07-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: 12-1 and 13-1.

Compliance and Other Matters

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

The City's Response to Findings

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

Purpose of this Report

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

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

March 10, 2014

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

Honorable Members of City Council
City of Bristol
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, 2013. 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 \$4,166,036 in federal awards which are not included in the schedule during the fiscal year ended June 30, 2013. 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, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Blackburn, Childers and Steagall, PLLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

March 10, 2014

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

1. The auditors’ report expresses an unmodified opinion on the governmental activities, business-type activities, and each major fund. A qualified opinion is expressed on the aggregate discreetly presented component units since BVU Authority is not included.
2. One material weakness and two significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the basic financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the audit.
5. The auditors’ report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

Transit Operating Assistance Grant	20.507
Transit Capital Assistance Grant	20.500
Metro Planning Organization (Section 5303)	20.514
Temporary Assistance to Needy Families	93.558
Foster Care – Title IV-E	93.658
State Administrative Matching Grant for Food Stamp Program	10.561

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, 2013

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

07-1 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 year in order to see an increase in operational efficiency in the next fiscal year. Continued efforts to monitor these results and implementation of changes should be maintained to make this proprietary fund self-sufficient and to repay the General Fund for the advances.

Management Response: Management and City Council are aware of the operations of the Solid Waste Disposal Facility. Continued efforts to streamline operations and increase revenues are ongoing. As noted in a prior audit, construction has begun on the facility to capture methane gas to be converted to energy. This is slated for operations to begin in the first quarter of calendar year 2014.

12-1 Significant Deficiency - Purchasing (Repeated from 6/30/12 report with changes)

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

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

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

Recommendation: While improvements have been made to the purchasing procedures, continued strengthening of internal controls is recommended related to purchase cards and cash disbursements.

Management Response: Management agrees with recommendations. Continued efforts are being made to ensure that proper authorizations and required documentation are obtained for all purchases. The City is reviewing the purchasing policies and looking into areas that will enhance internal controls through education of staff and the use of technology.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2013

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (CONTINUED)

13-1 Significant Deficiency - Conflicts of Interest

Condition: Two conflicts of interest annual disclosure forms, out of the twenty-four examined, were filed subsequent to the due date.

Criteria: Section 2.2-3115 of the Code of Virginia requires the members of every governing body and school board of each city with a population in excess of 3,500 to file, as a condition to assuming office or employment, a disclosure statement of their personal interests and other information and thereafter shall file such a statement annually on or before January 15.

Effect: The City is in violation of the Code of Virginia.

Recommendation: We recommend all officials be notified of the filing date of the annual disclosure form and a review of filings occur prior to the due date to ensure all forms have been completed and filed timely. They should also inform the officials of their legal responsibility to file these forms in a timely fashion.

Management response: Annual disclosure forms are sent to each official 45 days prior to the due date. A memo from the Commonwealth Attorney's office, noting the responsibility of each official, is included in the mailed packets. A second notice is sent to the officials who have not filed 15 days prior to the deadline, and a generated list is sent to the Commonwealth Attorney's office for follow-up. Additionally, Community Development is provided with a list to follow-up with a personal contact.

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

None Reported